

**CHURCH AND SMALL, MEDIUM AND MICRO ENTERPRISES IN RURAL  
TSWAING  
IN THE NORTH WEST PROVINCE**

**By**

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DECLARATION

The research described in this thesis was carried out in the School of Religion and Theology, University of KwaZulu – Natal, Pietermaritzburg, under the supervision of Prof. Steve de Gruchy. This thesis represents the original work of the author, and has not otherwise been submitted in any form for any degree or diploma at any university.

Signature: .....

Date: .....

As Supervisor, I agree to the submission of this thesis

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## ABSTRACT

This thesis is a search for the relationship between the church and SMMEs in the Tswaing Municipality, in the North West Province. It concerns the role of the church in supporting SMMEs in such a way that they benefit the whole community instead of individuals, thus contributing towards the building of the economy in selected areas of rural Tswaing. The selected areas are Khunwana, Atamelang, Manamolela and Gannalaagte/Vrischgewaagd. It is written in the context of the church that has come to understand that ministry to the poor is never complete without dealing with wealth creation, and in recognition of the fact that the church can offer alternative economic values. Small business development and support in rural communities is seen to be a key factor in the building of the community economy.

It is argued that rural economies have generally collapsed due to various factors. First the apartheid policies which displaced communities from areas where agricultural ventures were thriving to areas that were not suitable for subsistence farming. Second was rural urban migration which caused some Tswaing community members to go to cities to find work, leaving behind elderly people and youth who could no longer or were not willing to live off the land. Whilst in the cities such migrants were marginalized and remained jobless.

Research findings indicate that the Tswaing community have assets and entitlements that could be harnessed by the church and other stakeholders like Government and big business, using Kretzmann and McKnight's approach to community development; that of building the community from the inside out to enhance the economy. Four areas of involvement have been identified for the church (i) engaging the three tiers of government by advocacy for small businesses and ensuring implementation of policy; (ii) promotion of development and support for SMMEs and (iii) that the church sets up its own development project.

## **DEDICATION**

I dedicate this thesis to various groups and individuals, namely the SMME owners in Tswaing who assisted me with provision of information required for this work; the Methodist church of Southern Africa for affording me an opportunity to study. I hope that the church will find this work helpful as it strives to assist in the healing and transformation of the African continent, to which she belongs. This thesis is also dedicated to my late grandfather Ngqabe Henry Memela who taught me survival skills as a spectacular businessman; to my late grandmother maZibula Lena Bolitye who was my role model in living out the basic Christian doctrine of faith and works.

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## CHAPTER 1: INTRODUCTION

This thesis is about the role that the church can play in the development and support of SMME's in selected areas of the Tswaing Municipality, in the North West Province. It is argued that although rural economies are known to have collapsed due to various factors including apartheid policies and rural urban migration, the church has the capacity to contribute towards the rural economy.

### 1.1 General introduction

Some of the greatest challenges facing churches in South Africa today include unemployment, creation of jobs, and building the general economy that will not just be beneficial to certain families, but the majority of people within communities. This is particularly true for rural and semi-rural communities. According to Elizabeth Francis (2002:5), in 1999, the National Government estimated that unemployment stood at 36.2%, while 42% of economically active people living in the North West Province were unemployed. A marked shift towards more casualised forms of employment has accompanied job losses. In order to restore the dignity of the poor it is crucial that those who are able to work are not deprived of opportunities to do so.

Given the failure of the past and present political and economic systems to provide jobs, coupled with a failure to provide business opportunities for the rural poor, as well as the inability of cities and towns to absorb any further migrants, skilled and unskilled, it is imperative for the church to participate in helping build the rural economy both by small business support and other means.

My motivation for this study comes from three sources. First, is a theological concern that the church, as an institution rooted amongst the poor, is faced with realities and implications of unemployment, not just of its own members but of the general populace as well, and has a

role to play in alleviating poverty. As a member of the community and a minister of the Methodist Church of Southern Africa, I have experienced the pain of ministering amongst the poor and have heard their cries and realized that there was no way in which religious institutions could be viable without vital links being developed and improved, thus creating creative approaches towards development. Contrary to what Beukes (1999:362) believes with regards to the role of the church in development, when he stated that ‘...it is not the task of the church to set up factories or to try to create jobs within civil society ...’, the church cannot be indifferent to the traumas of people, one of which is lack of jobs, for Beukes also agrees that the church may become involved in such activities in a time of crisis. These are times of crises. This research, therefore, is a response to that cry to be redeemed from crises.

Second, the church has a sincere interest in restoring the dignity of the poor as part of its mission, even if it sometimes does not do it right. This it could do by some form of involvement, for example, by helping create employment through small, medium and micro enterprises or supporting existing ones. This interest of the church is evidenced by, for example, the Methodist Church of Southern Africa, which, through its Conference resolved to “...affirm existing and viable home industries and encourage their further and wider establishment with a view to establishing a network of Small Methodist Enterprises” (2000:158). This work is then part of the general thrust of the church, which in the past and present has been and is still involved in training communities in skills like building, carpentry, knitting, gardening, candle- making, sewing, beadwork, brick-making and many others. The church has now realized that training people in these skills is not enough because in some communities these skills are over-catered, and are without a market.

The work is also motivated by a need to find ways in which the church can participate as a legitimate partner in job creation strategies, as a partial means to building the economy, as

well as exploring other possible strategies, especially for rural areas. This need is further deepened by weaknesses in methods employed by the church in trying to deal with unemployment and rural economy building on the one hand, and a lack of a clearly formulated strategy of its own involvement in business development on the other hand.

The third motivation is a follow up of interesting discussions by our group as students of a theology and development class at the University of KwaZulu-Natal. We struggled with whether there was any need for the church's involvement in business development as a job creation strategy or not. These discussions raised crucial questions as to the need, the mandate and nature of the involvement of the church, which needed further investigation. This study arises therefore from my own need to search for a link between church and small business, the extent to which the church can support SMME'S, as well as discovering means by which the church can assist in building a collective community economy vis a vis individual economy. This is also an attempt to do further exploration, which we did not have enough time to do as a group of student.

Some of the arguments in this investigation are therefore guided by some of these early deliberations as well as first hand information from those who have hands on experience on small, medium and micro enterprise development in the Tswaing Municipality area, with special emphasis on Atamelang township, Khunwana, Gannalaagte, Vrischgewacht, Kopela and Manamolela reserves.

It is very difficult to be indifferent when one lives and ministers among starving women and youth, the most vulnerable groups in any community, who are often used as seasonal workers, with very little or no remuneration from farmers. As part of a church which is a community involved in transforming lives and believing in the ability of human beings to

transcend present realities, including unemployment, the researcher has been motivated by this refusal to accept poverty and unemployment as norms, and driven by a hope which claims that there must be an alternative.

## 1.2 The research strategy

### *1.2.1 The research problem*

It is a known fact that there is a scourge of unemployment throughout South Africa. Cawker and Whitehead, (1993:1) state that unemployment throughout South Africa had been on the increase for two decades then, and became more prominent in terms of visibility since mid 80's. According to their view part of the problem has resulted from the time the influx control legislation was scrapped with the result that Blacks from rural areas migrated to towns to search for work. Although from the researcher's opinion, this does not explain why there is unemployment in rural areas; people still migrate to cities in search of greener pastures. I would agree more with the report that was prepared by May, (1998:16) for the office of the then Executive Deputy President and the Inter-Ministerial Committee for Poverty, that those affected by previous land policies, and who were therefore alienated from the land, are the ones who are mostly affected by unemployment.

In response to the lack of jobs, the church has tried to equip the poor with survival skills, with the intention that they start their own businesses. Whilst these have good intentions, they do not help the poor much, for most of the skills are in abundance already. The market is oversaturated. Rural communities are consumers who mainly rely on government grants. Due to the lack of doing proper feasibility studies of the availability of the markets, people produce goods that the market does not need. Worst still, most of the goods produced are of a low quality because of receiving inferior training.

The church is aware that even when businesses thrive in rural areas more often than not, they either benefit individuals, or just a few members in the community. In turn there is a need for a paradigm shift in strategy. The church is also aware that the poor have to be encouraged to move from being job seekers to being job providers, using what they have as a point of departure, for instance activities, assets and entitlements, in a small scale primarily and then move to entrepreneurship. The interest here is not just in the survival of communities or in fulfilling their basic needs, but is in developing capacities to improve their livelihood systems. The church is also conscious of the advantages of small businesses for poor communities.

All this is not an easy task. What Nsanzya (2002:21) says, citing Nurnberger (1978:44), about the lack of motivation of the poor is true, that “the poor, because of their marred social identity and marginal social position, often lack aspiration for change, even when facilities are made available” Take the case of Ivory Park for example, an informal settlement in Midrand, South Africa, where Calvary Methodist, which is a middle class church, started a candle-making project at Ivory Park. Some proceeds from this project were made available to start another development project. The people who were unemployed agreed that it was necessary to use available land for a community vegetable garden. After three weeks participants were no longer coming to work that land. Facilities were available, and so were funds, but motivation was not there. Of course there were other factors involved. One assumes that as Christian (1998:37) claims, the marring of the identity of the poor, their systematic exclusion as actors as well as their being labeled as lazy, ignorant, or unworthy by the rich and by the church has taken its toll. According to Escobar (1971: 92) First and Third world leaders colluded in selling Third world resources to the most convenient bidder in the First world thus impoverishing the former , leaving its citizens feeling that they were inferior

to others. The church is therefore faced with a multifaceted problem that requires multidimensional and multi- sectoral approaches.

### *1.2.2 The Research question*

The research question is therefore: given the high rate of joblessness, to what extent should the church support SMMEs as a way of building the community economy?

#### *1.2.2.1 Sub-problems*

From the problem statement several questions arise. These need to be answered in order to respond to the main question. These are: What is the SMME situation in the region? What is the framework within which the church can work? What strategies for building the rural community economy can be employed?

### *1.2.3 The hypothesis*

In rural and semi-rural Tswaing, SMMEs provide a partial means of building the community economy, however there is a need for the church to consider other alternatives. This is in line with Professor Vilakazi's comment (2002:2) said in the City Press Newspaper is true, that the collapse of rural village economies is the root of the massive economic crises of most African countries.

### *1.2.4 The objectives of the study*

The aim of this research is to investigate the possible role of the church in building the Tswaing community economy. There are four objectives of the study: (i) to determine the SMME situation in selected areas of the Tswaing Municipality; (ii) to look at the framework for the church's involvement in development in general, and SMME support in particular; (iii) to suggest the possibility of providing resource material for use by churches; and (iv) to explore possible strategies for building community economy.

### *1.2.5 The research methodology/design*

A survey in which questionnaires were distributed in each of the locations, together with a set of structured interviews were undertaken with a range of people: church and community based programmes, the now defunct community resource centre and the Delareyville economic development forum. Some informal interviews were done with local residents and the then Mayor of Tswaing and the head of the current integrated development planning programme. A cross section of sixty-one local entrepreneurs was interviewed.

Although this work generally qualifies as a pilot study, the belief is that the interviews give sufficient foundation to identify what motivates people to start businesses in Tswaing, the types and nature of businesses in the area, availability of markets and start-up capital, funding, networking, availability of support systems, benefits and constraints of SMMEs in Tswaing, training needs, success, sustainability and access to credit facilities. This work cannot claim to construct a statistically representative sample because of its pilot nature.

The results of the interview are analyzed and interpreted in chapter four and have been linked and brought to bear on the research problem – the insufficiency of SMMEs to build Tswaing's economy. Implications of the collected data have also been worked out and the research findings have been reported on.

An asset focused approach as advocated by Kretzmann and McKnight (1993:55ff) is used in this research because of the following advantages: policies that will be based on capacities, skills and assets; development that starts from within affected communities themselves instead of from outsiders, and harnessing of those institutions within communities that are not yet involved in community development.



### *1.2.6 The literature review*

A desk-top review of literature related to the topic has been done. Primary and secondary sources, published and unpublished, which include books, legislation by government, professional journals in church and development, other reports, conference papers, the internet resources have been studied.

## 1.3 Definition of concepts

Generally an attempt will be made to avoid the use of jargon in the thesis. Some working definitions of a few terms will be given for commonality of understanding.

### *1.3.1 Church*

‘Church’ in this discussion refers to a body of believers in Christ, primarily in areas under discussion, unless otherwise indicated. The context will indicate when the term refers to this body at local, circuit, district, connexional or universal levels, as the case may be. In other cases the term ‘church’ will be qualified where it refers to specific denominations.

### *1.3.2 Rural areas*

In this discussion ‘rural areas’ generally refer to sparsely populated areas in which people farm or depend on natural resources, including villages, but excluding small towns. It refers to all farms within the area under discussion, whether large or small. Rural households being discussed may not necessarily be agricultural. They are characterized by a lack of formal housing, and inadequate services; may not necessarily benefit from utilization of natural resources; and are rural clusters where the main source of income is transfers or remittances. This definition has been adapted from the Department of Land Affairs rural development task team’s definition (1997:5). This has been included because any intervention in rural development necessitates understanding rural settlements.

Furthermore, it is crucial to make sense of why rural settlements are sparsely spread as opposite to urban dwellings; their linkages to nature and how negotiating with nature would enhance business practices, as well as functions played by indigenous building methods. For example an analysis of a homestead in rural areas will indicate that there is division of the land without a professional ‘planner’ (showing local wisdom as an asset) and that households develop in a specific manner, with houses or huts build in a linear manner. Then there is communal space called ‘ibala’ for festivities and a sacred space for burial. The discussion on the use of space will be much clearer in the chapter on church and small business development.

### *1.3.3 Adaptive strategies*

Adaptive strategies refer to ‘the changes and adjustments people make in their livelihood systems in order to cope under difficult circumstances’ (Helmore & Singh 2001:3). When these strategies are applied over a period of time they become part of every-day life.

### *1.3.4 Sustainable livelihoods*

People engage in often diverse and complex strategies to live, best described as livelihoods. Livelihoods consist of assets, activities and entitlements by which people make a living. The International Institution for Sustainable Development defines sustainable livelihoods as being “... concerned with people’s capacities to generate and maintain their means of living, enhance their well being, and that of future generations”. Singh and Titi (1994:29) state that ‘capacities are contingent upon the availability and accessibility of options that are ecological, socio-cultural, economic, and political and are predicated on equity, ownership of resources and participatory decision-making’. Both the notions of sustainable development and sustainable livelihoods incorporate the idea of change and uncertainty. Sustainable livelihoods therefore put people first.

The inclusion of a definition of sustainable livelihoods here should be understood from the premise that sustainable development should integrate rural living with production activity thus recreating the traditional socio-economic model in order to promote transformation towards a sustainable business approach for rural Tswanaing.

#### *1.3.5 Integrated development planning*

This is a process through which municipalities, in collaboration with other stakeholders, prepare a strategic development plan, for a five-year period. It is based on the Municipal Systems Act no. 32 of 2000. It is therefore a planning instrument, which guides and informs all planning, budgeting, management and decision making within a municipality. It recognizes the challenges of promoting a participatory process by highlighting the need to move from a politically and institutionally barren environment to one that accepts the roles of communities and other stakeholders. Its intention is to integrate the economic, social, institutional and financial dimensions of government to provide sustainability, equity and the empowerment of the poor. Embedded within the IDP process are a preparatory process and a legal framework. These are reflected in various policy and legal frameworks including but not restricted to: the Reconstruction and Development Programme (1994), United Nations Millenium Development goals (2000), North West Growth and Development Plan (2004) and ASGISA (2005).

#### *1.3.6 Community economic development*

This refers to the process by which actors within communities work together with public, business and non-governmental sector partners to create better conditions for economic growth and employment generation. Through this process they establish and maintain a dynamic entrepreneurial culture and create new community and business wealth in order to enhance the quality of life for all in the community (World Bank, 2001:1). What is crucial in

this process is the prioritization of the local economy and increasing competitiveness by using its strengths. According to Kretzmann and McKnight (1993:275) to achieve community economic development certain questions need to be asked: How do community builders recognize and capture the full economic development potential of their local institutions and organizations? How can local savings be captured, in order to expand the availability of important capital and credit for community building purposes? How best can community physical assets be used to maximize community building? The process of local community development has evolved from the 1960's, through the 1980's and 1990's onwards using various tools. This understanding should however not be confused with the idea of progress, of which Shanin (1997:70) states that it serves powerful interest groups.

#### *1.3.7 Activities, assets and entitlements*

These are collectively understood as what constitutes a livelihood. Activities will refer to what the people of Tswaing do to live, basing this on what they have to earn an income. Activities on the one hand vary and will include for example the contractual system that is used by land owners who are not financial viable to grow their own crops and rent their land out to others so that in turn they get paid for the use of their land. Another activity would be based on the knowledge and skills the community has acquired through traditional and cultural processes.

Assets include natural resources like availability of land, water in dams; social assets like a sense of community, family and social networks; political rights of participation and empowerment; human assets like education, opportunities to work, nutrition and health; physical human made assets like access to roads, markets, transportation, clinics, schools, and colleges.

Entitlements refer to the things that community members rely on because of legal or customary rights, like for instance the right to stay with extended family members when life gets rough; the help given by church women's groups when someone's house is burnt down by fire as well as any other mutual support structures that exist in Tswaing. (Adapted from Singh et al, 1996:1ff)

#### *1.3.8 SMMEs: a definition*

Mathale (2005:32), speaking on small business development as an engine for economic growth outlined the problem with defining micro, small and medium enterprises. He claimed that they have been defined in many ways. Each country has now its own acceptable definition. Central characteristics of small enterprise would then be the way it is owned and managed. However the debate highlights the need to look at the intended targets and beneficiaries of specific policies. Kaliyati (1994:156) defines small businesses by their characteristics.

#### *1.3.9 Small Enterprises*

Most simplistically a small enterprise according to the Small Business Development Corporation (SBDC) is an enterprise that has fewer than fifty paid workers (Cawker & Whiteford, 1993:107). The problem with this definition is that it omits other factors that characterize small businesses. These include premises, registration, ownership, levels of productivity, operating capital and use of low levels of technology. In view of the National Small Business Act number 102 of 1996, a 'Small business means a separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector of the economy...' (1996:2).

### *1.3.10 Medium enterprise*

This kind of business is difficult to demarcate vis-à-vis the small and business categories. Basically it is that which is owner or manager controlled, through the shareholders or community. It could have a more complex base, with an employment of one to two hundred people and capital assets of about five million, excluding property.

### *1.3.11 Micro enterprises*

These are very small businesses that often involve one owner, some family members, one or two paid employees, minimal or no formality in terms of business licensing, VAT registration, formal business premises, operating permits and accounting procedures. A limited capital base and technical skills further characterize most enterprises.

### *1.3.12 Survivalist enterprises*

This refers to activities by people who are unable to find employment or get into an economic sector of their choice. Income generated from their activities is far below the minimum income standard, with little capital invested or with no skills training in the particular field, and have very limited opportunities for growth into viable businesses. Survivalist enterprises have been included in this discussion for two reasons. First, because it is crucial to primarily lift people out of this sector if support strategies are envisaged. It is also important because the majority of Tswana communities, as it will be evident in chapter five, fall either within the survivalist or micro enterprise sector. However, it does look like the survivalist phenomenon is not peculiar to Tswana. If what Vilakazi, an economist said in the City Press newspaper of the 30<sup>th</sup> June 2002 was anything to go by, that, ‘as of now, the vast majority of African people live in rural areas, largely involved in subsistence activities’, then survivalist enterprises are not just in Tswana.

### *1.3.13 Partnerships in development practice*

This thesis uses the term ‘partnerships’. Here we are following Botes and Abrahams (2008:119) who quote Fowler where they define partnerships as “...mutually enabling inter-dependent interactions with shared intentions... [whereby] ‘mutually enabling’ is understood to be an ongoing process which reinforces the social credibility, development legitimacy, effectiveness, impact autonomy and organizational viability of both parties”.

### 1.4 The organization of the study

Chapter one is a general introduction to the study. It has dealt with the motivation of the study; the research problem; the research question; hypothesis; objectives; objectives of the study; research methodology; definition of concepts as well as organization of the study.

Chapter two shows the engagement of the church in development. The discussion in this chapter shows how the church is a genuine actor in the development process and how it has its own competencies. Different aspects of these competencies as well as where the church derives its mandate to participate are discussed. This chapter concludes by listing key fundamental principles of what the church should do for good development practice.

Chapter three is an overview of the Tswaing community. It gives both the history of the North West Province and that of Tswaing municipality, placing both these in the backdrop of the apartheid era. Socio-demographic profiles of Tswaing will be given. This includes a general overview of the description of the area, and infra structure with service indicator statistics, as these pertain to development. Within this framework community assets are displayed in a diagram and described. So whilst following the proposition by Kretzmann and Mc.Knight (1993) that of an asset based approach, we can be constantly aware of constraints faced by communities under discussion. This chapter also describes theoretical framework for

SMME development and outlines the SMME situation in Tswaing. Strengths and weaknesses of SMMEs are outlined.

Chapter three concludes by saying that small, medium, micro enterprises and survivalist businesses are seen as a key development strategy.

In Chapter four government policy frameworks are discussed. It is in this chapter that the importance of the nation state as an agent of change at national, provincial and local levels is explained. The chapter concerns itself with how the three tiers of government have set legal frameworks for development and support of small, medium and micro enterprises. The value of the nation state and other organs of state in providing a framework within which businesses operate can never be overestimated.

Chapter five discusses the current research findings. These are placed within the background and comparison of the small business situation in the province. Attention is given to research methodology questions like when the research was done, who was involved, how many people were involved, and what was done. A copy of the questionnaire is attached as (appendix 3). Analysis of the findings is done in the form of a pie chart. This chapter further discusses key fundamental principles that the church should employ in development practice as listed in chapter three, as well as learnings from and trends, concerns of the research.

Chapter six is on possible strategies that the church can use in building the Tswaing community economy. In this chapter it is argued that the church has capacity to harness what already exists in Tswaing. It is noted that this capacity or potential of the church is not only recognized in the Tswaing research but in other findings of research done in George in the Western Cape.



Chapter seven is conclusions. It pulls together chapter two on theology, chapter three and four as contexts within which SMMEs operate; chapter five on Government's policy intervention as well as chapter six on strategies that the church can employ in its intervention in SMME development and support in Tswaing.

## **CHAPTER 2: CHURCH ENGAGEMENT IN DEVELOPMENT**

### 2.1 Introduction

Contributions towards sustainable development can happen at different levels of competence. Each level has potential and limitations. One of the possible actors in South Africa is the church with its own competencies. The task of this chapter is to look at the mandate, motivation, and necessity of the church's involvement as an actor in development in general, and building community economy through small business support in particular.

It will be argued that this involvement arises first from God's nature and mission, as the One who is continuously active in creation. It arises second, from the church's calling to be the beginning of the new humanity, a redemptive community. Speaking about development as 'any activity that assists in bringing human beings toward the place of reconciliation with God and complete reconciliation with their fellows and their environment' Moffit (1987:236-237), asserts that development is therefore the mission of the local church, as an obedient response to the Great Commandment of love as well as the Great Commission. Thirdly the church responds to the call of the earth to be redeemed from the crisis of destruction when development happens at the expense of the earth. This is a call of distress for social transformation that does not happen at the expense of future generations.

We can examine the response of the church to development issues by focusing on four distinct voices: the call of God and the Gospel; the call of the faithful and other faiths; the call of the earth and its peoples, and the call of the Spirit and our spirits. The church's response to development issues also arises from the church's own history. That history is dealt with below.

## 2.2 God's nature and mission

God is the Creator. The church's point of departure is that God did not just create the universe and abdicate. Genesis portrays God as being actively engaged in creation, creating people in God's own image and in equality. God also created the earth and human beings to be interdependent. The duty of human beings was to work the land and live from it, as collaborators with God in completing the work of creation. They also have to care for it. As Verkuyl (1978:398) puts it, God is found to be calling and sending out. In other words creativity is in the very nature of God. God is God who provides and develops.

Furthermore, throughout the Bible God is found to be a Liberator. Consequently, development therefore is an act of liberation. Magesa (1989:116) captures it well when he says that development leads to an ability to shape one's destiny in terms of making decisions about one's life. Due to Christ's incarnation, the church is called to assist human beings to become more after the likeness of Christ, who is the true human. This has to do with the restoration of the dignity of all those who are confronted with areas of deprivation in their lives. The mission of God is that the message of redemption is brought to a broken world.

## 2.3 The mandate, nature and mission of the church

The mandate of the church is to proclaim and show the totality of God's Gospel and law to all humankind – the whole gospel to the whole person to the whole world. This is the incarnational perspective. The church is also in its nature an agent of change. When the church begins to read the Bible and do Bible studies for social transformation it helps to mobilize a spiritual and moral foundation for vision, motivation and responsibility in the lives of its members, which then impacts on the lives of other community members. Being rooted in the community itself it has access to most grassroots communities where developers often

fear to tread. It is able to focus on the family as a core primary group that can institute change.

God does not call the church to be just inward looking but calls her to be involved in God's mission in the world. The church is also the church of the poor and is amongst the dispossessed, many of whom are found in churches of two-thirds world. Van Schalkwyk (1996:55) asserts that our theology of development should emanate from the poor themselves. This would include listening to the experiences, insights and wisdom of ordinary church and community members: women, men, youth and children. Bringing these resources to the development debate is important.

A pastoral concern for its own members motivates the church to engage issues of sustainable development like housing, education, health care, food, employment and job creation. Nurnberger (1999: 14) speaking about core Christian assumptions states that God targets any area of deficiency as an area of transformation. It is not enough for the church to proclaim good news about a new community but she must be that community in word and deed. Thus the church therefore sees development as engagement in the world. It rescues development from degenerating into an ideology of disempowerment, (Leonard, 1999:1).

Furthermore, the church is a community that transcends geographical, cultural and social boundaries. It has a trans-national network of believers. This puts the church in a privileged position to use its local, regional, national and international networks to raise issues that affect lives of people on the other side of the world.

#### 2.4 The call of the earth to be redeemed from crises

A consciousness that human beings are not the only ones who inhabit the earth is the third 'call' that motivates the church to be involved in development. Regan, (2002: 237ff ) correctly points out that there is crisis in the world: floods, famine, fires, earthquakes, volcanoes, ozone layer destruction, climate change, warfare and its weapons of mass destruction, population growth and the like. In view of these crises, the church has to partner others in attending to the cries of the earth and its peoples.

There is also the question of hypocrisy that is propagated by development discourse with its agenda, policies and ideologies that are not always concerned about people but about economic growth at any cost. The church needs to be involved to unmask hidden agendas, and help clarify what is at stake.

Another concern that the church has is that of justice issues. It has always been the church's prophetic role to bring ethics into economics. The task of the church then would be to raise the issue that development is at its core about people and thus about values; that the development enterprise itself needs to be liberated from its economist captivity. To this end Jennings (1991:47-69) believes that the morality of all economic life needs to be judged by asking the following questions. To what degree does it provide for all people, especially the poor, marginalized and oppressed? Does it enhance the inherent dignity and worth of people? Does it encourage and promote social justice? Does it encourage democracy and participation? Does it preserve the environment and the integrity of creation?

#### 2.5 The cry of the Spirit and our spirits

Those who are recipients of development usually lack the sense of confidence, ownership and pride necessary for taking responsibility of their lives as expected by contemporary development theory. Dealing with apathy and lethargy is a spiritual task which the church is

best suited to perform. The church in its involvement therefore brings a spirituality of development.

The assumption for developing a spirituality of development is that the Christian life is that of a relationship with God and others. This life is one that is informed by God's concern for the well-being of society, and is shaped from within by prayer. Christian life is a spiritual life. Spirituality should be pervasive in all that Christians are engaged in, hence the imperative of a spirituality of development.

South Africa, like the rest of the two-thirds world has a lack of housing, high levels of illiteracy and high rates of crime. Disadvantaged communities had hoped for total liberation from poverty but are now disillusioned and homeless. Globalization has hit very badly on women and especially in rural societies. Julia Kunoane indicates this state of hopelessness and struggle for survival when she says, 'they took my land away. The Lord has gone – yes, I suppose He has also gone' (Haddad, 1996:200). The privileged are living in fear of loss of jobs, property and life as the poor begin to "repossess" (as street jargon goes). The task of the church in its involvement must inculcate not just a spirituality of development but also a spirituality of empowerment and hope into the development debate. Cochrane et al (1999:81) speaks of Christian spirituality as keeping hope alive in situations that are humanly speaking, hopeless; to live and witness here now in anticipation of the fulfillment of God's promise of a 'new earth and a new heaven'. This spirituality then is a genuine contribution from within the faith towards the healing of human brokenness in all its forms.

A question may be raised, if spirituality is an integral part of development practice, what then should characterize such spirituality? It should be guided by certain principles. These include reciprocal love, prayer, action - reflection. Emphasis would have to be placed on the

new self. Fears would need to be dispelled by assuring people of God's love, reconciliation, underpinning development with moral values of the philosophy of *ubuntu* (I am, because you are), sharing in the Eucharist, having the gift of discernment, ensuring that people are subjects of development, avoiding making perpetual dependants of those who assist them to arise and walk. Lastly, asymmetrical power relations would have to be reversed. Owning Christian values of faith, hope, responsibility, honesty, which are at the core of all Christian spirituality is crucial.

Reciprocal love refers to the fact that when one reaches out to others the other must be treated as an equal and not in a paternalistic fashion. It is imperative that the one who receives help must also be an actor and not a passive recipient. This type of development becomes people – and not object centred. Therefore the issue of treating others with respect encourages participation, restores dignity, ensuring security and conflict resolution. Meeting people's needs then becomes a spiritual act.

Reconciliation, hope and discernment come out of a life informed by prayer and God, whose love is central to the life of the community. It is God's love that makes human beings to be sensitive to discern what is true and what is false. It makes people to be creative and gives them a will to stand up and act against what they do not believe to be God's will. Out of this prayer people begin to realize not only God's transcendence of the limitations of space and time as well as all human limitations and failures. They begin to see barriers that separate humans, for example the rich and the poor; urban and rural; males and females, elders and youth, North and South as illegitimate. People also become aware of their own ability to transcend their given circumstances towards a new vision of humanity and circumstances. Through this type of spirituality people become responsible citizens who are used by God to meet other people's needs, reaching out even to their enemies. For countries that are in the

first world this would mean they do not seek to give aid to only those countries that they regard as their friends. Previous enemies and friends are reconciled and become co-responsible for another's life. Urban and rural churches become genuine partners. All are empowered to evoke hope in a state of hopelessness. As Cochrane et al (1991:82) asserts "to lose hope is to lose faith in God".

## 2.6 The church has a history of developing communities

It has already been mentioned that the church is rooted within communities. It has developed credible leadership who are familiar with the assets, capacities and needs of the poor it ministers to. The church is also familiar with the culture, histories and contexts of the people. This refers to those churches that have bothered to understand the contexts in which they minister (Oladipo: 2000:7).

The church has a credible experience in development, and has something to say to development. It has been one of the institutions that had a strong value base of concern for poor and marginalized groups. It also has a long established history of developing social work like schools, printing presses and hospitals. Apartheid policies in South Africa, disrupted most of the services mentioned above. Many mission schools and hospitals closed down, and a culture of volunteerism died out. The said culture was sometimes used to make people work without any benefit.

Oladipo (2002:2) mentions the non-partisan nature of the church that could enhance development, as it serves the governor and the governed; rich and poor, crosses ethnic lines and is not in competition with existing structures. It is also a stable institution. Whilst political parties and NGO's come and go the church remains and has minimal disruptions when leadership changes. It has life-long membership. Decision- making systems are



already in place within the church. Church meetings of membership are already regular at fixed meeting places.

## 2.7 The church is being true to its heritage

In its various religious traditions the church by its involvement in development is being true to its heritage. There are forebears who laid a foundation for involvement in development or social action. For example Jennings (1991:47-69) attributes the following as having characterized the ministry of John Wesley, the founder of Methodism: he contributed his income to the poor and practiced what he called ‘begging for the poor’ whereby he solicited from the prosperous what the poor needed. John Wesley sought to develop methods in which the poor could escape poverty by such things as establishing a small lending bank in order to make small loans to people so that they could acquire the tools necessary to develop a trade. He also established free health clinics, wrote a book on herbal remedies to enable the poor to better their health without having to go to expensive pharmacies, that destroying the poor in terms of what they charged. Sunday schools were used as an instrument for promoting literacy among the poor. This was an attempt to assist them to become self-sufficient.

## 2.8 The church voices its own concerns and critiques to development

More than just engaging in development practice, the church needs to get involved in the development debate to raise some questions about both development practice and theory. Basically there are three questions around development practice and six about theory that the church needs to raise.

### 2.8.1 *Have the practical results of development been acceptable?*

In many ways the outcomes of development practice have not been good as the world is in a worse situation than before.

### *2.8.2 Are human beings affirmed in and through development practice?*

The importance of affirming human dignity as one of the core values of Christianity has already been discussed on the section on spirituality. Whilst Christianity treats people as unique individuals development practice seems to relate to people as ‘an undifferentiated mass’ (Ferguson, 1997:227). Development practice does not seem to have an idea of how people feel when an individual researcher is sent to come and analyze community needs; consult a few elite, write reports and make recommendations about people who have never been consulted and development action is planned outside the community. Outsiders would implement their plans on people as if they do not really exist.

The researcher’s own observation in working with poor communities that live around projects is that an extension of this mentality would be that people begin to behave like small children who constantly need to be fed. To this end the poor end up trying to impress developers by any means at their disposal so as to get more benefits. They compete about telling extremely creative stories about the successes of own projects so that they can get more funding. This results in unending conflict within communities. More often than not their crisis is overstated. This in turn undermines the integrity of the poor.

### *2.8.3 Is the earth, our mother cared for through development?*

Development practice has treated the earth as if it would never end. A situation in the rural towns of Ntabankulu and Mount Ayliff comes to mind. This was an area that was rich in both indigenous trees and plantations and children used to call it ‘Tarzan’s place’ because of the density of the forests. From personal experience when I lived in Ntabankulu, developers came to provide employment for locals and destroyed the earth by cutting down huge trees, prepared them into logs of wood, packed them in huge trucks from around dawn to late afternoon to unknown destinations in the centres for sale. No new trees were planted. After

this destruction, developers left with the suddenness with which they had come, leaving mounds of sawdust behind, a lot of dust that pollutes the air and no jobs. This is an illustration of degradation of the environment in the name of development. Gnanadason (1998:134) speaks of overcrowding of cities, denuding of forestlands, as well as rapid depletion of water resources which all means that 'our link with mother earth is completely broken'.

These concerns lead the church to ask further questions about development theory, as to whether the idea of being developed has any basis in real life? It baffles one how the West that has committed so many atrocities in human life, including attacks on 'the terrorists' and countries that harbour them can regard themselves as developed countries and the rest undeveloped. The same countries that had turned people into objects of colonialism are the same that have convinced the world that they do what they do with progress as their goal. It is this immense arrogance that Shanin (1997:68) urges the church to challenge.

The very language of development created a world of its own making. The notions of 'developed' and 'under- developed' are constructs that are meant to legitimate development. Who decides who needs to develop who here become an important question. It is the same type of mentality that has been used to create words like 'third world' and 'first world'. The powerful always define what the rest must be called. Hodge et al (1981:8) speak of development as having normative overtones that would lead people into believing that it always is, by implication a good thing and as such worth striving towards. The church is called to challenge the type of theory that controls rather than be at the service of humanity.

The use of the term *development* itself seems to be an ideological tool. Given the failure of development policies Miguez Bonino (1975:16 & 25) questions the use of this word and asks

if it legitimates and glosses over an otherwise dirty business, namely neocolonialism at a global level. The strengthening of patronage at the level of local beneficiary communities does not make it sound any better according to Ferguson (1997:227, 232). The South African government frequently requests silence from the Congress of South African Trade Unions when they go on strike for worker grievances so as not to disturb development that is in progress. What would be amusing if it was not so cruel is when the church knowingly or unknowingly uses the word development to control communities even in situations where analysis of the problems involved has not been deep enough.

What the goal of development is pertinent. The church wishes to say that developers should not be talking about being in the likeness of the West when talking about development but should be addressing on- going development in the form of sustainable livelihoods and community.

### *2.9 Engaging local communities*

All the above questions need to be kept in mind by the church in its own interventions of helping build Tswana's community economy. The guiding principle of development, according to the Brundtland Commission of the United Nations World Summit (1987) is 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. The world is seen as a system that connects space. This means that pollution of air or water for example in America will affect life in Africa. The world is also seen as a system that connects time, which means that decisions made about the environment in the past is affecting the present generation. Furthermore, good development practice recognizes interdependence of environmental, institutional, social and economic systems and promotes equality and justice through empowerment of people. Good development practice embraces a sense of global citizenship. Taking cognizance of the above

guiding principle of development, any development intervention would according to a group of participants from various non-governmental organizations, government, faith based organizations, and other development practitioners in a workshop on learning about livelihoods, under the auspices of Khanya, (2003) have to consider the following principles: build on the community's existing strengths; ensure participation by beneficiaries; form partnerships with the maximum number of stakeholders; adopt a holistic approach; be flexible and dynamic; be accountable to local people and that all resources are God given to benefit all, especially the vulnerable and ensure sustainability of impact as well as that of the environment.

As we will see this will involve the church in engaging in the development of SMMEs at a range of levels, including interfacing with government at national, provincial and local levels. It will also draw the church into local community engagement. It is here that the insights of Asset Based Community Development are important.

This approach was identified by John McKnight and Jody Kretzmann of the Institute for policy research at Northwestern University (2002:1). It is an approach that offers an alternative to the predominant needs based approach to development. This approach needs to be understood as both a set of methods for community mobilization and as a strategy for community based development (Mathie & Cunningham, 2002:1). The premise of an asset based approach is that it is the affected communities and not outside experts who drive the community development process by identifying and mobilizing their assets, including those assets that would often not be recognized by outsiders, especially social assets like gifts and talents of individuals, as well as the social relationships that drive local associations and informal networks.

Steve de Gruchy (2003:20-39), has argued that this approach resonates with a Christian approach to development. Writing about the assets of the poor and the role that they should play in their development, he reflects on the statement from James chapter two verse twenty six, 'For just as the body without the spirit is dead, so also faith without works is dead'. He then asks: 'Whose faith and whose works?' 'What about the works of the poor?' if experts always come from outside and do not regard locals as actors, then the poor are left without the opportunity to put their faith into action. When this is ignored the poor become dependent on donors and struggle to do things for themselves, undermining their own faith.

Kretzmann and McKnight's approach recognizes that powerful communities are built by capacities of local people and their associations. Given this lens, a community begins to see its strengths through which they notice new structures of opportunity, new sources of income and control, new possibilities of production. Communities begin to shift from being consumers of commodities to being designers of programmes and producers of wealth.

The process involves helping communities to build an inventory of assets like local institutions, citizens' associations and gifts of individuals; discovering and mapping the role of each of the assets as well as harnessing those that are not yet involved in community development with the intention of investing in local economies. The focus of this method is towards the community and its being driven by relationships makes it a possible means of supporting community development.

We therefore conclude that the church's engagement with development, is not just driven by the mandate from a missionary God, nor the church's own history and tradition of involvement in community development, but is also responding to the cries of all creation that need redemption. As a legitimate partner in development, the church critiques

development practice and suggests that unless community development is people driven and community focused, its effectiveness will be limited. To this effect an asset based approach to community development is proposed. Thus chapter three will give an overview of the Tswaing community.

## **CHAPTER 3: AN OVERVIEW OF THE TSWAING COMMUNITY**

### **3.1 Introduction**

Having provided an overview of the thesis in chapter 1, and a motivation for the church to engage in social development in chapter 2, the task of this chapter is to acknowledge that communities are located within contexts. It is with this understanding that this chapter will (i) give an overview of the history of Tswaing; (ii) map out and describe community assets and discuss demographic and social profiles of the Tswaing Municipal area, with an emphasis on the specific areas of research; (iii) highlight development issues in the area and (iv) describe why SMMEs have been chosen for discussion over and above other developmental issues other developmental issues.

### **3.2 A brief history of Tswaing**

According to Butler (1998:21) in his book ‘The black homelands of South Africa’, the original inhabitants of the North West Province of South Africa were predominantly the Ba-Tswana tribe, who can trace their origins for many centuries through a turbulent history of war and migration across plains and villages. In the east of the province are tribes like the Ndebele and to the South are Sotho speaking people. The North West Province was created at the end of the apartheid era in 1994 and includes part of the former Transvaal and Cape provinces as well as the former Bantustan of Bophuthatswana. The province has a collection of battle sites dating back to the end of the Anglo-Boer wars. The North West Province has four district Municipalities, Ngaka Modiri Molema, Bojanala-Platinum, Southern and Bophirima.

Tswaing Local Municipality is situated in the North-Western corner of the maize triangle. It forms part of the Ngaka Modiri Molema district Municipality situated in the North West Province. Ngaka Modiri Molema district comprises five local municipalities: Mafikeng,



Ditsobotla, Ratlou, Ramotshere-Moiloa and Tswaing. Tswaing Local Municipality includes the following towns: Delareyville/Atamelang, Sannieshof/Agisanang, Ottosdal/Letsopa, twenty seven rural villages, thirteen wards and one hundred and thirty ward council members.

The history of the area also needs to be placed within the context of apartheid. According to Campion (1977: 9 ff), the history of Bophuthatswana, (like all other 'homelands') must be seen against the backdrop of the apartheid era, although the lives of the people of the area do not begin in this era. The South African Bantu Trust and Land Act of 1913 saw to the allotment of those areas mainly composed of Black areas to the Ba-Tswana people. Further trust lands were purchased under the provision of the Bantu Trust Land Act of 1936. Some of the land was bought either by tribes or individuals. Francis (2002:2) further states that to this land was added land acquired by the South African Development Trust from White farmers. The total area involved was about 3.8 million hectares. The Bantu Homelands Citizenship Act of 1970 and the Bantu Homelands Constitution Act of 1971 paved the way towards self governing status. Bophuthatswana, which gained nominal independence in 1977, under the Presidency of Lucas Mangope was formed from tribal land, administered as African reserves under the authority of chiefs.

An attempt was made to consolidate Black areas into single units wherever possible, joining blocks of black areas in close proximity to one another. This meant that Bophuthatswana had bits and pieces of unconnected land. On the one hand unsuitably situated Black reserves and Black owned land were exchanged for White land, allegedly of the same agricultural value adjoining Black homelands. On the other hand, White land which adjoined Black homelands was purchased by the South African Bantu Trust (SABT) and incorporated into the homelands. Any White land that was acquired had to be prepared for the Black groups to be settled there, which resulted to movements of people or what has come to be known as forced

removals. This was an expensive task, sometimes compensated by the Trust. People were usually moved from arable land to non-agricultural land. Atamelang and Gannalaagte are some of the examples of areas that developed from the scenario described above.

The impact of apartheid policies is not measurable but can be seen. From conversations with members of the Methodist church in Atamelang one learnt that apartheid policies stripped communities like Gannalaagte of their key assets and relocated them in arid and unproductive land. This prevented them from participating in agricultural activities or from benefiting from positive spin offs of agricultural growth. SAIRR (1975:196) speaks about resettlement of families from three farms near Ventersdorp to Masidubule, to the north, and states, ‘the new area was said to be dry and dusty, with no arable land, (as the people had occupied previously). SAIRR (1975:196) stated that three windmills had been provided, but the water reservoirs were ‘practically dry when reporters visited the area’. Some of the members of the above community were given a chance to claim back their land due to the land reform. Although they received their land back, it was not easy to move back as they had now settled in the new community.

### *3.2.1 Settlement Patterns*

In terms of the settlement patterns there is a concentration of rural areas as well as local agricultural service centres. Tswaing is generally dominated by unimproved grasslands, typical of rural settlements, (constituting 42%), temporary commercial dry land (40%), and temporary semi-commercial/subsistence dry land (7%).

### *3.2.2 Land Ownership*

A greater part of Tswaing is characterized by state owned land, under the control of tribal chiefs. Land is used for cattle and game farming, conservation or protected areas and wheat and maize farming. There is also privately owned land.

### *3.2.3 Agricultural Development*

The main agriculture products are maize, sunflower seeds, groundnuts and livestock farming. There is a general under utilization of land.

### *3.2.4 Topography*

68% of the Central district is flat. With 15% of the total area being mountainous (mainly located in the Ramotshere Moiloa area) and 17% rolling hills. Rainfall varies between 400 to 600mm annually. Tswaing is characterized by turf thorn veld and mixed bush veld areas.

## 3.3 An overview of selected areas of research

In the introduction of this research it was mentioned that selected areas of the Tswaing Municipality would be researched. We now turn to provide a fuller description of social life in the selected areas of Atamelang, Khunwana, Manamolela, Gannalaagte/Vrischgewaagd.

### *3.3.1 Atamelang*

According to Maele (17 June: 2007) the former mayor of the township of Atamelang, Atamelang (meaning “come closer”) was established around July/August 1978, by the then Bophuthatswana government (see appendix 3: layout of Atamelang township). The majority of early dwellers were aged people and children who had been moved to Delareyville (Makweteng). This group was moved from their area because it was designated as a White spot. Other groups came from Schweitzer-Renecke, Ottosdal and surrounding rural communities. When the first group arrived, four roomed houses had already been built by the ‘South African government’ to encourage people to move away from white farms, because they were either too old or too young to work on the farms.

This was coupled with the mechanization of agriculture. Farmers had tractors and the tenants and their oxen were no longer required for ploughing the fields. Few labourers were needed for full time work, and other labourers would be needed for seasonal work, like for the ploughing and harvesting periods. This was referred to as agricultural restructuring. This agricultural restructuring process led to a shift away from maize production to more intensive forms of land use, to increase produce, but also production of sunflower and beans. State subsidies were withdrawn. According to Elizabeth Francis, (2002:8) the 'liberalization of agricultural marketing and withdrawal of state assistance led many commercial farmers to diversify into livestock grazing and part time farming'. Subsequently this resulted in substantial job losses. According to the SAIRR (1984:294), Atamelang had a population of about three thousand in 1984.

Atamelang is on the edge of white farm fields, twenty-five kilometers from the rural town of Delareyville. On the Atamelang map there is an area designated for agricultural ventures, which indicates the recognition that the area is an agricultural one. Maele (2007), past mayor of the township and one of the past town councilors stated that the whole of Tswaing is mainly a maize producing area. She was suggesting that maize grows well in the area, and perhaps any consideration of business in the area should include maize growing.

### *3.3.2 Khunwana village*

According to information gleaned from the Department of Social Welfare in Atamelang, Khunwana village was founded around 1800 and is about 47,770 square meters. In 2003 Khunwana had a population of about 9,896 people, 3,328 males, 4,835 females, 481 children and 1,252 registered pensioners. Ethnic groupings found in this area are Ba-Tswana in the majority, amaXhosa, and Ba-Sotho. Khunwana, unlike Atamelang is under the tribal authority of Kgosi Moshoeite. The community is experiencing conflict between the

chieftaincy and the civic association, resulting in a lack of access to water. When the civic association made requests for the water connection, the chieftaincy claimed that only the chief had authority to make such requests on behalf of the people; in other words what was being questioned was the civic association's authority. On the civic association's side the chief was allegedly not the rightful one to ascend the throne.

Khunwana has a series of low, rocky hills. It has an annual rainfall of 360mm during the Summer months, between October and April. It is placed on arable land but due to overgrazing (as is common with most rural areas) parts of Khunwana have become semi arid. Roodt (1981:328) asserts that further agricultural development was planned for the Khunwana tribal area to the South of the then Mooifontein agricultural development project. A contractor system, where certain farmers were chosen and given a mechanical package including tractors on the understanding that they would plough for other emerging farmers as well was introduced. To enable them to pay off the package they were allocated 30 hectares of land per farmer instead of the usual 15 hectares. Roodt, (1981:294) claims that this system did not work well and some of the ploughing was then done by co-operatives.

Khunwana is very rich in agricultural land as most of the community members still have access to the land, which they have farmed, since their arrival around 1800. Those who do not have access to their own land have livestock. Some of the community members who had land had been forced off the land by drought aggravated by changing weather patterns.

Due to drought, between 66 and 69% of the rural households were unable to survive without having to resort to migrancy. As it will be noticed in the demographics of Tswaing in the following sub-section, being forced off the land by stresses has resulted in male absenteeism, thus leaving women to be heads of households.

As Gnanadason (1998:139) rightly comments, 'Women are always the ones who bear the brunt of being victims of underdevelopment. Therefore by implication, any development of Tswaing has to take seriously rural women participation and empowerment as major players in building rural economy.

### *3.3.3 Manamolela Reserve*

According to Taje (2007 July 27) who is a resident, Manamolela was established around 1912 and his great grandparent arrived at this time. In 1919 they were allotted some hectares of land. It is a farming community with a few sparsely populated households adjacent to Atamelang. Title deeds for land owned by residents were never collected from Pretoria, but a process of claiming them is in progress. In the absence of title deeds, residents of Manamolela claim that their homesteads cannot be electrified.

### *3.3.4 Gannalaagte/Vrischgewaagd*

The Gannalaagte community came about as a result of forced removals. This community was forcibly moved from Rooijantjiesfontein around Coligny otherwise known as Ga-Maloka. It is a closely knit community, comprising mainly of se-Tswana speaking people. It has two high schools and three primary schools. Typical of displaced communities people here no longer plough fields as they used to do before on their traditional land. There is now a scarcity of land. During the reign of the Bophuthatswana government some members of the community were amongst those farmers who were allocated tractors as described above. It is claimed that the post 1994 government confiscated these tractors as part of the restructuring programme.

The Khunwana and Manamolela communities survive by growing maize, sunflower, sorghum and beans as well as livestock farming which include cattle and sheep.

### 3.4 Socio-demographic profiles of the Tswaing Municipality

In this work demographics are necessary to determine what interventionist strategies the church could employ in helping improve rural community economy. De Beer and Cornwell (2004) capture this well when they explain that people who write about development and organizations involved in development use different indicators to explain development levels within specific area , for example to show structure of production or how much the different sectors contribute to the gross national product.

#### 3.4.1 *Population Distribution*

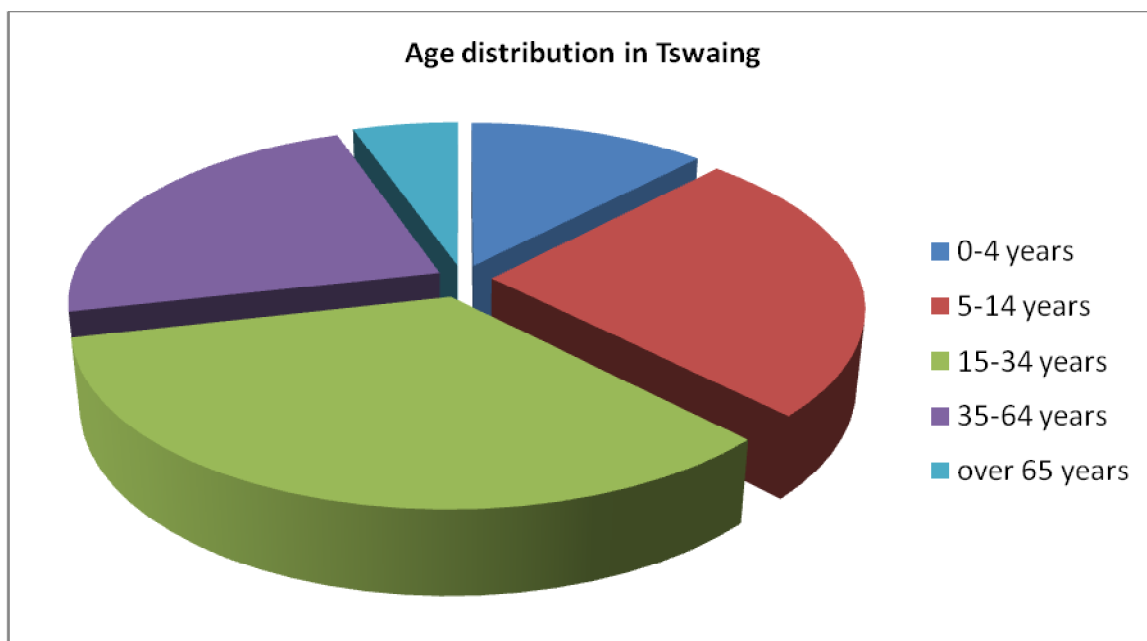
In 2001 the total Tswaing Local Municipality population was estimated to be 114,157 (Statistics South Africa: 2001). In the 2006 mid-year statistics, Tswaing population comprised of ninety three percent (93%) Africans;5.8% Whites, 0.1% Indians and 1.1% Coloured. This means that the greatest percentage was that of Africans.

#### 3.4.2 *Gender Structure*

Statistics South Africa (mid-year population:2006) indicate that an overview of the gender structure in the Tswaing Local Municipality is necessary to determine four things: provision of an indication of socio-economic trends including male absenteeism, potential future population and growth rates, the need for specific type of facilities in specific locations like maternity services at hospitals and clinics and the need for specific capacity building and skills development programmes for target groups such as women. The gender composition and distribution show a male-female ratio of 48:52. The difference of 4 may be ascribed to the emigration of males in search of jobs in other spatial systems such as metropolitan areas and surrounding towns.

### 3.4.3 Age distribution

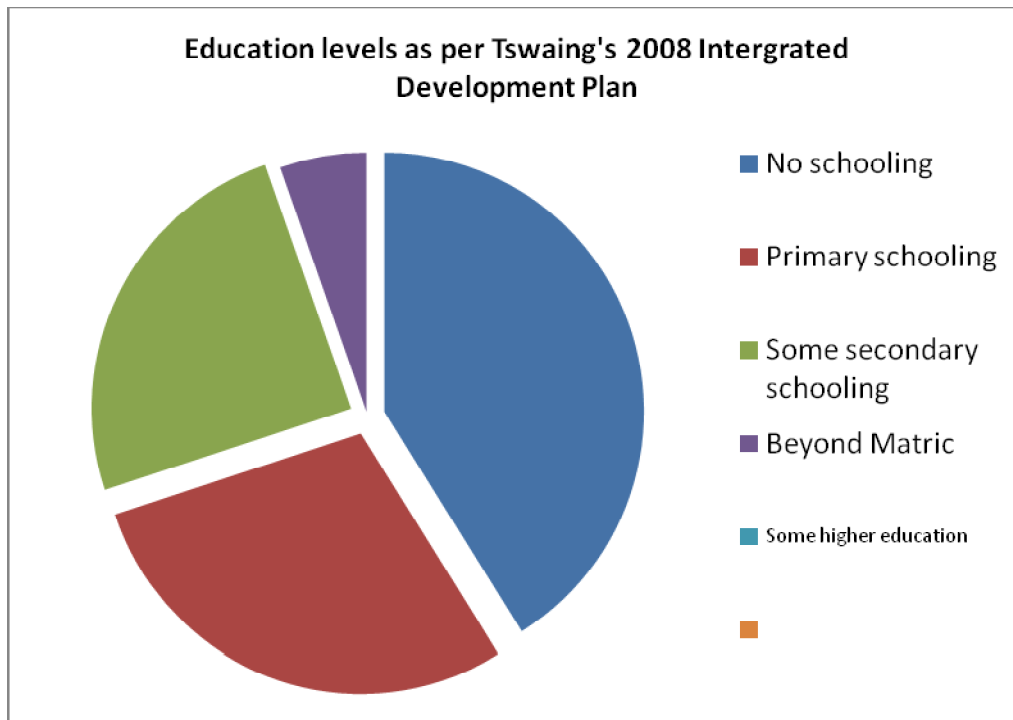
The age distribution in the chart below shows that 12.2% is ages 0-4 years; 25.4% of 5-14 year olds; 33.9% of 15-34 years; 23% of 35-64 year olds and 5.4% of over sixty fives. The average age of the population in vast areas is less than thirty five years. The Tswaing Municipality has therefore to grow economically to accommodate and create employment opportunities especially for the younger group of below 34's, which constitutes 72% of the population. These are the people who will be entering the job market in big numbers.



### 3.4.4 Education levels

Whereas the above chart showed the age distribution in Tswaing the chart in the following page shows literacy/illiteracy patterns.





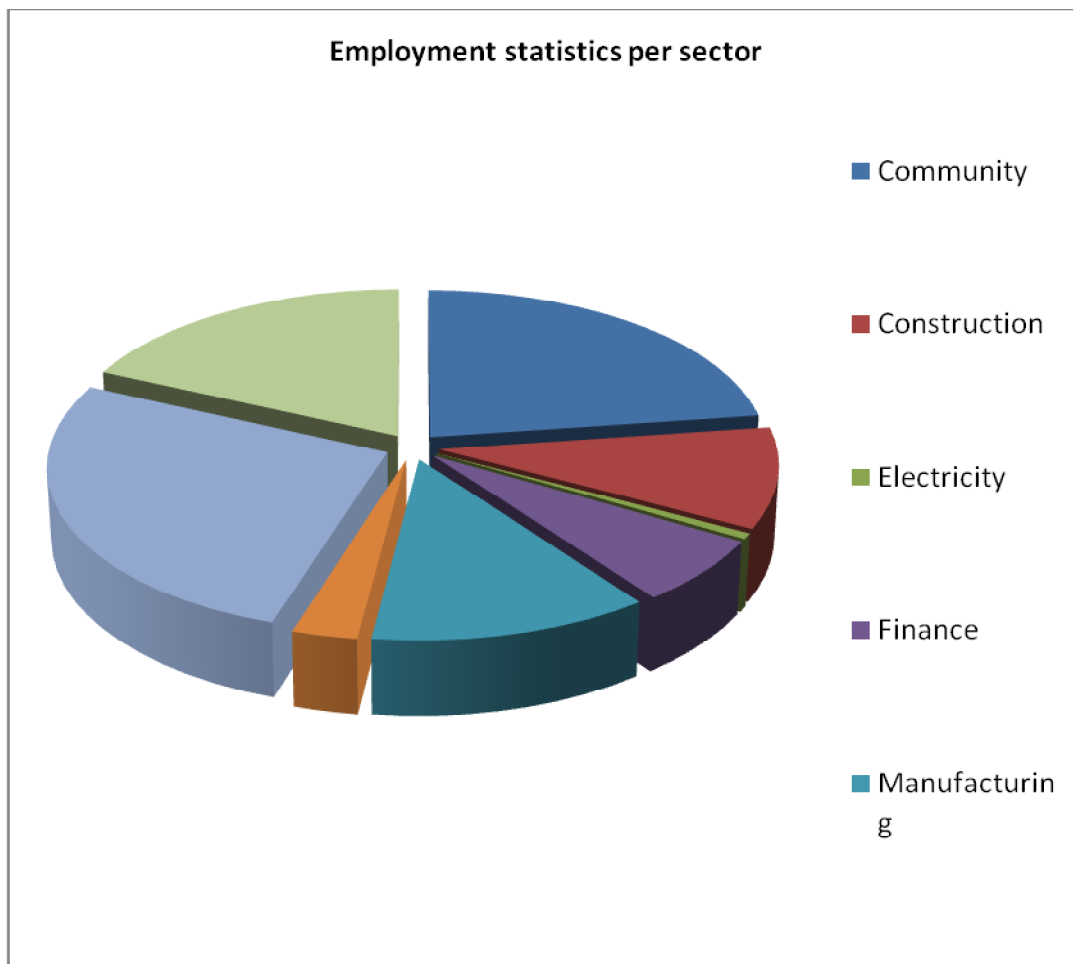
In 2006 the distribution of education levels showed that there were high levels of citizens with primary education, which constituted 34% of the total population. Below is a chart of education levels according to the current Tswaing IDP (2008:120). In essence this means that the majority of the population has not received education beyond high school, and that there is a high percentage of the population that has never been through any form of schooling.

Tswaing, in the selected areas of research the following educational facilities: 7 combined schools which constitute 6% of the total schools; 9 intermediate schools (7%); 22 junior primary schools (18%); 75 primary schools; 10 secondary schools (8%) and 2 special schools (2%).

### *3.4.5 Income and poverty situation*

The Tswaing IDP shows that 6,154 households are classified as without income whilst 10,524 as having income less than R9, 600 per annum. In terms of personal income 75% of the population has no income whilst 10% of the population is classified as having income between R1 and R800-00.

It should be considered that it is difficult to determine employment/non employment figures due to the fact that those who are employed in the informal sector are not recorded. Although the Department of Labour has some records of those who come looking for employment, the majority of unemployed people do not register as such. Whilst this is especially true of rural Tswaing where the majority of the population is self-employed in small-scale agriculture, as a form of livelihood, estimates can be made. The Tswaing IDP document (2008:121) shows that there are 25,197 economically active members out of which 8,602 are unemployed, which constitutes 34% of the total population. Those people who are employed form 18.3% of the labour force; unemployed 9.5%, economically active 55%; non-economically active 44.5% and a total labor force of 27% of the population of Tswaing local municipality. The above statistics are now shown in the chart below.



### 3.5 Infrastructure and service indicators in Tswaing

Access to and availability of infrastructure forms the basis of sustainable development and growth.

#### 3.5.1 *Housing*

There are different types of houses that reflect the role of specific sectors in the economy. For example Khunwana, Manamolela, Gannalaagte/Vrischgewaagd mostly have informal houses, whereas Atamelang has formal housing. These houses impact on the socio-economic characteristics of the economy such as levels of productivity. One can tell at a glance that most of the people who earn a decent income are in Atamelang. These are the people who have more purchasing power and saving capacity thus have the ability to contribute to the growth of the economy. Were investors to come to the area, they would probably invest

where there are formal houses. What Gcabo, (1998:58ff), of the then North West Provincial housing ministry said about there being problems with housing in rural areas is still true. These problems surround issues of lack of subsidies due to the insecure tenure system in tribal land, lack of credit facilities, absence of infrastructure, reluctance on the side of tribal chiefs to allocate land for housing and the fact that rural areas are sparsely populated. Therefore the present housing subsidy scheme is not readily applicable to rural communities. Even in areas where the so called 'Reconstruction and development' houses are built due to high levels of unemployment some people prefer to stay with the rest of the family members in mud homesteads for several. First, when a family lives together, financial resources are shared. Secondly, it is preferable in order to reduce the vulnerability of newly formed households. Thirdly, since houses can be used as a base from which enterprises operate, what would be the point of having a house when one does not earn an income? It must be noted that the success of home based enterprises does not only depend on access to houses but on access to electricity, water, skills, education and credit facilities.

Although housing can be used as a tool for extending personal relationships and generating social capital, in the case of RDP houses homeowners cannot rent them out to raise their income, nor are owners allowed to sell them. Fourthly, maintenance of mud huts cost natural resources of soil, mud and cow dung, grass and wooden poles. Although they are not durable, they are economical for the unemployed. One does not pay for them in monetary terms. These huts always go back to nature when they fall during heavy rains. The hut can always be rebuilt using the broken bricks, which is like recycling in a sense. Whilst RDP houses are resistant to the various weather conditions they cost more to unemployed people, in terms of paying for electricity, water, and paint. When unemployed people move out of the family homestead, they are likely to lose the general support from families as they would now be regarded as independent.

In practice, the majority of residents of the area under research have no fixed assets. The above scenario does not really favour development. It is therefore crucial that rural communities be empowered for development, if they so desire. For this to happen, they must have access to resources, one of which is access to land. This would also mean that property rights must be defined.

### *3.5.2 Transportation infrastructure*

Transportation infrastructure enables mobility within villages and between villages and towns. It provides an additional option to export products, and enables communities to access services. Settlement in this region suffers from poor road network connecting the towns in the Province with each other and with major cities of industry. Modes of transport to work and school in the region consist of the following: bicycles, busses, cars, taxis/minibuses, motorcycles, and trains. The predominant mode of travel is on foot at 33% according to the IDP document (2008:43). This is followed by those traveling by car and bus jointly at 6%. There are a lot of horse-cart travelers. Roads network is one of the local government priorities. This will be discussed further when dealing with local government intervention in small business support.

It can be observed in appendix 2, which is a map of the Tswaing Municipality that all roads, except the one that links Atamelang to Delareyville are un-surfaced. A dirt road connects Khunwana with Delareyville via Geysdorp or Atamelang, as well as other villages of Mafikeng. The un-surfaced roads are severely neglected and are a source of danger to vehicles, and highly treacherous to drivers of vehicles especially during the rainy summer season and at night. Although there is a department of public works and roads yard in Atamelang, most government graders are in a state of disrepair. We agree with Davies and

Gerber, (1998:99), that road infrastructure is essential for the social development and upliftment of an area.

The first reason given by local government for this state of affairs is that the budget does not include the setting up of a proper roads network. Second, the department claims that inhabitants of rural villages are economically inactive in the formal sector and therefore had no or little need for money to go anywhere. Furthermore, it was claimed that there was a low percentage of vehicle ownership, which the above statistics have testified to. Therefore, the argument goes there was no need to regard these areas as those of priority. However that is changing with the implementation of the Tswaing's integrated development plan.

The above discussion suggests that firstly, the government in past years did not take the plight of the rural poor seriously. Second, it seems that it had turned a blind eye to the fact that road transport is central to accessing resources and markets. Thirdly, one is dealing with whether roads should be properly constructed first, or people should own cars and or businesses and therefore accumulate wealth first before good roads are constructed. This neglect of roads happened in spite of the fact that, by the government's own admission, the poorest section of the population of the North West Province is found in rural areas, on tribal land (Gcabo, 1998:58). One of the critical questions that needs to be raised at this point, concerns the fact that construction and maintenance of rural roads was not budgeted for, and yet rural labor has always been used in cities and towns where most of the expenditure is done? One senses a bias towards towns and cities and prejudice against rural communities. This then becomes a moral question that the church raises around development.

There is truth in the saying that is attributed to one of the United States of America Federal Highway administrators that 'it was not wealth that made good roads possible in America,

but rather good roads made wealth possible'. (1996:3). If the government takes this saying seriously, the rural economy would improve. Nurnberger (1999:444) raises a pertinent question with regards to use of machines for construction of rural roads, "Why should bulldozers be used to construct rural roads when thousands of people would be willing to work with picks and spades for wages?" In the case of the roads between Khunwana and Atamelang/Geysdorp, and Vrede-Delareyville for instance, manual labourers could be used instead of bull-dozers that lie unused and in a state of disrepair in the department of works in Atamelang. Even if these roads were not surfaced repairing them would improve road networks between rural villages themselves and between villages and Delareyville/Mafikeng.

### *3.5.3 Water and Sanitation*

According to StatsSA (2006) 12.6% of household in the municipality had access to water inside their houses. 32% of households had water in the yards (Atamelang would be under this category) and 27% depend on community stand pipes. Areas like Manamolela, Gannalaagte/Vrischgewaagd fall in this category. Others use borehole water (8.0%), spring water (0.1%), rain water tank (0.2%). Implications of an absence of water for farming communities and water borne sewerage are huge. With regards to ground water potential the Tswaing integrated development plan indicates that areas north of Delareyville and east of Atamelang would rate from moderate to poor, whilst the rest of the area has very little water. This means that the greater part of the communities under discussion have to depend on rain water, or spring and river water.

In terms of sewerage, at present approximately 26.1 % of the population use flush toilets, 43% of the inhabitants use pit latrines, about 4% use the bucket system, 6.5% use VIP toilets (Ventilated Improved Pits) and about 14% have no ablution facilities at all. VIP toilets are an improvement to the bucket system. The difference from pit latrines is that 'VIPs' have a ventilation pipe at the back as well as a concrete floor. Dimensions are made to designers'

specifications. The past president Thabo Mbeki had targeted December 2008 as an end to the bucket system for all municipalities, so engineers came up with the VIP idea. These cannot be put up in rocky areas or where there is underground water. This scenario means that there are negative implications for health. It means a lower quality of life; reducing chances of developmental potential; trapping the rural poor in a cycle of poverty; and environmental pollution as water becomes polluted and water-borne diseases spread. This is the context in which people of rural Tswaing find themselves.

It needs to be stated however that the above situation is not peculiar to Tswaing. The situation of other rural areas described by (Sinclair, 1987:20) on community facilities resonates with the Tswaing situation when he mentions that most rural areas do not have decent sanitation, houses are built crudely with bad ventilation and roads are not accessible.

#### *3.5.4 .Energy Supply*

This refers to the means used by households for heating and lighting. About 70% of households use electricity, 28% use candles and paraffin, 0.1 use solar and 0.1 use gas as sources of energy. The problem with the electricity in the area is not just that of load shedding (which is prevalent throughout the country) but that of weak power that is affected by the slightest of winds and rain. This makes electricity an unpredictable source of power, which is trouble for electricity driven projects.

#### *3.5.5. Telecommunications*

Connectivity is crucial in the new economy as it has potential of attracting businesses that no longer have to be located in cities. They can improve employment opportunities. According to the IDP document (2008:42), 34% of Tswaing's inhabitants have access to public phones, while 15% has no public phones, 15.2 have cell phones, 5.8% have telephone and cell phones



in the house, whilst 10.3% use neighbours' phones. Other available forms of communication are the internet (made available through the Telkom landline network and cell phones), radio, television and newspapers. Additional to these is the post office which contributes to rural development, through citizen's post offices serving as an interface between government and the community. It must be stated though that improvement is still needed in this regard. In rural communities word of mouth is another form of passing information.

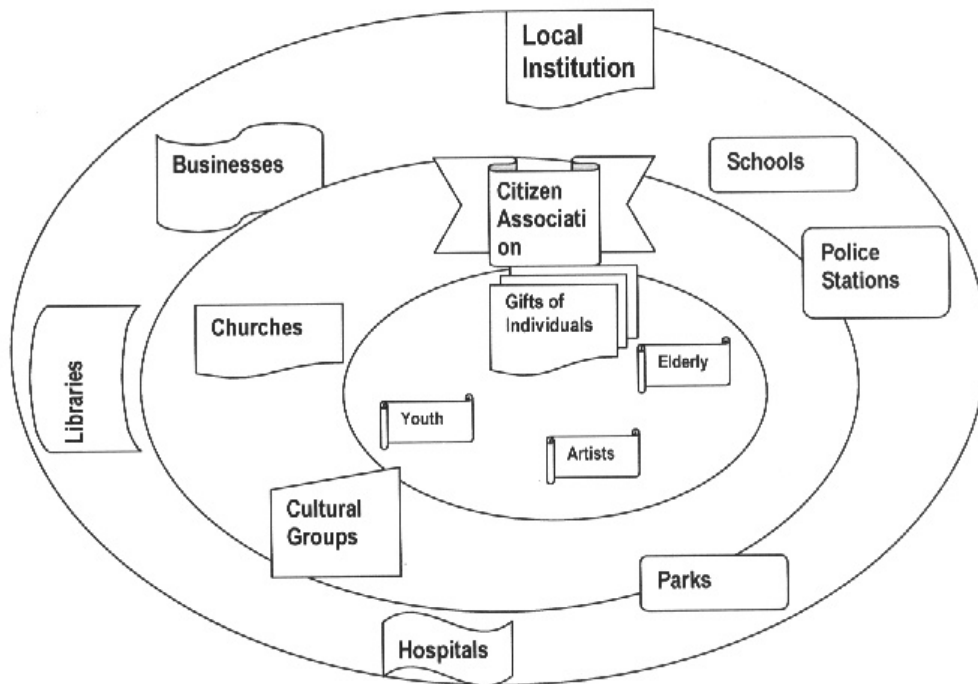
### *3.5.6. Protection Services*

These services contribute to building capacity for community involvement and interaction. They build trust and leadership capacity among community members. Available services include police stations, police, neighbourhood watches and community policing forum. In the villages where there are no police, villagers either use their cell phones, or public telephones to report crime in their areas.

According to inspector Bodiba of the Atamelang police station (2007 interview), common crimes are housebreaking and assault, allegedly caused by poverty and alcohol abuse respectively. Community policing exists, but it is weak due to the fact that those members who volunteer to join hands with the police in the fight against crime are usually young and unemployed and therefore looking for jobs. When they find them they leave the rural countryside for greener pastures in cities and towns. They are never substituted.

Below we will explore how the above physical human-made assets (infrastructure) like access to housing, good roads and transport, water and sanitation, energy supply (electricity), telecommunications and policing could be enhanced to build up the Tswaing economy and begin to appreciate the pivotal role of national, provincial, and local government.

### 3.6. Identifying the Community Assets in Tswaing



*A map of community assets in the area of research as adapted from Kretzmann and McKnight*

Kretzmann and McKnight (1993:1ff) speak of three levels of community assets, and we can use this to point to the general assets that are available to the people in Tswaing municipality. Doing so will enable us to summarize what we have noted in this chapter in terms of the context in which Tswaing finds itself. The first level in the asset map is that of gifts of individuals like skills of doctors, dentists, nurses, lawyers, the elderly, youth, artisans and artists; enterprising interests and personal interests in various areas of life. Skills of artists, farmers, welfare recipients, people with disabilities, youth and senior citizens.

In the second level of the Asset map are citizens' associations. Under these associations there are what has come to be known as burial societies, and other organizations. Tswaing had the following churches: The Methodist church of Southern Africa, The Evangelical Lutheran Church, African Methodist Episcopal, The Anglican church, The Dutch Reformed church and

numerous Zionists indigenous churches; within churches themselves are various groupings like Men's Guilds, Women's 'Manyanos (Kopano)', Young women's groups, Youth groupings. In existence are also political groupings in which we find the African National Congress, African Christian Democratic party, United Democratic Movement, and the recently formed Congress of the People. There are also numerous cultural groups especially dance groups.

In the third level we find local institutions. Local institutions consist of schools and childcare facilities, police stations and other institutions representing protection, safety and legal services, parks and other recreation facilities, hospitals, clinics and other health care facilities, libraries and other means of communication, and businesses including financial institutions like banks as well as other public institutions community halls

In terms of schools Tswaing has primary, intermediate and high schools. Preschools and child care/ educare centres, some privately owned and others funded by the department of Social Welfare are scattered. There is one police station, a magistrate court both situated in Atamelang and a tribal court at Khunwana village where the chief resides; Recreation services comprise one park which was provided for through an NGO called JEP mobilizing youth in the area to build it, stadia for soccer, and community halls.

There is one hospital in Gelukspan, a day hospital in Atamelang, residential clinics at Khunwana Gannalaagte/Vrischgewaagd and other villages and mobile clinics servicing villages that do not have clinics. A well resourced library is found in the township of Atamelang, placed next to the home affairs department, and the regional department of education offices. One main post office is in Atamelang in the business area whilst villages are serviced with postal boxes and public telephones.

Available economic development assets include businesses like grocery stores, spaza shops, a petrol station, unused business buildings and premises. Glaring in their absence are formal financial institutions like banks. However, the Tswaing community is able to cope with financial stresses like weddings, funerals, household needs and education of children. In this third level, we also find natural resources like land and water; bird sanctuaries like the one in Baberspan, and dams. Farming skills acquired from experience as well as social assets of a sense of community, family and social networks, the latter two fuel local associations and informal networks important for development practice.

### 3.7. The choice of SMMEs as an area of study

The mayor of Tswaing stated that the local government had identified specific areas of development for this municipality. It is obvious that small business development is not one of their priorities at this stage. The first factor to be noted is that the other development areas are more of support systems for building the community economy rather than direct creation of wealth. The second factor has to do with the belief that was expressed by the Canadian Conference of Catholic Bishops (1998:8), speaking about the importance of job creation as a priority, who said, “We insist that the value and dignity of human work be given first priority among economic strategies”. Small business development is viewed as one of the ways of fighting poverty and a job creation venture.

In view of the above discussion, exploring how small business development and support can be enhanced, if possible, to build the economy of Tswaing becomes crucial. Lastly, prioritization of small business support by both national and provincial tiers of government becomes an interesting area of research, especially because the North West is predominantly a rural province.

### 3.8 Justification of SMME development by other researchers

Discussing the importance of SMME development in developing a country like South Africa, Cawker and Whiteford (1993:103) state that, 'small business development is one of the most effective means of ensuring the success of re-distributive policies', they further outline the benefits of SMMEs as first, stimulation of employment creation in two ways, by replication of certain types of business and through the creation of actual jobs for employees in these businesses.

Second, they stimulate employment indirectly. An increase in employment and income levels of the poor sections of the population equals an increase to their purchasing power, which would stimulate a demand for a range of basic products, services and infrastructure. This means that if more poor people get employed or receive more income from their small businesses, their ability to buy more goods also increases. More goods, services and infrastructure would then be in demand. The economy grows. This further means that if SMMEs are able to meet any of these needs, micro economies are established within poor communities.

Thirdly, Government (1995:11) describing the role of SMMEs sees them as an important vehicle to address the challenges of job creation and they are seen as crucial in boosting the social and economic development of a country; activate competition; exploit niche markets; play a crucial role in people's efforts to meet their basic needs and help marginalized groups including rural families to survive. Kroon (1998:30) states that labour relations are better in SMMEs than larger business due to a more personal and intimate employer-employee relationship. What Kroon seems to overlook though is the possibility of this relationship being a hindrance when discipline has to be exercised on an employee.

The discussion in this chapter revealed that Tswaing as a Municipality came about at the end of the apartheid era as new governance boundaries were drawn. The community consists of a mixed group of people, some of whom have resided in the area since the early 1800, whilst others were displaced through forced removals from the various areas when Bophuthatswana was formed.

The area itself is predominantly rural in terms of settlement patterns; in a state owned land; with reasonable infrastructure with the exception of roads. This chapter also showed that there are high levels of semi literacy, with the population dominated by younger people of 34 years of age and below. We noted that in terms of job creation strategies Small business development therefore would have to accommodate this group. We ended our discussion with an observation that SMMEs are seen by other researchers to be crucial to employment creation, especially if certain types of businesses would be replicated.

Having discussed the social context of Tswaing in chapter three, we acknowledge that for SMMEs to flourish a conducive environment is necessary. Providing such an environment is the role of the nation state. Chapter four will then deal with government policy framework on strategies for development and promotion of SMMEs at the National, Provincial and Local Government levels.

## **CHAPTER 4: GOVERNMENT POLICY FRAMEWORK ON STRATEGIES FOR DEVELOPMENT AND PROMOTION OF SMMEs**

### **4.1. Introduction**

The importance of the nation state as an agent of change can never be over emphasized. Nürnberger, (1999:372) writing about the crucial role of the state, says that ‘In spite of the growing internalization of economic processes, the nation state is still the most powerful agent of change, whether to harm or to enhance the economy’. It is the state that ultimately decides which economic system the country needs to use as well as creating an enabling legal framework. Furthermore, note must be taken of the fact that the state has as one of its functions, to create space for initiatives to flourish and provide the necessary infrastructure and empowerment to make those initiatives effective.

The nation state also chooses an economic policy for the country, giving space if it so wishes, for development of potential among its citizens. It is responsible for budgeting; licensing (to see to it that everyone operates within the given mandate); offering of subsidies if it so decides especially in times of crises; provision of information safety and security as well as provision of infrastructure. Whilst the above is the positive role of the state, these roles can be hindered by corruption, lack of finances, conflict and lethargy in its employees and citizens.

It is in the light of the above understanding that the role of government in developing a relevant strategy for development and support of SMMEs has been included in the discussion. South African National Government policy promotes small business development (1998:11 ff). It also sees it as ‘a vehicle for black economic empowerment’. Government is keen not to be seen to be adopting an interventionist strategy that is ‘top down’, but realizes that the promotion of SMMEs requires a conducive environment in which to thrive. It also

acknowledges that a wide range of actors like non- governmental organizations', community based organizations, state organs and other agencies in specific support areas are necessary. According to the Government gazette number 16317 of 28 March (1998:11), 'SMMEs play a crucial role in people's efforts to meet basic needs and help marginalized groups ... including rural families to survive (given the very micro enterprise segment of the small business sector, as well as those struggling in survivalist activities). Furthermore, they are seen to have capacity to generate employment and more equitable income distribution ... and therefore stimulate development (1998:12).

## 4.2. South African National Government small business support strategy: a policy overview

### 4.2.1 *National Government Legislation*

At the level of the national government twelve elements that are a supporting framework for SMMEs were identified in the White Paper on the national strategy for the promotion of small business in South Africa in 1995. No other document has been produced afterwards. It is this White paper that later became the National Small Business Act of 1996. The Act saw the role of national government towards small businesses to include the following: the creation of a legal framework that would enable small businesses to operate; streamlining regulatory conditions; helping small businesses to access information and advice; helping them to access markets and procurement; assisting them in financing their businesses; building the physical infrastructure; providing training in entrepreneurship skills and management; encouraging joint ventures between government and business as well as business to business; assisting in building capacity; giving financial incentives.

These elements have already been alluded to above in the introductory paragraphs of this chapter as some of the core roles of the nation state. However, it is important to explain what



the elements mentioned above entail in practice. Let us now turn our attention to the description thereof.

#### *4.2.1.1. Creating an enabling legal framework*

In its interest to recognize the importance of the small enterprise sector in economic reconstruction and development as well as facilitation of policy implementation government passed amongst others, a Transaction and Procurement Act, a Small Business Finance Act, and a National Small Business Act Number 102 of 1996. The latter was established to provide guidelines for organs of state in order to promote small business in the Republic of South Africa. The Act is still operative. It was intended to incorporate an appropriate legal framework for co-operatively organized small enterprises, which fell outside existing legislation on co-operatives. This Act defined the main categories of SMMEs.

#### *4.2.1.2 Streamlining regulatory conditions*

Government, as a regulatory body, has, according to the Act, committed itself to putting appropriate regulations through the Department of Trade and Industry, which is tasked with monitoring the regulatory reform process. In the Act it has to look particularly at existing regulations pertaining to taxation, labour, zoning, health and how these can be made suitable for small enterprises; to look at small business constraints as well as making sure that provincial and local spheres of government reduce restrictive legislative and regulatory conditions. Government has committed to facilitate feasible avenues of legal assistance to small businesses, as well as facilitate matters pertaining to business registration and licensing. Tax return forms have also been simplified for small businesses and other taxpayers.

#### *4.2.1.3. Access to information and advice*

This relates to ensuring that local service centres (LSCs) are established countrywide. Within this framework individuals are encouraged to get into mentoring relationships with emerging business people so as to transfer experience.

#### *4.2.1.4. Access to markets and procurement*

Recognizing the importance of accessibility of markets for business growth and development government is committed to encouraging the competition board to reform and make markets more accessible to SMMEs; motivate big business to expand its links with small businesses; simplify tender procedures; adjust public procurement practices at all three spheres of government where some contracts are intentionally granted to small businesses; develop small enterprise export support programmes and ensure that there is reasonable access to raw material and a reasonable quality service at reasonable costs.

#### *4.2.1.5. Access to finance*

Noting problems of access to finance for small businesses especially more acutely so with rural businesses, start up micro enterprises and businesses owned or controlled by women, national government has committed itself to strengthening links between small enterprises, commercial banks, SMME focused financing institutions like the Small Business Development Corporation, the Informal Business Training Trusts and others. Links would also be established with non-governmental organizations that offer micro loans.

#### *4.2.1.6 Access to physical infrastructure*

As indicated above, Local Service Centres and Small Business Centres were developed in some areas. Government also looked at the possibility of start-up rental subsidies as well as the establishment of home based industries to fit in with the needs of women entrepreneurs.

It was envisaged that the Department of Trade and Industry would play a monitoring of needs and gaps role in the funding process. It would also encourage close co-operation between various government departments and levels of government, wholesale financiers, parastatals and the private sector.

It is recognized that training in entrepreneurship, skills and management is necessary. Such training would have to include dissemination of knowledge about existing available programmes. Schools curricula and other related activities would have to include entrepreneurial activities. Those business people who are involved in construction, manufacturing, and other small business related programmes would be encouraged to have training, and training incentives would be offered.

#### 4.3 North West Provincial Government a policy overview

##### *4.3.1. The context: The small business situation in the North West Province*

The development strategy for the Small, Medium and Micro Enterprise Sector developed by the department of finance and economic affairs (1998:9ff), in co-operation with policies from the RDP, growth employment, redistribution as well as the national strategy in 1998, indicates that most businesses are concentrated in the urban areas. There seems to be a lack of demand for their goods. In rural areas, as these are sparsely populated, there are high transaction costs. More than 95% of small businesses owned by Blacks are classified as informal. This gives a 'survivalist' character to small businesses. It is suggested that this is due to lack of skills of the informal economy as well as lack of infrastructure. 15% of the labour is estimated to be depended on the sector for survival. 73% of the SMME sector is concentrated in the service, trade and transport sectors and 2% in agriculture. The small business sector has a narrow base, suggesting that 84% of all small businesses are shops. It would therefore be important to encourage diversification. Encouraging SMMEs to consider entering the light sector would be another possibility. About 46% of all male shop owners

have education standard less than NQF L 1. This means that there are high levels of illiteracy. If diversification of the range of businesses is intended then it would be necessary to target tailor-made training and education programmes to prospective and existing operators in small businesses. In terms of earnings more businesses in the North West Province earn between R100-00 – R500-00 per month. Therefore there is limited potential for growth through investment and job creation in the SMME sector. The most profitable businesses are shebeens, traditional healers and street vendors.

#### *4.3.2. Provincial SMME Development and Support Strategy*

The North West Provincial Growth and Development strategy (2004:1ff) spelled out that as part of its promotion of its vision, the province intended to build a society that by 2014 will have fully capacitated the SMME sector thus enhancing competitiveness and profitability. To this end the Department of Economic Affairs had as one of its sub-units a SMME sub-unit. This subunit deals with queries that pertain to funding of SMME's, development of business plans and registration of businesses. Many consultative efforts were made to dialogue with all stakeholders involved in SMMEs. Some of these included a strategic workshop of 1996 that identified small business development as the first priority to receive attention in the government's economic development forum (1998:2).

The 1996 strategy had a three pronged programme of action: first, capacity building for infrastructure delivery, training and educational development and micro loan financing. SMMEs were identified as one of the growth and economic development pillars for further strategy formulation in the Province (2004:5). In 2005 an SMME Imbizo was summoned to Mafikeng. Its intention was to have an aerial view of SMMEs in the North West Province. In the same year an SMME development summit was held in Mafikeng from the 17 to the 19 of August 2005. It is in this development summit that the North West Province declared that it

‘considered SMME development ‘as an imperative to economic growth and wealth redistribution, and viewed it as a potential source of job creation of existing informal activities in the sector, if properly harnessed and directed’ (2005:19).

Facilitation of access to funding to promote BEE is also seen as important (2004:2). Furthermore, the document continued, ‘it would be of great help to encourage tertiary institutions to assist small entrepreneurs as well as develop business infrastructure like establishment of incubation centres throughout the Province’ (2004:25). Access to markets would have to be improved. It would need to be ensured that 60 – 80% of future economic activities in agriculture, mining, manufacturing, trade and tourism focus on SMMEs. A database where businesses could access potential entrepreneurs would be established. This is where Black economic empowerment deals could be made and formation of co-operatives that could assist small players in small business development.

#### 4.4. Tswaing Local Municipality: Policy

According to the Municipal Systems Act No. 32 of 2000, the local Municipalities are tasked with a process of identifying local needs with the intention of developing an integrated development plan that would be empowering, people focused, led and owned by ward committees; based on vision and strengths, holistic; promoting mutual accountability between communities and local government officials. The prepared Integrated Development Planning (IDP) document would then guide each council’s development programmes for five years.

The Tswaing local municipality integrated development summary, mission and vision statement (2008:1ff) states that there are priorities that were identified by a representative forum and as a result of a consultative process which are housing, electricity, education and roads. The local economic development forum adds tourism and Nguni cattle breeding to the list.

In the planning process as it would be expected from the integrated development approach, principles of inclusivity, representativity, consultation and participation were observed in prioritizing Tswaing residents' needs. Residents, stakeholders within Tswaing, representatives from other spheres of government, sector specialists and other resource persons were invited to participate. The process itself included five phases. Phase one was an analysis of the situation, phase two consists of strategies, phase three was made up of design and specification of projects for implementation, phase four was integration of identified projects within the municipality's objectives and strategies; the resource framework; legal requirements as well as general provincial economic development plan, phase five involved submission, perusal, consideration and approval of the IDP by the local council.

Acknowledged strengths of this municipality are a strong agricultural hold, availability of land, reservation of three municipal farms to develop black emerging farmers and for local economic development projects (2008:12).

Four roles have been suggested for municipalities in order for them to promote local economic development (LED). The first role is that of coordinator of LED. Municipalities can use the integrated development plan to draw together development objectives, priorities, strategies and programmes, linking these with national and provincial initiatives. The second role is that of being facilitator. The facilitative role can be done by improving an area's investment environment. It includes flexible use of municipal planning and zoning procedures thus lowering property rate. Thirdly, municipalities are local economic development stimulators through the provision of industrial or manufacturing estates with lower rents and services. Lastly, municipalities can play a role of being developers especially where huge investments are required and they can take on a substantial responsibility for the

establishment or operation of an enterprise. A municipality can also enter into partnership with the private or non-governmental sector.

#### 4.5. Impact of national and Provincial Government policies on Tswaing Local Municipality

A question may be raised as to how the national and provincial government frameworks should be impacting on local government?

Provincial government made efforts towards promotion of SMMEs. These efforts are aligned and integrated with national policies. Let us make two examples. The province consulted with various bodies involved in small business development through conferences and Imbizos (meetings). In his budget speech in September 2007, the Minister of Economic Affairs and Tourism mentioned that the above meetings resulted to the compilation of SMME database that was being processed by the provincial SMME unit, as expected by the National Small Business Act 102 of 1995. The database would help potential entrepreneurs to form co-operatives. Moreover, in the year 2007 the Department had seen to the establishment of consumer awareness groups, in places like Atamelang and Khunwana in keeping with national government policy. In this case national policy had filtered through to the Local Government level.

The second example would be that of facilitation of funding for small business development which was another intervention that the provincial government sought to achieve. In 2007 it set up a micro finance forum, the 'Tsogang Lo itirele' (Wake up and do it for yourselves) fund which was secured from the National Skills Fund to the value of R98 million rand. This fund seeks to help SMMEs in all industries to grow and develop, especially Provincial Growth Development Summit (PGDS) and Accelerated and Shared Growth Initiatives for South Africa projects. It also attempts to encourage creation of new community enterprises.

Provincial Government should monitor Local Government implementation of provincial policies. As a result of this gap, although the province reflects National Government's intention in their provincial SMME policy, Tswaing has no policy on small business development. As a result nothing specific is said about small and medium enterprise development and support in Tswaing's IDP, instead, an overview of the 2008 integrated development plan shows the council's focus to be more on building infrastructure and service delivery as their vision states. In terms of SMME's there seems to be a dislocation in the two tiers of government.

The 2007-2011 Tswaing Integrated Development Plan recognized backlogs on existing levels of development. It also noted that the previous IDP did not indicate how its development strategies were aligned to the national and provincial plans. The current IDP was supposed to have rectified this omission but has not done so. This may be indicative that those involved in planning lack capacity on how to align some local government strategies with national and provincial government strategies, or are not familiar with those strategies.

In their integrated local development strategy, agriculture was identified as the lead sector in employment generation in Tswaing, just as the Department of Economic Affairs planned that 60-80% of future economic activities in Agriculture, mining tourism, manufacturing and trade should focus on SMMEs. None of the community structures consulted seemed to have identified SMMEs as a priority area with possibilities of bringing employment opportunities.

In as much as there is funding for small business development at provincial level, and there are small businesses in Tswaing that need funding, these two cannot be connected because the local government has no policy regarding small business development and support.

These small businesses cannot be encouraged to form co-operatives, without a policy framework at local government level.



In chapter four we discussed the role of the nation state as that of developing policies which will guide the development and operation of small businesses. We noted how government, through Acts of parliament regulates trade, taxes, labour and zoning. This chapter also indicated how national government policies should filter through all tiers of Government.

## **CHAPTER 5: AN OVERVIEW OF THE SMME SITUATION IN TSWAING**

### **5.1. Introduction**

Chapter five will discuss the research methodology; present research findings; describe learnings from this research; suggest the role of the church in first, promoting the idea of small business development in terms of advocacy and policy engagement at the three tiers of government; secondly, in promoting small business development in Tswaing and thirdly, in setting up its own projects in such a way that they boost the local economy. This chapter will conclude by discussing principles which the church regards as being key to development practice.

### **5.2. Research Methodology**

Research was carried out from 2002 to 2008 in Atamelang, Khunwana, Gannalaagte and Manamolela reserves which form part of the Tswaing municipality, in the North West Province. A combination of research methods was used. First, I undertook a survey using questionnaires that contained both standardized and open-ended questions (see appendix 1). This was done to give respondents freedom to express their own views, whilst fixed questions were chosen for easy comparison and tabulation of responses when analyzing data later. Questionnaires were distributed to sixty one business owners.

A questionnaire that included questions pertaining to: who was involved in business, the motivation to start a business, types of businesses operating in the area, availability of resources, access to markets and start-up capital, funding possibilities, networking, strengths and weaknesses of local businesses, benefits of SMMEs as experienced by business owners, training needs or needed interventions that will enable businesses to be more successful, sustainability, and credit facilities was used. In these questionnaires businesses were divided into broad categories of (i) Retail/Motor Trade and Repair Services (ii) Agriculture (iii)

Manufacturing (iv) Catering (v) Transport, Storage and Communications and (vi) community and other for all those businesses that do not belong to the above categories. The choice of participants was not meant to construct a statistically representative sample but was random sampling which represented a cross section of the various businesses in the area. It was important to determine whether small businesses were adequate in building the economy of rural Tswaing or not.

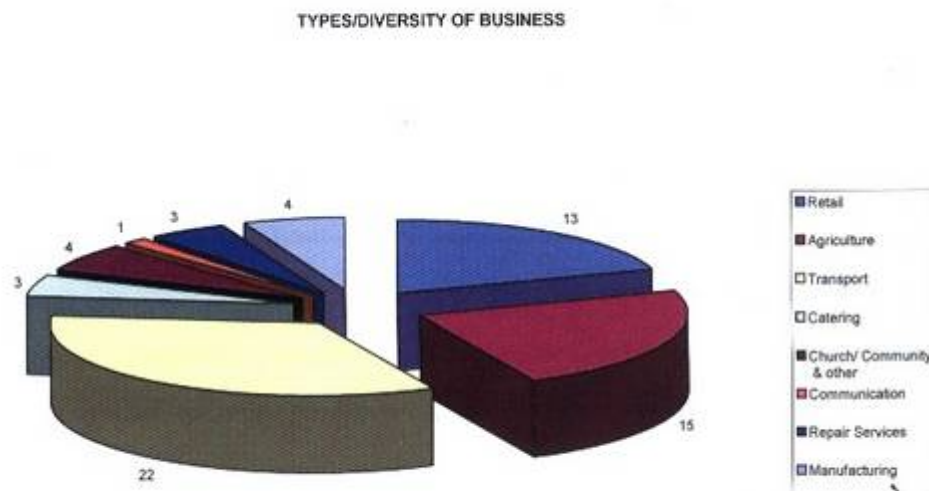
Second, and on a smaller scale, unstructured interviews were made with the then mayor of Tswaing, Mr. Lolwane, former mayor Mrs. Maele, facilitator of the IDP in Tswaing, Mr. Mazimeni. The interviews lasted between an hour and an hour and a half.

Thirdly conversations were held with members of the Methodist church in Atamelang, officers at the now defunct Atamelang Resource Centre, the police department, department of education, department of social welfare, successful Black small business farmers, as well as the head of the SMME desk at the provincial offices in Mafikeng. Through such conversations, an attempt was made to determine diversities in livelihoods, access to resources and income levels. This was important to enable the researcher to find out if there were any linkages between small businesses and people's livelihoods, in order to come up with appropriate interventions. This method of research was chosen for its ability to allow interviewees to talk freely about various aspects of life in Tswaing, but also to get in-depth information about SMMEs in the North West Province. This was possible because the researcher was resident and working in the communities where research was done.

Fourthly, documentary research was also done because the researcher wished to explore existing sources on the subject of SMMEs. To this end, official statistics were explored, speeches, books, journals, newspaper articles, published and unpublished papers were read and the internet was surfed for new information as the period of research was longer than

usual. Copies of documents from conferences, workshops and Tswaing Municipality were also obtained.

### 3.6.1 Types/diversity of businesses



### 5.3. Research findings: types of businesses

Generally, people who are involved in business are predominantly those between the ages of forty and sixty years, mostly married males. Out of the sixty-one respondents, only three were single and female. Youth also constituted a very small percentage of people in business. This must be viewed in the context of what was described in chapter three in terms of the demographics of Tswaing local municipality that youth and middle aged people constitute 72%, with a gender composition of 48:52 of man to women ratio.

#### 5.3.1. *Transport, Storage and Communication*

Out of the sixty one respondents interviewed those in the transport sector constituted twenty two respondents, which was the largest number. Those involved in this sector were between the ages of thirty and fifty nine, all male. Some started business because of unemployment,

yet others because they believed that it was more profitable running your own business. Ownership varied from those who were in partnership with family members to those who were sole owners who found a niche in the market. Taxis were bought from own savings without any financial assistance as they had no collateral. Membership as it would be expected from the taxi industry is in two taxi associations, the Tswaing Taxi Association and the Greater Delareyville Taxi Association. Respondents all claimed to have licenses to operate in the industry, having obtained such licenses from the transportation board and have been in the sector from anything ranging from six months to more than five years.

Challenges in the taxi industry included rude passengers, co-workers, lack of subsidy when one wants to buy a new taxi, few passengers and bad roads. Respondents said they did not need any training. One of the challenges that faced the taxi industry was that their business involved transporting commuters out of Tswaing and back home. This ironically which attempts to develop local business and reduce the distances local people have to commute, is perceived as a threat to the taxi industry. The truth is that purchasing outside of Tswaing worked better for the taxi industry. It increased routes to work in: Khunwana to Delareyville, Atamelang to Klerksdorp, Mafikeng, Vryburg and other rural towns which put bread on the taxi drivers' tables. This challenge nearly became a threat when there were rumors that bigger supermarkets would be built in Atamelang. Taxi owners were keen to oppose that move which would deprive them of their income. What this means to rural developers is that any move towards SMME development would have to address how that would affect the taxi industry.

Out of the sixty one respondents interviewed one involved in communication returned the questionnaire. She was a single female aged twenty to twenty nine, who started a business from her own savings because of unemployment, she had another casual work. Her business was public phones which operated from the street. The rest of the questionnaire was not

completed for fear of not knowing what was to be done with the information in spite of the reassurance that it was for research purposes.

### *5.3.2 Agriculture*

Out of the sixty one respondents fifteen were involved in the agricultural sector. Farmers in this sector felt that they were earning much more than what they would earn in waged employment. This brings to mind research done by Cormaroff and Cormaroff in 1997 as well as by Stacey in 1992 as referred to by Francis (2002:10 ) in which they noted that farmers in this area of Tswaing have been growing crops commercially for over a century. Secondly, many people in this region were able to produce on a substantial scale, sharecropping several hectares, using tractors, planters, trailers and threshing machines bought second-hand from white farmers.

Mr. Taje of Manamolela reserve, one of the respondents, who lives just outside the rural town of Delareyville is a grandson of such a farmer as stated above by these researchers. He has become a successful farmer who is a businessman, although he is semi-literate. He is around the age of sixty nine and started farming from the age of sixteen. He wanted to be a successful farmer from a very young age. Taje attributes his success to his having a clear sense of vision, having watched farmers around him succeed. Some of the guiding principles of his success included a conviction that the poverty that was experienced around him and by his parents could not have been of God, and resolved to transcend it. Second, he believed that land was given to humans to use and live from it. He also comes from a Christian background that taught him to hope and strive for better things, even, and especially when faced with challenges in life. Thus his faith in God who transforms reality became a resource from which he would draw strength during difficult times in his business. Thirdly, for him a sense of integrity is another value without which no business person can sustain success.

Taking responsibility over his own life was key, never adopting a victim mentality even when successful white farmers around him and other stresses became a challenge. He claimed that the ability to recover from stresses and move on was a key principle in lived business experience. Moral support from family members especially his educated sister as his business grew was unwavering. Taje also believes that perseverance; living a debt free life; focusing as well as experience brought him dividends. He has never had need to borrow money either for start-up capital, overheads nor anything pertaining to his business, hence he had no idea of whether financial institutions offered loans to small businesses or not. Proficiency in another local language which is Afrikaans (he speaks it fluently with the expected accent), the language spoken by farmers that he works closely with in the North West Co-operative enables him to market his produce with that of Afrikaners. It seems that these principles for business success could form part of business training as these have come from practical business practice over the years.

Another successful farmer interviewed was Mrs. Manne of Kopela village, a professional and practicing teacher who is married to a taxi boss. Over and above the standard questionnaire she shared that there is a leasing system which communities find helpful in the Tswaing area. Land owners get into an agreement with the lessee who has no access to land but has means of farming like finances, farming implements, and labourers. The lease is usually for an initial period of five years but can be extended. The lease agreement is that after harvest a certain percentage of the harvest is given as payment to the land owner for the use of land. In Mrs. Manne's area, for each seven bags of maize harvested, one bag is given to the land owner. The Manne family exports maize and beans to Zimbabwe, through the North West Co-operative, and has no problems with access to finance. On the day and time of the interview an officer came from the land bank to offer her a loan to purchase a farm to grow her business, however, she declined the offer, for, like Mr. Taje she did not believe in loans,

feeling that they are cumbersome, especially for business people who have managed to succeed without the high interest rates.

Of interest is the research that was done in 2002 by Francis in which she mentions that many people in the Ditsobotla district, (some parts of what is known as Tswaing now used to be part of the Ditsobotla district) who had no rights over arable land are said to have leased land to both black and white farmers, receiving a payment of anything between one in three and one in ten bags of grain. This for me means that this leasing system is sustainable because it has passed the test of time. We could, in terms of rural economic development, find ways of enhancing it for mutual benefit of the landless with cash on the one hand and those who have land but no cash on the other hand. In this research it became clear that some respondents had access to land and no access to finances whilst others had access to finances and no access to land

This leasing system could be part of the solution to the problem of landlessness to those members of the community who would like to be subsistence farmers. In time they could grow their livelihood to commercial farming. It is noted that in this system exchanges happen at local level and would therefore have a possibility of circulation of income within the community. This possibility will be further discussed when dealing with what the church can do to promote the idea of small business development in Tswaing.

It is also of interest to note that according to the Tswaing's 2007-2011 Integrated Development Plan, the agricultural sector provides direct employment opportunities to grow the local economy. Furthermore we also know that agriculture has indirect effects, through providing inputs into the manufacturing sector. It provides employment to unskilled and low skilled labour in rural areas through provision of income that sustains employment in the



trade, transport and service sectors. In the case of both Mr. Taje and Mrs. Manne it was found that they have around fifty employees each, depending on the time of the year, as some of these employees are seasonal semi or unskilled workers.

When asked whether they would consider growing their businesses with agricultural based home industries for circulation of income they responded that they would prefer to focus on growing maize and beans, as well as do stock farming rather than doing too many things as the risk of losing what they have was also too high. The challenge for Mr. Taje was that of having enough education to be able to be in charge of financial books, whilst for Mrs. Manne was a lack of time to be hands on.

Having described the scenario of some of the successes in the above sector it needs to be further observed that first, these are family businesses and secondly, there is limited commercial farming in the area from Atamelang to Khunwana, although there are available fields that could be used. Further, it seems that a combination of farming activities with other employment that brings an additional income could be a possibility in enhancing agriculture as a business if replicated.

Roodt (1984:294) however, paints a gloomy picture of the failure of agriculture as a job creation venture in rural areas. He made two claims. The first claim was that agricultural based industries as a means of providing further job opportunities for the rural population are not very promising. He estimated that jobs that could be created from agricultural based industries would be around 483 in the North West Province. This claim showed that it is difficult to establish industries in remote rural areas, far away from the market centres. The second claim which he made was that between 66 and 69% of rural household were unable to survive under optimal conditions, in the then Ditsobotla district, part of which is now

Tswaing municipality, without having to resort to migrancy. Perhaps what Roodt described above is exactly what is discouraging successful black farmers from engaging in agriculturally based industries in their rural setting.

What is described above cannot be completely applicable to Tswaing because successful white farmers from the rural towns of Delareyville and other surrounding areas are engaged in agricultural based industries like making home-made jam, cheese, milk and home-made fruit drinks. These are marketed through the North West Co-operative. Discussing viable models for rural development Waterson (1975: 5) correctly observes that, 'Although it may not have been intended, agricultural development has frequently benefited rich farmers more than poor farmers in developing countries'. He then attributes this phenomenon to the access that rich farmers have and which poor farmers lack education, credit, irrigation equipment which are required if one has to adequately respond to new opportunities.

It has to be noted that as Erskine (1991:6) asserts, 'Sustainable agriculture is governed as much by economics as by ecology, by laws of supply and demand as by principle of system maintenance'. My belief is that with appropriate support rural SMMEs can be sustainable.

In the agricultural sector in general, research findings show that farmers were driven to start their own business by a variety of circumstances including zeal, retirement from previous jobs, unemployment as well as retrenchments. They all responded that business is better than waged employment. Whereas some respondents grow maize for export, home consumption and cattle feed, others grow beans and sunflower seeds which are sold to the North West Co-operative and to their respective communities. All of them are sole owners, who employ between nine and fifty seasonal workers. This indicates that these businesses benefit owners and or family members more than they do the rest of the community. Due to this

phenomenon it would be important then to look at ways of doing small businesses that would go beyond assisting individual families but would be able to grow the local economy.

Respondents used personal resources to start and grow their family businesses. Start-up capital ranged from own savings, to grants and interest free loans from family members. If there were loans from family members, then this indicates that there are other livelihoods or financial transactions operating outside the formal banking system, including some working as teachers and earning an income.

None of the respondents in the agricultural sector had previous training in business, but they had either worked as farm hands for other farmers, especially white farmers; had inherited family farms or had used experienced farmers who were trained on the job. This finding shows that even the poorest community has transferred skills not necessarily because those skills were received from formal education.

None had business licenses. It was interesting to note that small business owners would prefer not to register their businesses because of the survivalist nature of their businesses. The length of time in which they have engaged in their business ranged from one to forty years. In terms of land ownership only five owned land with title deeds, the rest ran businesses on rented land. The researcher's observation and informal conversations showed that other community members who were not given questionnaires because they did not run businesses, were land owners who had no means to use their land fruitfully. This means that the number of land owners is bigger than what the research covered. Perhaps a wider consultation that would have included those community members without businesses would have yielded helpful information.

All of the respondents work more than eight hours a day. Seeds were bought from a co-operative in Delareyville on credit or cash. Besides the few successful farmers, the rest of farmers interviewed had challenges that included absence of farming implements like weed killers, planters, harvesters; need for vehicles; lack of access to finance; drought and a lack of state intervention during times of crises, although they had a motivation to do small scale farming.

### *5.3.3. Retail / Trade*

Thirteen people were interviewed in this sector. Of these ten were retailers aged from thirty to sixty years, who sold groceries, liquor, as well as herbal mixtures. Five out of the ten retailers were sole proprietors whilst the other five had business partners. All operated with licenses from either the liquor board or national trade and industry. Others had formal business training or experience from previous employment.

Three of the thirteen people in this sector worked in the Motor Trade and repair services. They were involved in motor repairs, welding, brazing, panel beating and re-spraying. They are aged between thirty and forty years. Two operated in their yards and the one in business premises. Service was being rendered mainly to professionals who did not have insurance cover on their vehicles. All started business because of unemployment, had worked for qualified business people before and gained experienced from their previous employment. All three respondents purchased their stock from Klerksdorp and needed proper equipment to grow their businesses. The men in the industry were quite skilled and it looked as if they would do very well if they had the necessary equipment, for example a wheel balancing machine for one.

#### *5.3.4. Caterers*

Only four out of sixty one respondents were in the catering sector, aged twenty to twenty nine; thirty to thirty nine and forty to forty nine respectively and were all females. One respondent had casual work, another one was not formerly employed, and the last one was on a welfare grant.

Self employment was seen to be better than formal employment for the following reasons: one is able to determine one's own salary; one receives money when one needs it and does not have to wait for the month to end; the pay was seen to be better than wage employment.

All three caterers mostly did catering for people who worked in government offices, those who were in the taxi industry and had no time to cook, and people travelling through the area. Meals ranged from 'vetkoeks' (fat cakes) and chips to home cooked meals.

One respondent operated in rented space, another from an old former bus depot, and a third one operated from the street. All three caterers were trained by an organization called Joint Education Programme which came from Johannesburg; networked with caterers from Klerksdorp and had two to three employees.

Caterers were either in partnership with other family members or working alone. They were operating without licenses. Two of the businesses were started because of unemployment and one because the respondent noticed a gap in the catering sector. Own savings were used to start the business. Stock was bought from wholesalers in Delareyville.

#### *5.3.5. Community and other*

In this sector there were two respondents. The two businesses in this category were crèches started by teachers who had been working for the Methodist preschool and left to start their own businesses, when they noticed that the church school was no longer growing as a project

because of change of church leadership. They used their own savings and were running a crèches for babies to two year olds. Another business was that owned by a group of community members, a hair salon. They had other casual work. It was started by people who were looking for other employment opportunities. The status of the business was a partnership with other community members, started with own savings; operating without a license. They had been in business for over five years and were operating in business premises which meant that they had to pay rent. They purchased their stock from a retailer in town and were not allowed to buy on credit. Besides the core group who owned the business, respondents had two more paid employees.

#### *5.3.6. Manufacturing*

The three respondents in the manufacturing sector manufactured coffins, sheet metal, table cloths, clothes, juice and ice lolly pops and were in own businesses. They procured their stock from Vryburg – Nampak, retailers in Delareyville for fabric, sheet metal, and wood for coffins. Two respondents had no business training whilst one had it.

### 5.4. Learnings, trends and concerns

#### *5.4.1. Learnings*

The researcher made two observations, first, that those areas that were placed in the middle of nowhere during the apartheid era with the intention of building a homeland need more attention. The former mayor of Atamelang Mrs. Maele explained that before 1994 joblessness was unknown in Atamelang. She believed that it resulted from a general decline of the economy and rationalization which led to a closure of places that provided jobs for rural communities. The situation described by Maele above with regard to rationalization is in agreement with the findings of Sydney Kutu (2002:26) about rural Thaba ‘Nchu, a Bophuthatswana ‘homeland’ in South Africa, where respondents to interviews stated that

government policy post 1994 embarked on rationalization in an attempt to distribute resources equitably in the Free State Province. Francis (2002:4) however attributed availability of jobs prior 1994 to the fact that Mangope's regime was based on personal rule and held together by patronage and corruption. Therefore jobs, land, trading licenses were pieces of patronage distributed in ways that aimed to maintain political support.

Part of the picture painted by Maele above was also consistent with the speech made by the Department of Trade and Industry Minister, addressing a summer development summit in August 2005 in Mafikeng. He outlined micro economic strategy and conditions that prevailed both before and after 1994 (1995:22). He claimed that by 1994 South Africa's economy was already in an advanced state of decline due to the following factors: political isolation and inward looking economic policies as well as the legacy of racial exclusion. Consequently, these resulted in stagnation of GDP growth until 1994; declining savings and investment rates; failing formal sector employment; external vulnerability due to both insufficient flows and unattractive investment climate. After 1994 policy interventions tried to build and de-racialise the economy; meet the basic needs of communities; democratize the state and society; develop human resources; build the nation; integrate into the global economy and reform micro and macro economics.

The second learning from the research was that the Tswana community also invested in livestock such as goats, chickens, ducks and cows. During times of crisis they also solicited financial help from family members, relatives and money lenders called *oo-Matshonisa* ('those who cause you to sink') otherwise known as 'loan sharks'. In other words, as community members knew that they would not receive money from formal banking institutions, they would seek handouts from other community members to meet livelihood needs. At times when the community was faced with marriage of daughters or taking their children to institutions of higher learning they would borrow from local burial schemes, or

sell livestock to get money. In short communities depended on these informal financial systems, some of which had high costs.

#### *5.4.2. Trends in the SMME Sector*

The research highlighted strengths and weaknesses in Small, Medium and Micro enterprises in Tswaing. We now turn to those strengths and weaknesses.

It was realized that general advantages of SMMEs identified by most respondents included the following strengths: they encourage initiative and hard work because all that one does is for one-self. One reaps the consequences of one's hard work as it were, and working hours are better than in wage employment although they may be longer. One also determines one's own salary according to turnover, and working conditions are negotiated much better than those in big business as these are determined by the owner who is nearer to workers because of the small number of employees.

SMMEs also afford one an ability to be in charge of one's life. A small business owner can follow his or her vision to the top instead of following another person's vision, which may not be clearly articulated. There is also satisfaction as one serves one's community directly (in as far as community members are consumers) without bureaucratic considerations. Families benefit as well because of the ability to plan and work around a business as one manages his or her own time.

#### *5.4.3. Weaknesses of or challenges faced by SMMEs in Tswaing*

Aside from strengths, a number of weaknesses were also identified. These included:



#### *5.4.3.1 High Municipal Costs*

There were a lot of vacant buildings but due to high municipal rates and the high cost of overheads small business owners were reluctant to rent these building and some preferred to operate from their homes.

#### *5.4.3.2 Lack of access to credit facilities*

In terms of credit facilities, it was observed that there was no access to finance. Banks were reluctant to give credit to poor business people without collateral and the situation was getting worse with the threat of economic recession. In Tswaing respondents decided to use their own savings, retirement packages, or loans from relatives, to start businesses.

#### *5.4.3.3 Outflow of Capital*

There was considerable outflow of capital to Delareyville and surrounding rural towns as materials were purchased outside, thus destroying the local economy. The community could be encouraged to buy locally and invest in the local economy. However, we noted that this in turn would create tension with the taxi industry, which have come to rely on the constant movement of people and goods.

#### *5.4.3.4 Lack of training in business administration, management and technical skills*

According to Van Aardt (1997:15) running a business requires knowledge of stock procurement, taking and control. Small business owners also need to be familiar with such things as planning of goals and budgets as well as behavior, expectations and demands of customers. Efficient financial policies and procedures need to be in place, especially in view of the fact that they constantly had to face insufficient operating capital. In Tswaing lack of training in the above aspects was a hindrance to growth of small businesses, as Harper

(1983:14) also correctly states ‘... the scarcity of competent managers is a more serious constraint on economic development than the shortage of finance’.

#### *5.4.3.5 High Costs of equipment*

The people in the catering industry had shortage of catering equipment, whilst farmers needed implements like sprinklers and weeding machines. Those respondents in the motor repairs services could not afford to purchase wheel alignment equipment due to high costs.

#### *5.4.3.6 Competition with unlicensed traders*

Competition existed between traders in the retail sector especially amongst those respondents in the liquor industry where shebeens were in close proximity. This competition became a challenge, more especially when foreign national started their own small businesses alongside existing ones. It must be remembered that competition in rural areas is looked at with suspicion as social harmony is preferred. Nurnberger (1999:199) states that ‘The accumulation and utilisation of economic resources for private gain, in particular, is made virtually impossible, in fact, it would be tantamount to sorcery’ in traditional societies. Therefore dealing with change of mindset would be necessary.

#### *5.4.3.7 Difficulty in disciplining family members*

Hiring of close relatives in small businesses is beneficial in the sense that there would be healthy labour relations between the employer and the employee as small businesses are run in a relaxed manner. However, conflicts arose when discipline had to be exercised when a family member failed to perform duties.

#### *5.4.3.8 Lack of infrastructure*

In chapter three it was indicated that absence or presence of infrastructure can destroy or build the local economy. Water, highly unpredictable rain and bad roads and scarcity of land for some farmers, were some of the challenges mentioned by respondents, especially those in the transport sector. There was an inability to move around in terms of transport and car ownership, because of low rate of car ownership, especially those suited for rural roads. It is the duty of local government to see to it that the environment is conducive to SMME development.

#### *5.4.3.9 Lack of access to markets*

A lack of access to viable markets was another challenge facing small business owners. It related directly to what was discussed about the history of areas like Atamelang and Gannalaagte that were relocated to a place that was away from suppliers. This in turn made procurement of stocks difficult.

### 5.5 Concerns

Having explored the nine weaknesses above, and in the light of the research of the regulatory framework and in the field, this research raises seven concerns, namely: (i) absence of small scale rural industries; (ii) the lack of a link of SMMEs to the rural base of the land, (iii) limited Black Commercial Farming, (iv) an absence of co-operatives, (v) an absence of local finance facilities, (vi) an absence of local SMME support systems and (vii) the weak capacity of local government. We now turn to each of these.

### *5.5.1 Absence of small scale rural industries/ Non link of SMMEs to the rural base of the land*

Tswaing was characterized by the absence of small scale rural industries.

Crucial to this research were findings that the majority of SMMEs do not link back to the rural base of the land. In the current study in Tswaing, it being an agricultural community that is within the maize triangle one would have expected to find at least home based industries related to or reflecting such an environment.

### *5.5.2 Limited Black Commercial Farming*

The question of limited black commercial farming in the area around Delareyville, Geysdorp, Atamelang, Khunwana, and Gannalaagte where white commercial farmers farming was thriving indicates not just the magnitude of the problem of accessing entry into the sector. It also indicated lack of water and appropriate farming implements as shown by respondents who had plenty of land and skills for farming. Government Gazette number 16317 of 28 March 1995 acknowledges the difficulty for new enterprises to access the agricultural, construction and manufacturing sectors in particular, because of the wide range of problems encountered, for example, international competition, technology, and transfer of skills.

### *5.5.3 Collapse of co-operatives*

It was interesting to find out, after interviewing one of the respondents, Mr. Elias Lobelo of the Khunwana community, who was a subsistence farmer that the formation of co-operatives in the former Bophuthatswana were found to be helpful in growing the community economy by community members. These were regulated by the Bantu Homeland Co-operatives Proclamation of 1971. The aim was to increase production, and increase efficiency in the agricultural sector. These resulted in higher farmers' income and an increased standard of living for the community. Formation of primary and secondary agricultural Co-operatives

was helpful to rural communities. Such Co-operatives supplied members with aids of production like seed and fertilizer. They marketed their members' produce. Other services provided by co-operatives included organizing of contract services for tilling the land. Primary co-operatives when they still existed rendered a 'retail' function to individual farmers. Loans were also available for co-operatives from the Agricultural Development Board. After the collapse of these co-operatives after 1994 in Tswaing one major one remained, namely the North West Co-operative.

#### *5.5.4 Absence of local finance facilities*

There were no banking facilities in all of the areas researched. The minimum distance to be travelled to the nearest bank was twenty five kilometers. The implications for small businesses are huge. As Ewert (1992:11) put it, 'lack of savings institutions for the poor is even more acute than the savings of the poor'.

#### *5.5.5 Absence of local SMME support systems*

These were not available in the immediate environment, with the newly created one in Vryburg, a minimum distance of one hundred and twenty one kilometers away.

#### *5.5.6 Weak capacity of local government*

In chapter four we wrote about an absence of an SMME development strategy in Tswaing local municipality.

### 5.6 Comparison of research findings with previous findings

The findings of this research confirm previous findings in many respects. First, similar to the findings by Rogerson (2001:285), was that rural SMMEs were engaged in survivalist enterprises with only limited potential to create employment or wealth. This outcome was

also consistent with the SMME Imbizo report, (2005:21) which stated that most SMMEs in the North West Province were survivalist with a turnover of less than R10,000 per month. Although in the current research respondents were reluctant to state clearly what their turnover was, they mentioned that it was minimal. Mathale (2005:29) of the NEPAD Secretariat, speaking about Small Business Development as an engine for economic growth and poverty alleviation in South Africa, outlined the three core arguments on which SMME policies were based. The first argument was that SMMEs enhance competition and entrepreneurship; they just needed direct government support. The second argument was that small businesses are more productive than larger firms and blames institutional failure and financial markets for impeding small business development. Were there direct government financial support, so the argument went, SMMEs would boost economic growth. Thirdly, expansion of small businesses boost employment more than larger firms because they are labour intensive, they just need to be subsidized.

Mathale's report however mentioned that other researchers are skeptical about the role of SMMEs in employment creation. Their counter argument is that SMMEs are neither labour intensive, nor better job creators than larger firms because larger firms create jobs that are more secure than would small businesses. The current research showed that first, the location of small businesses was important in terms of both job creation and growing local economy, second, that it was not just government intervention that was necessary, but mobilization of all the resources within the community was crucial.

Most of the businesses identified in Tswaing were classifiable as micro enterprises. These findings are in agreement with the findings of Bukula (1997:18), that rural people more often than not are driven to business by a need for household survival than perceived business opportunities. This is true of the current research findings. For example when respondents

were asked about reasons for starting a business they responded that it was mainly because of unemployment of family members, themselves or 'just to live'. These were people who just wanted to put food on the table. Part of this response though may be caused by disillusionment with the situation in which people find themselves.

One finding was different from Cawker and Whiteford's research (1993:103). They asserted that, "many of the jobs provided by the informal sector merely act as fallback position for people who are unable to find employment in the formal sector of the economy". One of the questions asked of all respondents in my research, was whether they were looking for employment. Whilst there was a minority which responded that they started businesses because of unemployment, the majority of the respondents actually preferred to be self employed. The fact that the minority was looking for employment did not mean that wealth was not required but that if it happened it would be more accidental than intentional. More important to this was the fact that those who were still looking for employment were disillusioned with the low turnover in their businesses.

If one looks at the pie chart in chapter three, it will be observed that the greatest percentage of businesses was in the transport sector (yellow piece of the pie), although within the same sector the communication category was low, and there were no respondents in the storage business. This is followed by the agricultural sector (red). Although the agricultural sector rated higher than some of the sectors, black farmers could do more, considering that the majority of the population, according to Tswana's demographics in chapter three was Black. The general picture was that there were a few activities in the manufacturing sector. There were only three businesses in the manufacturing sector namely dressmaking, juice and ice lolly making and coffin making. This is consistent with earlier research by Rogerson (2001:282). In seven case studies in different provinces of South Africa it was noted that the

most common forms of rural SMMEs occur in retail services rather than manufacturing enterprise. Lack of diversity may be attributed to the fact that small businesses in rural areas face huge constraints in sourcing appropriate and affordable raw material. Juice and ice-lolly makers who work from an old building on the edge of Atamelang Township for example mentioned that they struggle to get tubing for ice-lollies. As mentioned earlier there was a problem of procurement.

Some of the respondents who owned land were elderly people who were not able to use it and/or their children/grandchildren were not interested in living off the land. In terms of SMME development and support this means that systems to assist the above two categories must be put in place to make maximum use of available land for small agriculturally based businesses. For example elderly people could be brought in to local planning meetings on small business development to offer their resources of land for a contracting system as explained before, and be assisted in that process. In the case of youth who are not interested in living off the land, it would mean that diversifying forms of employment should be considered, instead of just focusing on agriculture. Rogerson (2001:280) stated that the conditions in which some members of the community were unable or unwilling to work the land was common throughout much of rural South Africa where “there is widespread poverty, limited formal employment opportunities and high incidence of migrant labour...”

Given the research findings, the question then arises, are SMMEs an option in building the Tswaing community economy? The answer is yes. This is in spite of the context that has been identified as one of poverty and unemployment, in which small businesses are regarded as survivalist, and the fact that these factors are combined with a backlog in infrastructure.



The North West province has identified economic development as the core problem which could be solved by sufficient access to income-generating employment opportunities. Small business development and support could be the source of that employment. What marginalized the community further from the mainstream economy was the outflow of capital to rural towns and urban centres, as stated in earlier in this section. This refers to the fact that community members did not purchase goods from local 'Spaza' shops because of inflated prices. Instead they travel by taxis to the nearest rural town of Delareyville, twenty five kilometers away, or further to Klerksdorp which is a good two hours' drive. Towns are then enriched and do not plough back to the rural areas so as to contribute to their development. Of importance here was a casual remark made by one of the successful farmers that Delareyville was once just a trading station and over and above other resources, local communities made it what it is today. How this outflow of capital could be reduced will be discussed in the next chapter.

We therefore conclude that SMMEs could contribute towards building the community economy. A key task for the church's response to the development needs of the community, then, is to look into people's livelihoods in terms of how to support and develop businesses; what methodology to use, what key fundamental principles to adopt, as well as the direct contribution it could play through its various organs.

We conclude this chapter by asserting that the church has a responsibility to go further than simply proposing a method for small business development and certain economic principles for good development practice. The church has to show how these principles work in practice. That is the task of chapter six.

## **CHAPTER 6: CHURCH AND SMALL BUSINESS: BUILDING THE COMMUNITY ECONOMY**

### **6.1. Introduction**

Some of the competencies of the church in the area of development were highlighted in chapter two. We wish to turn now to these competencies and see how they could be applied in small business development and support. This chapter will look at some proposals on legitimate ways in which the church could be involved and make its own contribution to small business development in Tswaing, given that, with the right support, SMMEs are seen to be a key to local economic development.

As we saw in chapter two, the church must be seen to be taking roles of advocacy; promotion of values and principles that will contribute to the wholeness of people and nature; creating awareness on various issues that affect society; capacity building; visioning and challenging society with that vision; and leading society towards development of new spiritualities.

It is the broad context of the above roles that we will deal with the role of the church in small business development. This will be done in three areas, namely, (i) promoting the vision of small business development in terms of advocacy and policy engagement at National, Provincial and Local Government levels (ii) promoting small business development and support in the local area (these businesses will not be church businesses); and (iii) setting up its own projects in such a manner that it boosts the local economy.

## 6.2. Advocacy and Policy engagement at the National, Provincial and Local Levels of Governance

In chapter three we discussed that National Government was a policy formulating body. It provides a legal framework within which small businesses should operate. It does this through provisions of Acts of Parliament. Within this framework, and through its organs, Government formulates policies that guide budgeting for, financing of, licensing of businesses, provide information to, offer security to, and build infrastructure for, amongst others, SMME development and support. It is with understanding that the church will promote SMME development by engaging Government.

### *6.2.1 National Government*

The church would engage National Government to intervene in three areas, which were already identified as key necessary policy interventions in SMME development and support by other researchers (Haggblade and Brown, 1989; ILO, 1995; Yusuf and Kumar, 1996; and Rogerson, 2001). These were the rural SMME economy: (i) policies to ensure incentives for rural SMMEs; (ii) policies to facilitate the response of rural SMMEs; and (iii) policies to encourage local government entrepreneurship. All these interventions would be creating a healthy environment in which SMMEs thrive.

#### *6.2.1.1 Policies to ensure incentives for rural SMMEs*

In practice such policies would ensure that when Government allocates funding for spending in programmes, it is ensured, through the Department of Trade and Industry, that funds are not distributed to city municipalities only, but to the remotest areas like Tswaing as well.

### *6.2.1.2 Policies to facilitate the response of rural SMMEs*

SMMEs in Tswaing are currently not sustainable, because of the various challenges they are facing. These challenges were discussed in chapter 5. The church would challenge Government to consider partnering with churches to facilitate establishment of some of the services, like the establishment of a Local service Centre. This would mean that National Government, places within its framework, monitoring and evaluation procedures for Provincial performance or delivery on National policies pertaining to the establishment of Local Support Service Centres within a reasonable distance of communities, one of them in Delareyville for an example.

The church could also request national government to put in place policies to assist in speeding up the process of rezoning church land, especially if the rezoning pertains to the availing of such land for small business development or support. National government would do this by putting time frames within policies regarding zoning of land for development purposes.

### *6.2.1.3 Policies to encourage Local Government Entrepreneurship*

Yusuf and Kumar, (1996: 28) suggested that one of the functions of Local Government was stimulation and sustaining the rural SMME economy. Local Governments are also required to develop Small Business Strategies for their municipalities. In view of these requirements the church would challenge National Government to monitor the Province in terms of implementation of policies at Local Government level (Tswaing in this case), especially in view of what National Government stated in the Small Business Act, about viewing SMMEs as a vehicle for Black economic development (see chapter 3 on government policy).

### *6.2.2 Provincial Government*

It is proposed that Government set up strategies that will deal with the high levels of illiteracy amongst small business owners. It is suggested that the church encourages partnerships with other stakeholders to design tailor made training for adults in different sectors of SMMEs. Furthermore, churches need to forge partnerships with government to deal with backlog in capacity building. To this end the church would have to advocate for an establishment of a Centre for Rural Development. Such a centre could be attached to the North West University.

### *6.2.3. Local Government*

Local government, over and above the provision of infrastructure has, as one of its functions, to stimulate rural economy. It has to exercise its powers and functions as set out in section 156 of the Constitution. Our concern here is Section 153 which deals with the developmental role of Municipal Government.

To help the local government in its role, it is suggested that the church assist the Tswaing Local municipality, together with the present participating stakeholders, in four areas, namely (i) capacity building and implementation of provincial policies; (ii) rural education; (iii) establishment of wealth creation projects (iv) availing market opportunities.

#### *6.2.3.1 Capacity building and implementation of provincial policies*

In terms of capacity building the church would have to join other stakeholders in the construction of an Integrated Development Plan for 2012-2016. This plan would incorporate the economic sustainable optimal use of natural and other resources in SMME development, starting new SMMEs which would include manufacturers, and supporting them in conjunction with other interested parties. It would be important for the church and the

community of Tswaing that this strategy clarifies areas that target wealth creation in its objectives.

#### *6.2.3.2 Rural Education*

The second area that the church could challenge local Government in would be that of rural education. It will be recalled that the rural areas of Tswaing had a high level of illiteracy. This area, like many similar areas in South Africa, was affected by Apartheid policies and as such the rural communities were denied educational opportunities, more than urban dwellers. The church could then advocate for development of agricultural schools, through the North West Province, advocating for incorporation of entrepreneurial skills as well as the establishment of more adult education centres.

#### *6.2.3.3 Establishment of wealth creation projects*

Tswaing Local Municipality would be engaged to support at least three wealth creation small businesses, like manufacturers of protective clothing, for an example. One or two of these small businesses could be placed in the area already designated for agricultural ventures on the outskirts of Atamelang (see Appendix 1). These projects could be small scale rural industries that would be identified by community members, with a cheese factory or a dairy as examples of such industries. These would follow the partnership model identified as model 3 by Botes and Abrahams (2008:128). This model would be adopted with the church as initiator, manager, and implementer of these projects, for the reason that, as things stand the local municipality seems to lack institutional capacity in the above regards.

#### *6.2.3.4 Availing local market opportunities*

Local Government could also be approached by the church to consider planning for periodic markets where small business owners could sell their products. Government could also use these for service delivery like delivery of social service food parcels, old age pension pay out points or mini home affairs service points.

### 6.3. Promotion of Small Business Development and Support in Tswaing

Here the church could play three roles, namely, that of a facilitator, a partner and a co-learner. The Church as a Facilitator and Partner would, together with community members, consider piloting a development agency that could be replicated in other areas. This Agency would be a support system to existing SMMEs in Tswaing. It would also assist in the development of new small businesses to fill existing gaps in the construction and manufacturing sectors to add to existing small businesses. In the following paragraphs we discuss some of the roles that could be performed by the agency.

The Role of the development agency could be responsible for establishing a development desk for various small business sectors. The desk would act as an expert point of reference and would facilitate, in partnership with the existing Small Business Desk at the Department of Economic Development and Tourism in Mmabatho, development activities, policies and programmes. Information would be received by the agency from, and in consultation with the Provincial desk through the Internet to the local community. This would mean that instead of small business owners traveling to the Provincial office, they would receive information nearer home. As part of its work the desk would register all existing small businesses on behalf of the local government in Tswaing.

The church based development agency would also identify mentors for various sectors and twin them with those from their respective sectors, who have entrepreneurial skills, for

transfer of skills. These mentoring partnerships would meet the gap of shortage of business management skills.

Another support function would be that of forging partnerships between small scale farmers and established farmers for those established farmers who would like to make their farming operation available on a business basis for purposes of a joint venture with small farmers. The partnership would also assist those farmers who would be interested in leasing their land, (like the elderly who no longer have energy to farm or the youth who own land but have no interest in personally working the land), with a view to development projects. These partnerships would not be limited to the agricultural sector but would include clothes manufacturers as well as those who would like to venture into the construction industry.

The church initiated agency would act as a pool of consultants who could make a contribution in terms of technical, economic, financial, marketing or management expertise. The Ecumenical Church would use its connections with their urban counterparts, through their District Bishops and Synods to find more experts who would be accountable to and willing to learn from the local community.

The process of establishing a development agency will follow that of an Asset based approach namely, convening a meeting by the local Council of Churches to assess interest in the vision; second, for discussion of ways of locating and mobilizing all institutions in Tswaing's selected areas to be involved in one way or another in the formation of the suggested agency; thirdly, to deliberate on how to capture local institutions for SMME development, especially for community members who will not be directly involved with the running of the agency.



The Church as a co-learner would, through the agency, also act as a conduit for funds. Funds would be sourced from government funding agencies, especially in cases where huge capital is needed for small businesses. In support of SMMEs and to fill in gaps that exist in terms of lack of access to funding, and absence of financial institutions from the community, the church would encourage the community to enhance the power of savings clubs; establishment of a local bank in consultation with big business and assist the community towards investing in the local economy. The church will thus, together with the community be learning to be involved in the financial world in a manner that will grow local economy.

### *6.3.1 Creation of alternative credit institutions*

Ewert (1992:11) suggests that the establishment of a chain of small credit unions would provide credit for potential entrepreneurs much as they would provide a vehicle for savings. However, contrary to Ewert Davies (1998:28) alludes to negative results that could be brought about by access to credit for small business owners. He claims that access to credit would increase the size of the business. This rise would in turn give rise to more production and a quest for more profit. Wherever production is done for profit, Davies claims that it necessitates reduction of production time and thus manual work becomes unnecessary as machinery becomes necessary. Yet Davies's point is a minority opinion. It is clear from this research that access to credit is a crucial area of weakness in the current situation in Tswana, and that community level credit institutions are crucial for the lifting of SMMEs from the 'survivalist' mode.

### *6.3.2 Strengthening/multiplying Savings Clubs*

A problem of lack of access to finance was identified. The poor have complex livelihood and financial strategies that contribute towards building local economies when recognized. Savings clubs are some of such strategies. From own experience and experience of relatives,

(The researcher was a member of a savings club whilst working in Thaba `Nchu). Savings clubs are semi-formal groups of individuals who come together with an agreed purpose of saving money. Membership is voluntary. The intention of forming and strengthen such existing clubs would be to promote discipline in saving money thus reducing vulnerability of SMMEs to financial crises.

In such Savings clubs money could be saved for weddings, funerals, sudden loss of employment or other emergency needs and could be used as start- up capital for business. It could be in these clubs that members could also learn how to budget whilst learning to build a sense of community. The latter would be an equivalent of what Botes and Abrahams (2008:118) describe as an investment in social capital. Social capital refers to “those social resources (networks, membership of groups, relationships of trust, access to wider institutions of society) upon which people draw in pursuit of individual livelihoods”.

Meetings are held weekly or monthly, depending on what the membership decides. It is in these meetings that committee members would be elected. There could be sharing of problems encountered in the running of their various businesses which could help members to have a sense of identity and would allow for social mobilization as they form solidarities. Savings clubs could also be used for networking of small business owners from the same sector or between sectors.

The formation of these savings clubs could differ according to need. It could be one or two members who see such a need and would either speak to others who might be interested or make group presentations. Numbers in each group would vary from ten to twelve. Should there be more people wishing to join after the maximum number has been reached, they be would encouraged to form another savings club.

Rules that will govern the club will be agreed upon by all members and decisions made jointly. The group would decide jointly how money would be brought to the meeting, although some groups usually allow a representation if a particular member is held up and unable to come. Money will be counted in everyone's presence to encourage accountability, where all members can also view collection books, and do reconciliation of the bank statements. The number of signatures in the bank account will be determined by members. Members may opt to have training sessions on various topics like basic financial management or life skills.

#### 6.4 Church sets up its own project: Boosting the local economy

In order to ground the principles identified in this chapter, we now explore an example of what the church can actually do in the circumstances described in this thesis. This example involves the churches being in partnership with local businesses to form a construction company for purposes of providing low cost, smart, affordable and diverse housing with local people. This could also assist existing entrepreneurs to build local economy.

In order to keep economic activity focused locally in the creation of a construction company, the development principles listed in chapter two which the church regards as key to good development practice will be used. Thus the church would adopt an asset based approach as a strategy to set up a church project that would boost the local economy.

In using this approach we will draw information from the Tswaing asset map drawn in chapter three. The asset based approach encompasses the following principles regarded as good ones for development practice:-

#### *6.4.1 Building on existing community strengths*

This was described when explaining the asset based approach and its benefits. It would therefore be necessary that resources, skills, and capacities (resources) of communities be looked at and mapped. The church would have to ask itself several questions in keeping with an asset based approach. Firstly, what churches are there in Tswaing, and what resources do they have? Secondly how can resources available to the church be utilized for building Tswaing community economy? Thirdly, how can these resources be pulled together for community development? The church would then work through its own local Council of Churches. These resources would be pulled together in a church resources map. Other community resources would be mapped out.

When this is done the following picture emerges: available for use by churches as own property is space in church yards and facilities like sanctuaries and church halls; equipment like computers, photocopiers, fax machines, musical instruments, furniture; expertise as was mentioned in previous chapters of having been involved in building church schools, hospitals, and others. Lastly, the church has economic power to raise funds from their national and international partners.

#### *6.4.2 Participation*

The role of participation cannot be overemphasized. The question of power and how it works itself out in communities cannot be ignored if maximum participation is required. It must be remembered that because we live in a patriarchal society, participation can easily be hijacked by the powerful: men, the educated or the elite, and chiefs to the marginalization of women, youth and children. Participation works well with consultation, making sure that we do not only involve those who are seen to be powerful but afford space for everyone to be an active participant. We have noted that the chance afforded to communities to participate in their

own development is a spiritual act. Therefore, to address the question of asymmetrical power relations which often exist in communities, it is recommended that existing community structures like village committees, church boards, women's groups, youth groups and other associations be invited to effectively participate. Considering that usually power relations within communities in terms of gender are never adequately addressed a simple design and effective participatory monitoring system could be put in place. In terms of social sustainability there would be a need for community members to also assess one another as to who is or not participating. This is not a new phenomenon but is a basic expectation when dealing with group dynamics.

Importantly, community members must be actors in determining their own future. Sometimes development practitioners come with huge amounts of money completely disregarding the aspirations and integrity of communities, threatening not to help them if they ask questions.

#### *6.4.3 Formation of partnerships*

One of the principles undergirding good development practice is the formation of partnerships. Botes and Abrahams argue that partnerships are about mutuality and reciprocity, that is, "similar agendas through identification of shared experiences and responsibilities for mutual benefit". (2008:121). The above authors go on to note that "the notion of partnerships for development could therefore be viewed as little streams that converge to form a river". (2008:117).

We noted earlier on in this chapter that there could be partnerships at various levels; the rural church and city churches; with business owners; between small scale/emergent farmers and established farmers; between lessees and lesser of land; between the Churches initiated

development agency and the three tiers of government. Here we wish to mention that a partnership could be forged between the construction company, Group Five and the Local Municipality. Frameworks of operations, expectations

Partnerships with other associations, institutions and individuals are important for uniting the resources of all beneficiaries. Effective partnerships are also critical for sustainability. This means that community development can never be successful when done by one person or one because of its complexity. This was captured well by the Department of Trade and Industry (2005:1) in its illustration on co-operatives. A woman was drawn in front of a vegetable stall, with three other members of her co-operative. Just above her stall was an inscription that read, 'ORGANIC VEGGIE CO-OPERATIVE' as well as baskets depicting the various types of vegetables which were on sale. She said, 'I could never have done this alone'. Partnerships acknowledge that individuals will make different contributions, time, finance, skills, space, knowledge, facilities and presence.

#### *6.4.4 Sustainability*

The intention of developing SMMEs should be wealth creation that would be sustainable. As we noted in chapter two with reference to the Brundtland Commission (see 2.8) sustainability involves not just meeting the needs of the present generation but consideration should be made for forthcoming generations. In other words, when we develop SMMEs, much as we focus on economic growth, we need to espouse values that show an intentional consideration to the protection of the environment. As an example, if the community decides to establish a construction company to build houses for the rural poor as a business venture, it would use timber for roofs. It would then be important that when trees had been chopped down to make trusses, the community plant new trees.

The impact of development should be able to be replicated and have strategies for replication. Sustainability also depends on many other factors including some of those discussed above as well as paying attention to the process of how development is done. In other words focus should not just be at the end result but also on how we got there. How that process was maintained, monitored and evaluated becomes crucial.

#### 6.5 The process of developing the construction company

Having identified some crucial principles for community development, by way of our example of setting up a construction company, we continue with this example to show how this could be set in motion. Again, this is done to illustrate how these principles and practices can work in real life.

The chairperson of the local Council of Churches will convene a meeting of church representatives in the area to discuss the vision of establishing a construction company. After the vision has been shared with council members of respective churches, member churches would locate all the resources that their church have. At the level of physical assets would be for an example vacant and underutilized land and buildings. Human capital would be brick-makers, brick layers, builders, assemblers of scaffolding, plasterers, carpenters, plumbers, painters and tilers and any other person who has skills in the building industry, within the community. Concurrently, members will prepare a business plan, a marketing plan, an operations plan, a staffing plan as well as a financial plan.

The church would then appoint a steering committee that would bring together all the core group members who are skilled or desire to be skilled in the building construction industry. Members would have to decide on the form and name of their company. The company would either be a partnership or a close corporation, depending on what the participants

decide. Depending on the form, the company would then be registered with the Registrar of Companies, after the name of the church's company to be incorporated has been reserved.

The construction company members would also try and mobilize for external resources in cases where skills and other resources are not available within the community. A Strategy that was used by the researcher to mobilize external resources whilst serving at the Diepsloot Methodist church (a peri-urban informal settlement in Fourways, Gauteng) together with the members of the church would be adapted and replicated. *Group Five*, an established construction company was approached, to be in partnership with the Church and to hire local people to provide labour for a construction company. About a hundred people, who were semi-literate with limited or no skills in the building industry were hired, trained for two weeks in any skill of their interest, ranging from putting together scaffolding to laying bricks and plastering. For the two weeks of training on the job with experienced people, they would be given food. On the third week they would be working and getting a small salary that varied according to the level of competency acquired. A photo of the graduation day of such a venture is attached as appendix 4 of this work. This could be replicable at Tswaing with various agencies because it worked. In other words, the church was, in that case used as a recruitment agency. In the case of Tswaing such agencies would be partners who would train members of the company.

The challenge that the church faced with playing such a role was that when unemployed community members were either not selected by the contractor or dissatisfied with the employer, the church would get blamed. In hindsight, the church could have formed other partnerships with the police, social workers and educators, which would be done in Tswaing.

The church could also have planned properly by doing what Ellis and Erasmus (in Botes and Abrahams 2008:124) note that, the meeting of the minds needs to happen early in the



development of partnerships. This is where a partnership agreement is drawn. This ensures that all parties understand the nature of the relationship and the extent of their roles and responsibilities. It is here that legal obligations are clarified and risks managed.

Management of the construction company would be done according to rules and regulations that govern establishment of companies.

#### 6.6 Procurement Strategy

Earlier in the chapter it was mentioned that a trend of purchasing materials from the rural towns of Delareyville, Klerksdorp or Vryburg was observed, thus bringing about a concern for outflow of capital to these towns and depleting Tswaing's own economy. In view of this phenomenon, the construction company would purchase its building materials locally, as much as is possible. Member churches would be conscientized on the importance of local purchasing and how purchasing outside the community affects the local economy.

In consultation with local businesses local retailers would be urged to come together with the intention of establishing a hardware store that would cater for all their building construction needs.

To encourage more circulation of the income within the community, and a spinoff of construction, it could be possible to also bring together those who are able to sew to start a factory that would manufacture overalls, caps, and protective clothing, so that the company serves as a consumer. In essence, what this means is that production needs of the local entrepreneurs would be supplied locally, which would assist in diversifying local economic activity, as much as possible. Member churches would be conscientized on the importance of local purchasing and how purchasing outside the community affects the local economy.

Local labour would be used for construction. This is not a new phenomenon. This principle is currently being propagated by schools when admitting learners when they first consider those learners who fall within the 'natural feeders' of the schools concerned, meaning children who reside within a specific geographic area. Those interested in building as a skill would be trained by established companies as indicated in the partnership with the Diepsloot community and *Group Five*. Helmore and Singh (2001:10ff) indicate the importance of developing indicators for monitoring progress in different programmes that deal with community development, so monitoring indicators would be developed.

Other partnerships could be built with other institutions like Gelukspan hospital administration, government departments like home affairs, social welfare, police, and education; the librarian, tribal chiefs and local government structures, municipal officials in the Delareyville offices as well civic structure like the local SANCO, so that when they build use the local construction company.

In essence the role of the church would be to initiate the project, that is be directly involved in practical ways. This type of involvement would be like that of ACROS, a poverty alleviation initiative, with a mission to create employment for needy people in George, in the Western Cape Province. Commonalities in the above proposals and ACROS amongst others, include not resigning to current market forces to determine what ought to be; belief that there is an alternative in the form of the social economy, that the church has a potential to counter social exclusion by creating income and employment opportunities, thus integrate the social and economic dimensions; the interdenominational nature of the venture; the facilitation role of the church in transformation; and the creation of partnerships (See Swart 2008:272).

In this chapter we have discussed how the church could engage government at policy level, advocating for user friendly policies ranging from those policies that would encourage entrepreneurship to those that would capacitate small business owners. We also looked at how the church could enhance small businesses by establishing, together with the community, a development agency that could serve as both a conduit for funds and a general support system.

We also tried to show that the church's involvement is that which strives for development that does not only benefit individuals in terms of wealth accumulation, but as an agent of change, works for the common good of rural citizens in Tswaing. This chapter highlighted commonalities between the involvement of the church in SMME support and development in Tswaing, which resonates in some ways to church ventures in George, in the Western Cape.

Having illustrated the crucial role that can be played by the church as a genuine participant in the support and development of SMMEs in Tswaing, chapter seven will be a synopsis of what has been discussed from chapters one to six.

## **CHAPTER 7: CONCLUSION**

Chapter six was a plan of action, in terms of possibilities which the church could explore in its attempt to restore the dignity of the Tswaing rural community as the community builds its economy through small business development.

This last chapter pulls together chapter two on theology, chapters three and four on the contexts within which small businesses in Tswaing operate together with chapter five which is an overview of the SMME situation in Tswaing and chapter six which is an action plan for the church to contribute to SMME development.

Chapter two dealt with the church's engagement in development. It was argued that development is done at different levels by different actors, with different competencies, each operating in its area of expertise. It was proposed that the church is one of such many actors. This chapter then concludes that good development practice has to arise from ethics that come from profound theology, and cognizance of key development principles. These include taking the urban rural nexus seriously,; building on existing community strengths rather than needs,; focusing on poor people as subjects of development and ensuring active participation of the beneficiaries. All this involves seeing the poor as agents of change which would then promote the voices of those who are excluded from an equal share in the benefits of human development. This would give them an opportunity to be active thus forging partnerships with all stakeholders. It was argued that the basis for all these development principles is that of meeting the needs of the present without compromising the needs of future generations.

In chapter three, an overview of the Tswaing community, we located the history of Tswaing against the backdrop of apartheid and its land policies of land dispossession. We noted that it had a negative impact on small business development. It was argued that these land policies

led to forced removals with lack of security of tenure and accounts for past and present landlessness. Subsequently, this led to general agricultural decline, especially with regard to Black farmers. This happened because communities were placed in unsuitable places for farming thus preventing them from fully participating in the economy. It also led to agricultural restructuring, causing farmers to shift away from maize production to less intensive forms of land use. This investigation showed that the land in Tswaing is rich, given the right climatic conditions.

Chapter three also discussed demographics and service indicators concluding that their inclusion helped developers to know the type of intervention that would be needed and that presence of infrastructure enhanced development of small businesses respectively. The theoretical framework for small business development was described, spelling out strengths and weaknesses of SMMEs' in Tswaing. It has been observed that these strengths and weaknesses are not peculiar to Tswaing but are indicative of other small businesses in other areas. This chapter therefore arrived at the conclusion that small, medium, micro and survivalist enterprises are seen as a key development strategy.

Chapter four was on government policy framework. This chapter recognized the role of the nation state as crucial in providing the necessary legislation as support towards SMME development. It was observed that there seemed to be co-operation and co-ordination between the National government policies and the North West provincial policies. However, there seemed to be a problem at the local government level in terms of following up Provincial Government Policy, and it was noted that Local Government needed to develop an economic development policy. As a result whilst the Province has an SMME desk there is no Small Business Development Policy at the Local level. It was concluded that for Local

Government support and development of SMMEs, a strategy for intervention needed to be developed at the Local level.

Chapter five presented, analyzed and compared current research findings and compared these with previous research findings. It was argued that running businesses had benefits; however, these benefits were overshadowed by the fact that they do not grow local economies because they benefit a few family members. It was further argued that subsistence farming was a familiar and practiced phenomenon in rural Tswaing, together with other survival strategies that could be revived and embraced respectively.

In chapter five we concluded that most businesses were survivalist. This is caused by prevailing circumstances which are not favourable for growth. Such growth would have to be enhanced by mobilization all of community resources, using an asset based approach to community development. Diversification of local economies into manufacturing and construction sectors respectively was suggested. It was argued that such diversification has possibilities of building the needed boost for SMMEs to flourish within Tswaing.

In chapter six it was concluded that the church, as a legitimate contributor in development practice in general, because of its nature, mandate and calling, and in terms of how it targets areas of deficiency in SMME support and development in Tswaing, has many roles to play. Some of the roles which the church could play were identified as advocacy and policy engagement at national, provincial and local government levels; and facilitator and partner with various stakeholders in order to maximize success; with the intention of promoting and supporting small business development.

It was further concluded that the possible role of the church is also that of primarily supporting existing SMMEs by providing a development agency which is currently not available in the immediate environment. This development agency could serve to supply and enhance training for the various training needs that were raised by small business owners, as highlighted in chapter three on research findings, using development principles that are seen to be crucial in development practice.

To further diversify Tswanaing's SMMEs, the church could also encourage small business owners to fill in existing gaps for example by manufacturing of protective clothing, uniforms, and caps.

Finally, it is in chapter six that the conclusion was made that the church, as a significant Actor in small business support and development could start its own business, with the intention of showing how a medium business could be run. Later the church could hand over such a business to be completely run by the local community. The exit strategy has to be decided right from the beginning of the engagement with the local community and other stakeholders. In this sense the church could be a hatchery for small, medium and micro enterprises, where trainees are mentored. We have explored this in some detail using the example of a construction company. The principles and guidelines followed in terms of method; approach; process and outcomes seem to be replicable as research done in George with an organization called ACRO indicated. At the end of this research it has become clear that one cannot discuss the building of the community economy without dealing with the economic problem; that of the discrepancies that exist between the rich and the poor. With this in mind, this thesis has echoed other Christian voices in advocating for an economic system, which recognizes the existence of economic alternatives, without necessarily negating the capitalist system.

In conclusion, in as much as Tswaing's small business community is faced with a number of challenges as spelt out in the IDP and as it has been shown in this thesis, the church's concern is that of concentrating on what exists in terms of community assets; also looking at niches that could be exploited. This resolve on the side of the church could motivate the church towards mobilizing all available resources to form a critical mass of business movement in Tswaing. The intention of the church is not to deny the existence of challenges, but to embrace such challenges, and make them work for building the community economy.

Botes and Abraham (2008:119) note that "the comparative advantages the faith-based organizations have over other institutions are both the considerable levels of trust invested in them and the manner in which they inspire activities of voluntary outreach, caring and social service, which are special features of the churches which could play an important role in partnership building".

We conclude therefore, that the building of the rural economy through the development and support of SMMEs is not an option but a must for the church.



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## THE QUESTIONNAIRE

### SMALL, MEDIUM AND MICRO ENTERPRISES IN SELECTED AREAS OF TSWAING

Interviewer:

Area:

Form No.:

Interview location:

---

1. What is your name? \_\_\_\_\_
2. Your address \_\_\_\_\_
3. What is your age?
  - (a) 20 yrs
  - (b) 20 -29 yrs
  - (c) 30 -39 yrs
  - (d) 40 – 59
  - (e) 60 and above
4. What is your gender?
  - (a) Male
  - (b) Female
5. What is your marital status?
  - (a) Married
  - (b) Single
  - (c ) Divorced
  - (d) Widowed
6. How many people depend on you for support?  
\_\_\_\_\_
7. Are you in any other?
  - (a ) Full time employment
  - (b) Welfare
  - (c) Casual work
  - (d) N/A
8. Are you currently looking for wage employment?
  - (a) Yes
  - (b) No

9. Is running your own business better than being employed elsewhere?

(a) Yes

(b) No

10. Explain why?

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11. What business are you in?

(a) Retail/ Motor Trade & Repair Services

(b) Agriculture

(c) Manufacturing

(d) Catering

(e) Transport, Storage & Communication

(f) Community & Other

12. What do you sell or make? \_\_\_\_\_

13. To whom & where do you sell your services? \_\_\_\_\_

14. Why did you start your business? \_\_\_\_\_

15. Ownership and status of your business

(a) Own business

(b) Partnership

(c) Family business

(d) Communal project

(f) Business belongs to someone else

16. Where did you find money to start your business?

(A) Own savings

(B) Grant (mention source)

(B) Family support

(D) Bank – which one?

17. If it was loaned to you, how much are you supposed to pay back per month?

18. Are you able to pay it back?

(a) Yes

(b) No

19. If not, why? \_\_\_\_\_

---

20. Are you a member of a business group/association?  
 (a) Yes (b) No
21. What benefits do you get as a member?  
 \_\_\_\_\_  
 \_\_\_\_\_
22. Have you had any small business experience before starting this business?  
 (a) Yes (b) No
23. If yes, what was your last business? \_\_\_\_\_
24. Did you need a license to start your business?  
 (a)Yes (b) No
25. If yes, how and where did you get it? \_\_\_\_\_
26. How long have you been in this business?  
 (a) Less than 6 months (b) 1 – 2 yrs  
 (c) 3 – 5 Yrs (d) More than 5 yrs
27. Where does your business operate?  
 (a) Business premises (b) Street  
 (c) House/Yard (d) Other
28. How much time do you spend on the business per day during the week?  
 (a) Half a day (b) Normal full day  
 (c) More than eight hours
29. Do you work on weekends? (a) Yes (b) No
30. Where do you buy your stock?  
 (a)Wholesale (b) Retailer in town  
 (c) Other \_\_\_\_\_
31. Are you allowed to buy on credit from your suppliers? (a) Yes (b) No
32. Did you sell any goods/services lately? (a) Yes (b) No

33. If yes, how much?

34. How many people help you in this business? \_\_\_\_\_

35. How many of these are paid workers? \_\_\_\_\_

36. What do you need for your business to reach its full potential? Why?

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37. What are some of the problems/challenges which face you in this business?

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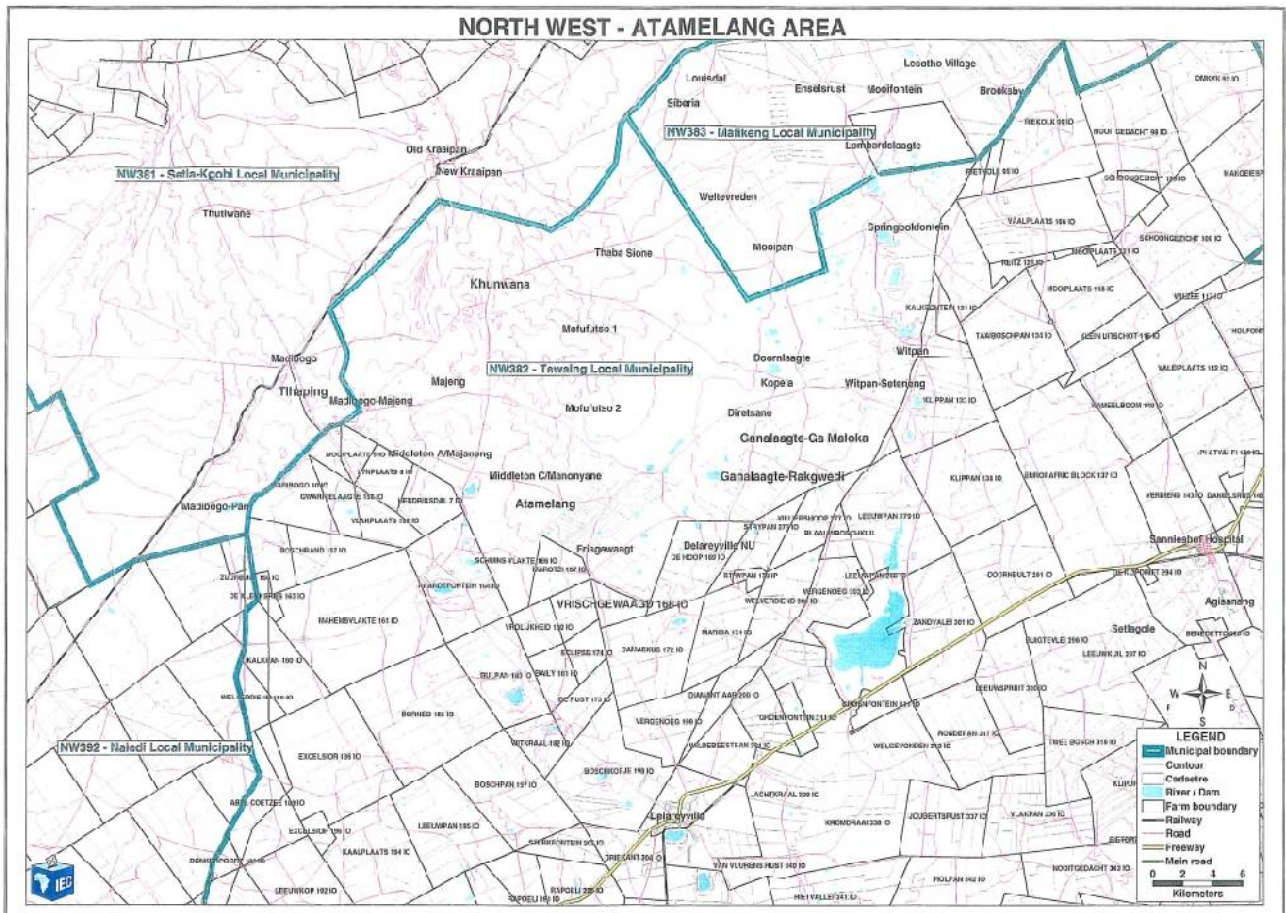
38. Which of the following services or facilities do you still need and are willing to pay for ?

39. What has helped you to succeed in your business?

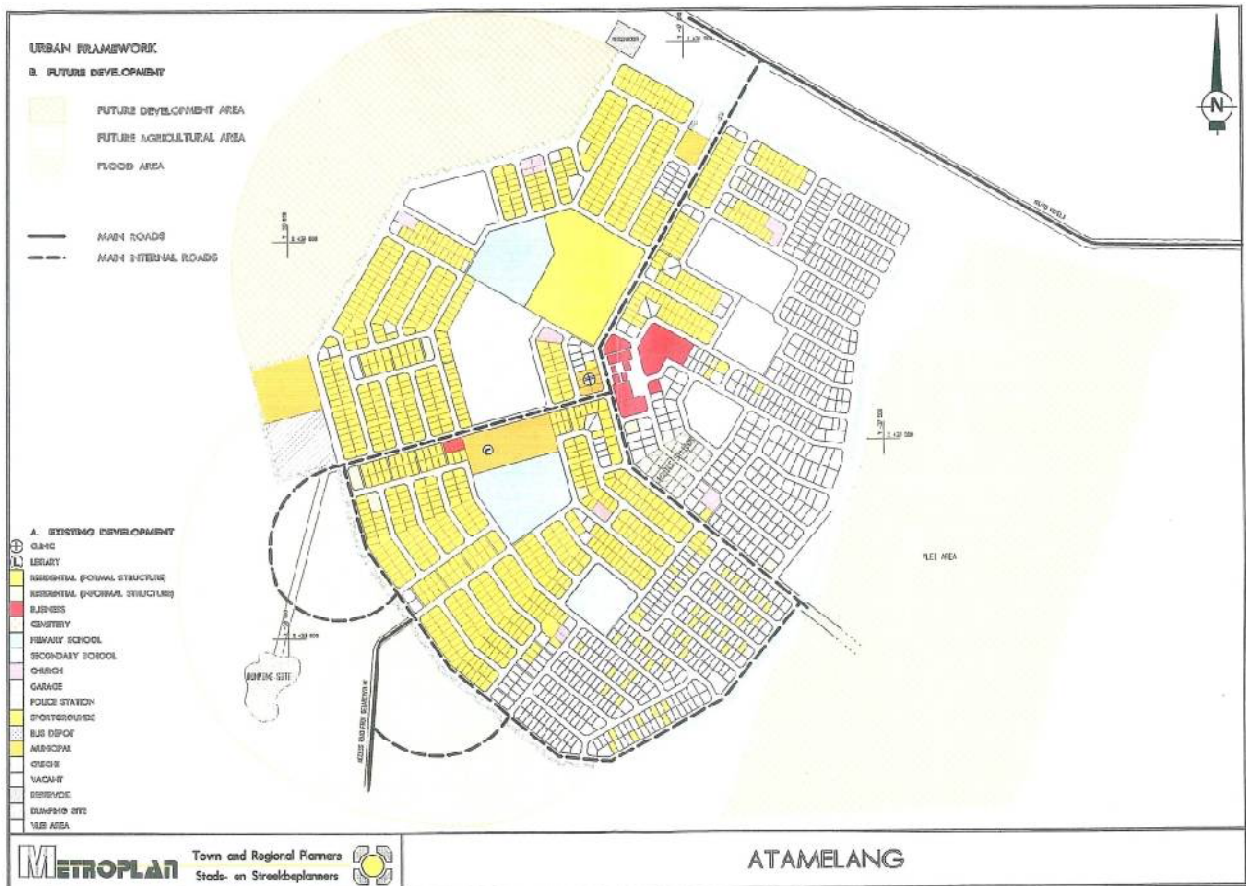
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Appendix 2: Map of the Tswaing Municipality in the North West Province (courtesy of the IEC)



Appendix 3: Map of Atamelang Township (courtesy of the Mayor of Tswaing)





Appendix 4: a Graduation photo of community members with Group Five Costruction

Company officers: an example of a workable partnership between the church and

Private sector



