

# CHALLENGES FACING SMMEs DURING THEIR FIRST TWO YEARS OF OPERATION IN SOUTH AFRICA

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## Abstract

Unemployment is a serious problem that is facing South Africa (SA) and many countries across the globe. As a result, Small, Micro and Medium Enterprises (SMMEs) have been identified as some of the suitable entities for job creation in SA. However, not many of the SMMEs experience success to the point that they can significantly contribute to the alleviation of unemployment. The objective of this paper is therefore to investigate possible challenges that SMMEs experience. The findings generally point to a need for awareness campaigns as some of the concerns raised by the participants are not legitimate. Even though the investigation was conducted in SA in the province of KwaZulu-Natal the findings are considered relevant for the rest of the country and many other parts of the world experiencing similar challenges.

**Keywords:** SMMEs, South Africa, Unemployment

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## 1 Introduction

One of the major challenges that governments of today are faced with is ensuring that the citizens of their country are gainfully employed. However, unemployment is increasing steadily both nationally and internationally with poorer and developing countries being the most affected. To this effect, Statistics South Africa (2014) reports that unemployment rose from 25.2% in the first quarter to 25.5% in the second quarter of 2014 as a result of job losses in the informal sector. As a possible solution to the unemployment crisis, Business Environment Specialists (2013) and Timmons & Spinelli (2007:50) assert that Small, Micro and Medium Enterprises (SMMEs) play a very important role in struggling economies across the globe. It is argued that SMMEs are contributing increasingly to employment and social stability in current times and their contribution is evident in both developing countries (Barnard et al. 2011; Berry et al. 2002; Esterhuizen 2012 and Schussler 2012) and in advanced markets (Fanta, 2015). For instance, StasSA Quarterly Labour Force Survey (2014) notes that SMMEs make a contribution of above 35% to the Gross Domestic Product (GDP) and employment opportunities of approximately 72% in South Africa (SA). This contribution could be attributable to the fact that in the year 2009 there were 690 000 tax registered SMMEs in South Africa, of which the majority at 131 100 were in KwaZulu-Natal (KZN) the focus area of the current study (Schussler 2012). Furthermore, this could be due to the fact that the SA government has programmes and policies in place to support and develop the SMME sector. The government has prioritised entrepreneurship and the advancement of SMMEs as the catalyst to achieving economic growth and development (Department of

Trade and Industry (DTI) 2008). This purported link between government support and economic growth is in some quarters considered debatable as it is not always clear whether the development of small businesses gives rise to economic growth or it is established economic growth in a particular country that leads to success of small businesses (Fanta, 2015: 32).

However, despite the available government support in SA as many as between 57% and 80% of the SMMEs do not experience success to the point that they can significantly contribute to the alleviation of unemployment, particularly within their early years of operation (Barnard et al. 2011; Fin24 2010; Global Entrepreneurship Monitor (GEM) (2013). While some of the initial challenges that face many new businesses have previously been identified (Beaver, 2003; Bosch et al., 2011; Cronje et al., 2006; Radipere & Van Scheers 2005 and Schaper & Volery, 2004), the SBP (2013) a recent report on a study conducted in KZN in Durban (eThekweni) metro area however notes with concern that the available information is vague and anecdotal. Hence, the aim of this study is to gain a deeper understanding of the challenges that SMMEs located in KZN around the city of Durban in SA face during their start-up years that may affect their success and to offer appropriate recommendations to prospective entrepreneurs and the government.

## 2 Policy framework

A discussion on existing policies on small businesses in SA is critical in order to understand whether they are enabling or not. Views on the definition of the term SMMEs vary among scholars and nations across the globe. The generally agreed upon principle is that

they are either formal or informal enterprises of different sizes that are formed with the purpose of creating employment while providing certain services in the community. The South Africa National Small Business Act No. 102 of 1996, specifically defines a 'small business' as "a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in column I of the Schedule".

Furthermore, the Act (Act No. 102 of 1996) divides SMMEs into five categories: Survivalist enterprises, Micro enterprises, Very small enterprise, Small enterprise and Medium enterprise. In defining and categorizing the various enterprises, the Act enables clear implementation and control of state support and incentives, where available, to respective enterprises. The Act further highlights the importance of the SMME sector in providing employment by categorizing it into a number of a complex set of thresholds. To this effect, the National Small Business Act, as revised by the National Small Business Amendment Act No.26 of 2003, defines the thresholds per sectors and sub-sectors to provide a backdrop for the evaluation of employment potential in the various sectors. It is indicated that enterprises have varying profiles which will enable the DTI to specifically tailor programmes aimed at enterprises that have the ability to generate a higher number of jobs with relatively lower capital investments. Of note is the fact that the Act places emphasis on the number of people employed, which is a priority objective of the government. However, Burns (2007:9) warns that SMMEs should not be considered as scaled-down versions of large enterprises. This is important to avoid because the way in which small enterprises conduct their business differs significantly from larger organizations. To substantiate his point, Burns (2007:9) lists a number of characteristics of an SMME that distinguish it from larger enterprises. The listed characteristics include the fact that small businesses are limited in their scope because of many constraints such as capacity and finances. Yet, their limited nature can be vital to the country's economy because they are able to react faster to society's demands and needs by focusing on critical areas within their offerings.

Another important document to consider because of the focus given to the SMME sector is the National Development Plan (NDP) 2030 (2012). The NDP 2030 explicitly states that South Africa will need to make serious decisions in order to set the path for accelerated economic progress. The focus areas are identified as raising levels of investment, improving skills and human-capital formation and increasing net profits. The NDP also recognizes that in the short to medium term, the SMME sector is the most likely to create more jobs and these may largely be service-

oriented jobs. An increase in investment coupled with increased export earnings is vital for these types of jobs. Government policy therefore needs to take these into account and render support by removing barriers of entry, reducing red tape and encouraging entrepreneurship. It is indeed interesting to note that entrepreneurs are increasingly being acknowledged by governments as the driving force behind innovative change and job creation (Fanta, 2015: 27; Nieman & Bennett, 2009:57 and Nieman & Nieuwenhuizen, 2009:4). Yet, the SBP (2013) study that was conducted in 2011 and repeated in 2012 found that business owners complained about cumbersome labour regulations, in the first round. In the second round of the study, there were concerns about financial environment and less about regulatory burden. These conflicting findings within the same area suggest that the causes of SMMEs failure are an area worth further investigation.

The complaints and concerns from small business owners are in conflict to government efforts that are geared to support them. For instance, the strategic plan of the National Small Business Advisory Council (NSBAC) (2010:12) highlights that an important area of focus for the DTI is to improve small business programmes as it believes that the impact of this sector is way below its potential. Furthermore, in its period of existence the NSBAC (2010:6) states that it intends to find ways in which to reduce or eliminate institutional barriers that hamper the development of a significant entrepreneur sector in South Africa and in so doing create a support system for business development. The focus of the NSBAC is: (Strategic Plan 2010:18)

- to enhance access to financial and non-financial support for entrepreneurs;
- to enhance market access and create demand for SMMEs; and
- to reduce regulatory and bureaucratic constraints.

The objectives of the NSBAC indicate that there is support available in SA for the success of SMMEs. It appears that there is very little that would make things difficult for SMMEs. There are plenty of resources and support structures that are provided at many levels of government and society. Amongst the critical available resources, it is encouraging to note that this includes financial support. Commitment to this factor is evident in the form of a number of financial support structures for SMMEs. These include the Department of Economic Development (DED) that was set up in 2009 which has financial entities such as the Khula Finance Limited, Industrial Development Corporation (IDC) and SA Micro-finance Apex Fund (Samaf). This is an important area of focus because lack of financial support has previously been identified as the major contributory factor to SMMEs failure across the globe and particularly in developing countries (Nieuwenhuizen & Groenewald 2004; Orford et al. 2003). The extent

of support structures tabled by the NSBAC (2010) calls for the assessment of other possible factors, if any, that could be responsible for the failure of SMMEs in SA. One of the concerning factors that can be expected to come up again is lack of awareness about the existence of these support structures (Berry et al. 2002 & Foxcroft et al. 2002). Berry et al. (2002:39) note that these supportive measures are not well implemented as awareness and information at ground level is lacking. Furthermore, Nkonde's (2012) study conducted in rural areas of KZN revealed that 73,8% of SMME owners were neither informed about nor approached (67.6%) by government agencies that are supposed to offer them support. The lack of information in Nkonde's study could be attributed to the fact that the participants were in rural areas and the majority (34%) of them lacked basic education such as matric certificates. It would therefore be interesting to see how SMME entrepreneurs from the city of Durban, where they are likely to be educated and have access to information, would provide as their reasons for experiencing challenges in their early years of business.

### **3 Entrepreneurship**

Timmons and Spinelli (2007:50) assert that SMMEs may be vehicles for entrepreneurship, as entrepreneurship has a dimension of innovation. In the same vein, the DTI (2008) notes that the South African government has prioritized entrepreneurship and the advancement of SMMEs as the catalyst to achieving economic growth and development in the country.

Nieman and Nieuwenhuizen (2009:9) define an entrepreneur as a person who sees an opportunity in the market, gathers resources and creates and grows a business venture to satisfy those needs. She or he takes the risk of the venture and is rewarded with profit if it succeeds. Key to the definition is the fact that entrepreneurship is about identifying a new opportunity and starting your business even though there are no guarantees for success. Studies are, however, inconclusive as to who is likely to start such a type of business. On the one hand, the Youth Development Network (2005: 70 & 75) notes with concern that while the youth unemployment is very high in South Africa young people between the ages of 18 and 25 are however less likely to start their own businesses. On the other hand, Malebana (2012:553) finds that there is a positive correlation between exposure to entrepreneurship education and attitudes towards becoming an entrepreneur among the youth who participated in his study. The only weakness that Malebana (2012:529) notes among the youth is that they do not have high confidence levels about their ability to persuade various stakeholders on issues that involve business. In order to address the lack of confidence, Noe et al., (2006:402) mention that mentors can provide business support as well as

psychosocial support which include serving as a friend and role model. The latter allows the mentee to discuss anxieties and fears with the mentor.

Such psychosocial support is critical in the early years of business because of the many challenges that can confront entrepreneurs. Beaver (2003:117), Radipere & Van Scheers (2005:409) and Schaper & Volery (2004:89) caution that newly formed small businesses are likely to fail in their early years of operation due to finance, management, marketing and planning. The list draws to attention, first and foremost, the importance of proper financial management skills for the entrepreneur to be able to monitor the general financial position of the business and to reduce the risk of failure. This calls for the entrepreneur to be able to analyse the business from a financial perspective to be able to foresee problem situations before they occur and also be able to take advantage of opportunities (Cronje et al., 2006:415). It is comforting to note that the DTI states that, with assistance from other government departments, it is involved in implementing SMME-related policies that will ensure that adequate financial and non-financial assistance is provided to the sector, for its long-term prosperity and that of the country as a whole. This is an important source of support because "[i]n countries where credit is hard to come by, only a few small firms manage to enter into the industry and even so they will not record a fast growth" (Fanta, 2015: 28).

Accordingly, the DTI has launched the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (DTI, 2008:5) which aims to support the development of entrepreneurship and establishing more small businesses. The central focus of the strategy is to improve access to information and financial support for small businesses. This would be possible if the essential tools are in place and administered appropriately. However, according to the Global Entrepreneurship Monitor (GEM: 2009), South Africa's entrepreneurial activity does not meet the relative standard in order to address the objectives of sustained economic growth, employment creation and the upliftment of living standards of all its citizens. This is compounded by the fact that SMME owners and managers often lack essential business skills and appropriate training (GEM, 2009).

In addition to a better understanding of finances, Business Environment Specialists report (2013:47) notes that large amounts of time, effort and resources are required to be devoted to dealing with government-imposed administrative matters. Mahembe and Underhill Corporate Solutions (2011:41), referring to a study conducted by FinScope, note that as high as 75% of small business owners were not aware of any organizations that gave advice and support to small business owners. This lack of information led to, among other things, to SMMEs accumulating their own start-up capital in order to fund the enterprise as they did not know the

procedures for applying for loans and they did not know the different sources of funding available.

These considerations that come up as possible constraints in the success of SMMEs would therefore need to inform an investigation into possible challenges faced by SMMEs in the initial stages of their business.

#### 4 Research methodology

The target population for this research were business owners of SMMEs registered and operating in and around the Ethekeini (Durban) region in KwaZulu-Natal (KZN). This region was selected because of accessibility coupled with the fact that KZN tended to have more tax registered SMMEs in the country (Schussler, 2012). A simple questionnaire was developed in order to collect the required data. Questions followed the Likert-style rating scale where the respondents were asked to indicate whether they agree or disagree with a series of statements. This decision was informed by Blumberg et al. (2005) and Maree (2007) who concur that a Likert scale questionnaire is an easy and quick to construct tool when one wants to measure respondent's attitudes. The questionnaire was made up of three sections that required demographic information of the participants, followed by questions on the reasons for getting into business and the questions that focused on possible challenges that may face SMMEs during their start-up years of business. Six known service providers to SMMEs were in 2014 approached for assistance towards the distribution of questionnaires. They in turn sent out the questionnaires to their clients for completion. Completed questionnaires were received by e-mail, fax as well as hand delivered. A total of one hundred and seven (107) completed questionnaires were collected. Descriptive statistics was used to analyse the data.

### 5 Findings

#### 5.1 Background information

The findings show that the majority of participants (34.6%) were from the 26 to 35 year age group with the 36 to 45 year age group following closely at 25.2%. This shows that almost 60% of the business owners in the sample group were between the ages of 26 and 45. This is encouraging as this group is the most active economically and the findings show that younger people are becoming more business oriented (Malebana, 2012). The age group of 56 years and over makes up 7.5% of the total. This could point to the

possibility that many entrepreneurs are retiring or handing over their businesses to the younger generation. It would be of benefit to engage the age group of over 56 year olds to assist and mentor young entrepreneurs so that the success rate of new or young businesses would improve (Noe et al., 2006).

The findings from the study show that 36.4% of the participants were black, 37.4% Indian, 15% white and 9.3 % Coloured. A small portion of the sample (1.9%) preferred not to disclose their race. Race demographics in this particular study are biased as the time constraints limited the investigation to readily accessible respondents. It nevertheless was encouraging to have 36.4% of total participants who are black in the Ethekeini region where there is a high concentration of Indian and white businesses.

The sample consisted of 64.8% male and 35.2% female participants. Gender was not divulged by 1.9% of participants. Whilst still leaning towards male domination in business ownership, it is pleasing to note that more women are entering the business world. It is however concerning that the current findings are consistent with those of Nkonde (2012) who also found that the majority of his participants were male.

The question on qualifications revealed that a very small portion of 2.8% of the participants have not completed matriculation (Grade 12), 18.7% have completed matriculation. It is interesting to note that the majority (78.5%) of participants had a post-secondary school qualification in which 16.8% had a post matric certificate, 27.1% had a diploma, 22.4% had a degree, 7.5% had an honours degree and 4.7% had a master's degree. This indicates that the majority of participants are able to interpret and understand all legislation and statutory requirements applicable to business management. This is a positive indication as these entrepreneurs have the capacity of growing their businesses and thus create more meaningful jobs in line with the goals of the government. As entrepreneurship is demanding and challenging, it is essential that entrepreneurs are appropriately qualified and that they keep themselves updated with developments in the various fields related to their enterprise. This will be beneficial in managing their enterprise both effectively and ethically (Business Environment Specialist, 2013 & Cronje et al., 2006). The findings contradict those that were made by Nkonde (2012) in rural areas of KZN where a higher number (34%) of participants did not even have a matric qualification. This factor on education was attributable to the high failure rate among SMMEs owners in rural areas.

**Table 1.** Responses with regards to business related training

		Frequency	Percent	Valid Percent	Cumulative Percent
valid	Yes	76	71.0	71.0	71.0
	No	31	29.0	29.0	100.0
	Total	107	100.0	100.0	

Table 1 reveals that 71% of respondents had had training in courses related to their enterprise. This finding closely relates to the findings on educational background where 78.5% of respondents had higher than matric qualifications. Most importantly, the finding is consistent with the study by Malebana (2012) where there was a strong correlation between the intention to start a business and exposure to entrepreneurship education. It is comforting to note that most participants do see the need and value of further training and development in their related business fields. The finding is important in that it contradicts the GEM (2009) report which indicated that one of the contributory factors to most businesses failing is that owners often lack essential business skills.

Not surprisingly, in line with the above findings' discussion, the study revealed that 60.7% of enterprises were five years and longer in operation. This is a very encouraging factor as it implies that these businesses have successfully passed the critical start-up phase and are well positioned for the long term. These respondents would have gained the necessary experience and knowledge of managing their businesses and are ideal candidates to help young and aspiring entrepreneurs. Having survived thus far they would also be useful in this study on possible challenges they might have encountered in their start-up years. Only 39.3% of respondents were under two years in operation. This is encouraging as it is a significant number of start-up businesses which was the focus of the investigation. It also reveals that in the sample and hence in the region there is activity with regards to entrepreneurship and new business ventures. This finding on business activity in KZN is in line with the observation made by Schussler (2012).

## **5.2 Reasons for starting the business**

A high number of participants (24.3%) revealed that they started a business because they could not find jobs. Whilst this percentage is high and somewhat related to the high unemployment rate in the country, the positive outcome has been the creation of viable enterprises which are still in operation. Another high number of respondents (16.8%) started businesses because they were retrenched. The study therefore indicates that 41.1% of respondents started businesses out of a genuine need at the time. As much as 15.9% of respondents took advantage of an opportunity that they identified and a further 14.0% of respondents ventured into business because they wanted independence. Only 1.9% of respondents inherited their businesses thus implying that almost 98% are committed entrepreneurs. The findings are consistent with Nieman and Niewenhuizen (2009:4) view as they note that the entrepreneur is vital for economic growth and development as he is the one that identifies opportunities, develops new ideas, markets the business and takes risks.

When it comes to financing, findings indicate that the majority of respondents started their businesses with personal savings (38.3%) or borrowings from family and friends (25.2%). Bank loans were used by 19.6% to fund their start-up business. Bank loans are generally a setback for start-up businesses as banks require co-lateral for funds loaned. A concerning finding is that only 1.9% of entrepreneurs had an investor for their start-up. This could imply a lack of trust and/or faith in start-up entrepreneurs by potential investors. It could also imply that entrepreneurs may have sound business ideas and proposals but lack presentation skills or have poorly compiled business plans. If this is indeed the case it could be taken as an indication that many of the entrepreneurs lack training with regard to presentation skills despite their generally good education and business specific training that is indicated above. Of particular concern is that only 15% of respondents were able to access government support programmes. This could suggest that the majority are not aware of available government financial resources (Mahembe & Underhill Corporate Solutions, 2011).

It was encouraging to note that 71% of respondents have had training in courses related to their enterprise. This finding closely relates to the above discussed data on educational background wherein almost 79% of respondents had higher than matric qualifications. It is evident that those with post matric qualifications do see the need and value of further training and development in their related business fields (NSBAC, 2010). Participants that did not take further courses to enhance their knowledge and skills amounted to 29%. This could point to the unique nature of the respondents business or that the courses or qualifications taken were outside the scope of the present business. Adequately trained and qualified support staff may also not necessarily require that the entrepreneur himself be fully trained in all aspects related to the running of the business.

## **5.3 Challenges that an enterprise may encounter**

### **5.3.1 Inhibiting government policies and laws**

The responses to the statement reveal that government policies and laws appear to be inhibiting SMMEs in their operation. Collectively, 57.9% of respondents agreed with the statement, with 22.4% remaining neutral. A relatively small percentage (19.7%) did not agree with the statement. These findings are aligned to the findings contained in the Business Environment Specialists report (2013:47) where it is stated that large amounts of time, effort and resources are devoted to dealing with government-imposed administrative matters. The regulatory environment was found to be complex, burdensome and imposing unrealistic demands on business.

### **5.3.2 Lack of information and advice from government departments**

Collectively, a large group of participants (56.2%) agreed that there is a general lack of information and advice from government departments. The findings are in line with those that were made by Nkonde (2012) in rural areas of KZN. This was however unexpected in the current study conducted in an urban area and among educated owners who should be able to access information through many means such as technology. The finding suggests a high level of lack of initiative on the part of the participants. Whilst 29% remained neutral on this subject a relatively small percentage (16.8%) disagreed with the statement. According to Business Environment Specialists (2013:8) the compliance burden that red tape places on firms needs to be proportionate to the goals it is meant to achieve. This is not always the case and is believed to be a serious challenge that businesses face.

### **5.3.3 High cost of labour**

The data reveals that there is a general agreement (25.3% strongly agree and 32.7% agree) that labour costs are high and that they are a concern for small business owners. Whilst 25.2% remained neutral on the subject, a relatively small percentage of 16.8% collectively did not find high labour costs to influence their businesses. Consideration has to be given to the fact that many businesses, especially those in the financial and services sector, are not labour intensive and some may even have no employees other than the owner. Manufacturing businesses and those in the agricultural sector will be most affected by high labour costs.

### **5.3.4 Difficult to obtain finance**

Not surprisingly, a large percentage (73%) of respondents agreed that finance is difficult to obtain. The finding is in accordance with Mahembe and Underhill Corporate Solutions (2011:10) finding that business owners in South Africa view access to financing as a significant problem despite the various public and private sector initiatives available. Mahembe and Underhill Corporate Solutions (2011:10) further state that the rejection rate for bank finance is high for those SMMEs that do apply for finance and a large proportion of SMMEs are completely excluded from the financial market.

### **5.3.5 Business environment is very competitive and dominated by large enterprises**

A large percentage of respondents (39.3%) agree that large enterprises dominate the market. A further 19.6% strongly agree with the statement making it a collective 58.9%. According to Berry et al. (2002:85)

access to product markets is an important part of a competitive economy and depends on regulatory and structural barriers not being biased against SMMEs. Government has an important role in ensuring that entry barriers for SMMEs are removed and that large enterprises do not monopolise the markets. This would ensure a level playing field which is important for SMMEs to survive and grow.

### **5.3.6 Inaccessible markets**

It should be noted that responses to this statement are very dependent on the actual business itself or the sector in which it operates. The findings reveal that a small percentage of 11.2% respondents regard market accessibility as a challenge to their business. A collective 48.6% agreed with the statement. Market accessibility is largely product or service specific and would be influenced by various factors including relative advantages. SMMEs would need to look at export markets to grow their businesses. The positive findings in this regard correlate well with the high number of participants who indicated that they had been in business for more than five years. Moreover, the results suggest that the issue of markets has not been a problem for these entrepreneurs because their businesses have not experienced failure (Beaver, 2003; Fanta, 2015; Radipere & Van Scheers, 2005 and Schaper & Volery, 2004).

### **5.3.7 Support programmes are easily accessible**

Findings show that only 31.8% of respondents disagree with the statement on the accessibility of support programmes. While the respondents who hold this view are few, it is however interesting to note that this is aligned with evidence in the literature review that many government programmes are available to support SMMEs but the level of awareness and the utilization of these programmes is very low (Berry et al., 2002; GEM, 2009).

### **5.3.8 Lack of self-confidence**

There is a strong indication that self-confidence is not a challenge for business persons in the SMME sector. Together with the neutral response the score is 75.7% of the respondents who indicated that this was not an issue on their part. Only 25% agreed that they lacked self-confidence. The high positive results augur well for the success of SMMEs since self-confidence and a positive attitude are essential for entrepreneurs to sustain their businesses (Malebana, 2012). The results also correlate well with the reasons provided by respondents for starting their own business. This is so because while the majority ventured into SMMEs because of unemployment (24.3%) and retrenchments (16.8%) they, however, still believed in themselves.

## 6 Conclusions and recommendations

The investigation identified quite a number of challenges that appear to have the potential to lead to SMMEs' failure. These include the fact that the majority of respondents saw a number of government policies and regulations as inhibiting the success of their business operations. They also identified the scarcity of enabling information as another concern that bothers them. More concerning is the fact that as high as 73% of the respondents identified the lack of finances as problematic. This is worrying because there are quite a number of government initiatives directed at addressing this issue. The findings generally point to a need for awareness campaigns on the part of the DTI. The DTI leads a number of projects aimed at supporting SMMEs. It is, however, disturbing to find that a number of SMMEs might not be aware of available government initiatives that are meant to support them. It is at the same time acknowledged that the respondents were still in business whereas if the study had managed to find those entrepreneurs who were no longer in business the results could have been more interesting as they would have reported on actual challenges that led to their failure. The findings suggest lack of communication between the government and SMMEs that needs to be addressed in an effort to deal with unemployment issues in the KZN province and possibly in the country. Some of the ways in which the awareness campaigns could be initiated could include incorporating important information in the skills training syllabus. This should be coupled with regular workshops and information mailed to registered SMMEs. Business owners should also take the initiative and gather information on available financial opportunities.

In light of the present economic and socio-economic situation in the country, fuelled by the high rate of unemployment, economic reform is urgently required. Entrepreneurship is a key driver to achieve this important goal and the development of a robust SMME sector is the solution. The findings and recommendations offered will hopefully assist both SMMEs and the government to move forward in dealing with the challenges that small businesses face.

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