“A critical assessment of the impact of interventions to stimulate the establishment and growth rates of SMEs in the formal sector in KwaZulu-Natal 1994 - 2008”

by

William Robert Smorfitt

Student number : 203517228

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Supervisor: Professor R C O’Neill

28 November 2008

DECLARATION

I, William Robert Smorfitt declare that

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(ii) This dissertation/thesis has not been submitted for any degree or examination at any other university.

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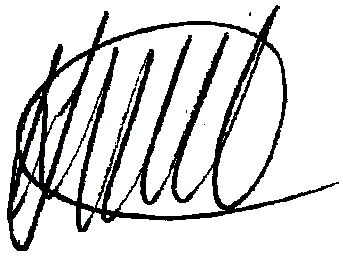

_____ 4 December 2008

William Robert Smorfitt

DECLARATION

As the candidate's supervisor I have approved this dissertation for submission.

Signed

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Professor R C O'Neill 4 December 2008

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I would firstly like to thank Professor Charles O'Neil, my supervisor. Without his confidence in me this would never have happened. It has been a long road, but the trip has been most enjoyable. My left brain and my right brain kept him guessing as to who would be performing each time we met. He often had to beat the right brain into submission.

I must thank my family for their patience. It has taken 6 years and they have never complained. Bridget you are a wife in a million, and you deserve a medal. Without your never-ending support, especially over the past 3 years, I would never have made it. My children too have paid a price for this, especially because I was a late bloomer, and started this once I had a whole family that needed my attention. I hope that they understand why it is important to me and to them, and why I had to do this.

To my father, he wanted a doctor, but he got a doctor. Hopefully, he will get two if my brother completes his PhD sometime. I hope that he will feel that he achieved his goal in life to educate his children properly.

Abstract

South Africa is a country in a state of flux. It has many problems associated with the historical imbalances within the country, and now more than ever, it is seeking solutions to key problems such as unemployment.

Like other countries, both developing and developed, they have seen the necessity for a strong entrepreneurial class within the country. However, finding the recipe for developmental success in the field of entrepreneurship is difficult at best.

The task is complex, in that the government has to find the combination of selective and functional interventions, best suited to the resident conditions within the country. The literature review showed that there are different trends for developing and developed countries, in their selection of selective and functional interventions.

South Africa has made wide use of selective and functional interventions, in an attempt to increase the number of SME start-ups and to improve the growth rate of existing SMEs.

This study analyses the literature to gain an understanding of what developing and developed countries are doing in this regard. It then looks at the debate in this regard, followed by an analysis of the South African interventions that have been or are being executed by the South African government.

The study then collated data from SMEs in the formal sector, and using a questionnaire, acquired primary data from 136 respondents, of which forty-six (46) are in a Control Group and ninety (90) in a Treatment Group.

The primary data was then analysed within Chapter 6, and an insight gained into the respondents and their attitudes to a variety of interventions from the South African government.

The findings which were extracted from the primary data reinforced certain facts within the body of knowledge as it relates to entrepreneurship, but there were also some interesting new facts that were extracted from the data.

The South African government has achieved certain success and certain failures, and the study clearly highlights both, thereby assisting in the review of the national SMME strategy.

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Chapter 1 Introduction - Research Problem and Research Objectives

1.1 Research Problem

The research problem is to determine the impact of government interventions, if any, to stimulate the establishment and growth rates of small and medium sized businesses (SMEs) within the formal sector in KwaZulu-Natal, South Africa, and to assess the success of the interventions applied over the last fourteen (14) years.

1.2 Research Objectives

The research objectives relate to the use of various interventions by governments. Government interventions can be defined as either functional or selective interventions (Wint 1998:28; Unctad, Online, 8 November 2008:3), where functional interventions are those that are generic and impact on all players in the economy equally, and selective interventions are those that are aimed at providing specific relief or assistance to a particular segment of the economy. The research objectives below are defined within the context of these definitions of interventions:

1. Determine the factors that stimulate the establishment and growth rates in SMEs.
2. Determine the need for interventions by governments.
3. Determine whether the South African government needs to implement interventions to increase the SME start-up rate.
4. Determine whether the South African government needs to implement interventions to increase the SME growth rate.
5. Determine whether the South African government is implementing selective interventions for the SME sector

6. Determine whether the South African government's selective interventions for the SME sector are appropriate.
7. Determine whether the South African government's functional interventions impact on the SME sector in an appropriate manner.
8. Determine whether the South African government's interventions which have been implemented, achieved their stated goal.

1.3 Purpose of the Study

Governments all over the world face the reality of unemployment, and consequently are seeking new solutions to an old problem that stubbornly refuses to ease. In an attempt to reduce unemployment, these governments effect a wide range of different interventions. All government interventions can be classified as either functional or selective interventions, (Wint 1998:281; Unctad, Online, 8 November 2008:3). Functional interventions are those that are generic and impact on all players in the economy equally, and selective interventions are those that are aimed at providing specific relief or assistance to a particular segment of the economy. The purpose of interventions by governments, is to effect positive change within the economy as a whole or in part, in order to improve the output of the economy as a whole or in part (Wint 1998:28; Unctad, Online, 8 November 2008:3). This study will attempt to assess what the South African government has done in this regard, in the broader context of efforts by governments from a range of developed and developing countries, and the success achieved in respect of these interventions.

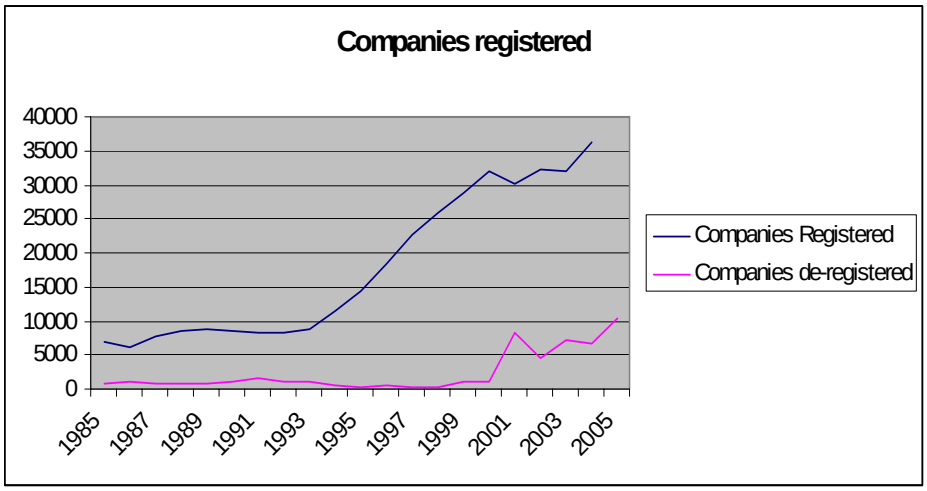
1.4 Background and need for Study

Local government licencing of businesses was discontinued in the 1980s in many South African towns and cities, and this has resulted in a dire lack of useful information on businesses in the country. While Closed Corporations, Companies, and Co-operatives are legal

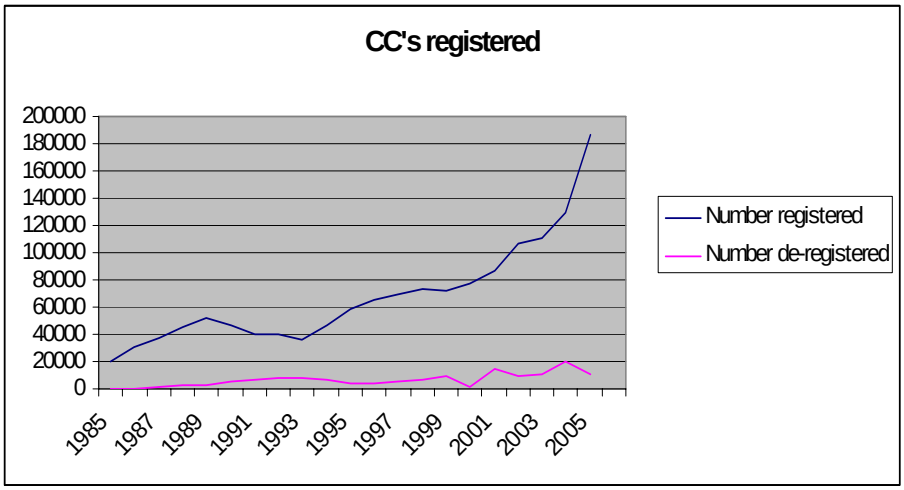
entities, and therefore central registration is required with the Companies and Intellectual Property Registration Office (CIPRO), sole proprietorships and partnerships are not registered centrally. The outcome is a dearth of useful information on businesses, their sizes and sectors, throughout the country.

As many start-up operations are sole proprietorships or partnerships, the statistics on the numbers of businesses in South Africa held by CIPRO are skewed, as they represent only registered legal entities. There is also a possibility of duplication in respect of professional practices, which by law were barred from establishing legal entities. However, many professional practices do now have legal entities which are the engine room of their practices and which control the running of the operation from an overheads perspective, while the professionals in the practice retain the partnership for legal reasons. This means that they could have two entities per business.

The number of companies registered is in excess of companies de-registered, as indicated in Graph 1.1 below. However, the data is skewed by the fact that CIPRO, until recently, did not track whether a company is dormant or not, so it is impossible to identify actively trading companies. The same is applicable to Closed Corporations, as indicated in Graph 1.2. CIPRO are now attempting to force reporting in order to be able to assess which are dormant and which are not, but they have achieved minimal success to date. There is very little, if any, effective communication with owners of these entities.



Graph1.1 (Data courtesy of CIPRO)



Graph 1.2 (Data courtesy of CIPRO)

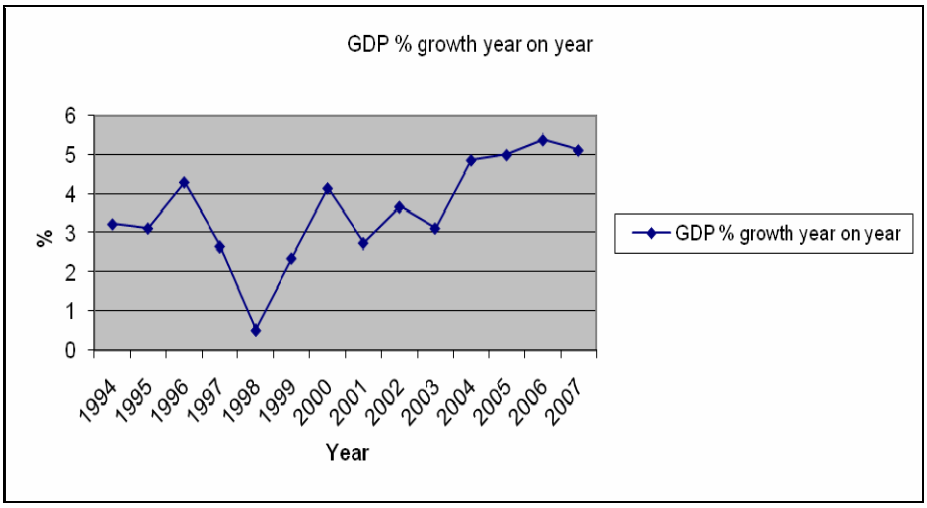
The numbers of legal entities are further skewed by government policy. In 2002 it became a condition of tendering on government tenders that you had to be a registered legal entity in order to tender. This was to enable government to assess whether the BEE points being claimed were accurate or whether there was fronting occurring (Interview Mojalefa – DTI, 5 June 2006).

As a consequence, every tenderer, whether they had an existing business in the form of a sole proprietorship or a partnership or not,

had to register a legal entity in order to tender for government business. The bulk of these tenderers used Closed Corporations due to the lower cost of establishment. This has resulted in skewing of the data, as many of the registered entities have not traded, nor will they trade unless they win a tender, the bulk of which will not. This legislation has therefore also created a situation whereby a trend of massive growth will be reflected in registration of businesses, but in reality not providing a true reflection of economic activity.

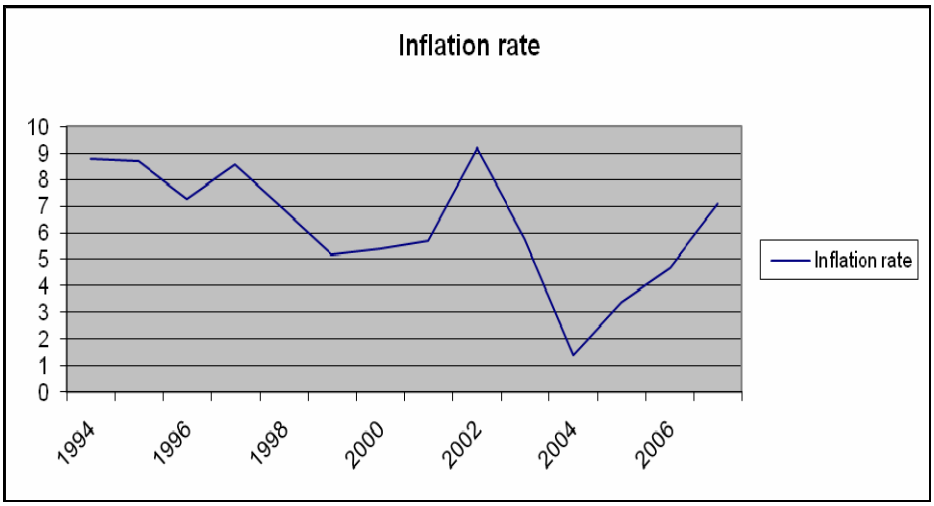
Statistical data from the South African Revenue Services (SARS) as to the number of entities paying taxes would provide a more accurate insight into the number of active businesses in the country, irrespective of whether they are natural or legal persons. However, thus far SARS have refused to provide this information to any researchers.

The question is whether this increased growth rate in start-ups is linked in any way to selective interventions by government in the SME sector. Graph 1.3 below clearly indicates a growth trend in the GDP of South Africa. This should contribute to a growth in the start-up rate of business in the country.



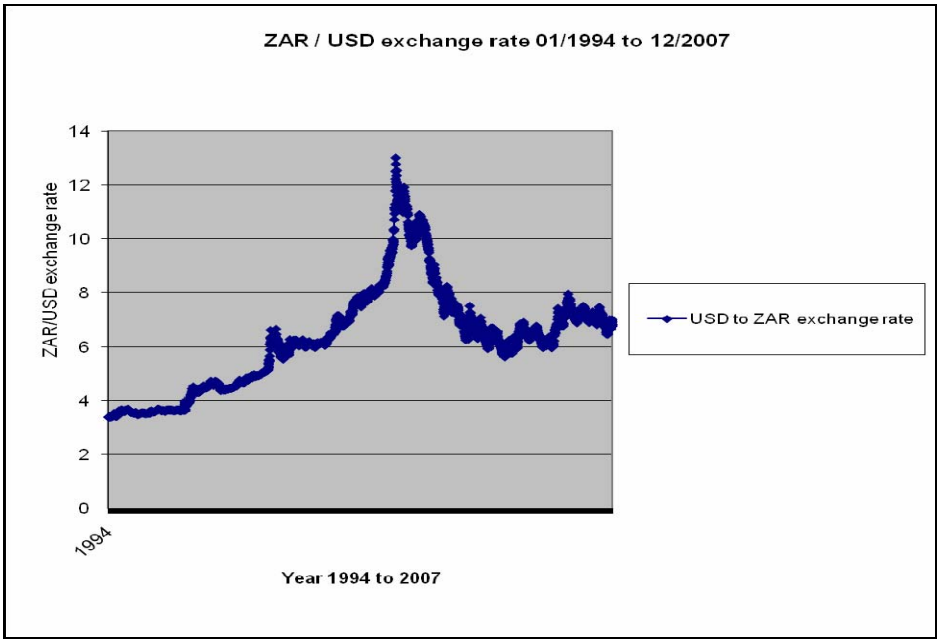
Graph 1.3 (Data courtesy of SA Reserve Bank 2 November 2008)

Similarly, inflation has reduced over the same period, also pointing to a general improvement in the overall economic position of the country, as indicated in Graph 1.4 below.



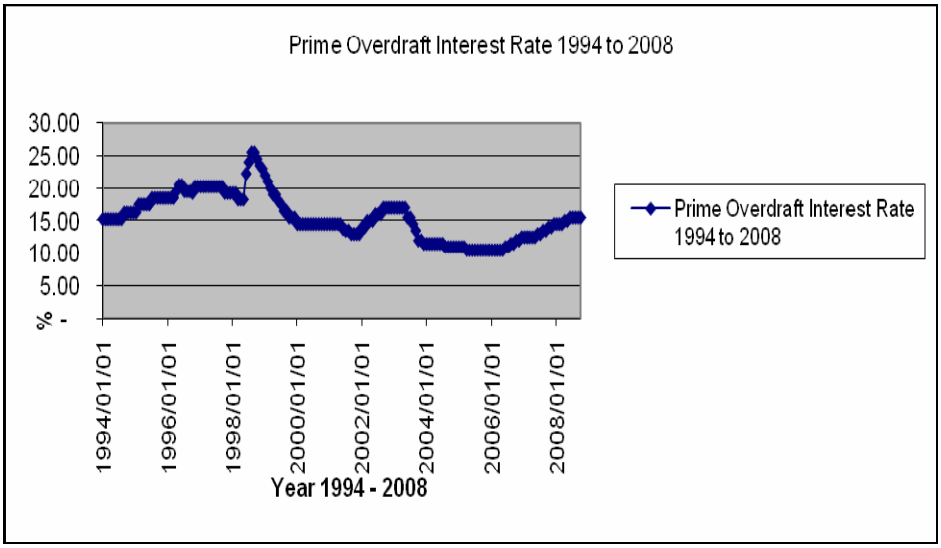
Graph 1.4 (Data courtesy of SA Department of Statistics 2 November 2008)

July 2002 also saw the reversal of the declining ZAR / USD exchange rate, as indicated in Graph 1.5 below. This would have been of benefit to importers, which could also contribute to business start-up.



Graph 1.5 (Data courtesy of SA Reserve Bank 2 November 2008)

The Prime Overdraft Interest rate also declined over this period, as indicated in Graph 1.6 below. This might also have contributed to the increase in the start-up rate for new businesses, as the cost of doing business had decreased substantially, if using credit to start the business, as many start-up operations do.



Graph 1.6 (Data courtesy of SA Reserve Bank 2 November 2008)

There was also a definite increase in start-ups after 1994, as well as an improvement in indicators of economic activity after the demise of Apartheid as indicated in Graphs 1.1 and 1.2.

It appears as if the start-up rate of SMEs in South Africa is directly correlated to the broader economic environment in South Africa, because as the environment improved so too did the start-up rate.

As this increase in the start-up rate occurred from 1994, before the current government had time to implement either functional or selective interventions, it could be deduced that the increase in the start-up rate was not initially linked to the use of government

interventions. It is quite possibly attributable purely to improvement in local and global sentiment as a result of the change of government, which could have resulted in increased global trade and higher business confidence levels.

The research will consequently assess what effect the government interventions had on the SME start-up and growth rate. This research will be conducted in the context that the market is responding to improved market conditions, and whether or not interventions are therefore appropriate.

1.5 Research Methodology

This will be a formal cross-sectional and causal study of SMEs in the formal sector, trading in South Africa, who are members of a Chamber of Commerce, in order to assess the relationship between the dependent variable in the research, the existing establishment and growth rates of SMEs in the formal sector in South Africa, and the independent variable, government interventions.

A cross-sectional study is a study that is carried out once and represents a snapshot of one point in time (Blumberg, Cooper & Schindler 2005:130).This study will collect data during 2008 only. It will however cover the period 1994 through 2008, but as only one measurement will be made, it will not be a longitudinal study.

The list of businesses that will form the population of SME enterprises in the empirical study will be obtained from the Chambers of Commerce, as the majority of Chamber of Commerce members trade in the formal sector.

The empirical study will be undertaken to firstly determine whether the start-up businesses, established after 2004, were established as a direct result of a government intervention or not. Secondly, those businesses that existed prior to 2004 will be assessed to understand whether they have experienced growth and if so what the causal relationship to government interventions is, if any. A formal sector business for the purpose of this study will be any business which is registered with the South African Revenue Services.

An initial small group of SMEs will be selected using a snowball sampling method in order to test the validity of the questionnaire.

Then an initial control group will be selected using a randomly selected sample of the population of the Pietermaritzburg Chamber of Business. The population will consist of small and medium sized businesses (SMEs) in the formal sector, that are members of the Pietermaritzburg Chamber of Business. The Pietermaritzburg Chamber of Business universum is approximately 950 members.
Thereafter, the final questionnaire will be e-mailed to a randomly selected sample selected from the balance of the Pietermaritzburg Chamber of Business population and the members of the Ladysmith, Durban and Zululand Chambers of Commerce. Six (6) weeks after the e-mail survey has been sent out, a second copy of the survey will be sent out again. The population is approximately 6000 members.

After the second mailing date, those respondents who have not responded will be contacted and personally interviewed by the author if they cannot be convinced to submit a response.

The primary data will then be used to apply appropriate statistical techniques in order to address the research problem and research objectives.

The findings will consequently be summarised and compared to previous research. In the final instance, recommendations will be made where possible, caveats will be pointed out and suggestions for further research will be made.

1.6 Hypotheses

In this study, two hypotheses have been used. This assists in validating the quality of this research study, thereby making a real contribution to the current body of knowledge within this field of research, which is the key purpose of this study.

The hypotheses as stated for this research study are listed below in Table 1.1.

Null hypothesis (H1o)	The interventions to increase the growth rate of existing SMEs in the formal sector have had a positive effect.
Alternative hypothesis (H1a)	The interventions to increase the growth rate of existing SMEs in the formal sector have not had a positive effect.
Null hypothesis (H2o)	The interventions to increase the start-up rate of new SMEs in the formal sector have had a positive effect.
Alternative hypothesis (H2a)	The interventions to increase the start-up rate of new SMEs in the formal sector have not had a positive effect

Table 1.1 – Hypotheses

There are two main null hypotheses, together with the associated alternative hypotheses. These hypotheses form the core of this research study, and relate directly to the start-up rate and the growth rate of SMEs within the formal sector.

1.7 Synopsis of chapters

Chapter 1 considers the background to and the need for the study, and provides an overview of the research objectives and methodology.

Chapter 2 reviews the sources of failure in countries, and the link between failures and interventions, in the context of the Theory of the Firm.

Chapter 3 is a literature review of the critical success factors in SME start-up and growth. This is an important component of the study, as it is important to see if government interventions, intended to improve the start-up and growth rate of SMEs, are focused on the correct issues.

Chapter 4 reviews current interventions in developed and developing countries, in order to try and identify particular trends or patterns in their intervention usage. Then the South African interventions are reviewed in order to assess whether South Africa shares an intervention profile similar to that of developed or developing countries.

Chapter 5 provides a detailed assessment of the intended research methodology for this study.

Chapter 6 provides detailed information on the findings of the empirical study carried out as part of this study.

Chapter 7 provides the limitations of this study, conclusions that have been drawn from this study, and recommendations for further study.

1.8 Summary

In this chapter the background and need for the study, together with the research methodology for the primary research were dealt with. In Chapter 2 the literature review with regard to the need for interventions is considered, as well as the underlying economic theories pertinent to this study.

Chapter 2 Literature review of the debate surrounding the need for intervention

2.1 Introduction

The background to, and need for this study, has been dealt with in Chapter 1. In this chapter the literature will be reviewed, with respect to the debate surrounding the need for interventions to stimulate SME start-up and growth.

The focus of this study will be on the formal SME sector. Notice must be taken that the SMME acronym (small, medium and micro enterprises) is a predominantly South African acronym and that other countries use the SME acronym (small and medium enterprises) most often, but also SMB (small and medium business) and MSME (micro, small and medium enterprises). This thesis will, wherever possible, use the acronyms in context to where the data has been sourced, but the target of the thesis is the SME segment, as the micro sector is generally used in reference to the informal sector (Hallberg, 2000:4).

This dissertation will address measures available to stimulate the creation of a business environment conducive to the creation of new businesses, and efforts to stimulate the establishment and growth rates of small and medium enterprises (SMEs).

There is much debate around the question of whether or not intervention is required in any country, whether a developing or a developed country. However, while the evidence clearly indicates that interventions are used in most countries, the selection of interventions remains an individual choice of each country's government and not a process of scientific selection based upon the

existence of predetermined existing micro and macroeconomic conditions prevalent at the time of selection.

The requirement for any form of intervention, would tend to indicate a problem that pre-exists within the free market, and the intervention is therefore intended to solve this problem. Economic theory attempts to identify the source of the problem, or failure, in order to provide a guide to the means of solving the problem. Government interventions are themselves premised on the fact that a need for such an intervention exists because of a market failure in the free market system (Stiglitz 1989:197). However, Stiglitz (1989:202) further suggests that not all market failures can be successfully addressed through government interventions, as governments themselves are subject to the same constraints such as insufficient information, and therefore are no better suited to intervening than the private sector is. Stiglitz (1989:197) and Hosseini (1999:20) also suggest that market failures are found in both developed and developing countries, but occur more frequently in developing countries.

It is important to understand that the assumption is, that market failures occur within a free market system. A free market is defined as a market free of government intervention and regulation where the factors of production are owned and controlled by the private sector (Mohr & Fourie, 1995:46). This is an ideal which is strived for and achieved, by different governments, to differing levels. In a free market the buyers and sellers freely buy, sell and compete with one another, and as a group through their aggregated supply and demand capacities and constraints, help to set the equilibrium price of the goods being traded. Therefore all markets cannot be defined as free markets in the broader context, and therefore the application

of interventions may not necessarily achieve the same outcomes in every market, due to the variance in market freeness.

The first potential source of failure is market failure as discussed, and an example of market failure, in the context of this study, would be the lack of appetite banks have for lending to SMEs, in particular to start-ups. In turn governments use a variety of economic analysis tools, to inform themselves in matters of public policy setting, in an attempt to correct the market failure.

Market failure is often seen as a justification for government interventions by the incumbent governing authorities (Mitchell, 2006:57). On the other hand supporters of a free market environment believe that government interventions are often the root cause of market failure to begin with.

The second source of failure is government failure. Government failure could arise as a direct result of attempts by government to correct market failure, and in the process they could contribute to market failure. This, in the context of this study, could be over-regulation by government, which would stifle SME start-up and growth rates (Montgomery & Bean, 1999:403).In certain instances, government failure can be of such enormous impact as to override the impact of market failure, to the extent that the market is unworkable (Hosseini, 1999:30).

Continuing with the example used, the fact that banks do not wish to lend money to SMEs could be attributed to the fact that government intervention on maximum interest rates chargeable, creates a limitation that inhibits the free market system of supply and demand,

which results in a contraction of the supply, in this case of finance (Montgomery & Bean, 1999:404).

For the purpose of this research study, all government interventions can be classified as either functional, generic broad based interventions, or selective, providing specific relief or assistance to a particular segment of the economy (Wint 1998:281; Unctad, Online, 8 November 2008:3). The purpose of interventions by any country's government, is to effect change within the economy as a whole or in part, in order to improve the output of the economy as a whole or in part (Wint 1998:281; Unctad, Online, 8 November 2008:3).

In this chapter, the debate surrounding the need for interventions will be analysed and assessed to determine whether the debate is relevant to interventions that are occurring in South Africa.

In order for the markets in any country to function correctly, the approach from a neoclassical perspective is that the markets will continue to seek equilibrium, until equilibrium is reached. The mechanism for achieving equilibrium, is the Firm. However, the neoclassical approach sees no role for the firm once the state of equilibrium has been achieved (Boudreaux & Holcombe, 1989:147)

This has therefore lead to alternative approaches to the Theory of the Firm. In the neoclassical approach, the Firm only comes into existence after the market exists, whereas in the Knightian approach the Firm is entrepreneurial, and creates markets through specific decision making processes under uncertainty (Boudreaux & Holcombe, 1989:147). Therefore the neoclassical approach does not allow for the entrepreneurial contribution by the Firm. A simple way to differentiate the Coase approach from that of Knight is to see Coase

as a managerial approach while Knight is an entrepreneurial approach (Boudreaux & Holcombe, 1989:152). The Knightian approach was followed by the approach known as the Behavioural Theory of the Firm. The Behavioural Theory of the Firm takes specific cognisance of the impact of the entrepreneur during the start-up phase, when the impact of the entrepreneur is at its highest (Dew et al, 2008:38). However, while the Knightian approach embraces the decision making process under conditions of uncertainty, the Behavioural Theory of the Firm attempts to specifically remove uncertainty, and introduces conflict resolution, organisational learning and problemistic search (Dew et al, 2008:40). This approach considers each firm to be heterogeneous and that new markets and new businesses have an interdependent relationship which differs from existing businesses in existing markets (Dew et al, 2008:41).

The managerial approach attempts to remove the uncertainty upon which the Knightian approach is based. Although the managerial approach attempts to apply the Theory of the Firm to large existing organisations (Bartlett & Ghoshal, 1993:23), the approach can also be applied to the SME, as all firms seek to remove uncertainty.

The resource-based theory suggested that the neoclassical approach of the Firms being homogeneous was incorrect and the mobility of resources was incorrect (Bowen, 2007:101). The entrepreneurial approach of Knight in the context of start-up firms as well as the managerial approach of Coase can be closely linked to the present day approach of linking profitability to the Theory of the Firm.

While the Theory of the Firm states that profitability is the main objective of the firm (Mohr, Fourie 1995:313; Salvatore 2000:9), it can be argued that if seen holistically, government interventions should

address all four factors of production, namely capital, land, natural resources, and entrepreneurship, in order to enhance sustainable profitability of SMEs. The requirement for interventions to address all factors of production in order to increase profitability, is based on the interrelated nature of the factors of production and the potential effect of their combination on profitability. The ideal is to optimise each factor, as well as a combination of the four factors in order to maximise profitability. Examples of government interventions to stimulate each of the factors of production, are as follows:

a. Capital – improve access to finance, provision of low interest loans for start-up, tax concessions or initial tax holiday
b. Land – provision of business premises such as incubators, provision of supporting infrastructure, protection of property rights
c. Natural resources – regulation of access to and protection of natural resources
d. Entrepreneurship – training, development and consultation services to entrepreneurs, creation of a regulatory environment conducive to entrepreneurial development, stimulation of an entrepreneurial culture, and promotion of acceptance of entrepreneurship within society.

Similarly, just as an individual business that neglects any of the individual factors of production would end up with a less than optimum combination of the factors of production, an unbalanced intervention policy by a specific government, would result in a less than optimum effect on SME development and unsatisfactory profitability. In that regard the major objective of the Theory of the Firm, namely profitability, would not be achieved.

If we assume that governments use the principle of profitability as found in the Theory of the Firm, as a theoretical base for their interventions, there still remains a potential flaw in the practical application of intervention policy. The flaw is that governments often do not assess the positioning of the applicant for SME assistance, on the continuum of entrepreneurship as defined by Burch (1986:31) in Figure 2.1 below. When applying Burch's continuum, it can be expected that an applicant in the manager category on the continuum would be much less entrepreneurial than an application in the innovator category.

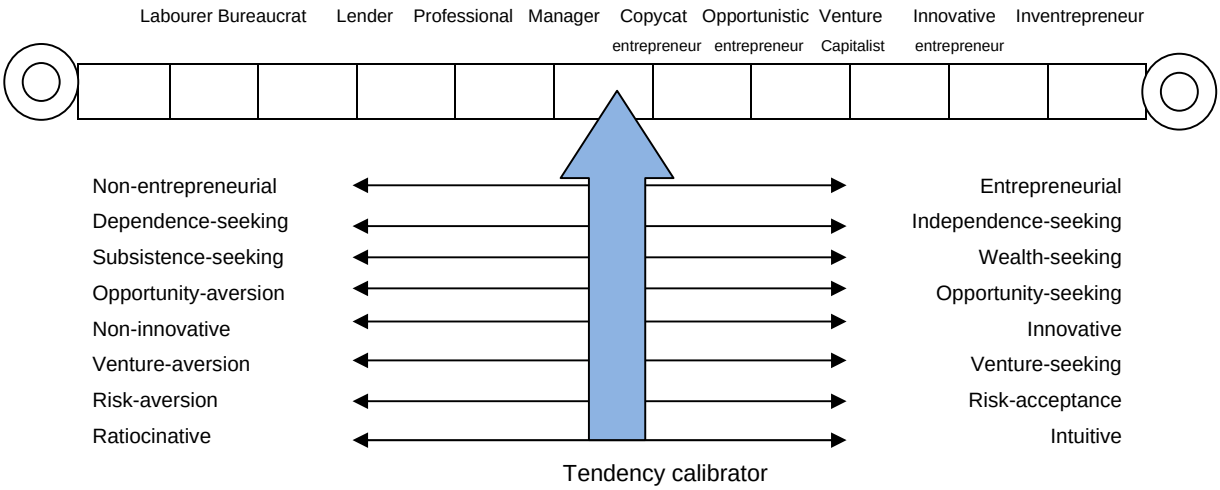


Figure 2.1 – Burch's Entrepreneurship continuum

Kirzner's Theory of Entrepreneurship defined an entrepreneur as an individual that identifies disequilibrium in the economy and then equilibrates the factors of production. In the context of this continuum, this would not be equally applicable to all categories of entrepreneurs on the entrepreneurial continuum. Governments will therefore have to take note that interventions would impact differently on the different levels of entrepreneurs (Casson, Wadeson, 2007:285).

Furthermore, the situation needs to be carefully assessed and the interventions carefully chosen to ensure that the balance is maintained. Governments will find it not to be as simple as it may seem on the surface. The entrepreneur can only generate demand for labour, and continue to do so, if the business is profitable. Turgot's Law of Diminishing Returns states that a point is reached whereby increasing available labour without increasing capital does not lead to an increase in profit maximisation, but rather a decrease (Mohr, Fourie 1995:313).

It is further suggested that the Theory of the Firm is not about the maximisation of profit, but rather the maximisation of wealth in the firm. Therefore, it considers short and long term profits, and at times, short term goals might not include profit maximisation, but rather another goal such as gaining market share, which could reduce profit and could lead to reduced labour requirements as labour may no longer be maximised (Salvatore 2000;9). This too will further add to the difficulty in applying these interventions

Labour is not simply an input, but requires skills to be held by labour (Salvatore 2000;13). In the South African context, skills are in great shortage for a broad variety of reasons, which further drives business towards a capital intensive approach as opposed to a labour intensive approach. Further incentive to automate is provided by labour centric legislation.

The Theory of the Firm is complicated by the effects of globalisation. Globalisation tends to force businesses to drive labour costs down in an effort to become globally competitive (Dessing, M. 2004:549). This is in direct conflict with most governments who have political

imperatives to drive labour costs up to a certain degree. This in turn forces labour supply to increase as more family members have to work to maintain a previous lifestyle. This is often accomplished by employing younger workers at a lower cost (Dessing, M. 2004:549). This may in turn lead to a poverty trap for the poor, from which they cannot escape (Dessing, M. 2004:549), and which is anathema to governments.

The USA is deemed the home of entrepreneurship and yet the research below clearly indicates how the difficulty of job creation, through SME start-up, is prevalent in even the USA. The research executed by the USA Council on Competitiveness (USA Council on Competitiveness Online, 8 April 2007:3) indicates that in 2005 there were nearly 23 million Americans who were active as owner-managers of a firm or had taken steps toward creating a new business in the previous year. They divided entrepreneurs into two broad types: lifestyle and high-expectation. Their research found that the most common type is a “lifestyle” entrepreneur who opens a business to employ themselves and perhaps a small number of others. “High-growth” or “high-expectation” entrepreneurs launch firms with the intent of significantly growing their companies. These firms, less than 15 percent of all start-ups, usually pursue the commercialization of an innovative new process, product or service. The Global Entrepreneurship Monitor (GEM) estimates that 2.9 million of America’s 23 million entrepreneurs were high-expectation entrepreneurs. In 2005, 1.6 percent of Americans started companies that they expected would create more than 20 jobs. This percentage of entrepreneurs is significantly higher than the share of the population found in any other country, and is more than twice the level of Europe and Japan. The GEM report formed part of the Council’s research.

In the South African context GEM has done similar research for the period 2005, which would tend to indicate that there is a need for interventions to increase the growth rate for existing businesses. South Africa dropped 5 places in the GEM rankings. South Africa has the lowest entrepreneurial activity rate of all the developing countries participating in the rankings. South Africa scores low on the start-up rate for survivalist businesses as well as for opportunity driven businesses, and once again is the lowest scoring member on the rankings. South Africa also has the lowest rate in the rankings for businesses that that have been paying wages for a minimum of 3.5 years (Global Entrepreneurship Monitor, South African Report 2005, Online, 8 April 2007:7).

Further to this, government may need to implement functional interventions to free up land issues, as there may be constraints within the economy which limit access to natural resources required to start and run the business profitably. The same may apply to import tariffs and duties on capital equipment which make it impossible to run a business profitably due to the high start-up cost making the business unprofitable and unable to compete in global markets. Skills development may be necessary in order to provide entrepreneurs with sufficient competent staff to run the business profitably, bearing in mind that a shortage of qualified staff leads to inflated salaries which make it difficult for start-up operations to be established due to the difficulty in operating profitably.

Therefore, the reality is that governments cannot simply make a selective intervention to provide start-up businesses with start-up capital and hope that they will generate new jobs. They need to have a broader understanding of the start-up and growth of SMEs, in order

to implement specific selective and functional interventions to achieve the level of job creation they need.

2.2 The debate regarding the need for intervention in SMEs in general

After the Second World War, the rise of large businesses, conglomerates and multi-national corporations led many people to believe that there was no future for the small enterprise.

In the United Kingdom, it took the Bolton report published in 1971 in the United Kingdom, to highlight how badly the small business sector had been handled in the United Kingdom. The report was successful, not only in quantifying the small business sector's contribution to the socio-economic structure of contemporary Britain, but also in identifying the main problems associated with it, as well as the fact that Britain was now lagging behind efforts in the small business sector in the United States of America, Germany, France and Japan. The conspicuous lack of vocational education and training among small business owner/managers and their workforce featured prominently in the findings summarised in the report (Matlay, 1999:6).

A number of researchers indicated that not only are the numbers of small and medium businesses increasing internationally, but that small and medium businesses are significant creators of new employment opportunities, underlining their importance in the world economy (Warren and Murphy, 2000:1; Watson, Hogarth-Scott and Wilson, 1998:218; Small Business Profile 2002 – A profile of Small Business in British Columbia, 2002:4). Governments are recognising this increased importance too, and this is reflected in new and changed legislation favouring small and medium businesses, clearly indicating government interventions to stimulate the SME segment of

the economy (Warren and Murphy, 2000:2; State of Small Business in South Africa, 1999:11).

An alternative viewpoint comes from Hallberg (2000:4) of the World Bank's International Finance Corporation. Hallberg firstly distinguished micro enterprises as those businesses that trade in the informal sector, and small and medium enterprises as those businesses that trade in the formal sector. Hallberg (2000:5) suggested that more and more SMEs grow into large businesses as the developing economy matures towards a developed economy, rather than as a result of interventions. Hallberg suggested that the evidence points to the fact that within industries, SMEs are in fact less labour intensive than large businesses within a sector, and that the labour intensiveness is related to the industry rather than the size of the business. Hallberg further stated that developing countries by default will have a greater percentage of SMEs as their economies are young and weak, and that as a country moves towards becoming a developed country, so too does the mix of SMEs to large businesses change in favour of large businesses. Hallberg (2000:6) postulated that SMEs create more jobs because there are more of them. However, she says that if the job destruction rate is factored in, then SMEs do not create more jobs. Therefore, the only way to increase job creation, using SMEs, was to increase the job creation rate by increasing the rate at which SMEs are created, rather than the rate at which micro enterprises are created. Hallberg (2000:10) nonetheless believed that interventions are required, with a bias towards functional interventions in order to grow the rate at which SMEs are established.

This realisation of the importance of SMEs, leads to the question as to whether or not government should intervene in any way in order to

accelerate the establishment and growth of SMEs. Bridge (1998:205) suggests that because job creation is important to governments, especially during periods of high unemployment, governments will be prepared to intervene. However, Bridge (1998:216) further suggests that the proponents of a free market system argue that the laws of supply and demand must be allowed to rule, and that interventions in the SME market are of no value. Bridge suggests that the benefits of free enterprise should be sufficient inducement to get individuals to start enterprises. However, interventionist proponents argue that this is only applicable in perfectly competitive markets, and is therefore only applicable in theory (Bridge, 1998:217).

Bridge (1998:218) suggests that all legislation related to business that already exists in any country, is in itself an intervention, and that a precedent for intervention has thereby been set. Bridge (1998:218) further suggests that a laissez-faire economic approach suggested by some governments is seldom, if ever, seen in practice.

Matlay (2001:396) describes the interventions in Eastern Europe after the collapse of communism in terms that indicate that the local governments used functional intervention, and, according to Matlay, these efforts were successful despite setbacks caused by unsuccessful selective interventions.

Wint (1998:282) also quotes the World Bank as arguing that their research indicated that economic success with a high growth rate in eight (8) countries studied appeared to be directly related to functional interventions. Wint (1998:294) further suggests that the role of government should be to manage the macroeconomic environment as it is the least obtrusive, yet is the intervention that creates the best environment for growth by creating a stable

economic environment which does not suffer from widely fluctuating macroeconomic factors such as exchange rate and inflation.

Lohmann (Online, 9 November 2003:2) found that in Hawaii, which was perceived to be one of the worst places in the United States for entrepreneurial activity to be able to occur, there was a remarkable number of entrepreneurs. He was astounded that despite anti-growth, anti-business government policies, combined with an economy in recession which should doom many of the local companies to failure, they succeeded with remarkable results.

2.3 An international governmental perspective on SME interventions

The Singaporean minister responsible for SME development presented a paper at the Small and Medium Enterprises Ministerial Meeting of the Asia-Pacific Economic Cooperation conference in 2003 that stated that many of the Asian countries grew through foreign direct investments, particularly in manufacturing, and promoting export-oriented industries. However, the Asian Crisis of 1997 changed that forcing them to look for new economic drivers for their countries. Singapore's minister postulated that the development of SMEs held out the greatest promise of being Asia's next engine of growth (Singapore, Online 15 April 2004:3).

This Singaporean minister stated that the phase in which the world economy now found itself, where creation and application of knowledge are the main drivers of growth, entrepreneurship is core to the process of creative destruction where entrepreneurs identify new opportunities and bring new technologies into active commercial use in place of outmoded business models. He further stated that

successful entrepreneurs create new wealth that can generate further economic growth (Singapore, Online 15 April 2004:3).

The Thai minister stated that although entrepreneurship occurred every day all over the world, in reality within Thailand, there were two types of entrepreneurs. The first group are those who are driven purely by opportunities offered in their national or global economies and the second group are those who are driven purely by necessity. However, the minister further stated that there are huge gaps regarding the entrepreneurial skills and entrepreneurial capacity of the two groups. The minister clearly stated that policy makers must address the different needs of the two groups (Thailand, Online 15 April 2004:2).

The Thai minister further stated that evidence had accumulated that underlines the significant impact of entrepreneurship on national economic adaptation and expansion. The minister stated that entrepreneurship development was a focus because of their belief in a close correlation between entrepreneurial activities and economic growth. Furthermore, the minister stated that it was the role of their government to foster policy and a business environment conductive to the growth of entrepreneurial activities and to develop individuals' entrepreneurial skills and capacity (Thailand, Online 15 April 2004:2).

The Chilean minister had similar feelings about the importance of SMEs to local economies. The minister stated that the process of creating new and better entrepreneurs or the improvement of existing entrepreneurial capacities, represented the most important target in policy-making to develop the economy (Chile, Online 15 April 2004:3).

Wattanapruttipaisan (Online, 13 August 2005:2) of the Asean Group of Countries Secretariat, in a document prepared for the organization on SME development, also stated that the development of SMEs was necessary to solve the economic problems caused by the 1997 Asian crisis and the 2001/2002 global economic slowdown.

Wint (1998:281) postulates that no government runs an economy perfectly, and therefore, by default, every country requires to intervene in their economies. Wint (1982:284) further states that developing countries generally tend to have an inadequate output of internationally competitive firms and industries, and to correct this problem requires government intervention.

Pedersen (2002:2) stated that research had shown that the renewed success of certain of the Asian economies after the 1997 Asian Crisis, was directly correlated to those states that were perceived as highly interventionist developmental states in respect of the number of active interventions they made.

Fülöp and Szirmai (2004:15), in investigating SME development in Hungary, recommended selective interventions within weak areas of the SME sector.

The evidence suggesting an interventionist approach or not appears to be contradictory. One argument is for functional intervention, while there is a similar argument for selective intervention, but the Hawaii example on the other hand indicates that business will thrive despite government intervention that is negative in its intentions towards business. This confusion is underlined by Bridge (1998:219). Hallberg (2000:3), representing the International Finance Corporation,

presents the alternative view that because of market and institutional failures that bias the size-distribution of firms, intervention is required.

In this section the input from certain governments was considered. In the next section the need for interventions in the service sector are considered. This sector is often favoured by SME start-ups due to the low barriers to entry.

2.4 The debate regarding the need for intervention in the services sector

While there is much emphasis on how important the services sector has become in many economies, there does not appear to be strong, overt support for intervention in this particular sector.

The governor of the Chinese central bank stated in his speech to the Advancing Enterprise 2005 conference that China needed further deregulation and liberalisation to encourage service sector development as they were lagging in the development of this sector in relation to the rest of the world (Advancing Enterprise 2005, Online 22 January 2006:1). These would be functional interventions.

Wint (1998:284) argues that in a developing economy, there should be no bias towards any sector, as intrinsic competitiveness will reveal itself if the environment is correct, and therefore no bias is required.

2.5 Summary

There are arguments for and against interventions by governments. However, even those who argue against intervention put forward counter arguments showing why governments should intervene.

Essentially, those who argue against interventions do so on the premise that in a perfect economic system it is unnecessary to intervene. However, their counter argument is generally in favour of intervention on the assumption that there is no perfect economic system, and, in fact, most countries have already intervened and in the process created an imperfect system to start with, and therefore the interventions are required in order to correct the previous incorrect or poorly functioning interventions.

However, the Hawaii case study showed that despite what effectively amounts to negative interventions intended to slow entrepreneurial efforts down, the SME sector flourished. This would tend to indicate that Hawaii perhaps had a high concentration of entrepreneurs on the Burch (1986:31) continuum, who tended more towards the inventrepreneur than the labourer. It is important to understand that not all entrepreneurs are created equal.

The greater majority all recommend functional over selective interventions. In essence, they are suggesting that governments try to create a perfect economic system through functional interventions rather than to further distort the economic system by applying selective interventions.

In the South African context, the Apartheid era lead to an imperfect economic system due to the economic isolation of the country. Therefore, South Africa would most definitely require a wide variety of interventions to rebuild a perfect economic system. This would necessitate functional as opposed to selective interventions.

Very few of the interventions reviewed, if any, appear to have been delineated along clear lines, indicating different strategies for micro

enterprises where employment is generally for the owner only in a survivalist mode, and for small and medium enterprises where employment opportunities exist for staff on an ever-growing basis.

The reality is that both strategies are required, as many of the survivalist entrepreneurs are unemployable in the formal sector due to a lack of skills and often a lack of literacy and numeracy.

The overall postulation would tend to be that in a perfect economic system, interventions would not be required. However, as no country has a perfect economic system, interventions are therefore required, and that the best interventions are those functional interventions that pull the economic system closer to a perfect economic system, rather than the selective interventions, which pull it further away from the perfect economic system.

There would also appear to be another factor driving governments to intervene, and it is debatable as to whether the need is economic or political. It appears that the key driver for governments is to create employment opportunities, as SMEs are seen as a good source of job creation, albeit that this perception may be incorrect as defined by Hallberg.

This furthers the premise that the Theory of the Firm is not the basis for SME development efforts by governments, in that government is seeking to only create jobs, albeit that the jobs created may be of a transient nature, and not necessarily sustainable jobs in the long term. Unfortunately, little to no effort is made to measure the success of interventions, as the success is apparently measured by the fact that an intervention was merely executed and the subsequent impact is not measured.

The factors stimulating the establishment and growth of SMEs will be reviewed in the following chapter. Thereafter, a review of interventions internationally and nationally in South Africa will clarify whether countries, both developed and developing, are making use of functional and selective interventions, and attempt to identify the similarities and differences.

Chapter 3 Literature review of factors that stimulate the establishment, growth and success of SMEs.

3.1 Introduction

In Chapter 2, an explanation was provided of the difference between functional and selective interventions, and the argument regarding the need for interventions. This chapter will consider the use of interventions in the context of factors that will improve the establishment rate of SMEs, and increase the number of businesses that grow on an ongoing basis, thereby improving the GDP and unemployment rates.

Commonsense would dictate that the key areas in which a need for selective and functional interventions exists, is in those areas defined as key success factors for SMEs. However, as there is no academic consensus in respect of what constitutes the success factors for SMEs, the one methodology to assess what the key success factors are, is to look at what the most common areas of business failure are, as it is these failures that interventions should intend to reduce or eliminate.

Factors that stimulate the growth and success of SMEs can be divided into internal and external factors. Internal factors are those factors that are controlled by the entrepreneur or business owner, whereas external factors are those factors that cannot be controlled by the entrepreneur.

The research reviewed in the previous chapter indicated that all government interventions can be classified as either functional or selective interventions. Functional interventions are those that are

generic and impact on all players in the economy equally, and selective interventions are those that are aimed at providing specific relief or assistance to a particular segment of the economy. The purpose of interventions by governments is to initiate change within the economy as a whole or in part, in order to improve the output of the economy as a whole or in part (Wint 1998:281; Unctad, Online, 8 November 2008:3).

In this section, key factors that stimulate growth and success of SMEs will be considered in two parts. The first part will consider factors applicable during the start-up phase, and the second part will consider the growth phase. These factors will be analysed and summarised in the context of functional and selective interventions, in order to determine whether interventions by the South African government are addressing the real needs of the SME sector.

Finally, Hallberg (2000:10) stated that, by default, developing economies tend to have a greater preponderance of SMEs over large businesses, as opposed to developed countries, which have a greater preponderance of large businesses. Hallberg further stated that in order to achieve reasonable GDP and job creation growth rates, interventions are required with a bias towards functional interventions. Hallberg postulates that because functional interventions lead to GDP growth, the increased demand will lead to the creation of more SMEs. Therefore, in order to increase the rate at which SMEs are established, so that the rate of business failures is exceeded by the rate of establishment, it is important that functional interventions be implemented to stimulate an increase in SME numbers. (Hallberg 2000:10). The argument is that although functional interventions may lead to an increase in the establishment

of businesses of all sizes, the spin-off effect of an increase in large business numbers will also stimulate the creation of more SMEs.

3.2 Critical success factors of SME business success during start-up

The first step is to consider those factors which are important during the start-up phase, and thereafter the factors which are associated with sustainability and growth. Once these factors have been isolated, they will be assessed as to the type of intervention required, and then compared to existing interventions with a view to analysing the suitability of existing interventions in respect of the SME sector's needs.

The critical success factors during the start-up phase can be summarised as follows. The entrepreneur must exhibit opportunity awareness, as without an opportunity there is no sustainable business potential. In an effort to gain competitive advantage, the differentiation factors for this business must have been defined, the business model formulated, and the strategy clearly defined. A business plan pulling all these factors together must have been completed in order to understand, among other things, the amount of seed capital required as a critical resource, and where to source the required seed capital. The correct geographic location for the business must also have been selected during this process.

The starting point of any business is the opportunity itself. However, it requires that the entrepreneur consciously seeks out opportunities and be opportunity-aware in all that he or she does. If there is no opportunity, and only a good idea, the business will likely fail, as it is opportunities that exist within existing markets, not ideas, that make

profit (Scarborough and Zimmerer 2000:4; Nieman, Hough and Nieuwenhuizen, 2003:20; Scarborough and Zimmerer 2000:76).

The opportunity defined, the entrepreneur must now define how the business will gain competitive advantage. SMEs can gain competitive advantage through three strategies:- cost leadership, niche markets and differentiation. Small and medium businesses are however unlikely to be market leaders through cost leadership, and consequently will be looking to gain market share through differentiation or niche markets (Porter, 1985:11; Porter, 1985:38; Scarborough and Zimmerer 2000:33; Nieman, Hough and Nieuwenhuizen, 2003:265; Nieman, Hough and Nieuwenhuizen, 2003:270).

The business model is seen as a critical success factor that contributes to the success of business. A business model provides a clear focus of the direction in which the business is going and how it intends to make profit. It provides clear direction to the management and investors on how the profit will be made in the business (Nieman, Hough and Nieuwenhuizen, 2003:26). To ascertain if the model is a good model, the questions posed by Drucker (Magretta, 2002:87) can be used as a guideline. Drucker says that if you can answer the following questions, you have formed a potentially successful model: “Who are your customers?”, “What do your customers value?” and “How will you make money in this business?”. Porter (1985:38) too supports this point, and asks what is the underlying business or economic logic, that explains how value will be delivered to your customers at an appropriate cost.

The question as to the applicability of the business model is critical to success. An example of this is the dot com failures of the late 1900s.

The business model was ignored, and the “new economy” was used as a reason to do so. Then after the crash, everyone questioned how the basic business model could have been ignored (Magretta, 2002:86; Porter, 1985:36).

It is important that the business model meets standard business requirements and that projected cash flows and profits reflect the competency of the business model (Magretta, 2002:90).

There are a number of different models in existence, and no one model can be claimed to be superior to another. Rather, the applicability of the model to the business and / or industry is more relevant, and must be examined with care (Magretta, 2002:88).

It is also important that the business model be understood within the context of the industry in which it will trade. Certain industries may be in a growth phase while others may be in decline. This will have an impact on the viability of the business model (Autio, 1997:4).

Strategy today is evermore important as a result of the impact of globalisation on strategy, and in particular in the area of small and medium business (Eisenhardt, 2002:88; Porter 1986:15). The strategy is based on the business model.

The business strategy will be dependent on the firm’s core competencies and how the firm’s resources will be applied in conjunction with these core competencies, to deliver value to the intended consumer of their product or service (Ambrosini, Johnson and Scholes, 1998:3; Porter 1998:xv).

The Feasibility Study is another critical success factor that needs to be addressed during the start-up phase. The Feasibility Study is a precursor to the business plan and will form the foundation of the business plan. The Feasibility Study encompasses Technical, Organisational, Competitor Analysis, Market and Financial Viability studies (O'Neill, Terblanche, Keyter 1997:163).

The Technical Viability considers the technical aspects of the product or service and whether it is technically possible to deliver such a product or service. This would be of particular interest to new innovations. It takes into account the availability and cost of raw materials required, the supply chain implications in getting the raw materials, and the issues surrounding delivery of the final product to the client. It also considers the ability to convert the intellectual property into a tangible product or service. It also takes into account the ability to comply with the legal and regulatory requirements (O'Neill, Terblanche, Keyter 1997:165).

A Market Viability study will include market research to ensure that there is demand for the product, The Market Viability determines whether the market is large enough and that the competitive landscape will be able to accommodate a new entrant. This will in turn assist in defining marketing strategy (O'Neill, Terblanche, Keyter 1997:168).

A Competitor Analysis is also required in order to understand which competitors exist, what their products and pricing are, and what their strategies are. This includes an understanding of their potential responses to strategic decisions by the new competitor (O'Neill, Terblanche, Keyter 1997:167).

The Organisational Viability takes into account the human and infrastructural resources required, and their availability and cost. Specialised skills may not be available or may only be available at a very high cost. Furthermore the organisational structure is also important in that structure should be driven by strategy, and if the structure cannot support the strategy, the strategy may not be achieved (O'Neill, Terblanche, Keyter 1997:166).

Financial Viability requires the assessment of the start-up capital requirements, working capital requirements, sources of relevant capital, cost of capital, and projected financial statements (O'Neill, Terblanche, Keyter 1997:170).

The components of the Feasibility Study are intended to provide the entrepreneur with a guide to moving forward into the business plan. If these viability studies are positive, then a business plan can be completed, as it will be feasible to establish this business.

The business plan is considered next. Not only does the business plan provide direction to the business, it also quantifies the financial, equipment and human resource needs of the new enterprise (Scarborough and Zimmerer 2000:32; Nieman, Hough and Nieuwenhuizen, 2003:20). The important aspects of the business plan are as follows and should be clearly indicated within the business plan. These aspects are the mission, goals, objectives, core competencies, strategies, the action plan that links between resources and core competencies, and feedback and monitoring systems (Kotler, 2000:76).

The entrepreneur, having established the strategy of the business, will now need to resolve the seed capital issue. However, it is not

only the amount of capital that is important, the sourcing of the required capital from the correct source is just as important. Applying to the incorrect sources will simply lead to failure to raise finance, and in turn business failure (Scarborough and Zimmerer 2000:412; Nieman, Hough and Nieuwenhuizen, 2003:147).

Another start-up issue which is a key factor in business failure, is poor location. The selection of the correct location during the start-up phase is critical to the success of the business. This is critical because it cannot be changed easily, as property owners normally require long leases and there could be enormous costs attached to cancelling the lease (Scarborough and Zimmerer 2000:29; Nieman, Hough and Nieuwenhuizen, 2003:135).

These are the key success factors, as determined by the key failure areas, that have an impact during the start-up phase, or that cannot be changed easily after the start-up phase. It is these factors that need to be addressed with interventions by government. These are shown in summary in the table (Table 3.1) below.

Number	**Phase**	**Description**
1	Start-up	Opportunity awareness
2	Start-up	Market research
3	Start-up	Differentiating factors
4	Start-up	Business model
5	Start-up	Strategy
6	Start-up	Feasibility study
7	Start-up	Business plan
8	Start-up	Location
9	Start-up	Amount and source of seed capital
10	Start-up	Decision making ability

Table 3.1 Summary of start-up critical success factors

In summary, all of these start-up success factors except for number nine, are external factors, i.e. they all relate to matters external to the business owner or the business, concerning which the business owner must make decisions.

The key issue here is that it is dependent on the SME owner making the correct decision, and is therefore a decision-making skills issue. Therefore an intervention would be required to address the skills of the business owner with a view to assessing, and where necessary, improving the skills through training in business planning, strategising, sourcing of finance, becoming opportunity aware, developing business models, management techniques, decision making and financial management.

3.3 Critical success factors of SME business success during growth

The growth phase is equally important, and plays a major part in the process of developing a successful business. While the start-up phase is critical, there is no doubt that a growing business will make a greater contribution to job creation and GDP growth rates as defined by Hallberg (2000:10).

The critical success factors of importance during the growth phase can be summarised as follows. All these factors will improve the likelihood of business success. There is once again no academic consensus on the question of critical success factors for ongoing business success. No one factor has been determined to be of particular importance or more important than any other factor, and no particular combination has been identified as being more likely to lead to failure, but any one or combination of factors could lead to business failure.

General management experience is of vital importance, as is strategic management. A lack of suitable technical skills is important, although this can be resolved through the employment of suitably qualified staff. However, the entrepreneur could still be at a disadvantage if he is totally dependent on staff, most specifically during the early stages of the business establishment and growth phases. A subsequent lack of understanding of financial management and poor financial management can also be a contributory factor in the demise of the business. A lack of leadership skills can be crucial in a SME, where the entrepreneur might be the only manager in the enterprise, leading to poor management of staff. This problem can be exacerbated by poor communication both internally and externally. Similarly, uncontrolled growth, together with poor financial and inventory control, are also major contributory factors to business failure. Marketing skills in a business are critical to the success of every business, as are contingency management skills, which allow the owner to adapt to ever changing circumstances. Most of all, the entrepreneur must be desirous of growth.

Zimmerer and Scarborough (2000:25) claim that management inexperience or incompetence is the major factor in business failure (Nieman, Hough and Nieuwenhuizen, 2003:273). This is further exacerbated by a lack of strategic management which is generally attributable to a lack of time because the entrepreneur is poorly organised (Scarborough and Zimmerer 2000:27; Nieman, Hough and Nieuwenhuizen, 2003:273; Nieman, Hough and Nieuwenhuizen, 2003:245; Swanepoel *et al*, 2000:201).

Lack of technical skills or related experience in the chosen business also has an enormous impact on the ability of the business to succeed (Scarborough and Zimmerer 2000:27; Nieman, Hough and Nieuwenhuizen, 2003:1; Swanepoel *et al*, 2000:201).

Financial management skills and systems are important criteria in the ongoing success of a SME business. Key to these skills is the ability to interpret financial statements. A great marketing team may generate the necessary sales, but unless the cash is managed and a constant flow of cash maintained, the business will fail in the short term (Scarborough and Zimmerer 2000:32; Nieman, Hough and Nieuwenhuizen, 2003:19; Swanepoel *et al*, 2000:201).

Leadership skills in any business are critical, but in a SME individual leadership skills play an even more important role due to the lower numbers of managers in the organisation. Entrepreneurs need entrepreneurial, leadership and managerial skills sets. Entrepreneurs are not by default great leaders or managers. Therefore, the entrepreneur needs to do a detailed self assessment and gain the skills required to fill the gaps in his /her skills portfolio (Scarborough and Zimmerer 2000:25; Nieman, Hough and Nieuwenhuizen, 2003:13; Nieman, Hough and Nieuwenhuizen, 2003:16; Swanepoel *et al*, 2000:201).

Communication is also a critical component of business life. Businesses are required to communicate both internally and externally. Businesses communicate externally with customers and potential customers, and the ability to create demand for the business' products or services are totally dependent on how well the business communicates. Similarly, one of the roles of the entrepreneur as a manager is to control and co-ordinate resources, in

order to facilitate the most effective and efficient use of the limited resources every business has (Scarborough and Zimmerer 2000:650). Communication systems, such as e-mail, are also critically important in any communication system today. Similarly, the use of intranet and extranet systems will also enhance the firm's communication and information systems (Kreitner, Kinicki and Buelens, 1999:428).

The ability to manage staff is closely related to communication, management and leadership skills. However, management of staff is critical to ensure a successful business. Staff form one of the three resources a business has, and which requires management in order to make the business effective and efficient in delivering the products and services it offers to customers (Scarborough and Zimmerer 2000:33; Nieman, Hough and Nieuwenhuizen, 2003:16). Bartlett and Ghoshal suggest that a business' human capital is the foundation of strategy, and that without the correct and sufficient human capital, strategic objectives cannot be met (Bartlett and Ghoshal, 2002: 34). Additionally the human resource strategy must understand, support and underpin the business strategy in the present and in the future (Swanepoel *et al*, 2000:201).

A key component of staff management is the organisational structure. The organisational structure will be a simple structure in most small businesses (Balogun, 1999:3) but as the business grows, or intends to grow, the organisational structure will be required to change to suit changing needs within the business.

The business that intends to grow in the future will most likely reflect this intention in their marketing strategy (Kotler, 2000:73), as part of their business plan. It is important to note that when evaluating a

firm's growth strategy, the growth of the industry in which the business is trading in, or is intending to trade in, is also to be considered. Growth strategies in declining industries are extremely difficult to achieve (Autio, 1997:4). Growth should be one of the main goals and objectives of every SME. However, uncontrolled growth has led to the demise of many businesses. The starting point is to set, carefully, the required growth targets and to then work towards the achievement of these goals through the efficient utilisation of the business' resources. Careful management of the growth process makes it possible to avoid the problems associated with uncontrolled growth (Scarborough and Zimmerer 2000:28; Nieman, Hough and Nieuwenhuizen, 2003:233; Nieman, Hough and Nieuwenhuizen, 2003:275).

Poor controls within a business are a direct contributor to business failure. These controls include financial and inventory controls. Inventory is cash in another form, and therefore it impacts directly on financial controls. Overstocking uses cash unnecessarily, and understocking leads to the loss of sales. Similarly, debtors too consume cash unnecessarily. This requires consistent and tight controls to ensure that the current assets of the firm are well controlled (Scarborough and Zimmerer 2000:27; Scarborough and Zimmerer 2000:29; Nieman, Hough and Nieuwenhuizen, 2003:274).

In the current information age in which businesses find themselves today, systems that meet the current and future needs for information, are essential components in a firm's portfolio of criteria for success. Giant steps forward in information technology-enabled initiatives have greatly increased the importance of investing strategically in information technology. Furthermore, it is important that information technology continually progresses and adds value to

the business. Too many firms have a reactive response, rather than a proactive strategy, to the implementation of information technology (Ross and Beath, 2002:51).

These integrated systems need to include an accounting function, a sales management function, communication systems (e-mail) and a marketing intelligence management system (Kotler, 2000:101; Ross and Beath, 2002:53; Kreitner, Kinicki and Buelens, 1999:428).

There will also be a greater requirement for contingency management in that small and medium businesses are not market leaders or market challengers but rather market followers and market nichers. As a consequence, they need to change in response to changing circumstances within their environment more than the market leader would need to and would often have to change in response to changes implemented by the market leader (Balogun *et al*, 1999:2).

Another important factor that must be considered is whether the entrepreneur desires to grow the business. Many business owners are merely seeking to grow the business sufficiently to provide themselves with an income that will meet their personal needs in the present and have no motivation nor perhaps the ability or capability in terms of resources and expertise, to grow the business to its full potential (Ratcheva, 1996:6; McMahon, 1998:3).

The following table (Table 3.2) summaries the critical success factors for the growth phase of the business.

Number	Phase	Description
1	Growth	Possess general management skills / experience
2	Growth	Possess strategic management skills
3	Growth	Possess technical skills
4	Growth	Possess organisational structure
5	Growth	Possess financial management skills
6	Growth	Possess leadership skills
7	Growth	Possess communication skills
8	Growth	Possess inventory management skills
9	Growth	Possess marketing skills
10	Growth	Possess contingency management skills
11	Growth	Controls and systems
12	Growth	Growth oriented

Table 3.2 Summary of growth critical success factors

In summary, all the factors discussed in this section are internal:- in other words, these factors are dependent on the entrepreneur's skill to effect certain activities in the organisation in an effective way. Therefore, the interventions that are required would need to assess and address the shortcomings of the skills of the business owner. The one factor of those listed above which is not a skill, but rather an internal motivating factor, is the desire to want to grow. Growth is a critical success factor for businesses, but growth is unattainable unless the entrepreneur desires it and strategises to achieve it.

3.4 Summary

During the start-up phase the success factors all relate to external issues which the entrepreneur cannot control, but in the context of which he needs to make choices and decisions. Furthermore, although they relate to external issues, they are still dependent on the

entrepreneur making the correct decisions. Conversely, during the growth phase, they are all related to internal issues controlled by the entrepreneur, and relate directly to his skills.

It is important to note that the start-up phase would appear to demand a different approach to that of the growth phase, but in essence it all relates back to the competence of the business owner.

While Hallberg (2000:23) claims that more functional interventions are required in order to grow the base of SMEs in a country, it does necessitate a more careful review of the type of interventions required.

Having reviewed the main factors leading to business failure during the growth phase, the facts clearly point to the fact that the key success factor for SMEs is the level of the entrepreneur's skills across a number of skills areas. The start-up phase is the same, as although the factors all relate to external matters, it is dependent on the entrepreneur making the correct decision. Therefore, the next most important intervention after addressing macroeconomic issues, is to address the skills of the entrepreneur through selective interventions. The skills areas that need to be addressed include financial management, marketing management, strategic management, general management, leadership and decision-making.

The key success factors for SMEs can best be summarised as having the requisite skills to plan, establish, lead and manage a business. These skills could be part of a functional intervention, but it is unlikely that informal sector businesses would be suited to this type of training, nor would large businesses require this training as they have the resources to employ people with the pre-requisite skills.

Therefore, it is highly likely that this intervention would be in the form of a selective intervention, specifically for SMEs, with a range of skills training provided to suit the varying needs of the small and medium sectors of the formal sector. This skills training could be in the form of classroom training, consulting and mentorship. Supportive and supplementary selective interventions to ease access to seed and growth funding and functional interventions to create a conducive regulatory environment will further contribute to the start-up rate and growth rate of SMEs.

This finding is endorsed by the findings of the Irish government who, in the early 1960s, decided to focus on foreign direct investment (FDI) and on developing physical and human-capital support infrastructures. This led them to focus on skills development, particularly at a management level. Their research indicated that management development was the third largest contributing factor to Ireland's phenomenal economic growth (Heraty and Morley 2003:63). The UK government also recognized the need for the upgrading of management skills in SMEs and consequently launched Training and Educational Councils (TECs) to provide this training to SMEs (Boocock, *et al*. 1998:187; Smith and Whittaker,1998:176; Chaston, Badger and Sadler-Smith, 1999:191; Devins and Johnson,2002:370)

In accordance with these international trends, it requires that all the South African interventions be reviewed in the context of whether they were firstly macroeconomic functional interventions, or whether they were selective interventions aimed at improving the management skills of SME owners.

In the next chapter a literature review is conducted of both functional and selective interventions that have been executed in developing countries, as well as those executed in developed countries, and then separately those in South Africa, with a view to identifying patterns of intervention selection and implementation.

Chapter 4 Overview of government interventions to stimulate SME development

4.1 Introduction

The previous chapters have assessed the arguments for and against interventions by governments, and have assessed the factors related to success for SMEs in the start-up and growth phases.

This chapter will review the available literature to assess whether governments are intervening in the development of SMEs, whether the practice is wide-spread, if it occurs in developed and developing countries, and most importantly, how the South African government is intervening in South Africa's SME development efforts.

South Africa experienced a relatively low economic growth rate of 3.12% in 2003 (South African Reserve Bank, On-line, 8 November 2008:5) and an unemployment rate of 23.1% (narrow definition) in the 3rd quarter of 2008 (Department of Statistics, 2008, Labour Force Survey. On-line, 8 November 2008). In 2004, the growth rate was up to 4.86%, 5% in 2005, 5.39% in 2006 and down to 5.12% in 2007 (South African Reserve Bank, On-line, 8 November 2008:5). The South African Government claims that it has identified various measures to address the alarming unemployment problem and stubbornly low growth rate, but the GDP growth rate remains too low to impact on the unemployment rate. Among those measures are the creation of a business environment conducive to the creation of new business ventures, attempts to attract foreign direct investment (FDI), lower tax rates and efforts to stimulate small business development with a combination of selective and functional interventions.

Many countries, as part of their growth strategies, now have specific strategies for the creation and development of small and medium businesses. South Africa is one of those countries that does have a strategy for small business, and views the creation and development of small and medium businesses as one of the most important long-term solutions to unemployment (State of Small Business in South Africa, 1999:11 The DTI, Online 8 November 2008, 2005:7).

Wint (1998:281) stated that government intervention occurs on two (2) levels, the first being on a functional level and the second on a selective level. Wint suggests that a functional intervention results in the improvement of the functioning of markets and that they are neutral in their impact on individual or groups of firms. Selective interventions tend to favour particular industries or firms, and by extension, disfavour those not included in the intervention. Generic education and infrastructure development would be described as functional intervention, whereas a drive to assist and create new SMEs would be seen in the context of selective intervention.

Numerous forms of government interventions were applied in various countries. These interventions will be reviewed in this chapter. Firstly, government interventions will be reviewed in developed countries, followed by interventions that have been implemented in developing countries, and finally those in South Africa.

This presents the objective of assessing whether interventions are required by government in the South African context, and if so whether it should be of a functional or selective nature, or a combination thereof.

The information provided in the next section is an overview of interventions which stood out as important interventions from the literature review, carried out by each of these named countries. A detailed analysis can be viewed in the appendices.

4.2 A literature review of government interventions to stimulate the growth of SMEs in developed nations

The University of Michigan defined a developed country as one which has a high per capita income by world standards (University of Michigan, Deardorff's Glossary of International Economics, On-line, 2 February 2003).

For the purpose of this literature review, interventions will be considered as either functional or selective interventions, as defined by Wint (1998:281).

4.2.1 Functional interventions in developed countries

This section will review the functional interventions of developed countries to stimulate the growth of SMEs, in order to ascertain whether there are similarities, or not, in their approach to intervention. This will in turn allow comparison to data from developing countries. This process might assist in evaluating and then developing a range of effective interventions suited to South Africa.

The research into functional interventions in developed countries covered a range of developed countries, from small to large with differing sized economies, and included Ireland, Japan, France, USA, Canada, New Zealand and Australia.

In the early 1960s the Irish government decided to focus on foreign direct investment (FDI) and on developing physical and human-

capital support infrastructures to support this FDI. This led them to focus on skills development, particularly at management level. Their research indicated that management development was the third largest contributing factor to Ireland's phenomenal economic growth (Heraty and Morley 2003:63). Heraty and Morley (2003:68) used the top 2000 institutions in Ireland as their population and had a 22.7% response in arriving at this conclusion.

Similarly, it was considered important that the macro-economic fundamentals were correct. During the period 1994 to 2000, Ireland experienced six straight years of GDP growth at an approximate average of 10% per year (Heraty and Morley 2003:62). This appears to endorse Wint (1998:294) who suggests that functional intervention at a macroeconomic level is more likely to lead to economic growth as opposed to selective interventions.

Following this educational option was Japan. Japan focused part of it's efforts on increasing the number of start-ups by a factor of 2 or more as they were experiencing more close-downs per annum than start-ups (Japan, Online 15 April 2004:3). The Japanese government intended to achieve this by a range of educational projects, and by reducing the barriers to recovery from bankruptcy based upon research that indicated that entrepreneurs who had failed often made a recovery and success on a second attempt. (Japan, Online 15 April 2004:3).

A further supporter of educational interventions was New Zealand. New Zealand found that many efforts to stimulate the country's growth were still too slow and so focused on promoting an entrepreneurship culture, enabling access to skills and expertise, and enabling access to innovation and new technologies (New Zealand,

Online 15 April 2004:8). They also attempted to educate individuals and firms on how to access finance (New Zealand, Online 15 April 2004:6).

Australia too followed the education route. Australia has implemented a number of functional interventions ranging from human resource development to improving their education system (Australia, Online 16 June 2004:1).

Japan, Ireland, New Zealand, Australia, France, the USA and Canada also implemented a number of other functional interventions that did not follow the educational option (Hancke, Online, 12 February 2004:5; USA, Online 15 April 2004:3; USA 2, Online 15 April 2004:1; USA 3, Online 15 April 2004:2; Canada, Online 15 April 2004:3; Hancke, Online, 12 February 2004:5; Japan, Online 15 April 2004:3; USA, Online 15 April 2004:3; USA 2, Online 15 April 2004:1; USA 3, Online 15 April 2004:2; Canada, Online 15 April 2004:3; New Zealand, Online 15 April 2004:6, New Zealand, Online 15 April 2004:8; Australia, Online 16 June 2004).

These interventions are captured in Appendices 1 and 2. The purpose of documenting these is for comparative purposes only, as the focus of this thesis is on the South African interventions.

The data related to the various functional interventions in developed countries is collated in the two tables listed in Appendix 1 and Appendix 2. Appendix 1 provides an overview of the functional interventions implemented in the developed countries studied, listing interventions by country. This provided an insight into what each country has done. Appendix 2 provides an overview of the functional interventions implemented in the developed countries studied, listing

countries by interventions. This provided an insight into how many countries have implemented each particular intervention.

No mention is made of objectives for the intervention, nor whether measurements of the intervention were taken to see if objectives were achieved.

In the following section, selective interventions within developed countries are reviewed.

4.2.2 Selective interventions in developed nations

The use of selective interventions in developed countries must also be considered in order to see when and how these are utilised and whether any relationship exists between the level of intervention and improvement of the SME sector.

Similar to the functional interventions on the education side, the UK government recognized the need for the upgrading of management skills in SMEs and consequently launched Training and Educational Councils (TECs) to provide this training to SMEs (Boocock, *et al*. 1998:187; Smith and Whittaker,1998:176; Chaston, Badger and Sadler-Smith, 1999:191; Devins and Johnson, 2002:370). However, the conclusions of the researchers into the success of this project indicate that the delivery agents have not kept sufficient or correct data, in order to fairly evaluate the success of this management training and development project (Boocock, *et al*. 1998:187). Furthermore, it was also found that there was no clear relationship between this training and improvements in respect of business performance (Smith and Whittaker,1998).

The USA, Japan, Canada, Italy, Germany and Austria have all applied a range of selective interventions in their countries (Barreto, Online, 21 February 2004:2; USA, Online 21February 2004:1; Austria, Online 10 July 2004:3; Canada, Online 15 April 2004:5; Canada, Online 15 April 2004:3; Welter, 2004. Online 10 July 2004:2; Garofoli Online June 1999:3; Japan, Online 15 April 2004:3-4; USA 4, Online 15 April 2004:1; United States of America, Online 21February 2004:1; USA 5, Online 15 April 2004:3, Barreto, Online, 21 February 2004:2).

These interventions are captured in Appendices 3 and 4. The purpose of documenting these is for comparative purposes only, as the focus of this thesis is on the South African interventions.

The data is collated in the two tables listed in Appendix 3 and Appendix 4. Appendix 3 provides an overview of the selective interventions implemented in the developed countries studied, listing interventions by country. This provides an insight into what each country has done. Appendix 4 provides an overview of the selective interventions implemented in the developed countries studied, listing countries by interventions. This provides an insight into how many countries have implemented each particular intervention.

No mention is made of objectives for the intervention, nor whether measurements of the intervention were taken to see if objectives were achieved.

In the following section, selective interventions within developed countries are reviewed.

4.3 A literature review of government interventions to stimulate the growth of SMEs in developing nations.

The University of Michigan define a developing country as one which has a low per capita income by world standards (University of Michigan, Deardorff's Glossary of International Economics, On-line, 2 February 2003). Wint (1998:281) suggested that developing countries should use functional interventions in order to improve the overall competitiveness of their countries, as opposed to selective interventions.

As with developed countries, it is important to understand the selection of interventions within developing countries, and this will be considered in the following section. The interventions in these developing countries will be considered firstly in the context of functional interventions, and then secondly in the context of selective interventions.

4.3.1 Functional interventions in developing countries

This section will review the functional interventions of developing countries in order to ascertain whether there are similarities, or not, in their approach to intervention. Furthermore, it will allow comparison of the actions of developing to developed countries to establish if they have different approaches, or whether they are, in fact, similar. This will in turn assist in the development of appropriate interventions for South Africa.

This research into functional interventions by the state included Slovakia, Jamaica, Trinidad, Tobago, Brazil, India, Anguilla, Antigua, Barbuda, the Bahamas, Barbados, Belize, the Cayman Islands, Grenada, St Lucia, the Commonwealth of Dominica, St Kitts and Nevis, Guyana, Montserrat, the British Virgin Islands, St Vincent and

the Grenadines, Turks and Caicos Islands, Yugoslavia, the Philippines, Taiwan and Malaysia.

Human resource development was a functional intervention employed by Antigua, Barbuda, the British Virgin Islands, Grenada, Guyana, Jamaica, Montserrat, the Philippines, St Kitts and Nevis, St Vincent and Grenadines, Tobago and Trinidad, while efforts to improve the educational system were also employed by Antigua, Barbuda, Belize, the Cayman Islands, Jamaica, the Philippines and Taiwan (Caribbean Development Bank, Online, 22 February 2004:11, 28, 34, 41, 59, 63, 69, 74, 85,90, 95; The Government of the Republic of the Philippines, Online, 15 April 2004; Taiwan, Online 15 April 2004:4; [25] Malaysia, Online 15 April 2004:3).

All of the following countries used functional interventions in one way or another. These included Slovakia, Jamaica, Trinidad and Tobago, Brazil, India, Anguilla, Antigua, Barbuda, the Bahamas, Barbados, Belize, the Cayman Islands, Grenada, St Lucia, the Commonwealth of Dominica, St Kitts and Nevis, Guyana, Montserrat, the British Virgin Islands, St Vincent and the Grenadines, Turks and Caicos Islands, Yugoslavia, the Philippines, Taiwan and Malaysia (Kohutikova, Online, 12 February 2004:1; Kohutikova, Online, 12 February 2004:2; Organisation for Economic Co-operation and Development, Online, 15 April 2004:2; Pedersen, Online, 20 February 2004:5; Wint 1998 :288; Caribbean Development Bank, Online, 22 February 2004:6, 11, 17, 23, 28, 34, 41, 49, 59, 63, 69, 74, 79, 85, 90, 95, 99; Republic of the Philippines, Online 15 April 2004; Taiwan, Online 15 April 2004:4; Malaysia, Online 15 April 2004:3).

These interventions are captured in Appendices 5 and 6. The purpose of documenting these is for comparative purposes only, as the focus of this thesis is on the South African interventions.

The data is collated in the two tables listed in Appendix 5 and Appendix 6. Appendix 5 provides an overview of the functional interventions implemented in the developing countries studied, listing interventions by country. This provides an insight into what each country has done. Appendix 6 provides an overview of the functional interventions implemented in the developing countries studied, listing countries by interventions. This provides an insight into how many countries have implemented each particular intervention.

No mention is made of objectives for the intervention, nor whether measurements of the intervention were taken to see if objectives were achieved.

In the following section, interventions within developing countries are reviewed.

4.3.2 Selective interventions in developing countries

The use of selective interventions in developing countries must also be considered in order to see when and how these are utilised, and whether any relationship exists between the interventions and the performance of SMEs.

Only four countries took the selective education intervention option. These were Antigua, Barbuda, Mexico and the Philippines. These countries provided training specifically to SMEs (Caribbean Development Bank, Online, 22 February 2004:11; Mexico2, Online, 15 April 2004:5; Philippines, Online, 15 April 2004:19).

Indonesia, Antigua, Mexico, the Philippines, Barbuda, the Bahamas, Barbados, Belize, the Cayman Islands, the Commonwealth of

Dominica, Grenada, Montserrat, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Trinidad and Tobago, and Turks and Caicos Islands all implemented a variety of SME specific selective interventions (Indonesia, Online, 14 February 2004:6; Caribbean Development Bank, Online, 22 February 2004:18, 24, 28, 41, 49, 59, 74, 79, 85, 90, 95, 99,11; Mexico2, Online, 15 April 2004:5; Philippines, Online, 15 April 2004:19).

These interventions are captured in Appendices 7 and 8. The purpose of documenting these is for comparative purposes only, as the focus of this thesis is on the South African interventions.

The data is collated in Appendix 7 and Appendix 8. Appendix 7 provides an overview of the selective interventions implemented in the developing countries studied, listing interventions by country. This provides an insight in to what each country has done. Appendix 8 provides an overview of the selective interventions implemented in the developing countries studied, listing countries by interventions. This provides an insight into how many countries have implemented each particular intervention.

No mention is made of objectives for the intervention, nor whether measurements of the intervention were taken to see if objectives were achieved.

In the following section interventions within South Africa are reviewed.

4.4 A literature review of South African government interventions to stimulate the growth of SMEs.

In this section, we will review the South African interventions from both a functional and a selective perspective.

In the context of this study, which specifically considers selective interventions aimed at SMEs, only selective interventions will therefore be considered in detail, even though South Africa is also using functional interventions. An overview of the functional interventions is provided for information purposes.

The South African government has made its position quite clear, in that it is relying on SMME development and growth to provide the greater part of the solution to unemployment in South Africa (SMME Finance Reference Group 2002 - Discussion Document, 2002:8; The DTI, Online, 9 November 2008, 2005:7).

The South African government has delegated the task of coordinating all government efforts in SMME development to the DTI, who have consolidated their SMME strategy into the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (The DTI, Online, 9 November 2008, 2005).

Therefore, the responsibility for the design and coordination of interventions belongs to the DTI, albeit that the delivery mechanism could very well be resident in a number of different government departments or parastatal organisations. However, there is no apparent coordination despite the fact that the document detailing the DTI strategy clearly indicates it to be their responsibility (The DTI, Online, 9 November 2008, 2005).

The government also believes that Chambers of Commerce, corporates and banks have to participate in the process of SMME development, and specifically name them in the strategy document (The DTI, Online, 9 November 2008, 2005). This expectation in respect of corporates and banks does not state whether this is expected over and above the requirements with the relevant Financial Services Charter and the Broad-Based Black Economic Empowerment (BBBEE) Scorecard requirements. This is looked at in the section that reviews the South African selective interventions.

In this next section, we will review the different functional interventions executed by the South African government.

4.4.1 Functional interventions in South Africa

In this section, we briefly review the functional interventions implemented by the South African government.

The South African government has implemented a number of functional interventions in an attempt to improve the overall economic environment in South Africa, in an effort to stimulate economic activity. These are best viewed in a table format as shown in Table 4.1 below.

Type	Description
Functional	Tax reform
Functional	Joined the World Trade Organisation (WTO)
Functional	Managed monetary policy to reduce inflation and interest rates
Functional	Reduced tax for individuals and raised taxable level
Functional	Managed the economy without deficit spending
Functional	Skills development Act
Functional	Increased infrastructural spending
Functional	Economic and forex liberalisation
Functional	Reduced fiscal deficit

Functional	Reform of macro-economic issues
Functional	National Credit Act
Functional	Employment Equity
Functional	Basic Conditions of Employment Act
Functional	Reformed environmental management
Functional	Improved education system
Functional	Improved efficiency of resource mobilisation and utilisation
Functional	Privatisation

Table 4.1 South African functional interventions

While the bulk of these interventions have had a positive effect, the anecdotal evidence indicates a perception within the business community that this was not always the case. The general consensus within the business community is that the Skills Development Act, as an example, has been a failure and together with education in general, standards have dropped extensively, compounding a critical situation exacerbated by skills flight to developed countries. However, this is considered in the questionnaire.

The National Credit Act has a large number of benefits, but the timing has resulted in large sales declines in the retail sector in South Africa, exacerbated by the global financial crisis, high oil prices, rising inflation and interest rates (Fin 24.com Online 23 November 2008; Investec, Online 23 November 2008).

The Employment Equity and Basic Conditions of Employment Act have created an inflexible labour market, which has worked counter to government intentions to create and protect jobs, and has in fact resulted in job losses and the greater use of capital intensive processes in place of labour (Free Market Foundation, Online, 23 November 2008).

However, the South African government has managed GDP growth and inflation as indicated in Chapter 1 in Graphs 1.3 and 1.4 and the impact has been generally positive in the context of the overall economic environment in South Africa (SA Department of Statistics, 2 November 2008).

The effect of the more important of these is assessed in our questionnaire, and is analysed in Chapter 6. In the next section, we consider the selective interventions in South Africa.

4.4.2 Selective interventions in South Africa

In this section, the South African government's selective interventions specifically aimed at the SMME sector will be reviewed.

The South African Department of Trade and Industries' (DTI) SMME programme ensured that all sector development policies (selective interventions) included the goal of maximising the contribution of small business to the economy. This implied increasing the number of new small businesses established, particularly SMMEs with growth potential. It also aimed to increase the number of businesses that grow from micro into the small or medium-sized categories, while decreasing the failure rate of small businesses, and concomitantly raising the productivity of existing small businesses. The SMME Programme had the objective of ensuring that all sector development policies incorporated development, growth and investment measures that ensured the maximization of the small business contribution to the total economy (Republic of South Africa. 2003. Small Business Programme. Online, 2 November 2003; The DTI, Online, 9 November 2008, 2005).

Insufficient capital had been identified as one of the barriers to entry for many SMMEs in South Africa. The South African government had attempted to address this barrier and had made finance indirectly available to SMMEs through the Khula Finance Scheme who provide guarantees to retail finance institutions (RFIs) (Republic of South Africa. 2003. Khula Enterprise Finance. Department of Trade and Industries. Online, 2 November 2003; The World Bank, 2000, p39).

A complete range of financial assistance packages had been prepared by the South African government through the Department of Trade and Industries. These included the following:- Agro-Industries Development Finance; Bridging Finance Scheme; Danida Business to Business Programme-Credit Guarantee Scheme; Emerging Entrepreneur Scheme-Credit Guarantee Scheme; Empowerment Scheme-Credit Guarantee Scheme; Entrepreneurial Mining and Beneficiation Scheme; Finance for Textile, Clothing, Leather and Footwear Industries; Finance for the expansion of the Manufacturing Sector; Import Finance; Individual Guarantee-Credit Guarantee Scheme; Institutional Guarantee-Credit Guarantee Scheme; KwaZulu Rehabilitation Trust Fund-Credit Guarantee Scheme; Micro Credit Outlets (KhulaStart); Regional equity funds; Retail Financial Intermediaries; Sector Partnership Fund; Skills Support Programme; Small Medium Enterprise Development Programme; Standard Scheme-Credit Guarantee Scheme; Techno-Industry Development Finance; Technology Transfer Guarantee Fund-Credit Guarantee Scheme; and Tourism Development Finance **(**Republic of South Africa. 2003. Small Business Development. Department of Trade and Industries. Online, 2 November 2003).

The South African government had attempted to ensure that the regulatory environment was also conducive to the stimulation of

SMME development and growth (Republic of South Africa. Regulatory Environment Programme. Online, 2 November 2003).

They have furthermore attempted to provide a network of mentors and business planning advisors through Ntsika (Republic of South Africa. Programmes and Services. Ntsika Enterprise Promotion Agency. Online 2 November 2003).

The variety of interventions enacted by the South African government have been summarised in Appendix 9 which details selective interventions, and Appendix 10 which details functional interventions.

However, it would appear that not all these interventions have been successful. This is indicated by the fact that all these institutions have been re-constituted into a new structure within the Department of Trade and Industry (DTI) effective 2006 with a complete new range of offerings. This is represented graphically in Appendix 11.

There are now three (3) divisions, namely development finance, regulatory and specialist services (Republic of South Africa 2, Online 6 May 2006:1).

The development finance division has four (4) arms each catering to a different market. The South African Micro-finance Apex Fund (SAMAF), the Industrial Development Corporation (IDC), Khula Enterprise Finance and the National Empowerment Fund (NEF) (Republic of South Africa 3, Online 6 May 2006:1).

The regulatory division has six (6) arms each catering to a differing need. These include the Competition Tribunal, the Competition Commission, the National Gambling Board of South Africa, the

National Liquor Authority, the National Lotteries Board and the Micro Finance Regulatory Council (MFRC) (Republic of South Africa 4, Online 6 May 2006:1),

The specialist services division has ten (10) arms once again with each catering to a differing need. These are the Council for Scientific and Industrial Research (CSIR), the Export Credit Insurance Corporation of South Africa Ltd (ECIC), the South African Bureau of Standards (SABS), the South African Quality Institute (SAQI), the Technology and Human Resources for Industry Programme (THRIP), Technology for Women in Business (TWIB), the South African National Accreditation System (SANAS), Small Enterprise Development Agency (SEDA), Companies and Intellectual Property Registration (CIPRO), and the International Trade Administration Commission of South Africa (ITAC) (Republic of South Africa 5, Online 6 May 2006:1).

This thesis will only consider those organisations within the DTI that specifically target SMEs as a selective intervention, and those that would essentially be a functional intervention that could indirectly lead to an increase in either the rate of establishment of SMEs, or their growth rate.

The IDC states that one of its three (3) immediate objectives is to develop small and medium enterprises (SMEs). Their stated strategy is to provide risk capital for the widest possible range of industrial projects, to promote entrepreneurship through the development of competitive industries, to ensure that their activities support the diversity of African societies, to establish local and global involvement in their projects and to identify unrecognized business opportunities (Republic of South Africa 6, Online 6 May 2006:1).

The National Empowerment Fund (NEF) specifically targets black people and communities to purchase shares in privatised government enterprises and private businesses. The loan amounts would tend to indicate that they are specifically targeting the SME sector. The NEF Generator Fund is for the creation of start-up businesses that require funding from R250 000 to R1 million. The NEF Accelerator Fund is for the development and expansion of existing businesses requiring funding from R1 million to R3 million. The NEF Transformer Fund is intended to facilitate transformation of existing enterprises at ownership, decision-making and control levels and the funding ranges from R3 million to R10 million. They do offer a range of other services aimed at the large business segment (Republic of South Africa 7, Online 6 May 2006:1).

Khula's stated mission is to ensure the improved availability of loan and equity capital to small, medium and micro enterprises (SMMEs) by offering in a sustainable manner loans, guarantees and seed funds to retail financial intermediaries (RFI's) in need of capital and capacity (Republic of South Africa 8, Online 6 May 2006:1).

Khula Credit Guarantee provides a range of guarantee products to registered commercial banks and other private sector financial institutions that offer financial services to the SMME sector. The guarantee scheme is based on a risk-sharing arrangement, whereby Khula assumes a portion of risk associated with lending in the SMME sector (Republic of South Africa 8, Online 6 May 2006:1).

The Thuso mentorship programme is mentioned but no information is apparently available on this programme on their website. It is a mentorship programme for people who have received funding from Khula and require assistance.

A number of regulatory bodies exist under the DTI umbrella. None of the regulatory bodies have been established to specifically focus on the SME sector and would therefore be more of a functional intervention than a selective intervention.

The specialist services division under the DTI umbrella has the South African Quality Institute (SAQI) which targets the full SMME sector with educational programmes to prepare these enterprises for supplying to large businesses (Republic of South Africa 9, Online 6 May 2006:1). They also have the THRIP programme that has as one of its priorities the promotion of technological know-how within the small, medium and micro enterprise (SMME) sector (Republic of South Africa 10, Online 6 May 2006:1). The TWIB initiative is aimed at enhancing the accessibility of science and technology to women in business and in particular in small, medium and micro enterprises (SMMEs) (Republic of South Africa 11, Online 6 May 2006:1). Finally there is SEDA which is tasked with driving the government's strategic programmes and efforts to support the development of small businesses in South Africa. SEDA have the responsibility to put the necessary mechanisms and support in place to help small business (Republic of South Africa 12, Online 6 May 2006:1).

There is a range of programmes which do not fall under the umbrella of the DTI structures as defined by the DTI. There are a number of programmes specifically for stimulating the export sector. Each of these specifically targets SMMEs or offers preferential treatment to SMMEs. These include the Primary Export Market Research, Foreign Direct Investment Research, National Pavilions, Individual Exhibitions, Outward Selling Trade Missions, Outward Investment Recruitment Missions and the Sector Specific Assistance Programmes (Republic of South Africa 13, Online 6 May 2006:1).

Then there is the The Black Business Supplier Development Programme (BBSDP), which is an 80:20 cost-sharing, cash grant incentive scheme, which offers support to black-owned enterprises, 51% or more, in South Africa. The scheme provides such companies with access to business development services in order to assist them in improving their core competencies, upgrading managerial capabilities and restructuring to become more competitive. Companies must have traded for at least one (1) year and must be an SMME. The intention is to fast-track existing SMMEs that exhibit good potential for growth into the mainstream of the formal economy (Republic of South Africa 14, Online 6 May 2006:1).

The South African Women Entrepreneurs' Network is another programme that operates within the South African SMME sector. SAWEN is a South African National network that facilitates and monitors the socio-economic advancement of women entrepreneurs and their positive impact on the country's economy. (Republic of South Africa 14, Online 6 May 2006:1).

The Skills Support Programme looks to develop skills (Republic of South Africa 15, Online 6 May 2006:1). The National Technology Transfer Centre focuses on transferring technology specifically to SMMEs, and specifically the micro informal businesses (Republic of South Africa 16, Online 6 May 2006:1).

Another initiative is the DTI Support Programme for Industrial Innovation, administered by the IDC, which has three sub-programmes, one of which, the Matching Scheme, is specifically for SMEs and the other, the Product Process Development Scheme, which is for small enterprises only (Republic of South Africa 17, Online 6 May 2006:1).

The GODISA Trust is a partnership between the Department of Science and Technology and the DTI. GODISA incubates and nurtures small, medium and micro-sized enterprises to play an increasingly vital role in the development of sustainable employment and the advancement of essential skills and technologies (Republic of South Africa 18, Online 14 May 2006:1).

The Mpumalanga Stainless Initiative (MSI) is a regional incubator that attempts to address the problem of unemployment in the province, by exposing a large number of interested SMMEs to the possibilities of the manufacturing sector. Potential candidates are screened and selected for technical and business training. The programme equips them to take up stainless steel product manufacturing opportunities (Republic of South Africa 19, Online 14 May 2006:1).

The Down Stream Aluminium Centre for Technology (DACT) is providing training and an incubation facility for small businesses (Republic of South Africa 20, Online 14 May 2006:1).

FURNTECH services the South African wooden products and furniture industries in the fields of incubation, training, technology transfer and technology demonstration (Republic of South Africa 21, Online 14 May 2006:1).

The National Fibre, Textile and Clothing Centre (NFTCC) has as one of it's objectives, the provision of assistance in the incubation of fibre technologies by providing facilities, advice, equipment and mentoring so as to increase the number of start-up SMMEs in this sector (Republic of South Africa 22, Online 14 May 2006:1).

The Venture Capital Fund provides capital at the seed and early stages of a venture, which falls into the scope of SMEs (Republic of South Africa 23, Online 14 May 2006:1).

The Innovation and Technology unit's mandate is to ensure local industry sectors are kept up to date with the latest technological updates and breakthroughs. It has a sub-programme, the Technology Advisory Centre (TAC), specifically designed to disseminate this information to SMMEs (Republic of South Africa 24, Online 14 May 2006:1).

The Small Business Programme is listed on the DTI website but has no contact details. The SME programme has the objective of ensuring that all sector development policies incorporate the development, growth and investment measures with regards to maximising the small business contribution to the total economy. Based on the information provided, it appears to be an internal body as no contact details are provided (Republic of South Africa 25, Online 14 May 2006:1).

The DTI also offers the Emerging Entrepreneur Scheme, and Credit Guarantee Scheme for SMEs for amounts up to R100 000 (Republic of South Africa 26, Online 14 May 2006:1).

They also offer the Empowerment Scheme, and Credit Guarantee Scheme to SMEs to acquire a majority share in businesses, or to launch labour intensive businesses, up to an amount of R5 million (Republic of South Africa 27, Online 14 May 2006:1).

The Institutional Guarantee, and Credit Guarantee Scheme is for Retail Finance Institutions (RFI's) who provide finance to SMMEs. (Republic of South Africa 28, Online 14 May 2006:1).

The KwaZulu Rehabilitation Trust Fund, and Credit Guarantee Scheme was a fund of R10 million set up to re-finance entrepreneurs who could prove that they lost their businesses during the unrest in 1994 (Republic of South Africa 29, Online 14 May 2006:1).

The Small and Medium Enterprise Development Programme (SMEDP) is a grant paid to local and foreign investors, starting new or expanding their current operations, based on approved qualifying assets and activities / projects (Republic of South Africa 30, Online 14 May 2006:1).

The PSOM programme is a joint venture with the Dutch whereby they invest in joint ventures between a Dutch and a South African business (Republic of South Africa 31, Online 14 May 2006:1).

New Venture Creation learnerships is another government intervention for SMEs. However, this did not emanate from the DTI, but rather from the Department of Labour (DOL) who later handed it over to the Sector Education and Training Authority (SETA) for the service sector – Services SETA. The focus was on providing appropriate training to potential entrepreneurs, on how to start a new business. This programme focused on the informal sector however, and therefore does not meet the criteria to be included under formal sector SMEs. This is a selective intervention, which is perfectly aligned with the research so far, which indicates the necessity for training in business skills. This is the one intervention, a selective one, which does meet the criteria for increasing the start-up rate for SMEs, albeit that it does not originate with the DTI nor is it appropriate for the target segment of SMEs in the formal sector.

In South Africa, as a result of Broad Based Black Economic Empowerment scorecards being implemented for all businesses, the private sector has also participated in creating interventions of a selective nature. Anglo American created a new business, Zimele, whose role is to use the funding they were given by the group, to take a minority equity stake and make loans to the businesses it backs. A crucially important part of their modus operandi is to take a seat on

the board and continue to support the new entrepreneurs into the future. It calls on the skills of Anglo American's managers at a variety of levels as and when needed, and makes sure these new businesses adopt the high standards of health and safety which Anglo American itself subscribes to (Cowe 2002:20 Online 8 November 2008). They claim they are succeeding in their efforts.

South African Breweries (SAB) also have a programme aimed at people aged 18 to 35 years, intended to assist potential entrepreneurs get their businesses off the ground with grants and mentorship. They claim they are succeeding in their efforts and the website has a table showing the increase in turnover and employees for example (South African Breweries Online 9 November 2008).

Eskom, a government owned company, has the Eskom Development Foundation which funds training for black-owned SMEs, and runs an annual SME expo for black-owned SMEs to display their products and services, back to back with a competition where the prize is cash to be utilised for the improvement of the owner's skills. They also have a campaign aimed at increasing their spending with black-owned SMEs (Eskom Online 9 November 2008).

Business Partners had its origins originally as a government funded entity, Small Business Development Corporation (SBDC), to assist SMEs with finance and business development services. The organisation was privatised prior to 1994, and continues to service the SME market in this manner. They also act in conjunction with government as a retail finance institution, providing funding in a development role from time to time.

Old Mutual set up a Section 21 not-for-profit company called Masisizane to drive a number of projects themselves and in

partnership, covering the development of women owned businesses, financial education, and skills development in priority areas.

Ithala Bank in KwaZulu Natal was originally known as the Kwazulu Finance Corporation. It still fills a developmental role, assisting entrepreneurs with funding, in particular black entrepreneurs.

ABSA have opened a number of SMME Desks in various Chambers of Commerce around South Africa in an effort to assist entrepreneurs with accessing finance.

These are examples of private sector companies and government owned companies who have implemented their own interventions. These and similar interventions are occurring around the country, but fall outside the scope of this study as they are not government interventions. They are all selective interventions focused on improving the skills or access to finance of black-owned SMEs.

In summary, it is clear that South Africa is making extensive use of selective interventions in relation to the SME market segment. This would tend to align South Africa more to the practices of developed countries than those of developing countries, but South Africa have a much higher rate of selective intervention than of functional intervention, which complies with neither pattern as seen for developing and developed countries, where the preference is for functional interventions in line with current debate on the topic.

This could be attributable to the fact that the South African economy was extremely distorted by the Apartheid era economic policies and therefore these selective interventions are merely intended to correct problems from the past, or could simply just reflect a general lack of

direction and focus in the South African government's implementation of their SMME strategy.

However, if, as postulated, it is assumed that it is imperative that South Africa select interventions that build on the critical success factors detailed in Chapter 3, then there has not been much focus on these factors, as only 14 of 50 selective interventions focus on these critical success factors. In other words, the skills areas that need to be addressed include financial management, marketing, strategy, general management, leadership and decision-making. It would appear that there is too much focus on providing finance, rather than on overcoming business failure due to the inability of the entrepreneurs to gain the skills as defined in the critical success factor section in Chapter 3. If the 14 interventions are reviewed more closely, the focus on upgrading of skills, as defined in Chapter 3 on critical success factors, is not evident and in many cases is almost incidental.

The various selective interventions in South Africa are summarised in Table 4.2 (non-financial interventions) and 4.3 (financial interventions) shown below:

Selective	Mentors	Ntsika
Selective	Mentors	Thuso
Selective	Training	SAQI
Selective	Training	THRIP
Selective	Training	SETA
Selective	Information	Technology Advisory Centre
Selective	Information	TWIB
Selective	Information	SEDA
Selective	Information	SAWEN

Selective	Incubator	GODISA Trust
Selective	Incubator	Mpumalanga Stainless Initiative
Selective	Incubator	Downstream Aluminium Centre for Technology
Selective	Incubator	Furntech
Selective	Incubator	National Fibre, Textile and Clothing Centre

Table 4.2 – Non-financial interventions

Type	**Target**	**Description**
Selective	Finance	Khula Guarantee Scheme
Selective	Finance	Agro-Industries Development Finance
Selective	Finance	Bridging Finance Scheme
Selective	Finance	Danida Business to Business Programme-Credit Guarantee Scheme
Selective	Finance	Emerging Entrepreneur Scheme-Credit Guarantee Scheme
Selective	Finance	Empowerment Scheme-Credit Guarantee Scheme
Selective	Finance	Entrepreneurial Mining and Beneficiation Scheme
Selective	Finance	Finance for Textile, Clothing, Leather and Footwear Industries
Selective	Finance	Finance for the expansion of the Manufacturing Sector
Selective	Finance	Import Finance
Selective	Finance	Individual Guarantee-Credit Guarantee Scheme
Selective	Finance	Institutional Guarantee-Credit Guarantee Scheme
Selective	Finance	Kwa Zulu Rehabilitation Trust Fund-Credit Guarantee Scheme
Selective	Finance	Micro Credit Outlets (KhulaStart)
Selective	Finance	Regional equity funds
Selective	Finance	Retail Financial Intermediaries
Selective	Finance	Sector Partnership Fund
Selective	Finance	Skills Support Programme
Selective	Finance	Small Medium Enterprise Development Programme (SMEDP)

Selective	Finance	Standard Scheme-Credit Guarantee Scheme
Selective	Finance	Techno-Industry Development Finance
Selective	Finance	Technology Transfer Guarantee Fund-Credit Guarantee Scheme
Selective	Finance	Tourism Development Finance
Selective	Finance	South African Micro-finance Apex Fund (SAMAF)
Selective	Finance	Industrial Development Corporation (IDC),
Selective	Finance	Khula Enterprise Finance
Selective	Finance	National Empowerment Fund (NEF)
Selective	Finance	Black Business Supply Development Programme
Selective	Finance	Venture Capital Fund
Selective	Finance	Emerging Entrepreneur Credit Guarantee Scheme
Selective	Finance	Empowerment Guarantee Scheme
Selective	Finance	Kwa Zulu Rehabilitation Trust Fund Credit Guarantee Scheme
Selective	Finance	PSOM
Selective	Finance	SARS SMME Tax concessions
Selective	Finance	Umsobomvu Youth Fund
Selective	Finance	BBBEE Scorecard

Table 4.3 – Financial interventions

There is clearly a predilection for financial interventions, with 36 financial interventions and 14 non-financial interventions comprised of 2 x mentorship, 3 x training, 4 x information and 5 x incubator interventions. This totals 50 formal selective interventions aimed at the SMME sector. This figure could be higher as organisations such as Khula and IDC for example have multiple short-term interventions running at any given moment in time.

All provincial governments have a Department of Economic Development, which works with all other provincial government

departments in an effort to create new black-owned SMMEs. The same situation exists within the central and some local government departments. Most of these efforts are focused around procurement opportunities.

4.5 Summary

This chapter conducted the literature review in three distinct parts. The first section reviewed interventions by governments in developed countries, the second reviewed the interventions by governments in developing countries, and the last reviewed the interventions by the government in South Africa. The review of the interventions in the different countries was done in order to determine whether differences existed, between interventions used by developing as opposed to developed countries, and the review of interventions in South Africa was then compared to the trends in these two different groups, in order to see how South Africa compares.

Reviewing the developed countries first, there is very little evidence of whether and how, the success of the functional interventions implemented, was measured. There appears to be a great diversity in options selected by the various developed countries.

The sample size of countries covered in the literature review is also small, and therefore no extrapolations can be drawn from the data. However, it does provide a view into the thinking applied by developed countries in selecting functional interventions. The lack of consensus may be the likely result of the differing economic circumstances existing in each country at the time of selecting the functional interventions to be applied. If may just as likely be a function of the ruling party's economic policies and the timing of elections in relation to government interventions.

It is important to note that the developed countries simultaneously implemented selective interventions. World economic leaders such as the UK and the USA have deemed it necessary to implement a range of selective interventions, while smaller developed countries have followed suit. While their apparent reasons for doing so would appear to be well founded, there is, however, very little if any research that would appear to have monitored whether these interventions were required or not, and if so what the outcome of these interventions was. This lack of confirmatory evidence could hamper economic and political arguments in support of selective interventions in the future. The only interventions that appear to have had clear metrics for the objectives of the intervention were the Japanese interventions (Japan, Online 15 April 2004:3-4).

It could be interpreted, based on the lack of evidence to the contrary, that the selection of selective interventions is quite likely to have been guided, as were the functional interventions, by economic circumstances or party political policies applicable in these countries at the time of selection. As with the functional interventions, there does not appear to be a pattern to the selections, but this literature review is by no means exhaustive in assessing interventions applied by the different developed countries. Therefore, no inferences should be drawn from these data.

While there is obvious utilisation of both functional and selective interventions in developed countries, there appears to be little to no research conducted on the success of these interventions. Although the objective may be as simplistic as an increase in GDP growth attributable to SMEs, or in the growth of new start-ups, the lack of research as to the cause of any GDP growth makes the attempt to

understand the effects of the interventions difficult, if not impossible. The objectives attached by these developed countries to each intervention, selective and functional, were not clearly defined, or if they were defined, they are not publicly available (Curran, J., Storey, D.J., 2000:2; Atherton, A., Philpott, T., Sear, L., 2002:4).

There is an apparent preference for functional interventions over selective interventions among developed countries with thirty-one (31) functional interventions as opposed to twenty–four (24) selective interventions which is a ratio of 1.3:1 among the countries reviewed.

It is noteworthy that Austria made it clear, that while they had implemented selective interventions, that they preferred the utilisation of functional interventions as a solution to developing SMEs (Austria, Online 10 July 2004:3).

While there is certain commonality in choices made, there was no overwhelming preference shown for a particular intervention. The greatest commonality occurred in the choice of functional interventions with 71% of the countries selecting at least one common intervention. However, the small sample size of countries reviewed in this literature review reduces the reliability of the data for extrapolation purposes.

As with the developed countries, there is a definite utilisation of functional interventions among the developing countries. What is not clear from the literature review is the basis for the decision to implement functional interventions, nor what the objectives were for each intervention selected. It is unclear whether it is an acceptance through understanding of the principles and expected benefits of functional interventions, or whether these are the policies of

developed countries filtering through to developing countries through organisations such as the World Bank, who may be providing development finance to many of these countries.

There does not appear to be much conformity on choice of interventions as indicated by the data in Appendix 6. The largest group using a particular intervention was only 50% of the sample researched. This does not constitute overwhelming support for any particular intervention and raises the question as to how each intervention was selected by each country. Once again, the lack of information as to how the decision was made, makes it impossible to form an opinion, or analyse the data in any way, nor is their sufficient data to suggest a course of action to other countries seeking solutions. Developed countries exhibited similar trends and a lack of useful information on selection processes.

As with developed countries, there is once again definite utilisation of selective interventions. What is not clear from the research is the basis for the decision to implement selective interventions, nor the objectives for each selective intervention. It is unclear whether it is an acceptance through understanding of the principles and expected benefits of selective interventions, or whether, like functional interventions, these are the policies of developed countries filtering through to developing countries through organisations such as the World Bank, who may be providing development finance to many of these countries.

There does not appear to be much conformity on choice of interventions as indicated by the data in Appendix 8. The largest group using a particular intervention was only 46.2% of the sample researched. This does not constitute overwhelming support for any

particular intervention and raises the question as to how each intervention was selected by each country. Once again the lack of information provided as to how the decision was made, makes it impossible to form an opinion, or analyse the data in any way, to suggest a course of action to other countries seeking solutions. The selection of selective interventions could also be affected by the economic status quo in each developing country at the time of selection.

The one factor that appears to be contradictory is that while 46.2% of the countries researched intervened by attempting to develop their human resources, only 26.9% were intending to improve their education systems.

There is obviously a preference for functional over selective interventions among developing countries with one hundred and five (105) functional interventions as opposed to fifty-six (56) selective interventions which is a ratio of 1.9:1. Possible reasons for this bias could be derived from aid organisations run by developed countries, while it could also be related to the fact that as a developing economy there are more basic problems inherent in a developing economy that require functional interventions. However, it could also be as a result of many years of economic mismanagement, and the process of establishing economic equilibrium. A further reason could be that functional interventions by their very nature require less funding to implement and administer than selective interventions. As an example, it costs relatively little to implement new legislation, or to make changes to existing legislation and then to publish it. The selective intervention requires that you have to devise the intervention using experts within the field, identify the potential beneficiaries, create a delivery mechanism, create a monitoring

system, and then implement over a period of time, all of which comes at a cost.

If there is one common factor among those countries implementing functional interventions, both developed and developing, it is that there is no obvious pattern in the selection of interventions. The key difference between the selections made by developed as opposed to developing countries would appear to be a reflection of three key points. The first point would appear to be an attempt to correct many years of misgovernment by the developing countries, which could be self-realisation. Alternatively, it could be due to the pressure from organisations providing funding such as the World Bank and the International Finance Corporation, requiring that they attempt to comply with best practice and standards set by developed countries.

The second key point is that there is very little commonality between the interventions selected by developed versus developing countries, within the two groups themselves.

The third key point is the fact that there is apparently no single solution in respect of functional interventions, as each country appears to have a different and unique set of problems and conditions, which in turn leads to each country selecting those that are possibly most suited to current problems and conditions. However, there are a number of common interventions utilised by the different countries.

The one issue that is clear is the fact that there was a greater bias towards functional interventions among developing countries as opposed to developed countries.

In the context of South Africa similar behaviours are noticed. In an interview with Mr Mojalefa Mohoto of the DTI Policy Division, Mr Mohoto (Interview Mohoto – DTI, 5 June 2006) advised that the South African government had not, to the best of his knowledge, set any time lines or measurable metrics for any of the SME interventions, and that any evidence as to the success of any programme was anecdotal or subjective at best. He further stated that governments are reluctant to set measurable metrics for interventions, and further agreed that metrics for interventions such as those in Japan, where the government set out to double the number of new businesses established per annum, would be the ideal. He suggested that because the outcomes of interventions were determined by private sector efforts, the government could not set metrics, as they merely created an enabling environment. This would possibly be partially applicable in the context of functional interventions, but not in the context of selective interventions however. Furthermore, while it is the private sector that must create or grow the business, the rate at which this occurs is directly related to the economic environment, and how enabling the environment is made by the intervention. Therefore, it remains a function of the intervention, and should be measured, albeit the metrics may be economy-wide rather than business specific.

Despite the recent restructuring at the DTI, there is once again a variety of programmes in existence, some registered as companies in their own right, that do not appear to fall under the umbrella of any of these organisations defined within the DTI organisational structure. This proliferation of independent programmes was the source of the problems in the past, and will possibly continue to be so in the future. No new programme should be launched outside of the existing structures. This proliferation results in programmes that overlap with

one another, as they did in the past. Some of these problems are highlighted below.

If the South African government wants SMEs started up and growth as key objectives, it needs a centralised approach to the allocation of the very limited resources that are available. Furthermore SEDA was tasked to drive the government's strategic SMME programmes to develop and grow SMMEs, yet it has no control over the vast array of sub-divisions and programmes, which leads to a range of conflicting, overlapping objectives and initiatives, resulting in an enormous waste of resources, in particular people and capital. It also makes it almost impossible for SMMEs to get service or access products and services. There is no one agency that provides a one stop shop, and the process becomes an almost endless series of visits to their offices or their web site.

Certain organisations under the DTI umbrella, SAQI being one of them, have established an Enterprise Development unit. This unit then focuses on the SMME sector for quality training, in order to equip them as suppliers to the large business sector. However, while quality management is a key success factor for SME growth, one has to question the logic in attempting to take this into the informal micro enterprise sector. The informal sector and micro businesses are generally survivalist and unlikely to become suppliers to the large business sector. The same can be said for the THRIP and TWIB initiatives. The TWIB initiative is further confusing in that the SAWEN project also focuses on the needs of female entrepreneurs, and yet is not related to the TWIB project. Similarly, the Black Business Supplier Programme also targets SMMEs, but is confusing in that they talk about bringing the participants into the formal economy which is contradictory with the annual turnover requirements of a maximum of R12 million, which are in the small to medium sector and

the need for most of the managers to be black, when micro-businesses are unlikely to have staff, let alone managers. Furthermore, the programme is unlikely to be suited to the micro sector due to the skills and cost requirements.

The Skills Support Programme is another programme that would appear to overlap with the Sector Education and Training Authorities (SETAs), whose role it is to develop skills in conjunction with the business community. The THRIP programme also overlaps to an extent.

Similarly, THRIP, NTTC, the Support Programme for Industrial Innovation (SPII) and the GODISA Trust also appear to overlap in the field of technology.

There are numerous examples of overlapping programmes, programmes aimed at micro businesses, which are highly unlikely to use the intervention, and very little real structure to all the interventions.

Finally, the biggest concern is that none of these interventions by the DTI are intended to improve the skills of business people. While it appears that it may be an incidental part of other programmes, there is no direct, large-scale skills development programme for SME owners or potential owners. The one programme that has been implemented in this regard is the New Venture Creation Learnerships, which were implemented by the Department of Labour and the Services SETA, but unfortunately, it targets the informal sector rather than the formal sector.

In conclusion, this review emphasised the need to firstly document the reason for selecting a particular intervention, and secondly to measure the success of these interventions in improving the probability of success for SMEs.

It would appear that the New Venture Creation Learnership is the sole programme that attempts to improve the start-up rate, but as it tends to target the informal sector, it does not meet the criteria of an intervention that will improve the start-up rate among SMEs in the formal sector.

The review also indicated that South Africa is implementing a variety of different interventions. They have implemented seventeen (17) functional interventions and fifty (50) selective interventions. They therefore would appear to be following neither the developed nor the developing countries in their intervention selection.

In the next chapter, Chapter 5, the intended research methodology for the empirical study is explained.

Chapter 5 Research Methodology

5.1 Introduction

The previous chapters have provided an overview through the literature review, of the need for interventions by governments, and a review of the different interventions effected by both developed and developing countries. While the sample was not large enough to provide sufficient data to be used to statistically predict the interventions likely to be implemented by a specific country, nor make recommendations, sufficient data was collated to observe that developed and developing countries do have a slightly different approach to the use of interventions. Developing countries utilise a great number of functional interventions as opposed to selective interventions. This could be due to the fact that, as their economies are more skewed than developed countries, they are more dependent on functional interventions to normalise their economies. Developed countries also prefer the use of functional interventions, but the ratio of functional to selective is smaller at 1.3:1 than that for developing countries at 1.9:1.

The review also indicated that South Africa is implementing a variety of different interventions. They have implemented 17 functional interventions and 50 selective interventions.

The key issues that can impact on SME start-up and growth rates were also reviewed and assessed, with a view to providing a guide on the selection of interventions needed in a particular country.

While the Theory of the Firm dictates that all businesses have the same overall needs, the variation comes from the combinations of factors which are required by each firm, and the level of

entrepreneurial endeavour as defined by Burch (1986:31). These vary between businesses and each business has unique requirements. Similarly, every country has a unique set of demographic, economic and political conditions, which influence the choice of interventions, and therefore the need for different types of intervention will vary from country to country (Porter, 1998:166).

The South African situation is such that the economy is faced with a huge challenge, in having to find solutions to the high unemployment rate. There is a definite need for specific relevant interventions in this regard (Hallberg 2000:10). While the government may see SMEs as a solution to the unemployment problem, it cannot solve the problem purely through the creation of SMEs as not all SMEs can be part of the South African unemployment solution (Hallberg 2000:6). The government needs a more holistic approach to solving the unemployment problem, including a review of the FDI policies, labour legislation, skills development and other perceived hurdles to higher employment rates.

The theoretical aspects related to the need for and implementation of interventions to stimulate the development and growth of the SME sector, as dealt with in the literature review will be empirically tested. Based on the analysis of the findings, the suitability and effectiveness of current policies will be assessed in the South African context.

5.2 Nature of research

This will be a formal cross-sectional and causal study of SMEs in the formal sector, trading in South Africa. This study highlights research problems and hypothesis statements, which require clear and accurate data source specification and statistical analysis to obtain a clear understanding of the research problems and hypotheses.

A cross-sectional study is a study that is carried out once and represents a snapshot of one point in time (Blumberg, Cooper & Schindler 2005:130). This study will collect data during 2008 only. However, it will cover the period 1994 through 2008, but as only one measurement will be made, it will not be a longitudinal study.

This chapter presents the problem statement, objectives of the study, hypotheses and data collection methods. This chapter also explains how the research questionnaire was designed, as well as the methods implemented to ensure validity of the questionnaire and the data collected and analysed.

A research study is an attempt to expand knowledge in a particular field of study (Welman, Kruger 2001:2). This study will attempt to expand the body of knowledge surrounding SMEs and the impact of government interventions on the rate at which they start up and grow.

This study will be a formal empirical research study and will review existing secondary text and data as well as create primary data through the use of an e-mailed questionnaire.

The questionnaire will be used to do a qualitative causal research study on the research topic, using exploratory, descriptive, causal and evaluative questions (Mouton 2002:54).

Wherever possible the questionnaire will use methods intended to reduce interpretive errors by respondents. The questions will also assess whether a business falls outside of the SME description as per the National Small Business Act, leading to the exclusion of this data from the study.

5.3 Objectives of the study

The research problem and objectives are detailed in this section. It is imperative that a clear statement of the research problem and objectives of the research study are formulated prior to designing the questionnaire. Failure to do so will result in failure of the instrument, and this in turn will lead to failure of the study.

5.3.1 Research problem

A critical assessment of the impact of interventions to stimulate the establishment and growth rates of SMEs in the formal sector in KwaZulu-Natal 1994 – 2008.

5.3.2 Research objectives

The objectives which have to be answered are:

1. Determine the factors that stimulate the establishment and growth rates in SMEs.
2. Determine the need for interventions by governments.
3. Determine whether the South African government needs to implement interventions to increase the SME start-up rate.
4. Determine whether the South African government needs to implement interventions to increase the SME growth rate.
5. Determine whether the South African government is implementing selective interventions for the SME sector
6. Determine whether the South African government's selective interventions for the SME sector are appropriate.
7. Determine whether the South African government's functional interventions impact on the SME sector in an appropriate manner.
8. Determine whether the South African government's interventions which have been implemented, achieved their stated goal.

5.3.2.1 Determine the factors that stimulate the establishment and growth rates in SMEs and Determine the need for interventions by governments.

These two objectives are reviewed and assessed in the literature reviews completed earlier in this study, where critical success factors for SMEs were observed, and the arguments for and against interventions were also reviewed.

5.3.2.2 Does South Africa need to implement interventions to increase the SME start-up rate? and Does South Africa need to implement interventions to increase the SME growth rate?

In Chapter 1 of this study, the economic data for South Africa was reviewed. The economic data indicates that the start-up rate of businesses in the formal sector increased with an improvement of the economic conditions. Therefore, the question must be asked as to whether or not further interventions are required, if such correlation already exists. This data will also be assessed to see if a statistical relationship does exist between the start-up rate and the economic data as shown in Chapter 1.

The two objectives of increasing the SME start-up and growth rates are perceived by the South African government to be a necessity, and government have made many statements to this effect. The high unemployment rate would tend to support the perception that there is a need for an increase in the start-up rate of SMEs, if it is likely to contribute to the generation of new jobs. Government have consequently put many interventions in place. The question is whether these interventions are appropriate to the defined problem or need. This problem needs to be considered in greater depth, in order to establish whether there is a genuine need, or whether it is merely a

case of politicians using these interventions to reduce voter antipathy and anger over unemployment. This will be considered in the design of the questionnaire.

5.3.2.3 Is South Africa implementing selective interventions for the SME sector?

This objective was considered in the literature review, where the many interventions that South Africa is implementing were reviewed.

5.3.2.4 Are the South African selective interventions for the SME sector appropriate? Are the South African functional interventions beneficial for the SME sector? Are the appropriate South African interventions, which have been implemented, achieving their stated goal?

These three objectives will be answered on completion of the analysis of the primary data to be collected.

5.4 Hypotheses

In this study, two hypotheses have been used as opposed to propositions, as a hypothesis is testable (Lewis, Saunders & Thornhill, 1997:344). This assists in validating the quality of this research study, thereby making a real contribution to the current body of knowledge within this field of research, which is the key purpose of this study.

The hypotheses as stated for this research study are listed below in Table 5.1.

Null hypothesis (H1o)	The interventions to increase the growth rate of existing SMEs in the formal sector have had a positive effect.
Alternative hypothesis (H1a)	The interventions to increase the growth rate of existing SMEs in the formal sector have not had a positive effect.
Null hypothesis (H2o)	The interventions to increase the start-up rate of new SMEs in the formal sector have had a positive effect.
Alternative hypothesis (H2a)	The interventions to increase the start-up rate of new SMEs in the formal sector have not had a positive effect

Table 5.1 – Hypotheses

There are two main null hypotheses, together with the associated alternative hypotheses. These hypotheses form the core of this research study, and relate directly to the start-up rate and the growth rate of SMEs within the formal sector.

5.5 Sample selection

5.5.1 How the population was determined

Selection of the population is critical to the success of any research. Selecting a suitable population in the South African context was done as follows:-

The CIPRO database of Closed Corporations and Companies includes approximately 1,200,000 legal entities, and is by far the single largest database of businesses outside of the South African Revenue Services (SARS) database. However, this universum does not allow economically inactive entities to be excluded. Nor does it

allow for the exclusion of professionals who have partnerships and legal entities, nor the differentiation between SMEs and large business as determined by the National Small Business Act. The attractiveness and suitability of the CIPRO database is further weakened by the fact that the database is only tracking activity within the legal entities, and does not track activity within sole proprietorships and partnerships. This makes the CIPRO database unsuitable for research purposes due to the large accuracy error that is already resident within this universum.

The SARS database has a larger universum to analyse, being all tax paying businesses in South Africa, but all efforts to date to gain access to statistics from their database have been refused. As access to this population is not available, it is difficult to assess whether the data could be sorted in an appropriate manner to suit this study.

The next option was to look at the various bodies representing organised business. In South Africa, there are four such bodies. The first two, FABCOS and NAFCOC, traditionally existed to service black-owned businesses. However, they do not have local offices, and therefore communicating with their membership is very difficult. Similarly, they tend to have a greater proportion of informal sector businesses than formal sector businesses. This makes this universum unsuitable for the purposes of this study.

The next organisation is the Afrikaanse Handels Instituut (AHI), the body that traditionally served the needs of Afrikaans, mainly white, businesses. This body's members however are often members of both the Chambers of Commerce and the AHI, and form a very small universum.

The last body to consider are the constituent members of the South African Chamber of Business (SACOB), known as the South African Chamber of Commerce & Industries (SACCI) since 2007. This body has the largest universum within organised business. The organisation has been in existence since the early 1900s, and they generally have local offices in many towns and cities. The membership tends to comprise both English and Afrikaans speaking business people, and has grown its base of black business people. Albeit that the demographics of the body do not reflect the national population demographics, the possibility exists that they do more closely reflect the demographics of the formal business population, albeit that this cannot be measured. This universum was therefore deemed best suited to this research study. However, this universum has limitations, in that the greater percentage of members, are white-owned businesses. A further limitation is that not all businesses are members of a Chamber of Commerce or similar body.

Chambers of Commerce use the size of the business in respect of the number of employees, to assess the subscription fees, thereby allowing the selection of SME members only for the study.

Chambers of Commerce have historically tended to attract businesses in the formal sector and this trend continues. It attracts businesses in the formal sector who are recent start-ups as well as existing SMEs in various stages of the enterprise lifecycle. The current SME component of Chambers of Commerce varies around 90% of the membership, depending on the individual Chamber of Commerce's profile. Their membership structure makes it suitable for this research study.

This study will however not consider the complete country, but rather the province of KwaZulu-Natal. With a universum of 4012 SME members specifically within Ladysmith, Pietermaritzburg, Durban and Richards Bay, our study area, it is a large enough universum to provide useful information that can be statistically analysed. Therefore, this universum is intended to be used for this study.

This universum will allow the research of start-ups as well as existing enterprises.

The chosen Chamber of Commerce databases have their own limitations, as representivity, based on random selection of the national universum of businesses in South Africa, cannot be claimed. Cognisance will be taken of these limitations when finalising the assessment of the primary data collected.

5.5.2 The method for selecting the sample

An initial pilot sample of five (5) SME respondents was selected from the sample frame to test the validity of the questionnaire and whether or not the questionnaire functioned as expected. These results were not included in the research control group, nor the treatment group.

It was decided to use the Pietermaritzburg Chamber to firstly select a control group. The reasons for selecting a control group, was that the author was twice previously a President of the Pietermaritzburg Chamber of Commerce, and therefore it was expected that a higher level of honesty in the responses from respondents would result. This would then allow for comparison to the broader KZN sample.

The full SME universum of SMEs who are members of the Ladysmith, Pietermaritzburg, Durban and Zululand Chambers of

Commerce, excluding those used in the control group, will be utilised. The questionnaire will be emailed to all parties, and therefore there is no cost attached to the mailing.

5.5.3 The data collection procedures

The questionnaire will be emailed to the balance of the Pietermaritzburg Chamber of Business SME population and the SME members of the Ladysmith, Durban and Zululand Chambers of Commerce in KwaZulu-Natal. Six (6) weeks after the mail survey has been sent out, a second copy of the survey will be sent out again. The population is 3398 SME members, adjusted for the 246 control group members.

The responses from the two groups will be assessed independently in order to ensure that there are no variances in the responses from the early responders and the later responders.

Six (6) weeks after the second mailing date non-respondents will be contacted telephonically and personally requested to respond and, if necessary, be interviewed by the author.

The reason for using an e-mail survey is to take advantage of the ease of access to contact vast numbers of potential respondents in a short space of time. It is also the preferred method for collecting data from a large universum which is also geographically dispersed (Wegner, 2001:16).

5.6 Questionnaire design

The questionnaire is crucial to the success of this research study. If the questionnaire does not extract the correct information from the

respondents, irrespective of the quality of the statistical analyses, the results will be of no use, and will not add to the body of knowledge.

The questionnaire needs to allow the respondent to provide the primary data for our research, in the simplest and most accurate manner possible.

The questionnaire was designed specifically to try to reduce interpretation errors by removing most of the open ended questions. Where any confusion could arise, most of the questions have used a nominal system, in a bid to further reduce errors through misinterpretation during the completion of the questionnaire by the respondents. In order to compensate for potential feedback that might be lost due to the minimisation of open-ended questions, provision has been made for open-ended comments after each nominal question, where appropriate.

All data capturing was checked twice to ensure that no errors were made during the data capturing process.

The data set provides data for the analysis of the core problem related to SME start-up and growth rates in South Africa, and the applicability and success of existing South African government interventions. This data set provides the relevant primary data for analysis of the hypotheses defined in this research study.

Measuring growth is a difficult entity to measure. There is also no agreed international growth measurement criterion for a business. Similarly, the impact of inflation would need to be considered on any increase in turnover and profit. The growth in the number of staff employed would tend to be a more accurate reflection of the growth

of the business, as staff numbers would tend to exclude inflation as a factor that impacts on the measurement of growth.

The questionnaire, as shown in Appendix 12, has been divided into two (2) sections:-

Part 1 – Demographic information

Part 2 – Business related information

This section dealt with the assessment of the primary data, in the context of both SME success factors and constraints on government interventions.

5.6.1 Part 1 – demographic information

Part 1 (demographic information), Questions 1 and 2 are standard demographic data questions which determine the gender and race of the respondent. They will assist in the assessment of the success of the government interventions, which are specifically targeted at specific groupings of people, and allow for deeper analysis of the core primary data in respect of these demographic criteria. These questions are all presented as nominal data choices.

Part 1 Question 3 confirms that the respondent is a member of the universum for this study, by checking that they are members of a Chamber of Commerce. Questions 4, 5 and 6 are intended to ensure that the data is supplied by either the owner, and if not by the owner, then by someone authorised to do so by the owner. If a staff member completes the questionnaire, Question 6 requires that the owner confirm the accuracy of the data supplied by the relevant staff member. As it is a possibility that the owner of the business may delegate the task, or that an employee may undertake to do so, on behalf of a disinterested owner, it is necessary to validate the

information supplied and the source. These questions are all presented as nominal data choices.

Part 1 Question 7 assesses the industry sector that the respondent trades within. Question 8 is an open-ended question, which allows the owner to write a short description of what the business does, thereby allowing us to ensure that the correct industry sector was selected in Question 7. Once again it will assist in the assessment of the selective government interventions that are aimed at specific market sectors, and the functional interventions in respect of the impact on the various industry sectors. It will also assess whether members of Chambers of Commerce are biased to particular economic sectors, and adds a further analysis criterion to the data. It will help to assess the distribution of Chamber of Commerce members across economic sectors. This data is important as governments do offer selective interventions for specific industry sectors, and it is important to assess whether a link exists to a particular government intervention. Furthermore, it will help to identify which sectors are favoured by South African SMEs. Question 7 is presented as a nominal data choice while Question 8 allows for a qualitative open text response.

Part 1 Questions 9, 10 and 11 assess what level of formal education the respondents have, as this will add to the body of knowledge that already exists in this respect. Educational qualifications are an assessment criterion in this field of research, and therefore it is required to assess the primary research in this respect. In some research, education has been found to be a critical success factor. This is important data to collect, as in the Theory of the Firm, skills are deemed to be critical in making an enterprise profitable, and therefore it is necessary to assess whether there is a link between

formal education level and success of the enterprise. Questions 9 and 10 are presented as a nominal data choice while Question 11 allows for a qualitative open text response.

These critical success factors of education and skill, are important in the context of the profitability of the firm, and therefore critical in the context of the Theory of the Firm. An assessment of their role in the data collected is possibly important in gaining an understanding of their role and adding to the existing body of knowledge.

Question 12 simply considers the legal persona of the business for the purpose of statistical analysis of the primary data, using this nominal data to see if any particular relationships exist between the data sets.

5.6.2 Part 2 – Business related information

The assessment of the primary interventions and their impact on the SME start-up and growth rates is based upon the primary data collected in this section of the questionnaire.

Part 2 attempts to assess whether or not the business owner was aware of any interventions, whether they applied to participate or not, and if so were their applications successful. If they were successful in their application, then it is assessed as to whether or not improvements in the business have occurred, and if so to attempt to understand the contributory factors involved in generating the improvements, and where the improvements occurred within the business. Due to the sensitivity of profit related data for most respondents, and in order to increase the number of respondents, the questionnaire attempts to assess growth through an increase in other criteria.

Part 2 Question 13 assesses the reason for starting or buying the business. The intention of this open ended question is to allow the researchers to identify whether or not it was due to any form of government intervention, an entrepreneurial effort on the part of the owner, or whether the business was a family business. A broad range of answers is possible here because it is an open ended question. All answers will be coded and captured accordingly.

Question 14 considers whether the owner has received any form of assistance from government. This is a simple Yes/No answer.

Question 15 in Part 2 checks to see if the owner is aware of government interventions using a simple Yes/No answer. Question 16 is a check, in that it requests the names or descriptions of the intervention of which the respondent is aware. This is to ensure that Question 15 is answered honestly or that the respondent has no misunderstandings.

Part 2 Question 17 is a check question for Question 14 and starts the analysis process if the answer correlates back to Question 14 and both answers are answered in the affirmative.

Questions 18 through 23 looks at cases where the respondents were successful in their applications, and attempts to measure the respondents' perceptions of the impact on the business in a number of areas. These answers attempt to measure the impact/success of the interventions for which the respondent successfully applied.

In Part 2, if Questions 15 and 17 are both answered in the negative, the respondent is forwarded to Question 24. Question 24 has two

parts and requests the respondent to provide ideas on how they would act in the government role to improve the rate of start-ups and the rate of growth for SMEs in South Africa. These are effectively selective interventions that they believe are necessary to improve the start-up and growth rate of SMEs.

Question 25 requests the respondent to provide ideas on how they would act in the government role to improve the overall economic environment in South Africa. These are effectively functional interventions that they believe are necessary to improve the overall economic situation in South Africa.

Finally in Part 2, Questions 26 through 34 measure the impact of functional interventions made by government. Each question reviews the impact on the business of different functional interventions.

While Questions 18 through 23 address the impact of selective interventions, Questions 26 through 34 measure the impact of functional interventions. Ideally this should allow us to measure which of the types of intervention had the largest impact.

5.7 The statistical analysis of the questionnaire data

The initial point of departure in this process is the analysis of the questionnaire. The questionnaire has a pivotal role in the success of the study, and therefore it requires that close attention be paid to the quality of the questionnaire from a number of perspectives. This includes analysing the face validity of the questionnaire and the reliability of the questionnaire to produce consistent results.

The face validity of the questionnaire is tested using relevant experts. The experts are requested to assess the quality of the questionnaire

in the context of the applicability of the questionnaire in achieving the research goals of the study. They will advise whether the expected output from each question will be within the parameters the researcher expects to receive. Their feedback will be used to modify the questionnaire where appropriate and necessary (Zikmund, 2003:302; Baker 2002:105).

However, the questionnaire must also be reliable, or expressed differently, it must supply consistent results (Meadows 2003:563). This reliability would normally be tested by applying the same instrument at different times in order to assess whether or not the same results are achieved on both occasions. As this is not a longitudinal study, the instrument will only be used once. Therefore, the reliability of the instrument needs to be tested with Cronbach's coefficient alpha (Churchill & Iacobucci 2002:416). In order for the instrument to be deemed reliable, an alpha score in excess of 0.7 must be achieved (Pallant 2003:85; Thirkell & Dau 1998:821).

On completion and acceptance of the face validity of the questionnaire, the data collection process can continue.

The purpose of analysing data using statistical techniques is to extract additional information from data, intelligently prepare reports, and to assess the validity of statistical findings. Statistics can be a useful tool in converting masses of data into meaningful information. The idea is to convert common sense into mathematical formulae and principles so that they can be replicated in a similar situation elsewhere (Wegner, 2001:3).

Basic summary statistical analyses will be completed on the primary data, including cross tabulations, means and standard deviations,

where applicable. ANOVA testing will also be completed on relevant variables, if appropriate, to assess what the variances are. This will allow for the review of the primary data in a variety of different methodologies in order to see what data is statistically significant within the primary data.

There are a number of different criteria related to skills, education, knowledge, and a host of other criteria, all of which are known to have some contributory influence, to varying degrees, on the success of entrepreneurs. In order to assess whether a relationship exists, and the nature of that relationship, between the dependent variable and the multiple independent variables, a multiple regression test is executed. Then, in order to assess the strength of the relationship of these many factors on the success of the entrepreneurs, the primary data will be analysed using correlation testing (Wegner 2001:303).

A cross tabulation would also be completed, followed by multiple linear regression and multi-collinearity testing. These tests would be applied to data collected relating to SME success factors, as there are a number of these factors, and multi-collinearity could result in confusion when interpreting the results. Multi-collinearity is a problem associated with not being able to separate the effects of two or more independent variables on the dependent variable and occurs when executing multiple regression testing. If the independent variables are significantly alike or interdependent, it becomes impossible to determine which of the independent variables accounts for variance in the dependent variable. As a rule of thumb, the problem primarily occurs when a number of independent variables are more highly correlated with each other than they are with the dependent variable. The Durbin-Watson test will be executed to ensure that autocorrelation has not occurred within the multiple regression

testing. Finally, a residual analysis of the errors in the multiple regression test will be executed. All these tests are intended to ensure that the results of the multiple regression tests are accurate, dependable and can be used to make predictions (Wisniewski 1997:351).

In the case of this study, hypothesis testing would appear to be another appropriate test to use. Hypotheses, the first step, have been formulated for this research study. A two-sided hypothesis test will be conducted on each hypothesis as the second step in this process. The next step will determine what the area of acceptance is for the hypothesis being tested (Welman, Kruger 2001:215). Care will be taken to avoid Type I and Type II errors in testing. The significance level must be pre-decided in order to calculate the area of acceptance, and, for the purpose of this study, a significance level of 0.05 will be used (Welman, Kruger 2001:215). The Chi Square test will be done to measure the significant differences between observed distribution of data among categories, and the expected distribution of data among categories and the expected distribution based on the null hypothesis (Cooper & Schindler 2001:499). The Chi Square test will assess if the difference between statistically expected and actual scores is caused by chance, or if it is statistically significant (Welman, Kruger 2001:203; Cooper & Schindler 2001:486). Furthermore, the emphasis in Chi Square tests is on establishing whether a random variable follows patterns of outcomes in the population (Wegner, 2001:248).

5.8 Analysis of findings

On completion of the statistical analysis of the primary data, the findings will be analysed in the context of the secondary data

analysed in the literature reviews, and compared to the findings of the secondary research.

Functional and selective interventions implemented by the South African government, will be assessed as to their efficacy, and the need for the intervention, bearing in mind the Theory of the Firm and its impact on the need for and selection of interventions.

Statistical analysis will assist in identifying whether any correlation exists between interventions and the start-up rate of new ventures and the growth rate of existing interventions. The data will also provide a platform for the development of recommendations to the South African government on how best to select pertinent interventions.

5.9 Summary

This research study has a universum that is not perfect, but seldom do researchers find themselves with the perfect universum. While the SARS database may seem to offer a larger universum, it is unlikely that sufficient sorting of the data would be possible to accommodate this research study.

The chosen Chamber of Commerce database has its own limitations, as representivity, based on random selection of the national universum of businesses in South Africa, cannot be claimed. Cognisance will be taken of these limitations when finalising the assessment of the primary data collected.

The research problems will be addressed in this empirical study, and the results are expected to lead to the achievement research aims study and to contribute to the existing body of knowledge.

Chapter 6 Findings

6.1 Introduction

In Chapter 5, the intended research methodology was defined for this study. In this chapter, the primary data collected is analysed and the findings presented. The first section provides graphical and descriptive statistics related to the primary data. Bar graphs and frequency tables have been calculated using SPSS (version 15) and present an overview of the perceptions of respondents on the effect of interventions to stimulate the establishment and growth rates of SMEs. The descriptive statistics include the mean, mode, median and standard deviation where appropriate. These statistics serve to confirm the results of the graphical statistics and frequency tables. The respondents' scores have been analysed in this manner.

The Kolmogorov Smirnov test was applied to test if the data had come from a Normal distribution or not. This test is important as it determines the type of statistical tests that are permitted to analyse the data. For example, parametric tests, such as the independent sample t-tests, can be utilised to check for differences between the mean scores of the males and females with respect to the effect of interventions to stimulate the establishment and growth rates of SMEs, since this group has only two categories. Alternatively ANOVA could be used to test for a difference between the average scores with respect to a group with more than two categories. The non-parametric counterparts of these tests are the Mann Whitney U test and the Kruskal Wallis test. Moreover, if we need to test for significant relationships between variables we can use either the Pearson correlation or the Spearman's rank correlation test, depending obviously on the nature of the data.

In order for the research methodology to have any integrity, there is a need for the data quality to have the characteristics of validity and reliability. The Cronbach's Alpha will be calculated for the questions that have the same scales. A value of 0.7 or higher is deemed to conclude a good internal consistency and reliability amongst the questions.

The hypotheses are tested using the one sample t-test and the chi-square test. Furthermore the results of the hypothesis tests are also confirmed by the descriptive and graphical statistics. The difference between members and non-members of the Chamber of Commerce with respect to the effect of interventions to stimulate the establishment and growth rates of SMEs will be tested using the Mann Whitney U test. The Kruskal Wallis test will be used to test for differences across the demographics of race group and educational qualification with respect to the effect of interventions to stimulate the establishment and growth rates of SMEs.

6.2 Data analysis by question

The study included two groups of respondents, the first group consisting only of members of the Pietermaritzburg Chamber of Commerce. This group is termed the Control Group. The second group consists of members of the Chambers of Commerce from Ladysmith, Pietermaritzburg, Durban and Zululand. This group is termed the Treatment Group. The frequency table, (Table 6.1) below, provides the data with regard to the sample sizes for these two groups.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Control	46	33.8	33.8	33.8
	Treatment	90	66.2	66.2	100.0
	Total	136	100.0	100.0	

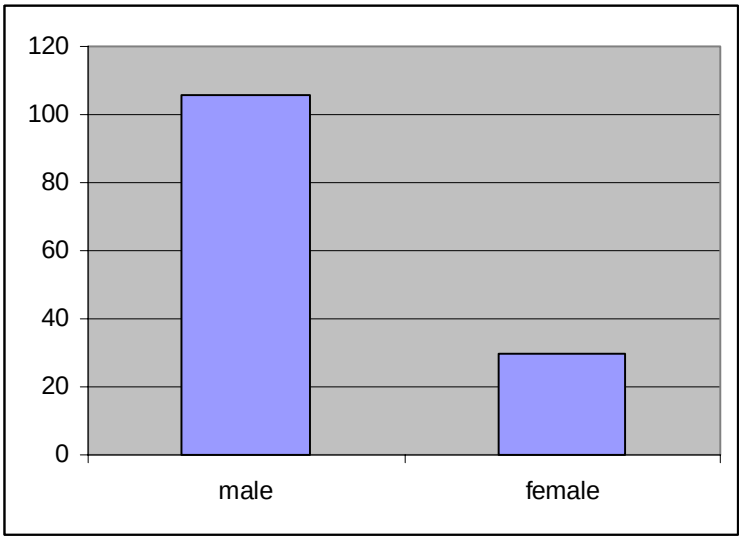
Table 6.1 – Respondent Groups frequency count

6.2.2 Analysis of questions pertaining to the business

In this section, the demographic data pertaining to the business and the owner is interrogated through the questionnaire.

Question 1 – Gender

The gender of respondents was tracked in Question 1 and the responses are shown in graphical format in Graph 6.1 below



Graph 6.1 – Gender of respondents

shown also in the frequency table (Table 6.2) below

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	106	77.9	77.9	77.9
	Female	30	22.1	22.1	100.0
	Total	136	100.0	100.0	

Table 6.2– Gender of Respondents frequency table

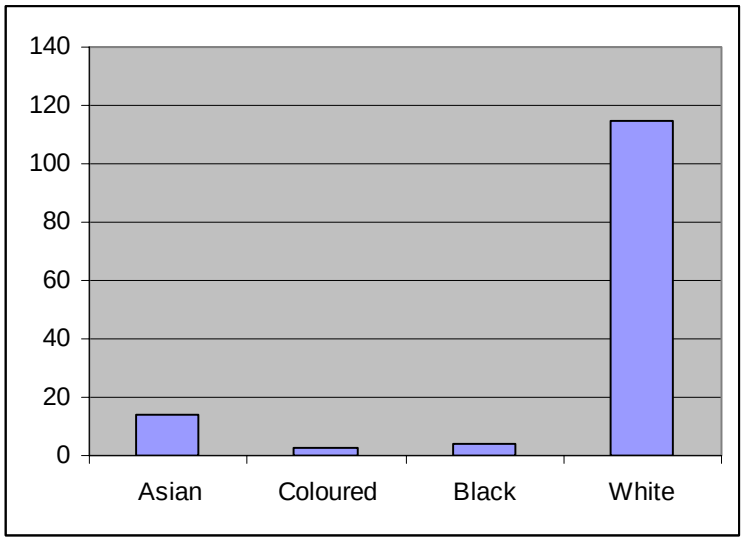
The data indicates that there is a bias towards the male gender among the respondents, with a ratio of 3.53 males for every female respondent. This bias will be considered in the next chapter.

Question 2 – Race group

The race group of the respondents was tracked in this question and the frequency count is shown in Table 6.3 below, and graphically illustrated in Graph 6.2.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Asian	14	10.3	10.3	10.3
	Coloured	3	2.2	2.2	12.5
	Black	4	2.9	2.9	15.4
	White	115	84.6	84.6	100.0
	Total	136	100.0	100.0	

Table 6.3 – Race group of respondents frequency count



Graph 6.2 Race group of respondents frequency count

There is evidence, as indicated in Graph 6.2, that there is a bias towards respondents being white and this bias will be analysed further in the next chapter.

Question 3 - Is the respondent a member of a Chamber of Commerce?

This question analysed respondents with respect to their membership of a Chamber of Commerce. As the source of the database was the

Chambers of Commerce themselves, the expected outcome was that all respondents would be members of a Chamber of Commerce. The frequency table (Table 6.4) below, shows the frequency of respondents who were and were not members of a Chamber of Commerce.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	133	97.8	98.5	98.5
	No	2	1.5	1.5	100.0
	Total	135	99.3	100.0	
Missing	System	1	.7		
Total		136	100.0		

Table 6.4 – Frequency table for membership of a Chamber of Commerce

Two (2) respondents indicated that they were not members of a Chamber of Commerce and one (1) respondent did not answer this question. These two who were not members had obviously resigned as members, as they were on the membership database.

Question 4 – Is the respondent the owner of the business?

Question 4 analyses whether the respondent is the owner of the business, or an employee. The focus of the study is to understand the perceptions of business owners in KwaZulu-Natal and therefore this information is important in this respect.

The frequency table for the responses to this question is displayed below in Table 6.5.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	122	89.7	89.7	89.7
	No	14	10.3	10.3	100.0
Total		136	100.0		

Table 6.5 – Is respondent the owner of the business frequency table

Table 6.5 shows that one hundred and twenty-two (122) of the respondents were the owner of the business, while fourteen (14) were not.

Question 5 – If not the owner were you delegated to complete the questionnaire?

The purpose of this question was an attempt to ensure that the integrity of the data was retained throughout all the respondents, by ensuring that only owners' perspectives were analysed. The data is reflected in the frequency table below, Table 6.6.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	100.0	100.0	100.0
	No	0	0.0	0.0	100.0
Total		14	100.0		

Table 6.6 – Authorised staff as respondents frequency table

The number of respondents who were not owners of the business as answered in Question 4 was fourteen (14). This corresponds with the frequency count in Question 5, where fourteen (14) responses were received as to whether the person completing the questionnaire had been delegated with the task. All fourteen were so authorised.

Question 6 – As the owner, do you agree with the answers submitted?

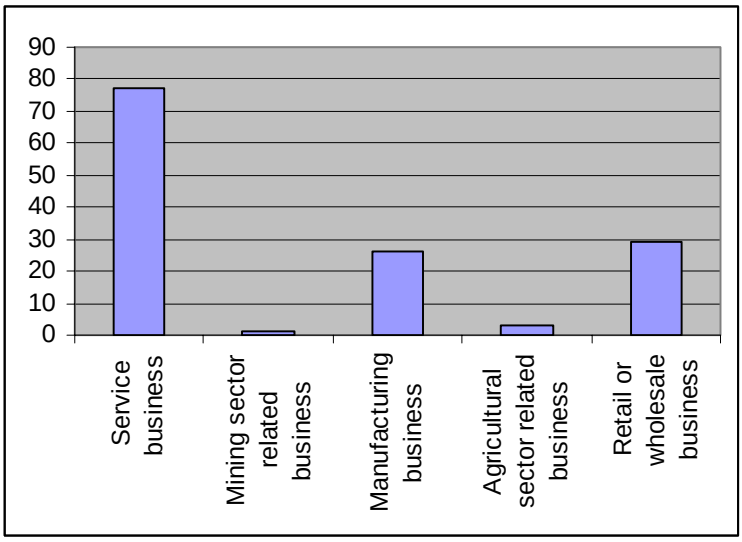
This question determines whether the owner agrees with the responses returned by the staff member delegated to complete the questionnaire. The three (3) questions all act as a check and balance for one another, in order to ensure the validity of the data. The frequency table is shown below in Table 6.7, and indicates that all fourteen (14) did so agree.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	100.0	100.0	100.0
	No	0	0.0	0.0	100.0
Total		14	100.0		

Table 6.7 – Does the owner agree with the employee response table

Question 7 – What sector do you trade in?

This question determines which economic sector the business trades in. The data is presented in a graphical format in Graph 6.3 and in the frequency table shown below in Table 6.8



Graph 6.3 – Industry sector analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Service business	77	56.6	56.6	56.6
	Mining sector related business	1	0.7	0.7	57.4
	Manufacturing business	26	19.1	19.1	76.5
	Agricultural sector related business	3	2.2	2.2	78.7
	Retail or wholesale business	29	21.3	21.3	100.0
	Total	136	100.0	100.0	

Table 6.8 – Industry sector analysis frequency table

There is a bias towards service industry businesses, with a count of seventy-seven (77) respondents in this sector. The retail / wholesale and manufacturing sectors show a similar count at twenty-nine (29)

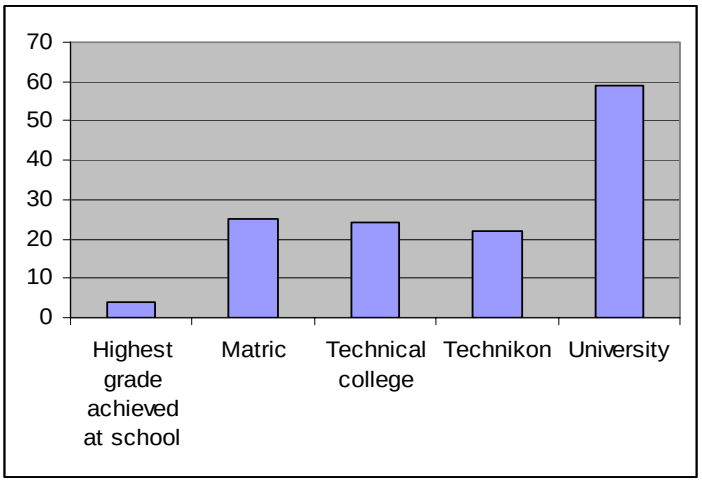
and twenty-six (26) respectively, while mining and agricultural sector businesses show an extremely low count at one (1) and three (3) respectively. These counts will be analysed in detail in the following chapter.

Question 8 – Describe your business in 5 words maximum

This open-ended question was intended primarily as a means to check the answers received in Question 7. The author performed this check manually, and the responses to the two questions were verified against each other. The answers were also summarised in a frequency table, which is presented in Appendix 13.

Questions 9, 10 and 11 – What is your highest educational qualification?

These three questions once again functioned as a cross check for one another, in order to ensure the correct data was recorded for each respondent. Therefore, all three questions have been analysed and the responses have been analysed as one question in Question 9, as detailed above. The responses are analysed in Graph 6.4 and Table 6.9 below.



Graph 6.4 – Highest educational qualification achieved

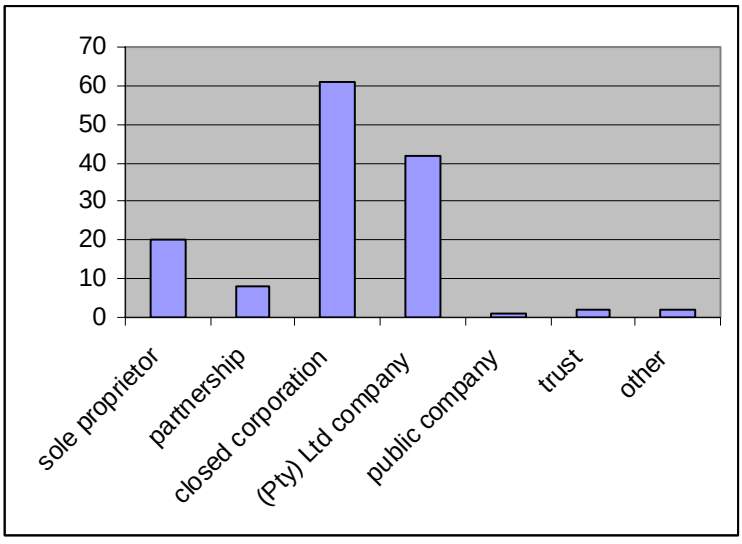
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highest grade achieved at school less than matric	4	2.9	3.0	3.0
	Matric	25	18.4	18.7	21.6
	Technical college	24	17.6	17.9	39.6
	Technikon	22	16.2	16.4	56.0
	University	59	43.4	44.0	100.0
	Total	134	98.5	100.0	
Missing	System	2	1.5		
Total		136	100.0		

Table 6.9 - Highest educational qualification achieved frequency table

There is a bias towards respondents having a university level education with 43.4% of all respondents having a university level education, and this bias will be reviewed in the next chapter.

Question 12 – Legal persona of enterprises

This question was intended to understand which legal persona was used by the respondents for their enterprises. This is of interest, as it can provide indicators as to the size of the enterprise or the risk aversion of the respondent.



Graph 6.5 – Legal persona of enterprises

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole proprietor	20	14.7	14.7	14.7
	Partnership	8	5.9	5.9	20.6
	Closed corporation	61	44.9	44.9	65.4
	(Pty) Ltd company	42	30.9	30.9	96.3
	Public company	1	0.7	0.7	97.1
	Trust	2	1.5	1.5	98.5
	Other	2	1.5	1.5	100.0
	Total	136	100.0	100.0	

Table 6.10 - Legal persona of enterprises frequency count

There is a bias towards Closed Corporations, with a count of sixty-one (61) and (Pty) Ltd Companies with a count of forty-two (42). The findings on this question will be reviewed in depth in the following chapter, in an effort to explain the bias.

Question 13 - Why did you decide to start or buy this business?

This question was intended to highlight the reasons for the businesses being purchased or established. The intention was to assess the cause or motivation for the purchase or establishment process, and to see if there was any link to selective government interventions intended to create new businesses.

The question allowed for open-ended responses from the respondents and the author in turn coded all the responses, in an attempt to either link the responses to a selective intervention, and / or critical success factors for SMEs, and / or to Burch's entrepreneurship scale (Burch 1986:31).

'Entrepreneur' was selected for those respondents who suggested that they wanted the independence of entrepreneurship, a more relaxed lifestyle and other similar low-level entrepreneurial responses.

A number of the respondents declared that they had seen an opportunity, and this is identified in the literature review as being a critical success factor for SMEs (Scarborough and Zimmerer 2000:4; Nieman, Hough and Nieuwenhuizen, 2003:20; Scarborough and Zimmerer 2000:76).

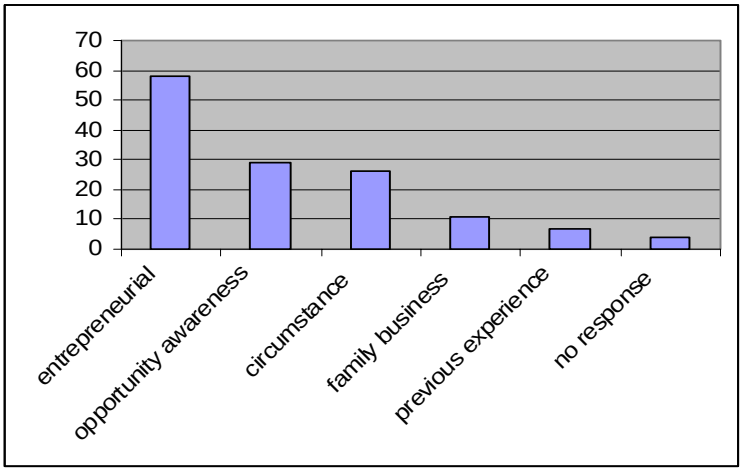
The term ‘Circumstances’ was applied to those respondents who claimed they had to open their own business because they had consumed their financial resources, had been retrenched or had suffered similar occurrences which essentially forced them into the role of entrepreneurship, and it was not a choice but rather a last resort.

‘Family business’ was utilised for those respondents who, in most cases, simply stated family business as their response. A small number did respond that the business was similar to a family business they had been a part of, or with certain professionals like attorneys, they claimed that it was a family tradition to follow a career path within law.

‘Previous experience’ was allocated to those respondents who stated that they had previous experience or who claimed they had suitable qualifications.

The graph indicates the bias towards three (3) main reasons for starting or buying a business. ‘Entrepreneurial drive’ is the most dominant reason, with a count of fifty-eight (58), while ‘Opportunity awareness’ has a count of twenty-nine (29) and ‘Circumstances’ twenty-six (26), but these findings will be reviewed in detail in the next chapter.

The data is shown graphically in Graph 6.6 below and a frequency count table is shown in Table 6.11 below.



Graph 6.6 – Reason for buying or starting the business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Entrepreneurial	58	42.6	43.0	43.0
	Opportunity awareness	29	21.3	21.5	64.4
	Circumstance	26	19.1	19.3	83.7
	Family business	11	8.1	8.1	91.9
	Previous experience	7	5.1	5.2	97.0
	No response	4	2.9	3.0	100.0
	Total	135	99.3	100.0	
Missing	System	1	0.7		
Total		136	100.0		

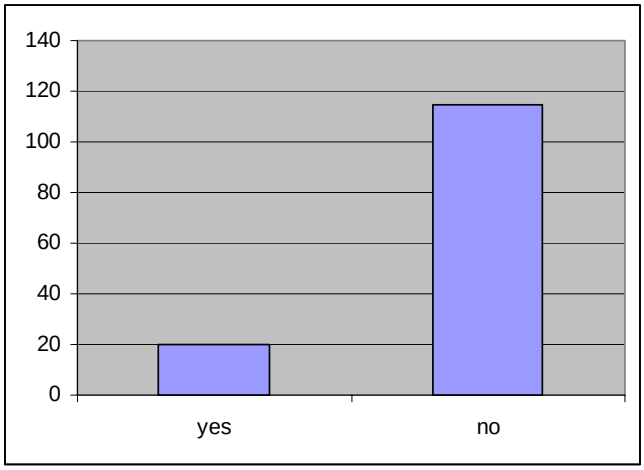
Table 6.11 Reason for buying or starting the business

6.2.3 Analysis of questions pertaining to entrepreneurial perceptions of government interventions and experience with government interventions

In this section, the data related to entrepreneurial access to selective and functional interventions offered by government, is analysed.

Question 14 - Has your business received any assistance from government ?

This question is used in conjunction with Questions 17 and 18 as check questions for each other to ensure accuracy of data supplied by the respondents. Question 14 is used in order to assess how many of the respondents have actually received assistance from government. The data is graphically displayed in Graph 6.7 below.



Graph 6.7 – Recipients of government assistance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	20	14.7	14.8	14.8
	No	115	84.6	85.2	100.0
	Total	135	99.3	100.0	
Missing	System	1	0.7		
Total		136	100.0		

Table 6.12 Recipients of government assistance frequency table

Table 6.12 above shows the frequency count for the responses received and shows a bias towards 'No', with 84.6% claiming that they were not aware of government interventions, with only 20 out of 136 respondents having responded in the positive. This equates to a positive experience for only 14.7% of respondents.

The impact of these findings will be discussed in the next chapter.

Question 15 - Are you aware of any interventions by government to assist SMEs?

Question 15 assesses whether or not respondents were aware of government interventions. This is an attempt to assess the success of government's communication and marketing efforts to create an awareness of their intervention programmes.

The respondents showed a slight bias towards No, with 50.7% claiming they were not aware of government interventions as indicated in Table 6.13, but the implications of these findings are discussed further in the following chapter.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	67	49.3	49.3	49.3
	No	69	50.7	50.7	100.0
	Total	136	100.0	100.0	

Table 6.13 - Awareness frequency table

Question 16 – List the interventions you are aware of

Question 16 assesses whether or not respondents were actually aware of government interventions, as they may have claimed, by forcing them to list the ones they claim to know. The frequency table, Table 6.14 shown below, tabulates the responses to this question. Few knew the exact names of the interventions and the author had to fit descriptions into the known definitions of interventions. Some of the interventions listed by the respondents indicate knowledge of the relevant institution, but not the intervention, but the frequency table will be further analysed in the next chapter.

Description	Count Control Group	Count Treatment Group	% Control group	% Treatment group
DTI EMIA	8	6	15.1	13.0
Tourism Enterprise Programme (TEP)	1	1	1.9	2.2
TIK Overseas exhibition fund	1		1.9	
TIK inbound trade mission	1		1.9	
SMEDP	5	7	9.4	15.2
IDC Innovation Support	1	1	1.9	2.2
DTI Trade Missions	1		1.9	
SETA skills training	3	9	5.7	19.6
Decentralised Incentives	1		1.9	
Business plan funding	1		1.9	
DTI SP11 Regional and African Industrial and Trade Framework	1		1.9	
DTI Regional Industrial Development Fund	1		1.9	
SETA Learnerships	1	2	1.9	4.3
Umsobomvu Business Plan Voucher Programme	1		1.9	
Funding for SMEs	1		1.9	
SEDA	4	4	7.5	8.7
SARS SME Tax Allowances	3	1	5.7	2.2
IDC	3		5.7	
DTI	3	6	5.7	13.0
Khula Loans	4		7.5	
BBBEE scorecards	2		3.8	
Provincial Growth Fund	1		1.9	
Apex Fund	1		1.9	
Ithala Bank	1		1.9	
TIK project finance and business support	1		1.9	
Gijima EU / SA Fund	1		1.9	
USA Trade Development Agency (TDA)	1		1.9	
Youth Finance		1		2.2
KZNMAC and NPI Productivity Improvement		3		6.5
Umsobomvu		2		4.3
Umsobomvu Youth Fund		2		4.3
Municipal Lions Den Competition		1		2.2
Total	53	46	100	100

Table 6.14 – Known interventions frequency table

The modal responses for the Control Group are the EMIA and the SMEDP interventions. The EMIA programme is geared to helping businesses with export marketing while the SMEDP programme assists with the purchase of capital equipment.

The modal responses for the Treatment Group are the SETA skills training and the SMEDP programme. The SETA skills training is offered by the various industry sector education authorities.

The forty-six (46) respondents within the Control Group generated fifty-three (53) responses while ninety (90) respondents from the Treatment group generated forty-six (46) responses. This shows a bias towards the Control Group generating more responses than the Treatment Group, which indicates a higher awareness level regarding government interventions among the Control Group than among the Treatment Group. This bias will be reviewed in the following chapter.

The fifty-three (53) responses for the Control Group can be reduced by ten (10) responses, where the responses referred to an organisation rather than an intervention, and the forty-six (46) responses of the Treatment Group can be reduced by twelve (12) responses. This would leave the Control Group with forty-three (43) valid responses and the Treatment Group with thirty-four (34) valid responses. The responses to Question 16 will be further analysed in the next chapter.

Question 17 – Did you apply for any of these interventions you listed in Question 16?

Question 17 analyses the number of respondents who applied for interventions through government. This question was checked against the answers to Questions 15 and 16 to ensure that the applicants had previously indicated their knowledge of the existence of various government interventions.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	29	21.3	26.9	26.9
	No	79	58.1	73.1	100.0
	Total	108	79.4	100.0	
Missing	System	28	20.6		
Total		136	100.0		

Table 6.15 – Applicants for the interventions frequency table

The frequency table 6.15 indicates that 29 respondents applied for a government intervention, and the implications of these findings will be considered in depth in the next chapter.

Question 18 –If you applied, were you successful?

Question 18 analyses the number of respondents who applied for interventions and were successful in their application.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	20	14.7	43.5	43.5
	No	26	19.1	56.5	100.0
	Total	46	33.8	100.0	
Missing	System	90	66.2		
Total		136	100.0		

Table 6.16 – Success rate frequency count

The frequency count for successful applicants is 20, which compares to the number who claimed they had received assistance from government. The implications of these findings are to be assessed in the next chapter.

Question 19 – If not successful, what were the reasons for non-approval?

Question 19 analyses the number of respondents who applied for interventions that were not successful in their application. The frequency table indicates the responses received from the

respondents. It was not definitively defined in the responses whether these were their own, or the official responses, and the tone of the responses would tend to indicate both are applicable. The responses received cannot be definitively differentiated as being either the respondents' responses, or the official response from government. Consequently the findings for this question must be interpreted with care.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Did not qualify	2	18.2	18.2	18.2
	White person	2	18.2	18.2	36.4
	Government inefficiency	4	36.4	36.4	72.7
	No response	3	27.3	27.3	100.0
	Total	11	100.0	100.0	

Table 6.17 – Reasons for non-approval frequency count

It must be further noted that not all respondents who were unsuccessful replied to this question.

Question 20 – If successful, what was the reason for approval?

None of the respondents replied to this question.

Question 21 – If unsuccessful, what was the reason for non-approval?

This question, like Question 19, does not clarify whether the responses are the respondents or the governments, and it is not clear from the replies. It would appear that the responses are similar to Question 19, a mixture of both. Certain respondents stated that they were advised that "they were not the main target group, in other words we are white". The responses will be considered in more depth in the next chapter.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not innovation friendly	2	18.2	20.0	20.0
	White person	2	18.2	20.0	40.0
	Non response	6	54.5	60.0	100.0
	Total	10	90.9	100.0	
Missing	System	1	9.1		
Total		11	100.0		

Table 6.18 – Reasons for non-approval frequency table

Question 22 – If successful, provide details of assistance

This question focuses on the assistance received by the respondents who were successful. The responses will be considered in more depth in the next chapter.

The data is presented separately for the Treatment and the Control Groups as shown below in Tables 6.19 and 6.20 respectively.

Treatment Group

Treatment group	No impact	Very little impact	Some impact	Moderate impact	High impact	Very high impact	Exceptional impact
ISO 9000 accreditation						2	
Export marketing	1			1	1		
EMIA		1					
SETA training business plans				1			
Marketing				1			
IDC Loans					1		
ILO productivity				1			
SETA funds for staff training				1			

Table 6.19 – Treatment Group intervention impact strength assessment

Control Group

Control group	No impact	Very little impact	Some impact	Moderate impact	High impact	Very high impact	Exceptional impact
Export market research				1		1	
EMIA		1	1		1	1	
Marketing materials financial assistance	1				1		
Export marketing						1	
SMEDP					1		
Innovation support – IDC					1		
Government sponsored trade missions			1				
SETA funds for staff training		1	1	1			
Decentralisation incentives						1	
Marketing strategy funded				1			
DTI Regional Industrial Development Fund					1		
Umsobomvu Funding						1	

Table 6.20 –Control Group intervention impact strength assessment

The data in the two tables above reinforces the responses from Question 16 where the Control Group indicated a broader knowledge of available interventions, and this is reflected here with the Treatment Group having eight (8) different interventions they participated in, and the Control Group having twelve (12) different interventions they participated in. Certain respondents have participated in multiple interventions.

Neither group found Exceptional Impact (level 7 on scale) on their business, but the Control Group appears to have experienced a greater impact on their businesses than the Treatment Group.

Question 23 – Impact detail assessment

This question focuses on the assistance received by the respondents who were successful. The responses will be considered in more depth in the next chapter. Respondents were required to indicate the impact on their business in the context of staff numbers, turnover, gross profit and nett profit. P=positive and N=negative. However, a number of respondents replied 'None', and although it was not one of the selection criteria, these responses have been included. For the purpose of the tables below, Po= Positive, No=None and Ne=Negative and refers to the impact of the intervention.

Treatment Group

Treatment group	Number of staff	Turnover	Gross profit	Nett profit
ISO 9000 accreditation	Po = 1 No = 1	Po = 2	Po = 2	Po = 2
Export marketing	Po = 2 No = 1	Po = 2 No = 1	Po = 2 No = 1	Po = 2 No = 1
EMIA	No = 1	No = 1	No = 1	No = 1
SETA training business plans	Po = 1	Po = 1	Po = 1	Po = 1
Marketing	No = 1	Po = 1	Po = 1	Po = 1
IDC Loans	Po = 1	Po = 1	Po = 1	Po = 1
ILO productivity	Po = 1	Po = 1	Po = 1	Po = 1
SETA funds for staff training	No = 1	No = 1	No = 1	No = 1

Table 6.21 – Treatment Group impact assessment frequency table

The Treatment Group saw either 'No Impact' or 'Positive Impact' on their businesses as a consequence of these interventions, but none had a 'Negative Impact' on their business.

Eight (8) respondents claimed that the interventions had a 'Positive Impact' on Turnover, Gross Profit and Nett Profit in the business, while only three (3) respondents claimed there had been 'No Impact' on these factors in the business.

Control Group

Control group	Number of staff	Turnover	Gross profit	Nett profit
Export market research	No = 1	Po = 1	Po = 1	Po = 1
EMIA	Po = 1 No = 2 Ne = 2	Po = 3 No = 1 Ne = 1	Po = 2 No = 2 Ne = 1	Po = 2 No = 2 Ne = 1
Marketing materials financial assistance	No response	No response	No response	No response
Export marketing	No = 1	Po = 1	Po = 1	Po = 1
SMEDP	Ne = 1	Po = 1	Po = 1	Po = 1
Innovation support - IDC	No = 1	Po = 1	Po = 1	No = 1
Government sponsored trade missions	Ne = 1	No = 1	No = 1	No = 1
SETA funds for staff training	Po = 1 No = 2	Po = 1 No = 2	Po = 1 No = 2	Po = 1 No = 2
Decentralisation incentives	Po = 1	Po = 1	Po = 1	Po = 1
Marketing strategy funded	Po = 1	Po = 1	Po = 1	Po = 1
DTI Regional Industrial Development Fund	Po = 1	Po = 1	Po = 1	Po = 1
Umsobomvu Funding	No = 1	Po = 1	Po = 1	Po = 1

Table 6.22 – Control Group impact assessment frequency table

The Control Group saw either 'No Impact' or 'Positive Impact' on their businesses as a consequence of these interventions, but none had a 'Negative Impact' on their business.

Ten (10) respondents claim Nett Profit saw a ‘Positive Impact’ from the intervention, six (6) claimed there was ‘No Impact’ on Nett Profit, while only one (1) respondent claimed there had been a ‘Negative Impact’. One (1) respondent gave no response.

The Control Group saw either ‘No Impact’ or ‘Positive Impact’ on their businesses as a consequence of these interventions, but none had a ‘Negative Impact’ on their business.

Eleven (11) respondents claim Gross Profit saw a ‘Positive Impact’ from the intervention, five (5) claimed there was ‘No Impact’ on Gross Profit, while only one (1) respondent claimed there had been a ‘Negative Impact’. One (1) respondent gave no response.

Twelve (12) respondents claim Turnover saw a ‘Positive Impact’ from the intervention, four (4) claimed there was ‘No Impact’ on Turnover, while only one (1) respondent claimed there had been a ‘Negative Impact’. One (1) respondent gave no response.

Five (5) respondents claim Staff numbers saw a ‘Positive Impact’ from the intervention, eight (8) claimed there was ‘No Impact’ on Turnover, while four (4) respondents claimed there had been a ‘Negative Impact’. One (1) respondent gave no response. This question is unfortunately ambivalent in respect of staff numbers, as it is not clear whether the respondents consider an increase or a decrease in numbers to be a positive development. Therefore, the responses to this part of the question should be ignored.

Generally, the bias for both groups is towards a ‘Positive Impact’ on Turnover, Gross Profit and Nett Profit from implementing these interventions.

Questions 24a, 24b and 25 were intended to see if the respondents had useful suggestions, which could be applied as interventions by government. Question 24a sought suggestions for selective interventions to grow businesses, Question 24b sought suggestions for selective interventions to improve the rate at which start-ups were created, and Question 25 sought suggestions for functional interventions that would benefit businesses in general. It is clear from the responses that the respondents did not always apply their mind to whether the interventions were a selective or a functional intervention. The responses were not aggregated into a single table, but if this were to be done, there would be a number of interventions found in all three responses.

Question 24a - List the interventions you believe would help SMEs to grow

This question was intended to solicit the respondents' ideas on how the government could help SMEs to grow. The idea was to solicit their ideas on selective interventions. However, there were thirty-two (32) selective interventions and twenty-one (21) functional interventions suggested by the Treatment and Control Groups.

Invalid responses were recorded when suggestions were abbreviated or recorded in such a way as to be unable to be coded.

The Control Group had twenty-four (24) respondents who generated thirty-seven (37) ideas, while the Treatment Group had sixty (60) respondents who generated one hundred and seventeen (117) ideas.

The modal response for the Control Group was 'Structured Finance' and modal responses for the Treatment groups were 'Reduce

Regulatory Requirements' and 'Remove BBBEE'. The responses are shown in Table 6.23 below.

		Count Control Group	Count Treatment Group	% Control Group	% Treatment Group	Selective or Functional Intervention
1	Invalid response	4	6	10.8	5.1	
2	Tax holidays on new investments	2	1	5.4	0.9	S
3	Lower tax rates for human resource intensive businesses	2	2	5.4	1.7	S
4	Logistic subsidy for exporters	1		2.7		S
5	Structured finance	5	2	13.5	1.7	S
6	Government must pay SMEs faster	2	5	5.4	4.3	S
7	Stop racism	2	2	5.4	1.7	F
8	Stop political corruption	1		2.7		F
9	Provision of competent mentorship	1	3	2.7	2.6	S
10	Incentives for capital investment in businesses	1	2	2.7	1.7	S
11	Reduce regulatory requirements	1	10	2.7	8.5	F
12	Provide access to skills development	1	3	2.7	2.6	F
13	Simplify and streamline access to government grants	1	1	2.7	0.9	F
14	Convert preferential procurement from BBBEE to SME	4	1	10.8	0.9	S
15	Subsidise registrations of international patents	1		2.7		S
16	Subsidise testing for international certifications	1		2.7		S
17	Subsidise purchase of capital equipment	1		2.7		S
18	Loans with preferential interest rates and terms	1	8	2.7	6.8	S
19	Provide access to market research or market research funding	1		2.7		S
20	Regulate and/or incentivise large contractors to spend certain percentage with SME sub contractors	1	1	2.7	0.9	S
21	Business skills training at school level	1		2.7		F
22	Select only suitably qualified businesses for assistance	1	1	2.7	0.9	
23	Provide marketing assistance		5		4.3	S
24	Apply VAT on payment basis		4		3.4	S
25	Lower tax rates	1	9	2.7	7.7	S
26	Provide suitable accommodation for informal traders		1		0.9	S
27	Assist in accessing international markets in developed countries		1		0.9	S
28	Reduce rigidity of labour legislation		7		6.0	F
29	Funding for innovation		1		0.9	S
30	Funding for BBBEE transactions		1		0.9	S
31	Increase efficiency of purchasing systems		1		0.9	F
32	Improve or remove incompetent government employees		5		4.3	F
33	Remove Bargaining Councils		1		0.9	F

34	Remove age restrictions on training programmes and programmes within government		1		0.9	F
35	Remove BEE and affirmative action		10		8.5	F
36	Assist with the development of import replacement product development		1		0.9	S
37	Incentives/rebates for transport in businesses		1		0.9	S
38	Reduce import tariffs on raw materials for manufacturers		1		0.9	S
39	Improve basic school education to improve literacy and numeracy levels		1		0.9	F
40	Assistance in international market development		1		0.9	S
41	National database of exporters and products and services		1		0.9	S
42	Promote TradePoint more		1		0.9	F
43	Apply regulations and legislation fairly across all sizes of business to prevent informal or unregistered businesses gaining unfair advantage		1		0.9	F
44	Improve government department communication to the public		1		0.9	F
45	Increase import tariffs		1		0.9	S
46	Allow programmes to run for longer periods if they are successful		1		0.9	S
47	Promote SME businesses		1		0.9	S
48	Implement BBBEE scorecards fairly as legislated		1		0.9	F
49	Tax incentives on purchasing own premises		1		0.9	S
50	Provide business management skills training to business owners		3		2.6	S
51	Give government business to SMEs		1		0.9	S
52	Improve government internal departmental communication		1		0.9	F
53	Provide infrastructure		1		0.9	F
54	Reinstate apprenticeship schemes and remove learnerships		1		0.9	F
55	Stop waste on bodyguards		1		0.9	F
	Total	37	117	100	100.0	
99	No response	22	30			

Table 6.23 –Intervention ideas for SME growth

Question 24b - List the interventions you believe would help SMEs to grow

This question was intended to solicit the respondents' ideas on how the government could help increase the number of new SMEs. The idea was to solicit their ideas on selective interventions. However there were sixteen (16) selective interventions and twenty four (24) functional interventions suggested by the Treatment and Control Groups.

Invalid responses were recorded when suggestions were abbreviated or recorded in such a way as to be unable to be coded.

		Count Control Group	Count Treatment Group	% Control	% Treatment	Selective or Functional Intervention
1	Invalid response	2	3	7.7	4.2	
2	Reduce regulatory requirements	2	6	7.7	8.3	F
3	Promote innovation	1		3.8		F
4	Provide structured finance to SMEs	3	3	11.5	4.2	S
5	Provision of competent mentorship	2	4	7.7	5.6	S
6	Government must pay SMEs sooner	1		3.8		S
7	Tax holiday for new businesses	1	2	3.8	2.8	S
8	Improve access to information on starting and running a business	1		3.8		S
9	Business skills training at school level	2	1	7.7	1.4	F
10	Improve competency levels at FET Colleges	1		3.8		F
11	Improve quality of NVC Learnerships	1	1	3.8	1.4	S
12	Simplify and streamline access to government grants	1		3.8		F
13	Lower tax rates for human resource intensive businesses	1		3.8		F
14	Provide marketing skills training to business owners		1		1.4	S
15	Provide business skills training to business owners		4		5.6	S
16	Provide business planning skills training to business owners		1		1.4	S
17	Provide government grants to start up businesses	1		3.8		S
18	Loans with preferential interest rates and terms	3	8	11.5	11.1	S
19	Convert preferential procurement from BBBEE to SME	2	1	7.7	1.4	S
20	Lower tax rates		6		8.3	F
21	Reduce tax on SME retained income	1		3.8		S
22	Improve or remove incompetent government employees		1		1.4	F
23	Incentives for training staff		2		2.8	F
24	Improve quality of school education		3		4.2	F

25	Remove BEE and affirmative action		3		4.2	F
26	Reduce rigidity of labour legislation		4		5.6	F
27	Improve life skills training at school level		1		1.4	F
28	Provision of business support centres		1		1.4	S
29	Tax incentives for new businesses		1		1.4	S
30	Reinstate apprenticeship schemes and remove learnerships		1		1.4	F
31	Remove racial barriers to accessing finance as they all create jobs		1		1.4	F
32	Create networking opportunities		2		2.8	F
33	Improve access to information from DTI		1		1.4	F
34	Provide financial and administration skills training to business owners		1		1.4	S
35	Stop waste in government spending		1		1.4	F
36	Stamp out corruption in government		3		4.2	F
37	Select only suitably qualified businesses for assistance		1		1.4	F
38	Remove racism in respect of government support to business		1		1.4	F
39	Provide infrastructure		1		1.4	F
40	Select only suitably qualified businesses for grants		1		1.4	F
41	Stop political corruption		1		1.4	F
	Total	26	72	100	100	
99	No response	28	44			

Table 6.24 –Intervention ideas for SME start-up

The Control Group had eighteen (18) respondents who generated twenty-six (26) ideas while the Treatment Group had forty-six (46) respondents who generated seventy-two (72) ideas.

The modal responses for the Control Group were ‘Structured Finance’ and ‘Loans with Preferential Rates and Terms’ and for the Treatment Group ‘Loans with Preferential Rates and Terms’. The responses are shown in Table 6.24 above.

Question 25 - What could government do to improve the overall business environment?

This question was intended to solicit the respondents' ideas on how the government could help improve the overall business environment. The idea was to solicit their ideas on functional interventions. There were seven (7) selective interventions and forty-five (45) functional interventions suggested by the Treatment and Control Groups.

Invalid responses were recorded when suggestions were abbreviated or recorded in such a way as to be unable to be coded.

The Control Group had thirty-two (32) respondents who generated fifty-eight (58) ideas while the Treatment Group had sixty-three (63) respondents who generated one hundred and nine (109) ideas.

The modal responses for both the Control and Treatment Groups, was 'Reduce Rigidity of Labour Legislation'.

The data is shown in Table 6.25 below.

		Count Control Group	Count Treatment Group	% Control	% Treatment	Selective or Functional Intervention
1	Invalid response	2	3	3.4	2.8	
2	Reduce regulatory requirements	6	7	10.3	6.4	F
3	Increase use of e-government	1	1	1.7	0.9	F
4	Improve or remove incompetent government employees	7	9	12.1	8.3	F
5	Reduce rigidity of labour legislation	8	13	13.8	11.9	F
6	Review National Credit Act in context of the impact on businesses accessing finance				0.0	F
7	Remove racism in respect of government support to business	1	1	1.7	0.9	F
8	Reduce interest rates	4	1	6.9	0.9	F
9	Access to training and skills development	1	1	1.7	0.9	F
10	Sort out shortage of electricity	3		5.2	0.0	F
11	Reduce crime	4	10	6.9	9.2	F
12	Reduce fuel price	1	1	1.7	0.9	F

13	Remove BEE and affirmative action	6	11	10.3	10.1	F
14	Incentives for skills development	1		1.7		F
15	Maintain infrastructure	1		1.7		F
16	Force procurement from SMEs	1		1.7		F
17	Fix tendering system in respect of charges for tender documents and orders never issued	1		1.7		F
18	Reinstate apprenticeship schemes and remove learnerships	1		1.7		F
19	Provide tax incentives for technical skills bursaries	2		3.4		F
20	Improve quality of school education	1	1	1.7	0.9	F
21	Lower tax rates	2	5	3.4	4.6	F
22	Stamp out corruption in government	1	5	1.7	4.6	F
23	Business skills training at school level		1		0.9	F
24	Improve access to information from DTI		3		2.8	F
25	Make legislation suitable to developing countries		1		0.9	F
26	Provide suitable accommodation for informal traders		1		0.9	F
27	Control excessive rates and taxes by local government		1		0.9	F
28	Improve policies and political climate to encourage FDI		3		2.8	F
29	Stabilise interest and inflation rates		4		3.7	F
30	Government to pay creditors quicker	1	1	1.7	0.9	F
31	Remove supplier databases as they are irrelevant		1		0.9	F
32	Lower tax rates for human resource intensive businesses		2		1.8	F
33	Lower VAT rate		1		0.9	F
34	Regulate and/or incentivise large contractors to spend certain percentage with SME sub contractors		1		0.9	F
35	Big business to mentor small business		1		0.9	F
36	Reduce import tariffs		1		0.9	F
37	Tax incentives for rural based businesses		1		0.9	F
38	Incentives/rebates for transport in businesses		1		0.9	F
39	Provision of competent mentorship		1		0.9	S
40	Create networking opportunities		1		0.9	F
41	Create opportunities to access SADEC markets		1		0.9	F
42	Provide more assistance to the agricultural sector		1		0.9	S
43	Stop racism		2		1.8	F
44	Improve employers' rights		1		0.9	S

45	No interventions are required		1		0.9	
46	Build more infrastructure to create jobs		1		0.9	F
47	Provide political stability		1		0.9	F
48	Create a macro economic plan		1		0.9	F
49	Provide workshops for young entrepreneurs		1		0.9	S
50	Loans with preferential interest rates and terms		1		0.9	S
51	Make legal remedies affordable by SMEs		1		0.9	S
52	Select only suitably qualified businesses for assistance		1		0.9	S
53	Improve government communication with private sector		1		0.9	F
54	Streamline business registration process	2		3.4		F
	Total	58	109	100	100	
99	No response	14	27			

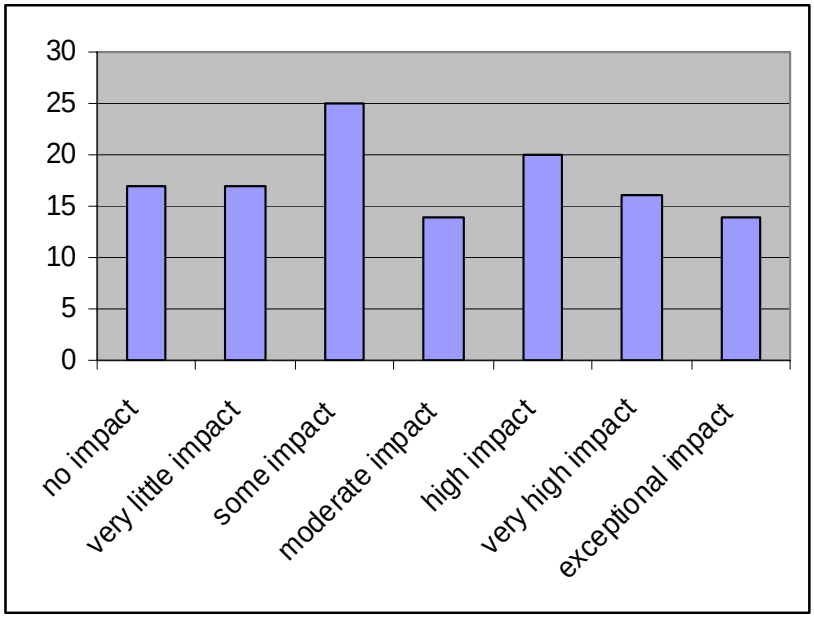
Table 6.25 –Intervention ideas for improving the general business environment

Questions 26 - 34 – assessment of various functional interventions

These questions assess the impact of various functional government interventions on the respondents and their businesses.

Question 26 - Lower interest rates

The responses to this question may vary depending on how geared the business is at the time. Recent increases in the interest rate over the past year would also have influenced the response, based upon when the respondent replied to the questionnaire. The modal response is ‘Some Impact’. The data is displayed in Graph 6.8 and Table 6.26 below.



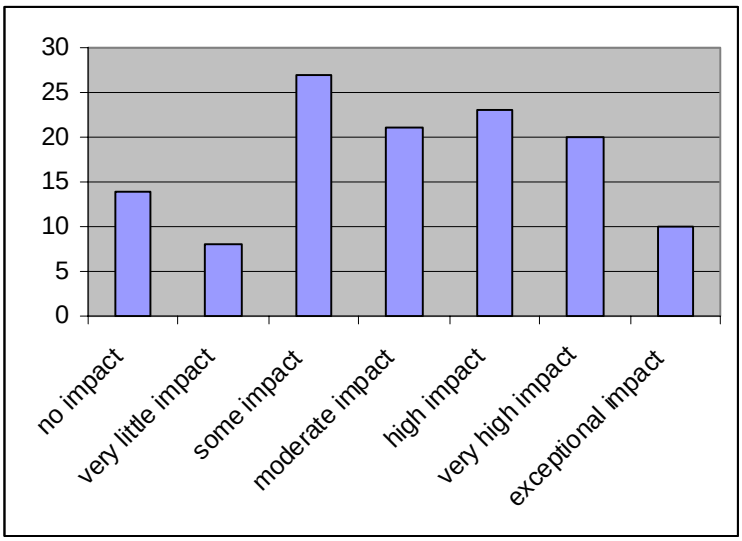
Graph 6.8 – Impact of lower interest rates on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	17	12.5	13.8	13.8
	Very little impact	17	12.5	13.8	27.6
	Some impact	25	18.4	20.3	48.0
	Moderate impact	14	10.3	11.4	59.3
	High impact	20	14.7	16.3	75.6
	Very high impact	16	11.8	13.0	88.6
	Exceptional impact	14	10.3	11.4	100.0
	Total	123	90.4	100.0	
Missing	System	13	9.6		
Total		136	100.0		

Table 6.26 - Impact of lower interest rates on respondents' businesses

Question 27 - Lower inflation rates

The responses to this question may vary due to the fact that there have been recent increases in the inflation rate over the past year driven predominantly by rising oil and commodity prices. This would have influenced the response, based upon when the respondent replied to the questionnaire. The modal response is 'Some Impact'. The data is displayed in Graph 6.9 and Table 6.27 below.



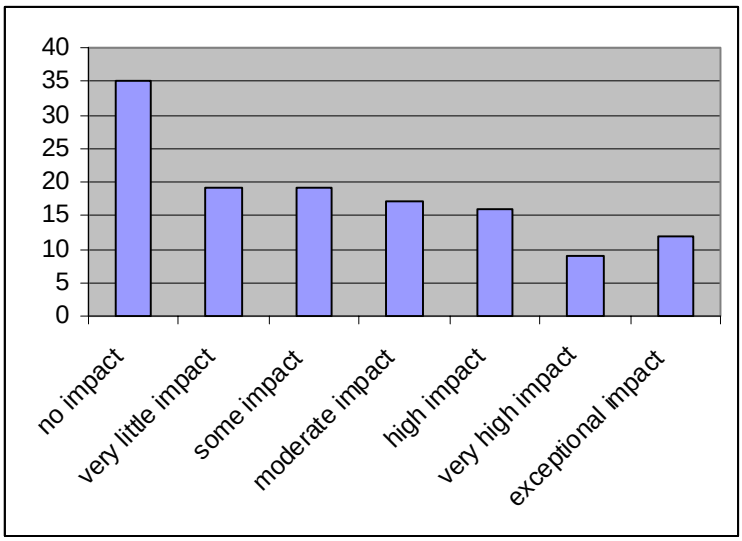
Graph 6.9 – Impact of lower inflation rates on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	14	10.3	11.4	11.4
	Very little impact	8	5.9	6.5	17.9
	Some impact	27	19.9	22.0	39.8
	Moderate impact	21	15.4	17.1	56.9
	High impact	23	16.9	18.7	75.6
	Very high impact	20	14.7	16.3	91.9
	Exceptional impact	10	7.4	8.1	100.0
	Total	123	90.4	100.0	
Missing	System	13	9.6		
Total		136	100.0		

Table 6.27 - Impact of lower inflation rates on respondents' businesses

Question 28 – Basic Conditions of Employment Act

The modal response for this question is 'No Impact'. The data is displayed in Graph 6.10 and Table 6.28 below. The responses will differ from business to business. The larger the staff complement the more likely the Act is to impact on the business.



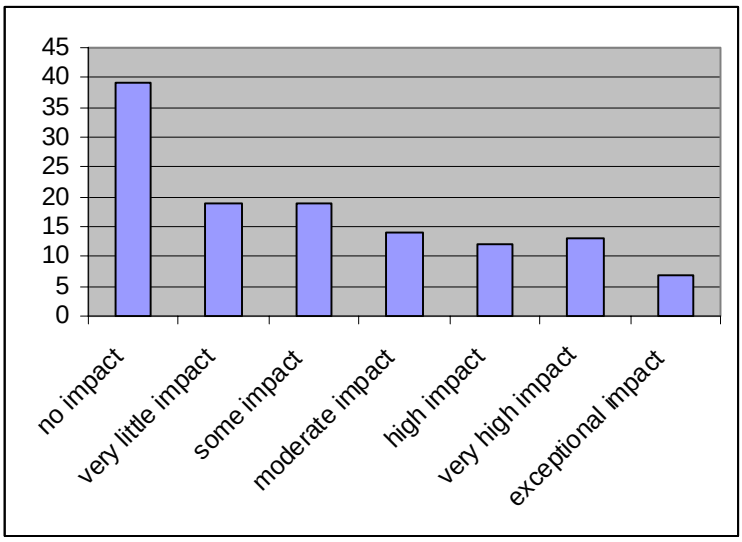
Graph 6.10 – Impact of the Basic Conditions of Employment Act on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	35	25.7	27.6	27.6
	Very little impact	19	14.0	15.0	42.5
	Some impact	19	14.0	15.0	57.5
	Moderate impact	17	12.5	13.4	70.9
	High impact	16	11.8	12.6	83.5
	Very high impact	9	6.6	7.1	90.6
	Exceptional impact	12	8.8	9.4	100.0
	Total	127	93.4	100.0	
Missing	System	9	6.6		
Total		136	100.0		

Table 6.28 – Impact of the Basic Conditions of Employment Act on respondents' businesses

Question 29 – Employment Equity Act

The modal response for this question is 'No Impact'. The data is displayed in Graph 6.11 and Table 6.29 below. The responses will differ from business to business. The Act is only impacting on larger businesses over a certain size.



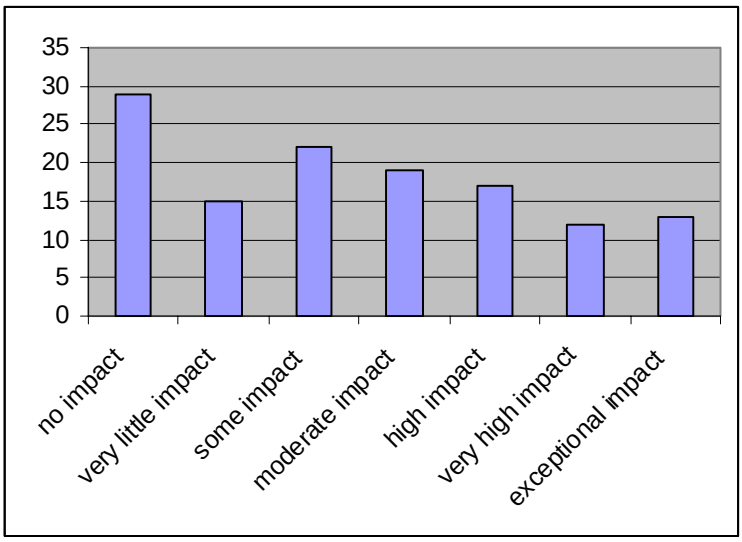
Graph 6.11 – Impact of Employment Equity Act on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	39	28.7	31.7	31.7
	Very little impact	19	14.0	15.4	47.2
	Some impact	19	14.0	15.4	62.6
	Moderate impact	14	10.3	11.4	74.0
	High impact	12	8.8	9.8	83.7
	Very high impact	13	9.6	10.6	94.3
	Exceptional impact	7	5.1	5.7	100.0
	Total	123	90.4	100.0	
Missing	System	13	9.6		
Total		136	100.0		

Table 6.29 – Impact of Employment Equity Act on respondents' businesses

Question 30 – National Credit Act

The modal response for this question is 'No Impact'. The data is displayed in Graph 6.12 and Table 6.30 below. The responses will differ from business to business. Those businesses which offer consumer credit, will be more affected than those that do not. However, credit to SMEs from banks has been impacted by this Act, and therefore those businesses with an overdraft will see a larger impact than those who do not have an overdraft.



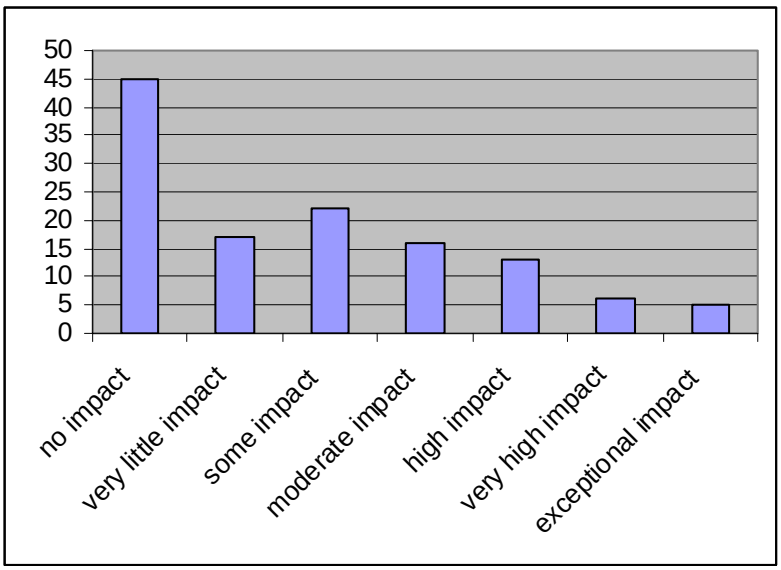
Graph 6.12 – Impact of the National Credit Act on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	29	21.3	22.8	22.8
	Very little impact	15	11.0	11.8	34.6
	Some impact	22	16.2	17.3	52.0
	Moderate impact	19	14.0	15.0	66.9
	High impact	17	12.5	13.4	80.3
	Very high impact	12	8.8	9.4	89.8
	Exceptional impact	13	9.6	10.2	100.0
	Total	127	93.4	100.0	
Missing	System	9	6.6		
Total		136	100.0		

Table 6.30 – Impact of the National Credit Act on respondents' businesses

Question 31 – Skills Development Act

The modal response for this question is 'No Impact'. The data is displayed in Graph 6.13 and Table 6.31 below. The responses will differ from business to business. Those businesses which have annual salary and wage bills of under R500 000.00 do not have to pay skills levy, and therefore they see very little if any benefit from training for their staff. Those that do will possibly contend that the quality of training is poor, therefore there is no benefit.



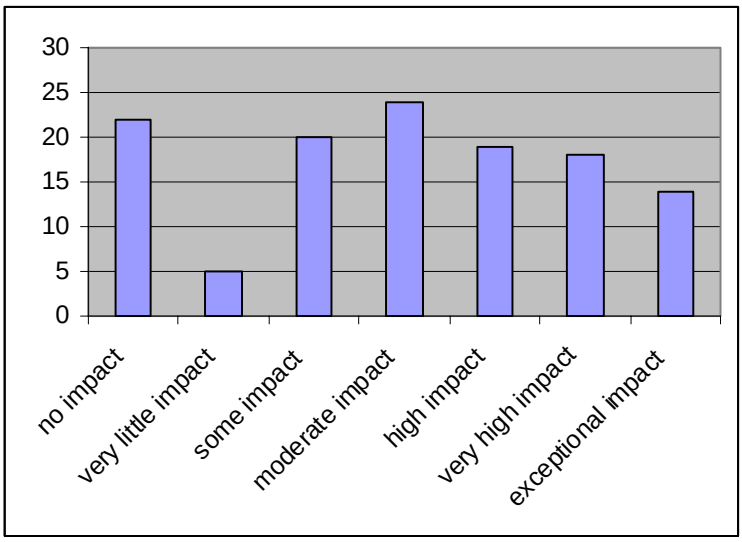
Graph 6.13 – Impact of the Skills Development Act on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	45	33.1	36.3	36.3
	Very little impact	17	12.5	13.7	50.0
	Some impact	22	16.2	17.7	67.7
	Moderate impact	16	11.8	12.9	80.6
	High impact	13	9.6	10.5	91.1
	Very high impact	6	4.4	4.8	96.0
	Exceptional impact	5	3.7	4.0	100.0
	Total	124	91.2	100.0	
Missing	System	12	8.8		
Total		136	100.0		

Table 6.31 – Impact of the Skills Development Act on respondents' businesses

Question 32 – Exchange rate stability

The modal response for this question is 'Moderate Impact' followed closely by 'No Impact'. The data is displayed in Graph 6.14 and Table 6.32 below. The responses will differ from business to business. Those businesses which participate in import or export markets will be much more aware of the exchange rate stability, and the impact on their business.



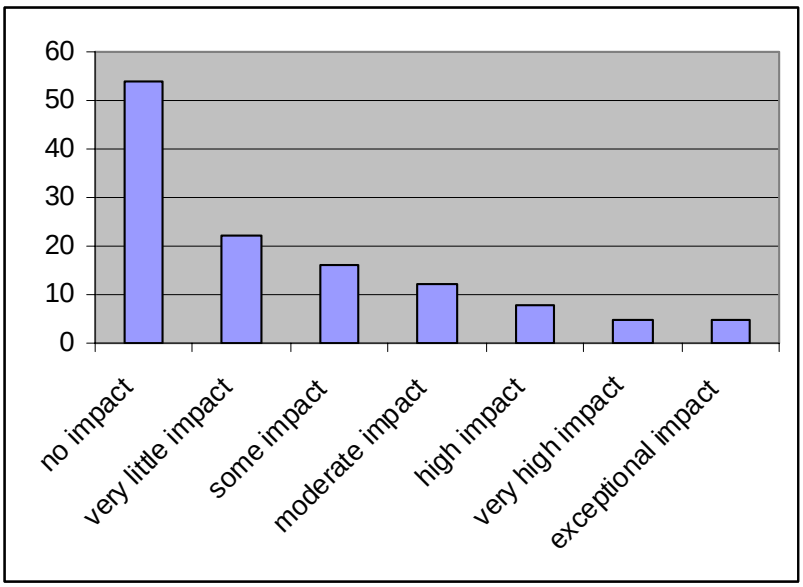
Graph 6.14 - Impact of the Exchange Rate Stability on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	22	16.2	18.0	18.0
	Very little impact	5	3.7	4.1	22.1
	Some impact	20	14.7	16.4	38.5
	Moderate impact	24	17.6	19.7	58.2
	High impact	19	14.0	15.6	73.8
	Very high impact	18	13.2	14.8	88.5
	Exceptional impact	14	10.3	11.5	100.0
	Total	122	89.7	100.0	
Missing	System	14	10.3		
Total		136	100.0		

Table 6.32 - Impact of the Exchange Rate Stability on respondents' businesses

Question 33 – Access to international markets

The modal response for this question is 'No Impact'. The data is displayed in Graph 6.15 and Table 6.33 below. The responses will differ from business to business. Those businesses which participate in export markets will be much more aware of the improved access to international markets, and the impact on their business.



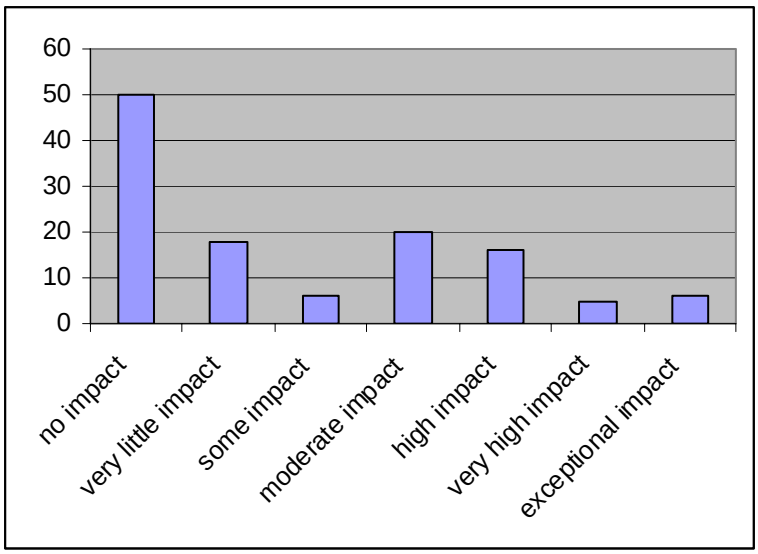
Graph 6.15 - Impact of Access to International Markets on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	54	39.7	44.3	44.3
	Very little impact	22	16.2	18.0	62.3
	Some impact	16	11.8	13.1	75.4
	Moderate impact	12	8.8	9.8	85.2
	High impact	8	5.9	6.6	91.8
	Very high impact	5	3.7	4.1	95.9
	Exceptional impact	5	3.7	4.1	100.0
	Total	122	89.7	100.0	
Missing	System	14	10.3		
Total		136	100.0		

Table 6.33 - Impact of Access to International Markets on respondents' businesses

Question 34 – Reduced exchange controls

The modal response for this question is 'No Impact'. The data is displayed in Graph 6.16 and Table 6.34 below. The responses will differ from business to business. Those businesses which participate in markets where exchange controls are an issue, will be much more aware of the improved exchange controls, and the impact on their business.



Graph 6.16 - Impact of Reduced Exchange Controls on respondents' businesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No impact	50	36.8	41.3	41.3
	Very little impact	18	13.2	14.9	56.2
	Some impact	6	4.4	5.0	61.2
	Moderate impact	20	14.7	16.5	77.7
	High impact	16	11.8	13.2	90.9
	Very high impact	5	3.7	4.1	95.0
	Exceptional impact	6	4.4	5.0	100.0
	Total	121	89.0	100.0	
Missing	System	15	11.0		
Total		136	100.0		

Table 6.34 - Impact of Reduced Exchange Controls on respondents' businesses

6.3 Summary and broader analysis of data

The breakdown of the sample was that 33.8% of the respondents were from the Control Group (Pietermaritzburg Chamber of Commerce members) and the Treatment Group (Ladysmith, Pietermaritzburg, Durban and Zululand Chamber of Commerce members) was made up of 66.2%.

More males (77.9%) than females (22.1%) participated in the study. The race groups were broken down as Whites (84.6%), Asian (10.3%), Black (2.9%) and Coloured (2.2%).

Although the sample was extracted from the universum of membership lists of the Chambers of Commerce who participated, 97.8% of the sample indicated that their business is a member of a Chamber of Commerce.

A majority 89.7% of the respondents stated that they own the business for which the questionnaire was completed and employees duly authorised to do so completed the balance.

A majority of 56.6% of the respondents indicated that their business is a service business, followed by retail or wholesale business (21.3%) and manufacturing business (19.1%).

A modal 43.4% of the respondents attended university, followed by those who passed matriculation (18.4%), qualified at a technical college (17.6%) and finally those who qualified at a technikon (16.2%).

Most of the respondents, i.e. 44.9%, had selected the Closed Corporation as a legal persona for their business and 30.9% had selected a (Pty) Ltd Company for their business.

A majority of 42.6% of the respondents started or bought their business for entrepreneurial reasons, while 21.3% did so because their opportunity awareness at the time assisted them in identifying an opportunity. A further 19.1% started their business due to circumstances outside their control.

A high percentage of 84.6% stated that they had not received any assistance, or intervention, of any kind from any government department or government funded organization.

An almost even split of yes (49.3%) and no (50.7%) was the breakdown of the responses to the question which attempts to identify their awareness of any interventions by government to assist SMEs.

Only 21.3% applied for interventions that respondents had knowledge of, while 58.1% of the respondents did not apply for these interventions. Of those respondents that did apply for these interventions, only 67.9% were successful.

The modal responses towards the implemented number of measures (functional interventions) that the Government has implemented and its impact on their businesses are summarised in the following table:

	Modal responses	Percent
1. Lower interest rates	Some impact	18.4%
2. Lower inflation rates	Some impact	19.9%
3. Basic conditions of Employment Act	No impact	25.7%
4. Employment Equity Act	No impact	28.7%
5. National Credit Act	No impact	21.3%
6. Skills Development Act	No impact	33.1%
7. More stable exchange rate	Moderate impact	17.6%
8. Broader and easier access to international markets by joining the WTO	No impact	39.7%
9. Reduced exchange controls	No impact	36.8%

Table 6.35 – Summary table for modal responses for functional interventions

6.4 Descriptive statistics

The descriptive statistics for each question are presented in Table 6.36 below, after which the contents of the table are further explained.

	Mean	Median	Mode	Standard Deviation	Variance	Range
Group	1.6691	2.0000	2.00	.47227	.223	1.00
q1	1.2206	1.0000	1.00	.41618	.173	1.00
q2	3.6176	4.0000	4.00	.95109	.905	3.00
q3	1.0148	1.0000	1.00	.12126	.015	1.00
q4	1.0970	1.0000	1.00	.29709	.088	1.00
q5	1.2083	1.0000	1.00	.41485	.172	1.00
q6	1.1250	1.0000	1.00	.34157	.117	1.00
q7	2.3088	1.0000	1.00	1.63985	2.689	4.00
q9	3.7985	4.0000	5.00	1.26717	1.606	4.00
q12	3.0735	3.0000	3.00	1.16513	1.358	6.00
q13	4.9556	2.0000	1.00	16.53755	273.491	98.00
q14	1.8519	2.0000	2.00	.35657	.127	1.00
q15	1.5000	1.5000	2.00	.50185	.252	1.00
q16	2.0000	2.0000	2.00	.00000	.000	.00
q17	1.7315	2.0000	2.00	.44525	.198	1.00
q18	1.5652	2.0000	2.00	.50121	.251	1.00
q19	28.6364	3.0000	3.00	45.19795	2042.85	98.00
q21	60.0000	99.0000	99.00	50.34989	2535.11	98.00
q26	3.8699	4.0000	3.00	1.92890	3.721	6.00
q27	4.0650	4.0000	3.00	1.75900	3.094	6.00
q28	3.2756	3.0000	1.00	1.99872	3.995	6.00
q29	3.0650	3.0000	1.00	1.95331	3.815	6.00
q30	3.5354	3.0000	1.00	1.98724	3.949	6.00
q31	2.7823	2.5000	1.00	1.78777	3.196	6.00
q32	4.0082	4.0000	4.00	1.93914	3.760	6.00
q33	2.4508	2.0000	1.00	1.74916	3.060	6.00
q34	2.7769	2.0000	1.00	1.90826	3.641	6.00

a Multiple modes exist. The smallest value is shown

Table 6.36 – Summary table of descriptive statistics for all questions

We will consider the mean, the mode, the median, the sample variance and the sample standard deviation. The mean or the arithmetic mean is the sum of all the values divided by the sample size, the mode is the most frequent response given by the respondents and the median is the middle most value when the data (per variable/question) is arranged from highest to lowest. The sample variance is the degree or quantity by which each observation varies one from another. The sample standard deviation is the square root of the sample variance.

From the table above, the majority of the questions have modes of “2 and 1” which are “yes and no” answers to the questions. The standard deviations are consistently about ‘1’ and this indicates good consistency between the observations due to the low variability. The mean and median values are consistent with modal values.

The descriptive statistics will also serve to confirm the graphical statistics.

Question 20 had all “no responses” and hence no inferential statistics can be done on this question.

Question 21 has a mean of 60, a mode and a median of 99. This is due to the high non-response rate on that question, since a non-response is coded as a “99” in SPSS.

6.4.1 The Kolmogorv Smirnov Test

The purpose of this test is to assess whether the variables that have been tested come from a normal distribution or whether the distribution is skewed in one way or another. The first step is to establish the hypotheses to be tested.

H_0 : the tested variables come from a Normal distribution

H_1 : the tested variables do not come from a Normal distribution

	Normal Parameters(a,b)		Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
q1	1.2148	.41222	5.624	.000
q2	3.6148	.95406	5.824	.000
q3	1.0149	.12171	6.180	.000
q4	1.0977	.29809	6.121	.000
q5	1.2083	.41485	2.371	.000
q6	1.1250	.34157	2.071	.000
q7	2.2889	1.62933	4.135	.000
q9	3.7895	1.26762	3.071	.000
q12	3.0889	1.15556	3.129	.000
q13	4.9556	16.53755	5.453	.000
q14	1.8519	.35657	5.960	.000
q15	1.5074	.50179	4.015	.000
q16	2.4146	2.14448	1.961	.001
q17	1.7196	.45130	4.680	.000
q18	1.5476	.50376	2.353	.000
q19	28.6364	45.19795	1.466	.027
q21	60.0000	50.34989	2.204	.010
q26	3.8607	1.93410	1.717	.006
q27	4.0650	1.75900	1.479	.025
q28	3.2756	1.99872	1.843	.002
q29	3.0650	1.95331	1.982	.001
q30	3.5238	1.99084	1.434	.033
q31	2.7823	1.78777	2.266	.000
q32	4.0082	1.93914	1.324	.060
q33	2.4508	1.74916	2.642	.000
q34	2.7769	1.90826	2.611	.000

a Test distribution is Normal. b Calculated from data.

Table 6.37 One-Sample Kolmogorov-Smirnov Test Results

At the 5% significance level, H_0 is rejected and H_1 accepted for all of the questions, and it can be concluded that the tested variables do not come from a Normal distribution due to the p-values all being less than 0.05. The implication of the non-normal distribution is that non-parametric statistics are required to be used for testing. Tests such as the Mann-Whitney U test, Chi-square and the Kruskal Wallis test will be used.

The issue of non-normality is due to the distribution of the responses as per question, i.e. the responses are varied and skewed either to

the right or to the left, to the extent that if a normal curve was fitted to the distribution of the responses, it would give a very poor fit and hence this distributional assumption cannot hold. The responses given by the respondents do not follow a normally distributed curve. This is to be expected from a questionnaire with closed-ended questions having scales.

6.4.2 Reliability analysis - Cronbachs Alpha

Coakes and Steed (2003, pg 140) state that there are a number of different reliability coefficients. One of the most commonly used is the Cronbach's alpha, which is based on the average correlation of items within a test if the items are standardised. If the items are not standardised, it is based on the average covariance among the items. The Cronbach's alpha can range from 0 to 1. Cronbach's alpha was also calculated as part of the reliability test to assess how consistent the results were and whether similar results can be generalised if the sample size is increased. A value of 0.7 or higher is a very good value that can lead us to say that the same results will be achieved if this survey was executed with a larger sample of respondents.

The Cronbach's alpha was calculated for all the questions which have the same scales in each section i.e. Questions 3, 4, 5, 6, 14, 15, 17 and 18 and then Questions 26-34. The results are shown in the tables below.

Cronbach's Alpha	N of Items
.787	8

Table 6.38 - Reliability Statistics (3, 4, 5, 6, 14, 15, 17, 18)

Cronbach's Alpha	N of Items
.758	9

Table 6.39 - Reliability Statistics (26-34)

The alpha values are both in excess of 0.7 and therefore the findings can be expected to remain unchanged in a larger sample.

6.4.3 – Hypothesis testing

H_0 : The mean scores for Questions 26-34 are equal to 5(high impact), 6(very high impact) or 7(exceptional impact)

H_1 : The mean scores for Questions 26-34 are not equal to 5(high impact), 6(very high impact) or 7(exceptional impact)

This test is applied to the answers received for Questions 27 to 34 inclusive, and are related to the functional interventions by government. In order to test these hypotheses, one would expect that the Questions 26-34 would have mean scores of 5=high impact, 6=very high impact or 7=exceptional impact if the hypothesis is true. In order to do this the one sample t-test is used to test if the mean scores of Questions 26-34 are in fact equal to 5, 6 or 7.

The one-sample statistics are shown below in Table 6.40 and the one-sample tests in Tables 6.41 to 6.43, below Table 6.40.

	Mean	Std. Deviation
q26	3.8699	1.92890
q27	4.0650	1.75900
q28	3.2756	1.99872
q29	3.0650	1.95331
q30	3.5238	1.98724
q31	2.7823	1.78777
q32	4.0082	1.93914
q33	2.4508	1.74916
q34	2.7769	1.90826

Table 6.40 - One-Sample Statistics

There are three tests done below, testing at 5, 6 and 7 in Tables 6.41, 6.42 and 6.43 respectively.

	Test Value = 5					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q26	-6.507	121	.000	-1.13934	-1.4860	-.7927
q27	-5.895	122	.000	-.93496	-1.2489	-.6210
q28	-9.723	126	.000	-1.72441	-2.0754	-1.3734
q29	-10.986	122	.000	-1.93496	-2.2836	-1.5863
q30	-8.323	125	.000	-1.47619	-1.8272	-1.1252
q31	-13.814	123	.000	-2.21774	-2.5355	-1.9000
q32	-5.649	121	.000	-.99180	-1.3394	-.6442
q33	-16.097	121	.000	-2.54918	-2.8627	-2.2357
q34	-12.815	120	.000	-2.22314	-2.5666	-1.8797

Table 6.41 - One-Sample Test where test value=5

At the 5% level we will reject H_0 for the hypotheses and accept H_1, concluding that the mean scores are different from 5=high impact.

	Test Value = 6					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q26	-12.217	121	.000	-2.13934	-2.4860	-1.7927
q27	-12.200	122	.000	-1.93496	-2.2489	-1.6210
q28	-15.361	126	.000	-2.72441	-3.0754	-2.3734
q29	-16.664	122	.000	-2.93496	-3.2836	-2.5863
q30	-13.962	125	.000	-2.47619	-2.8272	-2.1252
q31	-20.042	123	.000	-3.21774	-3.5355	-2.9000
q32	-11.345	121	.000	-1.99180	-2.3394	-1.6442
q33	-22.412	121	.000	-3.54918	-3.8627	-3.2357
q34	-18.580	120	.000	-3.22314	-3.5666	-2.8797

Table 6.42 - One-Sample Test where test value=6

At the 5% level we will reject H_0 for the hypotheses and accept H_1, concluding that the mean scores are different from 6=very high impact.

	Test Value = 7					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q26	-17.928	121	.000	-3.13934	-3.4860	-2.7927
q27	-18.505	122	.000	-2.93496	-3.2489	-2.6210
q28	-20.999	126	.000	-3.72441	-4.0754	-3.3734
q29	-22.342	122	.000	-3.93496	-4.2836	-3.5863
q30	-19.600	125	.000	-3.47619	-3.8272	-3.1252
q31	-26.271	123	.000	-4.21774	-4.5355	-3.9000
q32	-17.041	121	.000	-2.99180	-3.3394	-2.6442
q33	-28.727	121	.000	-4.54918	-4.8627	-4.2357
q34	-24.344	120	.000	-4.22314	-4.5666	-3.8797

Table 6.43 - One-Sample Test where test value=7

At the 5% level we will reject H_0 for the hypotheses and accept H_1, concluding that the mean scores are different from 7=exceptional impact.

6.4.4 - Correlations

This section will consider correlations between different data from different questions.

Questions 1-7 and 26-34

Spearman's rho		q26	q27	q28	q29	q30	q31	q32	q33	q34
q1	Correlation Coefficient	-.132	-.044	-.101	-.006	-.006	.103	-.111	.001	-.115
	Sig. (2-tailed)	.146	.628	.259	.950	.946	.253	.225	.995	.207
q2	Correlation Coefficient	-.019	.014	-.018	.123	-.126	-.093	.188*	-.084	-.021
	Sig. (2-tailed)	.837	.880	.840	.174	.160	.304	.038	.359	.817
q3	Correlation Coefficient	.079	.032	.028	.066	-.060	.085	.066	.088	.127
	Sig. (2-tailed)	.390	.730	.760	.473	.506	.350	.473	.338	.168
q4	Correlation Coefficient	-.038	-.028	.059	-.004	-.061	.100	-.005	.127	.174
	Sig. (2-tailed)	.680	.764	.513	.969	.496	.274	.956	.163	.057
q5	Correlation Coefficient	-.061	-.078	-.386	-.140	.066	-.491*	.244	-.598**	-.591**
	Sig. (2-tailed)	.788	.729	.076	.534	.776	.020	.287	.004	.005
q6	Correlation Coefficient	-.310	.135	-.395	-.320	-.363	-.285	.368	-.322	-.318
	Sig. (2-tailed)	.328	.676	.182	.287	.246	.345	.265	.308	.313
q7	Correlation Coefficient	.173	.136	.149	-.138	.069	.017	.288**	.046	.097
	Sig. (2-tailed)	.056	.135	.094	.129	.440	.853	.001	.616	.290

* Correlation is significant at 0.05 level (2-tailed).

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

Table 6.44 – Correlation results

The test checks for correlations between the demographic data collected in Questions 1 through 7, and the functional data collected in Questions 27 through 34.

The following variables show a significant relationship

a. Question 2 (Race group) and Question 32 (More stable exchange rates), positive weak relationship
b. Question 5 (Delegated the task) and Question 31 (Skills Development Act), negative moderate strong relationship
c. Question 5 (Delegated the task) and Question 33 (Easier access to global markets), negative strong relationship
d. Question 5 (Delegated the task) and Question 34 (Reduced exchange controls), negative strong relationship
e. Question 7 (Economic Sector) and Question 32 (More stable exchange rates), positive weak relationship

These correlations will be analysed in more depth in the following chapter.

6.4.5 - Main hypotheses

The first hypothesis relates to whether government has impacted on the growth rate of businesses.

H_0 : The interventions to increase the growth rate of existing SMEs in the formal sector have had a positive effect.

H_1 : The interventions to increase the growth rate of existing SMEs in the formal sector have not had a positive effect.

The second hypothesis relates to whether government has impacted on the growth rate of businesses.

H_0 : The interventions to increase the start-up rate of existing SMEs in the formal sector have had a positive effect.

H_1 : The interventions to increase the start-up rate of existing SMEs in the formal sector have not had a positive effect

In order to answer the hypotheses the responses to Questions 17 and 18 will be used. The one sample t-test and the Chi-square test will be used to test this data.

Chi-Square Test

If the null hypotheses above is false for both cases, it can be expected that the frequency of responses will be distributed more towards 2=no than 1=yes. If the null hypothesis is true then it can be expected that responses will be distributed more towards 1=yes than 2=no. The Chi-squared goodness of fit test will be used to test the data. The results are summarized below:

	q17	q18
Chi-Square(a)	1087.624	73.557
Df	1	1
Asymp. Sig.	.000	.000

Table 6.45 - Chi Square Test Statistics

At the 5% level, H_0 is rejected due to p-values being less than 0.05 and it can therefore be concluded that in both cases the interventions to increase the growth rate and start-up rate of existing SMEs in the formal sector have not had a positive effect.

One Sample t-Test

If the null hypotheses above is true for both cases, then we would expect the average score for Questions 17 and 18 to be 1=yes. The results are summarized below.

	Mean	Std. Deviation
q17	1.7196	.45130
q18	1.5476	.50376

Table 6.46 – Mean and standard deviation (17 -18)

	Test Value = 1					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q17	16.494	106	.000	.71963	.6331	.8061
q18	7.045	41	.000	.54762	.3906	.7046

Table 6.47 – One Sample t-Test results

At the 5% level, due to p-values less than 0.05, both the hypotheses above are rejected and it can be concluded that the interventions to increase the growth rate and start-up rate of existing SMEs in the formal sector have not had a positive effect.

Furthermore, the cross tabulation of the raw data suggests the following:

		q18		Total
		Yes	No	Yes
q17	Yes	20	9	29
	No	0	16	16
Total		20	25	45

Table 6.48 – Cross tabulation of Questions 17 and 18

There are only 20 cases that had responses of ‘yes’ and ‘yes’ for Questions 17 and 18 respectively out of all the respondents i.e. 20/136 i.e. approximately 14.7% have used some of the interventions to increase that start-up and growth rate in this scientific setting. This is far too small and results in the same conclusions as above.

Analysis of Questions 14, 17 and 18 - Applied and awarded

The intention is to test and see whether there is a difference between genders in respect of respondents who applied and were awarded interventions by government.

This is a two-step test process. The purpose of the first test is to see if there is a difference in the responses to the questions between the two different genders that participated in the study. It is important to note that because the grouping variable is Question 1 (gender) this question will not appear in the results table. The hypotheses for this test are shown below.

H_0 : there is no difference between males and females with respect to Questions 2-34

H_1 : there is a difference between males and females with respect to Questions 2-34

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
q2	24.000	34.000	-2.000	.046
q3	32.000	42.000	.000	1.000
q4	18.000	154.000	-2.136	.033
q5	1.000	4.000	-1.000	.317
q6	.500	1.500	.000	1.000
q7	24.500	160.500	-.772	.440
q9	22.500	32.500	-.815	.415
q12	30.000	166.000	-.201	.840
q13	27.500	37.500	-.260	.795
q14	32.000	42.000	.000	1.000
q15	32.000	42.000	.000	1.000
q17	32.000	42.000	.000	1.000
q18	32.000	42.000	.000	1.000
q26	21.500	31.500	-.859	.390
q27	25.000	145.000	-.511	.609
q28	30.500	40.500	-.145	.885
q29	12.000	22.000	-1.850	.064
q30	21.500	31.500	-1.021	.307
q31	31.500	41.500	-.048	.961
q32	24.000	129.000	-.434	.664
q33	21.500	157.500	-1.054	.292
q34	17.000	153.000	-.814	.415

Table 6.49 – Test statistics (b) Grouping Variable : q1

At the 5% level, since the p-values for Questions 2 to 34 excluding Question 2 and Question 4, are greater than 0.05, H_0 is not rejected and conclude that there is no difference between the males and females with respect to those questions. H_0 is rejected for Question 2 (race group) and Question 4 (ownership), due to the p-values being less than 0.05 and conclude that the males and females differ with respect to these questions. The next test tests the same data, but this time gender is not the variable being checked but rather the race group is the variable being checked. It is important to note that because the grouping variable is Question 2 (race group) this question will not appear in the results table.

The hypotheses for this test are shown below.

H_0 : there is no difference within the race group with respect to Questions 2-34

H_1 : there is a difference within the race group with respect to Questions 2-34

	Chi-Square	df	Asymp. Sig.
q1	4.000	1	.046
q3	.000	1	1.000
q4	5.667	1	.017
q5	.333	1	.564
q6	.000	1	1.000
q7	.223	1	.637
q9	.797	1	.372
q12	1.230	1	.267
q13	2.923	1	.087
q14	.000	1	1.000
q15	.000	1	1.000
q17	.000	1	1.000
q18	.000	1	1.000
q26	.077	1	.782
q27	.871	1	.351
q28	2.537	1	.111
q29	.220	1	.639
q30	.390	1	.532
q31	1.552	1	.213

q32	.243	1	.622
q33	.034	1	.854
q34	1.525	1	.217

Table 6.50 - Test Statistics (a,b)
a) Kruskal Wallis Test Grouping Variable : q2

At the 5% level, since the p-values for Questions 2 to 34 excluding Question 2 and Question 4, are greater than 0.05, H_0 is not rejected and it can be concluded that there is no difference between the race groups with respect to those questions. H_0 is rejected for Question 1 (gender) and Question 4 (ownership), due to the p-values being less than 0.05 and conclude that the race groups differ with respect to these questions.

Analysis of Questions 14, 17 and 18 - Applied and unsuccessful
The intention is to test and see whether there is a difference between genders in respect of respondents who applied and were not awarded interventions by government.

This is a two-step test process. The purpose of the first test is to see if there is a difference in the responses to the questions between the two different genders that participated in the study. It is important to note that because the grouping variable is Question 1 (gender), this question will not appear in the results table. The hypotheses for this test are shown below.

H_0 : there is no difference between males and females with respect to Questions 2-34

H_1 : there is a difference between males and females with respect to Questions 2-34

The results for the test as it relates to gender and Questions 2 through 34 inclusive that are close-ended questions, are shown in Table 6.51 below.

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
q2	6.000	21.000	-1.095	.273
q3	10.000	20.000	.000	1.000
q4	8.000	18.000	-.894	.371
q7	8.500	18.500	-.447	.655
q9	6.500	21.500	-.891	.373
q12	3.000	13.000	-1.888	.059
q13	9.000	19.000	-.270	.787
q14	10.000	20.000	.000	1.000
q15	10.000	20.000	.000	1.000
q17	10.000	20.000	.000	1.000
q18	10.000	20.000	.000	1.000
q26	6.000	16.000	-.584	.559
q27	9.000	24.000	-.251	.802
q28	.000	10.000	-2.502	.012
q29	3.000	13.000	-1.799	.072
q30	2.000	12.000	-2.157	.031
q31	2.500	12.500	-1.637	.102
q32	5.500	15.500	-.744	.457
q33	4.000	10.000	-.734	.463
q34	3.500	9.500	-.926	.354

Table 6.51 – Test statistics (b) Grouping Variable: q1

At the 5% level, since the p-values for Questions 2 through 34 excluding Question 28 (Basic Conditions of Employment Act) and Question 30 (National Credit Act) are greater than 0.05, H_0 is not rejected and it can be concluded that there is no difference between males and females with respect to those questions. H_0 is rejected for Question 28 (Basic Conditions of Employment Act) and Question 30 (National Credit Act) due to the p-values being less than 0.05 and conclude that males and females differ with respect to these questions.

H_0 : there is no difference within the race groups with respect to Questions 2-34

H_1 : there is a difference within the race groups with respect to Questions 2-34

The results of the test are shown in Table 6.52 below.

	Chi-Square	Df	Asymp. Sig.
q1	1.280	2	.527
q3	.000	2	1.000
q4	8.000	2	.018
q7	.533	2	.766
q9	4.632	2	.099
q12	2.473	2	.290
q13	2.931	2	.231
q14	.000	2	1.000
q15	.000	2	1.000
q17	.000	2	1.000
q18	.000	2	1.000
q26	.030	2	.985
q27	.075	2	.963
q28	.742	2	.690
q29	1.101	2	.577
q30	.776	2	.678
q31	.620	2	.733
q32	2.547	2	.280
q33	.173	2	.917
q34	1.338	2	.512

Table 6.52 - Test Statistics (a,b)
a) Kruskal Wallis Test Grouping Variable : q2

At the 5% level, since the p-values for all of the questions except Question 4 (Business ownership) are greater than 0.05, H_0 is not rejected, and it can be concluded that there is no difference within race groups with respect to those questions. H_0 is rejected for Question 4 (Business ownership) due to the p-values being less than 0.05 and conclude that the race groups differ with respect to these questions.

Analysis of Questions 14, 17 and 18 - Applied and awarded checking for difference between the Treatment and Control Groups.

The intention is to test and see whether there is a difference between the Control and Treatment Groups in respect of respondents who applied and were awarded interventions by government.

H_0 : there is no difference between the Control and Treatment Groups with respect to Questions 1-34

H_1 : there is a difference between the Control and Treatment Groups with respect to Questions 1-34

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
q1	40.000	95.000	-1.090	.276
q2	45.000	100.000	-1.000	.317
q3	50.000	105.000	.000	1.000
q4	45.000	100.000	-.610	.542
q5	1.000	4.000	-1.000	.317
q6	.500	1.500	.000	1.000
q7	44.500	99.500	-.453	.651
q9	20.500	75.500	-2.173	.030
q12	43.500	98.500	-.524	.601
q13	34.000	79.000	-.935	.350
q14	50.000	105.000	.000	1.000
q15	50.000	105.000	.000	1.000
q17	50.000	105.000	.000	1.000
q18	50.000	105.000	.000	1.000
q26	44.500	89.500	-.041	.967
q27	32.000	77.000	-1.085	.278
q28	29.000	84.000	-1.620	.105
q29	10.000	55.000	-2.937	.003
q30	39.500	94.500	-.817	.414
q31	46.500	101.500	-.272	.786
q32	37.000	82.000	-.316	.752
q33	37.000	92.000	-1.044	.297
q34	40.500	85.500	-.382	.702

Table 6.53 – Test statistics (b) Grouping Variable: Group

At the 5% level, since the p-values for Questions 2 through 34 excluding 9 (Educational level) and 29 (Employment Equity Act) are greater than 0.05, H_0 is not rejected and it can be concluded that there is no difference between the Control and Treatment Groups with respect to those questions. H_0 is rejected for Questions 9 (Educational level) and 29 (Employment Equity Act) due to the p-values being less than 0.05 and conclude that the Control and Treatment Groups differ with respect to these questions.

The extent and direction of a statistical difference between the Control and Treatment Group with respect to their education can be seen in the following cross-tabulation in table 6.54

		Educational level					Total
		Lower than matric achieved at school	Matric	Technical college	Technikon	University	Highest grade achieved at school
Group	Control	2%	9%	15%	15%	54%	44
	Treatment	3%	23%	19%	17%	38%	90
Total		4	4	25	24	22	59

Table 6.54 - Educational level cross tabulation for Control and Treatment Group

There are far more people in the Control Group that are educated at an university level as compared to the Treatment Group, whereas the Treatment Group has 2.56 more respondents that only have a matric as opposed to the Control Group.

Analysis of Questions 14, 17 and 18 - Applied and unsuccessful checking for difference between the Treatment and Control Groups.

The intention is to test and see whether there is a difference between the Control and Treatment Groups in respect of respondents who applied and were awarded interventions by government.

H_0 : there is no difference between the Control and Treatment Groups with respect to Questions 1-34

H_1 : there is a difference between the Control and Treatment Groups with respect to Questions 1-34

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
q1	3.000	6.000	-1.352	.176
q2	7.000	35.000	.000	1.000
q3	7.000	35.000	.000	1.000
q4	6.000	9.000	-.535	.593
q7	5.500	33.500	-.535	.593
q9	6.500	9.500	-.152	.879
q12	7.000	35.000	.000	1.000
q13	6.000	34.000	-.322	.747
q14	7.000	35.000	.000	1.000
q15	7.000	35.000	.000	1.000
q17	7.000	35.000	.000	1.000
q18	7.000	35.000	.000	1.000
q26	2.000	30.000	-.663	.508
q27	7.000	35.000	.000	1.000
q28	3.500	31.500	-1.047	.295
q29	2.500	30.500	-1.382	.167
q30	2.000	30.000	-1.612	.107
q31	.000	28.000	-1.575	.115
q32	2.000	30.000	-.675	.500
q33	.000	21.000	-1.557	.120
q34	.000	21.000	-1.572	.116

Table 6.55 – Test statistics (b) Grouping Variable: Group

At the 5% level, since the p-values for all of the questions are greater than 0.05 H_0 is not rejected , and it can be concluded that there is no difference between the Control and Treatment Group with respect to those questions.

Questions 15 and 16

Question 15 tested the awareness levels of the respondents with respect to available government interventions for SMEs. The responses from Question 15 are documented in a frequency count table, Table 6.13, which is reproduced below and followed by an analysis by Group.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	67	49.3	49.3	49.3
	No	69	50.7	50.7	100.0
	Total	136	100.0	100.0	

Table 6.13 - Awareness frequency table

	Total no of respondents	Claim awareness of government interventions	Valid responses	Invalid responses
Control	46	30	53	4
Treatment	90	39	46	9
Total	136	69	99	13

Table 6.56 - Intervention awareness frequency count table

Question 16 was an open-ended question to test and see if the claims made in Question 15 regarding awareness were valid. The results from Question 16, which were recorded in Table 6.14, are reproduced below.

Description	Count Control Group	Count Treatment Group	% Control group	% Treatment group
DTI EMIA	8	6	15.1	13.0
Tourism Enterprise Programme (TEP)	1	1	1.9	2.2
TIK Overseas exhibition fund	1		1.9	
TIK inbound trade mission	1		1.9	
SMEDP	5	7	9.4	15.2
IDC Innovation Support	1	1	1.9	2.2
DTI Trade Missions	1		1.9	
SETA skills training	3	9	5.7	19.6
Decentralised Incentives	1		1.9	
Business plan funding	1		1.9	
DTI SP11 Regional and African Industrial and Trade Framework	1		1.9	
DTI Regional Industrial Development Fund	1		1.9	
SETA Learnerships	1	2	1.9	4.3
Umsobomvu Business Plan Voucher Programme	1		1.9	
Funding for SMEs	1		1.9	
SEDA	4	4	7.5	8.7
SARS SME Tax Allowances	3	1	5.7	2.2
IDC	3		5.7	
DTI	3	6	5.7	13.0
Khula Loans	4		7.5	
BBBEE scorecards	2		3.8	
Provincial Growth Fund	1		1.9	
Apex Fund	1		1.9	
Ithala Bank	1		1.9	
TIK project finance and business support	1		1.9	
Gijima EU / SA Fund	1		1.9	
USA Trade Development Agency (TDA)	1		1.9	
Youth Finance		1		2.2
KZNMAC and NPI Productivity Improvement		3		6.5
Umsobomvu		2		4.3
Umsobomvu Youth Fund		2		4.3
Municipal Lions Den Competition		1		2.2
Total	53	46	100	100

Table 6.14 – Known interventions frequency table

The test to be done is to assess whether or not the responses to Question 16 differ from the Control to the Treatment Group.

The hypotheses for the test are listed below.

H_0 : there is no difference between the Control and Treatment Groups with respect to Question 16

H_1 : there is a difference between the Control and Treatment Groups with respect to Question 16

The results from the Mann-Whitney U test are shown below in Table 6.57.

	q16
Mann-Whitney U	127.500
Wilcoxon W	505.500
Z	-1.866
Asymp. Sig. (2-tailed)	.062

Table 6.57 - Test Statistics (b) Grouping Variable: Group

At the 5% level H_0 is not rejected, since the p-value is greater than 0.05 and it can be concluded that there is no difference between the Control and Treatment Groups with respect to Question 16.

Further hypothesis testing

The next test is intended to identify if there are any differences in the responses from the Control and Treatment Groups in respect of the responses to Questions 1 through 34. The Mann-Whitney U test will be utilised for this test. The test hypotheses are shown below.

H_0 : there is no difference between the Control and Treatment Groups with respect to Questions 1-34

H_1 : there is a difference between the Control and Treatment Groups with respect to Questions 1-34

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
q1	1916.500	2951.500	-.844	.399
q2	2043.000	6229.000	-.033	.974
q3	2002.500	6097.500	-.502	.616
q4	1960.000	5965.000	-.391	.696
q5	54.000	174.000	-1.143	.253
q6	20.000	75.000	-1.890	.059
q7	1945.500	2980.500	-.527	.598
q9	1512.500	5607.500	-2.337	.019
q12	1768.000	2803.000	-1.380	.167
q13	1800.000	2790.000	-.998	.318
q14	1800.000	2835.000	-1.707	.088
q15	1673.500	2708.500	-1.997	.046
q17	1292.000	2112.000	-.564	.573
q18	216.500	406.500	-1.039	.299
q26	1599.000	2379.000	-.214	.830
q27	1459.000	2239.000	-.987	.324
q28	1557.000	5212.000	-1.188	.235
q29	1220.500	4706.500	-2.426	.015
q30	1560.000	5130.000	-1.270	.204
q31	1485.000	4971.000	-1.186	.236
q32	1616.000	2436.000	-.133	.894
q33	1380.000	4701.000	-1.599	.110
q34	1499.000	4820.000	-.695	.487

Table 6.58 - Mann-Whitney Test - Grouping Variable: Group

At the 5% level, H_0 is rejected only for those questions where the p-values (shaded above) are less than 0.05, i.e. Questions 9 (educational level), 15 (intervention awareness) and 29 (Employment Equity Act). However, for the rest of the questions the p-values are all greater than 0.05 H_0 is not rejected and it can be concluded that there

is no difference between the Control and Treatment Groups with respect to Questions 1-34.

The next step is to do the same test again this time using gender as the grouping variable.

H_0 : there is no difference between males and females with respect to Questions 2-34

H_1 : there is a difference between males and females with respect to Questions 2-34

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
q2	1365.500	1830.500	-1.876	.061
q3	1545.000	2010.000	-.759	.448
q4	1487.000	6947.000	-.760	.447
q5	51.000	72.000	-.284	.776
q6	20.000	98.000	-.845	.398
q7	1353.000	1818.000	-1.389	.165
q9	1557.500	2022.500	-.014	.989
q12	1508.500	1973.500	-.457	.648
q13	1369.000	1834.000	-1.147	.251
q14	1545.000	7110.000	-.258	.796
q15	1522.000	7193.000	-.412	.680
q17	1011.000	1362.000	-.515	.607
q18	176.000	771.000	-.816	.415
q26	984.500	1284.500	-1.314	.189
q27	1076.000	1352.000	-.487	.626
q28	1091.500	1416.500	-1.132	.258
q29	1140.500	1416.500	-.063	.950
q30	1299.500	6450.500	-.082	.935
q31	1024.000	6074.000	-1.148	.251
q32	1023.000	1348.000	-1.218	.223
q33	1137.500	6087.500	-.007	.995
q34	943.500	1219.500	-1.264	.206

Table 6.59 - Mann-Whitney Test - Grouping Variable: Gender

At the 5% level, since all the p-values are greater than 0.05 H_0 is not rejected and it can be concluded that there is no difference between males and females with respect to Questions 3-34.

KRUSKAL WALLIS TEST

The next test uses the Kruskal Wallis test to assess if there is a difference in responses from the different race groups.

The hypotheses for the test are as follows.

H_0 : there is no difference within race groups with respect to Questions 1-34

H_1 : there is a difference within race groups with respect to Questions 1-34

	Chi-Square	Df	Asymp. Sig.
q1	4.100	3	.251
q3	.371	3	.946
q4	6.709	3	.082
q5	2.018	2	.365
q6	7.208	3	.066
q7	3.305	3	.347
q9	2.552	3	.466
q12	1.349	3	.718
q13	.257	3	.968
q14	2.164	3	.539
q15	4.092	3	.252
q17	5.501	3	.139
q18	4.223	3	.238
q26	2.106	3	.551
q27	2.465	3	.482
q28	.895	3	.827
q29	3.723	3	.293
q30	2.905	3	.407
q31	1.922	3	.589
q32	6.938	3	.074
q33	4.774	3	.189
q34	1.571	3	.666

Table 6.60 – Chi-Square Test Grouping Variable: Race Group

At the 5% level, we will not reject H_0 for the rest of the questions and conclude that there is no difference within the race group with respect to Questions 4-34

KRUSKAL WALLIS TEST

The next test uses the Kruskal Wallis test to assess if there is a difference in responses from the respondents with different educational levels.

H_0 : there is no difference within the education groups with respect to Questions 1-34

H_1 : there is a difference within the education groups with respect to Questions 1-34

	Chi-Square	Df	Asymp. Sig.
q1	.806	4	.938
q2	4.342	4	.362
q3	1.912	4	.752
q4	2.288	4	.683
q5	1.985	4	.738
q6	5.000	3	.172
q7	5.642	4	.228
q12	1.289	4	.863
q13	2.530	4	.639
q14	1.574	4	.813
q15	7.990	4	.092
q16	.000	2	1.000
q17	2.788	4	.594
q18	5.645	4	.227
q26	2.070	4	.723
q27	5.126	4	.275
q28	4.390	4	.356
q29	1.764	4	.779
q30	4.587	4	.332
q31	3.380	4	.496
q32	5.320	4	.256
q33	4.927	4	.295
q34	3.913	4	.418

Table 6.61 – Chi-Square Test Grouping Variable: Education groups

At the 5% level, H_0 is accepted for all of the questions and conclude that there is no difference within the education groups with respect to Questions 4-34.

Question 15 - Chi-Square Test

The next test is intended to test the responses to Question 15 further, in order to determine whether the respondents do or do not have a high level of awareness regarding government interventions.

Coakes and Steed (2003:195) state that there are two main types of Chi-Square tests. The Chi-Square test for the goodness of fit applies to the analysis of a single categorical variable, and the Chi-Square test for independence or relatedness applies to the analysis of the relationship between two categorical variables. The Chi-Square test for goodness of fit is used for this test.

H_0 : the respondents have a high level of awareness regarding the interventions provided by the government to assist SMEs.

H_1 : the respondents do not have a high level of awareness regarding the interventions provided by the government to assist SMEs.

	q15
Chi-Square(a)	670.236
Df	1
Asymp. Sig.	.000

Table 6.62 – Chi-Square Test : Awareness

At the 5% significance level, H_0 is rejected as the p-value is less than 0.05 and it can be concluded that the respondents do not have a high level of awareness regarding the interventions provided by the government to assist SME's.

Question 22 - Assessing the benefit of the governments assistance as perceived by the respondents who applied and were successful

The intention of this test is assess the benefit gained by respondents who applied and were successful:

H_0 : The mean scores for Question 22 are equal to 4(moderate impact). 5(high impact), 6(very high impact) or 7(exceptional impact)

H_1 : The mean scores for Question 22 are not equal to 4(moderate), 5(high impact), 6(very high impact) or 7(exceptional impact)

In order to test these hypotheses, one would expect that Question 22 would have mean scores of 5=high impact, 6=very high impact or 7=exceptional impact if the alternative hypothesis is true. In order to do this we make use of the one sample t-test to test if the mean scores of Questions 26-34 is in fact 5, 6 or 7.

	N	Mean	Std. Deviation
q22	30	4.2000	1.51771

Table 6.63 – Mean calculation for Question 22

Group	Mean	N	Std. Deviation
Control	4.2632	19	1.55785
Treatment	4.0909	11	1.51357
Total	4.2000	30	1.51771

Table 6.64 – Mean calculation for Question 22 for Groups

	Test Value = 7					
	T	Df	Sig. (2-tailed)	Mean **Difference**	95% Confidence Interval of the Difference	
q22	-10.105	29	.000	-2.80000	-3.3667	-2.2333

Table 6.65 – One Sample t-Test Statistics Test value=7

At the 5% level, H_0 is rejected for the hypotheses and it can be concluded that the mean score is different from 7=exceptional impact.

	Test Value = 6					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q22	6.496	29	.000	-1.80000	-2.3667	-1.2333

Table 6.66 – One Sample t-Test Statistics Test value=6

At the 5% level, H_0 is rejected for the hypotheses and it can be concluded that the mean score is different from 6=very high impact.

	Test Value = 5					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q22	-2.887	29	.007	-.80000	-1.3667	-.2333

Table 6.67 – One Sample t-Test Statistics Test value=5

At the 5% level, H_0 is rejected for the hypotheses and it can be concluded that the mean score is different from 5=high impact.

	Test Value = 4					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
q22	.722	29	.476	.20000	-.3667	.7667

Table 6.68 – One Sample t-Test Statistics Test value=4

At the 5% level, H_0 is not rejected and it can be concluded that the mean score is not different from 4=moderate impact.

The beneficiaries of government assistance indicate that the assistance is actually having a moderate impact on their businesses.

Question 23 - : Assessing the benefit of government assistance by the respondents who applied and were successful in respect of number of staff, turnover, gross profit and nett profit

The respondents to Question 23 were those respondents who had applied and been awarded access to interventions. They scored the impact on their business using a 1 to 7 Likert-type scale.

The hypotheses for this test are shown below.

H_0 : The mean scores for Question 23 are equal to 2.5 (between no impact and a positive impact) or 3 (positive) i.e. the intervention is having between no impact and a positive impact or a positive impact on the number of staff, turnover, gross profit and nett profit.

H_1 : The mean scores for Question 23 are not equal to 2.5 (between no impact and a positive impact) or 3 (positive) i.e. the intervention is not having between no impact and a positive impact or a positive impact on the number of staff, turnover, gross profit and nett profit.

Group 1	Mean	N	Std. Deviation
Control	2.0588	17	.74755
Treatment	2.4545	11	.52223
Total	2.2143	28	.68622

Table 6.69 - Descriptive statistics for Number of Staff

Group 2	Mean	N	Std. Deviation
Control	2.6471	17	.60634
Treatment	2.7273	11	.46710
Total	2.6786	28	.54796

Table 6.70 - Descriptive statistics for Turnover

Group 3	Mean	N	Std. Deviation
Control	2.5882	17	.61835
Treatment	2.7273	11	.46710
Total	2.6429	28	.55872

Table 6.71 - Descriptive statistics for Gross Profit

Group 4	Mean	N	Std. Deviation
Control	2.5294	17	.62426
Treatment	2.7273	11	.46710
Total	2.6071	28	.56695

Table 6.72 - Descriptive statistics for Nett Profit

	N	Mean	Std. Deviation
No. of staff	28	2.2143	.68622
Turnover	28	2.6786	.54796
Gross profit	28	2.6429	.55872
Nett profit	28	2.6071	.56695

Table 6.73 – Summary table of descriptive statistics for Number of Staff, Turnover, Gross profit and Nett Profit

	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
No of staff	-6.059	27	.000	-.78571	-1.0518	-.5196
Turnover	-3.104	27	.004	-.32143	-.5339	-.1090
Gross profit	-3.382	27	.002	-.35714	-.5738	-.1405
Nett profit	-3.667	27	.001	-.39286	-.6127	-.1730

Table 6.74 – One Sample t-Test Test value = 3

At the 5% level, H_0 is rejected for the hypotheses and it can be concluded that the mean score is different from 3=positive impact.

	Test Value = 2.5					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
No of staff	-2.203	27	.086	-.28571	-.5518	-.0196
Turnover	1.724	27	.096	.17857	-.0339	.3910
Gross profit	1.353	27	.187	.14286	-.0738	.3595
Nett profit	1.000	27	.326	.10714	-.1127	.3270

Table 6.75 – One Sample t-Test Test value = 2.5

At the 5% level H_0 is not rejected for the hypotheses and it can be concluded that the mean score is not different from 2.5= between none and a positive impact. Note that the impact is between “no impact” and “positive impact”.

Questions 19, 20 and 21

Due to the sample sizes of Questions 19 and 21, any statistical test that can be carried out would be violated i.e. the estimates and results would be biased and subject to possible over-estimation or under-estimation. Question 20 simply had non-responses, making it invalid for any kind of inference.

6.5 Summary

The respondents came from two groups, the Control Group, which comprised only members of the Pietermaritzburg Chamber of Commerce, and the Treatment Group, which comprised members of Pietermaritzburg, Ladysmith, Durban and Zululand Chambers of Commerce. Testing revealed that there were no significant differences in the responses from the two groups, nor between the gender types and race groups.

While the data is not of a normal distribution, the data is indicative of the universum, and the testing indicates that a larger sample would

not have delivered different outcomes. This was determined with the reliability test using Cronbachs Alpha (paragraph 6.4.2).

The impact of government functional interventions was perceived to be low, while the impact of those selective interventions that were applied for and awarded, were perceived to have been positive and of benefit to the firms who were so awarded. However, despite this positive benefit, the overall impact in the context of the main hypotheses is that government has failed to deliver an improvement in the growth rate and start-up rate of SMEs in the formal sector in KwaZulu-Natal.

There would appear to be poor awareness of government interventions which is a contributory factor to the poor performance by government in improving the start up and growth rates of SMEs in the formal sector in KwaZulu-Natal.

A high 43.4% of owners have a university level educational qualification whereas only 2.9% (4) of respondents have less than a matric-level education

In the next chapter, the impact of the findings will be considered in the context of the literature review, and various points will be considered in depth. This will also form the basis for recommendations regarding further research.

Chapter 7 Conclusions and recommendations

7.1 Introduction

The objectives of this study were required to be achieved through a detailed analysis of secondary data, together with an analysis of the primary research executed as part of this study.

In order to do this, the research questions and objectives have been listed in Table 7.1 below, and linked to the relevant questions in the questionnaire, and thereby to the analysis of the findings in Chapter 6. This will be discussed in Section 7.3 below.

Research objectives	***Source data***	***Question number***
Determine the factors that stimulate the establishment and growth rates in SMEs. **(7.3.1)**	Secondary Primary	13, 24a, 24b,
Determine the need for interventions by governments. **(7.3.2)**	Secondary Primary	14, 17, 18, 24a, 24b, 25,
Does South Africa need to implement interventions to increase the SME start-up rate? **(7.3.3)**	Secondary Primary	9, 24b
Does South Africa need to implement interventions to increase the SME growth rate? **(7.3.4)**	Secondary Primary	24a
Is South Africa implementing selective interventions for the SME sector? **(7.3.5)**	Secondary Primary	14, 15, 16, 17, 18
Are the South African selective interventions for the SME sector appropriate? **(7.3.6)**	Secondary Primary	22, 23
Are the South African functional interventions beneficial for the SME sector? **(7.3.7)**	Secondary Primary	25, 26, 27, 28, 29, 30, 31, 32, 33, 34

Table 7.1 Research objectives linked to questionnaire

In Chapter 5, it was stated that certain statistical testing was intended to be done. This did not always apply as intended, as the data at times required alternative tests to be done, and this could not be foreseen until the data had been collated and tested. Therefore, in certain cases, intended tests have not occurred and alternative tests have been used.

Furthermore, Cronbach's Alpha test was done to test the reliability of the findings, and the factor was greater than 0.7, indicating that the findings can be expected to remain unchanged in a larger sample.

7.2 Background information from primary data

There were a number of points that stood out in the primary data, which require further comment.

7.2.1 Gender

Gender (Question 1) was biased among the respondents towards male entrepreneurs with 77.9% male and 22.1% female. This appears to be what would be expected elsewhere in the world, based upon other completed research studies. As an example, a study by Langowitz, using a stratified representative sample of 2000 individuals per country in 17 countries found the level of female involvement in entrepreneurial activity to be significantly lower than that of men (Wilson, F., Kickul, J., Marlino, D., 2007:387; Langowitz, N., Minniti, M., 341).

7.2.2. Race group

Racial bias (Question 2) was towards white people. There are a number of scenarios that could create this bias. Firstly, due to the poor education that most black people have received and are still receiving, they may not have sufficient education to embrace

entrepreneurship. Secondly, due to government legislation such as the Employment Equity Act and Affirmative Action, many white people have been pushed out of the corporate environment, using golden handshakes. This could have resulted in a large influx of white people into the formal SME sector, thereby leading to the bias. A third option is that whites dominated the formal SME sector prior to the end of Apartheid, and they may have retained that domination through business know-how and market knowledge which other race groups have yet to acquire to the same standard / level. Fourthly, it could be related to the fact that Chambers of Commerce, the source of the study universum, still have a predominantly white membership. This, in turn, could be a historical issue, or it could be that Chambers of Commerce are not marketing properly to people of other race groups, or alternatively that other race groups do not join Chambers of Commerce simply because they do not perceive value in such membership. This racial bias would also contribute to some of the suggestions made in Questions 24a (Suggestions for selective interventions to grow SMEs), 24b (Suggestions for selective interventions to increase SME start-up rate) and 25 (Suggestions for functional interventions to grow the economy as a whole), regarding the removal of various race-based legislation.

7.2.3 Economic sectors

In evaluating the economic sectors within which the respondents trade (Questions 7 and 8), there is a bias towards the service sector, followed by the retail / wholesale sector and then the manufacturing sector. The service sector often attracts SMEs simply because the financial barriers to entry are low. Similarly, the retail / wholesale sector often requires lower levels of technical skills and, in certain cases, has relatively low financial barriers to entry. Manufacturing is often attractive to SMEs simply because entrepreneurs are

acknowledged as innovators, which leads them to open small manufacturing enterprises based upon their specialised knowledge and experience within the industry. Agricultural sector businesses are often members of agricultural equivalents of Chambers of Commerce, and therefore their membership of the Chamber of Commerce is unlikely. Similarly, mining sector businesses would be limited as, within the geographic area covered by this study, mining is not a significant contributor to Gross Geographic Product (GGP) in the province. In KZN, in 2004, 49% of GGP was services, 25% manufacturing, 15% wholesale and retail, 5% agriculture and 2% mining (TIKZN, Online, 22 November 2008). This is a similar profile to our findings as shown in Table 7.2 below.

Sector	Percent
Service business	56.6
Mining sector related business	0.7
Manufacturing business	19.1
Agricultural sector related business	2.2
Retail or wholesale business	21.3

Table 7.2 Breakdown of respondents by economic sector

7.2.4 Educational qualifications

Educational level (Questions 9, 10 and 11) showed a bias towards university level education, with 43.4% of respondents having a university degree. A total of 59.6% had post-matric qualifications from either a technikon or university. Only 2.9% of respondents had less than a matric education level.

In a random sample conducted among 328 businesses in Northern Ireland, 148 (45.1%) respondents had an A Level (matric) or higher qualification (O'Neill, 1989:87). A more recent study in South Africa

found that 66% of SMEs, out of a sample of 77 in the formal sector in the Western Cape, had a matric or higher qualification (O'Neill and Van der Merwe, 2003:9).

Therefore, it would appear that the trend in the findings, with regard to educational levels, does not differ from the results of other studies.

7.2.5 Legal persona

There was a bias in the findings towards Closed Corporations, followed by (Pty) Ltd Companies and then sole proprietors (Question 12). This is to be expected, as Closed Corporations are the cheapest form of legal persona in South Africa, which offers the entrepreneur a certain level of protection from creditors. This is to be expected from entrepreneurs in the formal sector, who would understand about managing their risk. There is no financial audit required which reduces the cost of compliance dramatically for the owner.

The use of (Pty) Ltd Companies by bigger SMEs is also to be expected. There are a lot more compliance issues to be dealt with, including a financial audit, but there is greater protection from creditors than is available to the Closed Corporation. The other end of the spectrum are the sole proprietors who would possibly have recently commenced business, and who are possibly still trading with cash, and therefore see no benefit in a formalised legal persona, as they have no need of protection from creditors as they have none. This bias between Closed Corporations and (Pty) Ltd Companies is also highlighted in Graph 1.1 and Graph 1.2 in Chapter 1, with 2005 data showing approximately 36 000 and 185 000 Closed Corporations and (Pty) Ltd Companies respectively.

7.2.6 Other background data acquired in the primary research

Questions 19 and 21 had so few responses that the data could not be statistically analysed, and Question 20 had no responses at all. Therefore no other background data is available.

7.3 Research objectives and primary data comparison

This section will analyse the research objectives one at a time, linking them to the primary data findings, and if and where possible, to the secondary data findings.

7.3.1 Determine the factors that stimulate the establishment and growth rates in SMEs – Questions 13, 24a and 24b.

This research objective is reviewed in the context of the reasons given by the respondents themselves as to why they started their businesses (Question 13), and the respondents' recommendations to government in respect of what interventions they believe should be implemented (Questions 24a and 24b).

The primary data from Question 13 yielded five different reasons why the respondents started their businesses. Similarly the respondents made a variety of suggestions for government in this regard and therefore these would be obvious starting points for government.

The reasons for starting the business showed an interesting bias. As shown in the last chapter, 42.6% declared reasons which could be linked to an entrepreneurial drive, albeit at a lower level on Burch's

scale of entrepreneurship (Burch 1986:31). Many of the responses were directly related to a focus on lifestyle, independence and similar attributes. This type of entrepreneur does not seek growth and therefore, there will quite likely only be an initial impact on unemployment as they start up, and thereafter growth will be flat and no further jobs are likely to be created by these enterprises (Hallberg, 2000:1, 6).

However, as long as they are sustainable, albeit that they are not growing, they are still contributing to unemployment reduction and maintenance, and therefore new entities should be encouraged to start up, and the rate should be accelerated so that the start-up rate exceeds the failure rate. Therefore an awareness programme could be constructed that highlights the benefits of an entrepreneurial lifestyle, and encourages people to see it as the best career path, and the career path of first choice (New Zealand, Online 15 April 2004:8).

This would, however, then necessitate the need for SME failures to be tracked formally throughout South Africa, as at present there is no tracking occurring, and therefore a metric in this regard could not be established.

Furthermore, a government strategy to encourage the population to strive for an entrepreneurial lifestyle would be an intervention that could be measured if there was a national business registration process. Similar programmes have been implemented in other countries such as Japan and New Zealand with great success, which did improve the start-up rate. There is currently no such intervention in South Africa.

A further 21.3% of the respondents claimed to have identified an opportunity, a factor which was identified in Chapter 3 as a critical success factor for entrepreneurs (Scarborough and Zimmerer 2000:4; Nieman, Hough and Nieuwenhuizen, 2003:20; Scarborough and Zimmerer 2000:76), and which is above average on Burch's Entrepreneurship Scale (Burch 1986:1). This has benefits from multiple perspectives. Firstly, they are starting a new business, which increases the SME start-up rate. Secondly, these opportunity-aware entrepreneurs have a greater probability of success and of striving for growth, because being opportunity aware is a key critical success factor. These entrepreneurs are chasing the opportunity and not a lifestyle. Therefore, a programme that teaches people techniques and skills in opportunity awareness could improve the start-up rate of businesses by these very important entrepreneurs, and could also help existing entrepreneurs to identify new opportunities which could very well lead to the growth of their existing or new businesses.

A further 19.1% indicated that the reason for their entry into entrepreneurship was due to circumstances. These were people who had no choice, as they had lost their jobs for one or other reasons, and were running out of financial resources. These respondents will score below average on the Burch Scale of Entrepreneurship (Burch 1986:31). These respondents are reluctant entrepreneurs, and at best will end up becoming like the first group, and will want to sustain a reasonable lifestyle. There is no probability or need to improve the formal sector SME start-up rate from this source, and no further action is required.

The next reason identified was the 'family business' at 8.1%. These businesses already exist and the reasons for their existence will fall into one of the two prior categories. Therefore no additional effort is

required here, as one or both of the two prior programmes suggested would encompass these people as well.

The final reason was ‘previous experience’, which included both practical experience and / or particular skills linked to the business. An example would be someone who has served an apprenticeship as a printer, who then identifies an opportunity to create his or her own printing business. The key here is the ownership of a particular skill that enables the person to be competent to firstly identify a suitable opportunity and then to run such a business. Therefore, a key focus has to be technical education. Once again the awareness programme for showing the benefits of the entrepreneurial lifestyle can be used. There is a tendency to perceive these careers as being inferior, and therefore the programme must build around the broadest range of possible business opportunities, so that the perception of technical careers as being inferior is removed.

If cognisance is taken of the respondents’ suggestions for Questions 24a and 24b, other factors are also identified. The respondents were not focused in their responses for each question and many of he suggestions would fall into the functional intervention category, and therefore must be discarded.

A wide range of suggested interventions to improve SME growth were made, and they can be summarised as shown in Table 7.3 below.

1	Tax	Tax relief in the form of tax holidays for new businesses, tax cuts on retained income, lowered tax rates, increased tax deductions on new assets, tax incentives for new labour intensive businesses, change VAT for SMEs to payment rather than invoice basis, tax incentives to purchase own premises
2	Finance	Structured finance, government to pay creditors faster, subsidise international patents, subsidise testing for international standards, subsidise capital equipment, loans at preferential interest rates, market research funding, funding for BBBEE transactions, logistics/transport subsidies, fund innovation
3	Export/Import	Assistance with market development, provide market research on international markets, assistance with import replacement programmes, create a national database of exporters and products, promote Tradepoint more
4	Skills	Provide access to competent mentorship, provide access to skills development, provide business management skills training to entrepreneurs, remove learnerships, reinstate apprenticeships
5	Marketing	Assist with marketing
6	Selection	Select businesses for programmes on basis of merit
7	Longevity	If programmes are working do not allow them to terminate after a short period

Table 7.3 – Suggestions from respondents to assist SME growth

A wide range of suggested interventions to improve the SME start-up rate were made, and they can be summarised as shown in Table 7.4 below.

1	Tax	Tax relief in the form of tax holidays for new businesses, tax cuts on retained income, lowered tax rates, tax incentives for new labour intensive businesses, tax incentives for training of staff
2	Finance	Structured finance, government to pay creditors faster, provide grants to start up businesses, remove racial barriers to accessing finance, loans at preferential interest rates
3	Skills	Provide access to competent mentorship, provide business management skills training to entrepreneurs, provide marketing skills training to entrepreneurs, provide business planning skills training to entrepreneurs, provide competent business support centres, provide financial and administration skills training to entrepreneurs
4	Information	Provide information on starting and running businesses, improve access to information from the DTI, streamline access to programmes
5	Marketing	Create networking opportunities
6	Selection	Select businesses for programmes on basis of merit
7	Preferential procurement	Convert from BBBEE to SME

Table 7.4 – Suggestions from respondents to assist SME start-ups

In certain cases some of the suggestions, for example reduced tax rates for SMEs, have already been implemented. The overlap between the proposed interventions for increasing the SME start-up rate and the growth of SMEs is noteworthy. It would only require nine (9) programmes of selective interventions to be implemented to cover all the suggestions.

These suggestions should be investigated further to see which of them could be used as a means to improve the SME start-up and growth rate, as the source itself should be able to provide reasonable insight into its own needs.

The factors that stimulate the establishment and growth rates in SMEs have been established.

7.3.2 Determine the need for interventions by governments.

A need for interventions can be shown to exist, if respondent demand for these interventions can be shown to exist, if respondents have retained an awareness of interventions, and if the respondents are prepared to make recommendations for interventions they believe are necessary.

The primary data from the responses to Question 14 (Have you received assistance from government?) and Question 17 (Did you apply for assistance from government?) relate to the demand from the respondents.

Question 15 revealed that only 49.3% (67 respondents) were aware of government interventions. Of all the respondents, only 21.3% (29 respondents) applied for assistance (Question 17). Questions 14 and

18 in turn reveal that 14.7% (20 respondents) actually received benefit from a government intervention. The critical point here is that as a percentage of all respondents only 21.3% applied. However, if the fact that only 49.3% were aware of the interventions, and this is used as the basis for calculating the demand, then 20 out of 67 respondents (29.9%),who were aware of the interventions, applied. This is a relatively large proportion of the respondents who were aware of interventions, and is a clear indicator of demand. If the small number of interventions of which the respondents were aware is factored into the thinking, it is quite likely that demand would increase further if SMEs were made more aware of the available interventions through better communication.

Question 24a (intervention ideas for SME growth) had 84 respondents (61.8%) contribute 154 ideas for interventions. Question 24b (intervention ideas for SME start-up) had 64 respondents (47.1%) contribute 98 ideas for interventions. Question 25 (intervention ideas to improve the business environment) had 95 respondents (69.9%) produce 109 ideas for interventions. Whilst there is a lot of overlap between the responses to the three questions, the response is in excess of the awareness levels of government interventions. Despite the lack of awareness there was enthusiastic response to these questions, and is indicative of pent-up demand for government assistance.

The evidence from the secondary research clearly indicates the need for interventions. Governments need to implement functional interventions in order to bring their economies in line with global economic trends and practices. Bi-lateral and multi-lateral agreements between countries and economic groups add further incentive to implement functional interventions. An example of this is

the reduction of import duties by members of the European Union for goods from other members of the European Union. These changes could also occur as a result of global agreements to meet certain standards such as Basel II. Therefore these functional interventions should continue to be implemented in order to facilitate the implementation of changing economic environments.

Similarly, from time to time, governments respond to pressure from various lobby groups for protection. Developed countries are not immune to this practice, and the most current and ongoing example of this is the question of agricultural subsidies, which are implemented under the guise of protecting the country's food security.

The debate would tend to point to a greater utilisation of functional as opposed to selective interventions, on the assumption that functional interventions generally should and do not introduce any distortion into the structure of the economy. However, while selective interventions are also seen to be of value if utilised correctly to remove distortion from the market, they can be misused and thereby add to the economic structural distortion.

However consensus is that developed and developing countries can and should use a range of selective and functional interventions to improve the overall market structure, thereby creating an enabling environment for business.

The conclusion for this research objective is that there is a need for interventions by governments, and more specifically the South African government, which inherited a very skewed internally focused economy from the previous government in 1994.

7.3.3 Does South Africa need to implement interventions to increase the SME start-up rate? – Question 9.

In Question 9, the highest level of education obtained by the respondents was investigated. The responses revealed that only 2.9% of respondents had less than a matric level education and 18.4 % of respondents had a matric.

With 17.6% of the respondents, artisan skills made an important contribution to their makeup. The dismantling of the apprenticeship system, together with the collapse of the SETAs and their learnership systems, and the move by technical colleges, now known as Further Education and Training (FET) colleges, from technical artisan training towards soft skills and management skills, is indeed a bad indicator for the future of entrepreneurship. This will not only result in a skills shortage for existing businesses in these sub-sectors, but will also reduce the pool of potential entrepreneurs.

In the past, a technikon education was the source of technicians for the business community. In 16.2% of the respondents, a technikon education plays the same role, at a similar level of importance, as do artisan skills. This sector is seeing a similar situation occur with technikons becoming universities of technology. The same drift away from technical skills to soft skills and management skills is creating the same vacuum as for artisan skills, with the same potential skills shortage looming for existing business owners and a much smaller entrepreneur pool.

The input from the respondents reflected that 43.4% of the respondents had a university level of education, which is in line with global trends. The diversity of the degrees was broad. As with the FET colleges and the universities of technology, there is a strong drift

away from technical qualifications to the soft skilled qualifications, such as human resource degrees and social science degrees. This is a similar trend as displayed at the lower levels and will produce the same outcomes of a smaller pool of competent employees and future entrepreneurs.

There is a clear link between post-matriculation qualifications and entrepreneurship. There 43.4% with university degrees and a further 33.8% with technikon and technical college qualifications. Therefore 77.2% of the respondents who owned a business had more than a high school qualification. Therefore post school qualifications are an essential ingredient in the entrepreneurship mix. Therefore, the issue of education should be a matter of grave concern to the government, and despite government indirectly and directly acknowledging the problem, no coherent strategies have emerged to solve the problem.

Therefore, a major source of concern and opportunity for an intervention is apparent within the skills development and educational environments, as this is destroying the future pool of potential entrepreneurs during the incubation stage.

Question 24b (intervention ideas for SME start-up) had 64 respondents (47.1%) contribute 98 ideas for interventions. This response from the respondents would tend to indicate demand for selective interventions to improve the SME start-up rate, and by deduction a need for these interventions.

In an ideal situation there should be no need for interventions. However, the evidence indicates that almost every country in the world, whether developing or developed, has one or other programme

to increase the start-up rate of SMEs in their country and where applicable, SMMEs.

As an example, Japan (Japan, Online 15 April 2004:3) set goals to double their start-up rate in an effort to create a net increase in the number of businesses. The intention therefore was to see a net increase in the contribution to GDP growth and a decrease in unemployment.

However, this must be questioned as a strategy. The number of businesses in an economy should be a function of supply and demand. Businesses fail when there is insufficient demand, or they are inefficient in executing the supply. Therefore, by increasing the number of businesses without increasing the demand, it will possibly lead to a higher business failure rate, rather than a lower business failure rate. It could also lead to a situation where existing established businesses fail as a consequence of greater supply than there is demand. This viewpoint is endorsed by Bridge (1998:216) who suggests that the laws of supply and demand must be allowed to rule, and that interventions in the SME market are of no value.

Furthermore, SMMEs often function in a supportive role to large business. Therefore a possible strategy to increase SMME start-ups is to increase the number of large businesses, thereby stimulating the demand for products and services from SMMEs. This could be done through improved Foreign Direct Investment (FDI) strategies, business friendly or business neutral employment legislation, and interventions to grow formal sector businesses. As these businesses grow, they create demand as opposed to only supplying demand. This then creates possible opportunities for the informal sector to grow into the formal sector.

If we consider the other approach, the literature review indicates that SMEs can only generate jobs under two sets of circumstances. The first is when the SME start-up rate exceeds the SME failure rate, and the second when SMEs are in a growth phase.

The problem is that there is no verifiable means of tracking the start-up and failure rates of SMEs in South Africa and, therefore it cannot be established whether there is a need for interventions to increase the SME start-up rate. Therefore this needs to be addressed as a matter of urgency in order to establish whether there is such a need.

The strong emphasis on youth entrepreneurship interventions by the South African government must also be queried. The literature review reveals that management experience is a critical success factor for enterprise owners (Scarborough and Zimmerer 2000:25; Nieman, Hough and Nieuwenhuizen, 2003:273) as is technical expertise (Scarborough and Zimmerer 2000:27; Nieman, Hough and Nieuwenhuizen, 2003:1; Swanepoel et al, 2000:201). The risk of failure is greatly increased when the entrepreneur does not have management or technical expertise. Therefore this intervention approach must be reconsidered.

Finally, Bridge (1998:205) suggests that because job creation is important to governments, they will see interventions as a solution, and South Africa has very high unemployment.

The conclusion for this research objective would tend to indicate that there is a need for interventions to increase the SME start-up rate, but a more definitive study is required to assess the need more deeply and more carefully, and to find the correct strategy going forward. The

correct strategy is quite likely to lie somewhere between the two extremes.

7.3.4 Does South Africa need to implement interventions to increase the SME growth rate? – Questions 24

This was addressed in the questionnaire in Question 24a. Question 24a (intervention ideas for SME growth) had 84 respondents (61.8%) contribute 154 ideas for interventions. If this is understood in the context of the fact that only 49.3% of respondents were aware of interventions offered by the South African government, then it indicates demand for services of this kind from SMEs.

As with interventions to increase the SME start-up rate, Bridge (1998:205) suggests that because job creation is important to governments, they will see interventions as a solution, and with South Africa having very high unemployment, they will once again see interventions as a solution.

If Hallberg's (2000:10) postulation that job creation is only increased by SMEs in a growth phase is considered in conjunction with the high unemployment rate, then this should be a key focus for the South African government. However, the strategy offered is limited and does not appear to offer solutions to the problems associated with growth. As stated previously, the focus is on micro-enterprise creation rather than on SME creation and growth, a strategy which flies in the face of existing theory on improving the unemployment rate.

Therefore, the conclusion must be that there is a need for interventions to improve the SME growth rate. However a further complication is the fact that not every SME wants to grow. In the USA, for example, only 15% of new ventures are started with the

intent to grow (USA Council on Competitiveness Online 8 April 2007:3). This makes this intervention that much more difficult to implement.

7.3.5 Is South Africa implementing selective interventions for the SME sector? – Questions 14, 15, 16, 17, 18

This question is firstly addressed from the perspective of the primary data and then the secondary data. Questions 14 through 18 inclusive provide the answers to this research objective.

Question 14 (Have you received assistance from government?) and Question 18 (If you applied, were you successful?) were used to test the veracity of the respondents. Although only 14.7% of respondents replied in the affirmative to both these questions, the facts are that they applied for and received access to a variety of selective interventions.

Question 15 (Are you aware of interventions?) tracked the awareness of respondents and 49.3% stated that they were aware of interventions.

Question 16 further checked that those respondents who replied in the affirmative could list the interventions they claimed to be aware of. The list from the respondents to Question 16 generated a list of 99 unique responses, albeit that some were the organisation name rather the intervention name.

Question 17 (Did you apply for assistance?) yielded 21.3% of respondents who applied for interventions.

The Mann-Whitney U test was done to test hypotheses for those respondents who applied and were successful in receiving assistance from government, and those who were unsuccessful, and no difference between the responses from the different genders, different race groups and the various education levels was evident.

The literature review shows the existence of selective interventions for SMEs in South Africa. These have occurred in the form of new legislation and programmes from the Department of Trade & Industries (DTI).

There are 36 financial interventions and 14 non-financial interventions comprised of 2 x mentorship, 3 x training, 4 x information and 5 x incubator interventions listed on the DTI website. This totals 50 formal selective interventions aimed at the SMME sector. This figure could be higher, as organisations such as Khula and IDC, for example, have multiple short-term interventions running at any given moment in time.

Therefore, it must be acknowledged that there are selective SME interventions being executed by the South African government.

7.3.6 Are the South African selective interventions for the SME sector appropriate? Questions 22 and 23

Question 22 (if successful provide details of assistance) tracked the responses of the Control Group and Treatment Group separately. The respondents clearly indicated a trend towards positive responses from both groups, with the Control Group experiencing a greater overall impact on their businesses than the Treatment Group.

Similarly Question 23 (impact detail assessment) analyses the overall impact of the 17 individual interventions that the respondents participated in. While impact on Staff Numbers is not overly biased in favour of a positive impact, Turnover, Gross Profit and Nett Profit are positive for both the Control and Treatment Groups.

The responses to these two questions by both the Control and Treatment Groups conclude that the interventions that they applied for and were awarded, did make a noticeable positive impact on their businesses. Therefore it can be concluded that these interventions, as listed in Tables 19, 20, 21 and 22, are appropriate. The two which may be questionable, are the trade missions and the SETA skills training interventions where the impact was on the low side, but positive nonetheless. The other interventions cannot be assessed by respondent responses.

Further analysis of these interventions, however, reveals that although the focus may be, for example, for exporting or marketing, they all revolve around the supply of funding or refunding of costs incurred. Therefore, the core of these interventions is financial.

The critical success factors during the start-up phase can be summarised as follows. These factors have an external focus. The entrepreneur must exhibit opportunity awareness, as without an opportunity there is no business (Scarborough and Zimmerer 2000:4; Nieman, Hough and Nieuwenhuizen, 2003:20; Scarborough and Zimmerer 2000:76). In an effort to gain competitive advantage, the differentiation factors for this business must have been defined (Porter, 1985:11; Porter, 1985:38; Scarborough and Zimmerer 2000:33; Nieman, Hough and Nieuwenhuizen, 2003:265 Nieman, Hough and Nieuwenhuizen, 2003:270), the business model

formulated (Nieman, Hough and Nieuwenhuizen, 2003:26; Magretta, 2002:87; Porter 1985:38), and the strategy clearly defined (Eisenhardt, 2002:88; Porter 1986:15). A business plan, pulling all these factors together, must have been completed (Scarborough and Zimmerer 2000:32; Nieman, Hough and Nieuwenhuizen, 2003:20; Kotler, 2000:76), in order to understand, among other things, the amount of seed capital required as a critical resource, and where to source the required seed capital (Scarborough and Zimmerer 2000:412; Nieman, Hough and Nieuwenhuizen, 2003:147). The correct geographic location for the business must also have been selected during this process.

If government selective interventions to encourage start-up businesses are reviewed in the context of these critical success factors, the current situation is shown below in Table 7.5.

	Phase	**Description**	**Interventions**
1	Start-up	Opportunity awareness	No interventions available
2	Start-up	Differentiating factors	No interventions available
3	Start-up	Business model	No interventions available
4	Start-up	Strategy	No interventions available
5	Start-up	Feasibility study	No interventions available
6	Start-up	Business plan	Only funding to use external consultant. No ongoing training programmes for entrepreneurs.
7	Start-up	Location	No interventions available.
8	Start-up	Amount and source of seed capital	A wide variety of funding available. No single source for accessing the finance nor understanding which finance to use when.
9	Start-up	Decision-making ability	No interventions available.

Table 7.5 – Critical success factors for start-ups and available interventions

In the context of the summary in Table 7.5, it would appear that if interventions are intended to not only improve the SME start-up rate, but to create sustainable, successful SMEs in the process, the South African government interventions are not suitable.

If government selective interventions to encourage growth within existing businesses are reviewed in the context of these critical success factors, the current situation is shown below in Table 7.6.

	Phase	**Description**	**Interventions**
1	Growth	General management skills / experience	No interventions available.
2	Growth	Strategic management skills	No interventions available.
3	Growth	Organisational structure	No interventions available.
4	Growth	Technical skills	No interventions available.
5	Growth	Financial management skills	No interventions available.
6	Growth	Leadership skills	No interventions available.
7	Growth	Communication skills	No interventions available.
8	Growth	Inventory management skills	No interventions available.
9	Growth	Marketing skills	Only funding to use external consultant or refunding marketing costs. No training programmes for entrepreneurs.
10	Growth	Contingency management skills	No interventions available.
11	Growth	Poor controls and systems	NPI programme
12	Growth	Growth oriented	No interventions available.

Table 7.6 – Critical success factors for growth and available interventions

The overall situation is such that there are certain smaller interventions run on a short-term basis by various departments and parastatals, but no national training programme for the various business skills as determined as a critical success factor. In most cases, interventions are offered on the basis of providing funding for an external consultant to execute the activity, rather than to educate the entrepreneur, or to reimburse costs.

The South African government does demand a business plan from loan and grant applicants applying to the South African government, which indicates that they understand the fact that business plans are a critical success factor. However, there have been no interventions or programmes implemented to increase the broader understanding and knowledge associated with preparing a business plan. The South African government actively encourages the use of consultants to complete business plans, which further contributes to a lack of understanding by the business owner.

Furthermore, the South African government has not implemented a clear and broad-based communications strategy to provide the public with a detailed list of sources of finance, the amounts that can be loaned from each, and the criteria to be applied when applying. There have also been few long-term programmes. The programmes generally are changed and / or renamed on a short-term basis, or they are provided with insufficient funding and then suspended as soon as the intervention becomes known in the market and demand grows.

Continuity of intervention programmes is also a problem. The two examples of funds that were well accepted by the formal SME market were the Competitiveness Fund and the SME Development

Programme (SMEDP). The Competitiveness Fund was originally funded with EU funding but never continued by the South African government despite the high level of take-up for this fund. The SMEDP fund was also put on hold due to insufficient funds. The two programmes were specifically designed to aid the growth of formal sector SMEs, and yet both were curtailed. They were both financial interventions.

The review also indicated that South Africa is implementing a variety of different interventions. They have implemented 17 functional interventions and 50 selective interventions.

If the research objective as to the appropriateness of the South African selective interventions is answered, it can be stated that some of those that are being implemented are obviously appropriate, if the respondents' input is considered. However, if the critical success factors for improving the start-up and growth rates of SMEs is considered, then the strong bias toward financial interventions can be deemed to be contrary to the needs of business.

7.3.7 Are the South African functional interventions beneficial for the SME sector? Questions 26, 27, 28, 29, 30, 31, 32, 33 and 34

If functional interventions are reviewed in the general context of South Africa's GDP growth rate, as shown in Graph 1.3, which indicates a growth trend, it has to be assumed that the functional interventions are having some form of positive impact on the economy. However, in respect of the findings in Questions 26 through 34 which reviewed the impact of functional interventions on SMEs, the general trend was towards 'Little' to 'No Impact'. This would appear to be at odds with the general GDP growth trend in South Africa.

This could be as a result of the fact that the functional interventions selected in these questions are not those contributing to GDP growth, or simply those selected for this study are having a minimal impact on SMEs. A further possibility is that the impact on the businesses is potentially high, but that the respondents are either ignoring issues, like legislation, or are finding ways to work around it. As an example, many SMEs in South Africa no longer employ their staff directly, but rather through a labour broker, which allows the SME thereby to ignore most of the legislation, as they themselves do not actually have staff.

Question 26 (lower interest rates) showed a spread from 'No Impact' to 'Exceptional Impact', with an almost even spread across responses (Graph 6.8).

Question 27 (lower inflation rates) showed a spread from 'No Impact' to 'Exceptional Impact', but with a bias to greater (more positive) impact (Graph 6.9).

Question 28 (Basic Conditions of Employment Act) showed a spread from 'No Impact' to 'Exceptional Impact', but with a strong bias to 'No Impact'. This response could be explained by the use of labour brokers (Graph 6.10).

Question 29 (Employment Equity Act) showed a spread from 'No Impact' to 'Exceptional Impact', but with a strong bias to 'No Impact'. This too is avoided by using labour brokers, which could explain the response (Graph 6.11).

Question 30 (National Credit Act) showed a spread from ‘No Impact’ to ‘Exceptional Impact’, but with a weak bias to ‘No Impact’. The spread is fairly even (Graph 6.12).

Question 31 (Skills Development Act) showed a spread from ‘No Impact’ to ‘Exceptional Impact’, but with a very strong bias to ‘No Impact’. This is because SMEs with an annual salary bill of under R500 000.00 were removed from the list of those businesses having to pay a skills levy. However, they were still supposed to receive training from their SETA but this has not happened. This would explain the very strong bias to No Impact (Graph 6.13).

Question 32 (exchange rate stability) showed a spread from ‘No Impact’ to ‘Exceptional Impact’. The spread is fairly even except for ‘Very Little Impact’ (Graph 6.14).

Question 33 (access to international markets) showed a spread from ‘No Impact’ to ‘Exceptional Impact’ but with a very strong bias to ‘No Impact’ (Graph 6.15).

Question 34 (reduced exchange controls) showed a spread from ‘No Impact’ to ‘Exceptional Impact’, but with a very strong bias to ‘No Impact’ (Graph 6.16).

The modal responses for Questions 26 through 34 are displayed in Table 6.35 and provide an insight into the overall responses for these questions. However, Questions 28, 29, 30, 31, 33, and 34 all had modal responses of ‘No Impact’. Hypotheses testing for Questions 26 through 34, found that the mean scores for these questions was below ‘High Impact’.

7.4 Caveats

The universum utilised for this study was the SME members of the Pietermaritzburg, Ladysmith, Durban and Zululand Chambers of Commerce in KZN. This universum, albeit a large universum, is not representative of all SMEs in KZN or South Africa. Therefore, the findings for the primary research executed in this study may not lead to accurate extrapolations for the SME universum of South Africa.

This situation was exacerbated by a low response rate from the respondents selected for the research, which resulted in the required sample size for a representative sample not being met. The Control Group had a response rate of 18.7% and the Treatment Group 25.1%.

The use of postal / email surveys does lead to a number of problems. There is no control over the respondents' understanding of the question, as the respondent interprets the questions in their own context. The benefit of this, however, is that the interviewer cannot bias the findings by guiding the respondents to a particular response.

The lack of access to research and data related to government interventions and their outcomes further limits the findings. As there is no known research being executed into the outcomes of these interventions, there is no proof of the success or failure of these efforts, and therefore nothing against which our findings can be measured.

7.5 Recommendations

A number of issues have arisen out of this research. These issues need to be addressed by the relevant role players in order to contribute to the research community at large.

7.5.1 Research universum

Critically important to all researchers is a valid database. The single largest problem associated with SME research in South Africa is the lack of a single database that encompasses all SMEs and which is available to researchers.

The single largest universum at present is the SARS database and they will not release their data, even in an edited format, to any researchers.

While the right to privacy of individuals and businesses is undisputed, the SARS database could add enormous value to the country's research base, not only within the SME sector, but also across all economic sectors. This data would be invaluable to the country as a whole, both from a private sector and a public sector perspective.

An independent database of SMEs could be established and made available to all researchers on production of their bona fides, by simply requiring all municipalities to register all businesses, at no charge, that are in operation within their areas, on a central database.

This would be a central database that could then also be used for research purposes, and provide the South African government with more accurate information on the market and its needs, and the success of their interventions. It would also allow for improved communication with the SME business community.

7.5.2 Government assistance

All bona fide researchers registered with a South African university should be allowed greater access to government data relevant to their

research. The government data can be used to the advantage of the nation as a whole by facilitating a higher standard of research, and as the government is essentially the public face of the country's population, it would be in the best interests of the citizens if the overall quality of research was so lifted.

7.6 Recommendations for further research

It is recommended that a number of areas be considered for further research. These are shown below.

7.6.1 The relationship between supply and demand and the creation of new SMEs

A longitudinal study should be executed that examines the relationship between the start-up rate of SMEs in the formal sector, and the GDP growth of the country. The study should track the establishment rate against the GDP growth rate to see if there is a direct correlation. Should this correlation exist, then the focus for governments in their intervention should be to stimulate GDP growth as a functional intervention, rather than the establishment of SMEs as a selective intervention. This would be a functional intervention.

This study should also consider which functional interventions, aimed at improving the economy in general, and perhaps selective interventions, aimed at growing Small enterprises into Medium enterprises, and Medium Enterprises into Large Enterprises, should be applied. The study could assess whether these businesses grow due to GDP growth, and if they create jobs as they grow, based upon increased demand. The study can further determine whether, as the SMEs grow into larger businesses, a shortage of SMEs (supply) develops and thereby stimulates the growth of SME start-ups.

7.6.2 Access to equity

The next area of possible research is to look at the tribal environment and the impact on access by citizens to land ownership, particularly in rural areas, and the concomitant impact on entrepreneurship. Furthermore to then study if the effects of this lack of access to land results in, as stated by Herman De Soto, a lack of equity, and in turn a lack of access to finance.

7.6.3 Selection of interventions

There is a definite trend among developed countries toward the use of functional interventions, and developing countries to the use of selective interventions. However, the use of interventions might in some way be linked to existing micro and macroeconomic issues and conditions in the country at the time of selection. A further study of these conditions is suggested in order to determine if there is a direct correlation between these conditions and the selection of the intervention. This would allow interventions to be selected on a more scientific basis, thereby possibly improving the possibility of success.

Furthermore, a detailed analysis of functional interventions and their impact on South African SMEs would add to the body of knowledge in this respect.

The current interventions require a complete review, and the basis of the process could be the recommendations from the respondents. There is a need for a simpler yet deeper approach to the interventions available in South Africa to increase the SME start-up and growth rates.

7.6.4 Review of government SME development institutions

The government has created a number of institutions such as SEDA, specifically to develop SMEs. A detailed analysis of the staff and a related skills audit would provide an insight into the contribution these people are able to make towards the development of their clients.

7.6.5 Race trends in the formal SME sector

The data as shown in Graph 6.1 shows definite skewness in favour of white business owners. This could be the result of any number of factors, including the perception of greater availability of equity to white business owners, or the effects of the Employment Equity Act, which has pushed many white people out of the corporate and government employment pool and into entrepreneurship.

This data should also be analysed to see if there is a preponderance of English as opposed to Afrikaans speakers. Afrikaans speaking people, who were beneficiaries of Apartheid era employment policies, may now be the larger component of the white business owners as they find themselves replaced by the beneficiaries of the Employment Equity Act.

This data could be further investigated to see if the existence of the Employment Equity Act acts as a deterrent or disincentive for people of race groups, other than white, to pursue entrepreneurship due to the perceived ease of access to employment in government or corporates.

7.6.6 Race within the membership of the Chambers of Commerce

There is a clear skewness in the race composition of the respondents who are members of the Chambers of Commerce. It would be interesting to study this area further to see if the skewness is related to the fact that perhaps other race groups do not want to participate in research efforts, or that the recruitment methodologies of the Chambers of Commerce introduce the skewness at the recruitment phase, or whether the skewness relates to the composition of the formal sector SMEs.

If the skewness relates to the composition of the formal sector SMEs, then this in itself offers a whole field of study as to whether or not the skewness is created by the interventions introduced by government, the lack of appropriate interventions by government, or cultural differences with respect to entrepreneurial drive and acceptance within the different race group communities.

7.6.7 Employment equity and loss of skills

Although the study did not analyse the data in this manner, the anecdotal evidence suggests that many of these business owners are working in industries unrelated to their technical skills. It would be of value to understand whether this is by choice or because the Employment Equity Act has forced them into entrepreneurship, and their qualifications are not suited to the SME sector, thereby forcing them into new, unrelated industry sectors. This could be of enormous value, as the Act could in fact indirectly be contributing to an increase in the number of entrepreneurs.

7.6.8 Use of selective interventions

The South African government appears to be making extensive use of selective interventions, in a manner that does not comply with existing trends in the use of interventions by developing governments. This also flies in the face of the argument, which tends to favour more extensive use of functional interventions as opposed to selective interventions in developing countries. This could be attributed to the dual nature of the South African economy that possesses elements of both a developing and a developed country.

The rationale of how interventions are selected in South Africa needs to be studied in order to assess why South Africa has a different profile in respect of intervention utilisation.

7.7 Conclusion

The government would appear to have had little direct impact on the start-up and growth rates of SMEs in the formal sector in KwaZulu-Natal, despite the fact that the interventions themselves appear to be relevant and of use to the respondent SMEs.

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The anecdotal evidence indicates that, prior to the global financial crisis in 2008, the South African GDP growth has resulted from global demand, government infrastructural spending and a range of functional interventions. This tends to endorse the Hallberg (2000:10) approach which suggests that the use of interventions is best focused on functional interventions that stimulate GDP growth rather than selective interventions.

An increase in SME start-up and growth rates is preferably based upon sound economic principles of supply and demand, as opposed to selective interventions which may skew the economy, and for

which there may be no sound economic basis. This could very well lead to a lack of sustainability for the newly created businesses using this methodology. Furthermore, nowhere in the South African government SMME Strategy 2005 do they refer to the fact that their efforts are based upon economic sectoral research, and that their selective efforts are based upon research data indicating a need or structural hole within the sector, either nationally or internationally.

Appendices

Appendix 1

Summary table of functional interventions in developed countries by country	
Ireland	Encourage FDI [1]
Ireland	Infrastructure [1]
Ireland	Human resource development[1]
Ireland	Management development [1]
Ireland	Reform of macroeconomic issues [1]
France	Encourage FDI [2]
France	Less government interference in the economy [2]
Japan	Create greater awareness of the benefits of entrepreneurship and enterprise to the general public [3]
Japan	On-line start up support system[3]
Japan	Special entrepreneurship training for university undergraduates [3]
Japan	Removed legislative barriers in respect of start up capital [3]
Japan	Train entrepreneurship at high schools [3]
Japan	Reduce legislative barriers to recovery from bankruptcy [3]
Japan	Reform of macro-economic issues [3]
USA	Tax incentives for job creation investment [4]
USA	Infrastructure [4]
USA 2	Develop capital markets [5]
USA 3	Deregulation of financial services sector [6]
Canada	Infrastructure [7]
New Zealand	Create greater awareness of the benefits of entrepreneurship and enterprise to the general public [8]
New Zealand	Encourage FDI [8]
New Zealand	Training and education on accessing finance to individuals and firms [8]

New Zealand	Deregulation [8]
New Zealand	Infrastructure [8]
New Zealand	Human resource development [8]
New Zealand	Enabling access to innovation and new technologies [8]
Australia	Encourage FDI [9]
Australia	Deregulation [9]
Australia	Infrastructure [9]
Australia	Improve education system [9]
Australia	Human resource development [9]

[1] Heraty and Morley 2003:63, Heraty and Morley 2003:68, Heraty and Morley 2003:62; [2] Hancke, Online, 12 February 2004:5; [3] Japan, Online 15 April 2004:3; [4] USA, Online 15 April 2004:3; [5] USA 2, Online 15 April 2004:1; [6] USA 3, Online 15 April 2004:2; [7] Canada, Online 15 April 2004:3; [8] New Zealand, Online 15 April 2004:6, New Zealand, Online 15 April 2004:8; [9] Australia, Online 16 June 2004.

Appendix 1 indicates that the minimum number of interventions applied per developed country was 1, the maximum number of interventions were 7 and the average 4 interventions.

Appendix 2

Summary table of functional interventions in developed countries by intervention	
New Zealand	Deregulation [8]
Australia	Deregulation [9]
USA 3	Deregulation of financial services sector [6]
USA 2	Develop capital markets [5]
New Zealand	Enabling access to innovation and new technologies [8]
Ireland	Encourage FDI [1]
France	Encourage FDI [2]
New Zealand	Encourage FDI [8]
Australia	Encourage FDI [9]
Japan	Create greater awareness of the benefits of entrepreneurship and enterprise to the general public [3]
New Zealand	Create greater awareness of the benefits of entrepreneurship and enterprise to the general public [8]
New Zealand	Human resource development [8]
Australia	Human resource development [9]
Ireland	Human resource development[1]
Australia	Improve education system [9]
Ireland	Infrastructure [1]
USA	Infrastructure [4]
Canada	Infrastructure [7]
New Zealand	Infrastructure [8]
Australia	Infrastructure [9]
France	Less government interference in the economy [2]
Ireland	Management development [1]
Japan	On-line start up support system[3]

Japan	Reduce legislative barriers to recovery from bankruptcy [3]
Ireland	Reform of macroeconomic issues [1]
Japan	Reform of macro-economic issues [3]
Japan	Removed legislative barriers in respect of start up capital [3]
Japan	Special entrepreneurship training for university undergraduates [3]
USA	Tax incentives for job creation investment [4]
Japan	Train entrepreneurship at high schools [3]
New Zealand	Training and education on accessing finance to individuals and firms [8]

[1] Heraty and Morley 2003:63, Heraty and Morley 2003:68, Heraty and Morley 2003:62; [2] Hancke, Online, 12 February 2004:5; [3] Japan, Online 15 April 2004:3; [4] USA, Online 15 April 2004:3; [5] USA 2, Online 15 April 2004:1; [6] USA 3, Online 15 April 2004:2; [7] Canada, Online 15 April 2004:3; [8] New Zealand, Online 15 April 2004:6, New Zealand, Online 15 April 2004:8; [9] Australia, Online 16 June 2004;

Appendix 2 indicates that 71.4%, 5 of the 7 countries reviewed, have implemented improvements to basic infrastructure while 57.1% (4) have attempted to encourage FDI. There were 42.9% (3) who implemented human resource development programmes. A further 28.6% (2) attempted to create a greater awareness of the benefits of entrepreneurship and enterprise to the general public, reform of macroeconomic issues and a similar number deregulated their economies while 14.3% (1) specifically deregulated their financial services sector only. Again only 14.3% (1) each attempted to develop their capital market, enable access to innovation and new technologies, improve their education systems, reduce government interference in the economy, develop management skill in private enterprise, provide an on-line start up support, reduce legislative barriers to recovery from bankruptcy, remove legislative barriers in respect of start up capital, implement special entrepreneurship training for university undergraduates, provide tax incentives for job creation investment, implement entrepreneurship training at high schools, and finally to provide training and education on accessing finance to individuals and firms.

Appendix 3

Summary table of selective interventions in developed countries by country	
Austria	Providing loans and guarantees for SMEs through venture capital, public financial institutions and public credit guarantee systems[1]
Austria	Innovation centres[1]
Canada	Providing all information through a single Internet gateway.[2]
Canada	Replaced SME subsidies with a loan system[3]
Germany	Reduced red tape for business start-ups[4]
Germany	Deregulation of laws and regulations relating to SMEs[4]
Germany	Provide service centers for SMEs to, assist small businesses with financial, marketing, production, organization, engineering and technical problems, and feasibility studies[4]
Germany	Reduced taxes for SMEs[4]
Germany	Providing all information through a single Internet gateway[4]
Germany	Providing loans and guarantees for SMEs through venture capital, public financial institutions and public credit guarantee systems[4]
Italy	Upgrading of management skills in SMEs[5]
Japan	Promotion of business start-ups[6]
Japan	Upgrading of management skills in SMEs[6]
Japan	Policies for creating powerful, innovative SMEs by supporting individuals and companies who take on business challenges even under difficult conditions[6]
Japan	Plan to realize 1,000 university-launched ventures[6]
Japan	Plan to double startups on an annual basis[6]
Japan	Providing loans and guarantees for SMEs through venture capital, public financial institutions and public credit guarantee systems[6]
Japan	Developed the use of financing that is not dependent on real estate such as land and buildings as collateral, but based on the business plan[6]
USA	Provide service centers for SMEs to, assist small businesses with financial, marketing, production, organization, engineering and technical problems, and feasibility studies[7]

USA	Reduced taxes for SMEs[8]
USA	Conversion of SMEs to cash based rather than accrual accounting system to improve cash flow[8]
USA	Reduce administrative burden[8]
USA	Increased depreciation allowances for SMEs[9]
UK	Upgrading of management skills in SMEs[10]

[1] Austria, Online 10 July 2004:3; [2] Canada, Online 15 April 2004:5; [3] Canada, Online 15 April 2004:3; [4] Welter, 2004, Online 10 July 2004:2; [5] Garofoli Online June 1999:3 ; [6] Japan, Online 15 April 2004:3-4; [7] USA 4, Online 15 April 2004:1; [8] United States of America, Online 21February 2004:1; [9] USA 5, Online 15 April 2004:3, Barreto, Online, 21 February 2004:2;[10] Boocock, et al. 1998:187; Smith and Whittaker,1998:176; Chaston, Badger and Sadler-Smith, 1999:191; Devins and Johnson,2002:370;

Appendix 3 indicates that the minimum number of interventions applied in developed countries was 1, the maximum number of interventions was 7 and the average 3 interventions.

Appendix 4

Summary table of selective interventions in developed countries by intervention	
USA	Conversion of SMEs to cash based rather than accrual accounting system to improve cash flow[8]
Germany	Deregulation of laws and regulations relating to SMEs[4]
Japan	Developed the use of financing that is not dependent on real estate such as land and buildings as collateral, but based on the business plan[6]
USA	Increased depreciation allowances for SMEs Jobs and growth[9]
Austria	Innovation centres[1]
Japan	Plan to double startups on an annual basis[6]
Japan	Plan to realize 1,000 university-launched ventures[6]
Japan	Policies for creating powerful, innovative SMEs by supporting individuals and companies who take on business challenges even under difficult conditions[6]
Japan	Promotion of business start-ups[6]
Germany	Provide service centers for SMEs, to assist small businesses with financial, marketing, production, organization, engineering and technical problems, and feasibility studies[4]
USA	Provide service centers for SMEs to, assist small businesses with financial, marketing, production, organization, engineering and technical problems, and feasibility studies[7]
Canada	Providing all information through a single Internet gateway[2]
Germany	Providing all information through a single Internet gateway[4]
Austria	Providing loans and guarantees for SMEs through venture capital, public financial institutions and public credit guarantee systems[1]
Germany	Providing loans and guarantees for SMEs through venture capital, public financial institutions and public credit guarantee systems[4]
Japan	Providing loans and guarantees for SMEs through venture capital, public financial institutions and public credit guarantee systems[6]
USA	Reduce administrative burden[8]
Germany	Reduced red tape for business start-ups[4]

Germany	Reduced taxes for SMEs[4]
USA	Reduced taxes for SMEs[8]
Canada	Replaced SME subsidies with a loan system[2]
Italy	Upgrading of management skills in SMEs[5]
Japan	Upgrading of management skills in SMEs[6]
UK	Upgrading of management skills in SMEs[10]

[1] Austria, Online 10 July 2004:3; [2] Canada, Online 15 April 2004:5; [3] Canada, Online 15 April 2004:3; [4] Welter, 2004. Online 10 July 2004:2; [5] Garofoli Online June 1999:3 ; [6] Japan, Online 15 April 2004:3-4; [7] USA 4, Online 15 April 2004:1; [8] United States of America, Online 21February 2004:1; [9] USA 5, Online 15 April 2004:3, Barreto, Online, 21 February 2004:2;[10] Boocock, et al. 1998:187; Smith and Whittaker,1998:176; Chaston, Badger and Sadler-Smith, 1999:191; Devins and Johnson,2002:370;

Appendix 4 indicates that 43% (3) of the countries offered loans or loan guarantees to SMEs, and a similar number provided educational opportunities for SMEs to upgrade management skills.

A further 29% (2) of the countries, but not necessarily the same two countries implemented changes to reduce taxes for SMEs, provided service centres to assist with information, and/or provided Internet gateways providing all the information an SME could require to start or run an SME.

Of the seven countries reviewed, only 14% (1) country each selected the following interventions which included allowing SMEs to convert to cash based accounting in order to improve their cash flow, deregulating laws pertaining to SMEs, changing the basis for loans from collateral to business plans, increasing SME depreciation allowances, creating innovation centres, management reforms, planning to double the number of new startups per annum, planning to realize 1000 university-launched ventures, creating support policies for entrepreneurs, promoting business startups, reducing red tape for business startups and replacing SME subsidies with SME loans.

Appendix 5

Summary table of functional interventions in developing countries by country	
Anguilla[7]	Infrastructure
Anguilla[7]	Increase savings
Antigua[8]	Human resource development
Antigua[8]	Improve education system
Antigua[8]	Reduce deficit
Antigua[8]	Reform of public administration
Antigua[8]	Expand export products
Antigua[8]	Tax reform
Bahamas[9]	Tax reform
Bahamas[9]	Encourage FDI
Bahamas[9]	Reform of macro-economic issues
Bahamas[9]	Infrastructure
Barbados[10]	Reduce deficit
Barbados[10]	Reform of public administration
Barbados[10]	Infrastructure
Barbuda[8]	Human resource development
Barbuda[8]	Improve education system
Barbuda[8]	Reduce deficit
Barbuda[8]	Reform of public administration
Barbuda[8]	Expand export products
Barbuda[8]	Tax reform
Belize[11]	Privatisation
Belize[11]	Improve education system

Belize[11]	Reform of macro-economic issues
Brazil[6]	Economic and forex liberalisation
Brazil[6]	Privatisation
British Virgin Islands[12]	Reform environmental management
British Virgin Islands[12]	Infrastructure
British Virgin Islands[12]	Human resource development
British Virgin Islands[12]	Reform of public administration
Cayman Islands[13]	Infrastructure
Cayman Islands[13]	Improve education system
Commonwealth of Dominica[14]	Encourage FDI
Commonwealth of Dominica[14]	Reform of macro-economic issues
Commonwealth of Dominica[14]	Reduce deficit
Grenada[15]	Privatisation
Grenada[15]	Human resource development
Grenada[15]	Reduce deficit
Guyana[16]	Human resource development
Guyana[16]	Reform of public administration
India[6]	Economic and forex liberalisation
India[6]	Privatisation
Jamaica[3]	Reform of macro-political issues
Jamaica[3]	Infrastructure
Jamaica[3]	Privatisation
Jamaica[4]	Human resource development
Jamaica[4]	Reform of macro-economic issues
Jamaica[4]	Improve education system

Malaysia[25]	Reform of macro-economic issues
Malaysia[25]	Improve efficiency of resource mobilisation and utilisation
Montserrat[17]	Encourage FDI
Montserrat[17]	Human resource development
Montserrat[17]	Infrastructure
Montserrat[17]	Reform of macro-economic issues
Phillipines[23]	Reform of public administration
Phillipines[23]	Tax reform
Phillipines[23]	Human resource development
Phillipines[23]	Improve education system
Romania[26]	Privatisation
Romania[26]	Reform of macro-economic issues
Slovakia[1]	Encourage FDI
Slovakia[2]	Tax reform
Slovakia[2]	Reform of public administration
St Kitts and Nevis[19]	Reform of macro-economic issues
St Kitts and Nevis[19]	Reform environmental management
St Kitts and Nevis[19]	Reduce deficit
St Kitts and Nevis[19]	Encourage FDI
St Kitts and Nevis[19]	Human resource development
St Lucia[18]	Privatisation
St Lucia[18]	Reform of macro-economic issues
St Lucia[18]	Improve efficiency of resource mobilisation and utilization
St Lucia[18]	Increase savings
St Lucia[18]	Reform of public administration

St Lucia[18]	Tax reform
St Lucia[18]	Economic and forex liberalisation
St Vincent and Grenadines[20]	Increase savings
St Vincent and Grenadines[20]	Human resource development
Taiwan[24]	Improve education system
Taiwan[24]	Reform of macro-economic issues
Tobago[3]	Privatisation
Tobago[3]	Reform of macro-political issues
Tobago[3]	Infrastructure
Tobago[5]	Reform of macro-economic issues
Tobago[5]	Reform environmental management
Tobago[5]	Human resource development
Tobago[5]	Reduce deficit
Tobago[5]	Encourage FDI
Tobago[5]	Increase savings
Trinidad[3]	Privatisation
Trinidad[3]	Reform of macro-political issues
Trinidad[3]	Infrastructure
Trinidad[5]	Reform of macro-economic issues
Trinidad[5]	Reform environmental management
Trinidad[5]	Human resource development
Trinidad[5]	Reduce deficit
Trinidad[5]	Encourage FDI
Trinidad[5]	Increase savings
Turks and Caicos Islands[21]	Reform of public administration

Turks and Caicos Islands[21]	Infrastructure
Turks and Caicos Islands[21]	Reform environmental management
Yugoslavia[22]	Economic and forex liberalization
Yugoslavia[22]	Encourage FDI
Yugoslavia[22]	Privatisation
Yugoslavia[22]	Reform of macro-economic issues

[1] Kohutikova, Online, 12 February 2004:1; [2] Kohutikova, Online, 12 February 2004:2; [3] Wint 1998:288; [4] Caribbean Development Bank, Online, 22 February 2004:69; [5] Caribbean Development Bank, Online, 22 February 2004:95; [6] Pedersen, Online, 20 February 2004:5; [7] Caribbean Development Bank, Online, 22 February 2004:6; [8] Caribbean Development Bank, Online, 22 February 2004:11; [9] Caribbean Development Bank, Online, 22 February 2004:17; [10] Caribbean Development Bank, Online, 22 February 2004:23; [11] Caribbean Development Bank, Online, 22 February 2004:28; [12] Caribbean Development Bank, Online, 22 February 2004:34; [13] Caribbean Development Bank, Online, 22 February 2004:41; [14] Caribbean Development Bank, Online, 22 February 2004:49; [15] Caribbean Development Bank, Online, 22 February 2004:59; [16] Caribbean Development Bank, Online, 22 February 2004:63; [17] Caribbean Development Bank, Online, 22 February 2004:74; [18] Caribbean Development Bank, Online, 22 February 2004:79; [19] Caribbean Development Bank, Online, 22 February 2004:85; [20] Caribbean Development Bank, Online, 22 February 2004:90; [21] Caribbean Development Bank, Online, 22 February 2004:99; [22] Organisation for Economic Co-operation and Development, Online, 15 April 2004:2; [23] The Government of the Republic of the Philippines, Online, 15 April 2004; [24] Taiwan, Online 15 April 2004:4; [25] Malaysia, Online 15 April 2004:3; [26] Romania, 2002. Online 15 April 2004;

Appendix 5 indicates that the minimum number of interventions applied in developing countries was 2, the maximum number of interventions was 9 and the average 4 interventions.

Appendix 6

Summary table of functional interventions in developing countries by intervention	
Brazil[6]	Economic and forex liberalisation
India[6]	Economic and forex liberalisation
St Lucia[18]	Economic and forex liberalisation
Yugoslavia[22]	Economic and forex liberalization
Bahamas[9]	Encourage FDI
Commonwealth of Dominica[14]	Encourage FDI
Montserrat[17]	Encourage FDI
Slovakia[1]	Encourage FDI
St Kitts and Nevis[19]	Encourage FDI
Tobago[5]	Encourage FDI
Trinidad[5]	Encourage FDI
Yugoslavia[22]	Encourage FDI
Antigua[8]	Expand export products
Barbuda[8]	Expand export products
Antigua[8]	Human resource development
Barbuda[8]	Human resource development
British Virgin Islands[12]	Human resource development
Grenada[15]	Human resource development
Guyana[16]	Human resource development
Jamaica[4]	Human resource development
Montserrat[17]	Human resource development
Philippines[23]	Human resource development
St Kitts and Nevis[19]	Human resource development

St Vincent and Grenadines[20]	Human resource development
Tobago[5]	Human resource development
Trinidad[5]	Human resource development
Antigua[8]	Improve education system
Barbuda[8]	Improve education system
Belize[11]	Improve education system
Cayman Islands[13]	Improve education system
Jamaica[4]	Improve education system
Philippines[23]	Improve education system
Taiwan[24]	Improve education system
Malaysia[25]	Improve efficiency of resource mobilisation and utilisation
St Lucia[18]	Improve efficiency of resource mobilisation and utilisation
Anguilla[7]	Increase savings
St Lucia[18]	Increase savings
St Vincent and Grenadines[20]	Increase savings
Tobago[5]	Increase savings
Trinidad[5]	Increase savings
Anguilla[7]	Infrastructure
Bahamas[9]	Infrastructure
Barbados[10]	Infrastructure
British Virgin Islands[12]	Infrastructure
Cayman Islands[13]	Infrastructure
Jamaica[3]	Infrastructure
Montserrat[17]	Infrastructure
Tobago[3]	Infrastructure

Trinidad[3]	Infrastructure
Turks and Caicos Islands[21]	Infrastructure
Belize[11]	Privatisation
Brazil[6]	Privatisation
Grenada[15]	Privatisation
India[6]	Privatisation
Jamaica[3]	Privatisation
Romania[26]	Privatisation
St Lucia[18]	Privatisation
Tobago[3]	Privatisation
Trinidad[3]	Privatisation
Yugoslavia[22]	Privatisation
Antigua[8]	Reduce deficit
Barbados[10]	Reduce deficit
Barbuda[8]	Reduce deficit
Commonwealth of Dominica[14]	Reduce deficit
Grenada[15]	Reduce deficit
St Kitts and Nevis[19]	Reduce deficit
Tobago[5]	Reduce deficit
Trinidad[5]	Reduce deficit
British Virgin Islands[12]	Reform environmental management
St Kitts and Nevis[19]	Reform environmental management
Tobago[5]	Reform environmental management
Trinidad[5]	Reform environmental management
Turks and Caicos Islands[21]	Reform environmental management

Bahamas[9]	Reform of macro-economic issues
Belize[11]	Reform of macro-economic issues
Commonwealth of Dominica[14]	Reform of macro-economic issues
Jamaica[4]	Reform of macro-economic issues
Malaysia[25]	Reform of macro-economic issues
Montserrat[17]	Reform of macro-economic issues
Romania[26]	Reform of macro-economic issues
Taiwan[24]	Reform of macro-economic issues
St Kitts and Nevis[19]	Reform of macro-economic issues
St Lucia[18]	Reform of macro-economic issues
Tobago[5]	Reform of macro-economic issues
Trinidad[5]	Reform of macro-economic issues
Yugoslavia[22]	Reform of macro-economic issues
Jamaica[3]	Reform of macro-political issues
Tobago[3]	Reform of macro-political issues
Trinidad[3]	Reform of macro-political issues
Antigua[8]	Reform of public administration
Barbados[10]	Reform of public administration
Barbuda[8]	Reform of public administration
British Virgin Islands[12]	Reform of public administration
Guyana[16]	Reform of public administration
Philippines[23]	Reform of public administration
Slovakia[2]	Reform of public administration
St Lucia[18]	Reform of public administration
Turks and Caicos Islands[21]	Reform of public administration

Antigua[8]	Tax reform
Bahamas[9]	Tax reform
Barbuda[8]	Tax reform
Philippines[23]	Tax reform
Slovakia[2]	Tax reform
St Lucia[18]	Tax reform

[1] Kohutikova, Online, 12 February 2004:1; [2] Kohutikova, Online, 12 February 2004:2; [3] Wint 1998:288; [4] Caribbean Development Bank, Online, 22 February 2004:69; [5] Caribbean Development Bank, Online, 22 February 2004:95; [6] Pedersen, Online, 20 February 2004:5; [7] Caribbean Development Bank, Online, 22 February 2004:6; [8] Caribbean Development Bank, Online, 22 February 2004:11; [9] Caribbean Development Bank, Online, 22 February 2004:17; [10] Caribbean Development Bank, Online, 22 February 2004:23; [11] Caribbean Development Bank, Online, 22 February 2004:28; [12] Caribbean Development Bank, Online, 22 February 2004:34; [13] Caribbean Development Bank, Online, 22 February 2004:41; [14] Caribbean Development Bank, Online, 22 February 2004:49; [15] Caribbean Development Bank, Online, 22 February 2004:59; [16] Caribbean Development Bank, Online, 22 February 2004:63; [17] Caribbean Development Bank, Online, 22 February 2004:74; [18] Caribbean Development Bank, Online, 22 February 2004:79; [19] Caribbean Development Bank, Online, 22 February 2004:85; [20] Caribbean Development Bank, Online, 22 February 2004:90; [21] Caribbean Development Bank, Online, 22 February 2004:99; [22] Organisation for Economic Co-operation and Development, Online, 15 April 2004:2; [23] The Government of the Republic of the Philippines, Online, 15 April 2004; [24] Taiwan, Online 15 April 2004:4; [25] Malaysia, Online 15 April 2004:3; [26] Romania, 2002. Online 15 April 2004;

Appendix 6 indicates that 50% of the 26 countries reviewed have implemented macro-economic reforms as part of their intervention programmes and 46.2% have implemented human resource development as an intervention. Similarly 38.5% have implemented improvements to basic infrastructure and privatised their state assets as an intervention. Additionally 34.6% implemented interventions that included a reform of public administration, and an attempt to reduce their deficits and encourage FDI was made by 30.8% of the countries. Of the 26 countries 26.9% had attempted to improve their education system and additionally a similar number had attempted to increase savings. A further 23.1% had executed tax reform, 19.2% had attempted to reform the environmental management systems in their respective countries. A mere 15.3% intervened through liberalisation of their economies and forex trading while 11.5% intervened through reform of the macro-political systems. Only 7.7% attempted to expand the product base for exports as an intervention and the same number similarly intervened by improving the efficiency of resource mobilisation and utilisation.

Appendix 7

Summary table of selective interventions in developing countries	
Anguilla[1]	Expanding economy into new sectors and sub-sectors
Antigua[2]	Improve competitiveness of existing industry sectors
Antigua[2]	SME training
Bahamas[3]	Expanding economy into new sectors and sub-sectors
Bahamas[3]	Improve competitiveness of existing industry sectors
Barbados[4]	Expanding economy into new sectors and sub-sectors
Barbados[4]	Improve competitiveness of existing industry sectors
Barbuda[2]	Improve competitiveness of existing industry sectors
Barbuda[2]	SME training
Belize[5]	Expanding economy into new sectors and sub-sectors
Belize[5]	Improve competitiveness of existing industry sectors
Belize[5]	Streamlining of export processes for SMEs
Commonwealth of Dominica[6]	Expanding economy into new sectors and sub-sectors
Commonwealth of Dominica[6]	SME service centres
Grenada[7]	Expanding economy into new sectors and sub-sectors
Grenada[7]	Improving value-add in existing industry sectors
Indonesia[8]	Provision of funding to SMEs
Jamaica[9]	Export incentives for specific sectors
Malaysia 1[10]	Provision of funding to SMEs
Malaysia 2[11]	Provision of funding guarantees for SMEs
Malaysia 2[11]	Provision of incubators
Malaysia 3[12]	Streamlining of export processes for SMEs

Malaysia 4[13]	SME service centres
Mexico 1[14]	Provision of funding guarantees for SMEs
Mexico 1[14]	Provision of funding to SMEs
Mexico 2[15]	Market and related information provision to SME
Mexico 2[15]	SME service centres
Mexico2[15]	SME training
Philippines[16]	Market and related information provision to SME
Philippines[16]	Provision of funding guarantees for SMEs
Philippines[16]	Provision of funding to SMEs
Philippines[16]	RandD assistance
Philippines[16]	SME service centres
Philippines[16]	SME specific legislation
Philippines[16]	SME training
Singapore[17]	Matching grants for investors
Singapore[17]	Tax incentives for venture capitalists serving SMEs
St Kitts and Nevis[18]	Expanding economy into new sectors and sub-sectors
St Kitts and Nevis[18]	Improve competitiveness of existing industry sectors
St Lucia[19]	Expanding economy into new sectors and sub-sectors
St Lucia[19]	Improve competitiveness of existing industry sectors
St Vincent and Grenadines[20]	Expanding economy into new sectors and sub-sectors
Taiwan[21]	Exhibition to match start-ups to venture capitalists
Taiwan[21]	Improve output of incubators at a qualitative level
Taiwan[21]	SME service centres
Thailand[22]	Provision of funding to SMEs
Thailand[22]	SME service centres
Tobago[23]	Expanding economy into new sectors and sub

Tobago[23]	Export incentives for specific sectors
Trinidad[24]	Expanding economy into new sectors and sub
Trinidad[24]	Export incentives for specific sectors
Turks and Caicos Islands[25]	Expanding economy into new sectors and sub-sectors
Vietnam[26]	Export promotion for SMEs
Vietnam[26]	Market and related information provision to SME
Vietnam[26]	Provision of funding guarantees for SMEs
Vietnam[26]	SME specific legislation

[1]Caribbean Development Bank, Online, 22 February 2004:6; [2]Caribbean Development Bank, Online, 22 February 2004:11; [3]Caribbean Development Bank, Online, 22 February 2004:18; [4]Caribbean Development Bank, Online, 22 February 2004:24; [5]Caribbean Development Bank, Online, 22 February 2004:28; [6]Caribbean Development Bank, Online, 22 February 2004:49; [7]Caribbean Development Bank, Online, 22 February 2004:59; [8]Indonesia, Online, 15 April 2004:5; [9]Jamaica, Wint 1998:292; [10]Malaysia 1, Online, 15 April 2004:3; [11]Malaysia 2, Online, 15 April 2004:2; [12]Malaysia 3, Online, 15 April 2004:2; [13]Malaysia 4, Online, 15 April 2004:2; [14]Mexico1, Online, 15 April 2004:2; [15]Mexico2, Online, 15 April 2004:5; [16]Philippines, Online, 15 April 2004:19; [17]Singapore 2, Online, 15 April 2004:3; [18]Caribbean Development Bank, Online, 22 February 2004:85; [19]Caribbean Development Bank, Online, 22 February 2004:79; [20]Caribbean Development Bank, Online, 22 February 2004:90; [21]Taiwan, Online, 15 April 2004:6; [22]Thailand, Online, 15 April 2004:6; [23]Tobago, Wint 1998:290; [24]Trinidad, Wint 1998:290; [25]Caribbean Development Bank, Online, 22 February 2004:99; [26]Vietnam, Online, 15 April 2004:2;

Appendix 7 indicates that the minimum number of interventions applied in developing countries was 2, the maximum number of interventions was 7 and the average 2 interventions.

Appendix 8

Summary table of selective interventions in developing countries by intervention	
Taiwan[21]	Exhibition to match start-ups to venture capitalists
Tobago[23]	Expanding economy into new sectors and sub
Trinidad[24]	Expanding economy into new sectors and sub
Anguilla[1]	Expanding economy into new sectors and sub-sectors
Bahamas[3]	Expanding economy into new sectors and sub-sectors
Barbados[4]	Expanding economy into new sectors and sub-sectors
Belize[5]	Expanding economy into new sectors and sub-sectors
Commonwealth of Dominica[6]	Expanding economy into new sectors and sub-sectors
Grenada[7]	Expanding economy into new sectors and sub-sectors
St Kitts and Nevis[18]	Expanding economy into new sectors and sub-sectors
St Lucia[19]	Expanding economy into new sectors and sub-sectors
St Vincent and Grenadines[20]	Expanding economy into new sectors and sub-sectors
Turks and Caicos Islands[25]	Expanding economy into new sectors and sub-sectors
Jamaica[9]	Export incentives for specific sectors
Tobago[23]	Export incentives for specific sectors
Trinidad[24]	Export incentives for specific sectors
Vietnam[26]	Export promotion for SMEs
Antigua[2]	Improve competitiveness of existing industry sectors
Bahamas[3]	Improve competitiveness of existing industry sectors
Barbados[4]	Improve competitiveness of existing industry sectors
Barbuda[2]	Improve competitiveness of existing industry sectors

Belize[5]	Improve competitiveness of existing industry sectors
St Kitts and Nevis[18]	Improve competitiveness of existing industry sectors
St Lucia[19]	Improve competitiveness of existing industry sectors
Taiwan[21]	Improve output of incubators at a qualitative level
Grenada[7]	Improving value-add in existing industry sectors
Mexico 2[15]	Market and related information provision to SME
Philippines[16]	Market and related information provision to SME
Vietnam[26]	Market and related information provision to SME
Singapore[17]	Matching grants for investors
Malaysia 2[11]	Provision of funding guarantees for SMEs
Mexico 1[14]	Provision of funding guarantees for SMEs
Philippines[16]	Provision of funding guarantees for SMEs
Vietnam[26]	Provision of funding guarantees for SMEs
Indonesia[8]	Provision of funding to SMEs
Malaysia 1[10]	Provision of funding to SMEs
Mexico[14]	Provision of funding to SMEs
Philippines[16]	Provision of funding to SMEs
Thailand[22]	Provision of funding to SMEs
Malaysia 2[11]	Provision of incubators
Philippines[16]	RandD assistance
Commonwealth of Dominica[6]	SME service centres
Malaysia 4[13]	SME service centres
Mexico 2[15]	SME service centres
Philippines[16]	SME service centres
Taiwan[21]	SME service centres
Thailand[22]	SME service centres

Philippines[16]	SME specific legislation
Vietnam[26]	SME specific legislation
Antigua[2]	SME training
Barbuda[2]	SME training
Mexico 2[15]	SME training
Philippines[16]	SME training
Belize[5]	Streamlining of export processes for SMEs
Malaysia 3[12]	Streamlining of export processes for SMEs
Singapore[17]	Tax incentives for venture capitalists serving SMEs

[1]Caribbean Development Bank, Online, 22 February 2004:6; [2]Caribbean Development Bank, Online, 22 February 2004:11; [3]Caribbean Development Bank, Online, 22 February 2004:18; [4]Caribbean Development Bank, Online, 22 February 2004:24; [5]Caribbean Development Bank, Online, 22 February 2004:28; [6]Caribbean Development Bank, Online, 22 February 2004:49; [7]Caribbean Development Bank, Online, 22 February 2004:59; [8]Indonesia, Online, 15 April 2004:5; [9]Jamaica, Wint 1998:292; [10]Malaysia 1, Online, 15 April 2004:3; [11]Malaysia 2, Online, 15 April 2004:2; [12]Malaysia 3, Online, 15 April 2004:2; [13]Malaysia 4, Online, 15 April 2004:2; [14]Mexico1, Online, 15 April 2004:2; [15]Mexico2, Online, 15 April 2004:5; [16]Philippines, Online, 15 April 2004:19; [17]Singapore 2, Online, 15 April 2004:3; [18]Caribbean Development Bank, Online, 22 February 2004:85; [19]Caribbean Development Bank, Online, 22 February 2004:79; [20]Caribbean Development Bank, Online, 22 February 2004:90; [21]Taiwan, Online, 15 April 2004:6; [22]Thailand, Online, 15 April 2004:6; [23]Tobago, Wint 1998:290; [24]Trinidad, Wint 1998:290; [25]Caribbean Development Bank, Online, 22 February 2004:99; [26]Vietnam, Online, 15 April 2004:2;

Appendix 8 indicates that 46.2% of the 26 countries reviewed have implemented selective strategies to expand their economies into new sectors, while 26.9% had implemented strategies to improve the competitiveness of existing sectors. SME Service Centres to provide advice to SMEs were established by 23.1%, while 19.2% had provided funds directly to SMEs. Of these 26 countries 15.4% had provided training specific to SMEs and provided guarantees to funding institutions providing loans to SMEs. Export incentives for specific sectors and providing market and related information to SMEs were provided by 11.5%. Export processes were specifically streamlined for SMEs and specific legislation was passed to benefit SMEs by 7.7% of these countries. Finally 3.8% provided tax incentives for venture capitalists serving the SME market, supplied SME incubators, provided Rand assistance, supplied matching grants for investors, implemented programmes to increase the value-added of existing sectors and improved the output of incubators at a quality level rather than at a quantitative level.

Appendix 9

Summary table of selective interventions in South Africa		
Type	**Target**	**Description**
Selective	Finance	Khula Guarantee Scheme
Selective	Finance	Agro-Industries Development Finance
Selective	Finance	Bridging Finance Scheme
Selective	Finance	Danida Business to Business Programme-Credit Guarantee Scheme
Selective	Finance	Emerging Entrepreneur Scheme-Credit Guarantee Scheme
Selective	Finance	Empowerment Scheme-Credit Guarantee Scheme
Selective	Finance	Entrepreneurial Mining and Beneficiation Scheme
Selective	Finance	Finance for Textile, Clothing, Leather and Footwear Industries
Selective	Finance	Finance for the expansion of the Manufacturing Sector
Selective	Finance	Import Finance
Selective	Finance	Individual Guarantee-Credit Guarantee Scheme
Selective	Finance	Institutional Guarantee-Credit Guarantee Scheme
Selective	Finance	Kwa Zulu Rehabilitation Trust Fund-Credit Guarantee Scheme
Selective	Finance	Micro Credit Outlets (KhulaStart)
Selective	Finance	Regional equity funds
Selective	Finance	Retail Financial Intermediaries
Selective	Finance	Sector Partnership Fund
Selective	Finance	Skills Support Programme
Selective	Finance	Small Medium Enterprise Development Programme (SMEDP)
Selective	Finance	Standard Scheme-Credit Guarantee Scheme
Selective	Finance	Techno-Industry Development

		Finance
Selective	Finance	Technology Transfer Guarantee Fund-Credit Guarantee Scheme
Selective	Finance	Tourism Development Finance
Selective	Finance	South African Micro-finance Apex Fund (SAMAF)
Selective	Finance	Industrial Development Corporation (IDC),
Selective	Finance	Khula Enterprise Finance
Selective	Finance	National Empowerment Fund (NEF)
Selective	Finance	Black Business Supply Development Programme
Selective	Finance	Venture Capital Fund
Selective	Finance	Emerging Entrepreneur Credit Guarantee Scheme
Selective	Finance	Empowerment Guarantee Scheme
Selective	Finance	Kwa Zulu Rehabilitation Trust Fund Credit Guarantee Scheme
Selective	Finance	PSOM
Selective	Finance	SARS SMME Tax concessions
Selective	Finance	Umsobomvu Youth Fund
Selective	Finance	BBBEE Scorecard
Selective	Mentors	Ntsika
Selective	Mentors	Thuso
Selective	Training	SAQI
Selective	Training	THRIP
Selective	Training	SETA
Selective	Information	Technology Advisory Centre
Selective	Information	TWIB
Selective	Information	SEDA
Selective	Information	SAWEN
Selective	Incubator	GODISA Trust
Selective	Incubator	Mpumalanga Stainless Initiative
Selective	Incubator	Downstream Aluminium Centre for Technology

Selective	Incubator	Furntech
Selective	Incubator	National Fibre, Textile and Clothing Centre

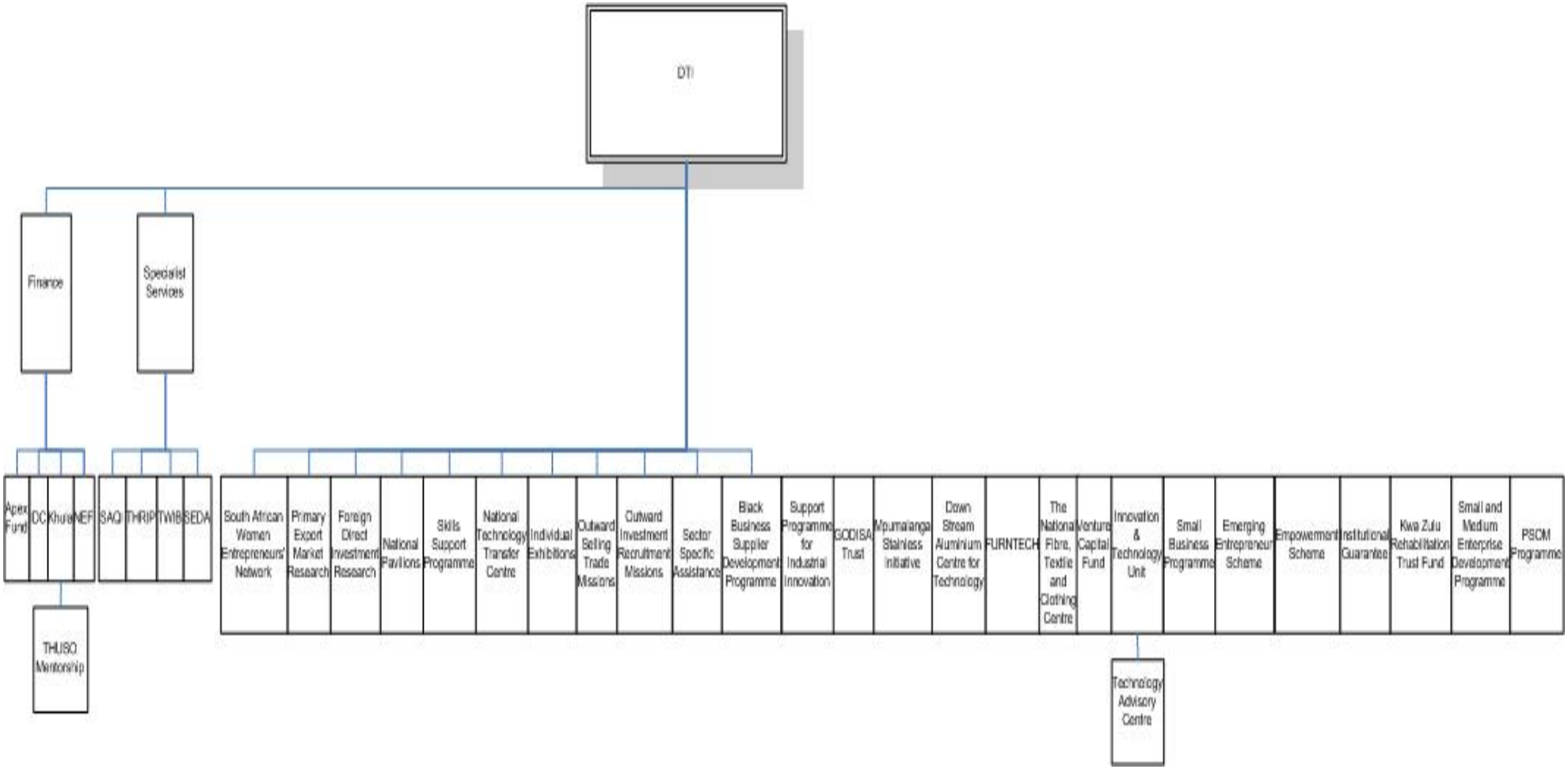
[1] Republic of South Africa. 2003. Small Business Programme. Online, 2 November 2003; [2] Republic of South Africa. 2003. Khula Enterprise Finance. Department of Trade and Industries. Online, 2 November 2003; The World Bank, 2000, p39; Republic of South Africa. 2003. Small Business Development. Department of Trade and Industries. Online, 2 November 2003; [3] Republic of South Africa. Programmes and Services. Ntsika Enterprise Promotion Agency. Online 2 November 2003;

Appendix 10

Summary table of functional interventions in South Africa	
South Africa	Tax reform
South Africa	Joined the WTO
South Africa	Managed monetary policy to reduce inflation and interest rates
South Africa	Reduced tax for individuals and raised taxable level
South Africa	Managed the economy without deficit spending
South Africa	Skills development Act
South Africa	Increased infrastructural spend
South Africa	Economic and forex liberalisation
South Africa	Reduce deficit
South Africa	Reform of macro-economic issues
South Africa	National Credit Act
South Africa	Employment Equity
South Africa	Basic Conditions of Employment Act
South Africa	Reform environmental management
South Africa	Improve education system
South Africa	Improve efficiency of resource mobilisation and utilisation
South Africa	Privatisation

[1] Republic of South Africa. 2003. Small Business Programme. Online, 2 November 2003; [2] Republic of South Africa. 2003. Khula Enterprise Finance. Department of Trade and Industries. Online, 2 November 2003; The World Bank, 2000, p39; Republic of South Africa. 2003. Small Business Development. Department of Trade and Industries. Online, 2 November 2003; [3] Republic of South Africa. Programmes and Services. Ntsika Enterprise Promotion Agency. Online 2 November 2003;

Appendix 11


DTI
Finance
Specialist Services
Apex Fund
DC
Khula
NEF
SAQI
THRIP
TWIB
SEDA
South African Women Entrepreneurs' Network
Primary Export Market Research
Foreign Direct Investment Research
National Pavilions
Skills Support Programme
National Technology Transfer Centre
Individual Exhibitions
Outward Selling Trade Missions
Outward Investment Recruitment Missions
Sector Specific Assistance
Black Business Supplier Development Programme
Support Programme for Industrial Innovation
SACDISA Trust
Mpumalanga Stainless Initiative
Down Stream Aluminium Centre for Technology
FURNTECH
The National Fibre, Textile and Clothing Centre
Venture Capital Fund
Innovation & Technology Unit
Small Business Programme
Emerging Entrepreneur Scheme
Empowerment Scheme
Institutional Guarantee
Kwa Zulu Rehabilitation Trust Fund
Small and Medium Enterprise Development Programme
PSCM Programme
THUSO Mentorship
Technology Advisory Centre

Appendix 12

VOLUNTARY QUESTIONNAIRE FOR BUSINESS OWNERS

"A critical assessment of the effect of interventions to stimulate the establishment and growth rates of SMEs in the formal sector in South Africa 1994 to 2007**"**

Researcher: William Robert Smorfitt
rob@smorfitt.co.za
Cell: 082 499 7400
Fax: +27 (0)33 342 0246
Supervisor: Prof. Charles O'Neill
Oneillc@ukzn.ac.za
Tel: 033 260 5223
School of Management,
Faculty of Management Studies,
University of KwaZulu-Natal

Note to the respondent

⇒ We need your help to understand how government helped you, if at all, to start or grow your business. This will allow us to make recommendations to government on where they have succeeded and where they have failed, and hopefully help them to be of greater assistance to you in the future.

⇒ Although we would like you to help us, so that we in turn can help the business community, you do not have to take part in this survey.

⇒ If you do not want to take part, just do not complete it.

⇒ What you say in this questionnaire will remain private and confidential. No one will be able to trace your opinions back to you as a person or to your business.

How to complete the questionnaire

1. Please answer the questions as truthfully as you can. Also, please be sure to read and follow the directions for each part. If you do not follow the directions, it will make it harder for us to do our project.
2. We are only asking you about things that you and your fellow business owners should feel comfortable telling us about. If you don't feel comfortable answering a question, you can indicate that you do not want to answer it. For those questions that you do answer, your responses will be kept confidential.
3. You can mark each response by making a tick or a cross, or encircling each appropriate response with a PEN (not a pencil), or by filling in the required words or numbers.

How to return the questionnaire

⇒ You can print out the questionnaire, fill it out and **fax it to +27 (0)33 342 0246**; alternatively

⇒ You can fill out the questionnaire in MSWord, save it under a new name and **email it to rob@smorfitt.co.za**.

Informed Consent Document

I, William Robert Smorfitt, am a student currently registered for PhD degree on the Pietermaritzburg campus of the University of KwaZulu-Natal (UKZN). A requirement for the degree is a dissertation and I have chosen the following topic:

"A critical assessment of the impact of interventions to stimulate the establishment and growth rates of SMEs in the formal sector in KwaZulu-Natal 1994 - 2008"

.

Please note that that this investigation is being conducted in my personal capacity and is not at the behest of any government or private organisation.

My academic supervisor is Professor Charles O'Neill, based in the School of management on the Pietermaritzburg campus of the University of KwaZulu-Natal. He can be contacted on oneillc@ukzn.ac.za or on 033 260 5223 during office hours.

The purpose of this research is to ascertain what government has done to assist SMEs in the formal sector in South Africa, and whether these efforts have been successful or not. Information gathered in this study will include data retrieved from the questionnaire that I would require you to answer. Please note that your name or that of the institution or company you represent will not be included in the report. The questionnaire does not require any confidential information about you or your business. You are welcome to insert, or not insert, your organisation's name and contact details. The information will be seen only by my supervisor, examiner and I. Your anonymity and confidentiality is of utmost importance and will be maintained throughout the study.

Your participation in completing the questionnaire is completely voluntary and you are in no way forced to complete the questionnaire. You have the right to withdraw at any time during the study.

I appreciate the time and effort it would take you to participate in this study. I would be very grateful for your participation as it would enable me to complete my dissertation and degree but will also provide a better understanding into the role the government is playing in creating and growing SMEs in South Africa.

Please complete the section below :

I ……of ……..
(full names of participant and business name) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.
Signature of Participant…….
Date……..……..

PART 1: YOUR GENERAL PERSONAL PARTICULARS

Please tell us a little about yourself

Please tick of cross ONE option per question

1. I am a:

- ☐ Male
- ☐ Female

2. My race:

- ☐ Asian
- ☐ Coloured
- ☐ Black
- ☐ White

Please tell us a little about your business

Please tick or cross ONE option per question

3. Is the business a member of a Chamber of Commerce or similar organisation?

- ☐ Yes
- ☐ No

If not a Chamber of Commerce what is the name of the business organisation to which you are affiliated? Eg. Afrikaanse Sakekamer, Nafcoc

4. Do you own the business for which this questionnaire was completed?

- ☐ Yes
- ☐ No

5. If you are not the owner, were you delegated the task of completing this questionnaire by the owner?

- ☐ Yes
- ☐ No

6. If your staff completed the questionnaire, do you as the owner agree with all the answers?

- ☐ Yes
- ☐ No

7. Are you a:

- ☐ Service business
- ☐ Manufacturing business
- ☐ Retail or wholesale business
- ☐ Mining sector related business
- ☐ Agriculture sector related business

8. Describe your business in 5 words maximum, e.g. "Retailing children's clothing".

Please tell us a little about your educational background

The next few questions are about your qualifications and additional courses you may have completed. *There are no good or bad answers*. We are simply checking to see if there is a relationship between education and business success, as the answer has been known to vary from country to country. So please remember this is *confidential* and therefore the truth is most important for the success of our research.

9. What is your highest school standard passed?

10. Please insert a tick or cross in ALL the blocks that apply to your educational career

	Before buying or starting your business	After buying or starting your business	Never
Technical college	☐	☐	☐
Technikon	☐	☐	☐
University	☐	☐	☐

11. Qualification/s achieved?

***12*. Mark with a cross or a tick which of the following is applicable to your business.**

Sole pro-prietor	Partner-ship	Closed Corpo-ration	(Pty) Ltd com-pany	Public company	Trust	Other. **Please write the type name.**
☐	☐	☐	☐	☐	☐	

13. Why did you decide to start or buy this business?

14. Has your business received any assistance of any kind from any government department or government funded organisation? This assistance is what we call an intervention. It could be funding to attend an overseas exhibit, attend a training course or anything which is of use to your business and funded by government.

☐ Yes

☐ No

15. Are you aware of any interventions by government to assist SMEs? An intervention is any assistance provided to improve you business, either directly or indirectly?

☐ Yes

☐ No

16. If you are aware of any interventions, please name them?

17. Did you apply for any of these interventions you listed in question 16?

☐ Yes

☐ No

If you answer No to this question, then
proceed to Question 24

18. If you did apply, were you successful in your application?

☐ Yes

☐ No

If so, list those applications you were successful with?

19. If not, what was the reason given for your application being refused?

20. If you applied and were successful, why do you think you were successful?

21. If you were unsuccessful in your application and you were not given a reason, why do you think you were turned down?

22. If you were the beneficiary of some form of government assistance, please supply details of assistance received.

Example:

1. *Marketing assistance to exhibit overseas, or*
2. *Funding for a business plan to be done.*

⇒ List all interventions. Also mark their impact on your business with a tick or a cross.
⇒ There can only be one entry for each line.

Description of intervention or assistance	No impact	Very little impact	Some impact	Moderate impact	High impact	Very high impact	Exceptional impact
	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐
	☐	☐	☐	☐	☐	☐	☐

Please add additional comments if you wish to add further information.

23. Please describe the assistance or intervention in the first column. Then indicate the impact on each of the criteria.

⇒ Mark with **a P or an N,** whether you believe the impact was **Positive or Negative**. The first line is an example. Positive impact on staff means your staff increased.

Intervention or assistance	Number of staff	Turnover	Gross profit	Nett profit
E.g. Marketing	**P**	**N**	**P**	**N**

Please add additional comments if you wish to add further information.

24. Please list the assistance (interventions), that you believe in your opinion, government should introduce to improve the rate at which SMEs are:

a.) Able to grow their businesses

b.) Are newly created

25. In your opinion, what other measures could government introduce to improve the overall business environment?

The government has implemented a number of measures (functional interventions) with the intention to benefit the economy as a whole. Assess the following points and how you feel they have impacted on your business.

⇒ Mark each item listed with an **"X"** as to how you believe it impacted on your business.

Intervention	No impact	Very little impact	Some impact	Moderate impact	High impact	Very high impact	Exceptional impact
26. Lower interest rates	☐	☐	☐	☐	☐	☐	☐
27. Lower inflation rate	☐	☐	☐	☐	☐	☐	☐
28. Basic Conditions of Employment Act	☐	☐	☐	☐	☐	☐	☐
29. Employment Equity Act	☐	☐	☐	☐	☐	☐	☐
30. National Credit Act	☐	☐	☐	☐	☐	☐	☐
31. Skills Development Act	☐	☐	☐	☐	☐	☐	☐
32. More stable exchange rate	☐	☐	☐	☐	☐	☐	☐
33. Broader and easier access to international markets by joining the WTO (World Trade Organisation)	☐	☐	☐	☐	☐	☐	☐
34. Reduced exchange controls	☐	☐	☐	☐	☐	☐	☐

Thanks again for helping us with this survey

Appendix 13

Frequency count table for responses to Question 8

	Frequency	Percent	Valid Percent	Cumulative Percent
Manufacturer	13	9.6	9.6	9.56
Accounting related	8	5.9	5.9	15.44
Attorney	6	4.4	4.4	19.85
Retail	6	4.4	4.4	24.26
Consulting	4	2.9	2.9	27.21
Recruitment	4	2.9	2.9	30.15
Supplies	4	2.9	2.9	33.09
Wholesale	4	2.9	2.9	36.03
No Response	3	2.2	2.2	38.24
HR Consulting & recruitment	3	2.2	2.2	40.44
Printing	3	2.2	2.2	42.65
Sales	3	2.2	2.2	44.85
Insurance	2	1.5	1.5	46.32
Maintenance	2	1.5	1.5	47.79
Retail Travel	2	1.5	1.5	49.26
Software	2	1.5	1.5	50.74
Advertising	1	0.7	0.7	51.47
Agency	1	0.7	0.7	52.21
Architect	1	0.7	0.7	52.94
Boreholes	1	0.7	0.7	53.68
Business Sy	1	0.7	0.7	54.41
Catering	1	0.7	0.7	55.15
Cleaning	1	0.7	0.7	55.88
Commerce	1	0.7	0.7	56.62
Conference	1	0.7	0.7	57.35
Corporate Accommodation	1	0.7	0.7	58.82

Design Electronic	1	0.7	0.7	59.56
Die cutters	1	0.7	0.7	60.29
Digital Printing	1	0.7	0.7	61.03
Distributor	1	0.7	0.7	61.76
Electronics	1	0.7	0.7	62.50
Engineer	1	0.7	0.7	63.24
Engineering Consultants	1	0.7	0.7	63.97
Engineering Training	1	0.7	0.7	64.71
Financial Planning	1	0.7	0.7	65.44
Financial Training	1	0.7	0.7	66.18
Florist	1	0.7	0.7	66.91
Food & Clothing Retail	1	0.7	0.7	67.65
Hiring	1	0.7	0.7	68.38
Holiday & Conference	1	0.7	0.7	69.12
Import export	1	0.7	0.7	69.85
IMS	1	0.7	0.7	70.59
Inbound Tour Operator	1	0.7	0.7	71.32
Installation of Gutters	1	0.7	0.7	72.06
Linux Networking Solutions	1	0.7	0.7	72.79
Manage Education Process	1	0.7	0.7	73.53
Managing	1	0.7	0.7	74.26
Media	1	0.7	0.7	75.00
Metal fabrication	1	0.7	0.7	75.74
Mining	1	0.7	0.7	76.47
Monumental Masons	1	0.7	0.7	77.21
Outsourcing	1	0.7	0.7	77.94
Pest Control	1	0.7	0.7	78.68
Pharmacy	1	0.7	0.7	79.41

Produce Sweet Chilli	1	0.7	0.7	80.15
Property Administration	1	0.7	0.7	80.88
Railway	1	0.7	0.7	81.62
Rental	1	0.7	0.7	82.35
Retail Agriculture	1	0.7	0.7	83.09
Retail Home Furnishings	1	0.7	0.7	83.82
Scrap Metal Recycler	1	0.7	0.7	84.56
Security	1	0.7	0.7	85.29
Sell artwork	1	0.7	0.7	86.03
Sell plants for home	1	0.7	0.7	86.76
Service	1	0.7	0.7	87.50
Service Station	1	0.7	0.7	88.24
Shipping	1	0.7	0.7	88.97
Sound & Lighting	1	0.7	0.7	89.71
Spares	1	0.7	0.7	90.44
Steel Distribution	1	0.7	0.7	91.18
Stocks	1	0.7	0.7	91.91
Structural Steel Fabrication	1	0.7	0.7	92.65
Supermarket	1	0.7	0.7	93.38
Teaching Computers	1	0.7	0.7	94.12
Telecoms	1	0.7	0.7	94.85
Tourism	1	0.7	0.7	95.59
Town & Regional Planning	1	0.7	0.7	96.32
Trading	1	0.7	0.7	97.06
Training	1	0.7	0.7	97.79
Vending Machine	1	0.7	0.7	98.53
Vet	1	0.7	0.7	99.26
Water Treatment	1	0.7	0.7	100.00
Total	136	100	100	

A14

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Appendix 16

Glossary of terms

ASEAN	Association of Southeast Asia Nations
APEC	Asia-Pacific Economic Cooperation
CIPRO	Companies and Intellectual Property Registration Office
EU	European Union
FDI	Foreign Direct Investment
FOREX	Foreign Exchange
GDP	Gross Domestic Product
OECD	Organisation for Economic Co-operation and Development
RFI	Retail finance institution
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprises
SMME	Small, Micro and Medium Enterprises
TEC	Training and Educational Council (UK)
UK	United Kingdom
USA	United States of America

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