

UNIVERSITY OF KWAZULU-NATAL



**Investigating the Finance Needs of Small Manufacturing
Businesses in the eThekweni Metropolitan Area**

By

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DECLARATION

I, Tembakazi Koali, hereby declare that this dissertation is the result of my own investigation and research; and that it has not been submitted in part or in full for any other degree or qualification to any other University or academic institution. All citations, references and borrowed ideas have been duly acknowledged.

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Tembakazi Koali

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Abstract

The manufacturing sector is one of the drivers of economic empowerment, job creation and poverty alleviation through its stimulation of growth. This is possible due to the nature and clustering of this sector. SMMEs in this sector are facing many challenges, including access to markets, the inability to export their products, access to finance as well as basic cyclical cash flow management. The study was conducted to tackle the issue of access to finance. In particular, it investigated the needs of the small manufacturers operating within the eThekweni Metropolitan area. The study was quantitative in nature and targeted owners and managers of these businesses. The study revealed that the lack of access to finance was a hindrance to the growth of these small businesses. Consequently, this also made it difficult for these manufacturers to service their existing clients due to low cash flow and the inability to produce on demand. Most of the financial assistance that manufacturing business owners used to start up their businesses was sourced from family and friends. This form of access to funding could not be repeated nor was it available on demand. Therefore, there is a need for financial institutions from both the government and private sector to create financial instruments based on the needs of these small manufacturers. Despite the challenges experienced by these business owners, the study revealed opportunities for creative or specialised funding mechanism such as cash flow cycle management, opening of credit lines and invoice discounting. These schemes will go a long way in assisting small manufacturers in staying liquid and being able to produce and deliver on time.

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List of Acronyms

CIPC	:	Companies and Intellectual Property Commission
DCC	:	Durban Chamber of Commerce and Industry
DTI	:	Department of Trade and Industry South Africa
GCIS	:	Government Communication and Information System
Merseta	:	Manufacturing, Engineering and Related Services SETA
NCR	:	National Credit Regulator
NDP	:	National Development Plan
NGP	:	New Growth Path
S.A.	:	South Africa
SEDA	:	Small Enterprise Development Agency
Sefa	:	Small Enterprise Finance Agency
SMME	:	Small Medium and Micro Enterprises
STATSSA	:	Statistics South Africa

CHAPTER ONE

Introduction

1.1 Introduction

Manufacturing is regarded as the key driver of economic development and providing new jobs both in South Africa and abroad (Economic survey report, 2013). Countries are keener in being producers and exporters of goods than just consumers (Merseta, 2014). This is evident in the last quarter of 2014 economic trends report which states that manufacturing's sectorial composition was at 11.7%; fourth position after the finance and business sector (20.4%), with the government sector leading at 20.4% (Bezuidenhout, 2015).

Bezuidenhout (2015), an executive director in Manufacturing circles, argues that in South Africa manufacturing must always be linked with agriculture and mining sectors for it to grow substantially (Bezuidenhout, 2015). The province of KwaZulu-Natal currently faces challenges of high levels of unemployment, deteriorating growth (especially in textiles), as well as increased levels of poverty, among other challenges. It is believed by policy makers through the work and engagements done by the Department of Trade and Industry South Africa that the manufacturing sector is one of the sectors that will boost the economy through, not only creating jobs but, growing the small business sector.

Government, through the New Growth Path (NGP), emphasizes the importance of creating jobs, alleviating poverty and reaching a goal of 5 million jobs by 2020. The current plan through National Development Plan (NDP) is building on the NGP and aims at economic growth, economic transformation, poverty alleviation and job creation (GCIS, 2014). This is not possible without a conducive investment climate for small businesses, manufacturing and the whole value chain. It is to be noted as well that job losses in 2014 in this sector amounted to 17 000 and this was due to strike actions, amongst other things, that crippled the economy (Economic Survey Report, 2014).

Once more the South African Government through the Department of Trade and Industry (the DTI) has come up with excellent programmes on grants and incentives, which are motivated from the policy framework, on driving industrialisation which encompasses manufacturing. These programmes are then cascaded to provinces. Consequently, these programmes are driven at both the district municipality and local municipality levels.

The eThekweni Municipality sees manufacturing as untapped potential. As such, it is trying to stimulate this sector through a platform that it created which identifies and discusses (or addresses) the problems hindering growth in this sector. This is facilitated through the eThekweni Business Support Centre. Durban in particular has a very competitive role to play due to its location closer to the port of Durban as well as the dry port (Dube Trade Port). This is all done in an effort to grow local production of goods. eThekweni sees this as an important project that needs collaborative resources between the municipality and the DTI.

1.2 Motivation of the study

The motivation for the study comes from the interest the researcher has for small businesses and the need to see them prosper. The researcher's first encounter of the needs and challenges facing small businesses came from her involvement and participation in various committees and forums with the Durban Chamber of Commerce and Industry (DCC).

Entrepreneurs, especially manufacturing businesses, play a key role in the South African economy. The researcher believes that financial institutions will benefit from the research since they will gain valuable information on what the financial needs of these small manufacturing businesses are. The Department of Small Business and Development (SBD) will also benefit from the study as it will gain insight on the financial needs of small manufacturing business as well as insight on the supply side i.e. what funding is available from financial institutions. This information will be valuable in assisting government in amending legislation where necessary and revising mandates of various development finance institutions.

The study further contributes to the various research that has been done on SMMEs (small medium and micro enterprises) on access to finance. The difference though, is this study focuses on a specific threshold and sector, namely small manufacturers.

1.3 Problem statement of the study

Small businesses across all sectors in South Africa have failed due to various reasons. In the manufacturing sector, for example, this failure has been due to the lack of expertise, the lack of funding, or the lack of a regulatory framework, *inter alia* (Rhicks, 2014). There is evidence from previous research conducted that for small manufacturing businesses funding is the main hindrance for growth to the next stage of a business. There is, therefore, a need to unpack the issue of why access to finance for small manufacturing businesses is a challenge. Given the promotion of SMMEs in South Africa, it is important to identify the issues that hinder access to finance for small business in this sector. It is also important to identify whether this challenge is unique to small businesses and to investigate possible / probable elements of this acquired or inherent uniqueness.

1.4 Aim of the study

The aim of the study is to investigate the finance needs of small manufacturing businesses operating within eThekweni metropolitan area. The study focuses on small manufacturing businesses that are listed on the Durban Chamber of Commerce's database. Finance is one of the key enablers or tools that assist an entrepreneur to unlock his or her potential by starting or growing his or her business so as to realize his or her dream(s). Mielach (2014) sees financing as a major obstacle for small businesses in most countries, including South Africa. The researcher will share findings with the relevant stakeholders who are for example manufacturers and funding institutions through the chamber forum.

1.5 Objectives of the study

The objectives of the study were:

- To investigate the exact funding needs of small manufacturing businesses.
- To investigate the impact of the lack of funding for small businesses.

- To analyse the available funding for small businesses and see how it can be utilized to support and grow small manufacturing businesses.
- To make recommendations to small manufacturing businesses on how to access funding and from whom.

1.6 Questions to be answered by the study

Having established the objectives of the study, the following questions will be addressed by the study

- What are the exact funding needs of small manufacturing businesses?
- How does lack of funding affect these small businesses?
- What available funding for small business is there?
- Who provides it and what are the requirements?
- How can small businesses utilise the funding that is available?
- What effect does this funding have on growth of these small businesses?
- Do these instruments support the growth of small manufacturing businesses?

1.7 Significance of the study

The manufacturing sector is seen as a problem solver to the unemployment and lack of skills challenges faced by the South African market (Gordhan, 2011). The importance of the study is that it will give an understanding to the small business sector on what the needs of small businesses are when it comes to finance. The findings will benefit these small businesses in improving the challenges that they face with access to finance as well as growth in their businesses. For the researcher, the study will help uncover the critical finance needs as well as areas of support that these small manufacturing businesses need, thus feeding valuable information to the providers of funding.

1.8 Methodology

The study is quantitative in nature and focuses on small businesses within the eThekweni municipal area. The aim of the study was to investigate the finance needs of small manufacturing business within the eThekweni municipal area. Data was collected through

a survey using a web based programme, QuestionPro and analysed using SPSS. The participants were obtained from Durban Chamber of Commerce's database. The respondents were owners and / or managers of these small manufacturing businesses. They; therefore, had first-hand experience of their finance needs and the challenges in accessing finance.

1.9 Limitations of the study

This particular research focuses only on small businesses which are in manufacturing. The classification as per the National Small Business Amendment Act (26 of 2003) is as follows:

- Total number of fulltime employees – 50
- Total Annual turnover in Rm – R13m
- Total gross asset value (excluding fixed property) in Rm- R5m

A more detailed breakdown of the classification of the definition(s) / categories of small businesses is given in Appendix A.

The study was conducted on a database received from the Durban Chamber of Commerce and this excluded other small manufacturing businesses that were not Chamber members within the eThekweni Metropolitan area. Despite there been much research conducted on access to finance for small businesses, not much has focused on specific sectors such as manufacturing. In other countries, such as China, there has been a lot of research conducted in this area of access to finance for small manufacturing businesses as they are the back bone of their economy.

Some of the limitations of this research included:

- Lack of personal touch since questionnaires were administered through QuestionPro
- Technology presented a minor challenge at times, especially in terms of internet downtime since the data collection tool used (i.e. questionnaire) was an online one
- Time and / or timing also presented a challenge as respondents had to dedicate time outside of their normal day-to-day routines to complete a questionnaire.

1.10 Summary

Small businesses are now more than ever expected not only to be sustainable but also to be the key drivers of economic growth. Due to high levels of unemployment in South Africa, manufacturing businesses play a large role in growing the economy, creating job opportunities and generating much needed skills. The challenge of access to finance, therefore, becomes more relevant as it is one of the hindrances to small business growth.

The study therefore seeks to investigate the exact finance needs of small businesses within the eThekweni Metropolitan area.

This chapter gave an overview of the purpose of the study and how it was carried out. It also listed a few of the study's limitations. Theory on what is available in terms of access to finance as well as how to access it will be reviewed in the following chapter. This review of the literature was undertaken to investigate and understand the finance needs of small manufacturers.

CHAPTER TWO

Literature Review

2.1 Introduction

The manufacturing sector plays a vital role in driving economic growth, wealth creation and contributing to the Gross Domestic Product (GDP). The reality is that manufacturing businesses are poised to play an important part in stimulating growth and development in both the industrial and non-industrialised sectors. Entrepreneurs build new business markets through innovation, which in turn contributes towards the creation of employment. According to Statistics South Africa (StatsSA) the average unemployment rate has been 25.31% from 2000 until the first quarter of 2016. As technology intensifies and the speed of change quickens, the “world is becoming smaller”. This means that a Durban based manufacturer could be competing with another producer located in Guangzhou in China. This suggests that if the quality of work is not competitive then businesses will certainly fail.

China has reported a GDP growth rate of 1.8% in the 2nd quarter of 2016 having dropped from 1.9% in first quarter of the same year. In the same period, South Africa’s GDP growth rate increased to 3.3% from a -1.2% in the first quarter of 2016. The levels of unemployment have been 26.6% in quarter two for South Africa and 4.04% for China for the same period (StatsSA, 2016). Since the South African administration has acknowledged the importance of SMEs, the objective is now to establish South Africa as a commercial state that recognises and rewards businesses. De la Torre, Pería and Schmukler (2010) add that SME’s face financing challenges which consequently hinders their growth and that there is a need for financial institutions to look at specialised funding solutions. This is not a problem that is unique to the manufacturing sector alone as the majority of failures happen in the first three years of operating due to the lack of funding (Gerrie van Biljon, 2015).

When one follows the historical background of the most successful economies in the world, in almost all the cases, manufacturing forms the framework of such development. The world economy, despite its growth after the 2007/8 credit crisis, continues to face an array of challenges. China’s growth numbers, for example, have been downgraded to 7.4%. This slow growth happened even before Greece’s exit from the European Union (National Bureau of Statistics, 2015). It has not been alarming though due to China’s planned and centrally controlled economy which has been since the credit crisis. South Africa, like the rest of the world, has not done well over the past few years with a GDP growth rate that has been averaging 2.6%. Currently (being 2015), South Africa is enjoying its second highest GDP figure of 3.3% since the last quarter of 2014. The biggest contributor to this effect has been manufacturing, followed by mining and real estate activities. The picture places an even greater pressure on both the government and the private sector to collectively provide a conducive environment for employment opportunities. Unfortunately, with South Africa’s GDP numbers (see figure 2.1 below), job creation aspirations for the country remain a mirage.



Figure 2.1: South Africa GDP from Manufacturing

Source: Statistics South Africa (2016)

The only credible and realistic chance of job creation, besides the promotion of SMMEs, is the attraction of a bigger number of Foreign Direct Investments (FDIs). Despite the well-researched and widely documented track record of FDI to create jobs, South Africa faces some severe challenges in relation to FDI. Firstly, businesses that are interested in FDI opportunities in South Africa are rightfully concerned with the country's ability to supply their operations with sufficient amounts of energy and required resources. Secondly, the FDI landscape has become immensely competitive as other developing and developed economies aggressively promote their countries for FDI. Thirdly, one of the country's mainstays of FDI, namely resources, has strategically been identified for local beneficiation purposes by the country's policy makers. What this means is that South Africa faces a challenge of producing goods and services to get to the top.

The growth and development of manufacturing businesses has been recognised by the majority of policy makers and other stakeholders as being of critical importance to South Africa's ability to tackle the serious problems of unemployment (Bezuidenhout, 2015). In his 2011 state of the nation address, the president of South Africa, Jacob Zuma, pointed out that entrepreneurship equated to small and medium businesses (which accounted for 40% – 60 % of the South African GDP) and this equated to employment, re-allocation of wealth, more companies and healthy economic growth. At present, manufacturing businesses are the highest rising economic sector in South Africa and the biggest contributor of employment internationally (Census Bureau's Business dynamics statistic, 2015).

The most prominent or key industries within the eThekweni Municipality comprises of the manufacturing industry, retail trade, financial and community services. As noted by Valodia and Velia (2006), the manufacturing industry represents a foundation of the eThekweni Municipality's market, however, manufacturing receives inadequate consideration from key stakeholders such as lenders and the government. According to Statistics South Africa (2010) the eThekweni's manufacturing sector has remained very robust, contributing close to 22% towards the Gross Domestic Product (GDP) of the region. This sector is developed for export, with almost a third of South Africa's

manufactured exports being manufactured and shipped via the eThekweni's harbour (eThekweni Economic Review, 2015). The small business manufactures within the eThekweni Municipality continue to be very important employers, especially the clothing and textile industry. When assessing the manufacturing sector of eThekweni Municipality, which is regarded as the mainstream economic support for the region, it has not proved to be a rapid generator of jobs due to challenges facing this sector (eThekweni Economic Review, 2015).

2.2 The Economic Climate of eThekweni Municipality

According to the eThekweni Economic Review (2015), the growth of manufacturing industries within the eThekweni Municipality is centred on the port, which has been the most important aspect of the Durban economy since the 1920s. Furthermore, the manufacturing industry also accounts for 16.6% of the local economy (eThekweni Economic Review, 2015). Tourism contributes approximately 24% to the local economy, with finance and transport being the other major sectors. Based on StatsSA's findings, eThekweni (Durban) economy accounts for roughly 60% of the provincial GDP. However, growth in manufacturing has averaged only about 1% per annum over the past ten years (StatsSA, 2011). Much of this has been jobless growth characterised by capital intensive improvements. While eThekweni Municipality has a much-diversified manufacturing base producing many different goods, few of these are considered sufficiently well developed to compete in global markets (eThekweni Economic Review, 2015).

Majority of sub sectors within manufacturing, such as textiles, clothing and printing, are proving to be uncompetitive in a more open economy. The sectors that are regarded as attractive and competitive are industrial sectors such as chemicals, steel and automobiles which are more capital intensive (DTI, 2013). Unemployment at eThekweni is estimated to be between 30% - 39% and is increasing (StatsSA, 2011). The formal sector's job creation is estimated to be at 0.7% only over the past decade in the context of much faster population growth (Small Business Monitor, 2010). Formal job losses in the manufacturing sector were 246 000 between 2005 and 2014 (StatsSA, 2015). Major losses

were in leather and footwear, textiles and clothing sectors. All three of these sectors had large numbers of women in the workforce and the loss of these formal jobs has been particularly hard-hitting for many households. This is despite government intervention and investment of R3.5 billion to the clothing sector as a way of job preservation. Informal sector employment is growing rapidly but small enterprises struggle to build a sustainable presence above subsistence levels.

2.3 The State of Entrepreneurship within eThekweni Municipality

Whilst the SA government is promising to focus on job creation through entrepreneurship, poverty and inequality still affects a lot of people. Many of these unemployed individuals are starting up new businesses through necessity with the hope that these businesses would in turn grow sufficiently to support the founders and generate enough profit to have a roll-over effect which would likely create further job opportunities. eThekweni's GDP grew by 3.4% between 2011 and 2012 showing the strength of the city to overcome negative effects of the financial crisis (Trade and Industry report, 2013). According to the Global Entrepreneurship Monitor (GEM, 2010), only 16.7% of South Africans had entrepreneurial intentions and 29% had a fear of failure, which is regarded as a major contributing factor to their failure to start businesses. The GEM study (2010), reported that the state of entrepreneurship in South Africa was affected by many factors including the access to funding, consequently making it difficult to enter into the entrepreneurial arena. In 2012, a survey investigating the entrepreneurial intent of 70% of small manufacturing businesses that operated within eThekweni revealed that 43% of the owners were over the age of 50 with no succession plan. The GEM study (2015) reported good news, according to the Global Entrepreneurship Index (GEI), South Africa was placed at 53 out of 130 countries with an improved score of 40% of entrepreneurial capacity. This was due to the following: improved entrepreneurial attitudes, improved entrepreneurial abilities for the different sectors and improved entrepreneurial aspirations. This implies that a substantial amount of the skill and expertise would be lost once they retired *ceteris paribus*.

The government is concerned about the lack of economic growth and has been confronted with the increase in unemployment, especially in the manufacturing and retail industry, as

well as the inability to create decent jobs and slow economic growth (DTI, 2015). Due to the globalisation of the world market, policy makers believe that entrepreneurship is the way out to these issues. In light of this, various programmes have been developed both nationally and locally. eThekweni Municipality, for instance, created a unit for business support with one of its main aims / objectives being to assist SMEs and to foster partnerships for the benefit of eThekweni entrepreneurs. A proactive step taken by government to further the course of entrepreneurship was the creation of the Small Business Ministry. It is usually acknowledged that manufacturing businesses face exceptional challenges, which affect their development and profitability and this diminishes their capability to contribute successfully to sustainable development.

In her research studies on small business challenges with access to finance, Modise (2015), highlights the lack of angel investors as a hindrance to small businesses accessing funds. Besides the topical economic turmoil, coupled with the recession that swelled quickly across the world, the development and the support of businesses has received adequate attention as efforts are now focused on small businesses. Although there is a large quantity of businesses (both public and private) who offer support to small business within the eThekweni Municipality, the overall impact of these initiatives on the growth and development of manufacturing businesses is minimal. There is also a shortage of studies that significantly scrutinise support services for small businesses provided by the private as well as the public sector. As indicated in the Entrepreneurship Management Report (2010), the eThekweni Municipality has the biggest harbour and city on the east coast of Africa. Consequently, the bulk of goods are being exported through this port instead of being manufactured locally. The eThekweni Municipality had a population of over three million people with a GDP output of 10.8% in 2012 and is South Africa's second largest city. eThekweni (3.4%) surpassed the national growth rate of 2.5% and that of most major cities, namely Cape Town (3.1%) and Johannesburg (2.7%) (StatsSA, 2012). It is, therefore, regarded as the second largest with regards to contributions towards the national economy. However, unemployment still remains a major challenge.

When deconstructing the manufacturing sector, this sector’s accomplishment(s) can be attributed mainly to the chemical, automotive, pulp and paper, wood and wood products and food and beverages components (eThekwini Economic Review, 2015). The municipality’s economic strategy acknowledges the significance of these sectors and their potential for growth, job creation as well as global competitiveness. It has subsequently aligned suitable medium to long term strategies to promote the improvement of this industry. The policy makers have re-emphasised the development of the country’s manufacturing sector as the cornerstone of the economy and have also committed to contribute to the growth of this sector. The manufacturing industry of eThekwini is the third contributor to the GDP growth, led by finance and community services and trailed by trade and transport as indicated by Figure 2.2.

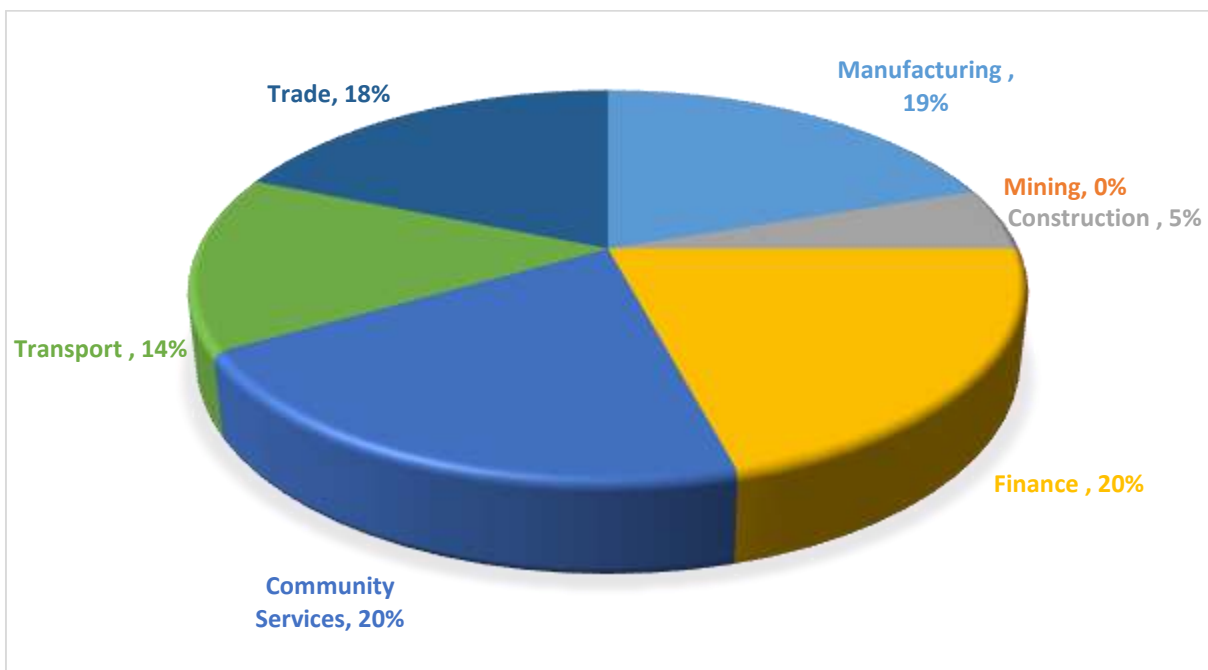


Figure 2.2: Sector contribution: Gross Domestic Product 2014

Source: IHS Global Insight, 2015

The eThekwini Municipality’s economy grew by 0.90% in 2014. The Global Insights report (2015) viewed this as negative growth attributed to the mining, electricity and manufacturing sectors’ negative performance. Unemployment during the same period was at the rate of 15.2%, which translated to 217 000 unemployed. Empowerment and growth

of business are key concerns for the eThekweni Municipality and country at large. Policy makers have realised the importance of manufacturing businesses as a main contributing factor to the growth of the economy. The manufacturing sector represents a sustainable, important vehicle to address the challenges of job creation, economic growth and equity within the eThekweni Municipality.

Despite the existence of different initiatives to support small businesses within eThekweni, the manufacturing sector still faces a number of challenges, access to finance being one of these. There is thus a need to understand the finance needs of these small businesses for the benefit of all financial institutions and the growth of the City. In her research studies, on small and medium businesses, Chetty (2009) argued that there was a need to understand the factors that hinder the success of SMMEs and to revolutionise the support formation within eThekweni Municipality. She proposed exploring different methods and new ways that would assist in enhancing the international competitiveness of small businesses and in so doing, make an important contribution to the economy. Therefore, it is essential to first highlight all the finance schemes and incentives available for manufacturers and to investigate the challenges associated with access to these offerings and create solutions on how best to make these products accessible.

2.4 Investment Incentive Schemes: KwaZulu-Natal

Both the national and provincial government have a variety of incentives that are aimed at potential investors. Even though these incentives are mostly unable to attract investors on their own, they have, however, been found to add tangible value towards investor attraction. Some of the incentives applicable to South Africa and to the KwaZulu-Natal Province, as described by the Department of Trade and Industry (2015), are briefly discussed in the following sections:

2.4.1 Enterprise Investment Programme (EIP)

The Enterprise Investment Programme (EIP) was launched by the South African Government's Department of Trade and Industry (DTI) in 2008 to provide sector-specific

financing in order to promote growth in specific sectors. Essentially, the EIP was launched by the DTI to provide sector-specific financing through an investment grant of 15% to 30% of qualifying costs. The programme operates under two sub-programmes aimed at encouraging growth (DTI, 2015). These are:

- Manufacturing Investment Programme (MIP)
 - to stimulate investment in the manufacturing industry
- Tourism Support Programme (TSP)
 - to stimulate employment, broaden and expand the geographic spread of the services on offer for tourism investment

The approval letter for a qualifying claim served as indication of when the claim would commence and when it would terminate. The amount of grants that are approved depends on a variety of requirements including the stage at which the business is at, the revenue being generated and the employment capacity of the business. The important considerations under EIP are as follows:

- The incentives apply to new projects as well as expansions, however, one expansion per applicant is considered
- The incentives will be capped at R200-million per applicant
- Qualifying expenditure will consist of new machinery & equipment, newly acquired land & buildings, commercial vehicles

It is important that the potential recipient makes an application at least three months before the project(s) start(s) (DTI, 2015).

2.4.2 Black Business Supplier Development Programme (BBSDP)

The BBSDP is a cost-sharing grant offered by DTI to black-owned small enterprises in South Africa to help improve their competitiveness and for them to become part of the mainstream economy. To qualify for this grant, there are six requirements that must be met. These are as follows:

- The business must be registered either as company or a close corporation
- At least a minimum of 50.1% ownership of the business must be in the hands of previously disadvantaged groups (i.e. Black, Indian or Coloured)

- Management team must be 50% Black
- The business should have been trading for at least a year, and must have financial statements to prove turnover
- The turnover should be between R250 000 and R35-million
- There must be a valid SARS tax certificate

The grant's main purpose is for the purchase of machinery. The applicant, however, must be able to fund at least 50% of the investment amount otherwise this option is not relevant. When one looks into the requirements for funding of this grant, it is apparent that the government is doing everything in its power to assist emerging black industrialists. Very few other countries within the African continent, if any, have such generous and economically progressive schemes (DTI, 2015).

2.4.3 Critical Infrastructure Programme (CIP)

This is a cost sharing cash grant for projects designed to improve critical infrastructure in South Africa. The grant covers qualifying development costs between 10% and 30% towards total development costs of qualifying infrastructure. The grant is made available to an approved eligible enterprise once the infrastructure concerned has been successfully completed. The infrastructure is deemed critical if an investment would either be unable to commence without the infrastructure or if it would not be optimal without the said infrastructure. Qualifying enterprises include private investors or companies and municipalities. The aim of the grant are as follows:

- To support competitiveness by lowering business costs and risks
- To provide targeted financial support for infrastructure projects
- To stimulate both upstream and downstream linkages

2.4.4 Foreign Investment Grant (FIG)

This programme compensates qualifying foreign investors for costs incurred in moving qualifying new machinery and equipment (excluding vehicles) from the country of operation of an investor to the Republic of South Africa. To be eligible, the applicant must

be a foreign investor investing in South Africa and the beneficiaries must be approved for the Manufacturing Investment Programme (MIP). The cash grant to be provided has a maximum of R10 million, but the lower cost of 15% of the value of the machinery or the actual relocation cost of the machinery or equipment.

2.4.5 Sector Specific Assistance Scheme (SSAS)

The SSAS is a reimbursable 80:20 cost-sharing grant offering financial support to export councils, joint action groups and industry associations. The scheme comprises two sub-programmes, namely Generic Funding and Project Funding for Emerging Exporters (PFEE). The grant is relevant to the following sectors:

- Agro-processing
- Chemical Allied Industries
- Electronic Industries
- Textile and Clothing
- Metals and Allied Industries
- Machinery, Allied and Electrical Industries
- Motor Industry Components
- Creative Industries
- ICT

SSAS has three main components, namely, generic funding, project funding and project funding for emerging exporters. The objectives of SSAS are to develop an industry sector, develop new export markets, stimulate job creation, broaden export base and propose solutions to challenges that are faced by export growth (DTI, 2015).

2.4.6 Co-Operative Incentive Scheme (CIS)

As far back as 2004/5, the Department of Trade & Industry identified the promotion of cooperatives as one of the pillars of economic development, more especially from the very low base of the society. This was aimed specifically at addressing the needs of the second economy. The cooperative industries operate in two facets in South Africa. One facet is

efficient cooperative practice that takes place within the first economy. On another hand, it is the less efficient and largely ineffective cooperative practice that takes place within the second economy. The latter is an area that is of great interest to the government. The second economy by definition is the refers to a range of activities that are often marginal, and aiming at boosting the survivalists in South Africa (Department of Economic Development, 2015).

The CIS is a 100% grant for registered primary co-operatives(only) to improve the viability and competitiveness of co-operative enterprises by lowering their cost of doing business. The CIS is one of government's programmes that are aimed at supporting government's objectives as covered within the Government's Cooperative Development Strategy. The programme targets registered cooperatives that operate within an emerging economy. The CIS makes available(covers) 90% cost sharing grants towards qualifying expenditure to be incurred by the cooperatives. A qualifying cooperative could qualify for a maximum of R300 000.

The CIS was developed to facilitate the solution to the following challenges experienced by cooperatives:

- High cost of working capital to allow efficient market entry
- Lack of access to finance
- Lack of participation in the formal economy, which is where real and meaningful growth takes place

The qualifying requirements for the grant are simple and straight-forward and entail cooperative incorporation according relevant legislations (i.e. Cooperatives Act, 2005) operation in an emerging sector, have projects in designated industries (i.e. manufacturing, agriculture, service and retail) and must adhere to cooperative principles (DTI, 2015).

2.5 Characteristics of a successful entrepreneur

According to Stefanoric *et al* (2010) the success of a small business can be defined as its means to evolve as well as to understand its environment. The success of manufacturing businesses is dependent on owners' previous knowledge, financial or capital access and

personal skills which are the critical ingredients for the success of any business venture. Mongia (2013), in her study, argues that the issue of success is subjective and based on an individual. This is echoed by Gompers et al (2010) who relates success of an entrepreneur to continuous repeated effort of hard work. Psychological factors such as risk aversion, innovation and the ability to plan have an important effect on the performance of the business. Craig (2015) argues that a location does and at the same time does not matter for the success of an entrepreneur. He continues to say what matters most is brand identity, reputation as well as the talent(employees) one has recruited that creates success for any kind of venture. Sefanovic, Prokic and Rankoric (2011) argues that entrepreneurs need not only know but be well trained and motivated in order to be successful. Benzing (2009) categorised the important variables contributing to the success within the manufacturing sector into three groups' i.e. psychological, personal, management skills and training (external environment). Hussain and Windsperger (2010) dispute that the understanding and the familiarity of the local marketplace plays a key function for the accomplishment of any business, predominantly if the business operates within the retailing industry. The management abilities of entrepreneurs and environmental factors are the most important consideration for the success of small businesses.

As pointed out by Benzing (2009), an unpredictable political and socio-economic environment, intricate taxation, dishonesty, and cumbersome regulatory frameworks are frequent struggles confronted by entrepreneurs in growing economies. The South African manufacturing industry has to face a number of similar problems owing to the bureaucratic approach of the public system and unbalanced administrative policies. Usually, the increased costs of doing business are a direct result of these bureaucratic hurdles and delays. According to Fakoti and Smit (2011), the hurdles experienced by entrepreneurs could be grouped into both external and internal factors. Past business research studies agree that the shortage of financial capital is one of the most important problems confronting entrepreneurs in developing countries (Cook, 2001). A study conducted by the World Bank (2014) also highlighted the need to expand access to finance to women entrepreneurs.

2.6 The Business Environment

Business environment for SMEs has a direct impact on operations and performance.

Manufacturing businesses are similar to the majority of businesses in that they manoeuvre in a very competitive environment. Rwigema and Venter (2004) state that, "... the entrepreneur must focus holistically to the business and understands how it works within its environment." They are of the opinion that looking at the business as a whole will provide the entrepreneur with a lasting point of view for potential growth opportunities and continuity. Past studies showed that the relationship between SMME businesses and the business environment becomes a crucial focal area for the continual survival of businesses in the open market (Dalberg, 2011).

Oni and Daniyan (2012) believe that there is relevance of the business environment to performance. They argued that SMEs are relevant for the development and growth of a country's economy. Included among the areas of relevance were the growing of the export market through the production of goods and services, the creation of jobs and contribution towards the GDP. This point is echoed by Coetzee (1993) who pointed out that manufacturing companies may be regarded as an open system that is influenced by its surroundings. If businesses are not capable of changing and adapting to these environmental forces and are only dependant on the strength and nature of these forces, they will be faced with either complications or opportunities which could potentially demolish these businesses or present these businesses with opportunities to grow through other avenues.

The circumstances in which entrepreneurs analyse the internal environment, the external environment (which encompasses the task) and the macro environment imitate the character of the entrepreneur. It is noted that the internal environment is within the control of the entrepreneur, whilst the external environment is beyond his or her control. It is the relationship between entrepreneurs and their environment that will determine the success or failure of the businesses. The most important factors impacting the failure of manufacturing businesses is thus derived from the owners of businesses and both internal and external environmental factors.

According to Rigwena, *et al* (2004), most entrepreneurs are at the leniency of the economic environment over which they have no control. This is specifically relevant to areas which are highly dependent on big companies for employment. When such big companies settle on retrenching hundreds of the workforce, it negatively affects numerous small sized businesses that were dependent on these big companies as source of suppliers. Current developments, such as globalisation and economic meltdown, have all impacted businesses drastically. This is particularly relevant to local businesses that produce goods that are currently being imported at very low cost from abroad (Small Business Monitor, 2010).

Entrepreneurs within the manufacturing industry are in general laggards for technology acceptance (Business Partners, 2016) The principal motive for the perceived higher expenses is staying in tune with the most modern technological innovations specific to their particular industry. Over the past decade, the rapid growth of technological advancement has been exceptional (Business Partners, 2016). It is noted that innovation typically brings the guarantee of reduced costs, improved efficiency and / or an increase in income. Generally, businesses are not technically confident enough to utilise the network efficiently. Small business also cannot afford to employ specialist or web designers to plan or develop a superior online strategy (SEDA, 2016).

2.6.1 The Internal Environment

Fakoti and Smit (2011) *argue* that the internal environment is within an entrepreneur's domain and that it needs to be carefully managed and controlled. A thorough knowledge and understanding of internal environmental factors will provide the entrepreneur with the essential administrative skills to enhance the management of their business and to eliminate the potential for business failure.

Deficiencies within the surroundings are the important causes of failure of the manufacturing industry. According to Markgraf (2014), the key internal factors, especially for manufacturing businesses, revolve around ethics and legal issues. These include a safe working environment, safe products and reduced environment effects. Many of the

problems resulting from these factors include management aspects such as a poor or the lack of management skills as well as some limitations related to the lack of organisational culture in South Africa. The actions of management, behaviour reluctance to seek advice, lack of management commitment and unwillingness to adapt to change are the main causes for failure to implement strategic goals and future plans.

2.6.2 The External Environment

The external environment is an active environment that is rapidly changing. It is characterized by high levels of uncertainty and creates havoc for organizations in any sector. Hunger and Wheelen (2003) describe the external environment as the societal environment which comprises of several forces including political and legal forces, policies and regulations, economic factors (which control the trade of resources), financial resources, energy and information, socio-cultural services, habits of the public and technological forces that produce problem solving inventions. These macro environmental forces usually influence the long-term decisions of any business. The owners of manufacturing businesses have no control over the forces of the external environment and this can be accredited to the inadequate capital resources within this sector. The shifts of all the forces within the external environment affect all businesses irrespective of the size of the business. When there is a change in the external environment, bigger businesses are well placed to absorb these shifts compared to their smaller counterparts because they have adequate capital. There is thus a need for the business owners to be attuned to the external environment in order to minimise any negative shocks emanating from this environment. The entrepreneurs should be flexible enough to adapt to changes as and when they present themselves.

2.7 Globalisation

Globalisation is defined as the elemental shift in the world market where countries are steering their economic system towards a mutually dependent worldwide economic system (Oxford Business dictionary, 2015). As pointed out by Hill (2009), globalisation has

resulted in markets in which formerly or traditionally discriminated markets have become one massive worldwide marketplace as a consequence of the elimination of trade barriers and advances in information and transportation technologies. Due to globalisation, all countries can now partake in worldwide trade. Transformation remains a key strategic challenge for developing countries like South Africa. This is due to the rising economic uncertainty. The other facet of globalisation is the globalisation of means of production. Businesses can establish their production facilities in countries where manual labour and other means of production are cheaper. The end effect is that globalisation presents new fears for manufacturing companies, especially in Africa, as a result of increased competition from overseas market entrants. The locally produced goods and services are currently competing with goods of cheaper quality from emerging markets such as China, India and Brazil. The manufacturing sector landscape in particular, has consequently changed drastically (Wyman, 2014). Wyman (2014) further argues that major restructuring, concept and footprint redesign is fundamental despite this still being a major challenge for small manufacturing businesses.

Globalisation and modern technology is developing a fresh market with new traditions of doing business, producing goods and services; and recognising profits (Robinson, 2013). Mass production has been replaced by a new move towards competition, which is dependent on knowledge and skills. The purpose of businesses is no longer about the maximisation of, but is now dependent on the management of production, innovation and advertising, the utilisation of all the available resources and services presented by the network of manufacturing businesses (Bezuidenhout, 2015). In a globalised world businesses can produce an even better scale of returns, as well as efficiency and effectiveness that are far beyond the previously achieved profits (Dalberg, 2011). This means business is dependent on the factors discussed above. Manufacturing businesses are faced with the free market as trade and import barriers have diminished. Government has persuaded and concluded trade agreements with various countries within and “without” the SADC region as a response mechanism to the global trading trends for the purpose of economic growth (DTI, 2009). These agreements amongst others include the Africa

Growth Opportunity Act (AGOA) which gives access to Sub-Saharan countries to preferential tariffs for trade with the United States (US).

Globalisation has changed the world's market and created a new business environment as factories have been established through technology and current technology driven knowledge is applied in the manufacturing process. The location of the manufacturing of goods no longer matters, causing a new spatial organisation as all kinds of knowledge, information, goods and services can be out sourced and traded anywhere in the world (Unido, 2015). Manufacturing businesses need to understand that in a globalised environment, the new productivity economic benefits are the heart of the international data economy. Without a growing and prosperous regional consumer market, the manufacturing businesses within the eThekweni Municipality cannot rely on low wages. Instead, they need a strategy for global re-engagement as suppliers and buyers are easily accessible due to the increasing use of networks.

2.8 Management Skills

The shortage of management skills and the technical know-how is among the most important restraints affecting the advancement of the small business, especially in the manufacturing sector where skills are a critical component for success. According to Arbo and Quartey (2010) shortage of skills hinders growth for small businesses. Due to the levels of affordability of these small businesses, it is not easy to employ highly qualified personnel (SEDA, 2016). They, therefore, opt to outsource certain services to consultants and / or do on the job training to bridge the gap. Business owners within the manufacturing industry place low precedence to training especially if it is going to be outside of the job environment as they feel it affects productivity (Khuluse, 2015). Research has shown that the lack of skills affects a lot more than daily operations, but also affects innovation and growth of an organisation (Chimucheka and Rungani, 2011). Blasingame (2003) argues that education and experience are the keys to success for small business and advocate that entrepreneurs must identify deficiencies and acquire them. Heraty (2005) also points out that managerial weakness is one of the most important reasons for the failure of SMME businesses worldwide.

2.8.1 Management Expertise and Abilities

The success of any business is frequently attributed to management's expertise or performance (Robinson, 2013). Therefore, the skills of the business owners are an important factor for any business to succeed. Entrepreneurs internationally need to attain the much-needed management knowledge to secure their businesses' future survival and advancement. Entrepreneurs and managers, who lacks management knowledge and the necessary skills, will have a challenge to control their businesses efficiently and effectively to produce better results (Chimucheka and Rungani,2011).

Among other factors, the speedy growth of small businesses and their ability to participate worldwide necessitates that the skills management of those individuals, who established and managed these businesses, be enhanced from the current depressing condition to a more efficient level (Makatiani, 2006). Capability (for entrepreneurs) is accessible to a lot of individuals, however, managerial competencies that are fundamental for the continuation and sustainability of the SMME is inadequate. A successful business is extremely reliant on its management abilities and their resourcefulness. A poorly functioning manager or owner is worthless as he / she cannot drive the strategy of the organisation effectively; even though the company might be well capitalised (Blasingame, 2003). Research findings by Sawas and Feng (2005), pointed out that “a lack of managerial competence result in the failure of small businesses worldwide.”

In developing countries, manufacturing businesses are key players in economic advancement in terms of employment creation and economic advancement. Hence, the success of small businesses becomes significant and there is a need to ensure their proper management (Unido, 2015). Furthermore, there is an undeniable necessity to develop what management skills presently exist and / or are lacking, especially within the manufacturing sector, in order to ensure that manufacturing businesses are well managed.

2.8.2 Talent Management

Some manufacturing processes require very specific talents which are difficult to get or are very costly. It is therefore, imperative that talent is harnessed in this industry for the development of the sector. Skills development is thus unavoidable in ensuring business efficiencies. According to Hill (2007), many business owners lack managerial training and expertise. Entrepreneurs should also build talent for succession planning. Manufacturing, as an economic drive, needs to be presented as a way of life to young people and they should be encouraged to take it up as a career (Singleton, 2003). Their system(entrepreneurs) is more worried about daily management than long term view. The end result of the unfortunate managerial ability is that the owners in the manufacturing industry are not well equipped to tackle changes in the business environment and to prepare suitable changes in technology.

2.9 Access to Capital

According to Chetty (2009), the two most important factors currently affecting the businesses within the eThekweni Municipality are the inability to access finance and the lack of a track record. Government has initiated policies and interventions with the view to support and develop SMEs. These initiatives are housed under various agencies and government departments to enable SMEs to have access and support. One of the biggest hurdles is that SMEs are still not aware of these initiatives and / or how to access them (Mahembe, 2011).

In 2011, a study was commissioned by the National Credit Regulator to research what was available in terms of credit and support for SMEs in South Africa and what had been researched and written on the topic. The study revealed that SMEs still faced challenges with access to finance due to the lack of financial literacy. Further recommendations were made on the establishment of a centralised agency or government unit that would deal with all issues pertaining to SMEs, hence the establishment of Department of Small Business Development (SBD) in 2014.

According to GEM (2016), the latest report indicated that the level of entrepreneurial intent in South Africa had decreased by almost 30% when compared to 2013. This was due to three areas of constraints that South African entrepreneurs are still facing namely, government policy issues, access to finance; and education and training. Finance is a scarce resource and lenders are cautious of who supply funding due to various factors such lack of experience, and poorly skilled entrepreneurs.

The lack of financial assistance had been extensively highlighted as the major dilemma confronting small businesses within eThekweni Municipality. According to Global Economic Monitor (GEM) (2009) report, S.A.'s financial system was no more reluctant in the support of its entrepreneurs than other developing countries participating in the GEM. Globally, recognised financial organisations appeared to be providing financial support only to a selected few entrepreneurs. Internationally, the most critical source of start-up financing appeared to be entrepreneurs' investments and their capability to raise informal investments from friends, family and colleagues.

Accessibility of finance will impact the method in which any entrepreneur targets the marketplace. Previous research studies have revealed that the main distress of most entrepreneurs was how they acquired adequate capital. Some businesses, manufacturing in particular, require large amounts of capital to function. Under-capitalization may possibly restrain the development of a company and may even be the cause of its fail (Writer, 2015). Business owners who did not have a well-established network or track record may find it very complex to find capital.

There are three main sources of finance for businesses in South Africa. These are as follows:

- Government Incentives Programmes, which include:
 - Small Enterprise Development Agency (SEDA)
 - National Empowerment Fund (NEF)
 - Small Enterprise Finance Agency (SEFA)
 - Industrial Development Corporation (IDC)

- Technology Innovation Agency (TIA)
- National Development Youth Agency (NYDA)
- Commercial Funders
- Incubator Funding Structures

Despite these funding initiatives and structures, manufacturing businesses in KwaZulu-Natal continue to face pressing funding challenges. In spite of a plethora of research that pertains to funding challenges within the province of KwaZulu-Natal, the literature is relatively scant to non-existent on the finance needs of the manufacturing industry. This study, therefore, seeks to address or narrow this gap.

A thorough knowledge of business finances (like the management of capital) and the interaction with the providers of finance are integral ingredients for the success of any business (Stefanovic et.al, 2010). Just about one-third of the entrepreneurs identified that cash flow management, having inadequate sales volumes and methods of pricing goods or services to be generally challenging when starting a business (Business Partners, 2016). The majority of small businesses owners discover that it is very complicated to attain finance, particularly when they are a relatively new business (DCC report, 2013). The financing institutions call for collateral for loans and numerous smaller businesses do not have sufficient security to be accepted. The changes in financial institutions, mainly big entities, have impacted the granting of finance to small size businesses (Fakoti and Smit, 2011). Throughout the economic downturns, the capital crunch grows more ruthless as the financial institutions decrease their appetite for lending to riskier customers wherein the grouping of small businesses fits in (Fakoti and Smit, 2011).

Financial administration is a critical function within the natural environment of manufacturing businesses that presents an abundance of possible obstacles. The proficiency of management is regularly determined by the accessibility of management and financial information (SEDA, 2016). The need for better financial sources is often reported as the major concern that business owners experience when growing their businesses (Chimucheka and Rungani, 2011) Financial issues imperative for the success of the business include capital requirements, bookkeeping, financial planning, the

management or control of finances, cash flow management, the management of working capital and income generation (Chimucheka and Rungani, 2011).

Businesses, irrespective of size, frequently have difficulties in obtaining capital or credit, particularly in the early start-up phase. Throughout research has shown that access to finance is a major problem for SMEs. Mutezo (2005) states that among all the problems confronting the SME sector, few have proved to be as difficult to solve as those involving access to finance. Access to the necessary financial resources has been determined as a critical factor in determining the success or failure of SME's both in developing and developed countries (Ricupero, in Monks 2010). Moreover, these financial resources often determine the rate of growth of SME's. Access to finance enables SME's to invest in productive assets and the latest technology that enable the business to expand and ensures its competitiveness and development. SMEs due to various factors they struggle to obtain money.

According to Monks (2010), the following are some of the reasons cited for the difficulty in access to finance for SMEs:

- SME's are regarded by lenders and or investors as high-risk borrowers due to lack of security, low net worth and high mortality rates.
- Lack of credit record as well as history.
- Lack of relevant information and systems that enables an investor to assess the viability of the business proposal.
- Transaction costs which are high makes it difficult for small businesses to access funding as well as it is not beneficial for them.
- In most cases when SMEs are able to secure finance, the terms for the finance are not aligned with their business models that they (i.e. SMEs) use to operate their businesses, and it becomes difficult to access the funding.

2.10 The Regulatory Framework

The intricacy of the regulatory environment and the large quantity of bureaucratic needs are some of the challenges that businesses are facing. As noted by Ndlovu (2002), the procedure for registering a business, attainment the needed licences and the cost of

compliance can be a major deterrent for entrepreneurs. According to GEM (2014), the South African arm of the report highlighted the red tape associated with registration of new businesses as well managing compliance issues for existing ones. Whilst the regulatory structures are required for the functioning of businesses, over-regulation is an international problem to the competitiveness of the commercial industry. As indicated in the Global Economic Small Business Monitor Report (2010) survey, government policies are one of the key factors constraining the development of manufacturing businesses. Although there is some progress in improving the tax regime for business, it can be argued that, in order for the manufacturing industry to play a greater role in job creation, more can be done to improve the tax regime for business.

The labour laws have also been found to be discouraging SMEs to employ people across all sectors, more especially the manufacturing sector, which is labour intensive (OECD, 2015). SMEs have found that once employed the laws make it difficult to lay off any employee even though the business can no longer afford them (GEM, 2014). As cited in the report Doing Business (2011), labour legislation should work towards balancing worker protection against employment restrictions and it should not only favour the employed, but should be flexible enough since small business operations are cyclical.

The regulations have been reviewed and no “special treatment’ or exemption is applicable to small businesses only, like it used to be in the past. Regulations governing establishment of businesses are extremely intricate and conflicting, making it challenging and complicated for small businesses to comply with them. In addition, the South African government has invented new methods that cause red tape and are considered as the most important hindrance for small firms to conduct or establish business in South Africa (GEM, 2014).

The current debate on key business issues, including nationalisation of key businesses especially the mining sector, raises a cause for concern for entrepreneurs in the manufacturing industry as they mainly rely on natural resources as factors of production.

Small enterprises are always tempted to avoid registration and formal compliance with regulations because this requires time and is costly (in terms of fees and sometimes legal assistance). Manufacturing businesses are hindered by the enormous administrative and cash flow burden that registration adds to the business. Each and every entrepreneur has to act in accordance with a range of regulations, which includes attaining the necessary permits and licenses as well as complying with the health and safety inspection regulations. Whilst it is generally essential for the well-being of the entire population, this proves to be encumbering for some manufacturing business owners because the time and money spent on this exercise could be invested into growing the business. Environmental regulations, workplace rules and the paperwork associated with tax compliance contribute to most of the burden (Robinson, 2013).

Other factors that need to be taken note of by entrepreneurs are the country's taxation regulations and legal structure(s). South African legislation makes starting up and running a small business arduous as entrepreneurs must comply with numerous legislative requirements. International evidence suggests that the regulatory environment has a major influence on the survival and growth of small and new businesses. Research revealed that red tape and lack of interdepartmental co-operation are some of the hindrances for small businesses to be fully compliant (DTI, 2005). In addition, policies that not necessary related to the business industry, but had a notable effect on the efficiency and effectiveness of the business, were also mentioned e.g. the government's unproductive policies on crime, poorly conceptualised and implemented educational policies and the mismanagement of initiatives such as the skills education and training agencies (SETAs).

2.11 Technological and Infrastructural support

The impact of technology for small business is that it provides a variety of tools and platforms that a small business owner can utilize. The effect has been that business processing has been modified; opening areas of collaboration with others around the globe. Small businesses have the inability to recognise sources of technologies suitable to their specific activities due to the lack of knowledge. Research conducted on exporters in Zimbabwe revealed that information gap is still a hurdle for the progression of these small

exporters (Kumar, 2012). The development and growth of small businesses is also hampered by the lack of knowledge about information technology, even within eThekweni Municipality, because it results in an increased cost of production, which reduces the capability of small businesses.

Small businesses also have difficulties in gaining access to suitable technologies and information on appropriate techniques. This in turn limits innovation and small businesses' competitiveness. Manufacturing businesses, therefore, need to comprehend that innovation and technology leadership are the means to the future and competitiveness of this sector. Asia's economic success was brought forth from technological upgrades in manufacturing (Unido report, 2016). According to the Unido Report (2016); Sub-Saharan countries are not too far off as followers.

Technology presents greater opportunities and develops business linkages across sectors including knowledge intensive manufacturing sectors such as machinery, chemicals and computing (Guerrier and Meliciani, 2005). Entrepreneurs need to invest in research and development of new products so that their manufacturing businesses remain one step ahead of the competition. Innovation and technology is an answer to the potential of the manufacturing industry. The manufacturing businesses' competitiveness edge is dependent on great new technology.

2.12 Chapter Summary

Small businesses play a significant role in developing countries. They are seen as the key drivers for the reduction of unemployment, the growth and development of the economy, eradication of poverty and the improvement of the living standards of people. The public, government and other key stakeholders are creating an important contribution in the development and growth of businesses. However, more support is necessary in order to enable this sector to achieve its goals.

In South Africa, the manufacturing sector is the mainstream sector to create employment. Research indicates that the growth of this sector is expected to continue to increase despite

overall economic uncertainty. Although the eThekwini Municipality is committed to supporting the small business sector, challenges and difficulties are being experienced by the manufacturing sector within this municipality. The major challenges that hamper growth of the manufacturing businesses operating within eThekwini Municipality include limited access to capital, the challenging business environment, limited managerial skills, technology, globalisation and the regulatory environment.

CHAPTER THREE

Research Methodology

3.1 Introduction

The literature review identified the gap in research with regards to finance needs of small manufacturing businesses within the eThekweni Municipality Area. Despite the fact that many other factors have been identified as challenges for small manufacturing businesses, available research confirms our suspicion that access to finance remains one of the main challenges for small manufacturing businesses. The aim of this study, therefore, was to investigate the finance needs of small manufacturing businesses within eThekweni Metropolitan Area.

This chapter focuses on methodology holistically. It will concentrate on the primary issues associated with the research design, instruments, sampling procedures and processes as well as validation. According to Sekaran and Bougie (2013), research methodology is the method that is used to gather information for the research task by specifying the sampling design target population and the sampling method used. The correct sampling methods are vital in any research conducted and this can include survey questionnaires, postal surveys or interviews. Furthermore, statistical tests, methods of data analysis, and other techniques are vital attributes of a research study. This chapter examines the data and is based on the understanding of the study's objectives.

For this study, interest on the design, organisation of the questionnaires, data collection and analysis methods were articulated. The mechanism of data collection and the management of the mechanism including their reliability and legitimacy were also described. This chapter also observed the diverse statistical tests that were used to analyse the data gathered, the reliability and legitimacy of the results including the limitations in data collection.

3.2 Research Design

The methods used to conduct this study are detailed and analysed in this section. The method of data collection of data method used for this study is unpacked in detail, including reasons why it was the preferred method. The method selected for this study was both suitable and in line with the problem statement to enable the researcher to obtain answers to the questions.

According to Welman et al. (2007:56) “it is impractical and uneconomical to involve all the members of the population in the research project; given that the population associated with this research is large, a sample is used to collect data as this will both save time and other resources”.

The process of sampling involves objectivity and impacts directly with the quality of collected information. The study was conducted at eThekweni (also known as: Durban). All respondents were from the eThekweni Municipality as this study was centred on this area and were accessed through the Durban Chamber database. It was restricted to small manufacturing businesses who operated in the Durban area. For the purposes of this study, small businesses are defined as “an enterprise which has 50 or fewer employees and / or annual turnover of between R200 000 and R13 million”.

As mentioned above, this study covered the manufacturing businesses of the eThekweni Municipality. The manufacturing industry is responsible for the production of an extensive variety of products including food and beverages, chemicals, clothing and metal products of all kinds. As pointed out by Gono (2005), a greater portion of the manufacturing activities in South Africa is spread across different sectors namely textiles, food processing, media and publishing houses, clothing, footwear, chemicals, plastics, metals and metal products and transport. The respondents of the study were the owners and managers of these manufacturing businesses as these were the key players in this type of industry. The respondents were in the position to provide the critical information or data that was needed to fulfil the objectives of this study. They were also ideally positioned to provide detailed insight into the manufacturing businesses operating within the

manufacturing industry. The researcher used a quantitative method approach to gather information from these small business manufacturers.

3.3 Population and sample size

The population is the pool from which the sample elements are drawn and to which the research wishes to generalize findings from (Blanche et al., 2006). Population refers to the entire group of people, events, or things of interest that the researcher intends to investigate (Sekaran and Bougie, 2013). According to Sekaran and Bougie (2010:267) the target population contains members of an interest group. These members of an interest group are individuals or a group, a location as well as time / period (Sekaran and Bougie, 2013). The target population for this study consisted of all small manufacturing business owners with businesses registered on the Durban Chamber database that are operational within the eThekweni Municipality area. At the time of conducting this research there were 76 registered small manufacturers on the database of the Durban Chamber; therefore, this was our population size.

The next stage was to choose a sampling technique and a sample size. Sampling is the process of “selecting the right individuals, objects, or events as representatives for the entire population” (Sekaran and Bougie, 2013:240). According to Wellman et al. (2007) it is rare that a researcher is able to look at everything that has potential relevance for the research problem.

Sekaran and Bougie (2013) stated that both the sample size and sample design are important for the representativeness of the sample for generalizability. Sekaran and Bougie (2013:246) stated that the choice of a sample size is governed by:

- The reliance that is needed from data (i.e. the level of conviction that the data collected represents the whole population).
- The research objectives are covered adequately and will yield desired outcomes and point to areas of further study where possible
- The margin required to ensure safety and accuracy for any estimates made.
- The type of analysis that is going to be undertaken - in particular the number of categories into which the data would be subdivided as different statistical techniques have minimum threshold cases for each variable

- The size of the total population from which the sample is being drawn.
- The similarity of the sample group

The sample size was 76 and it was based on all the small manufacturing businesses that were registered on the database of the Durban Chamber; operating within the eThekweni Metropolitan area. Based on the population size, the researcher chose to use all as a sample size for the purpose of the study. Therefore, the targeted number was 76 respondents as confirmed by the Durban Chamber database. These were the ones who met the criteria of a small manufacturing business as described in the Small Business Act and those who were registered on the database at the time. The feedback from the study generalized the whole population of small manufacturing businesses operating within eThekweni Metropolitan area.

3.4 Sampling Design

Sampling is the process of selecting a sample from the population, so that the study becomes generalizable to the population elements, including those not selected in the sample (Sekaran & Bougie 2013).

The two main sampling designs are, namely probability or nonprobability sampling. Probability sampling is when elements in the population have a known chance of being chosen as a subject in the sample (Sekaran and Bougie, 2013). Probability sampling can be either unrestricted or restricted, where unrestricted refers to simple random sampling and restricted refers to complex probability sampling (Sekaran and Bougie, 2013). Probability sampling would not be appropriate for this study as the elements and size of the small businesses at eThekweni is too wide and varied considerably, though its commonly used.

In this study, non-probability sampling was the appropriate method of selecting the elements. Non- probability sampling designs fit into two broad categories, namely convenience and purposive sampling (Sekaran and Bougie, 2013). Purposive sampling was chosen for the study as it met the study criteria. Purposive sampling is confined to specific types of people based on the knowledge of the population (i.e. restrictive in nature) or their

conformity to the purpose of the study (Babbie, 2015). Purposive sampling designs include judgment sampling, quota sampling and snowball sampling.

As it has been mentioned above, based on the low response rate in such research, respondents were encouraged to complete the questionnaires and were reminded through the dedicated manufacturing forum of the Durban Chamber, which consisted of all manufacturing businesses that were members of the chamber. Qualifications were clearly spelled out so that the questionnaires were not sent to manufactures that did not qualify to participate in the research study.

3.5 Data Collection Strategy

Data collection can either be primary or secondary sourced. Primary data refers to information obtained first hand by the researcher on the variables of interest for the specific purpose of the study, whilst secondary data refers to existing literature (Sekaran and Bougie, 2013:113). The researcher chose quantitative method for this study.

According to Sekaran and Bougie (2013) the data can be collected in various ways such as interviews, focus groups or observation, questionnaires and or surveys. Upon scrutiny of the database of businesses listed by the Durban Chamber, it was noted that some of the businesses listed were operating outside of the eThekweni Municipality with an average of 500 businesses applying their trade directly within the eThekweni Municipality. The researcher chose electronic questionnaires which were distributed to the participants via a mailing system. However, based on our research, the response rates with electronic questionnaires were quite 'subdued'. According to Sekaran and Bougie (2013), although electronic or mail questionnaire are advantageous since the respondent will complete at their convenience, the return rate tends to be low. Sekaran and Bougie (2013) argue that a response rate of 30% is considered acceptable in cases like this.

3.5.1 Choice of data collection strategy

The methodology chosen was quantitative study. Quantitative study presented many advantages for this study. This are:

- Reliability and subjectivity
 - data was collected from industry players (owners as well as managers of these small manufacturing businesses). Therefore, their experience(s) and depth of knowledge about the challenges that they faced in accessing finance were first-hand accounts.
- Results can be easily generalizable
 - Although the researcher focused on a population that was only from the Durban Chamber, the challenges that they faced as small manufacturers at eThekweni will nonetheless be the same for everyone including those that are not chamber members.
- Ease in distributing questionnaires
 - the respondents though operating within eThekweni there were in different locations within eThekweni Municipality area.
- Administration of questionnaires was inexpensive since all had access to the internet and e-mails. QuestionPro was therefore used to distribute questionnaires.
- Time constraints and management
 - using QuestionPro on a group of respondents that were in one database made it easy to manage time.
- Researcher did not have budget available and this methodology proved to be inexpensive since the questionnaire was delivered at their convenience through a web link.

3.6 Research Instrument

According to Sekaran and Bougie (2013:147) questionnaires are an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest. Questionnaires can either be structured or unstructured. The researcher used a structured questionnaire. It was known from the outset what information was required, hence the use of structured questionnaires. With a structured

questionnaire, the questions and answers are specified and the respondent's own words are kept to a minimum. There are a number of ways available to the researcher to administer questionnaires (Sekaran and Bougie, 2013). The advantages and disadvantages of questionnaires are shown in Table 3.1

Table 3.1: Advantages and disadvantages of questionnaires

Mode of Data Collection	Advantages	Disadvantages
Personally Administered Questionnaires	<ul style="list-style-type: none"> Can establish rapport and motivate respondents. Doubts can be clarified. Less expensive when administered to groups of respondents. Almost 100% response rate ensured. Anonymity of respondents is high 	<ul style="list-style-type: none"> Organizations may be reluctant to give up company time for the survey with groups of employees assembled for the purpose.
Mail Questionnaires	<ul style="list-style-type: none"> Anonymity is high Wide geographic regions can be reached. Token gifts can be enclosed to seek compliance. Respondents can take more time to respond at convenience. Can be administered electronically, if desired. 	<ul style="list-style-type: none"> Response rate is almost always low. A 30% rate is quite acceptable. Cannot clarify questions. Follow-up procedures for nonresponses are necessary.
Electronic Questionnaire	<ul style="list-style-type: none"> Easy to administer. Can reach globally. Very inexpensive. Fast delivery. Respondents can answer at their convenience like the mail questionnaire. 	<ul style="list-style-type: none"> Computer literacy is a must. Respondents must have access to the facility. Respondents must be willing to complete the survey.

Adapted from Sekaran and Bougie, 2013. Research methods for business, Wiley, West Sussex

An electronic questionnaire was chosen as a research instrument. The questionnaire was administered on the web through QuestionPro. QuestionPro is a web based powerful analysis tool which allows quick and convenient questionnaire administration as well as other attributes that allow effective data analysis. These include polling, statistical measuring options / results, data gathering, trend analysis and data extrapolation. Electronic questionnaires are easy to administer, inexpensive, fast and have a global reach.

The disadvantage, though, can be a low response rate, which might be caused by various factors such as lack of understanding of questions as well as the inability of respondents to dedicate time to completing questionnaires.

3.7 Administration of the questionnaire

The study focused on quantitative data, which came from the participant's responses. An online questionnaire was used for this survey due to its simplicity and ease of administration to respondents. According to Dornyei and Taguchi (2010), online surveys can offer tempting benefits compared to other methods of administration such as:

- Population is easily accessible.
- No personal administration; meaning it saves times since the instrument has the appropriate software and tools to get required reports including appropriate coding.
- Cost effective since its web based as opposed to postal surveys for example.

QuestionPro was the tool used to design the questionnaire. The URL link to the electronic survey, along with the informed consent form, was sent to each of the potential respondents via email and reminders were sent to their e-mail addresses as well. Initial electronic survey was sent to respondents on the 4th of October 2015 and a reminder e-mail followed on the 19th of October 2015. The response rate was too low and the researcher sent another e-mail reminder to respondents on the 21st of October 2015. The survey was finally closed and database locked (i.e. closed) on the 2nd of November 2015.

The respondents were all from the Durban Chamber's database who had met the set criteria of this study. The questionnaire consisted of the following sets of questions:

- Demographic-type questions : Section-A;
- (Y/N) Statements : Section-B;
- Likert Scale Statements : Section-B
- Additional Financing Questions : Section-B

Sequencing method of developing questionnaires for this study was as follows:

- Closed questions which asked respondents to make choices among a set of alternatives given by the researcher. These were chosen because they are easily convertible to the required format for statistical analysis.
- Unrestricted questions allowed the respondents to answer them in a manner of choice (Welman et al. 2007). This sequencing method was not chosen by the researcher due to the length of time that it might have taken the respondents to answer each question. As such, closed questions were deemed to be suitable in giving insights to the challenges that small manufacturers are facing in accessing finance.
- Ranges that were chosen were either nominal or interval. A range or a scale is defined as a tool by which individuals are distinguished as to how they differ from one another. (Sekaran and Bougie, 2013:211). Nominal scales allow the researcher to assign subjects to certain categories, whereas interval scales allow the researcher to perform certain numerical analysis on the data collected.

The following ranges were used in the questionnaire:

- The itemised rating scale is frequently used in business research to get a rating that is either balanced or unbalanced based on whether there is a neutral point or not.
- Multiple choice, allowing respondents to select one alternative.
- Simple category / dichotomous scales allow the respondent two choice a response for an example a yes or a no.
- The Likert scales consist of statements that express either a favourable or an unfavourable attitude towards the objective(s) of interest. These were also used in this study to examine the importance on a four-point rating scale.

Once the appropriate scaling techniques have been selected, it is important to ensure that the research instrument used did indeed accurately measure the concept. This was achieved by pretesting and validation. Nominal scaling was used to ensure validity as this allowed the researcher to assign subjects to certain categories. The Likert scale format enabled respondents to choose appropriate options thereby eliminating any confusing data and reducing room for ambiguity.

3.8 Reliability, Viability and Bias

There are various tools that can be used for quantitative data analysis, such as split-half reliability co-efficient and Cronbach's alpha.

According to Sekaran & Bougie (2013), stability relates to the ability of a measure to remain the same over time despite uncontrollable conditions. Consistency, on the other hand, is indicative of the homogeneity of the items in the measure that tap into the construct. Stability of measures is achieved by the Test–retest reliability, a process in which the instrument is administered to test the stability and reliability of an instrument (Wellman et al. 2007). The test-retest coefficient attests to reliability and stability across time. All these tests are conducted to get a feel of the data as well as test the goodness of the data collected. Measures of central tendency and dispersion were performed for this study. These include standard deviation, mean, variance and median. These will help us further understand the data presented.

Validity refers to the degree of meaningfulness and appropriateness of the study in relation to what it intends to measure (Babbie, 2010). Babbie (2010) explains that there are two distinct types of validity, namely internal validity and external validity. Internal validity refers to the validity of the measurement and the test itself (cause and effects). External validity refers to the generalization of findings to the population. Content validation was conducted by sending the questionnaire to the committee members of the manufacturing forum within the Durban Chamber to review. These are both chamber employees who have vast experience in working with the manufacturing businesses as well as business owners who are in manufacturing businesses. The review was of great help as it eliminated any irrelevant and ambiguous questions. Data was collected from owners and managers of small manufacturing businesses that had operations within the eThekweni Municipal area. These were people who were involved in running the day to day activities of their business and who could identify the financial challenges that they faced and thus able to give valuable insights into their financial business needs. The researcher circulated the questionnaire through a reliable tool QuestionPro.

Bias occurs when a flawed or systematic error is introduced into the sampling or testing by encouraging a certain outcome over another (Babbie,2013). The sample comprised the overall population of respondents on the Durban Chamber database i.e. all 76 small manufacturers that met the study's criteria. Data collection was bias free as it was done through an independent and reliable tool, QuestionPro. Responses were bias free as these were views and insights of the small manufacturers as per the database of the Durban Chamber at that time.

3.9 Analysis of Data

Data analysis was conducted using descriptive statistics which proved to be appropriate given the sample size. As the questionnaire was the tool used to gather the quantitative data, data collected was collated and stored via QuestionPro software and exported to Microsoft Excel where further detailed analyses were conducted. The data was presented in graphic format generated via Microsoft Excel. Data collected from the survey was analysed as frequencies. Descriptive analysis was used to provide evidence of the impact that the selected factors had on small manufacturing business operating within the eThekweni Municipality.

After the data has been collected from the sample the next step is to analyze it in order to test the research hypothesis (Sekaran and Bougie, 2013). The data in this research was already in an electronic form since the questionnaire was created using QuestionPro. According to Blaxter et al. (2010) data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques.

Descriptive measures were used in summarizing results as well as providing evidence of the findings. Inferential statistics were used since it was a quantitative study to make generalizations about the population. This was done through significance testing. Categorical variables were compared using Chi- squared testing.

3.10 Ethical considerations

Ethical clearance was obtained from the University of KwaZulu-Natal's Ethics Committee in September 2015 and a gatekeeper's letter was obtained from the Durban Chamber in February 2015. There were no ethical infringements to respondents. The researcher informed the respondents of their confidentiality and choice to participate in the study.

3.11 Limitations to the study

Surveys were distributed with a certain time frame in mind and as it turned out not all respondents were able to complete the surveys due to their work pressures. Another limitation of this study was that the study focused on small manufacturing businesses that were registered with the Durban Chamber and this was not representative of all the small manufacturing businesses operating within the eThekweni Municipality area. The researcher chose the Durban Chamber since it was the biggest chamber within eThekweni Municipality and it is also actively engaged issues affecting manufacturing business and other sectors of business at large.

3.12 Summary

The research methodology used in this study was discussed including research methods and the justification behind the chosen methods. The survey was described, particularly its administration and the analysis of the collected data. In the next chapter presentation of results obtained from the survey conducted will be discussed in detail.

CHAPTER FOUR

Presentation of Findings

4.1 Introduction

The previous chapter outlined the research methodology used in this study as well as the design of the questionnaire. This chapter's focus is on the analysis of the data which was administered through the web based QuestionPro. The survey was broken down into demographics as well questions targeting an understanding of the current finance structure of the small manufacturing business and their finance needs. Results are presented using descriptive analyses under the three main objectives of this study. The fourth objective is dealt with in the following chapter i.e. Recommendations and Conclusion.

The list below outlines the objectives of this study:

- To investigate the exact funding needs of small manufacturing businesses.
- To investigate the impact of lack of funding for small businesses.
- To analyze the available funding for small businesses and see how it can be utilized to support and grow small manufacturing businesses.
- To make recommendations to small manufacturing businesses on how to access funding and from whom.

Each question is highlighted and the obtained answer presented in graphical formats. Graphical presentation of data was deemed to be an effective tool in the analysis of the data obtained.

4.2 Outcome of the survey

The questionnaire was administered through QuestionPro. A link was circulated to all eligible participants that were on the Durban Chamber's database. The participation was as follows:

Total number as per chambers database	76
Total accessed the link and started	64

Total completed	57
Total drop outs	7
Completion rate	89.06%

The total number of 76 refers to the number of small manufacturing businesses that were on the chamber's database. All of the participants had access to computers and had access to internet connectivity. Only 64 accessed the link out of the 76 and there were those who started but dropped out of the survey. They were 7 in total.

4.3 Demographic data

The demographic data discussed in this section relates to aspects of gender, age, position in the business, level of education, legal status of the business, years in the business as well as business turnover. Demographic data is critical if one wants to attain essential information about the respondents. It also provides better analysis of results as well as a means of differentiating the responses based on the level of education or number of years in business.

4.3.1 Gender

Respondents were asked to indicate their gender profiles to determine the gender profiles of small business owners in the manufacturing sector within the eThekweni Metropolitan area that is listed on the Durban Chamber database. The results show that there were more males than females who participated in the survey. These are depicted in Figure 4.1.

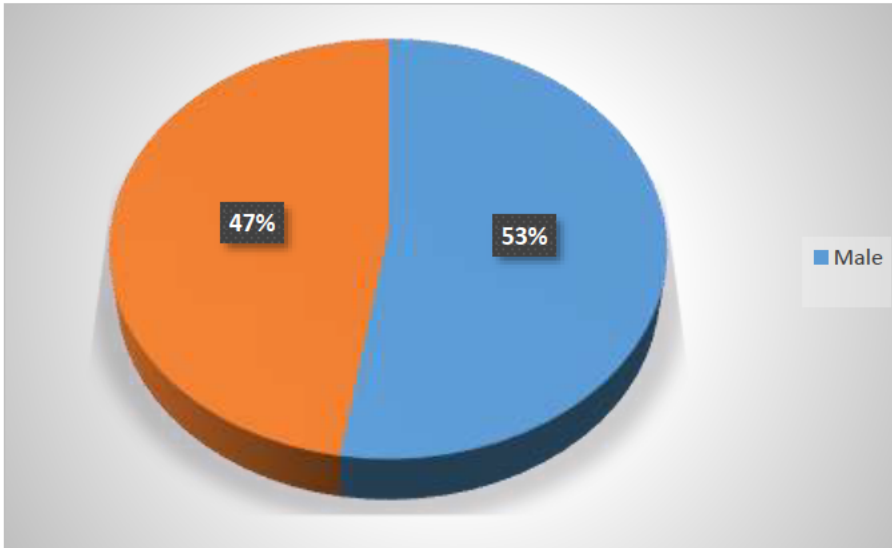


Figure 4.1: Gender composition

4.3.2 Age

Respondents were requested to indicate their age bracket. The results reflected that the majority of the respondents aged between 51-60 was 60%. These results are shown in Figure 4.2.

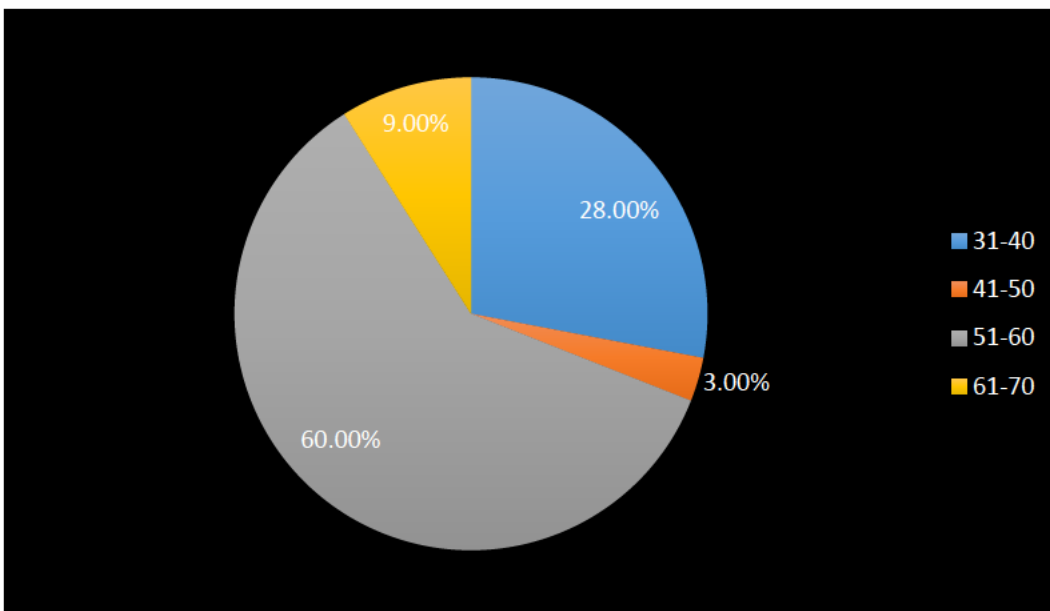


Figure 4.2: Age of the respondent

4.3.3 Position in business

Respondents were requested to specify their position in the business. The results reflected that the majority were owners whilst managers were 23% and those who were both were 27%. See Figure 4.3.

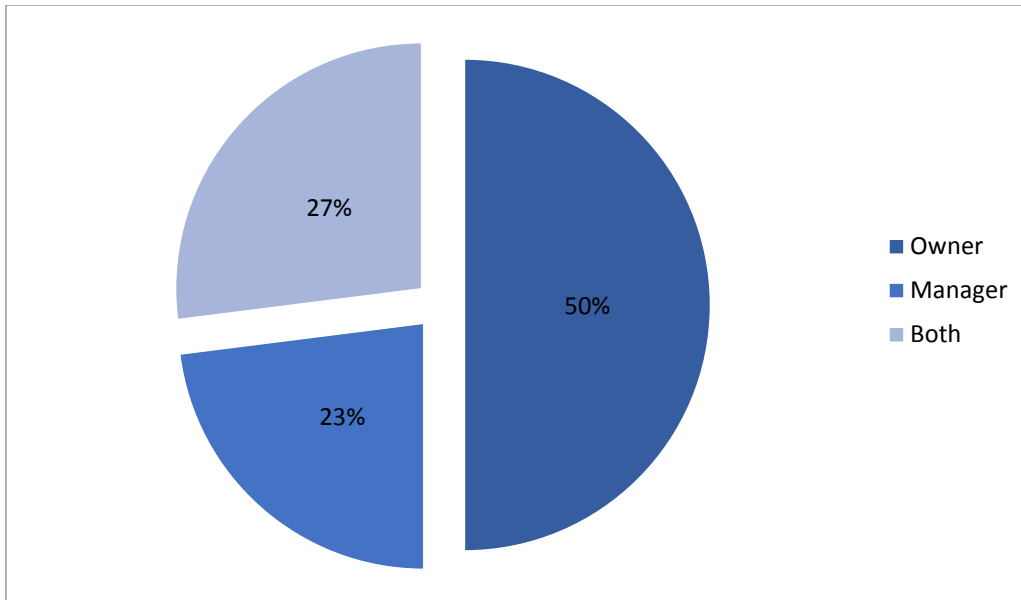


Figure 4.3: Role of respondents in the business

4.3.4 Level of education

Respondents were asked to indicate their level of education. The aim was to establish the educational background of the manufacturing business owners being surveyed. The results reflected that the majority of the respondents had post tertiary education as well as on job training followed by those with tertiary education (refer to Figure 4.4).

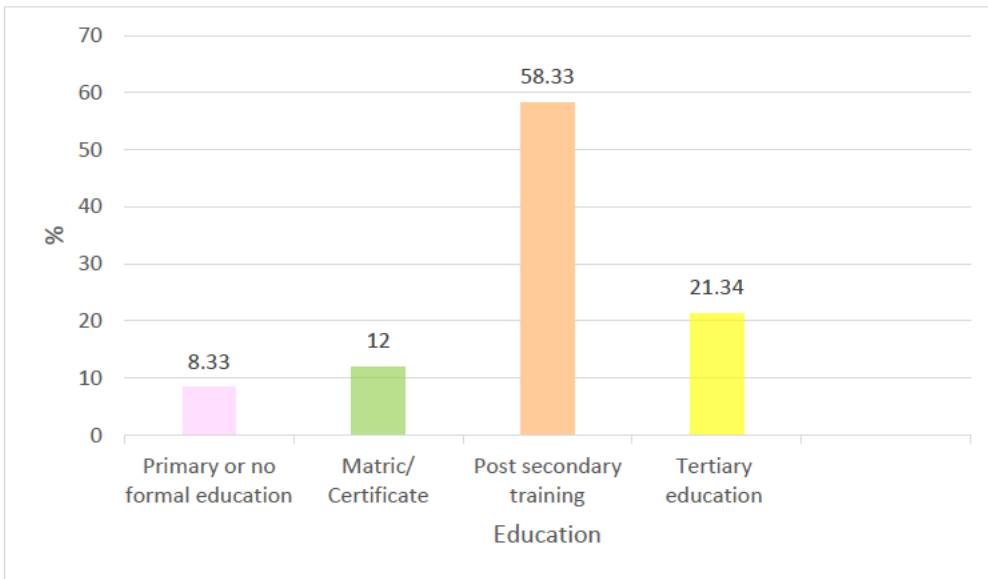


Figure 4.4: Level of education

4.3.5 Business profile

This section focuses mainly on providing the profile of the small businesses that were sampled. This area covers the legal status of the business as well as the number of years in operation. Figure 4.5 illustrates the legal status of the business. The results reflect that there was an equal split of those businesses that were registered as close corporations (CC) and those that were private limited companies (Pty limited).

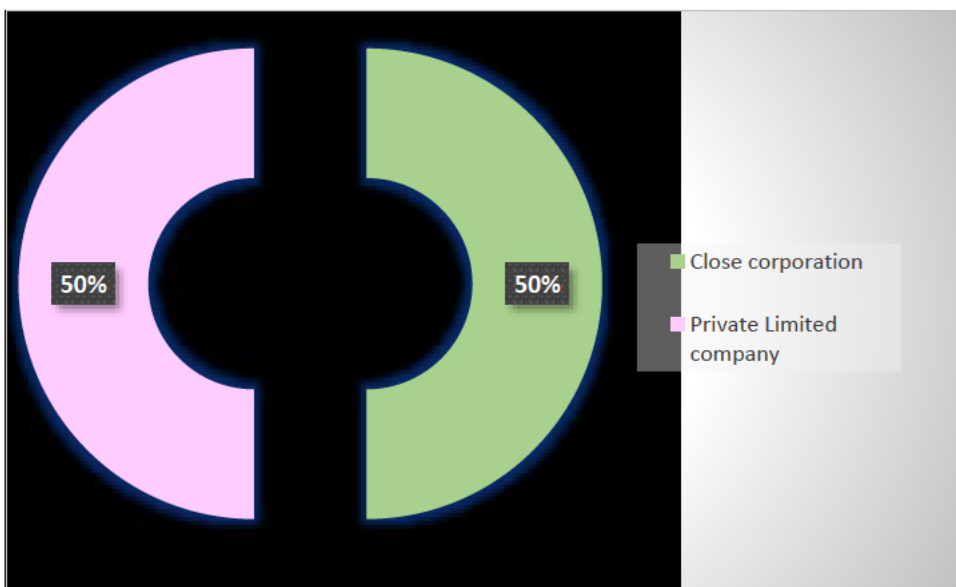


Figure 4.5: Legal status of the business

Figure 4.6 illustrates the length of time the business has been in operation. Most of the businesses have been in operation for 5 years and more whilst 28% have been in business for more than 3 years, followed by those that have been in operation for 0-2 years and a smaller percentage as well for those in business 10 years and more.

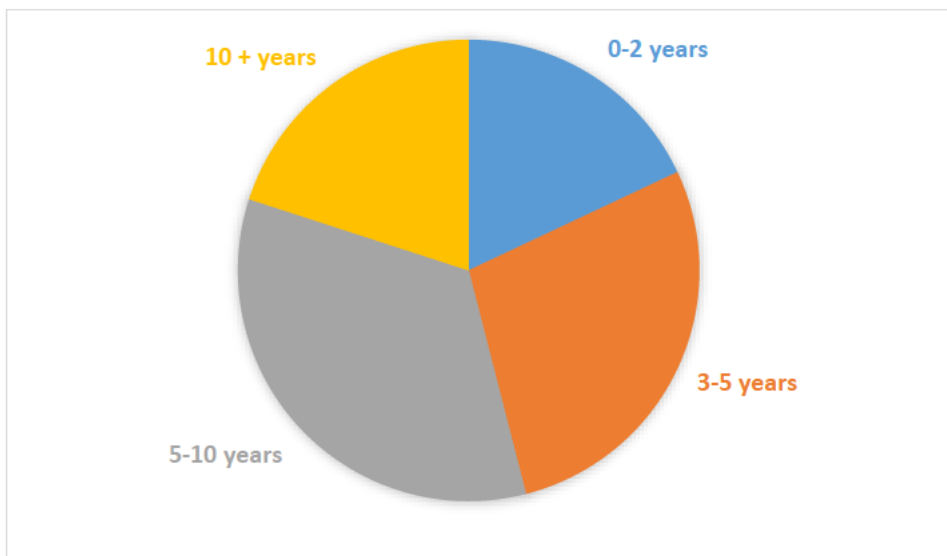


Figure 4.6: Length of time in operation

4.4 Finance needs of small manufacturing businesses

This section presents questions which were aimed at investigating the finance needs of small manufacturing businesses within the eThekweni area. The questions that were given to respondents were aimed at understanding the finance needs of the small manufacturer as these are perceived as hindrances to the growth of these businesses. The questions here were designed to give supporting evidence to the following objectives:

- To investigate the exact funding needs of small manufacturing businesses.
- To analyze the available funding for small businesses and to see how this can be utilized to support and grow small manufacturing businesses.

The information received would then be used to investigate if there was a link with available funding supporting the growth of these small businesses or if there was any negative impact thereof.

4.4.1 Finance structure of the business

Respondents were asked to specify how their businesses were financed. A range of sources of finance such as equity, venture capital, short term debt, funding from family and friends and lastly, other (where they were required to specify) were listed. This question intended to find out the type, as well as source, of funding that the small manufacturing businesses sampled in this study made use of. The responses showed that 38% used short term debt to fund operations. This source of funding would have been from the commercial finance institutions. Seventeen percent of respondents said they had sourced money from family and friends, whilst 26% was through other forms such as soft loans and 19% through equity. Figure 4.7 illustrates the results.

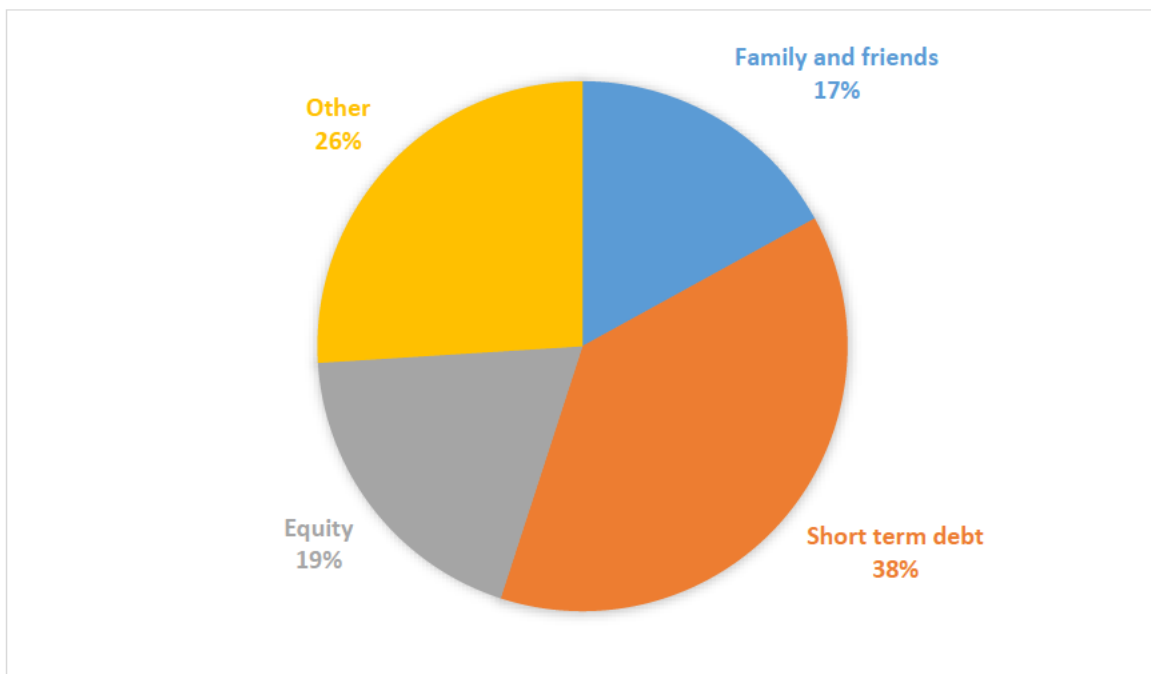


Figure 4.7: Sources of finance

4.4.2 Important factors that affect access to finance

Respondents were asked to respond to a set of five questions by indicating either a yes or a no. These questions were designed to find out the factors that can affect these small manufacturing businesses in accessing funding. The questions were as follows:

- Do you have a business plan?
- Do you know what your current sales / profits are?
- Do you know what your current turnover is?
- Did you borrow funds to start your business?
- Do you know what your current finance needs are?

The results are as illustrated in the figures that follow.

4.4.2.1 Business plan

When respondents were asked if they had a business plan, the results of the survey indicated that the majority (53%) had business plans whilst 47% did not (see Figure 4.8).

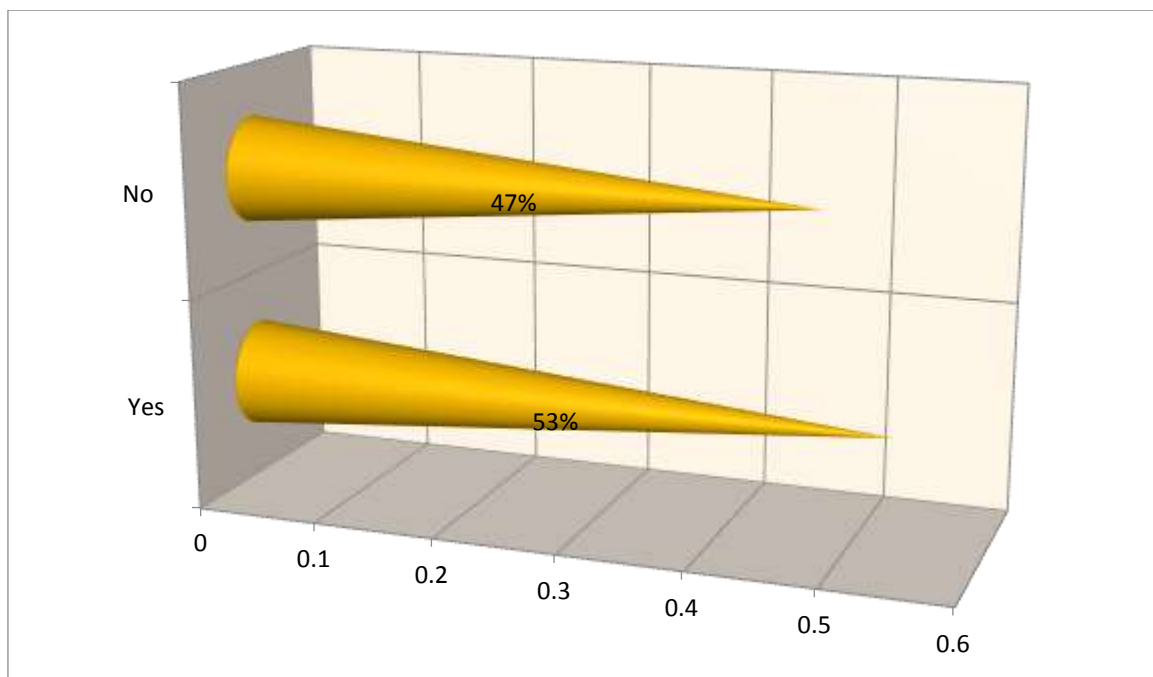


Figure 4.8: Factors affecting access to finance

4.4.2.2 Borrowed fund

When respondents were asked if they had borrowed money to start their business, the results indicated that 66% had borrowed funds whilst a lesser number (34%) did not.

This indicates that the businesses started on high gearing (with borrowed funds) since they did not have available savings or other form of funding to help them start the operations. Results are shown in Figure 4.9.

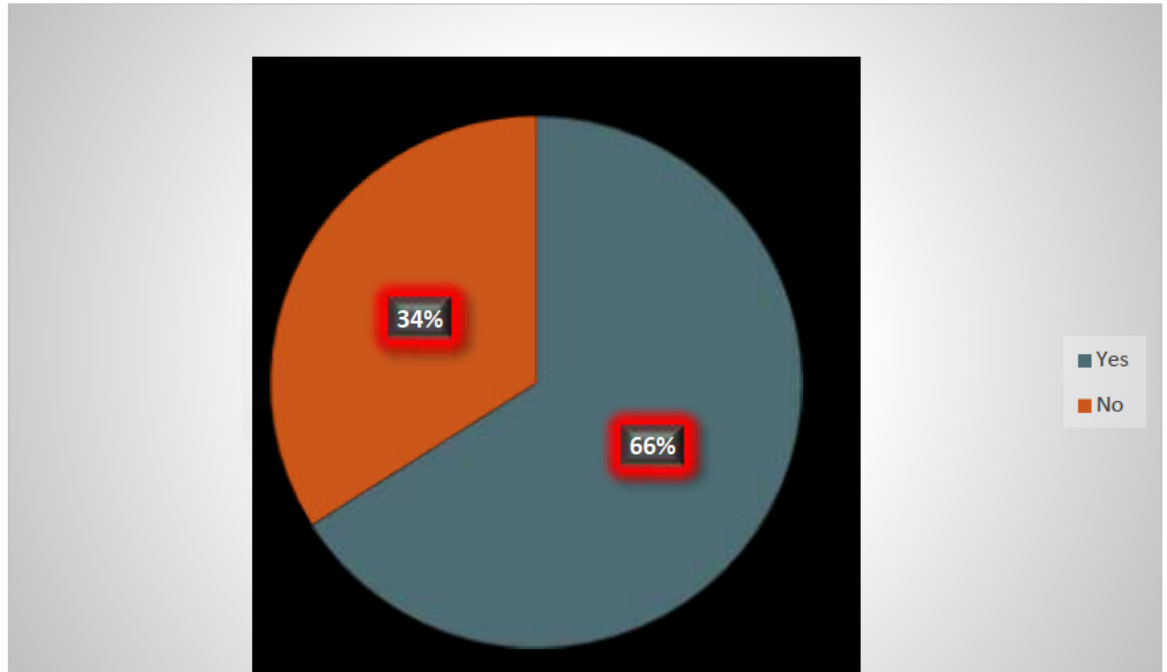


Figure 4.9: Borrowed funds

4.4.2.3 Current sales / profits

Research findings reflected that it was a smaller percentage that did not know their current sales or profit figures, whilst most knew these figures and were monitoring them closely. Sales are the “life blood” of the business as these are revenues. On the other hand, profits are really important especially since no business can expand without profits. They become very important in instances of cash flow problems by allowing the owner the lifeline of plowing profits back into the business instead of borrowing funds from external sources. The results are shown in Figure 4.10.

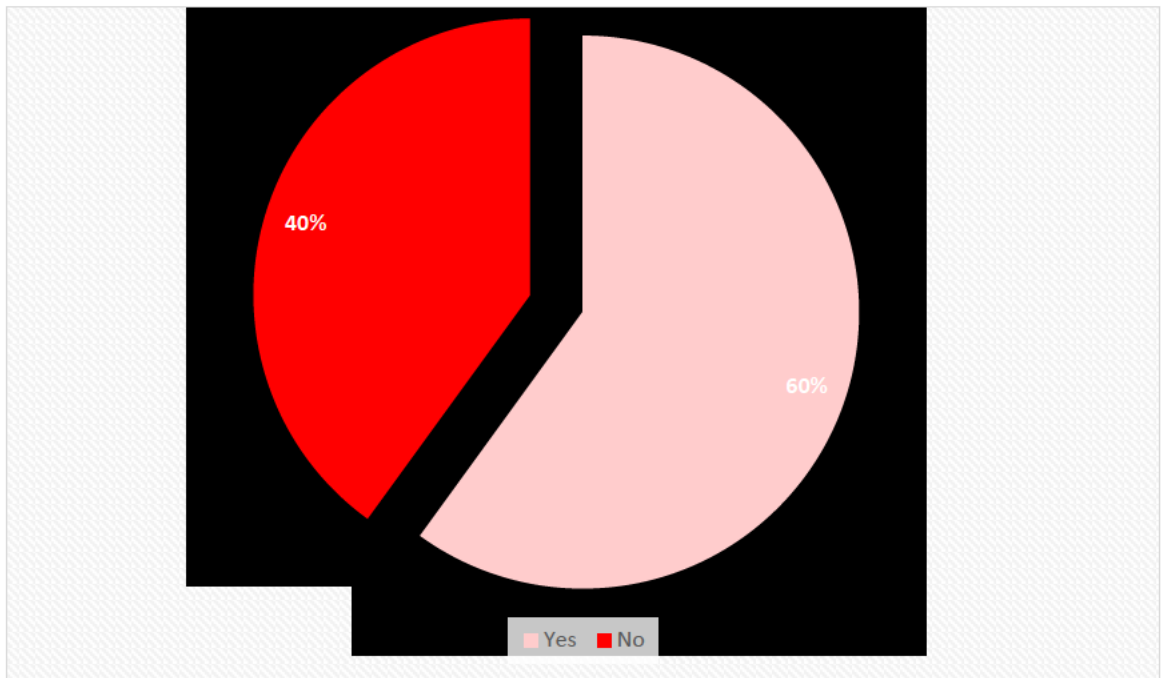


Figure 4.10: Current sales / profits

4.4.2.4 Current turnover

Survey results reflected that most of the participants knew their turnovers and only 37% did not know what their turnovers were (see Figure 4.11).

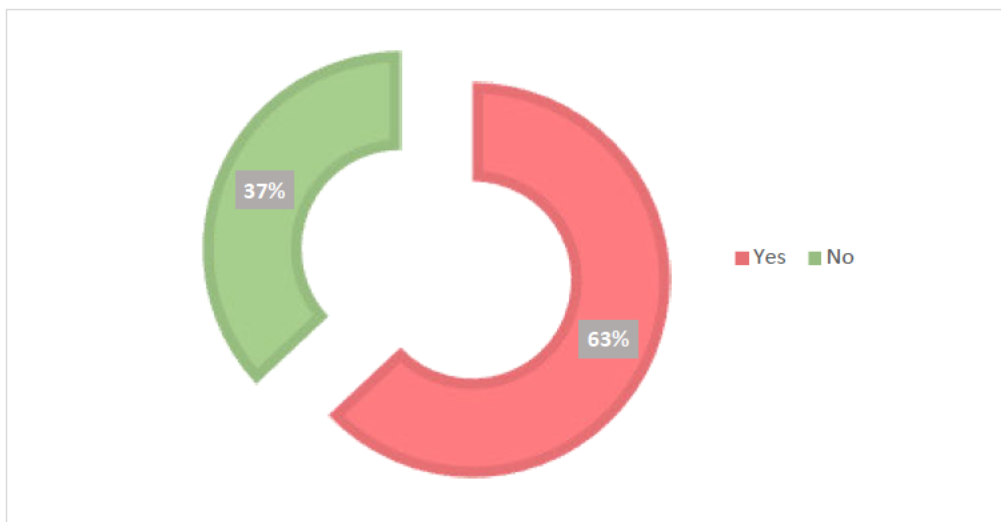


Figure 4.11: Current turnover

4.4.2.5 Current finance needs

The data collected indicated that all the respondents knew what their current finance needs were (see Figure 4.12). This indicates that access to finance has the greatest impact in small manufacturing businesses.

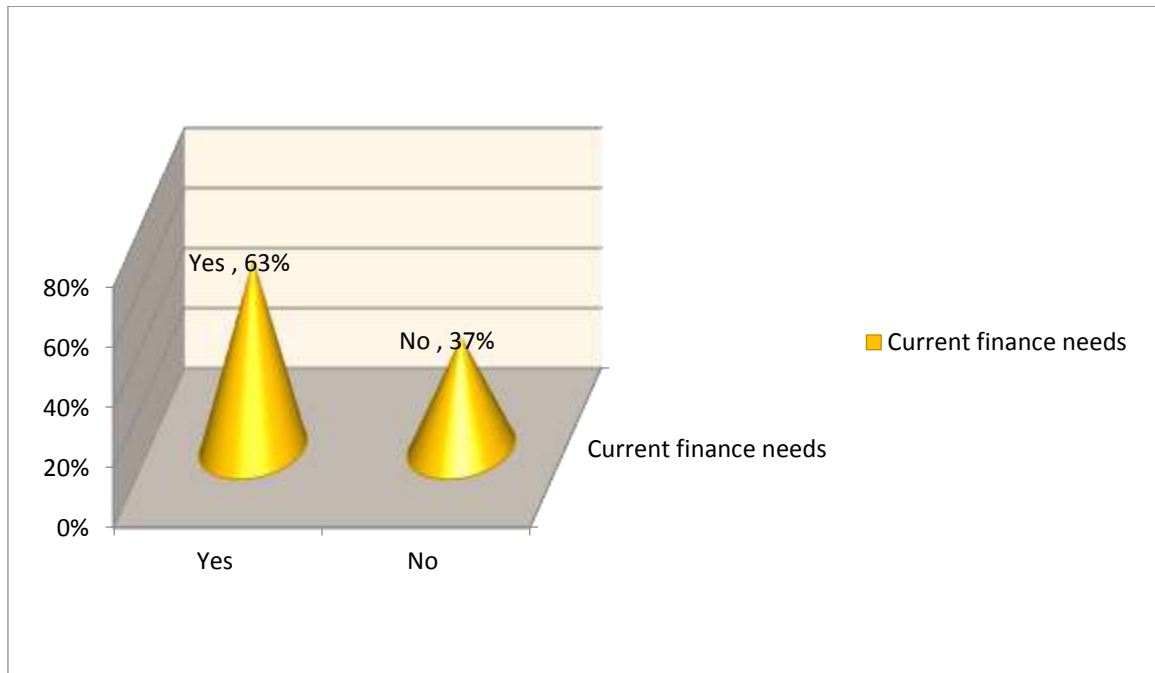


Figure 4.12: Current finance needs

4.4.3 Challenges experienced in accessing finance

The respondents were asked a variety of questions aimed at finding out what has been their experience (particularly challenges) in applying for finance at various finance institutions. The factors that were considered include security or collateral, turnaround times from the finance institutions and lack of skills (know how).

The research data indicated that 39% of respondents experienced challenges in accessing finance due to the lack of security and collateral. This is, however, in line with our objective which seeks to investigate and analyse the available funding and see how it can be of assistance to small businesses in this sector. Business skills seemed not to affect

these respondents when it came to accessing finance. The challenges faced are depicted in the upcoming sub-sections.

4.4.3.1 Application process

Respondents' results reflect that the application process contributes 31% to small businesses not being able to access finance. This is because it is too long and does not match their timelines.

4.4.3.2 Turnaround times

Respondents' results reflected that only 11% were affected by the time it took for a financial institution to approve and payout a loan.

4.4.3.3 Business model

Eight percent of the respondents felt that they were unable to access funding because financial institutions did not understand their businesses and how they worked. Responses are illustrated in Figure 4.13.

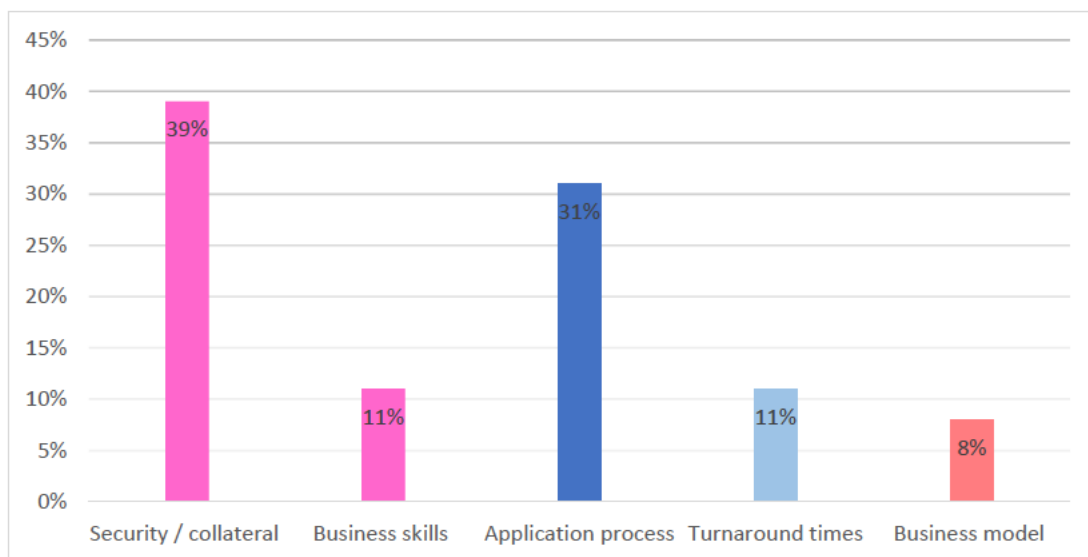


Figure 4.13: Challenges with accessing finance

4.4.4 Financial challenges affecting manufacturing businesses

The aim of this section was to identify the extent to which identified factors were a challenge for them to access funding. Figure 4.14 illustrates the results.

4.4.4.1 Lack of information

Research results indicated that 40% of the respondents agreed that the lack information posed a challenge with regards to access to finance, whilst the other percentages differed with their views and responses.

4.4.4.2 Lack of access to finance institutions

Respondents were asked to rate whether access to financial institutions was a challenge and 25% said it was the most whilst another 25% said it was not a challenge at all. Eight percent said that it was among the least of their challenges. Another 15% said it was not applicable.

4.4.4.3 Physical location of financial institutions

Respondents were asked if the physical location of financial institutions was a challenge and close to 40% said it was not a challenge, whilst the other respondents said it was a challenge but varied by percentages.

4.4.4.4 Lack of suitable finance products

The majority of respondents rated the lack of suitable finance products as the most challenge, whilst there were others who said it was not much of a challenge and a smaller percentage said that it was not applicable to them.

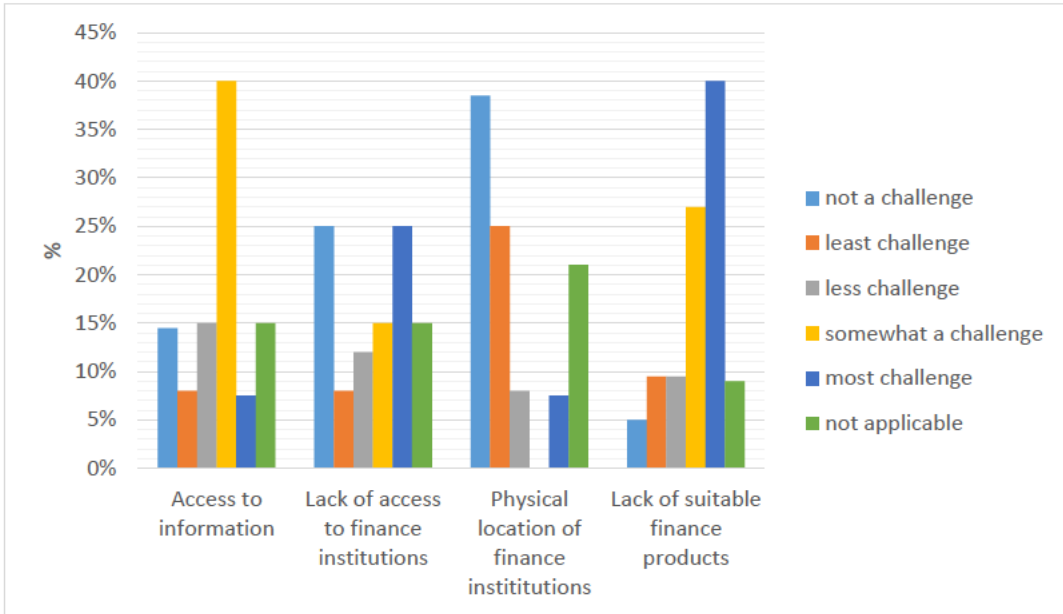


Figure 4.14: Financial challenges affecting small manufacturing businesses

4.4.5 Current stage of the business

This question was asked with the intention of finding out at what stage within the life cycle of a business the respondents were at. Respondents were asked to indicate their current stage within given parameters which were start up (less than 2 years), expansion phase, growth phase or other (decline or closing up). Figure 4.15 illustrates the results.

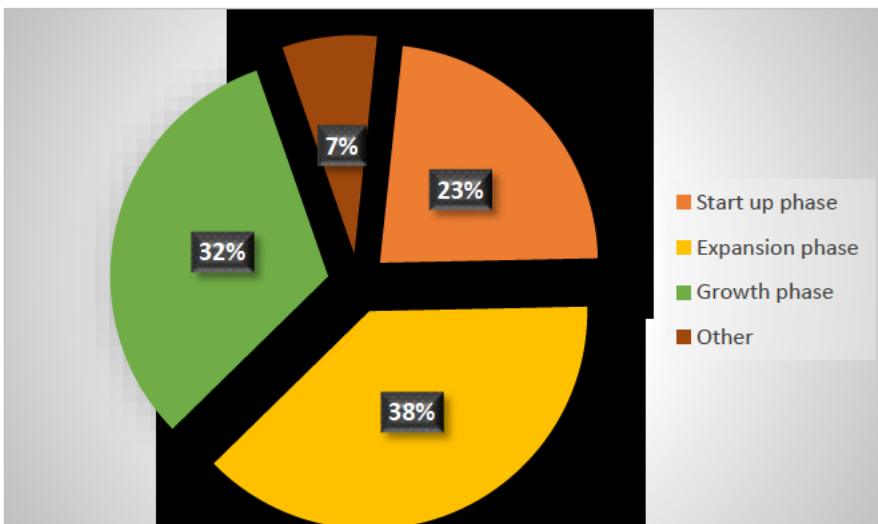


Figure 4.15: Life cycle of business

4.4.6 Factors affecting access to finance

This question was asked to determine whether some of the pre-selected factors had any effect on access to finance for the small business represented in this study. The pre-selected factors were impact of literacy in accessing finance, information on funding institutions, knowledge of government funding institutions, knowledge of small business banking within banks and accessibility of these funding institutions. The questions requested yes or a no answers. The research findings are presented in Figure 4.16.

4.4.6.1 Impact of literacy to access to finance.

Findings indicated that most of the respondents agreed that literacy had an impact on access to finance, whilst 40% said no and only 9% said it was not applicable.

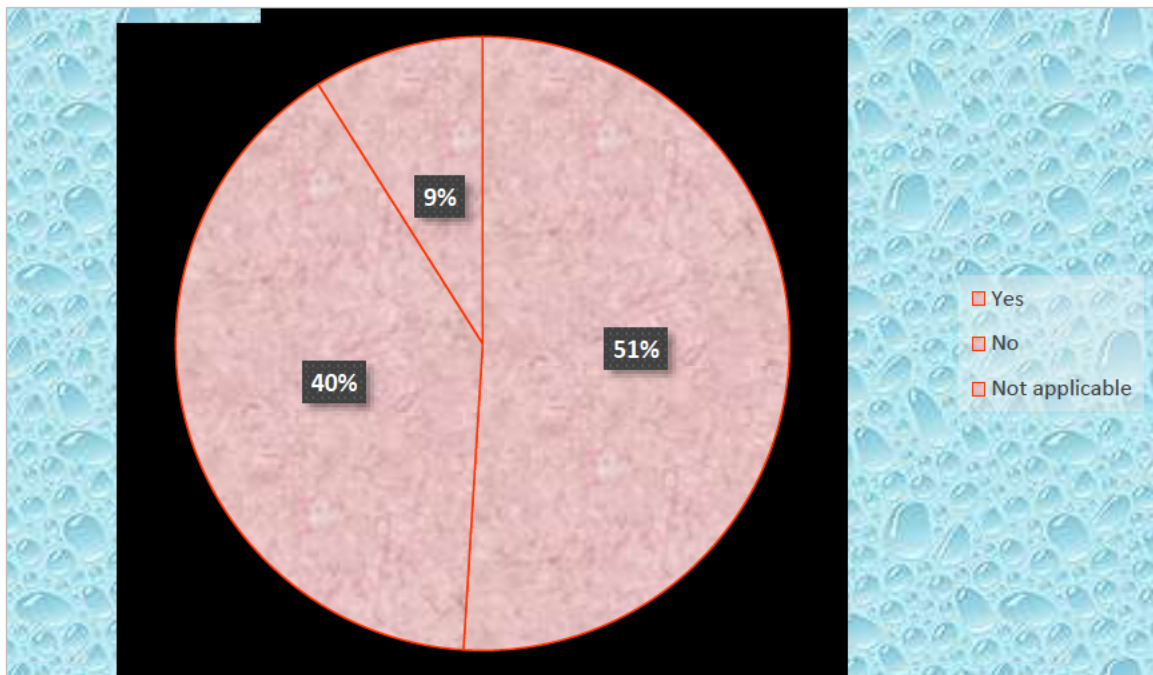


Figure 4.16: Impact of level of literacy to accessing finance

4.4.6.2 Accessibility of information on funding institutions

Survey results indicated that only 23% believed that information was easily available on funding institutions, whilst most said no it was not and 2% said it was not applicable (see Figure 4.17).

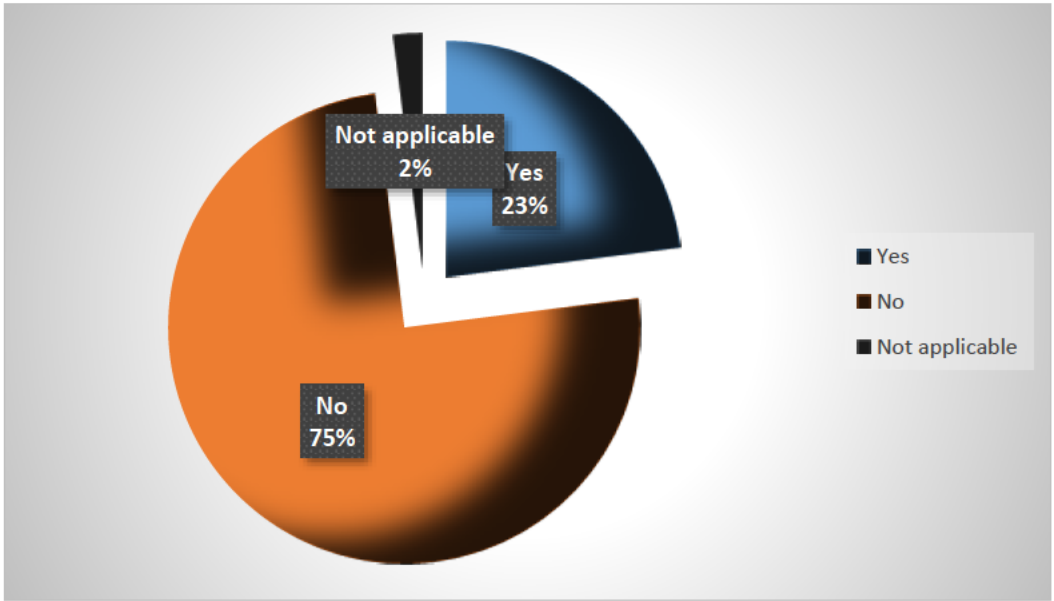


Figure 4.17: Availability of information on funding institutions

4.4.6.3 Knowledge of government funding institutions

Findings indicated that a lesser percentage of respondents do know about government funding institutions that they can approach for funding, whilst the majority said no, they did not know of any government funding institutions to approach for funding (see Figure 4.18).

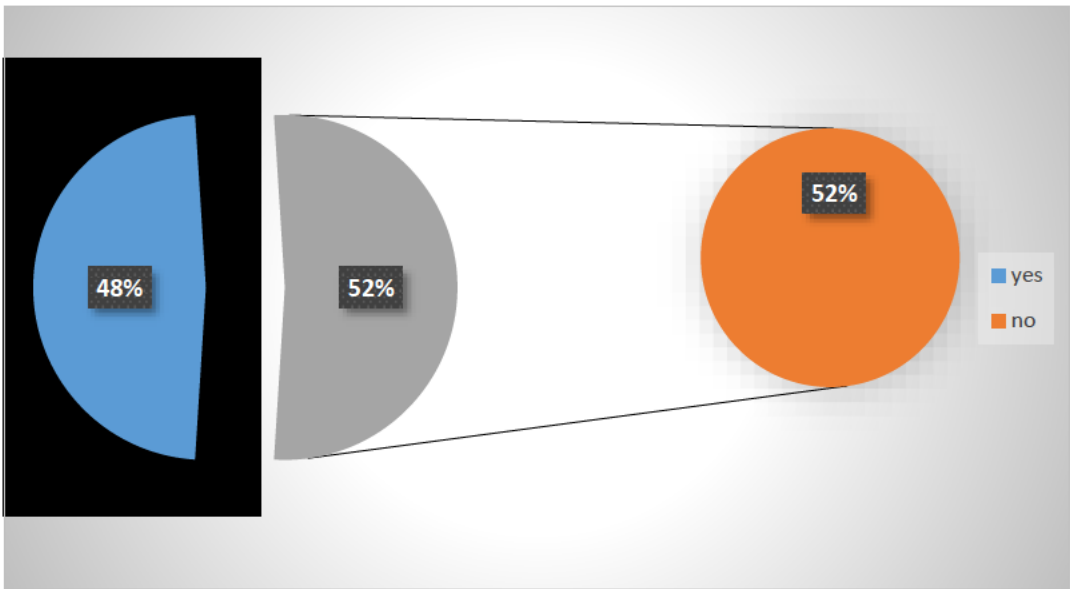


Figure 4.18: Government funding institutions

4.4.6.4 Bank small business funding

Findings indicated that 48% of the respondents said yes, they were aware of which sections to go to inside the bank for business funding (see Figure 4.19).

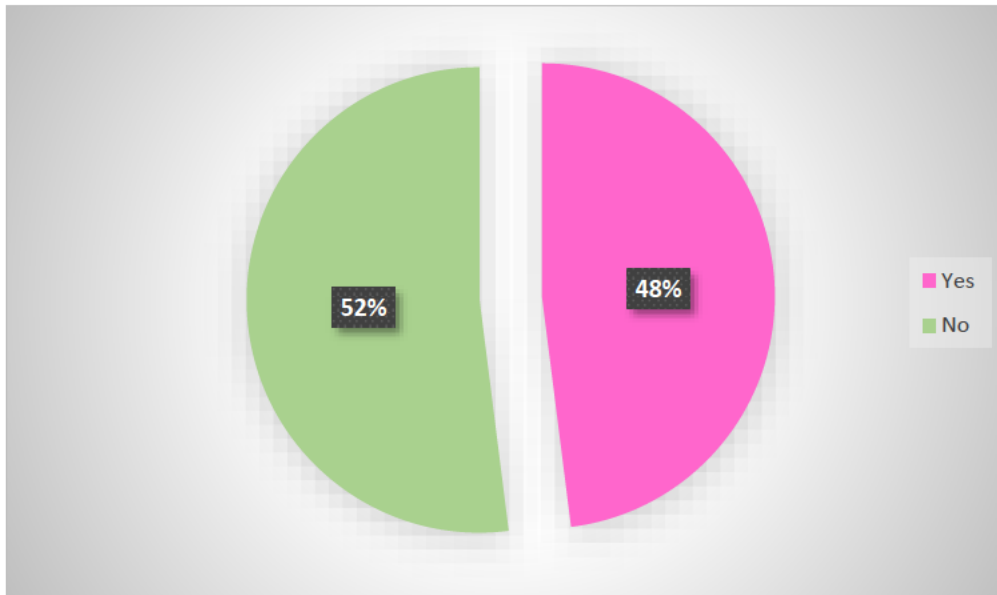


Figure 4.19: Bank business funding

4.4.6.5 Accessibility of funding institutions

Findings revealed that 32% of respondents said yes that funding institutions were easily accessible and well located, whilst the other 68% said that these institutions were not easily accessible and not well located (see Figure 4.20).

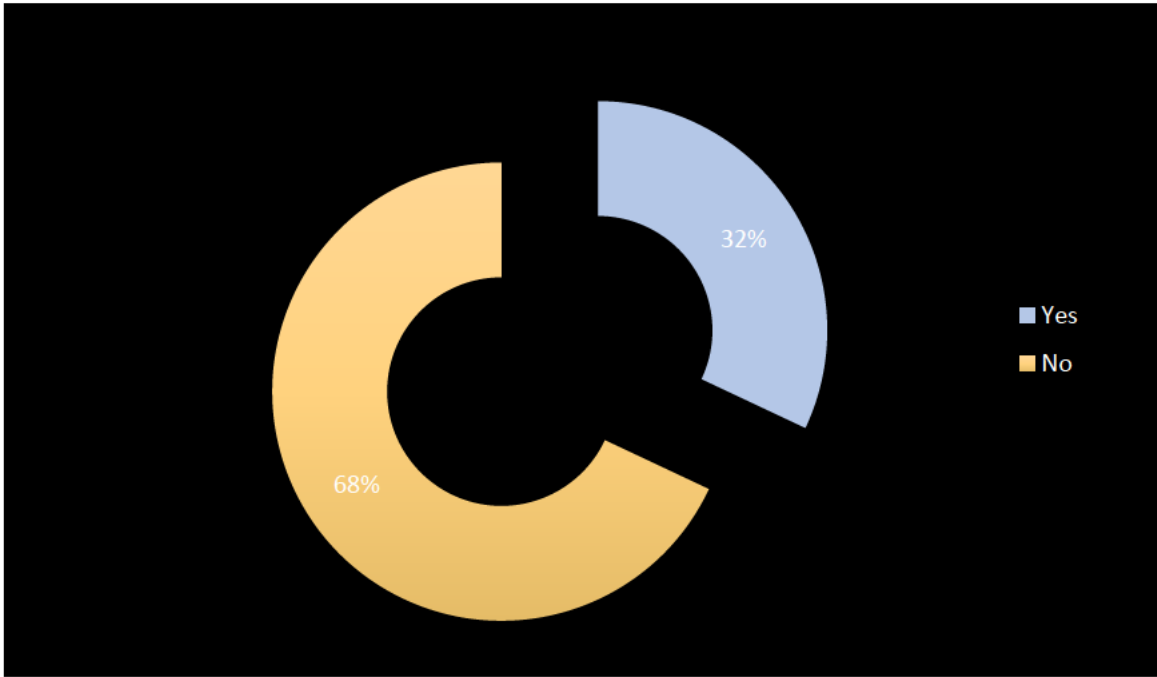


Figure 4.20: Accessibility and location of funding institutions

4.4.7 Small manufacturing businesses key funding needs.

This question was intended to understand respondents' priorities and needs in terms of business funding. The survey asked respondents to list them in the order of priorities. The respondents listed working capital as the highest priority, followed by product development, machinery and equipment finance, brand and marketing finance; and finance to fulfill compliance issues within the manufacturing sector.

4.4.8 Funding instruments for small manufacturing businesses.

Respondents were asked to identify funding instruments that they believed were suitable for their businesses. The aim of the question was to understand the exact funding instruments that would be of benefit to these businesses. Respondents were asked to choose from a selected list of funding instruments and / or sources of funds from family and friends, debt / loans, grants, incentive schemes as well as to specify others.

Results showed that 42% chose government incentive schemes as the preferred instrument, 32% grants, 21% debt and 5% other (in this case supplier credit). Figure 4.21 illustrates the results.

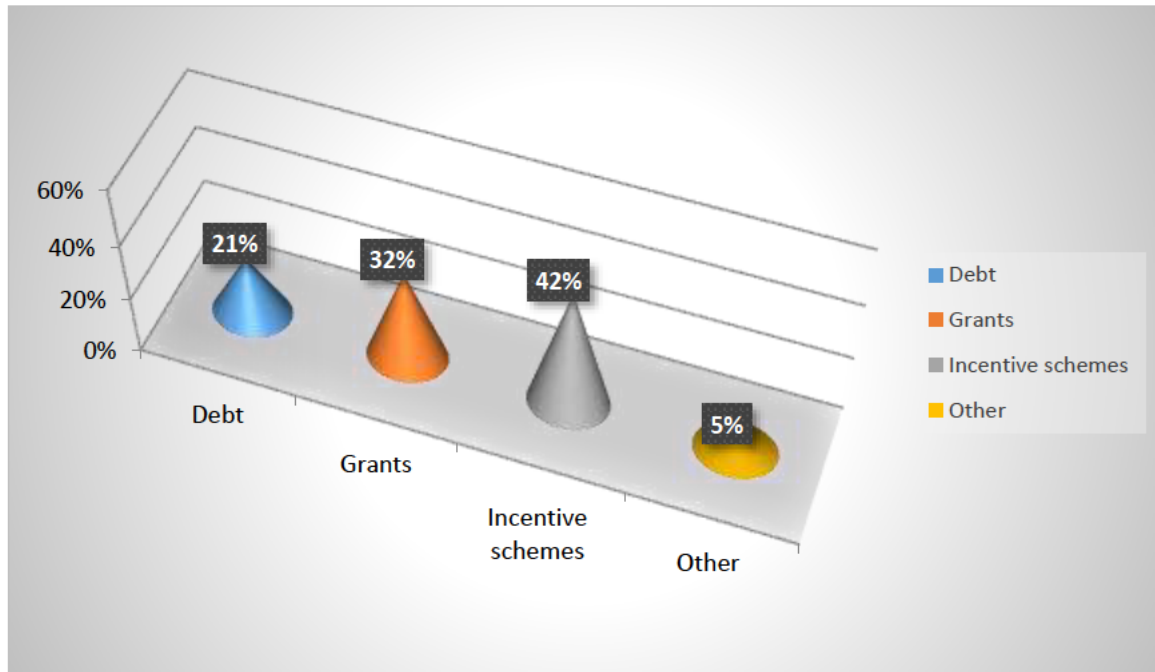


Figure 4.21: Preferred funding instruments

4.5 Summary

The information gathered from respondents have been presented in this chapter. The data was gathered from small manufacturing business owners and or managers within the database of the Durban Chamber and only those operating within eThekweni municipal area. Participants of this study shared their experiences and knowledge of the factors that affected access to finance for small manufacturing business within the area of this study. The analysis of the results will be presented in chapter 5 followed by conclusions and recommendations.

CHAPTER FIVE

Discussion of Results

5.1 Introduction

The previous chapter focused on the presentation of results for the research conducted. This chapter focuses on taking the presented results and linking them to the objectives and literature review. The chapter first gives an overview of the research objectives and thereafter provides in-depth analysis of the results. Lastly, the chapter gives a holistic picture and links the results to the research objectives and literature review. The summary will be the conclusion of the findings of this study.

5.2 Demographic data

This section recognised the importance and the effect of demographics associated with the finance needs of manufacturing businesses. The demographic information is required to gain an understanding of who the respondents were. Aspects to be discussed under this section relate to the entrepreneurs' age, gender, level of education, legal status of the business, years in operation and business turnover.

The survey results indicated that most respondents were owners of these small manufacturing businesses and shared an equal split with those who were either managers and / or owners. The results also showed that the majority were men, 60% of whom were between the ages of 51-60. This indicates that the driving force in this industry is still older men who have experience and have been involved in the industry for a long time. Statistics South Africa (2016) confirms the researcher's findings as the manufacturing sector is still dominated by men despite government pushing hard and have passed policies for women empowerment. Majority of sub sectors within manufacturing, such as textiles, clothing and printing (where one can find more women in managerial positions) are proving to be uncompetitive in a more open economy (Small Business Monitor, 2010). Therefore, there is still a need to focus strongly on women empowerment as well as incentives to improve the statistics.

5.2.1 Level of education

According to Nyamboga et al (2014), the level of education is associated with a business owner having the necessary skill, possibility and opportunity of taking the business to the next level. The results reflected that the majority had tertiary qualifications as well as on-the-job training. This enabled them to drive their businesses to greater success when equipped with the required skills. Studies previously conducted by Marten (2005) shows that entrepreneurs with good education can develop new strategies and can greater focus on good practises that will improve the company's efficiencies.

5.2.2 Legal status of the business

The results indicated that there was an equal split between private limited companies and close corporations. Most businesses had converted to be companies and new ones decided to register as private limited companies due to the announcement made in December 2011 by CIPC (Companies Intellectual Property Commission) on the intentions to discontinue close corporation business registrations (DTI, 2012).

5.2.3 Period of business in operation

The results indicated that most respondents were in business for a period of 5- 10 years followed by those that were in business for more than 3 years but less than 5 years. This represented the level of experience and the value of their insight as they had been long in this industry. This also suggests that the growth has been too slow since these businesses are still regarded as small businesses even at ten years of operations. The number of years in operation for an entrepreneur shows the challenges and the journey that they have walked and has a direct impact on how they have grown and overcome these challenges (Business Partners, 2016).

5.2.4 Business annual turnover

According to the Small Business Act, businesses are defined according to their annual turnover as well as employment figures with all those have less than R5m in turnover being categorised as small businesses (Banking Association S.A., 2016). An interesting

finding was that 37% of the respondents did not know what their turnover figures were. This meant that monitoring of financial status was very weak for these affected companies.

5.2.5 Current life cycle of the business

The researcher wanted to understand the stages in the business life cycles that these small businesses were at. The results showed that the majority were at expansion phase, which meant funding will be required to carry capacity as well as getting new machinery and other resources. This suggests that the businesses are growing, but it might be slow growth due to the slow economic growth in South Africa or for some other factor (StatsSA, 2016).

5.3 Current finance structure of the business

The researcher wanted to gain insight into what the current finance structure of each business was. How did the business access funding to start or what debt instruments were currently in use by the various businesses? This information would give an indication of where the gaps were, even prior to asking the entrepreneurs what they believed to be funding gaps. A minority (46%) was unable to articulate this since they did not have the key document, namely a business plan, which served not only as a tool to access finance but as a strategic guide or map for every business. A business plan is important in various ways. For instance, it assists to map the future, to secure funding, to access future opportunities, to manage cash flow and to execute the owner's exit strategy (Gleeson, 2015).

Many of the participants specified that their businesses were funded through short term debt since they did not have own funds and savings. This shows that they are in need of government incentive and financial support schemes as well as funding from commercial funders. The majority (38%) borrowed funds through financial institutions and only 17% from friends and family which is normally a cheaper funding option. Lifshits (2014) wrote in an article in the Entrepreneur online that debt funding is usually better if it is for short term and matching an opportunity which might be easily lost. This is because debt can be expensive due to the cost of interest that the borrower must repay. Debt encourages

discipline on spending and investing (SEDA, 2016). This is in turn beneficial for a small business person who still wants to grow his or her market share or profits.

5.4 The funding needs of small manufacturing businesses

This study investigated the exact funding needs of the small manufacturing businesses operating within the eThekweni Municipality area. Results gave insights on what type of finance and financial instruments these small businesses were looking for and from whom. As commented on the Economic Survey Report (2013), nearly 80% of South Africa's SMME's fail or cease to exist during the first year of existence due to various challenges which includes cash flow management. Finance is among the list of reasons businesses fail. Other reasons for business failure include skills and non-finance support elements that these small businesses need.

The study revealed that the key funding needs were mainly for working capital, product development, compliance issues as well as branding or marketing activities. Manufacturing businesses, whether small or big, must manage their value chain, operations efficiencies and capacity to deliver on time. These small businesses revealed that although they have a quality product (and sometimes customers) the machinery becomes a problem. Therefore, they are forced to borrow funds to buy the latest high tech equipment. In other instances, they cannot unlock new markets due to limited accreditation and / or compliance, which are standard especially when dealing with medium to big business and in the export market.

The findings, therefore, revealed that most of these small businesses are affected by cash flow in that money needs to be available timeously otherwise an opportunity is lost. This process of trying to access funding is with its challenges which are discussed below.

5.5 Factors affecting access to finance

The researcher gave the respondents five questions asking about factors that affected their access to finance. The first one was whether the entrepreneur had a business plan, without

this tool a business owner will be unable to secure funding. The second one asked the entrepreneur if he or she knew what the current sales figures or profits were. Sales analysis is critical as it assists in optimising resources and assessing performance in line with your organisational goals. Once sales have been analysed the business owner is able to change strategy in line with the company's goals and objectives. The third asked entrepreneurs about their current business turnovers. Cash is king and without it a business owner is unable to manage liquidity. This was the challenge with these small businesses as they were unable to manage their finances effectively and therefore, could not measure their liquidity effectively.

The next question asked whether the entrepreneur started his business on borrowed funds. Borrowing funds to start a business is common for most small businesses who are without savings. It requires that the small business owner do his planning and evaluate the process of accessing funding, since there were various ways and instruments available. Gearing of a start-up business can be risky as it depends on the expected returns of the investment at this stage of the start-up venture. The owner will, therefore, have to plan and explore opportunities of growing the business and gaining favourable returns.

The last question asked the entrepreneur about the current finance needs of the business. Small businesses normally associate every business challenge with money. However, in most cases it is not the solution. Proper planning and analysis is required to come to this conclusion. Therefore, proper cash flow management is critical. There are also various tools that could assist in financial management that a small business owner can get from their banks, for example, that are easy to understand. In most cases when the business has not yet been profitable, equity funding through a mixture of personal resources, funds from family or friends; and a third-party investor is advisable. Also, other forms of instruments, like invoice discounting and offering a credit line, do assist.

The results illustrated a mixed picture for all these small businesses. The majority had business plans as well as knew what their turnover figures were and this made it easy for the entrepreneurs to plan. They also confirmed that they knew what their funding needs

were at the time of the survey. Barriers faced by small businesses including their readiness to raise funding from financial institutions varied.

One of the challenges these small businesses faced was the access to information. They seem not to be aware of the available funders and / or alternatives from commercial banks (NCR, 2011). This poses a challenge as they can only approach a commercial bank which, according to its criteria, cannot assist a business that has been operating for a period of less than six months, has no proper audited financial records, is in decline and / or stagnant in terms of profits; and does not have collateral or security. This is the gap where organisations such as Sefa are able to assist as they are mandated by the Small Business Ministry to fund small businesses that have no collateral or security if there is proof of repayment ability (Business Partners, 2016).

About half of the respondents argued that there were no suitable finance products that met with their needs. This mainly referred to two aspects; the actual funding instruments offered by financial institutions (as well as the requirements) and the turnaround times of these financial institutions which are not clear and are too long (NCR, 2011).

Research has shown that most small businesses have experienced difficulties in accessing finance through financial institutions due to various factors including the lack of support (Business Partners, 2016). There is a need for external support through the use of financial planners and consultants who would give them expert advice. According to Hussain and Winderberger (2010), small business owners rely heavily on consultants and other external support to manage their finances due to their lack of knowledge and skill.

5.6 Challenges in accessing finance

Some of the challenges experienced by small business includes, amongst other things, the issue of suitable finance products. Most financial institutions, including development finance institutions, do not have specific funding for the manufacturing sector despite it being a priority sector. The understanding from funders is that similar funding instruments for other sectors, such as retails and services businesses, will also benefit the

manufacturing sector. The results showed that the most commonly required funding was cash flow for stock or materials, funding for machinery (which is commonly known as instalment sale) and marketing or funding for promotions. Manufacturing companies are now moving from being labour intensive to mechanisation so as to improve their operational efficiencies (DTI, 2015)

The results also showed that as these small businesses start or grow, they experience varying challenges in raising finance to progress. These challenges are linked to lack of financial literacy, lack of information on funding institutions, lack of knowledge on government incentives and funding institutions and accessibility of funding within the commercial banking environment (Business Partners, 2016). The majority were affected by the level of financial literacy and the accessibility of information on funding institutions. On the know-how of government funding institutions, the results showed that only 48% knew about these institutions and the services that they provided compared to 52 % who knew about the bank's small business finance and where to go.

5.7 Summary

This chapter gave a detailed discussion of the results of the study as shown in the previous chapter. The results indicated that access to finance for small manufacturing businesses was not the only problem from the demand side. Based on participants' views, it was also a perceived problem from the supply side. The perception was that financial products and instruments available do not talk to their needs nor address the various growth dynamics. According to findings the majority of the respondents opted for short term debt from commercial funders and / or development finance institutions to start their businesses. This might not have been the appropriate funding instrument required by the business at that time.

The study also showed that the lack of information on where to go for funding, as well as what the requirements for funding, limited the scope of these businesses as they only knew of commercial banks as their only hope for survival. This presents a challenge to development finance institutions to make sure that they are involved in aggressive

marketing efforts. A survey conducted by the GEM (2014) showed that, in terms of awareness of the various government development finance initiatives, KwaZulu-Natal was not better than any other province as it was at less than 20%. Entrepreneurs were not aware and / or had not heard of institutions such as NYDA (National Youth Development Agency), SEDA and Sefa.

CHAPTER SIX

Conclusion and Recommendations

6.1 Introduction

The purpose of the study was to investigate the finance needs of small manufacturing businesses within the eThekweni metropolitan area with the focus being on the customer perspective. The customer in this case was small manufacturing firms obtained from the database of the Durban Chamber of Commerce (DCC). This chapter discusses the conclusions to the problem in line with the objectives and presents an evaluation of whether the problem had been resolved. The implications of the findings to the finance needs of small manufacturers will also be discussed. Recommendations emerging from the study as well as for future study will also be highlighted.

6.2 Resolution of the research problem

It was established that access to finance for small manufacturing businesses was indeed a challenge. Furthermore, that their finance needs were not met as they were not sector specific, but were instead product driven from the supply side (financial institutions both commercial and developmental). The supply side has finance products that can assist small businesses, but these do not talk to the business cycle and the needs of these small manufacturers. The research problem was resolved as the findings clearly articulated what the finance needs of these businesses were and where these services could be sourced from.

6.3 Implications of the findings from the study

The results show that access to finance for small businesses was not without hurdles and that at times did not meet the needs of these businesses. Previous research and literature, from both from supply side and customer perspective, shows that there is a need for education for both the customers and the suppliers to understand each other and provide suitable finance instruments and products. This study, therefore, adds to the pool of knowledge on the finance needs of small businesses within manufacturing sector.

The study also revealed that small businesses were aware of their finance needs, but were lacking in knowledge of who the providers of funds were and the processes of going about accessing funds. The lack of knowledge from the entrepreneurs themselves made it difficult for them to access funding. They could not advise financial institutions on what their finance needs were since they did not have enough knowledge and information on available assistance and what they could do to access funds from the various financial institutions. There was also a lack of preparedness (in terms of applying for funding) from the entrepreneurs even if the financial institutions were to approach them rather than waiting for the applications to come through. The research showed that these entrepreneurs did not even have their business plans at hand to assist them in applying for funding from financial institutions.

Poor financial management was also picked up as a challenge as some owners did not even know what their turnover levels were. They instead tended to focus their efforts on the technical side of the business. This demonstrates that some entrepreneurs lacked financial management skills and / or did not have time dedicated for administrative functions. There is thus a need for external support to breach the gap since these owners neither had time nor skill to handle the financial management side of their respective businesses. The external support could be in the form of qualified consultants as well as further training for those businesses that have time and resources.

6.4 Recommendations emerging from the study

Based on the research conducted on the topic, the following is recommended:

- Business development and support.
 - There is a need for ongoing training, development and business support to enable small businesses to become better equipped with business skills, especially financial management.
- Mentoring
 - Is fundamental for the growth and development of entrepreneurs. This can be done through both government schemes such as SEDA and the

matching of these small businesses with big business in the manufacturing sector for both learning and networking opportunities.

- Information dissemination by government agencies that support the sector be disseminated through the correct platforms, such as the chambers and sector specific forums that these businesses belong to.
- Innovative funding instruments should be developed and be easily accessible to small businesses as they are to big businesses who are in the same sector. These must talk to the needs and the life cycle of this sector.

6.5 Recommendations for future study

The study was conducted with the aim of gaining insight into the finance needs of small businesses in eThekweni. The list below highlights some of the areas that could be explored in the future:

- The willingness of small businesses to be matched with big businesses in the same sector for the benefit of exposure and growth.
- The impact of government support and how it can be improved for the benefit of SMEs.
- The association between the lack of funding and the ability to grow the business.
- The link between the failure rate of SMEs and the lack of access to funding.
- The inability of SMEs to access funding from financial institutions after the business has failed e.g. the government.

6.6 Summary

Small businesses have a crucial role to play in the advancement of economic growth and development of the country. The manufacturing sector is one of the strategic pillars of South Africa's economic growth, since the sector can employ more people and develop skills where products are manufactured from raw materials to finished products. Like all other sectors, small businesses are still struggling to access funding. This is based on various aspects including the lack of understanding of what the exact funding needs of these small businesses are. Suppliers of funding seem to be product focused as opposed to

satisfying the needs of their customers which are small businesses. The study, therefore, confirmed that there is a gap with regards to the needs of the small manufacturing businesses and what is on offer, hence, the struggle for these companies to grow and access funding.

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APPENDIX A: Small Business Definition / Categories

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very Small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Transport, Storage and communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very Small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

Source: Banking Association South Africa (2016)

APPENDIX B: Research consent and questionnaire

UNIVERSITY OF KWAZULU NATAL

Graduate School of Business and Leadership

MBA Research project

Researcher: Tembakazi Koali

Dear Respondent

I Tembakazi Koali a student in the Graduate School of Business and Leadership the University of KwaZulu-Natal; invites you to participate in a research project entitled “Investigate the finance needs of small manufacturing businesses in eThekweni Metropolitan area”. One of the critical needs of small businesses is funding. Through your participation, the information gathered will give a clear picture of what are the financial needs of small manufacturing businesses in eThekweni and will give a guide to the funding institutions on what kind of funding these businesses need.

You are free to participate or withdraw from this project at any stage. There will be no monetary incentive for participating in this research. Information will be kept and maintained by the University of KwaZulu-Natal and your participation will be kept confidential at all times.

The questionnaire will take between 10 – 15 minutes to complete. If you have any questions or concerns about participating in this study, feel free to contact me.

Sincerely

Date.....

Signature.....

Appendix B: Research questionnaire

Section A

1.

Name of the business: <i>(optional)</i>

2.

Gender:	Male / Female
Age	
Position in the business	
Highest qualifications	
Years in business	

3. Please indicate the nature of your business by ticking an appropriate block.

1. Close corporation
2. Sole proprietor
3. Partnership

4. Private Limited Company (Pty)

5. Other (please specify) _____

4. How is your business financed (please indicate approximate percentage where necessary)

* Family and friends _____

* Short term debt _____

* Equity _____

* Venture Capital _____

*Other _____

Section B

Tick the correct one.

No	Needs	Y	N
1	Do you have a business plan?	Y	N
2	Did you borrow funds to start your business?	Y	N
3	Do you know what the current sales / profits of your business?	Y	N
4	Do you know what your company turnover is currently?	Y	N

5	Do you know what your current finance needs are?	Y	N
---	--	---	---

Tick the correct one.

No	Challenges experienced when you applied for finance	Y	N
1	Lack of security / collateral	Y	N
2	Lack of business skills	Y	N
3	Complexity of the application process	Y	N
4	Time frame of feedback too long	Y	N
5	Other (specify)	Y	N

Tick the most appropriate rating.

(5= most challenge, 4 = Somewhat challenge; 3= less challenge; 2= Least challenge; 1= not a challenge at all)

No.	What challenges does your business face with regards to funding?	5	4	3	2	1
6	Lack of information					
7	Access to information					
8	Lack of access to finance institutions					
9	Location of the finance institutions					
10	Lack of suitable finance products					

In which stage of life cycle is your business?

*Start up (less than 2 years in business)

*Expansion phase

* Growth phase

* other (specify)

Tick the correct one

11	Does level of literacy have an impact on access to finance?	Y	N
12	Is the information on funding institutions easily available?	Y	N
13	Do you know of any government funding institutions that you can approach?	Y	N
14	Do you know which sections to go to inside the bank for business funding?	Y	N
15	Are these funding institutions easily accessible and well located?	Y	N

Tick the correct one

16	Do you have an up to date business plan that you use as a strategic document?	Y	N
17	Is your business formalised and registered?	Y	N
18	Do you know what is on offer from funding institutions?	Y	N
19	Are the requirements understandable?	Y	N
20	Is the loan application easy to fill in?	Y	N
21	Is the loan application understandable?	Y	N

What are your key funding needs? List them according to priorities

- i.
- ii.
- iii.
- iv.
- v.

What kind of funding instruments do you believe will benefit small manufacturing businesses in Durban metro? (Please tick the appropriate one)

- Debt
- Family and friends (soft loans)
- Grants
- Incentives schemes
- Other_____

Thank you for your time.

APPENDIX C: Ethical clearance



22 September 2015

Mrs Tembakazi Ruth Koali (213572860)
Graduate School of Business & Leadership
Westville Campus

Dear Mrs Koali,

Protocol reference number: HSS/0368/015M

Project title: Investigate the financial needs of small manufacturing businesses in EThekwinI

Full Approval – Expedited Application

In response to your application received on 23 April 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

You

.....
Dr S

/ms

Cc Supervisor: Dr Muhammad Hoque
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

APPENDIX D: Turnitin