

UNIVERSITY OF KWAZULU-NATAL

Business friendliness of Gert Sibande Local municipalities towards SMMEs

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ABSTRACT

The small, medium and micro sized enterprises sector is a critical part of the economy, which require to be exploited to maximum. The sector plays a significant role in local governments, because of the contribution to the local economic development. SMMEs make up about 90% of formal businesses, provide about 60% of employment to the labour force, and contributes roughly 34% to the Gross Domestic Product of South Africa. The sustainability of SMMEs, however, relies exclusively on the business environment to which the SMMEs are initiated. The support by local governments in the creation of a business friendly environment for SMMEs is, therefore, essential. The study aimed at exploring the business environment of Gert Sibande local municipalities and its contribution to the sustainability and growth of the SMME sector. A qualitative approach (interviews) was employed among the participants (four local municipalities) for data collection and the results revealed that the municipalities had limited trading space for SMMEs but had built strong relations, mainly with various government departments and commercial banks, to improve the access to financial services for SMMEs. The study also found that municipalities did not provide SMMEs with basic service incentives, such as free water or electricity to stimulate entry into the sector. Findings from the theme of community interest on the SMME sector suggested that some municipalities have comprehensive plans to proactively address unemployment. Road networks were found to be generally dominant amongst the other transport modes in the respective municipalities. The study also found that municipalities have a great deal of responsibilities in the development of comprehensive, sustainable and applicable strategies to repress the challenges confronting the SMME sector. In pursuit

of a business friendly environment for SMMEs, it is essential for the national government to empower municipalities with sufficient capital and necessary resources.

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CHAPTER 1 - OVERVIEW OF THE STUDY

1.1 Introduction

The creation of an enabling business environment by municipalities has been a subject that is synonymous to small business growth and development. This is because there is an expectation for local governments to create economic settings that inspires the poor and disadvantaged communities to be self-sustaining by creating livelihood through small businesses. Certain challenges, however, inhibit municipalities from fulfilling this responsibility. This include, amongst other things, the policies and regulations which are not consistent with the requirements of some SMMEs, the red tape - which small business have less administrative and financial resources to tackle; and patronage where SMMEs without proper documents ends up operating at the mercy of unscrupulous municipal officials for their businesses not be closed down. Overall, the study aim was to explore the business environment of Gert Sibande local municipalities and the contribution by the municipalities to the growth and sustainability of the SMME sector. The study also provide recommendations in pursuit of an improved business environment for SMMEs.

Chapter one presents the problem statement in a form of a succinct narrative of what need to be addressed, followed by the objectives that drives the outcomes of the study and then the research questions. The significance of conducting the study is discussed on this chapter and the motivation of the study will be presented thereof.

1.2 Problem statement

There are expectations for small, medium and micro sized enterprises to serve as a tool that thrust the economic and social state of countries to advanced levels, because of the role in the reduction of unemployment and poverty. Research has demonstrated that where SMMEs are provided with a conducive business environment, there is often no doubt that job opportunities are created and poverty is combated, while the quality of life and income of local people improves (SEDA, 2017; BusinessTech, 2017; Susman, 2017; Jili *et al*, 2017; Westvig, 2017). While numerous local governments understand the significance of a favourable business environment, most municipal councils pay less attention to the consequences that are brought by some of the council resolutions. Evidence is drawn from the existence of red tape which is still stifling the initiation of small businesses and prolong administrative processes to the launching of a small business. The non-congenial policies and by-laws regulating the existence of SMMEs in the local government space, is also one of the identified factors that are introduced by municipal councils (Christensen *et al*, 2016; SBP, 2013). Other issues include the absence or lack of operational business infrastructure, the business development support for SMMEs by municipalities; and the preference of corporate firms on procurement against the small businesses (Adams and Madell, 2002; Fatoki and Garwe, 2010).

If local governments are not improving in the creation of a vibrant and viable business climate for small businesses, the current economic and social state of communities will not improve for the better; and communities will be delayed from benefitting on local economic development programmes that support entrepreneurship. As a result, the

creation of a business friendly environment that supports the SMME sector, need to be prioritised, in order for the sector to fully function as the economic nucleus that provide employment and contribute to the growth of local revenue (Susman, 2017). In view of the significant potential role that the SMME sector has in the economy of local communities and South African at large, it was necessary to evaluate the support that the sector need or receive from local governments.

1.3 Objectives of the study

The objectives of the study are listed as follows:

- To assess the impact of business premises that are provided by the local municipalities on growth and sustainability of emerging SMMEs.
- To evaluate the benefit of SMMEs resulting from the relationship between municipalities and financial institutions.
- To compare the provision of basic services by the local municipalities and related challenges faced by small businesses.
- To assess the interest of various communities on the SMME sector.
- To evaluate the impact of the transport network of the various local municipalities on small businesses.

- To assess the process of building plan approval by the various local municipalities on small businesses.
- To evaluate the process of applying for municipal utilities on the various local municipalities.
- To compare the systems of issuing of business licences to small businesses from the various local municipalities.
- To recommend to the various municipalities aspects needed to improve the business environment for SMMEs.

1.4 Research questions

The study addressed the following research questions:

- What is the impact of business premises on growth and sustainability of emerging SMMEs, as provided by the local municipalities?
- What benefits do SMMEs enjoy from the relationship between the municipalities and financial institutions?
- What basic services do the local municipalities provide to small businesses?

- Are the various communities in the local municipalities interested on the SMME sector?
- Does the transport network in the various local municipalities have impact on small businesses?
- What impact does the building plan approval process have on small businesses?
- Do SMMEs use a different process of applying for municipal utilities in the various local municipalities?
- Can the systems of issuing of business licences to SMMES be compared from the various local municipalities?
- Could aspects needed to improve the business environments of the various municipalities be recommended?

1.5 Significance of the study

The SMME sector has turned out to be a centre of focus for local economic development, as it places the economy and employment creation at the centre stage. For this reason, the study is meant to add value to the SMME sector by providing prospective small businesses and emerging entrepreneurs with background information which could enable their entry to the SMME sector with ease. The study

also offer a dynamic package of helpful information and pointers of survival to already existing small businesses in the local government space. The study is, over and above, emphasizing the significance of synergy between municipalities and small enterprises, in the pursuit of growing the local economy and the importance of improving local economic conditions which ultimately lead to the creation of sustainable employment.

The two targeted entities which will gain immensely from this study include the local economic development practitioners and small business owners, as the study will guide investment to communities and will serve as a reference manuscript for the sustenance of small businesses. The study will further provide municipalities, sector departments and investment agencies with practical and applicable strategies to aid in the improvement of the SMME business environment.

1.6 Motivation of the study

Some of the South African local governments are still characterized by poverty, inequality, limited access to basic social infrastructure, underdevelopment and lack of economic opportunities. Some parts of the Gert Sibande District municipality in the Mpumalanga province are not an immune to the latter. Subsequent to the recognition of these elements, the researcher identified a need to study the district, in pursuit of factors which could shape and improve the economic state of the various local municipalities.

1.7 Research methods

The study employed qualitative research tools for the collection of data. The data was collected through the telephonic interviews, where a smartphone equipped with an application that records the conversation was used. The use of this method enabled the researcher to explore the opinions of the participants in an insightful manner. The participants were also given an opportunity to highly express themselves freely and without limits. A predetermined questionnaire, made up of open-ended questions with various sections, was used by the researcher to facilitate the interviews. The questionnaire functioned as a guide for the researcher as it provided standardised set of questions for all the study participants.

1.8 Chapter outlines

Chapter 1 provides the general overview of the study by a way of introducing the topic, followed by the problem statement which expresses the expectation, the area of concern and what need to be improved. The objectives of the study and research questions, the significance, the research methods and the motivation of study are also featured on this chapter.

Chapter 2 covers the literature review that brings about the comprehensive understanding of the previous and current literature on the subject matter. This section covers, amongst other things, the SMME sector in detail, the overview of SMMEs by provinces, key legislations governing businesses in South Africa and its roles, the synergy between SMMEs and local economic development; and the discussion of the key standards employed to define a business friendly municipality.

Chapter 3 discusses the applied research design and justifies the choice of the research design and the study area. The targeted participants are also discussed on this chapter. Chapter 3 further outlines the sampling procedure, the data collection process and the specific instruments that were selected for data collection and analysis. An overview of how the data was analysed is presented on this chapter; followed by the reliability and validity of the study is deliberated in this section, as well as the biasness and ethical consideration concerns.

Chapter 4 provides the study findings as presented according to various themes. The findings are also discussed comprehensively in this chapter by a way of comparing or contrasting available literature.

Chapter 5 is the last chapter where recommendations will be discussed taking into account the study objectives, the findings and literature review of this study, prior to the provision of concluding remarks.

1.9 Summary

This chapter delivered the general overview of the study by introducing the topic and by providing the study direction followed by the problem statement which expressed the general expectations. The chapter highlighted the objectives governing the study, the research questions and the motivation of the study. The chapter also provided the research methods applied on the study and brief summaries of the chapter outlines, as contained in the study.

CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

In the past, especially pre-1994, municipal roles were limited to mainly town planning. Issues of economic planning and development were out of the municipal scope but, over the past two decades, local governments became significantly engaged with locality-based economic development activities (Nel, 2001). Post 1994, much attention was fixated to the promotion of local economic development, in an effort to boost the empowerment of women, creation of employment opportunities, advancement of the economy and community improvement; and attention was also fixated on the part of the emerging small businesses within the municipal scope (Nkwinika & Munzhedzi, 2016).

Small, medium and micro sized Enterprises (SMMEs) play a significant role in local governments, because of the contribution in the economy and in job creation, especially, in South Africa where there is an increase in number of job losses and rising unemployment. It is estimated that SMMEs make up about 90% of formal businesses and provide employment to about 60% of the labour force; the sector also contributes roughly 34% to the Gross Domestic Product (GDP) of South Africa (Susman, 2017).

Susman (2017) argued that the small business sector have the single largest potential to move communities out of the poverty trap and structural unemployment. The survival of SMMEs, however, relies solely on the business environment to which they are initiated. The part of local government in ensuring that a business friendly setting is conceived therefore come to life.

Local government has significant impact over the wellbeing of the local businesses, as they are assigned with authority to develop viable strategies to improve and regulate businesses within the area of control. It is bestowed with a constitutional task of creating an enabling environment for businesses growth and development. Local government is capable of stimulating innovation, productivity and competitiveness. Adams and Madell (2002) pointed out that the local government is capable of making business operations and growth difficult by ignoring challenges such as ineffective enterprise facilities, lack or shortage of business infrastructure, inadequate and lack of institutional economic strategies to support SMMEs, and the deterring regulatory environment.

In creating a better, more dynamic and competitive business environments for local businesses to thrive, it is important that municipalities understand the challenges, constraints and opportunities facing local businesses (Adams and Madell, 2002). In assessing the significant potential SMMEs hold for the South African economy, it is also important to examine the kind of support the SMMEs receive to help realise their success.

2.2 A business friendly location

A business friendly location is comprised of various elements which are interconnected. An ideal location is comprised of user-friendly business administrative policies, impartial framework of laws and rational business regulations that safeguard the interest of both the local governments and members of the general constituency who intends to participate in the mainstream economy (van Zyl and Christensen,

2012). The success of such of a business friendly location is heavily dependent on the ethics of some of the public and private representatives in the society and; it necessitates a stable political and economic environment, where market players are exposed to similar economic settings and where the tax system is generally applied equally across the businesses. Such an environment is also defined by its operational infrastructure and a well-oiled machinery of a financial sector (Steves *et al.*, 2004).

Business friendly locations do not have to be flawless; but it can only be expected that they are adequate on some of the critical factors for investment attraction. In addition, a business friendly environment has to be effectively competitive to demonstrate self-sufficiency meant to support business survival (Eifert *et al.*, 2005). New Zealand, for example, was ranked the first easiest place in the world to start a company, registering property and getting credit. The country restructured the system of tax payments by launching a system online that allows businesses to file and pay their taxes. New Zealand has all relevant legislation located on one official website of the government (World Bank, 2017) and make business ownership more transparent as a result of its amended Companies Act (Luxton, 2017). Other examples include Mauritius which was ranked number one and the best country for doing business in Africa. Property transfers in Mauritius are relatively faster, with a turnaround time of just 15 days compared to the historical 210 days. The country has improved in the provision of access to information related to credit (World Bank, 2017). Various scholars commonly apply a variety of definitions such as “business climate”, “business environment”, “investment climate”, or “enabling environment” to express concept of a business friendly location.

2.3 South Africa's state of doing business.

Regardless of the country's decline as the most investor friendly country in Africa, South Africa is hard at work in making efforts to gain investor confidence and attracting foreign investors through the various programs of the state. One of them is the launch of Invest SA. The South African government officially launched this new investment facility in 2017. InvestSA is described as a one-stop shop facility, bringing in the various government departments and investment agencies that deal with business permits, licences and incentives required to facilitate investments under one umbrella (Creamer, 2017). The minister of Trade and Industry of South Africa, Dr Rob Davies was quoted as saying: *"the one-stop shops are a direct response to ongoing appeals from business for government to streamline the bureaucracy associated with investing in the country"* (Creamer, 2017). The global multinational companies continue to acquire the benefits of doing business in South Africa because of the supportive environment that serves as a core for technology, innovation and financial technology. South Africa remained the first choice in Africa, in terms of investor interest; and the country is highly valued internationally because of its regulatory framework and judicial system that safeguards the interests of investors (Mabuza, 2018).

2.4 Economic climate of Mpumalanga province

The rate of economic growth of Mpumalanga Province is estimated at an average of 2.08% annually. Relatively, the annual provincial and local economic growth rates are just below the national average of 2.39%; and according to statistical estimates, the provincial economy of the province contribute just above 7% of the country's Gross Domestic Product, with a total contribution of approximately R209 billion. Mining and

quarrying sectors are considered as the key sectors contributing approximately 25% to the economy of the province. The Wholesale, retail trade, catering and accommodation sector makes a contribution of 15% to economy, followed by the manufacturing sector which contributes 14% to the economy of the province (Mpumalanga, 2017).

2.4.1 Gert Sibande District municipality economic sectors

Gert Sibande District Municipality is a Category C municipality made up of seven local municipalities. Gert Sibande District Municipality is in the province of Mpumalanga incorporating areas previously under the northern eastern KwaZulu-Natal homeland, the main power supply industry areas of the Eastern Transvaal Province and their farmlands (Mokoena and van Rooyen, 2013). The main economic sectors of this municipality are manufacturing (57.4%), agriculture (41.4%), trade (25.8%), transport (24.5%), finance (21.2%), mining (14.1%), community services (12.3%), and construction (2.1%) (Municipalities.co.za, 2018)

2.5 Defining Small, medium and micro sized enterprises (SMMEs)

Defining SMMEs is challenging because countries and businesses often use their own judgment, considering the asset value of the company, the number of people employed, and the annual turnover generated (Sitharam, 2014). Like with other countries, what constitutes a small or medium enterprise is a major concern in South Africa. Various authors have been suggesting categories to define SMMEs; in South Africa, this was incorporated under the act which guide the existence of small businesses, namely; the National Small Business Act. A common definition of small, medium and micro sized enterprises, as indicated by IFC (2009), includes registered

businesses with less than 250 employees. This definition, by size is relevant, but it is not adequate, particularly when appreciating a sector that is constituted by a complex array of dynamics. As adopted from the National Small Business Act (26 of 2003) a small business is defined as the distinct business unit that incorporate the co-operative business entities and non-governmental bodies, that are managed by a single owner or a group, including any of its branches or affiliates; and is primarily operating in any sector or sub sector of the economy.

2.5.1 Categories of SMMEs

The National Small Business Act of South Africa further divides SMMEs into the following categories:

Table 2.1: Categories of SMMEs in South Africa

Category of SMME	Description
Survivalist enterprises	Operates in the informal sector of the economy. It is generally dominated by people that are not employed. This kind of an enterprise generate income that is way below the line of poverty. Income generated is only meant to provide the least means of survival to the unemployed and their families. Capital invested is very insignificant and not much of assets is involved. Training requirements are not that much. Chances of this business growing are significantly minimal.
Micro enterprises	Can only cater for one employee to a maximum of five, and the employees generally include the owner and his/her family.

	Micro enterprises usually operate informally and there are no licensing requirements, formal operating business property, labour legislation; and revenue is lower than the required Value Added Tax (VAT) registration threshold of R300 000 per annum. Requirement for this kind of enterprise include basic business skills and training as this can potentially aid the transition of the business.
Very Small enterprises	It is included in the formal economy and is advanced as utilises technology. Is comprised of less than 10 employees which receive income, and includes self-sustainable skilled workers (such as electricians, plumbers) and professionals.
Small enterprises	This category is comprised of less than 100 employees. It is more established than very small enterprises. It is a formally registered enterprise and is registered with fixed business premises. Small enterprises are managed by owners, but have more complex management structure.
Medium enterprises	Medium enterprises are made up of up to 200 employees. These enterprises are primarily managed by the owner, however they are constituted by a decentralised management structure with a division of labour and they operate from premises with all formal requirements.

Source: National Small Business Amendment Act (26 of 2003)

2.5.2 Classes of SMMEs

In addition to the categorization of SMMEs, the National Small Business Amendment Act (26 of 2003) also described small businesses according to five classes by a way of classifying the SMMEs to standard industrial sector or subsector, size of class, equivalent of paid employees, total turnover and total asset value which exclude fixed property.

Table 2.2: Classes of SMMEs in South Africa

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total full time equivalent of paid employees	Total turnover (million rands)	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

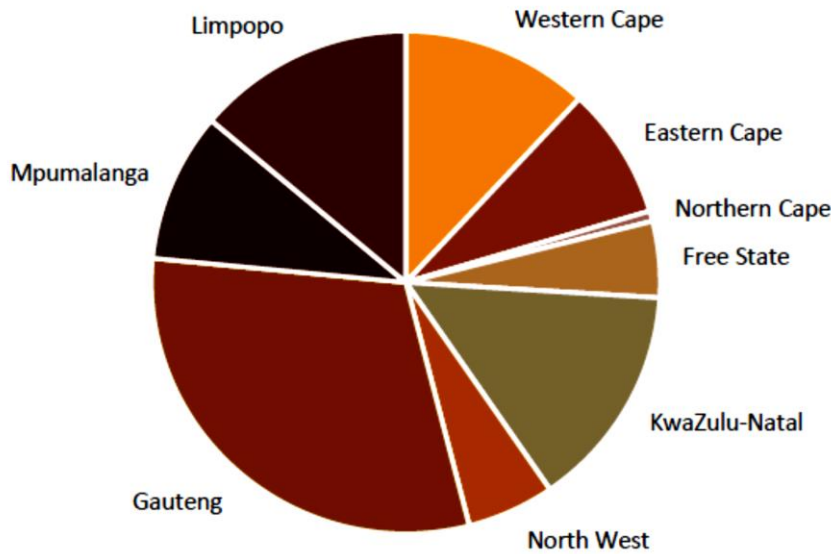
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	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
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: National Small Business Amendment Act (26 of 2003)

2.6 Overview of SMMEs by provinces in South Africa

In 2017, a third quarterly update released by the Small Enterprise Development Agency (SEDA) on SMMEs, reported the state of SMMEs in the various provinces of South Africa. It was reported that SMMEs operating in Gauteng were just above 30%, while both KwaZulu-Natal and Limpopo had approximately 14% of the SMME share. Additionally, due to the growth observed in the past four quarters, a year on year growth of 20% and 21%, in the stake of SMMEs was observed at Limpopo and Mpumalanga, respectively (SEDA, 2017).

Despite of the highly marginal growth, a positive growth on three provinces, namely; the Free State, North West and Western Cape was reported while a decline in the total amount of SMME ownership was identified from two major regions, namely; Gauteng and KwaZulu-Natal at 15% and 13.5%, respectively. This decline may result to the deterioration of employment opportunities, especially in the underdeveloped provinces and a high number of people may be encouraged to participate in the entrepreneurship space (SEDA, 2017)



Source: SEDA SMME report, 2017

Figure 1: SMME owners by province

2.7 Key legislations governing SMMEs in South Africa

Subject to the size of the enterprise being registered with the Companies and Intellectual Property Commission (CIPC) of South Africa, various regulations become applicable to enterprises of such various sizes. Local municipalities may also enforce their own by-laws to SMMEs operating under their jurisdiction (van Zyl and Christensen, 2012).

The literature acknowledges the impact that municipalities have on the businesses sector. Various standards and legislations to which municipalities are able to use to enforce their authorities were identified. These were: (1) the division and definition of land uses as guided by the zoning process, (2) business licensing as centred on specific prescripts of municipal by-laws and; (3) the implementation of protocols governing health, fire and buildings (Pahwa *et al*, 2006). As it is, such legislations may

result to businesses incurring indirect costs such as the application fees; indirect cost of time taken by business owners to sort out required permits and licences for compliance; in addition to the expenses linked to capital and human resources essential for the execution of regulatory necessities (Pahwa *et al*, 2006).

According to van Zyl and Christensen (2012), the following legislations have a direct effect on small businesses development in South Africa:

- i. *The Companies Act of South Africa - No. 71 of 2008*: This act provides the regulatory framework for registering a business in South Africa. The act was designed in such a way that it accommodates the changing market; giving more flexibility in a modern commercial world.
- ii. *The Bills of Exchange Act - No. 34 of 1964 as amended by Act 56 of 2000*: The act is directly applicable to the way in which SMMEs conduct business in South Africa. It deals with modifications and consolidation of laws that directly involves promissory notes, cheques and bills of exchange
- iii. *The Income Tax Act - No. 58 of 1962*: This Act consolidate the taxation laws concerning to income and donation taxation and provides for the recovery of taxes on persons. The act give authority to employers to deduct amounts from the wages of workers, with reference to specific tax liabilities by workers. It also give authority for the provision of conditional tax disbursements and for the disbursement of part of the usual tax and interest into the National Revenue

Fund, and additional charges with reference to such taxes, and provide for associated matters.

- iv. *The Value Added Tax Act - No. 89 of 1991*: The Value Added Tax Act stipulates that Value Added Tax (VAT) is an indirect tax related to the consumption of certain commodities in the economy. For the state to generate revenue, it is a requirement for certain merchants and retailers to register and include VAT on certain supplies of goods or services for tax reasons.

- v. *Small Business Tax Amnesty and Amendment of Taxation Laws Act (2006)*: The Act presents a tax remission to small business, and presents the amendments to the Transfer Duty Act of 1949, the Estate Duty Act of 1955, the Income Tax Act of 1962, and the Customs and Excise Act of 1964. In addition to these latter acts, the following acts are also included: the Stamp Duties Act of 1968, the Value-Added Tax Act of 1991, the Tax on Retirement Funds Act of 1996, the Uncertificated Securities Tax Act of 1998, and the Local Government: Municipal Structures Act of 1998.

- vi. *The Broad Based Black Economic Empowerment Act - No. 53 of 2003*: The B-BBEE Act of 2003 was established as a statutory charter for the advancement of black economic empowerment. The act also vest to the Minister the powers to present the codes of good practice and to decree transformation charters, as well as to form a Black Economic Empowerment Advisory Council while also dealing with matters associated therewith.

- vii. *Competition Act - No. 89 of 1998 (As Amended by the Competition second Amendment Act)*: The purpose of this Act is to promote and maintain competition amongst businesses in South Africa. It also ensure that small and medium-sized enterprises have an equitable opportunity to participate in the economy.
- viii. *The Labour Relations Act - No. 66 of 1995*: This Act controls the structural rights of trade unions. It supports and aid collective bargaining at the workplace and at sectoral level. The Act also deals with handling of strikes and lockouts, workplace forums and dispute resolution alternatives. It is also responsible for constituting the CCMA, Labour Court and Labour Appeal Court, as superior courts with exclusive jurisdiction to resolve issues emanating from the Act.
- ix. *Consumer Protection Act - No. 68 of 2008*: The Consumer Affairs (Unfair Business Practices) Amended Act no 21, 2001 was established to make a provision for the exclusion or control of some trade practices and for matters associated therewith. The Act was revoked in terms of section 121 of the Consumer Protection Act, 2008. It then came into effect on 31 March 2011. It specify the minimum standards that guarantee the acceptable protection of a consumer in our country. This Act is made up of a fundamental structure that offer the protection of a consumer. Additional laws related to the provision of consumer protection must be essentially read in tandem with the provisions of this Act to warrant a common protection standard.

- x. *The Unemployment Insurance Contributions Act - No. 4 of 2002*: This act provides the principles that guides the employer and the members of workforce about their responsibilities of contributing to the Unemployment Insurance Fund scheme. The Act further advice on the percentage of the contributions that each (the employer and employee) party should contribute, prior to the deduction of pension fund, retirement fund and appropriate medical aid contributions. The percentage is calculated as one percent of the gross income remunerated or allocated by the employer to the members of staff for services offered to the employer.

- xi. *Occupational Health and Safety Act (No. 85 of 1993)*: The Act is aimed at making provisions for the health and safety of employees in a workplace. It also provides for the health and safety of personnel that are related to various sectors that make use of plant and machinery. It provides protection of employees, over and above those working alongside dangers of risks to health and safety emanating from or in relations to the operations of employees at work. In addition, the act provides for the establishment of an advisory body that exclusively deal with occupational health and safety in a workplace; and all matters linked thereof are also provided for, in this act.

- xii. *Businesses Act (No. 71 of 1991)*: The Business Act 71 of 1991, as amended in the Government Gazette 15374, to be known as the Businesses Amendment Act 186 of 1993, has the responsibility of regulating the licensing of certain business entities. It also aims empowering local authorities to implement by-

laws regarding the conducting of certain business such as street vending, peddling or hawking.

2.8 Role of SMME regulation

Regulation of the SMME sector is the essential function of the three spheres of government (the national, provincial and local). The business regulation is about good governance and ensuring that legal and regulatory frameworks are effectively applied to meet the objectives of business development, economic growth and job creation (Christensen, 2016). In the interest of good governance, laws and regulations must be assessed not only in terms of their broad objectives but also as tools to achieve specific objectives (PWC, 2013).

Whereas the respective layers of the state administration which is the national, provincial and local governments have an inclusive obligation to nurture the regulatory setting for small enterprises, municipalities in particular, have a significant part to play in safeguarding the local trade setting by maximising opportunities for shared economic growth and development (Christensen *et al*, 2016). As much as laws and regulations are required to govern business activities, reduction of the regulatory constraints for SMMEs must be the key focus area of the government (Kanbur and Venables, 2005).

To enable growth and job creation through the SMME sector, regulations are necessary, however, the question remains whether: “If the regulations are too much”? or “When are they constraining instead of enabling”? Putting it in simple terms: “When does regulation become Red Tape”? Through the analysis of Red Tape, it is possible to identify areas where regulatory and compliance costs are most troublesome to

business. In this way, reviewing red tape to identify prospects for streamlining processes and making them more efficient and reasonable on costs, by considering real costs and opportunity costs for companies, is necessary (Christensen *et al*, 2016).

2.9 Red Tape on SMMEs

Red Tape is a common discussion subject equally on private and public sector development, both globally and South Africa in particular (SBP, 2013). Bozeman and Feeney (2011) argued that there was early work on red tape which was published over three and half decades ago, yet a lot of literature on red tape were fully understood in the past ten to fifteen years. Whereas red tape is a discussion subject on all spheres of business, specific concerns are related to regulatory issues such as prescriptive labour regulations, government and municipal inefficiencies, legislations related to various registration requirements of the business and municipal regulations, which are still a challenge to this day (Christensen *et al*, 2016).

2.9.1 Definition of Red tape

In the earlier definition coined by Bozeman (1993), a meaningful concept of red tape which included procedures, principles and legalities that remain in force while causing the burden of compliance to most of the businesses or organizations yet offering nothing but inefficiencies - was presented (Bozeman, 1993). At a later stage, Bozeman (2000) reviewed the definition to be more concise while still capturing the essence of wearisome organizational rules and procedures that have undesirable effects on the performance of organizations (Bozeman 2000).

In the United States, the concept of red tape has been applied to denote validation of structural complications, increased paperwork, extreme or dysfunctional rules and deferment of activities as a result (Brewer and Walker, 2009). DeHart-Davis and Pandey (2005) defined red tape as the managers' perceptions that rules and procedures have a negative effect on organizational performance. Equally, Wegmann and Cunningham (2010) included the common concepts of rules and regulations, administrative and management procedures, and systems which are no longer operative for the achievement of anticipated objectives, ultimately producing worst or unwanted economic or social consequences.

2.9.2 Impact of Red Tape on SMMEs

Overall, there are five concerns that govern the SMME environment in South Africa. These are: (1) the South African Revenue Services (SARS), (2) the mandatory protocols that are pertinent to a specific economic region, or to a specific part of the industry, (3) Black economic empowerment, (4) local government by-laws, (5) and workforce related matters (SBP, 2013).

In 2016, the enterprise survey of 414 Small and Medium-sized Enterprises in Mangaung and Matjhabeng municipalities (Free State province), commissioned by ILO (International Labour Office) reported specific acts and regulations such as municipal by-laws, zoning and re-zoning as problems that negatively affect SMMEs. Other specific troublesome acts were related to the municipal systems act, the health regulations, municipal clearance certificates and restrictions of putting up signages (Christensen *et al*, 2016).

In KwaZulu Natal, the tourism, manufacturing, mining, power and water sectors experience the most administrative burden owing to the long list of regulations imposed on them. According to SBP (2013), six percent (%) of the tourism companies channel part of their revenue to red tape, while those operating in business services and manufacturing sector lose four and three percent, respectively. Red tape is indeed burdening this sector. The study also found that various permissions to operate businesses such as liquor licences, health and safety agreements, and regular compliance issues related to tax and employment in the business, is often compulsory for the tourism sector players to acquire (SBP, 2013).

Other commonly cited laws that are a limitation to business in general and to investment in particular are the labour procedures. In effect, labour protocols are often referred to as the as the biggest challenge to labour employment compared to absence of skills. Results from a study by Rankin (2006) suggested that most companies dislike the procedures hiring, especially those that are related to the release of an employee from official duties (dismissal). These are taken as critical limitations to employment of new workers and they distress the production expenses in many sectors. The dismissal procedures set out in the various acts, were rated as a moderate to severe limitation by seventy-one percent of businesses (Rankin, 2006).

Another administrative regulation from the state which affects small companies is the licencing and permits required by prospective businesses to start-up, grow or continue operations. Even though many businesses do not see licencing and permits as serious to doing business in South Africa, the increase in the efficiency when granting such

licenses and permits should benefit existing businesses and encourage entry (Rankin, 2006).

A study by the Small Business Programme confirmed that in the economy of our country, business development especially in the formal economy is disheartened by the regulatory environment and the substantial productivity costs related to SMME development which are caused by these regulations (SBP, 2006). When doing an international comparative, our country's regulatory compliance costs seem to be considerably greater in relations to other developed countries (SBP, 2006).

At times, small businesses get discouraged to start small business because of the exorbitant registration and official compliance with business protocols. Those already in operation end up avoiding issues of compliance as a result of the time demand, the effort and expenses related to fees and the legal aid (Sitharam, 2014). Based on a report by GEM, a significantly greater number of small business owners lack the necessary skills to comply with the legal and tax issues relating to registered company, therefore enforcing compliance may be ineffective (GEM, 2009).

Wolpe (2013) cited red tape as a cause for delays in the launching of small businesses by entrepreneurs and business owners, but also it stunts the economic progress, employment creation and poverty reduction in South Africa, because of the loss of investment. Red tape also lessen business efficacy and progress. Apart from this technicality, existing growth of small businesses is stifled and operations are disrupted followed by the potential loss of revenue (Sage One, 2017).

Local authorities are bestowed with a critical part of providing quality and efficient basic services that add to the operational business friendly setting for potential enterprise growth (Wolpe, 2013). Streamlining procedures and increasing the service orientation of administrative personnel may play a significant role in reducing inefficiencies while reducing the unnecessary administrative costs (Wegmann and Cunningham, 2010).

2.10 SMMEs boost rural entrepreneurship

Local governments in the industrialized and developing economies have serious challenge of, not only, stimulating the expansion of localities; but to produce the quality of service delivery required by the communities (Pooe and Mafini, 2012). The presence of operational municipalities have become a central point in developing economies because of the mission to account for the improvement at community level (Haque, 2008). By description, Bad *et al* (2013) defined rural entrepreneurship as the sort of entrepreneurship which guarantees the build-up of value to rural capital and asset belonging to the rural areas by a way of involving the rural communities. Such economy in the informal sector represent small-scale businesses that are defined by mushrooming traders and craft workers (Ibukunoluwa and Oluwadamilola, 2012). In simpler terms, this form of entrepreneurship could simply be referred to as the rural industrialisation (Bad *et al.*, 2013)

In rural areas, small businesses are primarily dynamic on activities of the manufacturing sector which includes textiles activities, meals and beverages; and wood and forest merchandise. The businesses are known as the main contributors of economic success in less developed countries in addition to raising the standard of

living (World Bank, 2007). Meccheri and Pelloni (2006) also described SMMEs that service most rural regions as key source of employment and as essential drivers of the local economy. Another evidence suggest the importance of empowering women as entrepreneurs in the rural space because this serves as an important strategy in the fight against poverty and unemployment (Hendriks, 2003)

South Africa is unique to some of the developing economies, perhaps as a result of the pro-SMME policies responsible for effective development of small business. The country is categorized as one of the top performing economies in the African continent on small business development (Rogerson, 2004a). Despite the significant progress in creating an enabling environment for SMMEs, much work still need to be done, to combat the obstacles confronting small businesses at the rural regions (Agbenyegah, 2013).

In Peru, the International Fund for Agricultural Development (IFAD) report (2013) revealed that administration and intercontinental funders and organizations have improved the survival and growth of rural entrepreneurs by means of offering training support and finance for their businesses. In Ireland, almost 99.8 percent of active enterprises in the rural areas are part of the majority of businesses operating in the general economy of the country; this involves 90.8% micro sized enterprises that hire an average of ten community members (SBA Factsheet, 2012). Both policy makers and entrepreneurs ought to understand how their actions affect the survival and growth of the SMME sector in the rural space (Lekhanya, 2016).

2.11 SMMEs and Local economic Development (LED)

Local governments are regarded as essential components to the facilitation of growth and development objectives, supporting both national and provincial development. Local governments also have a special task to fulfil in the advancement of social and economic development as aligned with the country's statutory obligations. As a result, through local economic development policies, local authorities have a colossal task of adding value to the creation of employment, elimination of poverty and to the improvement of local economies (Koma, 2012).

A study by Jili *et al* (2016) titled "SMMEs promoting Local Economic Development (LED) in Umlalazi Local Municipality, KwaZulu-Natal" revealed that SMMEs within Umlalazi Local Municipality (ULM) did reduce unemployment. Fifty-five percent of the participants in the study confirmed that their enterprises did lessen joblessness, as they provided community members with permanent working contracts in their businesses. In spite of the ULM municipality being located in a rural area, this is a demonstration that SMMEs are still capable of playing an integral part in combating socio-economic related concerns. The same study reported that SMMEs contributed to the fight against poverty, as seventy-five percent of the participants affirmed that their small businesses generated revenue for their day-to-day survival. In this way, the study further ascertained that there is indeed a positive impact that small business can bring about change in the life of an ordinary person by increasing the rate of employment, easing the impact of poverty and the general enhancement of the local economic development for communities.

In most of the developing regions, like in our country South Africa, effective local economy is reliant on policy planning that is constituted of various state organisations, the private segment, trade unions, non-governmental organizations and corporations (Phago and Tsoabisi, 2010). The duties of local authorities in the country also includes, but not limited to, the advancement of social, economic, cultural and political development of all the communities. As a result, the two concepts of SMMEs and Local Economic Development become synonymous when responding to the challenges of poverty, inequality and joblessness (Nel and Rogerson, 2005). Some sort of synergy or integrated approach, featuring both SMMEs and local economic development is, therefore, important.

Small, medium and micro sized enterprises contribute a substantial fraction of all taxes in the local economy. These include income tax, property tax and employment tax. For this reason, having more businesses in the local economy can improve tax revenue for local authorities, thereby increasing the revenue of repairing roads infrastructure, improvement of learning institutions and the expansion of public services (Kongolo, 2010). Since SMMEs are entrenched in local economic development, local authorities have a task of making sure that local economic development dynamics are constantly scrutinized in order to mitigate related impact while improving the business environment of SMMEs (Phago and Tsoabisi, 2010). Municipalities also need to understand their role and responsibility in the local economic development. They are entrusted with the provision of supporting the enterprise owners and have an important role of building an environment that is favourable for businesses in the communities (Maloka, 2013).

2.12 Key standards to evaluate a business friendly municipality towards SMMEs.

2.12.1 Business premises and zoning

When planning to set up a business, a thorough understanding of the relevant regulations involved in the zoning of properties and adherence to certain municipal by-laws is required (Truter, 2016). By definition, zoning is the process of dividing land in a municipality into various zones; for example, residential, industrial, etc., to which certain land uses are permitted or prohibited (Lemar, 2015). Zoning regulations are applied in a way that compatible land uses are comprehensively assigned to zoning districts throughout the community by the municipal council. The zoning regulations, according to Mandelker (2014), are made up of a description containing the use, density and site development regulations for land use permitted on each district and; a map which describes the location of zoning districts. They also contain certain administrative and enforcement provisions (Mandelker, 2014).

2.12.1.1 Zoning policy in South Africa

In South Africa, zoning schemes varies extensively amongst and within local authorities (Pahwa *et al.*, 2006). Post 1994, the incorporation of the various municipalities resulted to the different zoning schemes from these municipalities to be merged and revised under the new municipal demarcation process which was initiated post the 1994 era (Pahwa *et al.*, 2006). Certain challenges were, however, seen as the outcome of the merger of the statutory issues which controls the facilitation of zoning schemes. During its consultative process, prior to the national small business regulatory review, the Ntsika Enterprise Promotion Agency observed that there were

indeed challenges regarding to by-laws and zoning regulations in certain regions of South Africa. The agency noted that clarity was still needed on whether particular areas can be used for residential, business or for both purposes (Ntsika Enterprise Promotion Agency, 1999). Some local governments apply the zoning policies in a conducive way whilst others are restrictive. In the early childhood development field, for example, by-laws and the health regulations in many municipalities are more rigid than the Child Care Act and hinder the development of crèches, as small businesses (Ntsika Enterprise Promotion Agency, 1999). According to Truter (2016), any business operating from a household may infringe the residential zoning regulations. In other cases, whether a business is conducted from a residential scheme depends on the policy of that particular local authority (Briscoe, 2000). Zoning regulations state that businesses can only be conducted in areas zoned for business. In other countries, SMMEs in a form of home-based businesses, were allowed to form a substantial fraction of the SMME segment without any legal hassles. This contributes to the growing percentage of the small enterprise expansion (Mason *et al.*, 2011).

2.12.1.2 How zoning apply to business

According to Goslett (2017), in order to apply for rezoning or subdivide a property, application need to follow certain number of procedures before it is considered; and this could take from two months to two years. There are costs associated with obtaining business rights to premises which entail application fees, varying between municipalities and depending on the type of land use application. A survey of selected municipalities conducted by Pahwa *et al.*, (2006) reported the range of overheads related to rezoning of a trade or industrial space to be between R620 to R6000. In some economies, a builder is required to get some kind of authorization for zoning or urban

planning prior to construction or yet prior to getting a construction license. This practise is necessary as it safeguards the use of appropriate of zones on specific locations for example; industrial, commercial or residential. In Swaziland, for example, builders are responsible for checking the zoning maps and zoning information when submitting their permit application to the municipality.

In the United States - especially in the New York City, it is required for builders to complete a zoning diagram form which will then be submitted to the Department of Buildings. In Belize of Central America, the Building Plan Committee of the Central Building Authority checks the permit application to ensure compliance with zoning requirements (World Bank, 2015). An enterprise owned by a single person or consultancy may not require business zoning, however, if staff members are employed or there is a business signage and/or customer flow is anticipated the business rights need to be attained from the local council. By means of the excluding professionals, it is unusual that an enterprise will be granted business rights in a reputable or exclusive uptown area. This is generally because of the disapproval from neighbours whose objections are taken on an extreme light by the municipalities (Property24, 2006).

2.15.1.3 Some zoning challenges

A number of entrepreneurs pointed out the presence of several obstacles they had come across on their journey of initiating their enterprises at the stage of business start-up. Common challenges such as 'Compliance costs' associated with the time that may be dedicated to commissioning professionals dealing with zoning request and the opportunity cost linked to the time booked, by the municipal officials for workshops on the requirements, planning and submission of zoning requests. Additional

responsibilities of responding to grievances related to the process are also included as “compliance costs” (Pahwa *et al.*, 2006).

In a study by Rogerson (2005) titled “Unpacking tourism SMMEs in South Africa: structure, support needs and policy response”, costs for zoning applications was reported as a significant constraint to the development of SMMEs in the tourism industry, amongst other things. While a number of companies indicated the absence of major challenges with local authorities or provincial administrators during the process of beginning a business, participants in a study by Rogerson (2008) reported that in some localities it takes a wait of three and half (3.5) years to get zoning approval for a planned adventure centre

Rogerson (2007) conducted a research on problems related to the establishment of a backpacker tourism in South Africa and reported administrative or zoning challenges with the local authorities as the main challenge for backpacker tourism entrepreneurs. The following cases were reported from the study: At Hermanus, in the Western Cape, a particular entrepreneur established that local authorities were incapable to re-zone a property from guest house to backpacker accommodation as a result of the lack of detailed protocols central to the operations of backpacker hostels. The Johannesburg, Nelspruit, St Lucia areas and numerous other centres, experienced similar struggles, from municipalities, of lack of specific procedures or by-laws relating to backpacking enterprises. This resulted into owners of backpacker accommodation listing their businesses in an alternative category of business, as either a guest house or bed and breakfast. In the City of Cape Town, business owners came across difficulties with local authorities in establishing a backpacker enterprise, owing to the lack of

backpacker rules and lack of understanding of what a backpacker business entailed. In Tshwane, one entrepreneur indicated that the municipalities were not empowered with information of what backpacking was about. The shocking scenarios were reported in the Eastern Cape where in certain regions local governments were completely non-existing.

To ease the barriers of entry on the backpacker industry as result of the administrative or zoning complications with local authorities, the study recommended that local authority guidelines to regulate the business and to improve local government awareness has to be established (Rogerson, 2007). It is significant that proper policy interventions supporting SMMEs in South Africa are developed.

2.12.1.4 Protection of SMMEs

Botwinick *et al* (2010) reported that, in New York, the unique character contributed by small and local businesses to their municipalities is highly valued. The concern, however, is that the large national and chain retailers offering lower prices and one-stop shopping centres could threaten the existence of smaller specialized stores. In order to help promote their retention, the city must seek for innovative strategies that combine both regulations and incentives. Municipalities can combine to the four commonly used zoning tools, namely; the store size capping, community impact reviews, neighbourhood serving zones and formulation of business restrictions to offer greater protection for small and local businesses (Botwinick *et al.*, 2010).

2.12.1.5 Home based businesses

There are sixty-six percent of businesses operating from home in the United Kingdom; this was revealed by Thompson *et al.*, (2007) after conducting a telephone-based household survey. Local authorities, however, maintain that such businesses should shift to appropriate business locations and, in some cases, authorities become hostile towards home based business, instead of making them a focus for local economic development (Mason *et al.*, 2011). A study by Beale (2004) reported that all corporations, partnerships and sole partnerships that do not pay any income taxes in the United States of America, constitute about two-thirds of home-based businesses; while 67.5 percent of businesses in Australia are home based (Australian Review of Statistics, 2004).

In the South Africa, home based businesses are popular in townships and are mainly specialising as wholesale shops. They are primarily provide services mostly to the neighbours and the group of contractors (road workers, construction, etc..) in the vicinity or school children belonging to a school close by that particular house. Approximately 48% home based businesses are either operating from a room within the home, exclusively committed for business purposes; or in a garden outbuilding that is attached to the house or external premises (16%); or an extension to the house (6%) (Mason *et al.*, 2011). Undoubtedly, space or premises are regarded as a significant factor for success of these small businesses. In terms of legal status, small enterprises that are home-based are, by some means, projected to be made up of 46 percent sole traders and 38 percent of them are unlikely to be limited enterprises. With these forms

of enterprises, it is also similarly unlikely that 61 percent of them become listed for value added tax (Mason *et al.*, 2011).

2.12.2 Access to financial services

Access to funding has become a requirement for small businesses and viewed as the lifeblood of any enterprise aiming to generate more output and employment (Beck *et al.*, 2011). Access to finance, however, has become a common challenge for small businesses both in local and global sphere (Long, 2016). Results from the 2015 National Small Business Survey, where about twenty thousand (20 000) small businesses throughout South Africa were surveyed, reported that about 60% of small businesses lack funding; and insufficient cash flow was the leading obstacle inhibiting growth.

2.12.2.1 Access and lending criteria by financial institutions

Criteria set out by financing institutions in lending businesses tend to favour large enterprises relative to SMMEs because of access to collateral by large enterprises (Nofsinger and Wang, 2011). Bank loans are one of the most dependable means for the small, medium and micro sized enterprises in raising capital, however, because of the steep criteria set out by banks, SMMEs tend to be disadvantaged because of the lack of appropriate transactional returns matching the banks' criterions (Moro *et al.*, 2014). Burger (2016) reported that small businesses get to be side-lined by the banks because of their stance where emerging enterprises were expected to put up an amount of up to seventy-five percent from their own coffers, in order to acquire financial assistance. In other instances, banks may need SMMEs to commit their assets, as a

requirement. Lack of collateral security has proven to be the greatest hurdle in accessing finance by SMMEs, contributing to 37% of SMME failures (Burger, 2016).

In China, major banks prefer to deal with governments and state owned enterprises (SOE) because SMMEs across many industries are perceived to be less reliable relative to their larger counterparts on servicing debt (John, 2016). In South Africa, many small business owners do not own assets which could be used as surety to banks. This is a result of the imbalances of the past created by the socio-economic inequalities of the apartheid regime (Motsetse, 2015). To this day, the ramifications of the apartheid system still exist, hence, the high number unemployment and ongoing poverty.

South Africa is a more industrialized economy than most of the developing economies in Africa, but it is among the countries that lags behind in stimulating the development or expansion of SMMEs (SBP, 2015). According to SBP (2015), South Africa is among the countries recorded for their highest failure rate on small business start-ups. Adeniran and Johnston (2011) estimated that a small business failure rate in South Africa was in the range of seventy and eighty percent; while Adcorp (2012) reported closure of about 440 000 small businesses in South Africa over a period of every five years. A study by Rogerson (2016) at the Free State province, identified access to finance as the primary challenge for small businesses, among others. According to Foxcroft *et al* (2002), 75% of credit applications by new SMMEs were rejected by banks in South Africa.

2.12.2.2 Creating links with private financial institutions

In 2016, the North West 405 municipality signed a memorandum of understanding with ABSA. The partnership was intended to help and support small medium and micro-sized enterprises belonging to within the area. The arrangement was designed in a way that the bank will provide financial and business development support programmes for start-ups; and will provide practical tools to make it possible for small businesses to run their enterprises efficiently. More importantly, the bank will provide working capital and expansion finance to the SMMEs in accordance with their financial needs, as well as financial management and financial literacy training (Torera, 2016)

In 2011, there was a Memorandum of Understanding signed by eThekweni municipality with various strategic financial institutions for the benefit of the upcoming small medium and micro sized enterprises. One of the reasons behind initiating such a relationship was that small business have often been side lined and were concerned about the restrictions confronting them on matters of access to finance; and that private lenders did not comprehend their requirements. Whereas, the municipality had already signed with FNB and ABSA, the other lending organisations that committed to the SMME sector through the agreements were Standard Bank, Nedbank, GroFin, Old Mutual, Business Partners and Albaraka Bank (Khanyile, 2011). In 2016, it was reported that ABSA bank has signed Memorandums of Understanding with Nelson Mandela Bay Municipality, Joe Gqabi Municipality, George and Knysna municipalities to afford increased access of small business to funding and business development support from these entities (Straton, 2016).

In 2017, Mpumalanga Economic Growth Agency entered into a partnership with Standard Bank to create a programme aiming at enhancing the capacity to fund the development of SMMEs and cooperatives in townships and rural areas of Mpumalanga. The Mpumalanga government is in the process of finalising this fund, which would see a capitalised R500 million in joint funding supported by the Mpumalanga Economic Growth Agency (Mega) and Standard Bank for small, medium and micro sized enterprises. Fund would be available to businesses in all the municipalities of the province and would be offered in the form of loans and grants (Ndlendle, 2017).

The Mayor of George and its Municipal Manager signed a three year agreement in May 2016. The agreement will enable local contractors to apply for bridging finance following a successful tender application. Small medium and micro sized enterprises will benefit from the agreement, which would enable them to commence with projects without financial shortage. Fifty SMMEs that were handpicked by the municipality of George, were expected to benefit in the plan. The interest rate of the loans will be based on the individual SMME's risk profile (Pienaar, 2016).

2.12.2.3 Government support

Other studies identified lack of support by spheres of government as a challenge faced by SMMEs. In 2011, the SBP Survey conducted a study involving five hundred (500) small, medium and micro sized enterprises and established that only eight percent of the enterprises were given access to finance through commercial banks. Furthermore, fifty seven percent of the entrepreneurs operating SMMEs had to raise funds via private funders or by utilizing their personal financial reserves such as pension policies, re-

mortgaging of homes, or trust banks for access to bonds (SBP, 2011). Only two percent had access to government funding through agencies like the Industrial Development Corporation (IDC).

A report by Fongwa (2011), on the 100 small firms that were surveyed in the Free State, revealed that majority of owners of these firms used their own funding for business start-up. Approximately 53% of businesses in Free State funded their businesses from own or personal savings; 16% successfully applied for finance through the banks; and 14% acquired micro financing from agencies such as the National Youth Development Agency (NYDA). The current government policies aiming at supporting SMMEs with funding from prescribed sources have been inadequate, because of the inefficiencies surrounding the funding organisations mandated by government (GEM, 2014). This paints a bleak picture of the potential for SMMEs to contribute meaningfully to job creation, economic growth and poverty reduction (Fatoki, 2014).

There were numerous government support agencies launched in the various provinces of South Africa to support small businesses and to safeguard their development interest. These agencies include MEGA - which is the Mpumalanga Economic Growth Agency, Libsa - Limpopo Business Support Agency, LimpDev - Limpopo Economic Development Enterprise, NCEDA - Northern Cape Economic Development Agency, GEP – which is the Gauteng Enterprise Propeller, GEDA – which is called the Gauteng Economic Development Agency, the Western Cape Department of Economic Development and Tourism, Ithala Development Finance Corporation in KwaZulu Natal

(KZN), The Trade and Investment Kwazulu-Natal and the FDC – which is the Free State Development Corporation (Mahembe, 2011).

It, however, seems that the support from these mentioned agencies is not adequate, as it does not reach to the targeted audience - the small businesses, as anticipated. In the province of Gauteng, it was reported that 56.5% of the businesses contributions comes from owners, followed by 14% which is sourced from friends or family; compared to the 20.5% solicited from banks as loans and the 3.3% coming from the state, followed by the 2.8% coming from various private ventures. Only 2.2% comes in a form of grants (Njiro *et al.*, 2010).

The lack of awareness by government on the availability of these support platforms may also contribute to defying the purpose of the existence of such agencies. The much required assistance may not even reach the targeted audience if government is not properly promoting such agencies (Mahembe, 2011). In some cases, the government itself limits the access of prospective entrepreneurs by channelling funding to specific projects such as those falling within the BEE group or those regarded as high growth activities such as the renewable energy and manufacturing (Burger, 2016). In other cases, government institutions are more lenient with SMMEs by offering preferential interest rates and loan repayment terms (Burger, 2016).

According to John (2016) should SMMEs experience financial difficulties, it is unlikely that there will be financial support from central or local governments, whereas state-owned companies easily get bail outs. On a positive note, South African government recently introduced a new reorganization process in facilitating the rehabilitation of

financially distressed companies (Maphiri, 2015). Business Accessories Supplies and Equipment cc (BASE), a Close Corporation registered in terms of the Close Corporations Act (69 of 1984) of South Africa, was a typical example that benefitted on business rescue. This is a success story that proves that South African corporate reorganisation can be achieved successfully through business rescue (Maphiri, 2015).

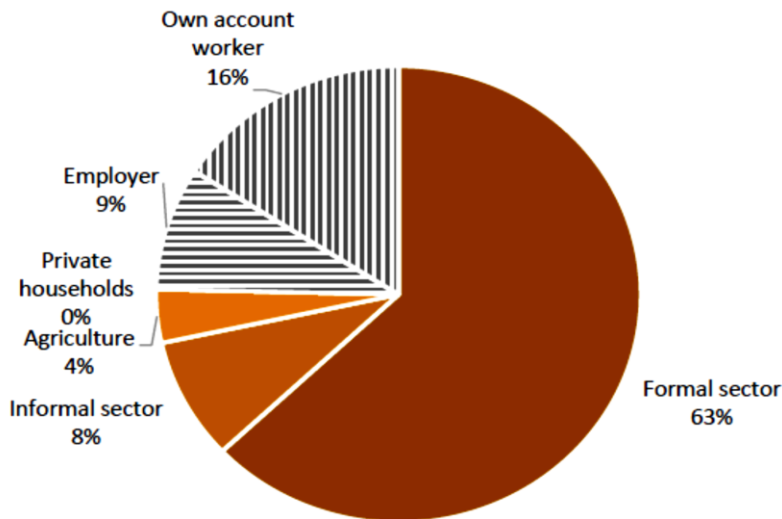
2.12.3 Basic Services

The type of basic municipal services required in the urban areas may be slightly dissimilar to those desired in the rural communities. In urban areas, poor to average service delivery could deter business investment, thus limiting employment opportunities for local communities, while in rural areas residents may be more concerned about the development of roads to provide access to markets (Thobejane, 2011). Getting electricity in Indonesia was made easier by reducing the time for contractors to perform external work due to increase in the stock of electrical material supplied by the utility. In Surabaya, getting electricity was also made easier after the utility streamlined the process for new connection requests (World Bank, 2017). According to the Grant Thornton International Business Report (2016a) sixty nine percent (69%) of business executives in South Africa were concerned about their companies being negatively affected by poor service delivery; while 86% stated utilities such as water and electricity being the key service delivery concerns affecting their businesses. Local government issues are a real problem for the entire society (Patterson, 2016).

2.12.4 Community interest to SMME sector

Unemployment in South Africa currently stands at 27.6%, the highest level ever, and youth unemployment is over 65% (Westvig, 2017). SMMEs play a vital role in the reduction of joblessness, but this can be possible only if small businesses have the necessary support. According to Karl Westvig, the CEO of Retail Capital “around 60% of early-stage entrepreneurs are expected to create between one and five jobs in the next five years, while more than a quarter anticipate generating six or more jobs”.

According to the Global Entrepreneurship Monitor’s (GEM’s) South Africa Report (2016), small businesses have proven to essentially bring solution by reducing unemployment, growing the economy and they are capable of generating income for many, in several emerging economies. A 2017 SMME quarterly report by SEDA reported the small business sector delivered job opportunities to approximately 9.1 million members of the South African community, in the third quarter of 2017. Out of these employment opportunities, about 2.25 million were jobs that specifically included the owners of the small businesses and the remainder of 6.9 million jobs were described as employment opportunities in general. The formal sector accounted for sixty-three percent of the SMME jobs overall; and females were estimated to hold 37 percent of the employment opportunities that were created by the SMMEs on the same period.



Source: SEDA SMME report, 2017

Figure 2: Employment provided by SMMEs

2.12.5 Transport network and connectivity

The transportation arrangement for distribution of bulky mass of shipments and multiple commuters on daily basis is capable of enabling growth of the global economy to sustainable level (Rodrigue *et al*, 2016). Empirical research show that a well-organized infrastructure and a healthy business environment are positively linked (Corcoran and Gillanders, 2015). The importance of transportation on SMMEs also cannot be overstated, as derived from the demand function of moving people, produce and/or services from one place to another for the purpose of human satisfaction. Notwithstanding the direct relations existing between the accessibility and value of the infrastructure, the condition and usage of such an infrastructure in the various developing markets, especially in the sub Saharan African district, raises a number of unending questions.

2.12.5.1 Defining transport network infrastructure

According to Aworemi and Ajayi (2013) the transport infrastructure, in its entirety, include road and highway networks, mass transit systems, railway and terminal facilities, canals and navigable waterways, seaports and light houses, airports and air navigational systems, bicycle paths and pedestrian walkways; and ferries, among other things. They further described the four basic modes of transportation which are the road, rail, water and air modes. These transport systems, when combined together, are considered elements of an integrated transport system. When designing an integrated transport system, a prudent integrated strategy should be able to better achieve the objectives set for it, hence, synergy (May *et al*, 2006). Mamoud (2007) suggested that the integration of transport system was about addressing the complications of extreme inequalities existing amid the supply side of transport services, goods and technology. The integrated transport system further provides SMMEs with alternatives of making choices among modes of transport which may ultimately lead to the reduction of transport cost, reduction of stress through easy movement of goods, sustainable environment and profit maximization (Aworemi and Ajayi, 2013).

2.12.6 Building plan approval

While numerous municipalities in South Africa have insufficient building inspectors, the reality is that building plans require approval from the local authority prior for a construction project, because the local by-laws provide local authorities with powers to terminate any construction work done without a prior approval (Hartdegen, 2011). According to Trollip (2017), all municipalities are tightening the rope to the general

public and construction companies, in particular regarding to the implementation of the National Building Regulations (NBR) and SANS 10400 laws. Municipalities are now, without prior notice, delivering final notifications to stop all building work that does not have building documentations on site such as approved building plans/documentation. The author continued to create awareness on the importance of adhering to the National Building Regulations (NBR) and SANS 10400 laws (Trollip, 2017).

2.12.6.1 National Building Regulations and SANS 10400

The National Building Regulations (NBR) and Building Standards Act No. 103 of 1977 make a provision for the advancement of regulations concerning the construction of structures in the authority of local municipalities; the NBR provide the recommendation of building ethics; with all matters associated thereof (Laubscher, 2011). The NBR set out the requirements, in the simplest and shortest way possible, to ensure that buildings are designed and constructed a way that persons may live and work in a healthy and safe environment.

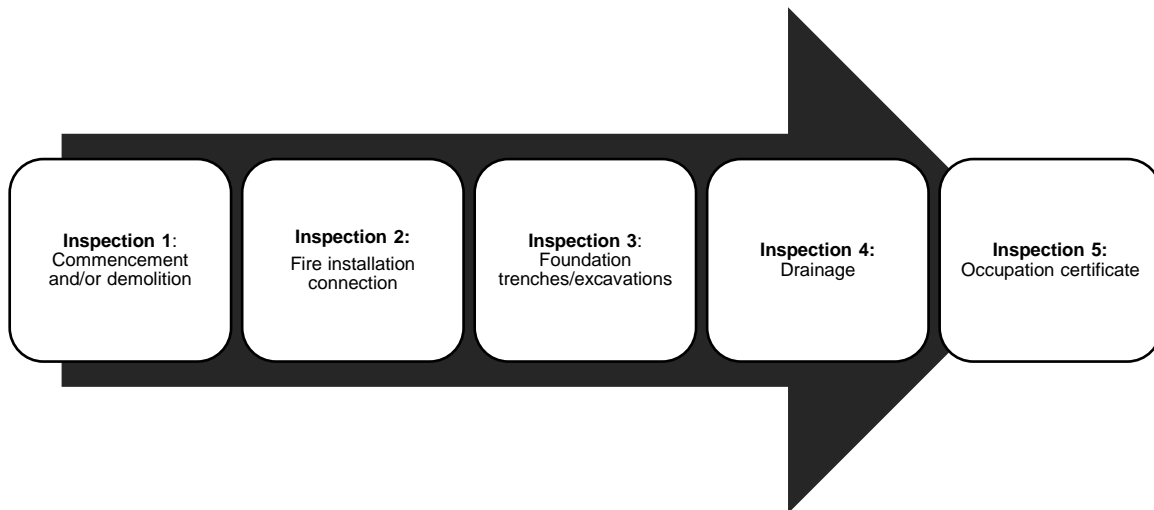
2.12.6.2 SANS 10400: the regulating instrument for municipalities

SANS 10400 is in essence, the code that carries out the application of the National Building Regulations (Laubscher, 2011). In the document, SANS 10400-A lay out the general principles and requirements for drawing, plans and other documents. The section also provides the overall framework for the application of the NBR (SABS, 2010).

The Building Standards Act (No. 103 of 1997) states that: *“No person shall without the prior approval in writing of the local authority, erect any building in respect of which plans and specifications are to be drawn and submitted in terms of this Act”*.

During the application process, the local authorities (municipalities) issue a ‘notice of approval’ in terms of building plans and specifications to the applicant. This notice of approval represents Act 103 of 1977 and all its relevant requirements. In a case where the applicant conform to the materials and methods as described in the application, the structure should be fit for its purpose. However, the owner of the property (or his agent) remains the legally responsible persons, because section 23 of Act 103 of 1977 exonerates the local authority from any liability should any associated damage, injury or death occur (Laubscher, 2011)

The implementation and regulation of the National Building Regulations occur through certain stages and inspections. Stage one of the regulation include lodging of an application to the relevant local authority. Subsequent to this stage, the local authority issue a ‘notice of plan approval’ to the applicant. Stage three of the process include site inspections. The site inspections take place in the presence of the local authorities as expressed on figure 3. This include the commencement and/or demolition, followed by fire installation connection, foundation trenches/excavations, drainage and the issuing of the occupation certificate, respectively (Laubscher, 2011). Specific number of working days’ notice to the local authority are required for each inspection.



Source: Author

Figure 3: Site inspections related to the implementation of NBR

As specified in Stage 3 of the implementation, it takes fourteen (14) days in the Nelson Mandela Bay municipality (SA) to obtain a building plan approval for a commercial warehouse of about 500m², whereas, it takes sixty (60) days in Johannesburg, Mangaung, Msunduzi and Tshwane municipalities to get approval (World Bank, 2015). To improve the approval process, municipal systems need to be streamlined like in India, where the Punjab government launched an online system to expedite the approval of building plans (Sagar, 2017).

2.12.7 Municipal utilities

Municipal utilities are referred to, as the set of services such as electricity, water, refuse and sewerage as provided by municipalities to the public (Property24, 2016).

2.12.7.1 Electricity

A favourable environment suitable for the development of business must include electricity (Lineweber and McNulty, 2001). To improve productivity, businesses tend to invest more capital, in making electricity a major direct and indirect input in the production process and survival (Cissokho and Seck, 2013). According to Attigah and Mayer-Tasch (2013) quality and reliability of electricity, supply is important for SMMEs as both factors have direct impact on the performance of a business. If there are challenges along the grid of electricity supply, then the economic growth and development of a country get to be exposed to various challenges. In this way, electricity supply carry the potential to, directly or indirectly, have impact on the fiscal activities of businesses (Attigah and Mayer-Tasch, 2013).

Energy supplies have a significant impact on economic activities, as energy is utilised for different tasks ranging from production, storage, powering of office equipment and product display (Velasquez and Pichler, 2010). Electricity is a significant resource necessary for manufacturing various products. According to Haanes *et al* (2011), various sectors of the economy such as manufacturing and transport require vast quantities of electricity for their operational processes such as storage and production. SMMEs have a high dependency on electricity as a standardised input because in the absence of electricity small business cannot produce to satisfy the requirements of customers.

a. Lighting and enterprise performance

According to ESMAP (2002), various small enterprises particularly in rural districts use electricity essentially for lighting. Some businesses such as electric repair shops require high quality light despite of the time of the day, while other businesses utilise electric light to extend their business hours during peak times or improve the appearance of their shop (Kooijman-van Dijk, 2008). Several studies reported that access to electric light by small businesses leads to longer operating hours which result into increased income (Attigah and Mayer-Tasch, 2013). An example is sourced from the study by GTZ (2009) which reported that the service sector SMMEs using solar home systems in rural Uganda worked for approximately one hour longer, attracting more customers and their monthly profits were about eight US dollars higher to a comparable group of matched businesses in a control region. On small businesses that are not credit constrained, Grimm *et al.* (2011) found that access to electricity contribute a significant positive impact on firm performance of informal tailors in Burkina. In the same study, Grimm *et al.* (2001) also reported that informal tailors with access to electricity in Burkina Faso worked around seventeen percent or four labour hours more per day compared to their counterparts that are that does not have access.

b. Access to electricity and productivity

A number of studies found evidence of a positive link associated with access to electricity and the quality of electricity supply on productivity of SMMEs (Attigah and Mayer-Tasch, 2013). Kirubi *et al* (2009) in Kenya, reported that electricity usage is capable of escalating the throughput per employee by around 100% to 200% for

carpenters. This also applied to tailors where a throughput of approximately 50% to 170% was achieved depending on the article manufactured. In Indonesia, Blalock and Veloso (2007) established a positive significant effect of energy consumption on business productivity from data collected on 20,000 manufacturing enterprises. A study by Fernandes (2008) in Bangladesh, found that power supply problems were of considerable importance to firm productivity. This was demonstrated by Arnold *et al* (2008) who sourced data from ten African countries in approximately 1000 manufacturing enterprises, where it was found that unreliable electricity supply has a negative impact that significantly affect the total factor productivity of a business.

c. Electricity and establishment of enterprises

The establishment of new small businesses that are home based, as a result of access to electricity has been investigated in a number of countries using data from household surveys. Some of the studies did report a positive correlation between electrification and increase in number of SMMEs that are home based (Attigah and Mayer-Tasch, 2013).

2.12.7.2 Water

Several contributing factors to premature deaths of small business have been identified as lack of water and/or quality water, as supplied by municipalities (Agwu and Emeti, 2014). Local government has not done enough to create the best conducive environment for SMMEs, especially those that require water for their businesses to operate (Mambula, 2002). This is evident in smaller municipalities where some businesses are confronted with major risks associated with water and are made worse

by poor functioning water supply systems (Hlalele *et al.*, 2016). According to Naidoo (2017), small enterprises that are predominantly relying on water for their survival are adversely affected by water restrictions or supply interruptions. This leads to loss of revenue and income; and threatens the wellbeing of the business. The operations of businesses generally affected by water restrictions or supply interruptions fall in the categories such as food, hairdressing, laundry services and car wash services (Naidoo, 2017).

In ThabaNchu, South Africa, a survey by Hlalele *et al* (2016) reported that the most vulnerable small businesses affected by water shortages included butcheries which require large volumes of water usage for production, and grocery stores that utilize water to maintain the freshness of their vegetables. Mambula (2002) attributed the failure of some SMMEs to inadequate water and shortages amongst other factors. A study by Mboniyane (2009), in Kagiso Township (South Africa) found that thirty percent of micro sized business initiatives and seventy five of small enterprises were not alerted by their local authority when the water was turned off for routine maintenance and repairs. From the study, municipalities did not consider the impact that could be resulting from irregular water supply, because businesses were not receiving courtesy announcements from local authorities.

2.12.8 Business Licenses

Literature on SMME development often does not report the importance of licensing regulations on small businesses (Briscoe, 2000). By definition, a business license is described as the document issued to a prospective entrepreneur interested in starting a business venture once the business conform with all the requirements as set out in

the Business Act No. 71 of 1991 and as Amended (No. 186 of 1993) in South Africa. Historically, local authorities were resolute in the task of enforcing municipal by-laws and regulations, especially during the era of racial segregation in South Africa. These laws were used to control and restrain enterprises to certain townships. During this period, local chambers of commerce and industry along with the local authorities were there to safeguard the interests of white owned enterprises (Christopher, 2001).

Although some municipalities made substantial progress to ease the regulatory environment for SMMEs, most municipalities have not really reformed. An example is taken from some of the Western Cape municipalities where street trading, business hours and operating a business from home is still highly regulated and legislated with the restrictive land use legislation and apartheid by-laws (Christopher, 2001). Before to the introduction of Businesses Act in South Africa, selling of articles in the streets (street trading or hawking) in KwaZulu-Natal was regulated in terms of the Licensing and Business Hours Ordinance, 1973 (Ordinance 11 of 1973), and by the Licensing and Business Hours Act, 1984 (Act 11 of 1984). It was required that, at a given time, a person conducting business must hold a business license before they were allowed to conduct any type of business activity. In their form, both the statutes could not function in tandem, within one province, because they contained some kind of similarities thereby creating juristic misperceptions and chaos (DEDT, 2010).

In the early 1990s, business licensing regulations in Namibia, South Africa and Zimbabwe were considered as unmerited and biased towards the small businesses; and this resulted to annulment (Briscoe, 2000). Briscoe (2000) reported that 70 to 75 percent (%) of small and micro sized enterprises in the country of Botswana were

operating without state authorization from residential zones. An autonomous SMME Task Force, therefore, recommended that the licensing and zoning by-laws should be completely improved to promote access of small businesses. In Tanzania, the licensing system was associated with bureaucratic ineptitude and corruption, where approximately 70% of SMMEs were operating outside the licensing prescripts. In Zambia, the implementation of licensing regulations by local authorities against hawkers or street traders, at some stage, became highly politicised and had resulted into conflict between central and local government (Briscoe, 2000).

For a small business to succeed, local government contribution is essential. According to Pahwa *et al* (2006), municipalities are essentially not in a business of loaning finances to small enterprises but they contribute to SMMEs by easing the burden of red tape surrounding business licensing and registration. This could increase the access of small businesses to private loans. Even though regulations put in place by local authorities may be part of the fundamentals that facilitate general business environment for small businesses, they may aggravate or improve the current setting in the SMME sector (Pahwa *et al.*, 2006).

Mtisi *et al* (2017) reported relatively high licence levies as some of the challenges experienced by SMMEs in one of the Zimbabwean districts, Insuza, given the low levels of trading and the varying fees per district. In a study by Olawale and Garwe (2010) the cost of regulation has been identified as a factor impeding the growth of SMMEs, as it feeds into their much needed working capital. A study by Gaviria (2002) reported that the reason causing SMMEs to participate in corrupt activist in South Africa is a result of the complications associated with regulatory compliancy and bureaucracy. In

Kenya, most small business operators, in a form of street traders, got their licences either by paying or bribing an official or are well connected to urban authorities or influential personalities as a result of the cumbersome process (Mitullah, 2003).

2.12.8.1 Legalities associated with business licensing

Although the licensing process is regulated at the national level, it is implemented by the respective municipalities. In South Africa, the Business Act (71 of 1991) stated that businesses supplying meals or perishable foodstuffs, hawking meals or perishable foodstuffs, or business providing certain types of health facilities or entertainment, are required to obtain a license. The Act also empowers local authorities to implement by-laws regarding the conducting of business by such entities as street vendors, pedlars or hawkers. Furthermore, it is essential for national legislations such as the National Health Act (Act 63 of 1997), the National Building Regulations and Building Standards (Act 103 of 1977) as amended, the Tobacco Products Control Amendment Act (Act 12 of 1999) and Tobacco Products Control Act (Act 83 of 1993) and; the various regulations made in terms of national legislation such as the Foodstuffs Cosmetics and Disinfectants Act (Act 54 of 1972) applicable to business licensing to be observed by businesses. Particular by-laws from the various municipalities relevant to business licensing process must also be prioritised (City of Cape Town, 2003).

2.12.8.2 Costs associated with business licensing on SMMEs

In complying with the licensing regulations, various costs suffered by SMMEs before even operating their businesses, have been identified. According to Pahwa *et al.*, (2006) the following costs are incurred:

- i. **Planning costs** which consider time as cost factor for waiting on approvals. The building costs associated with up to one percent (x square metres) levy; the capital contribution for bulk services which could cost up to R35 000. Application fees for building plans and zoning, which could cost up to R2000, the professional/consultant fees for business plans which could be up to R30 000. With hawkers, some municipal stands located in strategic areas could cost up to R100 per month and this could be doubled in some instances, especially in December or during peak periods for tourists.
- ii. **Capital costs** on structural adjustments, especially in the entertainment sector as a result of regulations such as the Noise Act and Tobacco Act which provides for control of noise and air pollution; for example, acoustic structures to comply with noise regulations and structural provision for smoking or non-smoking clients.
- iii. The **application fee** which is the cost related to the process of applying for a business licence. As insignificant as it may be, it is still regarded as one of the costs incurred by a prospective applicant for business.
- iv. **Transport costs** which is, especially, common in communities which are situated away from government establishments and service areas. This is mainly described as a major deterrent factor to the unemployed and to prospective business owners considering to start a small business. Prospective and existing business owners regularly travel from one licensing section to

another just to obtain these legal documents, while incurring endless transport costs.

2.13 Good governance

Good corporate governance provide ways to which businesses are ordinarily expected to be regulated, function and be organised. It deals with the supervision of those directing and controlling management; and is responsible for holding them to account. For small, medium and micro sized enterprises, good governance is concerned about the various roles of the stakeholders, executives and administrators. It relates to the setting up of guidelines and procedures that safeguards the efficiency of a business. Good governance is about implementing a system of checks and balances to avert abuses of power and safeguarding the integrity of financial standing of a company (Abor and Adjasi, 2007). In the context of OECD, as quoted from Gisselquist (2012), good governance focuses on elements of accountability, transparency, efficiency, effectiveness, responsiveness, forward vision, and rule of law.

Having some kind of governance structure in an enterprise is fundamental to the growth and development of a successful business. Most of the small business owners view corporate governance as a model that is exclusively applicable to big or multinational corporates and it is often related to bureaucratic processes and substantial costs. However, good corporate governance should to be viewed as the main driver of the business performance; and should be regarded as a business component that advances the strategic vision and influence decisions of the enterprise, enabling the business to monitor and manage risks as it develops and reach its maturity (Wellalage and Locke, 2011).

South Africa is an exceptionally regulated country when coming to business and has numerous laws relating to business compliance. The King IV Report on corporate governance is a typical example. Over the past twenty years, the King reports have turned out to be identical with good governance. Thus far, the King Codes have had restricted effect on small, medium and micro sized enterprises. King IV however is now applicable to small businesses, especially those with the Companies Act's public interest score of 350. SMMEs with a lower score can still adopt the principles of King IV to take advantage of the many related benefits. Small businesses that implement the King IV principles have better access to funding opportunities, are able to effectively manage conflict in a family business, establish internal controls that helps in lessening business costs and are able to effectively tolerate economic strain (Stander, 2016). King IV is not meant to increase an additional stratum of burden to SMMEs but help entrepreneurs and business managers to productively run their businesses.

2.14 Summary

This chapter was mainly reviewing both the past and present literature relating to the key standards which will applied to evaluate a business friendly municipality towards the SMMEs. This section expressed the expectation from the ideal business friendly location and it further focused into the state of doing business in South Africa followed by the assessment of the economic background of Mpumalanga province where the Gert Sibande district is located. In this chapter, various concepts that are directly or indirectly linked to the key standards selected for the evaluation of a business friendly environment were comprehensively discussed.

CHAPTER 3 - RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an overview of the research methodology. The research paradigm, research design and rationale for selecting the specific design will be discussed in this chapter. The study area and the participants that were involved in the study will be comprehensively discussed in this chapter. The sampling procedure; how the data collection process was handled and the specific instrument chosen will also be deliberated in this section. This chapter will give an overview of how the data was analysed and; articulate the reliability and validity of the study, as well as how biasness was handled and how the researcher dealt with the concerns of ethical considerations.

3.2 Research paradigm

Schwandt (2001) define a paradigm as the common view of the world that symbolises the principles and standards, in a discipline, that provides a direction on how problems are solved. The view of Kivunja and Kuyini (2017) is that the research paradigm carries a very important value because it provides a philosophical direction to the researcher, as it controls every decision taken in the process of the research; and this include both the choice of methods and the methodology itself. Kivunja and Kuyini (2017) further explain that the research paradigm communicates to the researcher how practical meaning will be created from the gathered data, based on the experiences of individual researchers. It is, thus, of great importance, to unambiguously define the paradigm of the research in the process of writing a research proposal.

Generally, there are three major elements of a paradigm, namely; ontology, epistemology, axiology (Patton, 2002). Ontology is part of a philosophy that focuses on things that are accepted as true without evidence, in order to accept that something is real (Scotland, 2012). It scrutinises the individual or the researcher's belief, about the nature of being and existence. It is further based on the assumptions that are made in order to believe that something makes sense. Ontology assist in the conceptualisation of form and nature of reality and what is believed about that reality. With ontology, the assumptions, notions or propositions assist in creating an understanding of a research problem and its impact; and how the researcher could approach it to formulate a solution from the collected data (Scotland, 2012). Epistemology, on the other hand, investigates the nature of knowledge and truth; and how it could be acquired, and communicated to others. It is centred on the nature of human knowledge that the researcher has to spread, broaden and it offers a deep understanding of a specific field of research (Kivunja and Kuyini, 2017). Axiology is comprised of definition, evaluation and understanding of concepts of right and wrong behaviour based on the research. It takes into consideration the value that will be attributed to the various features of the study, the participants, the data and the audience responsible for receiving the outcomes of the research (Kivunja and Kuyini, 2017).

3.2.1 Positivism paradigm

Positivism began in the 19th century as a philosophical paradigm. The positivism paradigm was established by Auguste Comte following his rejection of metaphysics. Auguste Comte's assertion was that the truth about reality could only be revealed by scientific knowledge. In the early part of the 20th century, the members of the Vienna

Circle then officially adopted this paradigm as the dominant scientific technique (Kaboub, 2008). The positivism paradigm emphasises that the actual events can be investigated empirically and simplified with logical examination. The principle for assessing the rationality of a scientific theory is whether our knowledge claims are constant with the information we are able to acquire by means of our senses (Kaboub, 2008). In a nutshell, Positivism is founded on the principle that science is exclusively the base for true knowledge.

3.2.2 Interpretivism paradigm

A research subjected to this paradigm is more subjective than objective because interpretivism provide willpower to the researcher to evaluate, comprehend and make inferences, from the understanding of the participant (Thanh and Thanh, 2015). Interpretivism is mainly focused on the perception of an individual and their understanding of the domain around them; and it uses meaning oriented methods, in place of measurements, such as interviews or observations by the participants (Thanh and Thanh, 2015). According to Willis (2007), interpretivism is considerably broad, as it accepts various perspectives of diverse individuals from various groups. Willis (2007) further asserts that the notion of several perceptions is established from the principle that external reality is variable and dissimilar individuals and groups are constituted of varying observations about the world.

3.2.3 Transformative paradigm

Creswell (2014) pointed out that transformative paradigm connects scientific investigation with its historical and political background; and function as fundamentals

of empowerment of a society through the discovery of knowledge. Creswell (2014) further elucidated that the transformative paradigm is centred on the identification of constraints that are placed in a society as defined by race, gender, and socioeconomic status in order to increase the consciousness of inherent oppression (Creswell, 2014). According to Mertens (2010), the belief system of the transformative approach supports the practise of a cyclical model where public is featured into the research process from the commencement and all the way through the process in a range of roles. Mertens (2010) further recommends that the different roles has to be negotiated by both the parties (researcher and the public involved in the research). She then emphasises that part of the series of transformative research is that the various participants ought to actively seek options for social change. If research work is undertaken in this way, then researchers are said to be working in a transformative environment (Mertens, 2010).

3.2.4 Pragmatic paradigm

A pragmatic approach generally motivate researchers using varying systems from various paradigms to give emphasis on mutual values and pursue multiparty action (Morgan, 2007). Morgan (2007) further deliberate on a simple context to demonstrate how a pragmatic approach vary from each of the quantitative (positivism) and qualitative (constructivism) approaches with regard to the link between theory and data. Whereas quantitative and qualitative research link theory to data by means of deduction and induction respectively, the pragmatic approach depend on backward and forward movements between deduction and induction (Modell, 2009). Whereas quantitative research is impartial and qualitative research is influenced by certain circumstances, a pragmatic approach to research defies the traditional merit amongst

the two, when conducting a research (Modell, 2009). A pragmatic approach permits researchers to be adequately flexible in the adoption of the most practical method of addressing the research questions. In considering this approach, there will be extraordinary realisms resulting from both quantitative and qualitative research (Creswell and Plano Clark, 2011). While standards will have a role in the way the research is conducted, pragmatic researchers are not necessarily apprehensive about this approaches. They continue conducting research in a manner that is that is not contracting their specific value systems. On the subject of inferences drawn from data, the quantitative research strive for the generalization of its outcomes, whereas the outcomes of a qualitative research become specific in context.

3.2.5 Paradigm accepted in this study.

This study has adopted the interpretive paradigm. Interpretive paradigm, as reported by Thanh and Thanh (2015) is mainly about the perception of an individual and their understanding of the domain around them; and it uses meaning oriented methods such as interviews or observations. In the case of this study, the researcher interviewed the participants by a way of allowing them to express their insights about the role of their municipalities in the creation of a business friendly environment for SMMEs.

3.3 Research design

3.3.1 Quantitative research design

Quantitative research is mainly about the collection of numerical data. The approach of quantitative research largely follows the confirmatory scientific method as it focuses

on the testing of hypothesis and theories with empirical data to understand if they are supported. Researchers of quantitative research endeavour to subject themselves under the theory of objectivity; and often employ standardized questionnaires and other measuring tools to judiciously quantify what is experimented (Antwi and Hamza, 2015).

3.3.2 Qualitative research design

Qualitative research is dependent on the collection of non-numerical data which take into account illustrations and written representations (words). This type of design is allow the participants to be highly expressive and strives to explore profound meanings and opinions of the study participants. Trafimow (2014) stated that, for the collection of data to be used for qualitative research, the researcher has to confer with the study participants in a locality of their choice and then duly observe words articulated, the voice modulation and gesticulations. The need for an open-ended enquiry is also important as it provides the study participant with to put across their views and experiences with ease, in contrast to quantitative research which provide participants with pre-set inquiry (Yilmaz, 2013).

3.3.3 Mixed methods research design

Mixed research incorporates both the qualitative and quantitative research techniques. The research questions, in this case, will help determine the appropriateness of this method. Other factors include the setting and applicable issues faced by the researcher. Mixed research design emphasizes the importance of understanding the personal state of affairs, circumstances shared by more than one practical mind and the objective practicalities in our domain. While it is essential not to sway observations

of research, it also is significant to have a better understanding of values and perspectives thereof (Antwi and Hamza, 2015).

3.3.4 Rational for selected study design

The study was conducted through the use of a qualitative research design. Anderson (2010) reported that qualitative method generates rich, detailed data and provides multiple contexts of understanding of the phenomenon under study. Qualitative research design was relevant to achieve the objective of the study as the researcher needed to get a thorough insight of what constitute a business friendly municipality for existing and potential SMMEs to thrive. The design was relevant because the use of interviews enabled participants to express their experiences on opinions without restrictions.

3.4 Study area and participants

The study was conducted in Mpumalanga province and was based at the Gert Sibande district municipality. The district is made up of seven local municipalities, namely; Chief Albert Luthuli, Dipaleseng, Govan Mbeki, Mkhondo, Msukaligwa, Lekwa, and Pixley kaSeme local municipalities. The representative participants of the study were LED practitioners in the Local Economic Development unit of each municipality.

Prior to the collection of data, the researcher telephonically communicated the intention of the study to offices of the various Municipal Managers, in the respective municipalities. Subsequently, two official request letters; one from the researcher

(Appendix 3) and a supporting letter from the study supervisor (Appendix 4) were sent through the electronic mail to the offices of the various Municipal Managers.

3.5 Population and sample size

The seven municipalities falling under the Gert Sibande district municipality, as outlined above, was the targeted population. Only four (4) municipalities showed keen interest by consenting to participate in the study. The municipalities documented their interest into various ways – via electronic mail, over text messages and over the phone. For reporting the results, the four municipalities that participated in the study are referred to as LM1, LM2, LM3 and LM4 municipalities.

3.6 Sampling strategy

Purposive sampling method was used in the study. This sampling technique allows for deliberate choice of partakers, once the researcher has identified specific qualities of interest from the participant (Etikan *et al.*, 2016). According to Etikan *et al* (2016), this kind of a sampling strategy could be best described as a non-random sampling procedure that does not need underlying theories or a traditional number of participants. In a nutshell, the researcher chooses the subject of interest and find individuals are keen to co-operate by providing information based on their knowledge or experience (Bernard, 2002). Purposive sampling is commonly used in qualitative research to identify the information-rich cases for effective use of limited resources (Cresswell and Plano Clark, 2011).

3.7 Data collection and instruments

Subsequent to the permission being granted to the researcher to collect data, the researcher was directed to the relevant office bearers. The office bearers were then contacted by electronic mail and by telephone to, subsequently, set up appointments. All appointments were scheduled based on availability of the participants.

3.7.1 Instruments

The researcher scheduled telephonic interviews for data collection. Musselwhite *et al.*, (2007) confirmed that certain benefits linked to telephonic interviews, as a method for data collection, include efficient use of economic and human resources, minimized disadvantages linked with in-person interviewing, development of progressive relations between researchers and participants, and improvement of the quality of data collected. Glogowska *et al* (2011) further supported this notion by stating that telephonic interviews are a valuable alternative to face-to-face interviews and researchers should give convincing reasons on the selection technique for collecting data. With regards to this research, the researcher resides in the Durban area, KwaZulu Natal province while participants are located in the various parts of Mpumalanga province. Availability of resources and time constraints were amongst the factors that were considered when selecting the telephonic interviews for data collection.

In selecting this type of data collection instrument, the researcher followed the approach by Farooq and De Villiers (2017) which outlines the methodology of utilising a telephone on qualitative research interviews – Refer to Appendix 1. Telephonic

interviews create a highly proportionate setting between the participating parties in a dialogue (Vogl, 2013). Such interviews also create a comfortable environment for the two interacting parties to express their opinions with ease and without limitations. Telephonic interviews also offer the interviewee a better advantage to direct the discussion towards the parts they feel are of interest.

Traditionalists stated that the absence of physical interaction may limit the ability of the interviewer in developing or maintaining a connection during the interview process (Shuy, 2003). This is contradictory to the findings of Vogl (2013) who compared 56 one-on-one interviews with 56 telephonic interviews. The author reported that there was no significant difference in the length of the dialogue, the total number of words uttered during the conversation, the number of responses, the ratio of words articulated, the number of conversational breaks during the proceedings, or even the necessity for clarification when comparing these two modes of communication (one-on-one and telephonic interview).

During the interview, a semi-structured interview questionnaire with open-ended questions was used (Appendix 2). The predetermined questionnaire was used as a guide for the researcher, as it provided standardised set of questions which were asked to all the study participants. All interviews took place during the first and second week of June 2018, and the average time each interview was approximately forty minutes. All the interviews were recorded through a smartphone that was equipped with an application that records the call conversations. Subsequently, the researcher transcribed all the interviews for later analysis.

3.8 Data analysis

Thematic analysis was used to analyse the data. The analysis was used to identify and extract themes and patterns from the data (Braun and Clark, 2006). Braun and Clark (2006) mentioned that thematic analysis has a great benefit in analyzing qualitative data as it is flexible and serve as a useful research tool which potentially offers rich and detailed, yet multifaceted accounts of data. This analysis helped the researcher to achieve a better understanding of the different perspectives. This study followed the six-phase guide framework for conducting this kind of analysis by Braun and Clarke (2006) namely;

Step 1: Becoming familiar with the data,

Step 2: Generating initial codes,

Step 3: Searching for themes,

Step 4: Reviewing of themes,

Step 5: Defining themes,

Step 6: Write-up.

During the process of transcribing from voice to word document, the researcher made all attempts to transcribe each of the interviews as accurate as possible. Since the researcher conducted the interviews on both English and Zulu, it should be noted that when the researcher was transcribing and translating the interviews to English exclusively, some of expressions and meanings may have been lost in the process. In the event where a participant used English, the researcher quoted those responses verbatim, during the transcription process.

3.9 Reliability and validity of the study

Whereas the checks and balances utilised to determine the validity and reliability of quantitative research cannot be applied to qualitative research, there are constant dialogs about the relevance of concepts such as validity, reliability and generalisability when evaluating qualitative research (Rolfe, 2006). In contrast to quantitative research, that apply statistical approaches to establish validity and reliability of research findings, the qualitative research seek to design and integrate a practical approach to safeguard the reliability of the findings (Noble and Smith, 2015). In the case of this research, respondent validation, which included the engagement of participants by the researcher to comment on the interview transcript and the final themes and concepts to effectively reflect the phenomena being investigated, as quoted by Long and Johnson (2000), was done. It is also important to note that at no stage did the researcher manipulate the collected data to reflect a desired outcome except for what was conveyed by the study participants. The technique of collecting data and the transcription thereof, and data presentation reflects the opinions of the study participants.

3.10 Biasness

Qualitative research is usually dependent on information provided by participants through interviews, surveys or focus groups (Allen, 2018). While the views and opinions of participants are often important, it is essential for the researcher to ensure that he/she does not lead the respondents' answers, as this may create an impression of biasness. It is also important for researchers to prompt probing questions throughout the interview; and request for comprehensive details or amplification, especially if the

participant is inexplicit or has provided contradictory views to avoid biasness (Allen, 2018). During the interview process of this study, the researcher was able to probe the participants, where necessary and had given the participants an opportunity to express themselves freely.

3.11 Ethical consideration

Key ethical issues were considered on this study project. The researcher followed due processes to obtain consent prior to collecting data from the participants. The ethical clearance (Appendix 5) for the study was obtained the University of KwaZulu Natal ethics committee. The researcher has also taken responsibility to respect the confidentiality and anonymity of participants of the study.

3.12 Summary

This chapter highlighted the various research designs and ultimately specified the research design selected by the researcher followed by rationale for selecting the design. The study area was described and participants were identified in this chapter. Data collection instruments and the rationale for the choice of the instruments were described in this chapter. Furthermore, this chapter identified the data analysis methods and summarised six-phase guide framework for conducting this kind of analysis. The sampling method was also outlined while the validity, reliability and biases of the study were described, followed by the ethical clearance.

CHAPTER 4 - RESULTS

4.1 Introduction

This chapter of the study will outline the findings of the data collected from the various local municipalities of Gert Sibande District. The data was collected through comprehensive telephonic interviews from the various Local Economic Development practitioners of the respective local municipalities. The findings were comprehensively presented using various themes as guided by the framework of Braun and Clarke (2006). The themes were presented schematically where the interlinked sub-themes were also displayed accordingly under each section.

4.2 Themes

In the process of analysing the collected data, the researcher identified and summarised themes. The themes will be further explored to sub-themes and these will be discussed on the research findings. As pointed out on the methodology section, the four municipalities that participated in the study are referred to as LM1, LM2, LM3 and LM4, for the purpose of reporting the results.

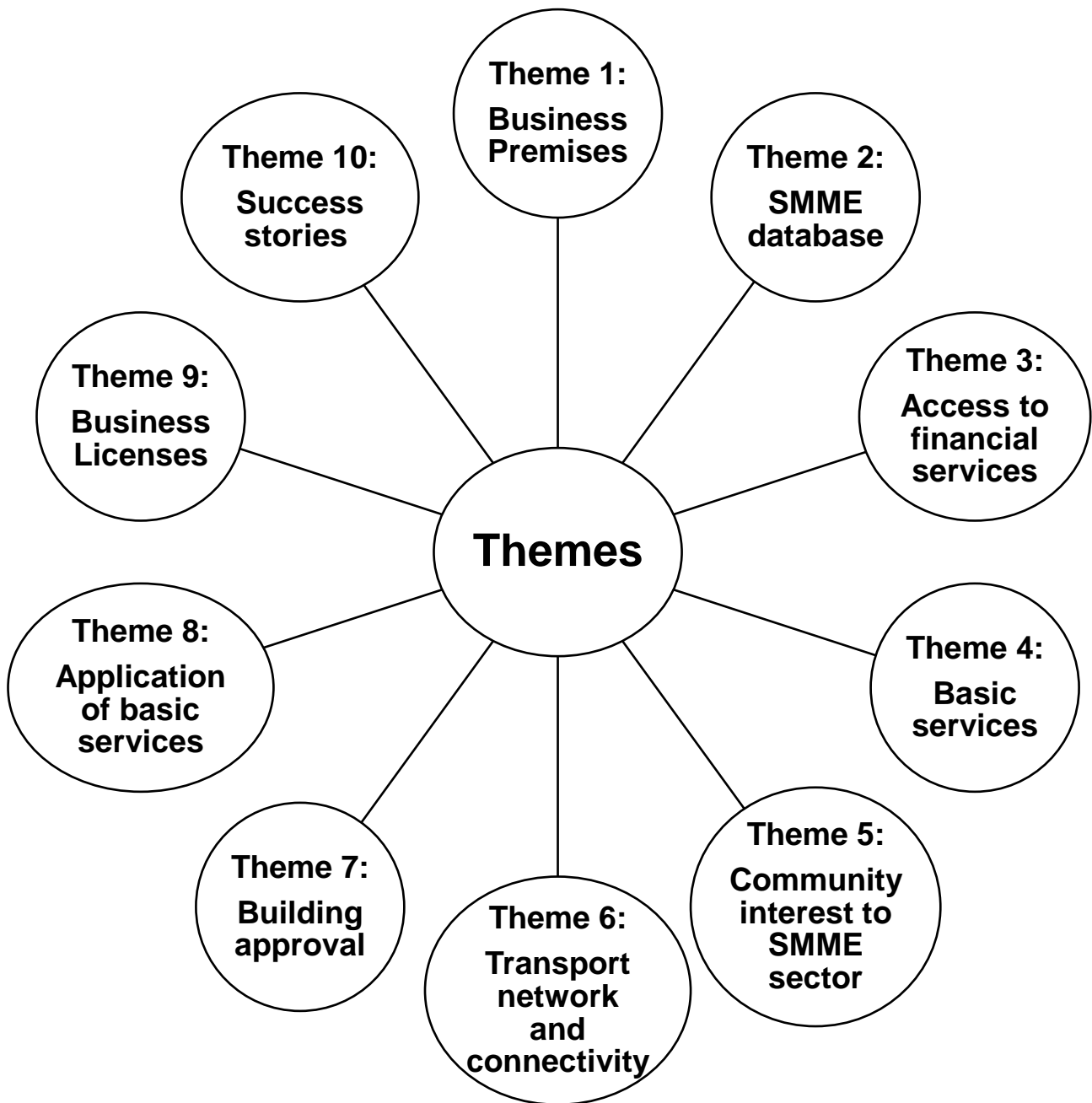


Figure 4: Schematic representation of the themes

4.3 Business premises

The objective of this theme was to establish if the municipalities make provision or have adequate business premises to assist emerging SMMEs. Additionally, the researcher intended to assess how strategically located are these premises to aid SMMEs with exposure, income generation and sustainability. It was also important to establish the opinions of the LED practitioners on certain processes related to acquiring access to the municipal premises. The availability and impact of the serviced land parcels were explored for similar reasons.

Views of the various participants in this study will be presented. The findings emanating from the various themes of business premises will also be discussed. A schematic summary of business premises with its sub-themes is shown below

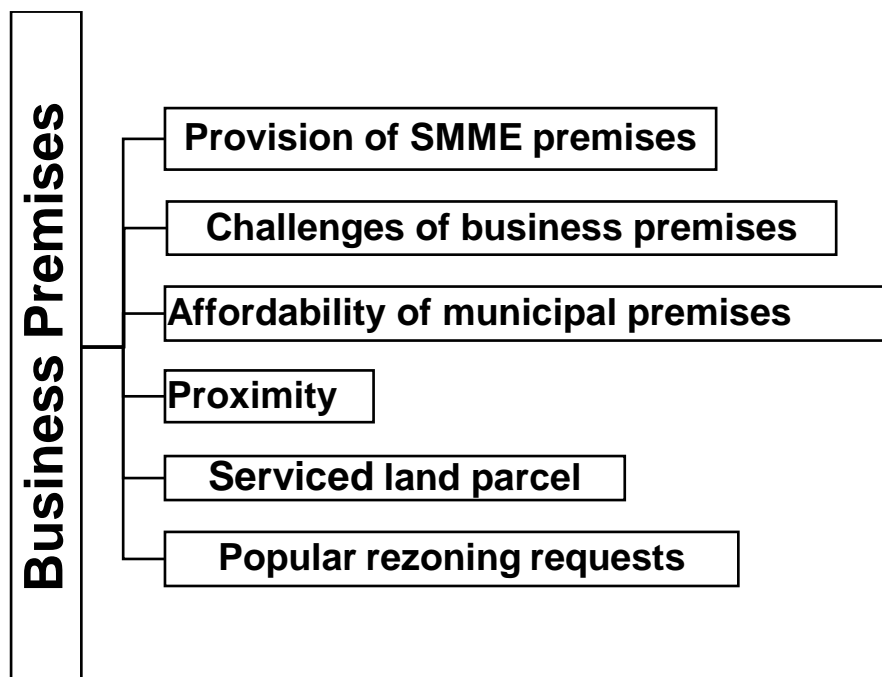


Figure 5: Themes regarding business premises

4.3.1 Provision of SMME premises

LM1 municipality confirmed that it provided trading premises to SMMEs and had this to say, *“Remember the trading premises that were inherited by the municipality post 1994, which belonged to the previous government and economic development agencies? They are the same premises we now use to house the emerging SMMEs”*. In spite of providing trading premises, this municipality (LM1) expressed unavailability of space as factor that needs to be considered, *“...there is no new buildings that the municipality built post the 1994 era as we are still using the old ones”*. LM2 municipality similarly provided this feedback, *“Yes, we do have... we assist you in starting your business and then we house you.... But the space is very limited...very...very limited”*. LM3 municipality also provided a similar view, *“We provide it...space affects us a lot. We don’t have a space that emerging small businesses require at times. Others are even willing to sell in front of existing shops and it is not allowed...So space is really a problem...Jah...especially around town...at the CBD...it’s just really full”*. The proactive role of LM3 in accommodating the SMMEs made it to stand out from the other municipalities, *“...we used to have such a program...there was a municipal building that was no longer used, then we...mm....Mm...allowed SMMEs of manufacturing to occupy it. LM4 municipality, likewise, had this to say, “Jahh...the emerging SMMEs are able to...to... get access to those business premises that are provided by the municipality”*.

4.3.2 Challenges of business premises

LM2 municipality pointed out to the frustration of removing the SMME owners once they occupy the business premises even after they have been sustainable to stand on

their own. The participant commented as follows, “...*there are people that were housed in our business premises for over years now...and they are resistant to...to vacate. Once that space is occupied, then it become difficult to remove the occupants so that other start-ups are allocated; that is why the current properties are full. They are full of people that were housed long a time ago.* LM4 municipality expressed similar concern“...*others go to the waiting list...as it takes too long for one to move out so that another could be allocated and others resist.* Municipal LM2 further explained how the process of space allocation was supposed to work, “*You know what the real plan was? the plan behind was to say...we assist SMMEs in starting their business and then we house them in the space and then once we...we...they are well monitored and they are... they have proven sustainability...we accommodate another person that is coming... who is new, but it’s not working this way because some officials are influencing the process*”.

4.3.3 Affordability of municipal premises

The first year in the life of an SMME is critical to its sustainability and long-term success. Too often, new business owners find themselves confronted with high property rental costs, while making efforts to secure other essential infrastructure (Porter, 2016). Participant LM4 pointed out the following, “...*this year they (SMMEs) were paying R150*”.The participant further articulated mentioned, “*Remember they (SMMEs) are still emerging and there are few job opportunities out there. We understand... and that’s why we don’t demand a lot of money considering what they make in general.* Similarly, LM1 indicated that there was a monthly nominal rental fee to which the municipality require from SMMEs occupying its business premises; the

participant commented as follows “...they (SMMEs) are renting on that minimal fee....I think it's R200.they are able to lease at a very minimal fee”.

4.3.4 Proximity

With regards to proximity of business to the road networks, both LM1 and LM3 municipalities indicated that most of their SMMEs are closer to the road network. In contrast, LM2 municipality mentioned that small businesses were approximately 50 kilometres away from the road network, while LM4 municipality commented that not all small businesses are closer to the road networks. The researcher further probed the participants on the importance of small businesses being closer to the road networks. The LM1 municipality commented as follows, “...they (SMMEs) are able to....to reach their clients... or... customers are able to access them easily”. LM3 municipality's view was as follows, “Jah.... if you are closer to road networks that's where the economic activities are...so those that are a bit further are disadvantaged relatively. Participant LM4 similarly responded by means of a practical example stating that, “Those that are closer to the road network benefit cause...Uuuuhhhmmm...because there is a border from Mpumalanga to... KwaZulu Natal...so even the taxis stop here. When the taxi stop all the passengers go to the shops...so SMMEs closer to the road benefit more than those that are from the networks. LM2 municipality in unison commented as follows, “....we can say that because they are more exposed than those (SMMEs) further away”. LM2 municipality went further to point out that it was also about access to information, “...with them (SMMEs closer to road networks) it's easy to access the info from other competitors.

The study also explored the significance of proximity of small businesses to communities. It was found that all the participating municipalities had SMMEs that operate closer or in the communities. The opinion of LM1 municipality was that SMMEs were able to generate sustainable income because of the accompanying free business marketing (Word-of-Mouth) that comes with clients. The participant commented in this manner, *“....they (clients) are able to market your products with word of mouth. If somebody sees you carrying a huge live chicken or maybe you are from the salon with a nice hairstyle, you get asked where you bought the chicken or where you’ve done your hair, and then you are able to tell him or her it’s from SMME X. They are able to access the salon or the SMME selling chicken quicker because of the proximity”*. The LM2 municipality thinks that it helps to be closer to communities but only if SMMEs create relations with their client. The participant commented, *“I will say Yes it assist, but at the back of my mind I would say it assist those that have created some kind of relations with their clients”*. The view of LM4 municipality was based on the impact it has on income, *“The fact that they are closer to communities has a positive impact on income because people buying your product are now used to your service”*.

4.3.4 Serviced land parcels

These are “shovel-ready” municipal land parcels or plots of land that have existing layout out and are ready for construction. Access to such plots is granted because of the availability of utilities or services, such as electricity, water and sewer lines. Participants were asked if their municipalities provided service land parcels to emerging entrepreneurs or businesses. Participant LM3 is the only municipality that provides serviced land parcels. The participant provided a brief snapshot to the researcher on how the land parcels are allocated as follows, *“uuummmm...with*

us...uuummmm before we give them the land, they have to do a land request...uuummmm...then we circulate...the request to relevant departments, especially the technical department, to check if the place they request does have services". In spite of the other participants not offering serviced land parcels, LM1 commented as follows, *'Jah, they do contribute, especially those owned by the municipality'* while participant LM3 acknowledged the impact of not having this service in their jurisdiction as follows *"...It does affect us because we end up not giving them land and space"*.

4.3.5 Popular rezoning requests

The purpose of zoning is to locate particular land uses where they are most appropriate. In South Africa, the law require businesses intending to function in an area of residence to apply for rezoning. When the property owner needs to utilise land in a way that is not permitted by zoning, the owner need to request for rezoning to the authorities, in order for proper classification and permitted use (Goslett, 2017).

In this study, the various municipalities were required to identify popular zoning requests and, in their opinion, describe the motivating reasons for these preferences by their SMMEs. The popular requests which were found to be common across the municipalities included shops, liquor retail, accommodation, car service centre, pre-schools and bakery. In addition to this, each municipality had distinctive requests which were: clothing, car wash, salon, vegetable stalls and manufacturing workshops (LM2 municipality); funeral parlour, consulting rooms, flats and townhouses (LM3 municipality) and; electronics and internet café (LM4 municipality).

Reasons for provided by LM1 municipality on the preferences by SMMEs to specific requests are as follows, *“I’ll start with the bakery; the bakery is easy because SMMEs are able to access funders. Regarding to Accommodation, hotels and staff... the area, especially around area X, has this attractive factor that pulls the attention of holiday makers to come visit the area, making us receiving high applications for tourism because people want guest houses etc. But as for alcohol and liquor... I really wonder what attract people to opt for this business option, because every five days we receive liquor requests; and liquor zoning applications are usually the highest”*. LM2 municipality on the hand responded in this manner, *“...uhhmmm...these are the businesses that SMMEs are normally.... normally engaged in. Things that maybe they see have market around”*, LM3 equally agreed with LM3 by commenting, *“... Uuummm.... I think these are the businesses...uummm...uummm...that SMMEs really prefer, like...uummm...you know ...uummm... they are most likely to be interested on these services here in these communities. Jah...the market is there”*. LM4 municipality was specific about the one request above all of them, *“uuuhhmmm...we are rating more on tourism”*.

4.4 SMME database

Information is a fundamental resource to the success of any corporate. Organizations that keep information on a central database are able to monitor their records with ease and are likewise able to access such information with ease. Centralising information contribute to effective planning of activities, as the processes of accessing information become simplified. To explore the concept of an SMME friendly municipality, it was essential for this study to find out how the municipalities have access to and retain information on SMMEs within their respective areas of authority.

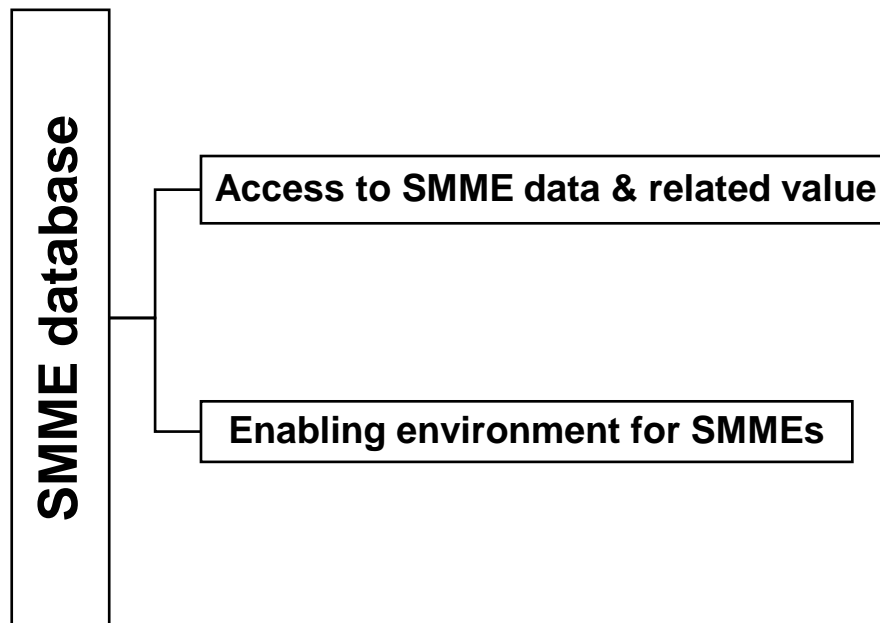


Figure 6: Themes regarding SMME database

4.4.1 Access to SMME data and related value

Participant LM1 had this to say, *“We do have an SMME database but it is now no longer used, you will remember that municipal databases were active before the introduction of the central supplier database in South Africa. We are now dependant on the national database. Although it does still exist, our database internally is no longer in use”*. LM3 commented in this manner, *“...every year...uummmm...we go to the wards, we speak to the ward councillors then we try to update it. We update it on an annual basis”*. On the related value of this data, LM2 municipality articulated as follows, *“...it assist us in knowing who is involved in business or... assisting in terms of...assisting us in terms of getting the numbers”*. LM3 municipality expressed these sentiments, *“Basically...umm....it does assist...Say we want to do an SMME day or awareness, that’s where is assist us. We know, for example, for arts and*

crafts...umm...uuuummm...how many people are there and where they belong. It also when we have to do transport arrangements, we get assisted”.

4.4.2 Enabling environment for SMMEs

In creating an enabling environment for SMMEs by the municipalities, the following comment was expressed by LM3 municipality “...*The municipality assist already existing SMMEs with procurement and supply of material... there is one (SMME) dealing with toilet paper... it supplies toilet paper...in the municipality*”. LM4 municipality in the same vein commented, “*They (SMMEs) need us... like ... to support them in...in getting businesses, so we have to support them*”. On the contrary, LM2 municipality expressed as follows, “*here at the municipality internally, we are not consulted about the kinds of SMMEs that we have. To say... can we use them as suppliers? That is not done...*”

4.5 Access to financial services

This section will focus on the municipal relations with lenders and the benefits by SMMEs, as a result. The section will also look at the contribution made by the sector departments of the state in assisting the respective municipalities with SMME activities. The section will later focus on municipal budget allocations for the promotion of SMME sector.

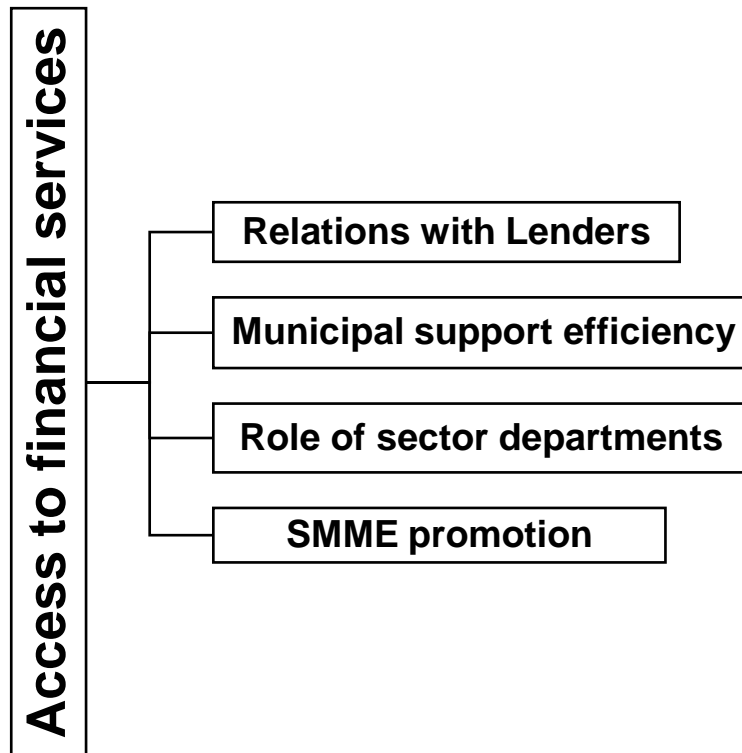


Figure 7: Themes regarding access to financial services

4.5.1 Relations with Lenders

The municipalities had mainly chosen the government institutions and commercial banks, as their preferred lending partners with LM1 municipality exclusively working with private institutions, in place of commercial banks. LM1 municipality described the relationship with the lenders in this manner, “*the relationship is fair. We are able to make requests and negotiate on behalf of the SMMEs.*” In same vein, LM2 shared this opinion, “*... we write recommendations for SMMEs and...they go lend from the banks. The...the...the process there, is for us to identify SMMEs that we see may be ready for funding, that the municipality has seen they are viable, they can grow... they can sustain...but we do end with that recommendation*”. LM3 municipality similarly commented in this manner, “*Uuummm....we...we...we do as much as we can, you*

know, to keep the relationship going and also where we are able to influence, we try our best but their policies still stand as it is”.

Of these municipalities, LM2 and LM4 were specific on the banking institution working with them. LM2 municipality commented as follows, *“...maybe the one I can tell you about now, which we work with and does not have problem in lending SMMEs is the Standard Bank...jah...jah... Standard Bank”* while LM4 municipality had this to say, *“The relationship that I have mentioned here nneh....was established through our LED forum with Standard Bank ...”*

4.5.2 Municipal support efficiency

LM3 municipality brought up core issues the municipality need to improve for efficient delivery of service to SMMEs, *“Jah, I think we need to improve ...uuuumm....on funding as well...the funding we have now, it is not sufficient for everyone. It only caters for a certain number of SMMEs, so now...I think we need to improve on this area and monitoring as well...uuuumm...after they receive the funding...we really need to monitor it properly”*. LM4 commented as follows, *“...as the municipality we don’t have much...because we are a poor municipality”*.

4.5.3 Role of sector departments

On the role of sector departments, LM1 municipality responded as follows, *“...for youth, we go to NYDA and source info that will make a young person lender ready before approaching any financial institution or funder on their own, so that by the time they apply, they will be meeting all the requirements, ticking all the boxes. The participant*

further commented, *“Donations play a very huge role. Every time we tell them (sector department) about a particular SMME that has to go somewhere they are willing to help because our funds internally are not adequate”*. Other municipalities expressed the same opinion on inadequate support. LM2 municipality stated in this manner, *“The municipality does not have budget allocated to SMME development and financial support. We rely most on government agencies and government financial institutions to assist our SMMEs with funding.... and financial assistance”*; while LM4 municipality commented, *“Although the municipality does not have financial support for SMMEs, they do have the support when other sector departments provide the programme to fund SMMEs. Other sector departments facilitated trainings for various SMMEs in these municipalities. LM4 municipality commented as follows, “.....they (Bank Seta) come to the municipality come and give necessary trainings for our SMMEs”*.

4.5.4 SMME promotion

4.5.4.1 Budget for SMME promotion

In this section, the objective was to establish whether municipalities allocate a budget for the promotion of the SMME sector, through their respective local economic development units. Two municipalities, namely LM1 and LM2, have a budget allocated for the promoting SMMEs, whereas LM3 and LM4 municipalities have no budget put aside for SMME promotions.

LM1 municipality responded in the following manner, *“We only work with budget provided in the Unit....but it (the budget) is always not enough*. In the same way, LM3 municipality answered this way, *“Jah...Jah....ehhhmm, we work on the LED budget*

...we put this on SDP every year...ehhhmm...promotion of SMMEs and Cooperatives, even exhibitions". LM2 and LM4 municipality did not have budget for SMME promotion. The expression by LM2 municipality was as follows, "We...We...We...No don't have their (SMMEs) budget separately...as we don't have budget for the section itself...to say we have a budget as a municipality...the answer is a big NO". LM4 municipality equally expressed that, "It...it...it...it...comes from the province or district".

4.5.4.2 Municipal support programmes to promote SMMEs

Under this sub-theme, LM1 municipality commented in this manner, *"We do try to promote SMMEs ...for an example...we normally have competitions for SMMEs for the entire Gert Sibande where, as local municipalities, we select the good performing SMMEs to represent us".* The participant further pointed out, *"Yes...this strategy encourages others to want to join the small business sector. So, this kind of competitions really encourages them, even between themselves within the district".* In a similar manner, LM3 municipality responded as follows, *"the district assists us with exhibitions and SMME fairs".* LM4 municipality, likewise confirmed, *"No...we...we...we rely on the district municipality schedule and on the provincial government to promote our SMMEs".* Participant LM2 on the other hand, conversely expressed, *"We just rely on the sister departments and government agencies to come and assist us in that regard".*

4.6 Basic services

Services of various businesses, whether commercial or small, require certain level of basic municipal services for their operations to function in a most favourable way. A report by Grant Thornton's International Business revealed that 61% of South African businesses have been negatively affected by government service delivery issues (Grant Thornton South Africa, 2016b). Against this background, it was essential to source opinions of the participants on the state of basic service as offered by their respective municipalities. It was also important to evaluate the challenges related to the provision of basic services and the impact on the survival and growth of SMMEs.

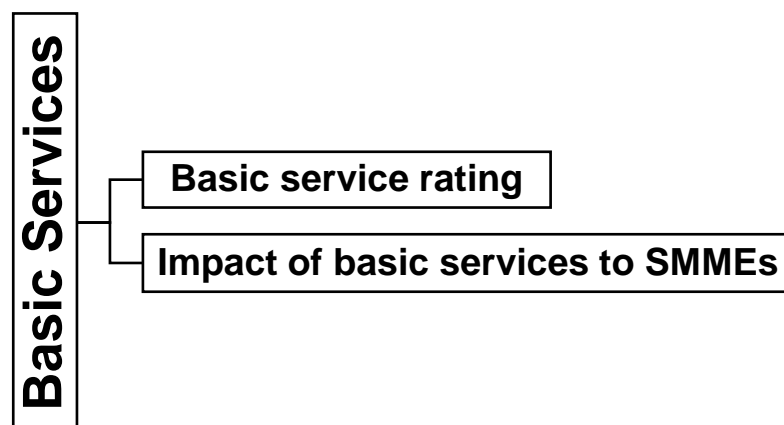


Figure 8: Themes regarding basic services

4.6.1 Basic service rating

The participants were asked to rate their own municipalities in terms of service provision. LM1 municipality stated that, *“We are rating ourselves as good in terms of service provision. Remember we get rated by COGTA and SERO agencies, even when we get the socio-economic profile there are few communities that does not get*

services". Two municipalities, namely LM2 and LM3 rated their service average. LM2 municipality commented as follows, *"I would say...the...the...the state of our roads....isis ...is a challenge... electricity also gets to be cut off now and again"*. LM3 municipality stated the following, *"I chose average because we also have challenges as well. Eeeehhh...eeehhh...in terms of providing services and the services we provide do not reach all the communities. We are not perfect as well, we are trying to improve"*. LM4 assertively expressed the following statement, *"In that one, we are excellent. There is no place in our municipality where there are no basic services"*.

4.6.2 Impact of basic services to SMMEs

Various opinions were obtained from the participants on the impact of basic service provision to small businesses. LM1 municipality responded as follows, *"Yes, they (SMMEs) get affected, I think they do especially by electricity and water issues, because some people farm and as a result....if you farm want us to install a borehole. Unfortunately, you will not be in our number one priority list. Our number one priority will be the communities. Instead of drilling and sinking a borehole for an individual or a group of persons, it could rather help to offer it to a small settlement that still get water from a water tanker... you see. So they are affected in actual fact, because whenever priorities are lined up they are not number one"*.

LM2 municipality expressed the following concern, *"We have potholes in every corner you may think of. Roads accessing to town, roads to the 'location', roads in general. Not only the road, if I may then add on that one. Now and again their (SMMEs) electricity gets to be cut off or now and again there's loading shedding and the business gets affected... you see"*. LM3 municipality stated, *"No, mostly it's the community*

members...ordinary community members not SMMEs”, while LM4 commented as follows, “No...No...No we do not have such challenges. Our municipality is small...poor but we are doing well”.

4.7 Community interest to the SMME sector

Small business owners and entrepreneurs contribute significantly to the fight against unemployment in South Africa. For this reason, the SMME sector has now become a focal point of attention for local economic development and growth. According to the World Bank’s Ease of Doing Business report, South Africa ranked 97th out of 190 economies in 2017 (World Bank, 2017). Considering that the SMME sector is estimated to represent forty percent of all businesses in the country, it makes it obvious to envision how much more could be achieved if local governments can create an enabling environment for the sector (Westvig, 2017). The objective of this theme was to determine the role of the SMME sector in the reduction of unemployment rate in the respective municipalities. The researcher was interested in finding out whether in the municipalities were monitoring the employment statistics through labour registers, the contribution of the labour register towards local economic development planning, and the involvement of the community and its young people in the sector. The opinions of the municipalities were also needed to determine the dominating social strata, in the sector. It was also essential to find out from the participants about the challenges of attracting the unemployed in the sector.

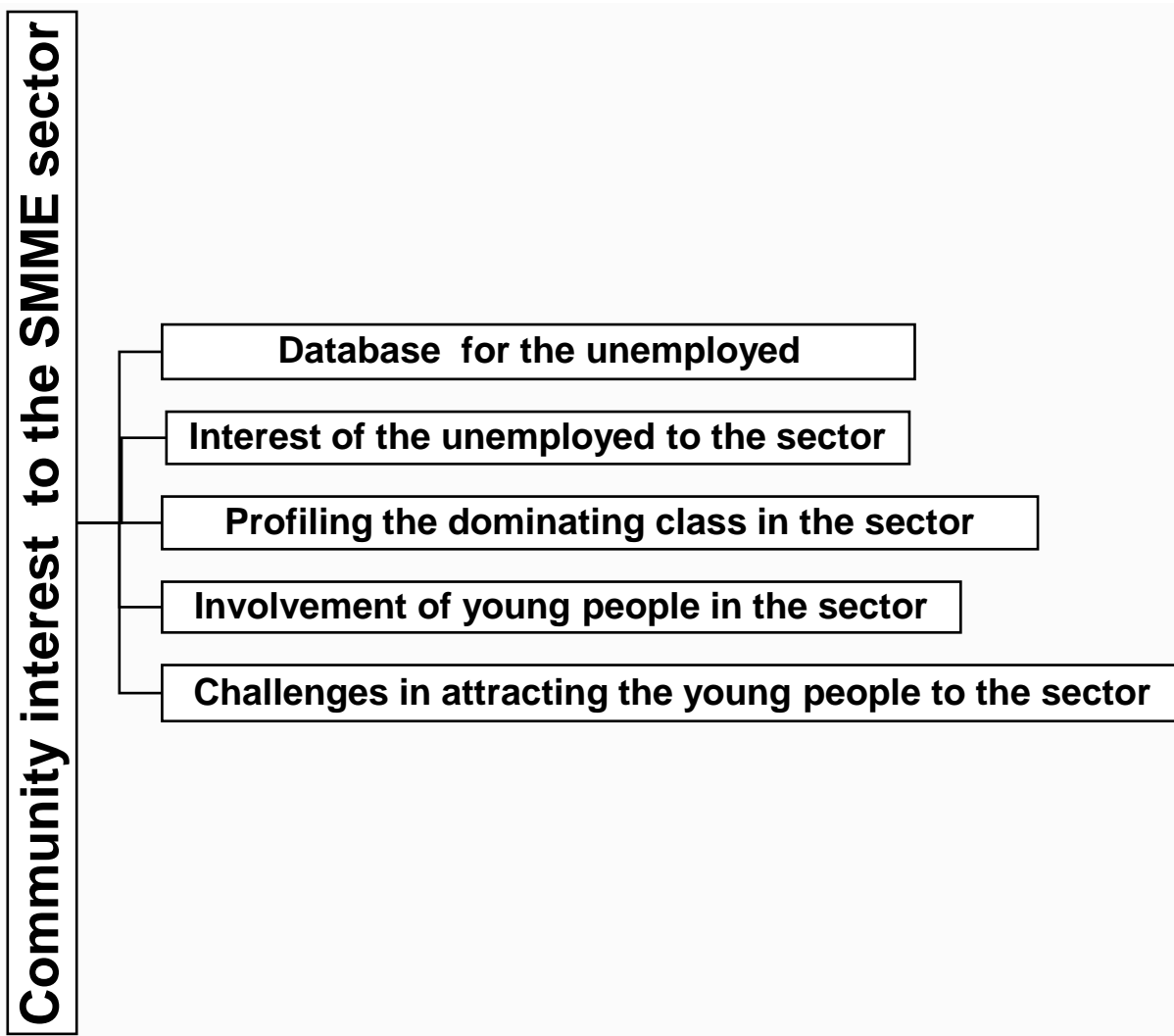


Figure 9: Community interest to SMME sector and its sub-themes

4.7.1 Database for the unemployed

LM1 municipality responded as follows, “*We keep a database for the unemployed but that’s a new thing...very....very new thing. This is a new initiative we started with the mines. This year, we invited all jobseekers...people who are actively seeking for employment to register on our database but the turnout was not really impressive...we will re-publish it again*”. LM1 municipality further expressed the following vision, “*We are still going to open another SMME database where we invite community members to tell us what their company does then we assess where they could fit. The database*

will also be used to source out certain skills for SMMEs development”, while LM2 municipality expressed this view, “We do have that data but we do not have the formal data in the office...we know where we can access our unemployed. We have community structures that have constant engagements with us..... We have access to that information. Yes... you can get that information”. LM3 municipality have a database for the unemployed. The participant commented as follows, “Jah...it helps...it helps with LED programs as well as IDP for municipal planning in general...uhhh...Jahh, also in terms of our stats, we are able to plan using this information. We are able to see which training to plan for that financial year”. LM4 municipality uttered the following, “Jah...we as the municipality we depend on the department of labour. As the municipality we don’t have such a register”.

4.7.2 Interest of the unemployed to the sector

LM2 municipality provided the following feedback, *“They (the unemployed) are not so keen in...in...in starting their own businesses....Eyyy...maybe to give it a percentage – I would say 40% are interested”*. Both LM3 and LM4 municipalities confirmed that the unemployed were interested in the SMME programmes offered by municipalities. Both these municipalities outlined existing strategies in place used to stimulate the interest of the unemployed to the sector. LM3 municipality stated, *“Jah...Yes...they are! Uuummmm...there is program that we also have in place to assist the unemployed to open their own businesses, especially to form cooperatives, for instance; there may be youth constituted of 5 young people who are interested in a common trade - we are able to assist them...maybe for them to be a company or a Co-op.”* LM4 municipality similarly outlined their strategies as follows, *“Jahh...we get the young people coming,*

we register for them...we pay the fees at CIPC for them, and...Jahh...they are coming now to form cooperatives”.

4.7.3 Profiling the dominating class in the sector

LM1 municipality provided the following feedback, *“It’s mainly women that usually sustain most of these SMMEs. In most of the projects, especially farming, women are very active. A similar view was shared by LM4 municipality, “Its women...its women...its women that owns most SMMEs”. LM3 municipality, on the other hand, responded in this manner, “Jah...I think it’s the youth that mainly dominates the sector. LM2 municipality stated, “Eyyy...Uuuhhhmmm...let’s say it’s mixed because we have structure for only women in business, we have structure for only youth in business, we have structure for business in general. So...I...I would say the participation is balanced...Jah.*

4.7.4 Youth involvement in the sector

The response by LM2 municipality was as follows, *“They are...there are...those who are interested. The...the answer is yes. Those that want they do get assisted”.* LM4 municipality reiterated this view, *“Yes...currently they (youth) are; before...they were reluctant. Since we educated them that this is the right route as it creates employment opportunities they are coming in numbers”.*

4.7.5 Challenges in attracting young people to the sector

The opinion by LM1 municipality were expressed in this manner, *“The problem with our youth is that they need instants, they want quick fix, and they are not entrepreneurially minded. They just job seekers. Even if you push them to opening businesses they will register their CK, tomorrow they come to you and say here is the certificate...you said we must register a certificate. One needs to be entrepreneurially minded in order to do the actual work. What they want is money they don’t want to work”*. Similarly, LM2 municipality stated this opinion, *“They (young people) are not so keen in...in...in starting their own businesses because they want to work, they want to get paid, you know. Some of them they understand, depending on the level of education that they have, some of them they don’t even want to hear what you say. In the same manner, LM4 municipality commented as follows, “you know the youth want to do something now and get paid now but when you come to SMMEs you wait maybe for a period of some months before you get the income”*.

4.8 Transport network and connectivity.

The benefit of governments investing on efficient transport infrastructure has long been celebrated as an important enabler of economic development and job creation, especially in the developing states. In South Africa, the transport sector has been highlighted by the government as a key contributor to the country’s competitiveness in the global markets. This sector is regarded as a crucial engine for economic growth and social development (Brand South Africa, 2018).

Under this theme, the participants were required to express their views on the transport mode dominating in the respective municipalities and its impact on the SMME sector. The study also examined the municipal road conditions and the impact of the integrated transport system in the small business sector. This theme was illustrated in a schematic summary, representing each sub-theme below.

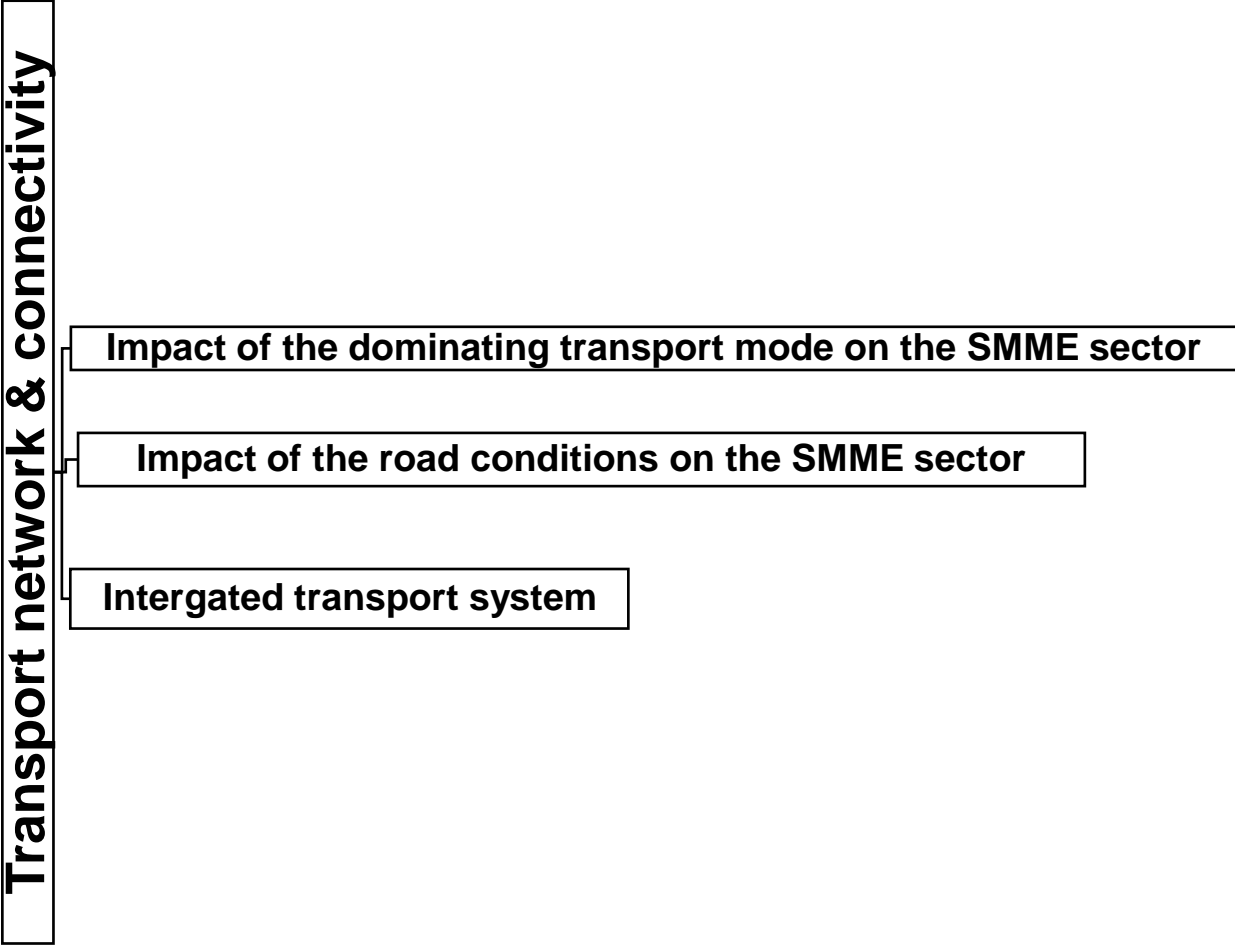


Figure 10: Themes regarding transport network and connectivity

4.8.1 Impact of the dominating transport mode on the SMME sector

When asked to choose the dominating mode of transport, all the participants selected road transport as the dominating mode in their municipalities; with LM1 and LM3 municipalities selecting rail and road transport in addition. LM1 municipality expressed the following opinion, *“Rail and road do dominate”* with LM3 municipality in the same way stating, *“Rail and Road...Yes. Rail is strictly for bigger companies. It’s mainly Transnet”*. The participants were required to further comment on the impact of the dominating modes of transport to the SMME sector. LM1 municipality stated in this manner, *“Aah....the rail? No, it does not have impact on SMMEs because it is only used by bigger companies, especially the mines; as they are transporting coal...so SMMEs do not benefit here”*. On roads, the participant commented in this manner, *“Jah...roads at least those... jah. Roads are used for transportation of products, especially by the agricultural projects. Their farm produce is loaded from the farms then transported via the road network to Area X for washing and packaging before it goes to the shelves of the chain store Y. Our SMMEs also export Tobacco to Britain. The tobacco is produced in our municipality and then transported via the road to Area X where it is then transported to Britain via the airway for distribution”*.

4.8.2. Impact of the road conditions on the SMME sector

Condition of roads for both LM1 and LM4 municipalities were described as fair. Both the municipalities have not received any grievances about the condition of the road, from SMMEs to date. Whereas LM1 municipality stated, *“Our road conditions are fair and we have never had concerns about the state of the road by SMMEs transporting their products”*, LM4 municipality replied as follows, *“The road conditions are fair. I*

would not say they (SMMEs) complain because they don't use transportation for their goods". LM2 and LM3 municipality, on the contrary, described the road conditions in their municipalities as bad. The feedback from LM2 municipality was captured as follows, *"When...when...someone, maybe for example has a tissue manufacturing business in the township they have transport that need to do deliveries on a daily basis...they complain as a result of this challenge. The vehicle will breakdown often and the will experience punctures because the road is inaccessible...it's not too friendly to them...you see"*. LM3 municipality commented in this manner, *"The state of the road is bad. Complaints we receive are mainly from the public in general, not really the SMMEs complaining that the road damage their products but...aah...aah...aah the condition obviously affects business whether big or small. In a nutshell, the state of the road is really important"*.

4.8.3 Integrated transport system

The participants were required to provide information on whether their municipalities have existing, if not, have included the integrated transport system in their future plans. The researcher also needed opinions from the participants on whether the implementation of an integrated transport system, if any, could be of benefit to the SMME sector. LM1 and LM3 municipalities incorporated the integrated transport system in their future plans and both municipalities thought the system will contribute positively to the sector. LM1 municipality stated, *"The last time I checked, municipality was still busy with the plan. I think it's still underway". Jah...It will benefit them (the SMMEs) I think"*, while LM3 municipality indicated, *"It's not yet implemented it's still at the planning department. Once implemented, I think SMMEs will have options as to what system they want use whenever, they won't be restricted to one mode of*

transportation.” Comments by LM2 and LM4 municipalities were in way, similar. LM2 municipality stated the following, “*No...No we do not have it on our plans*”, while LM4 municipality expressed the following, “*We don’t have ...Yes ...Yes because of the municipal size*”.

4.9 Building plan approval

In order for buildings to comply with building laws, it is vital for all construction works, developments and building plans to get the required approval, as per the legal requirements of local authorities. In South Africa, such approvals are guided by the National Building Regulations (NBR) and Building Standards Act (No.103 of 1977). The act demands that any person who requires to do some form of building erection, alteration, additions or conversion of any existing building structure must get an approval from the local council. In this section, the participants were required to provide feedback on the process associated with building plan approval in their respective municipalities. The participants were also asked to provide the number of days it take for their municipality to approve a building plan and common problems associated with the turnaround time of the approval process.

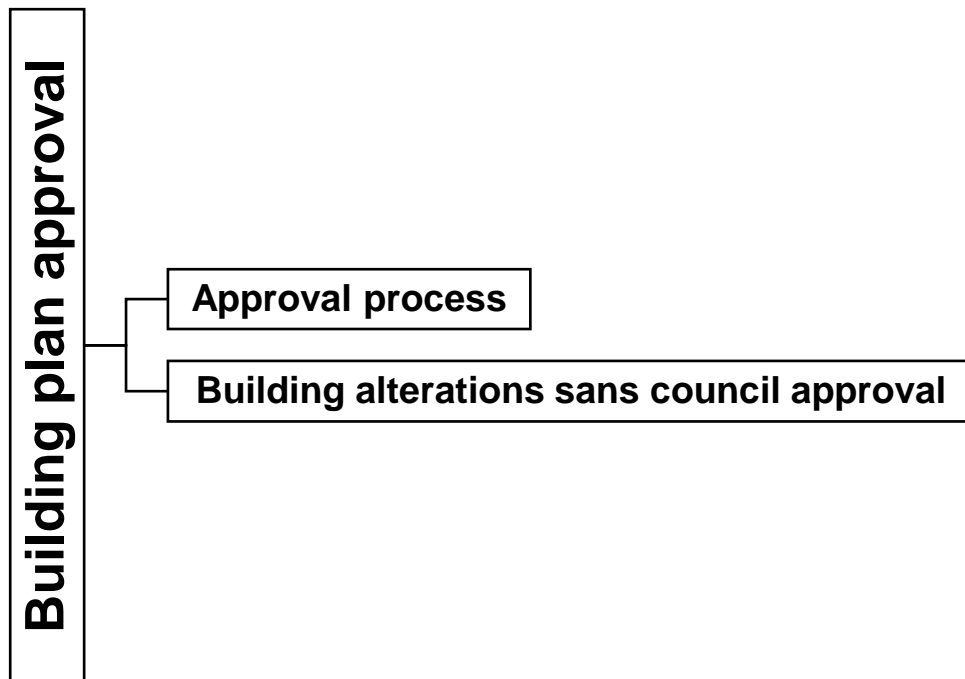


Figure 11: Themes regarding building plan approval

4.9.1 Approval process

The length of time it takes for LM1 municipality to approve a building plan is 30 days. The municipality justified the length of the process as follows, *“It takes 30 days for approval. This 30 days period is a result of...there are many offices to which the building plan must pass through. It does not only stop with the building inspector...There is an environmental division, electricity, sewer and also the disaster unit; all the officials need to visit the site and they belong to various department. Once the inspector visit to verify the site and check if there are any existing buildings..... He then comes back and informs the environmental personnel who will also go to check if the area is not environmentally sensitive, is not wetland not what...what - a floodline or whatever. Once he/she come back he/she then passes to the electricity department”*. The participant further mentioned, *“It would have been better for all four officials to go*

together, at once, after the plan arrived at the office. Maybe the period could be shorter". The period it takes this municipality to approve building plans is similar to that of LM4 municipality (30 days). Whereas LM2 municipality stated, "It takes 7 days or less"; LM3 municipality responded as follows, "It basically takes between 30 to 60 days. Uuummmm...I think it depend on the size...of the plan. So there are those that take 30 days and those that take 60 days, because the building plans are also circulated around within the different departments...so the officials have to comment, check building lines...Uuuhhhmmm...and that you not are getting into the neighbour's site. I think that's what makes it take 30 days. The participant further explained, "...there is no way this process could be changed. But.....I...I...I think the approval process does become faster...at some stage.

4.9.2 Building alterations sans council approval

The principle of law grant property owners the rights for proper enjoyment of their properties. This, however, does not grant the owner rights to alter the building structure without the concern of the local authorities (Hartdegen, 2011). Under this sub-theme, the researcher's objective was to find out whether the municipalities come across communities altering their dwellings, for business purposes, without the approval of municipalities.

The participants collectively shared similar views. The view of LM1 municipality was expressed in this manner, *"We do have problems where people start building prior to plan approval. It's not only SMMEs but the community in general...where once a person put up their plan...before the site assessment by the inspector, the person would be digging out the foundation already"*. In unison, LM2 municipality pointed out,

“I think it’s possible, you know how people are...isn’t it? There is something like that here. They will...they will just draw a plan and not come for approval and then proceed with construction”. LM3 municipality echoed the same view, “We do have such cases like... there is a typical example where people submit building plans...when they already built...or....when they have already completed the construction. The LM4 municipality representative demonstrated by a form of example, “...say I’m doing baking. I do it at home but I want to make alterations at home and re-zone...let’s say the garage...I will now convert it to a business....I will continue to work while the plan is still with the municipality.

On the remedial actions in response to these occurrences. LM3 and LM4 municipalities shared a similar view that the construction work will be allowed to proceed regardless of procedures being flouted. LM3 municipality said, *“They will explain that they have already built and then ask us to check if they have followed the relevant procedures....maybe if they want to register the business somewhere. So jah, we assist them we don’t fight with them”,* while LM4 municipality similarly stated, *“We...we...we...don’t reprimand that they were wrong. Its fine you can continue work while your plan waits for approval. LM2 municipality on the other hand stated, “As to how it is managed, I don’t know as it is the responsibility of the planning department”.*

4.10 Application of basic services

The Municipal Systems Act (No.32 of 2000 as amended) defines the explicit duties and requirements for all municipalities. This amongst others, include the prioritization of the local community requirements; stimulation of the development of local communities; and warranting that all members of the local community have access to at least the

minimum level of basic services. From this study, the municipalities were required to describe the ease of applying for basic services. The study also sought to explore the whether SMMEs were provided with benefits or incentives by their municipalities. The researcher further sought to comprehend whether there were common challenges related to the application of basic services. Feedback from these questions, as provided by the participants, were outlined below.

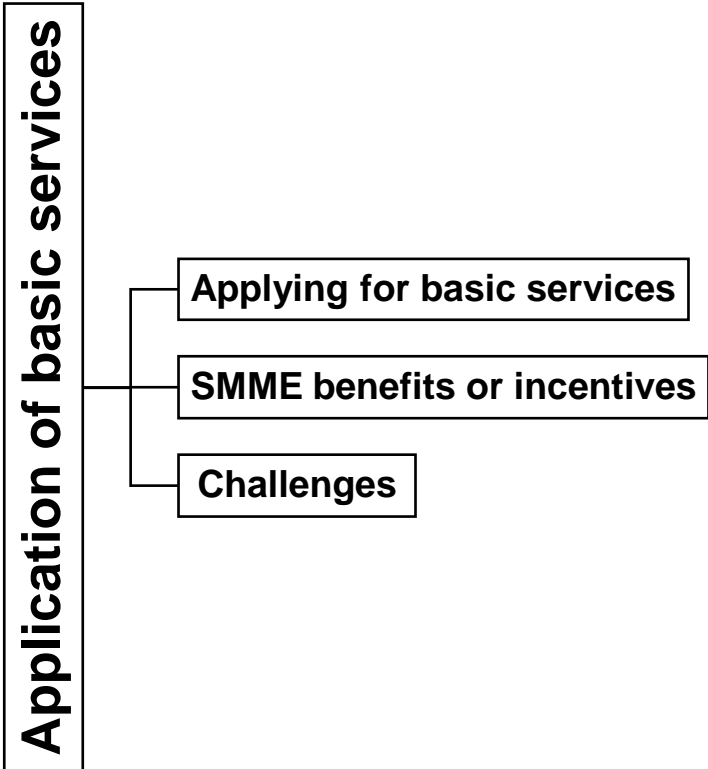


Figure 12: Themes regarding application of basic services

4.10.1 Applying for basic services

On this subject, LM1 municipality expressed the following views, *“I rate the process as fair. It takes 14 days because these are services that we sell to the community we are quick to process applications. If you want water, the sewer line, electricity, we charge*

you". The participant considered the 14 days as normal, "...the 14 days is normal because; firstly, the technicians need to go to the site to do measurements and then prepare a quotation for you and then tell you how much each service will cost. Then once quote is issued, the applicant then need to accept it and pay at our offices, after the payment you bring the receipt to us; informing us that you have paid then you will get a date for connections and this may take few days". LM2 municipality, on the other hand, commented this way, "The process takes 60 days. To forward an application itself...we can rate it - fair. Uhhmmm....but to get responses that where I am not sure".

This is followed by the comments from LM3 municipality, to which it takes 7 days to process and complete the request. The participant rated "average" on the ease of getting these services and commented as follows, "I don't think the process has a lot of hiccups because you just go to the office...uhhmmm... and register your details and then the municipal technicians come and inspect and then they do the connection afterwards". LM4 municipality responded in this manner, "Jahh, that's quite easy. If like....let us say you, come today and apply for any service. If you come in the morning, maybe later on the same day it's possible that the official will arrive for installation. That is why I said we are excellent in providing services".

4.10.2 Benefits and incentives

The objective of this section was to report on the incentive programs that the participating municipalities have in place to stimulate the expansion of the SMME sector in their respective jurisdictions. LM1 municipality expressed the following view, "For SMMEs, it depends on the type service you require for example the electricity type. But from our side internally as Local Economic Development, we are able to push

for you, as our SMME to the various departments so that things run faster but payments depend on service required". LM2 municipality stated, "There is no difference between SMMEs and general households. We do not have incentives, as to why I do not know, but we do not have incentives. Even if they can owe water, you see. There is nothing we can do to assist, but we simply cut off the supply. It is just not happening with regards to offering benefits".

LM3 municipality responded as follows on this matter, *"They receive some incentives...well...uhhmmm...for SMMEs most of the time connections are done for free. Unless if it is... uhhmmm ...the application...of the sewer but.....for... for water it basically free...free of charge...UuuHhhmmm....so Jahh...that's one of the benefits".*

LM4 on the other hand, did not offer SMMEs any incentives. The participant elucidated the reasons for not offering incentives or benefits in this manner, *"With business... you will remember that the rates are not the same as residential. Business has relatively higher rates. So if a small business want basic services, the rate will go according to the municipal rates policy".*

4.10.3 Challenges on basic service offering

For municipalities to confront challenges associated to the provision of basic services, the first step is to identify the challenges for a better insight so that appropriate strategies are employed when dealing with such challenges. LM2 municipality outlined these challenges, *"I know there are a lot of challenges in our municipality, they (technicians) will tell you that the municipality does not have material or resources to go and install whatever service you have applied for. I could not comment about....the...the...the...any steps taken; but I know there are challenges there,*

because we always lack material at stores...so most people...they...they...they opt to contract their own private service providers. But they do apply for permission to the municipality to say we have done such a service therefore we are applying for municipal inspection”.

4.11 Business licences

A business licence is generally required so that businesses are able to comply with the health and safety regulations.

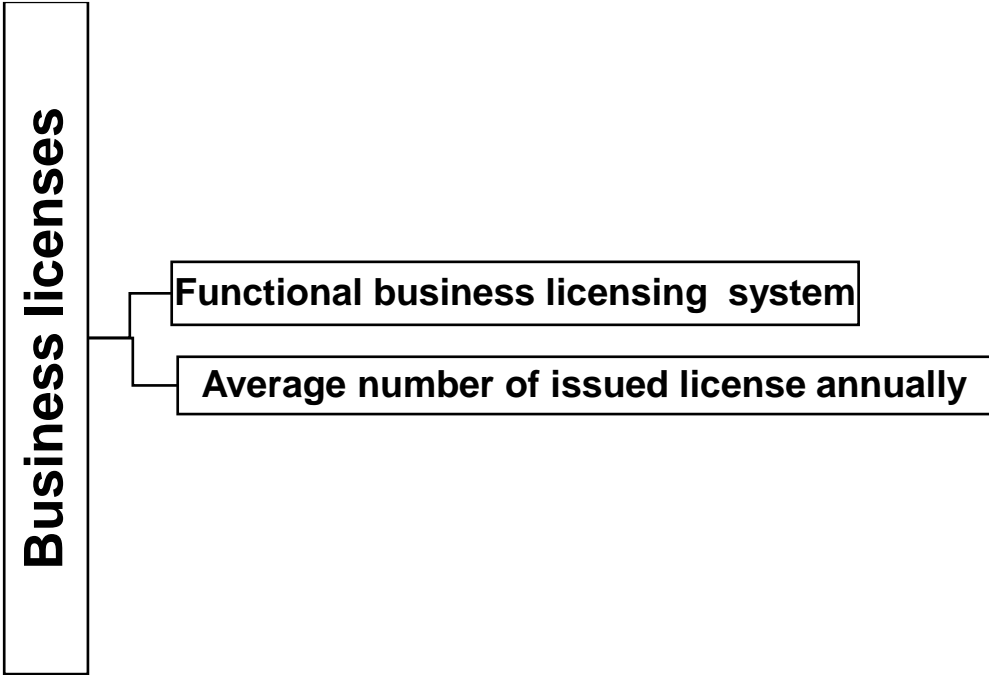


Figure 13: Themes regarding business licenses

4.11.1 Functional business licensing system

LM1 municipality provided the following feedback, on the availability of a functional business policy, *“I could say the system is functional. The department of environmental health in the municipality is the one going to do assessment at your site, and then they issue that certificate”*. The participant criticised the length of the process but also thought it was justifiable, *“It takes about 30 days, Jahh...it’s not really fine for SMMEs that it takes so long. But it’s fair because before you get issued a license. The officials need to check if you fulfil certain requirements of the things that need to be fixed prior to issuing such a license. The period also gives you ample time to correct problems that may arise for you to qualify”*. On same subject, LM2 municipality remarked in this manner, *“There is a functional existing system. Business licenses here in our municipality only apply to informal traders like your vendors and stuff; but with SMMEs they are not affected that much. We actually do not issue any business licenses for SMMEs”*. The opinion by LM3 municipality was precise, *“Jah...eeeehhh...its fine...the licensing system is okay”*

4.11.2 Average number of issued license annually

The feedback by LM1 municipality was as follows, *“We receive and process an average of five licenses per year, the reason I gave you this number is because I benchmarked with liquor licenses. The municipality annually set targets of the number of SMME licenses to issue out, “We do have targets per year. But the problem with our LED unit is that SMMEs made up of single members are not really our main priority per se; but we focus at mainly on cooperatives because when we are rated, we get rated based on cooperatives. We usually put lower targets so that our performance is not affected.”*

We do not want to set ourselves for failure if we do not achieve the number. It is better to say three if you aiming at five applications. It also gives us a reason to account properly.” LM3 municipality on the other hand, responded as follows, *“Uhhmmm...I am not really sure about the target as this unit is not in LED...it’s under law enforcement...so I am not sure of their targets”*. LM4 municipality the following views on setting annual targets for the number of business licences to be issued, *“When it comes to accounting it will...it will affect the success rate of the municipality. So we don’t put the number. Say I said I will process five licenses in year and then I do not do so, it would mean that my scorecard would reflect that I didn’t achieve this because I received, less than 5 for example, because of a situation that was out of my control”*.

4.12 Success stories

In this section, municipalities were given an opportunity to share with success and inspiring stories about their SMMEs. LM1 municipality had shared the following successes, *“There is one SMME at area X, what they did was to buy beef cattle and rear them. The SMME has secured a contract with abattoir Y. There is also two bakeries that are also serving as good example, where they supply bread to mines at X and Y areas in the municipality. There are these SMMEs at Area X, Area Y and those at Area Z; these SMMEs supply Woolworths with vegetables especially tomato and green pepper”*. LM3 municipality shared, *“Yooohh...there is quite a few...that are supplying local supermarkets with.....uuummmm....your vegetables. There is also another one dealing with toilet paper...uuummmm...it supplies toilet paper everywhere...I mean in the supermarkets, municipality and in the schools as well. We also have another one specialising in water bottling”*. Lastly, LM4 provided the following feedback, *“We do have those supplying the product of...the cleaning product. We do*

have others but mostly in our municipality most projects are based in Agriculture...most of them...Jah...majority of them...they go to...for agriculture”.

4.13 Summary

This chapter presented findings of the study as gathered from the various local municipalities of Gert Sibande district. For a better appreciation of a business friendly environment, this chapter presented the findings by using themes and sub-themes. The findings were reported by means of ten themes and to which had a total of thirty sub-themes. From these themes and sub-themes it was evident that, in spite of these municipalities falling in the same district, the municipalities employ various approaches and systems to address the interests and requirements of the SMME sector. Cases of successful SMMEs from the various municipalities were also reported. This has provided a holistic impression of the commitment by these municipalities to creating a business friendly environment from the small business sector.

CHAPTER 5 - DISCUSSION

5.1 Introduction

This chapter reflects on the main findings of the research as it discusses the various themes. The value of the discussion will be linked to the various objectives of the study and compared or/and contrasted to available literature. Each theme will be discussed based on the sub-themes that were developed from the findings.

5.2 Theme 1: Business Premises

Provision of SMME premises

All the municipalities that took part in this study provided their SMMEs with business premises. The provision of access to business space by municipalities to the SMMEs has a potential to effectively ease the start-up burden for budding SMMEs and can assist in reducing the massive initial overheads associated with starting a business. It was confirmed that SMMEs were provided with premises to run their businesses, there was a common concern of limited space to supply every SMME operating under these municipalities. Lack of access to physical infrastructure is a key barrier to the growth of small businesses. Assuming that these municipalities had adequate businesses premises to cater for all their SMMEs, the impact of the increasing cost of doing business would be lessened. The problem of limited business space for SMMEs seems to be common to other provinces of South Africa. Evidence of similarity was extracted from the study by Finmark Trust (2010) which reported that small businesses

in Gauteng were struggling to find physical space to which they could operate their businesses.

It was intriguing, however, to learn some municipality turned out to be proactive in creating an alternative space for its budding SMMEs. This municipality took an initiative of putting to good use an old municipal building to help increase the capacity of space for its SMMEs. This practise is similar to the idea of “hives of industry” which was established in South Africa by the Small Business Development Corporation, in 1995. Most of these hives were mainly old premises and unused factories which were obtained and financed by the corporation to house start-up SMMEs (Sandheep and Wolfgang, 2011). Undoubtedly, not all municipalities have ample physical premises to accommodate their SMMEs. Accordingly, it is important that the ease of access to space for SMMEs is prioritised in the Integrated Development Plans (IDP) of the various municipalities.

Challenges of business premises

According to the findings of this sub-theme, municipalities were confronted with a similar challenge of sustainable SMMEs resisting to vacate the business premises meant to assist emerging SMMEs. It is clear that the SMME owners resisting to vacate were unable to comprehend the rationale behind the concept of providing business premises to start-ups. From the interview responses, it could be established that such owners were now illegal occupants, as they no longer fit to occupy the premises. It cannot be over emphasized that such actions thwarts the effort by municipalities to creating a business friendly environment for SMMEs. The findings were practically

similar to the report by Tosli (2013) about the traders' demeanour in the trading space that was provided to them by the City of Jo'burg. The report pointed out that, out of the eight hundred lawfully demarcated trading spaces, eight thousand traders were identified to be illegally operating in the same space. This resulted to the municipality involving the law enforcement agencies which seized the stock of traders and removed the occupants from their trading locations. In view of this, it is important that municipalities put in place enforceable trading space policies that could be applied to control the trading/business premises, or some form of requisite contractual agreements to be entered to, with the emerging SMME owners. This could possibly protect both parties especially if the length of time an SMME will be allowed to occupy the premises and the condition of review or renewal of tenancy could be included (Tosli, 2013).

On how the business premises were ideally expected to work, some municipalities mentioned the "influences by some officials" which may simply mean a number of things. In the local government context, it certainly denote "political interference". Influences by some officials, could be demonstrating that some SMME owners tend to utilise their political connections in the municipal council to remain in the business premises of the municipality, even after they have reached the stage of being sustainable. Roever (2006) reported widespread political influence in São Paulo, Brazil, to an extent where municipal officials solicited bribes from traders and some of the vendors were operating in patronage of the municipal officials. Such acts undermine municipal council processes, as it obstructs the access of start-ups to the trading spaces; and it stifles the growth and development of the SMME sector in the name of political influence. De Visser (2010) also reported excessive political

interference in South African local government system, as an element that restricts the ability of municipalities to deliver quality services to the public. Local governments need to educate municipal officials and councillors about the thin line that exist between politics and good governance, in order for the SMME sector to grow.

Affordability of municipal premises

The findings show that there were no intentions by the municipalities to generate revenue from the proceeds received from small business owners for occupying the business spaces, as provided by the municipalities. The trend of local governments leasing businesses premises to SMMEs is not new. This was comparable to the arrangement practised in Cape Town, Grand parade, where traders have month to month lease agreements with the City of Cape Town (Horber, 2018). This was also consistent with the practise in Slovakia where the state lease business premises to SMMEs, as a way of assisting in creating conducive conditions for emerging small businesses to start and grow their businesses (Lesakova, 2012). Ordinarily, it is required for small businesses to pay a minimal fee to the municipal administrators as way of showing commitment to the business. This is supported by Schultz (2016) who alluded that office space fee paid by SMMEs is meant to ascertain commitment; and is for the regulation of the space allocated to the business. The nominal fee may also be representative of an administrative fee for the maintenance of the premises.

It is essential that, in the process of municipalities aiding SMMEs with business premises, the lease fees are fixed at a rate that is affordable to the SMME occupants in order to encourage growth and independence. The comment by some of the

municipalities with reference to making a considerable effort of charging a relatively lower lease fee, by taking into account the revenue the SMMEs generate, is positive characteristic of a municipality that support the growth and development of the sector. This is supported by SEDA (2016) that simplicity of access to business space at reasonable rate can be helpful to assisting new businesses to grow. SMMEs in most communities are mainly categorized as survivalist and are exposed to various challenges that impede their potential growth. Municipalities that comprehend the contribution of small businesses in the economy are therefore commended.

Proximity

Various reasons driving SMMEs to select locations closer to road networks were identified from the feedback given by the various participants. Amongst others, was the accessibility and exposure to consumers, assortment of economic activities and the access to or sharing of information by the competitors. A study by Pupavac *et al.*, (2013) on the choice of location, cited ease of accessibility from the main road as the main factor driving participants to shop at certain supermarkets. This study supported the views of some of the municipalities on accessibility. A report by Fox (2017), on the other hand, supported the notion of choosing a location based on the assortment of economic activities, as suggested by one of the participants. Fox (2017) described the importance of choosing a location with an already existing market as a strategic approach to taking advantage of the already existing customer base. It is essential for SMMEs to target locations with a hive of economic activity in order to have direct access to a diverse population of potential consumers. Fox (2017) further indicated that businesses relying on high consumer traffic must consider a location to which all

forms of transport can access it. From the participant's feedback, it could be concluded that the road, as a transport infrastructure, has a huge influence on the choice of location by SMMEs, possibly because of foot traffic brought in by road users (drivers or passengers).

The influence of the Word-of-Mouth as described by one municipality cannot be overstated. Word-of-Mouth marketing is a longstanding advertising strategy that has been resilient through the times; and it is still proving to be the ultimate resourceful system of marketing. SMMEs need to take advantage of such a tool to be able to grow their businesses, as it has a potential to strengthen their existence. But this could only be possible if SMMEs commit to offering quality service to their customers. A customer behaviour based research revealed that a peer-to-peer recommendation on quality service enjoyed a trust rate of 94% (Neusu, 2014). This clearly shows that consumers have faith in the approvals made by their peers, and this could be a benefit for SMMEs. One of the participants posed a very critical question on customer relations. The contribution made by customers to businesses can influence a business to thrive or sink. Dzansi (2004) equally supported the view of the participant by likening customers as essential stakeholders of businesses. The author emphasized the importance of the role of businesses in fostering close relations with their customers. SMMEs who handle their customer relations better are likely to attract a clientele that is willing to pay higher premium for services. It is therefore essential to maintain proper customer relations, as it is critical to the success of a small business.

Serviced land parcels

From this study, it was revealed that three municipalities were not offering serviced land parcels to their SMMEs. The provision of serviced land parcels, as offered one municipality may help SMMEs to eliminate the cost of connecting essential services (such as water and sanitation) which are required for a business to start operating. This strategy makes it easier for SMME owners to focus their attention on the establishment of their businesses. Such a view is supported by Malefane (2013) who identified that readily available supportive infrastructure shapes an environment to which SMMEs are able to proliferate with ease, bringing about increased prospects of growth in the sector. Regardless of some of the municipalities not offering this type of service in their jurisdictions, the municipalities recognized the importance of serviced land parcels for SMME development. As a result, these municipalities (LM1, LM2 and LM4) need to go back to basics in responding to the requirements of the SMME sector, by implementing radical local economic development programmes that are capable to fully empower the success of the sector in their areas of authority.

Popular zoning requests

From the findings of this study, it was established that the popular zoning requests received by these municipalities from SMMEs were largely those that are found in many townships of South Africa. This was in line with the study by Charman and Petersen (2014) who conducted a research in Cape Town's five townships and found that liquor retail, grocery retail (spaza shops) and house shops accounted for 46% of the micro sized enterprises profiled. Liquor retail was more pronounced in informal

settlements, while educare also formed part of the profiled areas; and mechanical services were recognised as an important business in two areas that were studied (Charman and Petersen, 2014).

Based on the number of the popular requests, only one municipality received a high number of requests compared to the other municipalities. A logical reasoning could be applied that the municipality has a relatively wide array of SMME opportunities. This could be attributed to various factors, namely; the availability of support, the availability of market, the size of the municipality, complimentary economic activities in the municipality, the size of population, income level, employment rate, or it could be about the innovation of the residents when it comes to business ideas. From the four participants, the opinion of one of the municipalities was that the bakery sector has many funding opportunities for SMMEs. This view is disputed by Erasmus and Cownie (2002) who reported that SMME bakers were faced with a challenge of accessing of funding when they require to procure new equipment or to scale up their premises. The opinion of by some of the municipalities on the popularity of tourism entrepreneurship is well founded, as this was supported by Rogerson (2004b). Rogerson (2004b) reported that the biggest component of entrepreneurs in the SMME tourism were classified under the opportunistic category of SMMEs, as most of these SMMEs were established based on the realisation that there were market opportunities because of the flow of visitors to the townships.

Some of the municipalities opined that the key to a successful business is to start by studying the availability of market as this help potential business to choose the correct product, thereby avoiding failure. There was a notion by one municipality that the liquor

zoning requests were comparatively higher relative to other business in the municipality. This is not surprising because the liquor industry in South Africa is generally supported by many communities, especially in townships. The global status report published by the World Health Organization ranked South Africa on the 30th position, out of 195 countries in the world on alcohol consumption (WHO, 2014). Liquor manufacturers and suppliers have now cited the township market their largest contributor to their revenue (South African Breweries, 2013). The township market has a high potential for positive contribution to the economy and to employment creation in the country, however, it cannot be overstated that there are detrimental effects on the misuse of alcohol in various communities.

5.2 Theme 2: SMME database

Access to SMME data and related value

From the findings of this study, the municipalities provided various reasons on the value of keeping and maintaining SMME data. The view of the researcher is that information on the total number of SMMEs and categories of active enterprises could be established from this data by the municipalities. The data could also be used to make informed decisions on planning and support. From the opinion of some municipalities, it could be construed that the SMME data certainly does assist municipalities in tallying the number of existing SMMEs and the data aid the planning and logistical purposes. A classic case validating the value of SMME data is cited from DEDT (2004). For the Real Enterprise Development (RED) initiative to provide the SMMEs with the required support, the SMMEs were and are still required to register their information on the

supplier database of the province (DEDT, 2004). This distinctive example represents the benefits which municipalities could enjoy by collecting SMME data.

Enabling environment

The feedback received from some of the municipalities is very valuable, as it demonstrates that some of the municipalities are fully behind the growth of their SMMEs. The efforts by the municipalities in creating an enabling environment for their SMMEs has a huge impact on the growth of the SMME sector. The reference by LM2 municipality of SMMEs being overlooked on supply chain and procurement activities within the municipality need to be addressed. The Preferential Procurement Policy Act of 2000 and the Municipal Finance Management Act of 2003 has procurement provisions intended to provide support to SMMEs through the state procurement practices. The Municipal Supply Chain Management regulation of 2005, also embolden the participation of small, medium and micro sized enterprises in municipal procurement. Municipalities are the key institutions that could drive the successful implementation of pro-SMME regulations in order for the promotion of SMME self-sufficiency. In other countries, SMMEs are confronted with challenges of accessing state contracts because their procurement systems are not designed to cater for businesses of their magnitude. In South Africa, fortunately, the state took a proactive role of including SMMEs in the procurement system, by ensuring that thirty percent of certain categories of state procurement is set aside for SMMEs and co-ops (Hlakudi, 2013). LM2 municipality need to re-look at how it could create an inclusive environment, in favour of the SMMEs.

5.4 Theme 3: Access to financial services

Relations with Lenders

From the results, it was established that the municipalities had mainly built relationships with the government institutions and commercial banks. This is a very significant step, especially with commercial banks, as it has proven difficult for SMMEs to access bank loans on their own. At times, a number of factors restricting the readiness of the banks in granting loans to SMMEs are understood. A study by Mason and Stark (2004) revealed that the difficulty in acquiring vital information from SMMEs by banks and financial institutions in assessing their businesses before granting loans is one of the factors. Since not all SMME owners are able to put their business ideas into perspective for a bank to accept and fund. The role of municipalities in initiating relationships with the banking sector for SMMEs to have gain ease access to finance through their recommendations and funding negotiation may possibly reduce the red tape and increase access.

It was also interesting to establish from these results that some of the municipalities, in spite of having existing relations with the lenders, they are able to understand that lenders have a final approval on whether or not to grant loans to the recommended SMMEs. Some lenders, at the same time, are flexible in accommodating SMMEs by relaxing the lending criteria as result of these relations. In 2016, ABSA for example; through its Enterprise and Supply Chain Development unit dedicated R250 million per annum for short-term loans to small business lenders. The lending criterion was

designed in a way that it was not heavily burdening the SMMEs as it was meant to exclusively aid the sector in South Africa (Pienaar, 2016).

The reference of Standard Bank both by some of the municipalities could be signifying that the bank is able to meet the requirements of SMMEs efficiently when compared to the other banks of South Africa. Supporting evidence is sourced from the estimated total SMME loan book of the four major banks in South Africa, where the Standard bank was reported to have the highest SMME market share of thirty-five percent (35%), as compared to Nedbank (33%), ABSA (20%) and FNB (12%) (Mahembe, 2011).

Municipal support efficiency

One of the participants raised the importance of improving the system of monitoring the SMMEs post funding disbursement. This is in line with Mahembe (2011) who recommended ongoing monitoring and evaluation mechanisms to be put in place, to help in determining if the current support programmes were appropriate. One of the causes of SMME failures is the lack of monitoring by funders. More often, once an enterprise starts making profit, business owners feel the entitlement to recompense themselves, using the business proceeds to fund luxurious lifestyles, instead of reinvesting back to the business. It is important for the municipality to put such systems in place as it will assist to monitor the usage of funds by SMMEs after funding.

Role of sector departments

The response by one municipality on role of sector departments demonstrates the significance of municipalities in creating links with sector departments, for the benefit of SMMEs. The fact that some municipalities assist SMMEs to be lender ready by sourcing information to such agencies may possibly widen the opportunities for SMME funding, as most of the SMMEs are not aware of the availability of such services. This view was similar to the report by Thulo (2016) that SMME owners were struggling to obtain funding is attributed because they were not considered 'finance ready' by the financial or banking institutions. A small business survey by FinScope (2010) also found that seventy five percent (75%) of SMME owners were not familiar with any organisations that provided advice and support to SMMEs. The survey reported that, approximately 10.3 percent of SMMEs were aware of the existence of the NYDA. Such lack of awareness will certainly affect access to SMME support or funding. As a result, it is desirable for municipalities to empower small business. The municipalities further expressed the value of support by sector departments on other SMME activities such as training and skills development. In general, small businesses suffer from poor business management because of lack of adequate training and education. Such interventions are therefore needed for emerging SMMEs improve their operations.

Budget for SMME promotion

The promotion of SMMEs is viewed as a significant subject in various countries, including South Africa. This is precisely because SMMEs carry out various functions in our communities and in the economy (Kongolo, 2010). By simply promoting activities

of SMMEs, a community is able to benefit invariably, especially in the creation of employment and income generation because SMMEs are regarded as key economic players (Kongolo, 2010). Often, SMMEs have a problem of shortage of resources or expertise to take advantage of various technologies that could improve their business operations, because of lack of support or funding (Olawale and Garwe, 2010). The lack of budget for promoting SMMEs, as stated by some of the municipalities may potentially suppress the growth or survival of SMMEs; mainly because some of these SMMEs are highly dependent on the support of these municipalities. It is comprehensible that some of the municipalities have a budget which is not adequate, but it may also be necessary that these municipalities prioritise the promotion of SMMEs by motivating for ample budget on their LED strategies. In South Africa municipalities a responsibility of facilitating the allotment and spending of the municipal budget in a manner that supports an enabling environment for economic development (Bekink, 2006). It is for this reason that they are expected to be proactive on local economic development issues.

Municipal support programmes to promote SMMEs

The impression from this sub-theme is that there is indeed a degree of commitment by the district municipality, in providing support to the programmes related to SMME promotion. This is an essential step towards the right direction, as such programmes stimulates dynamic relations amongst the small businesses and encourages entry to the sector, as articulated by one of the municipalities. A survey on small, medium, and micro sized enterprises conducted in Greater Johannesburg, was in agreement with the views by the participants, that small businesses value the importance of

programmes that promotes the SMME sector (Blueprint, 2005). Such support could positively contribute towards the growth and sustainability of the sector.

5.5 Theme 4: Basic services

Basic service rating

Under this sub-theme, various and interesting views were obtained from the participants. One municipality mentioned road and electricity as the two most significant elements that are a problem in the municipality, in so far as SMMEs were concerned; hence the average rating. A report by Grant Thornton South Africa (2016a) described the state of roads as a concern as was identified by fifty six percent of the business executives that participated. Poorly maintained roads could cost businesses in many ways. Ndiang'ui (2012) reported that poorly maintained roads add to the cost of doing business because of the high cost of vehicle maintenance, which subsequently leads to high cost of goods. It is therefore significant that municipalities assist businesses to avert these costs by consistently maintaining the state of roads. A study by Ikejiofor and Ali (2014) pointed out that improved road conditions allow for better access to a wider market and; reduce losses and delays in moving goods from the source to the point of sale. This is also true for electricity as its supply has the potential to, directly or indirectly; distress the economic activities. According to Attigah and Mayer-Tasch (2013), the quality and reliability of electricity supply is essential for the operations of the SMMEs as both factors have direct impact on the performance of a business. If there are complications along the supply chain of electricity, then the nation's growth and development will subsequently become vulnerable.

The utterance by another participant about basic services not reaching to all communities is common in most municipalities and could be attributed inadequate planning. Fourie and Valeta (2008) noted that the various integrated development plans and local economic development programmes of municipalities are not properly aligned with the priorities of the national and provincial governments, thereby resulting to replication and unwarranted use of resources. Municipalities ought to put their priorities in order for the improvement of service delivery which will, in turn, benefit the SMME sector. While municipalities are constitutionally tasked with the provision of sustainable and effective services, such a realisation comes with its own challenges because of various aspects that have to be integrated, prior to municipalities performing their obligations. It is for this reason that the various aspects associated with service delivery need to be examined, to understand the associated hurdles faced by the local governments in fulfilling their obligations.

Impact of basic services to SMMEs

The comment by one participant on municipalities having a mandate of prioritizing the general communities on basic services is, in a way, unbiased. Bekink (2006) is in agreement with the latter, that local governments have a significant mandate of providing and rendering basic services to uplift and enhance the quality of life for all local people without sacrificing the quality or sustainability. The concern by another participant on the road conditions, especially the impact the potholes could have on delivery vehicles, is another major issue that need the attention of local governments, as potholes can pose serious risks. Potholes causes damage to delivery vehicles and could cause considerable losses on the goods or stock of small businesses. The poor

road conditions could also potentially limit access to raw materials and access to markets; it could also affect production cost negatively. A study by Mtisi *et al.*, (2017) revealed that poor road conditions damaged emerging farmers' harvests and produce before reaching to the desired markets. Poor road certainly affects small businesses in way that they ultimately incur significant costs which could negatively demand from the little income they often generate.

Interestingly, some of the municipalities shared similar opinion on the impact of basic services to small businesses. The municipalities stated that activities of their SMMEs are not necessarily distressed by the challenges of basic service provision; and this is obviously good. The delivery of essential municipal services is at the heart of the SMME sector. A study by SBP (2013) reported that thirty eight percent of SMME owners highlighted basic service delivery as a major concern for the future growth of their businesses (SBP, 2013). As a point to note, municipalities ought to consider the possibility of giving SMMEs incentives, in a form of free municipal basic services, similar to the programme where communities are provided with a fixed quantity of water and electricity free of charge, to encourage entry into the SMME sector.

5.7 Theme 5: Community interest to SMME sector

Database for the unemployed

Findings from this sub-theme suggest that some municipalities have inclusive plan that is proactively addressing issues of unemployment. The initiative of involving other community stakeholders such as the mining organisations by some participants illustrates commitment to this course of action. Multi sector partnerships are

indispensable especially in the reduction of unemployment and on local economic development initiatives. According to UNESCO (2007), the unemployment issue require the involvement of multi sectoral partners and stakeholders to address the complexity of the problem by integrating novel and alternative solutions to avoid social ills and conflicts (UNESCO, 2007). Considering that the LM1 municipality will be launching an SMME database that will expose SMMEs to clients, it appears that the municipality has a viable strategy to promote the SMMEs sector. Such databases are valuable planning instruments which could afford municipalities with a comprehensive assessment thereby enabling them to plan efficiently based on known statistics.

In spite of some municipalities not having a formal database for the unemployed, it is interesting that this municipality has constant engagements with community structures closer to the citizens for access to such information. Community structures (e.g; Ward committees and Community Development Workers) are known as complimentary structures that are in the proximity of residents within municipalities. Such inter relations are crucial as they benefit communities in various forms. Mokoena and van Rooyen (2013) described the function of community structures as channel that link local governments and constituencies for the betterment of service delivery to the communities (Mokoena and van Rooyen, 2013).

Interest of the unemployed to the sector

Based on the opinion of the other participating municipalities, it is concerning that, the unemployed people have less interest in the SMME sector. Nonetheless, Krasadakis

(2017), is in agreement with the sentiment that most unemployed individuals focus their energy looking for the next employment without considering the prospects of initiating a business, because they see business as a risky undertaking (Krasadakis, 2017). In view of this, municipalities need to develop effective strategies to stimulate the interest of the unemployed. The South African government policy on SMME development was initially documented in the 1995 White Paper on SMME development. This integrated small business development strategy delivered an action plan, which amongst other things, focused on the reduction of unemployment rate through the promotion of SMMEs (DTI, 2005). It is interesting to learn that some of the municipalities have strategies that are in line with the promotion of the small business strategy, as they are proactively driving programmes that encourage the participation of the unemployed to the SMME sector.

Profiling the dominating class in the sector

The findings from this sub-theme were highly diverse yet remarkable. Two of the municipalities provided similar feedback relating to small businesses ownership being dominated by women. One municipality pointed out that women dominated the farming sector; and this is in agreement with the findings reported by NEPAD (2015). According to NEPAD (2015), women in Africa are responsible for seventy percent of food crop production, fifty percent of animal husbandry, sixty percent of marketing and approximately hundred percent of food processing (cooking). In spite of the various challenges surrounding women, it cannot be in doubt that they make an incredible contribution to the total economy. South Africa is confronted with complex challenges of lack of involvement by young people in the local economic development sphere, and

this is ultimately hampering the economic development of the country (DTI, 2013). The absolute dominance of youth in the SMME segment on some of the municipalities is reassuring that there are young people who still had desire for local economic development at heart. For South Africa to drive a successful campaign of creating young entrepreneurs, it is essential for the local governments to support young entrepreneurs that are interested in starting a business, as driven by the opportunity and not by the requisite for survival.

Because of the high rate of unemployment in the country, the expectation is for citizens to seize the opportunities on entrepreneurship, but this is not happening as reflected from data collected by a number of entities researching about the SMME sector. DTI (2013) conceded with this reasoning by affirming that South Africa's rate of entrepreneurial activity is still relatively low for a developing nation. The feedback provided, by one of the participants, of having various forums that accommodate the participation of different gender and age groups is, nonetheless, reassuring that something is being done about this situation. By proactively campaigning for inclusive access to the sector, the municipality could potentially grow the entrepreneurial space of its communities.

Youth involvement in the sector

The perception by Abhijit (2013) is that entrepreneurship is gradually being recognised by young people as a significant solution to the creation of employment opportunities because it is perceived as a positive strategy for economic liberation of young people. The feedback by some of the municipalities is confirming this assertion. Moreover, the

effort by some municipalities in educating young people about entrepreneurship is a step towards the right direction in the promotion of social and economic development; and could potentially reduce the unemployment rate in the communities. The effort of educating young people by some of the municipalities is similarly expressed by Mmesi (2015) who mentioned that young people need to be encouraged to participate to the mainstream economy by providing them with requisite skills to overcome related obstacles and challenges. DTI (2013) further asserted this view by pointing out that young people can only be entrepreneurially independent if empowered with pertinent and enabling business skills.

Challenges in attracting the unemployed to the sector

The findings presented under this section reveals that the challenges of attracting young people in the SMME sector are common across these municipalities. The findings were similar to those presented by Sitoula (2015) who reported that young people did not regard entrepreneurship as an alternative option to formal employment. Sitoula (2015) expressed that the youth in Nepal relatively preferred to take up duties as migrant workers in Middle East and Malaysia instead of entrepreneurship. There may be a number of reasons motivating this kind of inclination; amongst other reasons could be job security, debt and risk avoidance. With job security; for example, young people may feel that are able to afford the standard of living considering that there is a constant monthly income. Whereas a new graduate who studied through a loan may prefer to have a stable income to service the debt and; on the other hand, young people see employment as less risky compared to entrepreneurship. In this way, it is essential for local governments to invest more resources on local economic programmes that

could help in addressing the negative attitudes of young people on entrepreneurship, because they could be missing out on the associated benefits such as flexible working hours, income generation and economic independence.

5.8 Theme 6: Transport network and connectivity.

Impact of the dominating transport mode on the sector

In majority of countries, it is generally acceptable that road networks dominate the transport infrastructure and they are considered as essential facilitators of economic and social development. It is not surprising that road networks, in this study, were found to be dominant amongst the other transport modes in the respective municipalities. The findings of this study confirms the notion that road networks are a valuable economic asset as opposed to the other modes of transport to the SMME sector. This is in line with the view by Stander and Pienaar (2002) that road transport has replaced the other forms of transport in the logistics sector, especially for long distance shipping because of its flexibility and versatility. The exportation of tobacco, as produced by SMMEs of one of the municipalities, bears reference with regard to the flexibility and versatility of road networks, as it links the producers from the farms to the airport. Crossley *et al.*, (2009) also confirms that road transport is a basic component of the agricultural sector as it provides assurance for the supply of agricultural inputs and facilitates the delivery of farm outputs to the market.

Impact of the road conditions on the SMME sector

Findings from this sub-theme revealed practical challenges encountered by entrepreneurs every day. The view of vehicles breaking down because of bad road conditions was accentuated by ROK (2003) who stated that roads which are poorly maintained indirectly contributes to the cost of doing business because of the costs associated with repairs and maintenance of delivery vehicles, which eventually result to increased price of products. The assertion on the state of the roads affecting all businesses irrespective of the size is spot on. An exploratory study, by Mtisi *et al* (2017), on the limitations encountered by the retailers of rural agricultural inputs in Matabeleland (North province of Zimbabwe), reported that road infrastructure, particularly in rural areas was a restrictive factor to small businesses. According to the study, the area had a problem of poor accessibility as a result of the filthy roads and the bad state of bridges which ultimately caused transport complications. Some participants in the study mentioned that some of the roads were completely inaccessible, especially during the rainy seasons (Mtisi *et al.*, 2017).

Inadequate road infrastructure is still one of the challenging issues deterring the growth and expansion of SMMEs in many countries and has been described by various authors as the leading cause of poor performance of SMMEs. In Nigeria, the poor transport facilities adversely affected the participation of SMMEs in world markets as it compromised the production processes in the manufacturing sector (Obokoh and Goldman, 2016). It is always important that road conditions are consistently improved to enable better access to broader markets and to avoid losses while averting

interruptions when distributing goods and services. If goods and services reach the market on time, in good quality and at reasonable transport price, this will attract more money for the businesses. Whereas most models on vehicle operating cost provide an indication of the effects of road conditions on fuel consumption, vehicle damage and tyre wear; it is essential for these models to be reviewed to take into account the effects of road conditions on possible damage to the shipment (Farmer's Weekly, 2016). This may assist businesses to be able to factor in the associated cost on products, in an accurate manner.

Integrated transport system

The findings presented under this sub-theme are a reminder that inequalities, in terms of infrastructural development, still exists in the various municipalities of South Africa. It is essential to acknowledge the two municipalities, that is; LM1 and LM3, for taking a proactive approach of improving their infrastructure by including the integrated transport system in their future plans. The opinion by one of the participants on the benefit that could be brought about by the integrated transport system is in line with the view by Aworemi and Ajayi (2013). Aworemi and Ajayi (2013) pointed out that the integrated transport system could offer SMMEs with various options to which one could choose a variety of transport modes for ease in shipping goods and for maximum returns. Brand South Africa (2018) further stated that the benefits of a properly designed integrated transport system will offer an economically feasible transport system which is aimed at offering reliability and quality. It is anticipated for such a system to offer a reasonable cost of a trip and value for money in return. For South Africa, in general, it would be easy to initiate an integrated transport system because

of the modern and well established transport infrastructure (Brand South Africa, 2018). LM2 and LM4 municipalities need to consider including the integrated transport system to boost their SMMEs and businesses in general, for improved economic benefit.

5.9 Theme 7: Building plan approval

Approval process and its impact in the sector

The findings has revealed that LM2 municipality has the shortest period of approval for a building plan. The shortest period by this municipality could be attributed to various factors including efficient governance or that there is less demand for approval of building plans. In spite of this providing a relatively shortest time for this process, the time frames of the other three municipalities (LM, LM3 and LM4) was still within the framework, as required by the National Building Regulations and Building Standards Act 103 of 1977, which governs the approval of building plans in South Africa. The thirty to sixty days approval period, as pointed out by one of the municipalities was in unison with the practice, as stated in the National Building Regulations and Building Standards Act 103 of 1977. The act require that all building plans less than five hundred square meters (500m²) must be approved within thirty (30) days and developments with plans above five hundred square meters (500m²) must be adjudged within sixty (60) days.

For the three municipalities the time frame is simply justifiable, considering the number of the various departments to which the building plan has to go through. One of the municipalities commented that there was no way the process could be changed. If the process by LM2 municipality could take seven days, then it is possible for other

municipalities to reduce the process to a reasonable number of days. One municipality recommended for the reduction of the number of days, by designing a system that will allow for the presence of the relevant officials handling the processes from the various departments to work together as a unit post the arrival of the building plan instead of taking the plan through the various departments. However, it is not known if such a recommendation could be achievable in practice.

The approval of building plans is fundamental to business growth and development because deferments could result to delays in business launches. It is important that the process is prompt, efficient and has user-friendly steps to encourage the entry of prospective entrepreneurs. It is also important that such processes are not politicised for swift approvals. It is for this reason that Dunbar (2017) argue that politicians need to be excluded from the building plan approval process, because too often they contribute to the bottlenecks and derailment of many useful and productive processes for no good reason.

Building alterations sans council approval

The feedback received from the participants presents practical and daily challenges that are faced by municipalities, of communities not complying with essential by laws and regulations. To increase awareness on compliance, municipalities ought to constantly educate communities about the importance of consulting municipal building inspectors prior to structural alterations and about the need for building plans to be approved. Van Deventer (2017) emphasized the importance of obtaining the municipal approval of a building plan prior to the commencement of construction work by stating

that it was essential for the building owners to get their sites inspected by a municipal inspector, for the purpose of compliance, and for the building plan to be approved by the local authorities. It is always essential for residential owners to get a consent from the local authorities before converting a portion of their homes for the purpose of small businesses.

From the finding of this study, it was realised that the municipalities were lenient with residents, who commenced construction without approved building plans. This may be normal in South Africa because many townships are started as squatter camps which gets out of the municipal control. Once the land with squatter camps become fully occupied then municipalities would be compelled to formalise squatter camps into proper residential area, which later provide for the application of municipal by-laws to instil order. Despite this account, numerous cases of building works that proceeded on sites without the requisite approval from local authorities were reported and remedial actions were applied. Evans (2016) reported the collapse of the Tongaat mall, in KwaZulu Natal (South Africa) in 2013 where it was found that the developer began construction work without an approved building plan. Another case involving *Matthew Robert Michael Lester v Ndlambe Municipality and High Dune House (Pty) Ltd* (514/12) ZASCA 95, resulted into the Supreme Court of Appeal granting a demolition order for residential home of a tax law professor Robert Lester because of a building plan which was not approved. The ruling was based on the contravention of Section 21 of the National Building Regulations and Building Standards Act 103 of 1977 (*High Dune House (Pty) Ltd v Ndlambe Municipality and Others*, 2007).

5.10 Theme 8: Application of basic services

Applying for basic services

Local governments in South Africa and elsewhere, are principally defined in terms of their record of service delivery. Three of the four municipalities rated “fair” in the application of basic services, with one municipality rated “excellent”. The “excellent” rating was evident from the efficient administration related to the waiting period post the application of basic services. The municipality (LM1) with excellent rating provided the best possible turnaround time of less than a day, followed by LM3 (7 days), LM1 (14 days) and LM2 (60 days) respectively. The period of the service as offered by LM2 municipality, is relatively long; it is therefore, essential for the municipality to consider revising its systems and processes to avert the failure of timeous service delivery to its constituency, as this may have a detrimental impact on social and economic development. The constitution of South African (Act No. 108 of 1996) allocates municipalities the powers to organise economic resources required for the improvement of the wellbeing of communities, in general. With such a lengthy period, the entry of small business to the SMME sector at LM2 municipality may be compromised.

Benefits and incentives

Incentives to small businesses could help them improve their growth and competitiveness. Van Parys and James (2010) defines incentives as quantifiable economic benefits that the state deliver to particular businesses or collection of

enterprises, with the objective of directing investment towards preferred sectors or regions thereby influencing the character of such investments. It seemed as though that not all the participants provided incentives and benefits to the SMME sector on matters of basic services. The sentiments of two municipalities represented their commitment to the creation of a business friendly environment for their SMMEs. According to OECD (2005), authorities have a responsibility to create a favourable climate to which entrepreneurs can effortlessly progress and flourish by providing some form of incentives and access to necessary resources to enable or encourage innovation and growth.

Two of the municipalities shared almost similar views, as they both do not offer programme that benefits SMMEs, from the basic services point of view. Their views were in line with the study which conducted by Thekiso (2016), at Mangaung Metropolitan Municipality which revealed that the municipality did not offer discounts or incentives to SMMEs on sewer, refuse removal, electricity and water usage charges. In South Africa, development incentives are driven by the wide ranging development policy plans which include the Integrated Development Plan and Local Economic Development scheme. OECD (2005) stated that government needs to go beyond the provision of the framework conditions that influence the business environment in order to address policy and market failures that obstruct entrepreneurial activity by limiting the scope of innovation by small firms. To entice the interest on the SMME sector, it is essential for municipalities to think through offering incentives to SMMEs as this may assist in boosting in reducing the burden of developing a small business.

Challenges on basic service offering

The feedback of lack of material or resources for basic services, as provided by one of the municipalities is not uncommon to this municipality as it is widespread. According to ETU (2012), the deficiency of infrastructure and resources is an actuality to most municipalities of South Africa and this compromise or restricts the communities from accessing quality basic services. One of the key priority projects of the national government is the speeding up of community infrastructure with intensified efforts to accelerate universal access to water, sanitation and electricity. Obviously, this responsibility is cascaded down to the municipalities because they are the immediate governance structures that are closer to communities. Since local governments are at the centre of service delivery and provisioning of essential services such water, electricity and sanitation to communities, it is essential that they are accountable to communities at all times.

5.11 Theme 9: Business licences

Functional business licensing system

The account given by the participants were a confirmation that their municipalities have functional licensing systems in place. The system of business licenses applying to informal traders alluded by one of the municipalities is similar to the business licensing system of the city of Jo'burg municipality. The system of the city of Jo'burg require a hawker operating in the informal economy by selling food and meals in the street, from one location to another or selling from a mobile trailer, to hold a business licence (Jackson, 2017). While it is important for businesses to fulfil municipal requirements of

operating legally, it is also essential for municipalities to put in place user-friendly processes of obtaining business licenses in order to encourage entry into the SMME sector. Like in Israel, in the year 2012, the national authorities legislated standardised business license reforms across the country where municipalities were tasked with implementation instead of adding extra requirements for their local environments (OECD, 2016). This was done to address the complications related to obtaining a business license.

Average number of issued license annually

The findings of this sub-theme has provided an impression that not all municipalities are keen to set quantifiable targets because targets are perceived to be affecting the performance scoreboards. The view of the researcher is that quantifiable targets are essential as they may be used as a yardstick for tracking economic activities of SMMEs. Targets may also help on the implementation of appropriate strategies to increase the number of business licenses issued annually. The view of prioritizing co-operatives when setting annual targets, as indicated by one of the participants, is essential as it was in line with the Co-operatives Act of 2005 of South Africa; and was supported by DTI (2005). In its preamble, the Act recognise that a sustainable and independent co-operative association has a potential to immensely contribute to the economic and social development of South Africa by creating job opportunities, generate earnings and eliminating poverty to the society. DTI (2005) also emphasized the importance of developing co-operatives as they were key drivers to the successful growth and development of the South Africa's economy. The national administration of South Africa had devoted itself to unceasingly offer requisite support to co-operatives

through the development of co-operative development initiatives for the entire country. DTI (2005) additionally indicated that national government will continue to remain resolute in its promise to support and nurture this area (Co-operative development) of the economy.

5.12 Summary

This chapter supplied a comprehensive discussion of the research findings, as guided by the various research themes. Under the theme of business premises, the insight of charging a nominal fee by municipalities when providing trading premises to SMMEs was discussed, while the challenges encountered by the various municipalities in the provision of business premises was also discussed. The various opinions on the importance and convenience brought about by business proximity and the significance of serviced land parcels, especially to emerging SMMEs, was deliberated in this chapter. It was also interesting to establish that, the literature presented from other studies provided similar the popular zoning requests when compared to those mainly found on most local municipalities that participated in the study. A discussion on the significance of keeping an SMME database by municipalities and the views expressed by the participants on the matter, were methodically compared to the existing literature. This chapter also discussed the role of the municipalities in ensuring that SMMEs have access to financial assistance with ease. The theme on basic services was included in the discussion and this was followed by the discussion on community interest to the SMME sector. The impact of the transport network and connectivity was discussed and the theme of building approval. Other aspects that were deliberated in this section include the business licensing and building plan approval.

CHAPTER 6 – CONCLUSION, LIMITATIONS AND RECCOMENDATIONS

6.1 Introduction

The research was initiated with the intention of establishing the role of Gert Sibande local municipalities in the creation of an enabling business environment for small, medium and micro sized enterprises. Based on the study objectives, feedback from the various municipalities was obtained and this chapter will present the conclusion, limitations and recommendations.

6.2 Conclusion, limitations and recommendations

6.2.1 Conclusion

The aim study was to explore the business environment of Gert Sibande local municipalities and the contribution by the municipalities to the growth and sustainability of the sector. To achieve the aim and objectives of the study, nine key standards were investigated. In assessing the effect of business premises on the growth and sustainability of SMMEs, it could be concluded that the lack of adequate premises for start-ups may slow the growth of the sector from the various municipalities. The study also evaluated the relationships built by municipalities with financial institutions for the benefit of the SMME sector and these were proven effective across the municipalities. Furthermore, there were infrastructural challenges identified on basic service offering but did such challenges did not have a direct bearing on the existence of SMMEs. The lack of municipal incentives for SMMEs from the participating municipalities was, however, seen in a negative light. The implementation of incentives could bring a

remarkable relief to SMMEs. It is however to encouraging learn that the participants have programmes in place to encourage the participation of communities in the small business sector; especially women and youth. On the evaluation of transport network and connectivity, it could be concluded that municipalities need to invest more in the road infrastructure because of its dominance as the transport network. It is also imperative that municipalities invest on integrated transport system as it could offer SMMEs with a variety of selection in facilitating transportation and distribution. On the assessment of the building plan approval, the study has concluded that other municipalities still have a room to improve their turnaround times for handling the approval process; this is similarly applied to the process of applying for basic services. In the main, the Gert Sibande District is offering a reasonable business environment for SMMEs, in spite of some improvements that require to be undertaken by some of its local municipalities. It is therefore essential for municipalities to invest on required resources and infrastructure through a multi-stakeholder approach as this could inspire the growth of the sector in the district.

6.2.2 Limitations

When the study was conducted, numerous limitations were identified. Initially, the study was meant to include the seven local municipalities of the Gert Sibande District municipality. Once the requests for participation were hand out to the various municipalities, only four of the seven local municipalities acceded to the request. The municipalities that did not partake attributed to - busy schedules, lack of time or pending approvals from the Municipal Manager's office - as reasons for non-participation. The number of participants was, however, adequate to enable the study to proceed.

Another limitation was the distance and lack of resources. The study was conducted at a District municipality located in the Mpumalanga province because municipalities of KwaZulu Natal, where the researcher resides, were reluctant to take part in the study. The lack of resources was the reason for the interviews to be conducted telephonically, as an alternative to one-on-one (personal) interviews. In spite of these limitations, the validity and reliability of the findings were not affected. This is also true for the conclusion, and recommendations.

6.2.3 Recommendations

The study established the following recommendations:

- The various municipalities ought to prioritise the access SMMEs to trading space on their Integrated Development Plans (IDP) for the benefit of the sector.
- In view of the fact that there is some form of resistance by fully-fledged SMMEs to vacate the municipal premises, it is important that there are enforceable trading space policies or some form of requisite contractual agreements. This could assist municipalities in regulating the trading/business premises and could possibly protect both parties (SMMEs and municipalities) from litigations, especially if the length of time an SMME will be allowed to occupy the premises and the condition of review or renewal of tenancy is included.
- Local governments ought to educate municipal officials and councillors about the dangers of the inability to separate politics and good governance, in order

to improve and grow SMME sector. This will reduce the likelihood of SMMEs operating at the mercy of certain municipal officials - patronage.

- It is crucial that, in the process of municipalities supporting SMMEs with business premises, the lease fees are fixed and are at a rate that SMMEs could afford as this may encourage entry into the sector.
- In the process of selecting for a business location, it is essential for SMMEs to consult with their municipalities for advice on locations with a hive of economic activities in order to have direct access to a diverse population of potential consumers. It is also essential to note that proper customer relations are critical to the success of a small business. Municipalities need to therefore empower SMMEs through trainings and workshops so that they are equipped with site selection options and proper customer services.
- Municipalities are encouraged to avail more serviced land parcels for the improvement of the small business sector. The availability of such land parcels could enable SMME owners to focus their attention on the establishment of their businesses rather than on how they will secure basic infrastructure.
- Municipalities are encouraged to keep annual records and statistics on the number of SMMEs and the type of businesses the SMMEs do, as this could assist in terms of activity planning, funding and budgeting purposes.

- It is important for the local governments to build long term and sustainable working relationships with the various financial and funding institutions, as this may help in expediting the process of SMMEs to having access to financial services at reasonable rates.
- The study has revealed that there was lack of budget for the promotion of SMMEs. Municipalities need to evaluate their priorities on SMME support and development.
- On basic services, municipalities ought to consider the possibility of offering SMMEs with incentives, in a form of free municipal basic services, similar to the programme where communities are provided with a fixed quantity of water and electricity free of charge, to encourage entry into the SMME sector.
- It is vital for local governments to establish multi sector partnerships as they are important in the reduction of unemployment and enhancement of local economic development initiatives, that may in turn, boost the SMME sector.
- Municipalities need to develop aggressive and proactive campaigns and programmes that will attract and capture the interest of the unemployed to participate in the SMME sector.
- For local municipalities to drive a successful programme of creating young entrepreneurs, it is essential that they support young entrepreneurs that are interested in starting a business, as driven by the opportunity and not by the

requisite for survival. It is also essential for local governments to invest more resources on local economic programmes that could help to enlighten young people about the benefits of entrepreneurship, as opposed to the “*seven-to-five*” employment regime.

- Most importantly for the sustainability of the SMME sector, the contribution by roads cannot be overstated. Improved road conditions are capable of enabling better access to broader markets. Often, some SMMEs deliver their products to clients by means of road transport; and roads are also capable integrating other transport systems. Roads that are in good condition helps in averting product losses and reduces interruptions during the distribution goods and services. Continuous road maintenances are therefore important for the development of the SMME sector.
- The study has recognised the potential contribution which could be brought about by the integrated transport system. It essential for local governments to consider this form of system as it offers SMMEs and businesses, in general, with various options to which a variety of transport modes could be selected, for ease in shipping goods and for maximum returns.
- To reduce red tape in the process of building plan approval, municipalities need to revise the approval process. This could be done so that the process allows for the presence of relevant officials from the various departments to work together as a unit, post the arrival of the building plan instead of taking the plan through the various departments to encourage the entry of prospective

entrepreneurs. It is also essential that politicians are excluded from the building plan approval process, to circumvent bottlenecks and derailment, as they frustrate many useful and productive processes for no good reason. On compliance, municipalities ought to constantly raise awareness by educating communities about the importance of consulting municipal building inspectors prior to structural alterations and about the need for building plans to be approved.

- Some municipalities to consider revising its systems and processes on basic service offering, especially the turnaround times, to avert the failure of timeous service delivery to the constituencies, as this may have a detrimental impact on social and economic development.

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APPENDICES

APPENDIX 1: Methodology of utilising a telephone on qualitative research interviews		
Source: Farooq, MB & de Villiers, C., 2017. "Telephonic qualitative research interviews: when to consider them and how to do them", <i>Meditari Accountancy Research</i> , Vol. 25 Issue: 2, pp.291-316		
	STRATEGY	DISCUSSION
Before the interview		
1	The interview guide	<p>A good interview guide helps in building rapport.</p> <p>Test the guide on a team member or colleague.</p> <p>After conducting a number of interviews review and revise the guide if necessary</p>
2	Recruiting participants	<p>Tailor your recruitment approach</p> <p>Cold calling is effective if the research is not on a personally sensitive issue</p> <p>Maintain a call log</p>
3	Pre-interview telephonic conversation	<p>Sell the research project and immediately address concerns</p> <p>Build rapport and create interest</p> <p>The interview style</p>
4	Email communication	<p>Provide all participants with an email invitation</p> <p>Email a participant information sheet and a consent form</p> <p>Maintain a record of email communication with participants for later use</p>
5	Negotiating interview time	<p>Negotiate with interviewees for more time</p> <p>Be flexible and offer to conduct the interview when the participant is free</p>
6	Setting up the equipment	<p>Telephone interviews</p> <p>Computer-based interviews</p>
7	The interview location and environment	<p>Let interviewees select their preferred environment</p> <p>Make sure you are comfortable, the room is quiet and free from interruption</p>

		Make sure that the interviewee is ready to proceed or offer to reschedule to another date
		Be ready for disruptions and dropped calls when interviewing participants who are commuting from work to home during the interview
8	Interview material	Avoid emailing too much material before the interview as this makes the interview appear more time consuming and could scare off participants.
		Communicate a broad outline of the interview questions/topics and allow the participant to prepare accordingly
9	Scheduling of interviews	Allow participants to set a date and time that they prefer
		Consider international time differences
		Be ready to organize your schedule to suit that of your participants
10	Data organisation	Allocate a code number to the interview
		Prepare an excel file to summarize the details of each interview
During the interview		
1	Use an introductory script	Consider using an introductory script at the start of the interview
2	Adopt a conversational style	Read questions in a conversational tone
		Be friendly yet professional
		Be respectful, courteous, and unbiased
3	Use the interview guide in a flexible manner	The interview guide is to be used in a loose flexible manner
4	Communicating without visual cues	Listen carefully
		Articulate questions clearly
		Provide feedback and sound interested
		Communicating presence

		Take notes but remember to focus on listening
5	Start, middle and end	Probe, rephrase and politely persist with your probes
		End on a positive note
6	Seeking commonalities or the naive listener	Some interviewers prefer to highlight commonalities and share their own personal experiences in order to build rapport
		Others prefer to present themselves as a naive listener
7	Interviews cut short	Phone back
8	Providing comfort to interviewees	Follow university guidelines and seek ethical approval for the research
		Provide comfort to interviewees and convey compassion and empathy
		Provide the contact details of counsellors before and after the interview
After the interview		
1	Immediately after the interview	Save the audio recording, delete the recording from the recorder and prepare a backup stored safely or password protected or encrypted
		Review and complete your interview notes
		Reflect on the interview to assess how it can be improved. This relates to both the interview guide and to the interview conversation
2	Transcription, analysis and findings	Share the research findings with participants
		Allocate sufficient time

APPENDIX 2: Semi-structured questionnaire

(Guide for the interviews)

Business premises	
1	Why do you think keeping an SMME register assist the LED units in planning?
2	What is your take in terms of business premises being closer to the road networks?
3	Why do you think an SMME closer to communities has an impact in the sustainability of income and growth?
4	Give an example of popular business request and the reason why they are popular for rezoning?
5	Does your municipality have serviced land parcels? How do you think these benefit SMMEs?
6	How many zoning requests, on average, are received by the municipality per year? How do you feel about this number?
7	What is the turnaround time for zoning process in your municipality? Is it ideal for potential entrepreneurs wanting to establish enterprises? How do you deal with SMMEs running illegally?
8	How do you think allocating serviced land parcels to SMMEs could contribute to successful start-up?
9	What is your view about the SMMEs business premises offered by municipality?
Access to Financial Markets	
1	Please describe the relationship you have with lenders?
2	What impact does it have in the reduction of the Red Tape for SMME lending?
3	What is your opinion about the financial support programmes offered to SMMEs by municipalities?
4	Is the municipality content about the assistance they are offering to the SMMEs?

Basic Services	
1	Please rate your municipality in the provision of basic services and explain your rating?
2	Would you say there are challenges in the provisioning of basic service? What direct impact this have on SMMEs?

Access to labour markets	
1	Does the municipality keep register for the unemployed? How does it help the LED unit when making decision to invest on SMMEs?
2	Why do you think the municipal strategy to attract the unemployed to the SMME sector works?
3	What is you feeling about the involvement of the youth in the SMME sector?
4	What is your feeling about the ownership SMMEs in terms of gender?

Transport and Network connectivity	
1	What is the dominating mode of transport on your municipality and how do you think it has an impact on SMME growth?
2	What is your view on the state of the municipal roads? Do you think the condition of the road affect the SMMEs in your area?
3	What is your view on the impact of an integrated transport system in the SMME sector?
4	Has your municipality considered the integrated transport system?

Building plan approval	
1	How long does it take a building plan to be approved and why do you think the period is justifiable?
2	How do you think SMMEs could benefit if the process of approving building plans could be improved?
3	How common is the problem where emerging entrepreneurs build premises or modify their houses for businesses without having their plans approved?

Application of Basic Services	
1	Do you think the period for your municipality to process an application for basic services is justifiable and why?
2	What is your view on the average time it take for the municipality to process water, sewer, and electricity for SMMEs?
3	Does the municipality offer certain incentives when it comes to application of Basic Services to SMMEs to encourage them to get into the sector?

Business Licenses	
1	Why do you think the business licensing policy that is in place assist LED to improving the business environment?
2	How many applications does the municipality receive annually? Do you think the number is justifiable?
3	Do you promote your SMMEs?
4	Tell me about the programs in place that the municipality use to promote SMMEs?
5	Do you think the budget allocated to promote the SMME sector is adequate or somehow limiting? Why?

APPENDIX 3: Request for data collection

June 2018

To the Municipal Manager: [REDACTED]

Gert Sibande District Municipality

Permission for data collection.

I am resident of Gert Sibande District municipality (residing at [REDACTED] – Albert Luthuli Local Municipality).

I am currently studying towards a Masters of Commerce qualification at the University of KwaZulu Natal (Westville campus).

The research title of my study is: **“Business friendliness of Gert Sibande local municipalities towards SMMEs”**.

The objective of the study is to gain a thorough insight of what constitute a business friendly municipality within the Gert Sibande District municipality, for potential SMMEs to thrive, using selected technical standards, to which municipalities will have to provide feedback through interviews.

This letter serves as a request for permission to collect the data by interviewing the relevant office (Local Economic Development) that has access to the information.

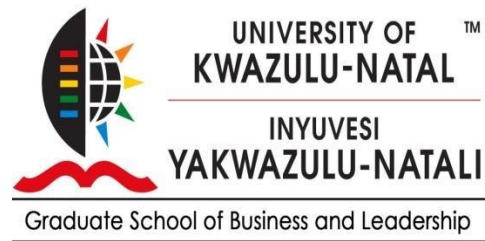
I am expected to submit a final report to the university by the end of June 2018. I therefore request your office to please accede to my request with utmost prompt.

I have also attached a supporting letter from the University, as an assurance for your protection as an institution.

Regards,

[REDACTED]
0734719591

APPENDIX 4: Supporting letter from Supervisor



14 May 2018

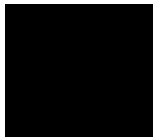
Dear Municipal Managers,
LED Managers - Gert Sibande District.

This is to inform you that Steve Masango (student number: 215077766) is a registered student studying towards a Master of Commerce qualification at the University of KwaZulu-Natal (Westville campus). His research is titled: "Business friendliness of Gert Sibande local municipalities towards SMMEs". The objective of the study is to gain a thorough insight of what constitute a business friendly municipality for potential SMMEs to thrive, using selected technical standards, to which the different municipalities will provide feedback through an online questionnaire.

Participants are guaranteed that anonymity and confidentiality will be maintained at all times. Data to be collected will be exclusively used for academic reporting. The collected data will be safely kept by the university.

The student is expected to submit a final report by the end of June 2018.
Your urgent attention will therefore be highly appreciated.

Sincerely yours



Professor Muhammad Hoque
Academic Leader: Higher Degrees and Research
Graduate School of Business and Leadership
University of KwaZulu-Natal, Westville Campus, Durban, South Africa
Tel: 031 2608690
Email: hoque@ukzn.ac.za

30 June 2018

Mr Steve Masango (215077766)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Masango,

Protocol reference number: HSS/0195/018M

New Project Title: Business friendliness of Gert Sibande Local municipalities towards SMMEs

Approval Notification – Amendment

This letter serves to notify you that your request for an amendment received on 27 July 2018 has now been approved as follows:

- **Change in Title**

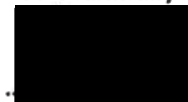
Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the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

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

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

Best wishes for the successful completion of your research protocol.

Yours faithfully



.....
Dr Shenuka Singh (Chair)
Humanities & Social Sciences Research Ethics Committee
/pm

cc Supervisor: Professor Muhammad Hoque
Cc Academic Leader Research: Dr Emmanuel Mutambara
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

· Dr Shenuka Singh (Chair)

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APPENDIX 6: Turnitin report