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Small, medium and micro enterprises as an element of local economic development in Greater Giyani Municipality.

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A research report submitted in partial fulfilment of the requirements for the degree of Masters of Management (in the field of Public and Development Management) to the Faculty of Management, University of the Witwatersrand, Johannesburg

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ABSTRACT

The development of Small, Medium and Micro Enterprises (SMMEs) has become one of the major focal points for Local Economic Development (LED) in South Africa. This is demonstrated by the National and Provincial policy as well as local government initiatives wherein appropriate environment for small businesses to flourish has become a central element for promoting entrepreneurship within municipalities. However, the challenge is that the survival rate of the established small business initiatives and their sustainability to realize the purpose for which they have been established, that is, to promote sustainable entrepreneurship, to stimulate economic growth and to create jobs is enormous.

The purpose of this research study was to examine the nature of support provided to SMMEs as an element of LED strategy, its effectiveness in terms of job creation, entrepreneurial development and the lessons learnt for SMME development in the Greater Giyani Municipality, Limpopo Province of South Africa. Chicken farming had been used as a unit of analysis.

The major findings of the study were that the development of small businesses in the Greater Giyani Municipality is hindered by insufficient skills for the implementation of LED strategy for small business development, lack of training on small business development, inefficient and uncoordinated strategy within the local government municipality as well as lack of penetration of small business development agencies and above all, lack of training on small business management

The study recommends the following measures for effective small business development in the Greater Giyani Municipality: proper management systems, development of local economic development operation plan, good governance, improvement of service delivery, the effectiveness of small business development agencies and the need for performance measurements and monitoring.

DECLARATION

I, Madidimalo Aaron Ramodumo, declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Public and Development management) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

……..

Madidimalo Aaron Ramodumo

20 February, 2007

DEDICATION

I dedicate this work to my wife, Elizabeth who encouraged and supported me through the research project; to my two children, Thabiso and Thapelo; to all my friends and colleagues. Many thanks for your valued support and words of courage.

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I am grateful to my supervisor, Prof. Mohammed I. Jahed for his guidance, supervision and encouragement throughout the research process; to all the interviewees for their time and contributions, to Mr. Collins Miruka for his editing. Without their assistance, this research would not have been possible.

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LIST OF ABBREVIATIONS

DLGH	Department of Local Government and Housing.
GGM	Greater Giyani Municipality.
IDP	Integrated Development Plan.
LED	Local Economic Development.
LIMDEV	Limpopo Development Corporation.
SMME	Small, Medium and Micro Enterprise.
TIL	Trade and Investment Limpopo.

CHAPTER 1

INTRODUCTION

This chapter presents the background to the research, the purpose and significance of the study, and an overview of the research methodology to the study on Small, medium and micro enterprises as an element of local economic development in Greater Giyani Municipality.

Local Economic Development (LED) has become a key area of development in post-apartheid South Africa. It has become a mechanism and a process to improve the quality of life of communities through the creation of conditions necessary for the availability of jobs. SMMEs together with business support structures have surfaced as a primary for promoting local economic growth and sustainable small businesses. They have an important role to play in the present and future economic development, poverty reduction and employment creation. Small business development has not only become the main thrust of local economic development in South Africa, but internationally as well. In the Greater Giyani Municipality, SMMEs are perceived as the engines of job creation and local economic growth. As such, support for the establishment and growth of these enterprises, through municipal, local business support agencies and centres has therefore become one of the pillars of local economic development strategy.

The South African National Civics Organisation defines LED as "a process whereby identifiable authorities engage in economic strategies and projects which alleviate poverty and encourage growth" (Blakely, 1994, p186). LED is based on the simple notion that each community has a considerable capacity and opportunities to influence its economic destiny. In the South African context, the development of a local economy can be seen as a response to huge historical economic challenges such

as poverty and unemployment, which are considerably high in most rural provinces. Although the National, Provincial and Local government authorities have a daunting task of promoting economic development in all the provinces and communities, it remains one of their main tasks of locally based institutions to create conditions for successful local economic growth and job creation.

Local governments in particular have been, mandated "to promote social and economic development" (the Constitution of the Republic of South Africa, Act 108, 1996, p.81) through the development of Small, Medium and Micro Enterprises (SMME). As a result, the development of a local economy through LED strategy has become a critical approach for employment generation within an integrated development plan. The development SMME as an element of LED strategy was then given a serious attention because it was seen as potentially important source of employment creation and economic growth within a local economy. SMMEs, which are enterprises that are largely owned and managed by previously disadvantaged groups (The SMME Forum, 2004), have been established for the purposes of growing the local economy and employment creation. The development of the SMME sector involves the creation of conditions for small business to flourish, economic empowerment and support of local entrepreneurs by the local municipalities.

In spite of the fact that SMME have been around for quite a while in the post-apartheid South Africa, they are not without difficulties. Not all LED projects succeeded. What has become common in some other parts of the rural local municipalities such as the Greater Giyani is that SMMEs, especially small and micro enterprises, do not have good records of survival and growth. The owners of the small and micro entrepreneurs are constrained by challenges such as lack of skills, experience and support (The SMME Forum, 2004). This scenario is similar to that which pertains to chicken farming in the Greater Giyani Municipality.

In view of the potential importance of the SMME sector, the creation of an environment for their survival and growth is essential. Local municipalities have become one of the largest single influences on the development and sustainability of this sector to realize economic growth and development, given that municipalities are at the forefront of public sector programs that are dealing with poverty alleviation, unemployment and local economic development. It is vitally important that given the unpleasant survival rate of SMMEs, particularly in the Greater Giyani Municipality; their development prospects should be maximized.

1.1. GREATER GIYANI MUNICIPALITY.

The report on the Greater Giyani Municipality is a brief background of the area which the study focuses to understand the support provided to SMMEs by the Greater Giyani Municipal LED strategy, the extent to which the support contributes to the overarching objective of the Municipal LED strategy, e.g. job creation, and the lessons learnt or best practices for SMME development in the Greater Giyani Municipality.

The Greater Giyani Municipality is a local municipality that forms part of the Mopani District Municipality in the Limpopo Province. Its municipal offices are situated in the town of Giyani, which is in the former homeland of Gazankulu. Giyani is the only town in the Greater Giyani Municipality. It is also the location of the Mopani District Municipality offices. The municipality borders on the renowned Kruger National Park, one of the world's premier wildlife parks.

Figure 1: Map of Mopani District Municipality



Source: http://demo.demarcation.org.za.info

Greater Giyani is a rural municipality mainly characterized by rural conditions with high unemployment, low levels of economic activity, extreme poverty, service delivery challenges and capacity constraints. The local municipality is part of the broader Mopani District Municipality which comprises of four other municipalities, namely, Greater Letaba, Greater Tzaneen, Ba-Phalaborwa and Maruleng.

Two of these municipalities, namely, Greater Giyani and Greater Letaba municipalities have been identified as requiring hands-on local government support under the auspices of Project Consolidate (Giyani News, 26 September 2005) to

enhance key performance areas such as service delivery, LED and good governance. The Greater Giyani municipality in particular, has great potential in agriculture (high potential for cash crops, animal breeding and forestry). Small-scale mining and tourism areas such as Magoebaskloof indigenous forests and Modjadji Cycads nature reserve serve as other added advantages for the development of small business in the area. The Greater Giyani Municipality is further situated in the Ivory Route, which has been identified as a marketing area for tourism in Limpopo. Primary agricultural activities in the area include small-scale livestock farming such as poultry, beef and goats. The area is also known for the production of citrus, tomatoes and subtropical fruits.

The challenge for this district and specifically the Greater Giyani Municipality is how to develop these sectors in a way that is sustainable and maximizes the development impact and addresses the high levels of poverty and unemployment, thereby stimulating the local economy. The most important factor that limits growth and expansion is the lack of funds and small business support (Greater Giyani Local Economic Development Strategy, 2003). This comes amid the decreasing numbers of people involved in active business enterprises, high dependency on grants from national and provincial government generated from other municipalities and the increasing levels of poverty. A sound LED strategy is therefore required to enhance the development of small business and local economic growth.

1.2. THE GREATER GIYANI LED STRATEGY.

Although there are numerous constraints to development in the Greater Giyani Municipality, there are also several opportunities for economic development. For example, agriculture has become gradually more and important in the municipality. In the Greater Giyani Municipality (GGM), SMME poultry projects (chicken farms) have been established through municipal financial assistance grants as part of the

LED strategy to promote sustainable entrepreneurship, job creation, and stimulation of economic growth. These chicken farmers are selling their chicken to the local market, with the hope of growing and trading with the external market in the future (Greater Giyani Municipal LED Strategy, 2004). Besides financial support, the broader municipality strategy is to create an enabling environment for small business development by organising SMMEs under a single umbrella body called Giyani Chamber of Small Business. The aim of the chamber of small business is to give some business training, assisted to secure loans from banks and small business agencies for the development of small businesses (Greater Giyani Municipal LED Strategy, 2004).

Given the municipal strategic imperative for the development of SMMEs and entrepreneur growth, the study examines critically the actual nature of support measures provided to SMMEs through the LED programme by using a chicken farm case study to check if the support has been adequate or not, as chicken farming sustainability has become a major challenge in the Greater Giyani Municipality. This is important considering that the municipal strategy for Local Economic Development is aimed at the stimulation of local economic growth and ultimately in employment creation. The study tries to understand if this is been achieved

In spite of undertakings by the Greater Giyani Municipality to develop SMMEs such as chicken farms, there has been a noticeable decline in the number of such initiatives. Seven chicken farms were established through donor funds within the municipality in 2003 and only two are still in operation, while the rest have collapsed (*Mopani News*, 2006 March 24). This raises lots of questions about the Greater Giyani municipal LED strategy. What remains unclear is whether the collapse is due to lack of support provision or not, hence the study tries to understand the extent to which support contributes to the objective of the LED strategy.

The collapse of chicken farms is indicative of a major challenge to the improvement of small business growth strategy for local economic development. Through a much needed improved strategy, chicken farms that were established in 2003 through municipal financial support to address the challenges of poverty and unemployment could be resurrected. For now, there is little to show the sustainability of those newly established SMMEs (Mopani News, 2006). As a result, the support of SMMEs remains one of the critical strategies and a need for LED to address the challenges such as high level of poverty and unemployment in the Greater Giyani Municipality.

It is within this context that the study seeks to understand how the LED strategy supports SMMEs, in this case chicken farms, and how they could be sustained to avoid further collapse in terms of support. Sustainable chicken farming is important because it helps to promote economic development. The findings from this study could be useful to the Greater Giyani Municipality on the development of the current state of SMMEs (chicken farms) and their challenges. The findings could also be useful to those individuals aspiring to venture into this form of entrepreneurship.

1.3. PROBLEM STATEMENT.

The collapse of the newly established municipal supported chicken farm entrepreneurs had become a problem in the Greater Giyani Municipality. The problem that the study addresses is whether or not support provided as part of LED strategy is adequate to promote sustainable development of SMMEs. Although SMME development, such as chicken farm projects have been implemented as part of LED strategy in the Greater Giyani Municipality, the survival and growth rate of such initiatives is disappointingly very low and as such , this poses some serious questions around issues of SMME support and its contribution to entrepreneur development and job creation. This is a major concern as the establishment of these chicken farms was aimed at small entrepreneur development, job creation and poverty reduction; hence

SMMEs play an important role in the growth of the economy, a phenomenon which is widely regarded in many other countries

In most developing countries, small businesses that have been established to generate local economic growth and job creation contribute about 60% of GDP. In South Africa their contribution is about 25%. South Africa's SMME contribution and survival rate is low as compared to similar developing countries such as Brazil and India that have rates of 35% and 39% respectively (Real Enterprise Initiative, 2005). The low percentage and survival rate of chicken farms particularly in the Greater Giyani Municipality raises serious questions regarding the LED support strategy for SMME development.

In one of the Greater Giyani Municipal newsletters, indications were that out of the seven chicken farms that have been established through municipal financial grants in 2003, only two are still in operation, and the rest have collapsed(*Mopani News*, 2006 March 24). As such, there is a need to understand how the Municipal LED supports the established SMMEs (chicken farms) as the poor survival rate poses lots of questions and comments that support measures have not been successful in "creating functioning markets, promote emerging entrepreneurs and stimulate local economic growth by creating conditions for sustainable jobs and income" (Greater Giyani Municipality, 2004, p.33). This study therefore, tries to mainly understand the support measures provided to SMMEs, specifically, chicken farms and their impact on job creation.

1.4. PURPOSE STATEMENT.

The purpose of this study is to critically examine the support measures provided to SMMEs using chicken farming case study. The study also tries to understand the impact that the support has and the extent to which the support contributes to employment creation in the Greater Giyani Municipality as part of their LED strategy

to promote entrepreneurship. To understand the support measures and the impact, Tipfuxeni Poultry Farm is used as a case study to draw the lessons learnt for the development of sustainable SMMEs. The study will provided a comprehensive, descriptive and analytical overview of existing municipal support services tailored to the needs for the development of SMMEs and also analyse the support provision with regard to the objectives of the municipal LED strategy.

1.5. RESEARCH QUESTIONS.

The research seeks to understand and document the support provided to SMMEs in the promotion of small business and job creation by asking the following questions:

First, what support measures are being provided by the Greater Giyani Municipal LED strategy to SMMEs such as chicken farms?

Second, to what extent has the support contributed to the objective of the LED strategy, i.e. job creation and entrepreneurship development?

Third, what are the lessons and best practices for SMMEs (chicken farms) in the Greater Giyani Municipality for LED?

1.6 METHODOLOGY.

A qualitative case study research method was used to collect primary data on how the local municipality supports chicken farms. The method allowed the researcher to gather large amounts of information and get more details on the case being examined. The method also allowed the researcher to gain insights and clarity as opposed to testing a particular hypothesis on issues that needed further explanation.

Primary data was collected from six respondents of which three were municipal LED officers and the others three were co-owners of a chicken farm that was used as a case study. Each of them was given a copy of a questionnaire as an interview guide and a framework to initiate discussion. A questionnaire that was given to them prior to the actual arranged time for interviews was aimed at enabling them to collect their thoughts. This was followed by in-depth personal interviews to acquire information and clarifications that could not have been acquired though a questionnaire and to allow the researcher to probe initial responses. The collection of data enabled the researcher to understand the support service provided to SMMEs and its effectiveness as an LED strategy for the enhancement of entrepreneurship and local economic growth. The respondents were first informed of the nature of the study and their informed consent was sought in order for them to participate in the study.

Secondary sources such as municipal documents that could explain the kind of support provided in the development of SMMEs were consulted. These sources of information were not taken at face value. They were objectively interrogated and compared with primary data to add value. Part of the interrogation included among others, verifying what is documented about chicken farming support from chicken farmers themselves, particularly those that have once received grants to stats their small businesses from the municipality.

A case study on one chicken farm (Pfuka Rixile Poultry Farm) was used to collect data to examine the support provided by the Greater Giyani Municipality and its effectiveness on chicken farms. Municipal officials responsible for SMME development and chicken farm entrepreneurs were interviewed to gain detailed information on how the LED strategy supports chicken farms and the extent to which the support has contributed to the growth of the local economy, sustainable small business and job creation.

Data collected was analysed based on the Greater Giyani LED evaluation framework for SMMEs, which include various support services such as business marketing and training assistance. Data collected was organised into categories and analysed to identify recurring themes, broad patterns, linkages and relationships based on the grounded theoretical proposition that informed the study to build an explanation of how the LED strategy supported SMMEs (chicken farms). The themes were later drawn together to form an overall relationship. Only information relevant to research questions was processed and analysed as a reflection of the respondents' perceptions.

To ensure validity and establish credibility in this study, more than one data collection method had been used to compare, contrast, and confirm the emerging findings. The reason for this was to minimise the amount of bias and to support the validity and reliability of findings (Leedy and Ormrod, 2001). Information received through a questionnaire was followed up by contacts with respondents by means of interviews. A comparison was made between the replies given to increase objectivity and reliability (Cohen, Manion and Morrison, 2003). The results of the findings from the study were objectively presented in accordance with the goal of the study to confirm the proposal (Tellis, 1997).

1.7. SIGNIFICANCE OF STUDY.

As people are exposed to extreme poverty in the Greater Giyani Municipality, there is a need to create sustainable small businesses from which others can find employment. The development of a local economy is conditional on the ability of the local municipal authorities and chamber of small business to create conditions for people to create sustainable jobs and reduce unemployment. This has a positive impact not only on those that could find work for their livelihoods, but to the area within which business is created. When jobs are created, economic growth is also stimulated. It

then becomes very crucial that small business should be created to feed citizens, create jobs, promote alternative growth options and contribute to broader economic growth.

Given the challenges faced by the established chicken farms within the Greater Giyani Municipality, the study suggests ways towards the resuscitation and development of sustainable SMMEs (chicken farms) as the development of sustainable small business, particularly the chicken farms in this municipality has an opportunity for growth. A number of people working in the local town and government offices get served for their lunch from grilled chicken and street vendors that buy their chicken from chicken farms. The existence of such businesses is an opportunity for the growth and development of chicken farm business.

1.8. LIMITATIONS AND DELIMITATION OF THE STUDY.

The study was confined to responses of those entrepreneurs who are running a chicken farm business and officials from the LED unit. These chicken farm entrepreneurs are the ones who seized the opportunity when the municipality made funds available for them for their chicken farm business. The study was also limited to a poor rural municipality whose efficacy and effectiveness in terms of service delivery and business promotion are of great concern. More still need to be done in terms of capacitating its staff to enable them to provide services to rural communities. The study is therefore, not a representative of all other municipalities. The support being considered in this study is limited to entrepreneur business management training, workshops and financial support for business skills development.

While financial support is important for the entrepreneurs, the study was also interested in the provision of non-financial support such as easing the tax burden on chicken farmers by the local municipality. The value of the study is that it has looked

in great depth at a particular type of SMMEs that has hitherto received little scholarly attention yet from entrepreneurs' perspective; the sector could be an important contributor to job creation, poverty alleviation and local economic growth if well supported and managed.

1.9. STRUCTURE OF THE REPORT.

The organisation of the research follows the research process through its several chapters. The first chapter gives an introductory background and the purpose of the study, chapter two discusses a review of the relevant literature that relates to the research questions and serves as groundwork for the research. Chapter two is the review of literature and provides some theoretical insights and a conceptual framework for research study. Chapter three presents the research method, methodology and describes the research plan on how data was collected, the tools and techniques that have been used**.**

Chapter four presents research findings of the study conducted. An analysis and interpretation of research findings is provided in chapter five, which forms the core of this research study because data collected, processed, analysed and presented puts the situation on SMME support and development in the Greater Giyani Municipality into perspective. Chapter six provides conclusion and recommendations based on the research findings of the kind of support measures and its contributions to the development of chicken farms in the Greater Giyani Municipality.

1.10. CONCLUSION.

This chapter has highlighted on the focus of the research, the importance of the research and what the research aims to achieve. A brief background to the area of focus has been painted to shed some light on the current state of chicken farm

business in the Greater Giyani Municipality and how this is important for the development of the local economy.

It is in the context of a given scenario above, and the lessons that shall be learnt, that this study hopes to explore issues of municipal LED strategic support to SMMEs for the benefit of the local economy and those that can benefit from municipal effort in bringing about sustainable local economic development, job creation and entrepreneurship development through a well established and sustainable strategy for SMME development.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION.

This chapter reviews literature that focuses on the strategies for the development of SMMEs, the objectives for LED development, and the roles which various stakeholders should play in the development of local economy. The literature further gives some perspectives of how, through the focus on appropriate objectives and realistic strategies, other areas have been able to realise success in the development of their SMMEs for the development of their local economies. On the basis of such experiences and lessons learnt from other parts of the world, suggestions are made on how activities for SMME and the development of the local economy can be undertaken elsewhere, including in the Greater Giyani Municipality.

The role that local municipalities play is critical for the development of small business. The development of SMMEs require financial, infrastructural, training, information and marketing assistance measures to address the needs for the development of SMMEs and promotion of local economic development within communities (Nel, Hill, and Eising, 2002). LED intervention is required to encourage business growth and reduce poverty (World Bank, 2002). Thus, municipalities, provincial and national governments play this important role in creating conditions that ensures that SMMEs create jobs and stimulate economic growth. This role is widely perceived as part of a solution to some major drawbacks that SMMEs are faced with (World Bank, 2002).

2.2. LED AND SMME AIMS AND OBJECTIVES.

Maharaj and Ramballi (1988) observe that local economic development contributes to the increase in employment opportunities and local tax base. Indications are that LED offers a key response to lack of economic growth, and addresses unemployment and poverty. It is perceived as an approach aimed at poverty alleviation through pro-poor economic growth (Rogerson, 2004). LED is defined as

> "a process in which local governments and community based groups manage their existing resources and enter into partnership programmes with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area" (Zaaijer and Sara, 1993, p.129).

The World Bank(2000, p.1) defines LED as "the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation to improve the quality of life for all." The World Bank further asserts that LED is about local people working together to achieve sustainable economic growth that brings economic benefits in a community. The core focus of LED is partnership, economic growth and sustainability, job creation and community development through support for emerging micro and community businesses (World Bank, 2000).

In South Africa, the practice of LED involves supporting sustainable economic activities in the municipalities and is supported by the development of Small Business Amendment Act 29 of 2004 that requires the "establishment of provincial structures that ensure the effective implementation of SMMEs and strengthening the capacity of service providers to support small enterprises" (National Small Business Amendment Act, 2004, p.11). The task is primarily mandated to local government to spearhead, initiate, facilitate, coordinate and support local economic development projects. (Nell, Hill and Eising, 2002), which include among others, chicken farm co-operatives that

some individuals initiated out of municipal LED grants that were aimed at addressing particular socio-economic challenges and a response to economic opportunities.

In South Africa, the objectives for SMME development are to:

- Address the legacy of apartheid-based disempowerment of black business,
- Support the advancement of small business sectors,
- Create long term sustainable jobs,
- Stimulate sector focused local economic growth,
- Level the playing fields between bigger and small businesses as well as between rural and urban businesses (National Strategy for the Development and Promotion of Small Business in South Africa, 1995).

The above LED objectives have a 'pro-poor' focus that seeks to alleviate poverty and a 'pro-growth' with a focus on local economic growth and development within communities that have been previously disadvantaged by the apartheid legacy. The objectives leads to LED strategy that is aimed at addressing the challenges of high level of poverty and unemployment; addressing limited support for sustainable development projects; lack of business support services and inadequate entrepreneurial skills; Unsatisfactory small business development that arises from lack of access to finance, information, and weak capacities in government to perform a new developmental role (Limpopo LED programme, 2002).

The achievement of the objectives would also mean the development of a strategy aimed at the creation of an enabling environment for small business development, the establishment and provision of financial and non-financial support to SMMEs, particularly those "enterprises which are owned and managed by previously disadvantaged individuals" (The SMME Forum, 2004, p.1). Their support is seen as a window of opportunity to address the challenges of local economic growth and job creation among people that were previously shunned from the economy. These are targeted enterprises that are owner (or co-owner) operated and provide smaller

turnover, have marginal asset value, fewer employees and simpler organisational structures (Roy and Wheeler, 2006).

SMMEs that have been created in Limpopo are mostly local government initiated and are specifically targeted to groups that are poor and have been marginalised, previously disadvantaged local communities, particularly women and the unemployed. The objectives of SMME development are strategically aimed at assisting such poor and marginalised small business to rise from their challenges. This trend is similar to what happens in many other developing countries wherein SMMEs are seen as important sources of employment, particularly for the previously disadvantaged communities, hence they are considered for support by government. The World Bank claims that between one third and three quarters of total employment in most developing countries is found in the SMME sector (Webster and Fidler, 1996), and that these SMMEs contribute to the objective of growing the local economy and employment creation. With this kind of contribution to the economy, it is imperative that SMMEs should be seriously supported.

The above objectives could be seen as an acknowledgement by national government that SMMEs support can contribute to the development of small business and a way that could bring the previously disadvantaged individuals to business development if properly coordinated by local municipalities. As such, there is a need for local municipalities to support SMMEs for their advancement and growth. This could be a contribution not only from municipalities, but also from other sectors such as NGOs with an interest in poverty alleviation, local economic growth and development.

2.3. THE ROLE OF BUSINESS SUPPORT AGENCIES.

At the core of the South African national government's small business support process are institutions introduced to support SMME. The main institutional pillars

are Khula Enterprise Finance Limited and Ntsika Enterprise Promotion Agency. Khula Enterprise Finance Limited (KEFL) is a business support agency established in terms of Small Business Act of 1997 to promote the growth of SMMEs in South Africa (Nieto, 2006). Khula is an important institution in the strategy for small business development and has the task of facilitating access to finance. The main objective of such micro-credit programmes is to "grant small loans to enable people living in poverty to generate an income, find their way out of poverty through self employment and employing others"(Nieto, 2006, p.490).

Ntsika Enterprise Promotion Agency is in accordance with government strategy, tasked with the provision of decentralised non-financial services such as access to information, market linkage, training, and the strengthening of networks between enterprises (Rogerson, 2004). Khula provides credit guarantees, mentorship programme, start programme, grants for capacity building, and assumes a portion of the risk associated with lending to SMMEs who would otherwise not be able to secure a loan from a bank for the establishment, expansion, or acquisition of a new or existing business.

Khula has a mentorship scheme known as the Thuso Scheme, which is a programme set up "to guide and assist the small business community in managing and administering their enterprises in order to improve sustainability and success" (Makina and Malobola, 2004, p. 804). Khula does not provide finance to the business directly, but covers a portion of the risk on behalf of the small business. It covers the requirements of the bank even when the business cannot provide enough security to meet the requirements of a bank (Khula Service Directory, 2005).

These institutions are regarded as tools for promotion and development of small business, particularly emergent micro enterprises by providing advice, business training, ideas and specialised information. The success of SMMEs would therefore not only be dependent on the contributions of local municipalities, but would also

depend on the contributions that these support structures avail themselves to small business consultations and any form of assistance necessary for the sustainable development of small business.

2.4. ROLE OF LIMPOPO PROVINCIAL GOVERNMENT.

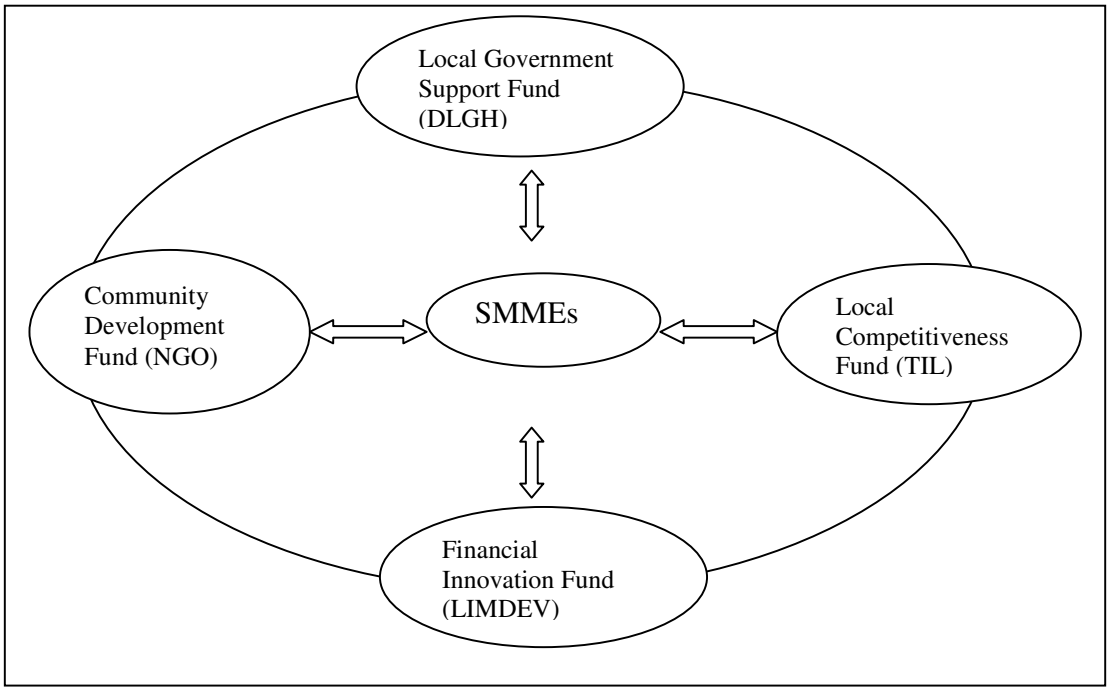
The Limpopo provincial government has an important role to play in developing support framework within which communities can begin with LED. Provincial authorities encourage local authorities and municipalities to mobilize small business and link them with business support agencies for training in the pursuit for the development of local economy. In cases where local government capacity is severely inadequate, a provincial team of LED facilitators is sent to municipalities to provide assistance and guidance, thereby facilitating the development of a vision for small business development.

The Limpopo departments of Economic Development and the department of Local Government and Housing (DLGH) have assumed a proactive role in supporting local economic development and creating conducive business environment by putting up a programme for the development and sustainability of SMMEs (Figure 2). The programme includes, among others, the following: the improvement of business support service wherein small business support agencies are established in the Limpopo district municipalities for access to credit and local government capacity building.

The Limpopo Business Support Agency (LIBSA), which is an arm of the Limpopo Development (LIMDEV), provides supportive services to SMMEs that lacks financial capacity, entrepreneur training and business information. The overall responsibility for the implementation of the SMME development programme lies within the provincial Departments of Local Government and Housing (DLGH) as

well as the Department of Economic Development that operates through Trade and Investment Limpopo (TIL).The other support for SMME development is derived from NGOs that also provide, skills, training and financial advises to small businesses

Figure 2: SMME development programme



Source: Limpopo Local Economic Development Programme

The survival rate, growth and development of SMMEs depends partly on the effective functioning of these regional structures that have been established to serve the objectives of the National Strategy for the Development and Promotion of Small Business in South Africa and that of institutions such as Ntsika Enterprise Promotion Agency (NEPA) and Khula Enterprise Finance Ltd that have been established and mandated to effect the implementation of SMME development through provision of business support such as expertise, training and finance. The rationale for the establishment of these structures is to create an enabling environment for people to

contribute towards building economic empowerment and job creation, and thus create a better quality of life for the majority of all citizens.

2.5. GLOBAL LESSONS FOR SMME DEVELOPMENT.

The experiences of small business development in other parts of the world are crucial to South Africa. South Africa has recently been able to look for success stories elsewhere in the world in order to learn about the LED strategies for SMME development. If lessons from these countries could be effectively used, the practices of small business development can be strengthened in the development of local economy. Below are some international practices for SMME development, which South Africa could learn from in order to have effective, efficient and sustainable small business

2.5.1. BADEN-WURRTEMBURG, GERMANY.

The development of SMME in Germany has led to high economic growth and low levels of unemployment. The main role players in the area of Baden- Wurrtemburg are the effective local authorities and organised small business support groups that create conditions suitable for the development of sustainable SMMEs. With their support, SMMEs are able to fulfil one central objective of LED by employing between twelve and twenty-five employees (Mawson, 1998). The reason for the success in economic growth in this area is attributed to the financial support that Mawson (1998) reckons should take place in other nations.

Another reason for the consistent economic growth in Baden-Wurrtenburg is the development of a system whose objective was to share knowledge (Danson, 1998) and enhance innovation through training to enhance small business skills. The stakeholders involved in the training process include local authorities for small

business development, agencies for small business training and an organised group of local chamber of small business. The stakeholders also assist in information gathering, sharing and marketing of small business. The Lander government and the Steinbeis Foundation assist SMME development in Baden-Wurrtemburg (Danson, 1998) through the provision of subsidies aimed at sustaining SMME projects, thus creating opportunities for SMMEs to thrive.

2.5.2. THE STATE OF CALIFORNIA, USA.

The state of California has also developed an LED strategy for SMME development through the development of state-initiated Enterprise Zones (Wilder and Rubin, 1996). The objective was to stimulate small business development and to increase employment. The Enterprise Zones are geographical areas that have been targeted for small business development chosen because of their high unemployment and poverty rates. Besides being given financial assistance and the required business skills for development, Enterprise Zone tax was also reduced by local municipality to give SMMEs some further cash for their development. The enterprise zones also receive assistance from the state of California local authority that helps them access finance for their small businesses development.

Education and training programmes are offered to small entrepreneurs for their business development. The established SMMEs often helped each other through knowledge sharing and news of innovation travelled quickly and freely within the established enterprise zones. “Owners and managers regularly exchanged advices, information and freely visited one another’s business” (Rosenfeld, 1997, p.5) for the purpose of learning other things and sharing knowledge. Local authorities did not only provide services such as training to SMMEs, but also monitored them in order to identify gaps so that interventions could be made as quickly as possible. As a result, the Enterprise Zones encouraged cross-fertilization of ideas across the clusters.

2.5.3. SMME DEVELOPMENT IN MAURITIUS.

The Mauritius government had through its director, set up Small Business Development Organisation that enabled SMMEs to obtain loans at preferential rates of interest. The organisation also conducts entrepreneur and management training, provides information services, and assists in marketing (International Research Centre, 1999) of small businesses. The development bank of Mauritius also plays a complementary role by financing small rural enterprise schemes undertaken by the unemployed and by people, whose an annual income is less than 1200 USD. The *Centre de promotion des petites enterprises and the association des petites entrepreneurs de Maurice* has helped SMME operators by training them, helping them prepare feasibility studies and disseminating information among them (International Research Centre, 1999).

The centre has identified small business failure to meet loan conditions as an indication that they need assistance. They assisted those entrepreneurs who are particularly weak at differentiating between their own private expenses and those of the business and failing to keep records for their benefit and to convince creditors that they can repay the loan. The Mauritius government appears to have played a relatively successful, interventionist role by setting up a Small Business Development Organisation. Because of its support, there is a new spirit of entrepreneurship in the country (International Research Centre, 1999) and as such, there is progress in terms of small business growth and development.

2.5.4. SMME DEVELOPMENT IN KERICHO, KENYA.

In response to the growing need for management practices and the recognition of the importance of small business in stimulating economic growth and job creation, the Kenyan Institute of Management and the Department of Entrepreneurship Development established a centre for Enterprise Development. The objectives of these institutions were to support SMME enterprises initiatives through the provision

of training, promote entrepreneur creation and growth, capacity development for institutions supporting SMMEs, business advisory services to SMME sector and to conduct SMME research, consultancy, monitoring and evaluation services(Centre for Enterprise Development, 1987)

The provision of training has assisted in building the capacity and sustainability of several SMMEs in the district of Kericho, thus placing them well on the way to achieving full entrepreneurial potential. Specific needs of an entrepreneur are also offered. Since the failure of many small businesses was traced back to poor management in the start up phase. A specific course was also offered to every small businessperson to establish a proper foundation for survival and growth (Centre for Enterprise Development, 1987). Those that have long been in their small business are offered business rehabilitation courses. Most importantly, the training program also addresses the increasing need for monitoring and evaluation of small business to check their progress against the support provision made. The monitoring and evaluation process help provide suitable and practical solutions to small business development (Centre for Enterprise Development, 1987)

2.6. CURRENT DEBATE ON SMMEs.

Although there has been a wide perception that local municipalities assist in small businesses and provides a potential impact by stimulating economic growth through job creation for local people, the opposite is the case in other parts of the country as current challenge remains how to sustain these small businesses. There is a growing belief that through support for SMMEs, wider developmental goals and targets could be met. These include poverty reduction and economic development. There are several debates around the development of SMMEs, the drawbacks and lessons that could be learnt for the future sustainable growth and development of small business

that could create opportunities within local communities. The debates are discussed hereinafter.

The Social development theory emphasizes that local municipalities need to play a crucial role in the sustainability of small business by supporting SMMEs and promote sustainable local economic development that leads to employment creation for the local people (Jacobs and Cleveland, 1999). It is debated that this is possible through "creating conditions and support for small business to achieve local economic growth, fight poverty, and to achieve sustainable local economic development (Jacobs and Cleveland, 1999, p.18)

Indications are that sustainable development and growth of SMMEs can play an important role in economic growth, poverty reduction and stimulate the economy to improve both national and local employment (The SMME Forum, 2004), hence the South African strategy for small business development and the National Small Business Act of 1995, which is centred around the improvement of the quality of life, reducing poverty through employment creation and support on small business development to stimulate economic growth and sustainable community programmes and projects (Small Business Development, 1995). These structures are in liaison with provincial and local municipalities. As a result, it is imperative for local municipalities to come up with job creation strategies through initiatives for SMMEs as part of their broader LED strategy (Small Business Development, 1995).

The SMME Forum(2004) emphasises that the South African LED policy, which focuses on the development of SMMEs, particularly those enterprises that are owned and managed by previously disadvantaged population groups, should be made to work in order to have successful small business. The National Department of Provincial and Local Government administers a fund of about R42 million, to which municipalities can apply for their LED projects related to small business development(The SMME Forum, 2004). The department need to ensure that this

amount is put to effective use and for the purpose for which it is intended, that is, the development of sustainable small business projects. The success of such projects depend on the effectiveness of the local implementation of strategies, programs and support provided to small businesses to develop sustainable economic activities. It is argued that this arrangement should not only look super on paper, but should also be made practically possible and should be implemented.

2.7. SMME MAJOR DRAWBACKS.

Various researchers acknowledge that small "business is the bedrock of a country's economy" (Halse, 1983, p. 1; Zondi, 1983, p.3; Vosloo, 1988, p.1). However, the writers assert that the challenge is to properly handle the critical issues that strengthen the viability, growth, and productivity of the nation's small business sector, hence the need for support to avoid some drawbacks. There are persistent drawbacks that have been identified as major causes of SMME failure. These include among others, inefficient management, lack of support and training. Skills and planning deficiency have been the most frequently cited reasons for the bad patches and ultimate collapse of small enterprises (Blakely, 1994; Schaefer, 2006; Roy and Wheeler, 2006) and result in failure of LED strategy for SMME development. Hereafter are some major SMME drawbacks

2.7.1. INEFFECTIVE MANAGEMENT.

In a presentation at a conference on Stimulating Rural Enterprise, Meyer-Stamer (2003, p.1) stated that "LED in South Africa suffers from confused concepts and goals, and in current form it is not very effective." The ineffectiveness is attributed to limited capacity, inexperience of local governments to promote development, bureaucratic obstacles, insufficient support structures, little cooperation between businesses, and the assumption that LED is a local government prerogative. Meyer-

Stamer (3003) further argues that LED as generally perceived, is not only about projects such as helping three women to raise chicken or throwing a heap of money at a few people. Meyer-Stamer (3003) says LED is also about educating small entrepreneurs and giving them support on how to successfully run a business.

2.7.2. TAXATION.

Meyer-Stamer (2003) perceives high tax costs for young entrepreneurs, weak and inadequate support structures from business development services and insufficient access to credit (micro-finance) "owing to lack of collateral and inflexible repayment schedules"(World Development Report: Poverty, 1990, p.65) as some of the major reasons for the collapse or unsuccessful small business.

These observations are supported by evidence presented by Djankov (2000), who cites that the business tax and regulations create more obstacles to small entrepreneur's promotion where in South Africa, small business tax has amounted to 0.366%, 0.014% in Canada and in Thailand small business are taxed 0.102% of annual GDP per capita. In other words, through excessive taxation, government in South Africa is creating more obstacles to entrepreneurship development than some governments in other countries (Meyer-Stamer, 2003).

2.7.3. LACK OF INFORMATION.

Berry, Cassim, Kesper, Van Seventer and Blottnits (2002) emphasise the difficulty of access to information for small enterprises. Berry *et al* argue that SMMEs largely lack information about banking procedures and loan requirements, while banks struggle to assess the viability of SMMEs loan applications due to insufficient information for a loan to be granted (Berry et al, 2002). Consequently, many potential borrowers do not receive or even apply for loans. It is argued that more research is needed to come to reasonable conclusions as to how capital markets, or government

intervention in the capital markets, can facilitate better access to financial support for SMMEs (Berry et al, 2002). Such information is necessary and relevant to SMMEs.

One other drawback in small business stems from lack of access data and follow up on them. (Dimov and De Clercq, 2006). Having a better understanding of the factors that contribute to SMMEs failure is a critical aspect of small business development as much of the process of creating and growing a successful business involves seeking and interpreting information to improve the decisions and to deal with operational problems (North and Smallbone, 2001).

2.7.4. LACK OF FINANCIAL MANAGEMENT.

A case study conducted by MasterCard Small Business reveal that bad or incompetent financial management practices by entrepreneurs is unfortunately one other reason for small business failure. It is argued that a deficient management inability to structure its business funds through the good and bad times is doomed to fail (MasterCard Small Business, 2003). Many small businesses fail because managers do not integrate accounting and accounting practices to a reasonable level in their business. By failing to do so, they suffer from lack of financial control and consequently cash flow problems force the business to fail (Schaefer, 2006).

2.7.5. OVERALL BUSINESS STRATEGY.

Other contributing factors that lead to small business failure include “inadequate marketing as a business strategy, investment failure, lack of adequate entrepreneur skills and support, lack of experience, bad business management and employing family members” (North and Smallbone, 2000, p. 148). Often, entrepreneurs lack the expertise as well as the support of functional specialists to deal with these challenges. This is an important characteristic of entrepreneurial reality and is often viewed from a negative perspective (Dimov and De Clercq, 2006).

There is therefore a need for knowledge and experience beyond that possessed by the entrepreneur. Brian Head, an economist with Small Business Administration noted that what keeps small business afloat in the perilous waters of the entrepreneurial sea and possibly sink forevermore is the belief that they would make a lot of money quickly yet they do not have a passion, business strategy, a drive, determination patience and a positive attitude for what they will be doing (Schaefer, 2006).

From the above drawbacks, it becomes imperative that small business failures should be addressed in order to have successful and sustainable small business growth, development, and employment creation. The MasterCard Small Business (2003) notes that well-meaning policy statements will not bring about real changes unless they are backed up with appropriate strategies and operational practices. What this mean is that, often, businesses fail because policy remains a 'statement of intent' and not fully implemented or practiced. As such, it is imperative that these challenges that SMME face should be tackled by the local government, small business support agencies, financial institutions and entrepreneurs themselves in order to find ways and means through which economic growth could be enhanced through SMME development.

2.8. LESSONS-LEARNT.

There are various lessons that could be learnt for successful and sustainable small business. According to the entrepreneurship theory of economic development, successful small business depends on proper "strategy, support, and capital that occupy the central position in economic development" (Culbertson 1971, p.281). The theory argues that huge business benefit is not the only decisive determinant for economic development, but an intervening variable. The entrepreneurship theory further argues that capital is more an effect of the existence of conditions favouring

an increase in economic growth and efficiency than a prime cause of economic efficiency. Above all these, an entrepreneur must have a drive to wand to have a successful small business (Culbertson 1971)

The theory argues also, that capital is likely to be wasted if sustainable business policies, strategies and support are ineffective, or when an entrepreneur has no drive for success, thus becoming an impediment to take-off and creating a vicious cycle of poverty. Culbertson (1971) states that small business people are generally poor at saving, cannot invest, and are therefore unlikely to escape from their conditions of poverty. Serious lessons should therefore be learnt from such conditions so that SMMEs are developed. What has emerged, as a matter of relevance is that in order to help small sassiness out of their bootstrap of stagnation, support and the will to succeed is necessary for their successful business (Culbertson1971).

The best way to minimise the unsuccessful rate SMMEs is for relevant stakeholders such as municipal authorities to create conditions and successful strategies, and provide support to small business to avoid abortive small business. This would be similar to what local authorities in Baden-Wurrtenburg, Germany have done for the sustainability of their small businesses (Mawson, 1988). Rogerson (2000, p.287), says “good strategy, skill level, education and training are best practices in the emergence of sustainable SMMEs”. Giving money and not developing strategies and programs to constantly check the development of such business would not bring effective local economic development.

The following variables have been identified as key lessons to the success of SMMEs: “level of training of micro-entrepreneurs; experience and number of years in operation; knowledge of the market; determination for success; the level of differentiation in terms of prise and quality; access to necessary resources and support from local authority” (Roy and Wheeler 2006, p. 456). These variables are regarded

as key to the successful growth and development of small business regardless of the areas from which SMMEs are set up.

A survey of Business Incubators in Appalachia revealed that giving constant assistance to entrepreneurs yield better results in terms of small business development. Under the Appalachian Local Business Development Programme, of the 368 entrepreneurship projects that were established, more than 1,200 jobs have been created (Appalachian Regional Commission, 2005). The success story of the Appalachian region is attributed to constant conferences, meetings and workshops to help small business grow, prosper and to deepen the culture of entrepreneurship throughout the Appalachian region (Appalachian Regional Commission, 2005).

In his work on Planning Local Economic Development, Blakely (1994) says local economic development requires planned actions and support programmes for specific development goals of a community based on the options and market opportunities available. This would require feasibility study, identifying the kind of support and important linkages between the local economy and the external economy (Blakely 1994).

Blakely (1994) further argues that often civil leaders anxiously move quickly and overlook such important fundamentals. They make local needs fit national government programs through "enforced entrepreneurs rather than the pool of market opportunities" (Rogerson, 2000, p.688). This forces people to accept without question grants for programs less suitable to their local needs, thus letting the tools determine the strategy. They often follow the fad by adopting trendy approaches on scant economic evidence that programs would be a success, forgetting the necessary support required (Blakely 1994). Lessons should be learnt from such practices to avoid future small business collapse.

It is therefore very relevant that any initiative that is aimed at improving the lives of citizens should emerge from community members within which such projects are to be laid, and maximally get supported by the local authorities and support agencies for its sustainability. Fundamentally, entrepreneurs should have the will and determination for success in their small businesses. Small business support does contribute to job creation, entrepreneurship development, growth and development as and when the will to succeed is entrenched in the entrepreneur.

From the above literature, it is imperative to realise that the development of a comprehensive and an integrated approach to sustainable small business relies on the necessary support that municipalities should provide and the will to succeed on the part of entrepreneurs. It is imperative also, that local municipalities in liaison with small business development agencies, should provide support to small business in the form of training, workshops and links with financial institutions than to provide starter packs(funds) that are not followed up by monitoring and evaluation process of the impact the starter packs have had on the established small business. With the necessary support, small business can without doubt, contribute to increasing local employment and income-generating opportunities and the development of local economy.

2.9. SOLUTIONS FOR THE SUCCESS OF SMMEs.

It is critical that given the challenges and lessons learnt about SMMEs, solutions should be sought to create an environment that facilitates the development of SMMEs. It is self-evident that Municipalities are best placed to implement government's strategic objectives aimed at job creation and SMME development. Based on the literature reviewed, the following areas are explored as possible solutions to the development of SMMEs.

2.9.1. LEARNING FROM PAST EXPERIENCES.

Learning from the past experiences creates long-term solutions to small business failure, economic growth and development challenges. According to Dimov and De Clercq (2006), the success of small business relies on acknowledging the failures and drawing lessons from past experiences, developing strategies, plans, and programmes that ensure the development of sustainable small business, constant monitoring, and evaluation of strategy to see if the strategy achieves the purpose for which it was set to achieve. Any further small business failure could be minimised if not only lessons are learnt but actions taken to counter such failures. Appropriate management that draws experiences from the past is required to avoid any further crisis and achieve sustainable small business (Berryman, 1985).

2.9.2. EFFECTIVE SMALL BUSINESS SUPPORT.

The establishment of chamber of commerce that facilitates entrepreneurial training programs and the establishment of small business development centres for pre-business training and technical assistance to potential entrepreneurs have been hailed as solutions to reduce the level of failures and for successful small business development. Berryman (1985) asserts that 'needs based' rather than 'resource based' training improves the success rate of small business. The emphasis is on an improvement from what had been learnt and a purposeful training required supporting the development of SMMEs to achieve the ultimate goal of job creation. There is a great need for the creation of an effective small business support that is easy to access, understand and relevant to small business needs.

Berryman (1985) argues that it is foolhardy to conduct training programmes based on the provider's perception of what is needed than an assurance that training provided is the appropriate response to the needs of the small business. Blakely (1994) indicates that improving the general financial performance and growth rate of small entrepreneurs, letting people decide on the form of assistance they would require

raises the potential of small entrepreneurs for sustainable development. This form of support measure would result in sustainable small business, the creation of new jobs, improve employment levels, and reduce poverty and unemployment levels (Blakely 1994).

Local governments and municipalities need to make these initiatives a component of the overall local economic development strategy. As Blakely (1994) warns, these problems are mentioned not to undermine small business initiatives but to state the limitations clearly and thus ensure sustainable future development. A critical issue for policy making on LED is to understand the factors that will cause successful small enterprises, challenge barriers to financial access and creating initiatives for sustainable or long-term employment opportunities.

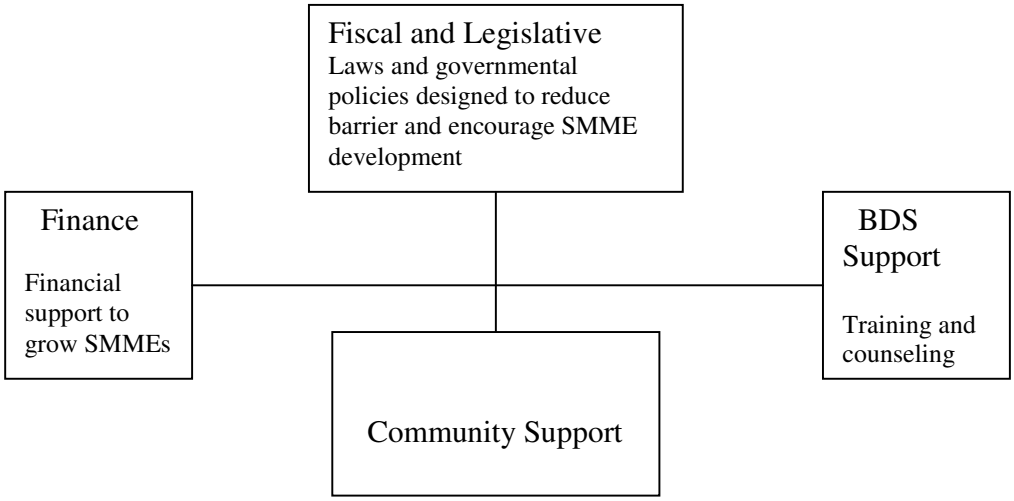
One most important option is to make it easy for small business people to borrow money, make interest payments, and repay loans in a reasonable manner. In the same breath, borrowers should make every effort to honour their commitments to pay interests and repay capital borrowed. This will ensure a continued access to credit (Blakely 1994).

Meyer-Stamer (2003) indicates that besides lowering tax on SMMEs and mentoring, more effective support structures are necessary elements to create jobs, sustain small business and stimulating SMMEs. She argues that an increase in the number of jobs and the sustainability of small business is an indication of successful SMMEs. She further suggests that the starting point in designing an entrepreneurship strategy must be the re-conceptualisation of problems as opportunities for sustainable small enterprises, involve participants in determining the kind of businesses support relevant to a particular locality than a readily packaged government program for the poor.[1]

[1] A similar study conducted by Real Enterprise Development (2005) revealed that small business support service is needed particularly in rural areas where there is either no support at all or very limited.

Support for SMMEs may seem a desirable strategy for LED, but it is a strategy that demands long term and strong commitment by local municipalities and entrepreneurs in order to achieve sustainable small business. A suggestion was made that for small business development to succeed and thrive, the best practice (Figure 3) should be that the state and local government must ensure that barriers are reduced and that an enabling fiscal and legislative framework is not only in place, but made to work (Richardson, 1998). Small businesses should have access to appropriate Business Development Support (BDS) that includes training, access to finance and financial services as a key to the development of strong SMMEs. Most important of all is financial support and entrepreneur commitment to make small business venture possible.

Figure 3: Good practice for SMME development.



Source: http://www.ilo.org.seed

The good practice for SMME development is based on international lessons for the delivery of sustainable small business development services to SMME that helps to grow small business through job creation and raise the levels of local economic growth through the provision of finance, information services and training. It has been argued that training should be as close as possible to the needs of entrepreneurs, be conducted by those people with better knowledge about SMME business as their information would be more relevant to entrepreneur circumstances. Business support organisations need to have a better understanding of the needs of the small entrepreneurs and promote the association and development of sustainable SMMEs.

2.10. CONCLUSION.

This chapter has shed some light regarding issues pertinent to the conceptual framework of LED and SMME development, challenges, solutions and 'best' practices. The indication has been that to maximise the survival rate of SMMEs, there is a need to identify and understand the obstacles that lead to a failure of small business, learn from such failures, and act upon those failures by way of giving the necessary support.

The most important lessons learnt are that there should be effective local authorities, organised small business and support groups in order to achieve the development of SMME, job creation and local economic growth. Local authorities need to create conditions for economic growth, establish centres for enterprise development to facilitate the development of local economic growth. Support agencies have to support small businesses financially and educate entrepreneurs through organised training workshops.

The need to create functional LED strategy to support SMMEs to stimulate economic growth through job creation and tax reduction on SMMEs has emerged as an

important remedy for sustainable SMMEs. The lessons learnt are important to the research study as they could be used as a learning curve and a remedy for small business failure in the Greater Giyani Municipality. LED support is therefore a crucial factor for any small business to prosper.

The debates and arguments raised have thus become an eye opener to local municipalities on the requirements, measures and strategies for SMMEs development. The main argument has been that in order to achieve the objective of LED strategy, that is job creation and entrepreneur development, local municipalities need to value SMMEs as potential for local economic growth. As a result, conditions for small business need to be created, policy and strategies should be made to work for effective SMME development, entrepreneurs need to have determination for success and should also be organised. Effective LED strategy for sustainable SMME should occupy the central position on economic development.

CHAPTER 3
RESEARCH METHODOLOGY

The focus of research methodology chapter is to establishing the practicalities of research. It addresses the methodology used in conducting this research, the kind of data required, where data was sourced, how data was analysed, how validity and reliability was addressed

3.1 RESEARCH DESIGN.

There are two basic goals in the research design, which are to obtain information relevant to the research and to ensure the reliability and validity of data collected. The approach to this study is qualitative in nature. In trying to understand support provided to SMME, the extent to which support contributes to job creation and entrepreneurship development, a qualitative case study method was used to get in-depth study of a particular milieu and greater richness of data, depth, penetration of analysis using standardised instruments and knowledgeable informants in the locale being studied. This help to achieve the purpose of obtaining relevant and reliable information. Merriam (1988) says qualitative researchers are primarily concerned with process rather than outcomes. This means that they are interested in understanding how people make sense of their lives out of their personal experiences.

The case study is informed by a socio-economic development theory which advocates that government authorities should "promote greater development of individuals and group support, institute measures perceived as beneficial to communities" (Jacobs and Cleveland, 1999, p.11) with an aim to help small businesses reduce failures and achieve the goals of Local Economic Development. It is through a chicken farm case study that what the theory advocates could be understood through a qualitative

research. The study therefore tries to understand the application of the socio-economic development theory by looking at the support measures provided by the Greater Giyani municipal LED strategy to the development of SMMEs, chicken farms in particular, lessons learnt in the development of SMMEs and the extent to which the support contributed to the municipal strategic objective, that is job creation and entrepreneurship development.

The qualitative method is appropriate for this research because it allows one to "gather large amount of information and get more details on the case being examined" (Neuman, 1991, p.331). The qualitative study is flexible and is concerned with a process of understanding and generating new concepts out of given information than with testing the existing ones (Neuman, 1997). The study allows one to produce valid and reliable results by gaining insights and clarity and by checking records against what is happening in the area of research as opposed to testing particular hypothesis on issues that needs further explanations. Through the qualitative method, some analysis and deductions could be made from information that has been gathered through interviews and documentations.

3.2 PRIMARY DATA.

The study drew primary data from a direct contact with three municipal senior personnel in the LED unit and three co-owners of Pfuka Rixile Poultry farm to address the research questions on the support measures provided through municipal LED strategy to chicken farms, the extent to which the support contributes to the LED objectives and lessons learnt for municipal LED strategy towards the sustainability of SMMEs. A questionnaire was distributed (Refer Appendix 1) as a forerunner to enable participants to collect their thoughts and was used as a guiding frame for research to initiate discussion. Primary data was undertaken at Pfuka Rixile

Chicken Farm, which was used as a test case of how LED strategy supports SMMEs and a case study through which improvements could be made.

A questionnaire was followed by in-depth interviews with six individuals, three chicken farm co-owners, and three municipal LED unit members to expand the data gathering process and allow the researcher to probe initial responses and gather some in-depth data (Leedy and Ormrod, 2001) that could not be available through a questionnaire. This enabled the researcher to understand if there was support service provided to SMMEs, its effectiveness and the lessons learnt on SMME development. Getting primary data is more valid and 'undistorted' as one gets to hear from the respondents themselves.

3.3 SECONDARY DATA.

The most obvious reason for expanding the number of data sources is to obtain crucial information that is not available from a singe method. The research consulted secondary sources of data such as municipal LED strategy framework and policy document drawn from the national and provincial strategic policy objectives as a reference on how the local municipality contributes to small business development. Municipal LED reports were used to find out the support that the Greater Giyani Municipality provided to SMMEs. The reports were also checked against the LED strategy to check if its strategic policy is being implemented. These documents, particularly the municipal reports were not taken at a face value, but were verified and compared with responses from interviews to avoid any exaggerated claims (Leedy and Ormrod, 2001).

The ages of the interviewees ranged from 31 to 57 years. Of the three LED officers, only one had received training in the field of economic development. The other two had been trained as educators who happened to get employment in the municipality.

With regard to the three chicken farmers interviewed, one had been trained on small business while the other two used their farming knowledge and experience gained as farm labourers in the nearby farms.

3.4 DATA ANALYSIS.

The study used a qualitative approach in its data analysis. The approach allowed the researcher to organise data into categories, themes and patterns to identify recurring themes, broad patterns, linkages and relationships. Data collected was analysed based on the key research questions. The analysis was not only based on a description of the kind of responses to the research questions, but was also based on LED evaluation framework for SMMEs, which among others, include support measures and best practices, financial support, marketing assistance, training and job creation.

Based on the information collected about the case study, one of the analyses that were made was the interpretations of the constraints that SMMEs had in relation to the case study, the extent to which municipal support provision is able or unable to meet their local economic growth strategic objectives. One other important analysis scrutinised was the focus for which, based on lessons learnt, both the municipality and chicken farmers would pursue for the development of sustainable small business. This becomes important as lessons are drawn and from such experiences and underlying meaning, a pursuit for better service and small business management was recommended.

Data was analysed during the data collection process by picking information relevant to research questions. The categorised data was organised into a system that was predominantly derived from data (Henning, Van Rensburg and Smith, 2004), which implies that the analysis was inductive and reflected the respondents' perceptions. It

is through information gathered from interviewees and municipal documents that analyses were made to arrive at the results of the study.

3.5 VALIDITY.

For the purpose to establish a credible study, the study used more than one data collection method to confirm emerging findings and to minimise the amount of bias by comparing multiple data sources in search of common themes to support the validity and reliability of findings (Leedy and Ormrod, 2001). Information received through a questionnaire was derived by means of standardised interview schedule. The reports written about SMME support and development in the Greater Giyani Municipality were also verified with some chicken farmers for the purpose of validity. A comparison was then made between the replies given and the reports from secondary data to increase reliability (Cohen, Manion and Morrison, 2003). Although validity is at times difficult and complex, it has been considered in this research to assess the value of certain data. The result of the findings from the study was objectively presented in accordance with the goal of the study (Tellis, 1997). A researcher's perceptions, attitudes, opinions, expectations and any preconceived notions were discarded to ensure objectivity.

3.6 RELIABILITY.

The reliability of information gathered was based on the internal consistency from both municipal LED staff members and co-owners of Pfuka Rixile Poultry Farm in terms of their responses. Similar questions with slightly different wording were often asked in the interview process. Interviews were conducted at different times with each individual and there was some degree of coherence in the way people answered the items. The responses given were also more similar to what has been documented in the reports on SMME development in the Greater Giyani Municipality. The

correlation between the responses had thus become a measure of respondents' reliability. The secondary sources that were made available had to a larger extent confirmed some of the information gathered during the interview process.

3.7. CONCLUSION.

This chapter has given a detailed discussion of the research methodology and how data was collected for research study. It hinted on the use of, and the importance of using interviews and documentations as combination of primary data and secondary data to enhance validity and reliability in a qualitative research methodology. This has ensured the collection of appropriate data required to answer the research questions on the support that LED strategy provides to SMMEs. The methodology adopted here has allowed the researcher to effectively link the findings to the research questions.

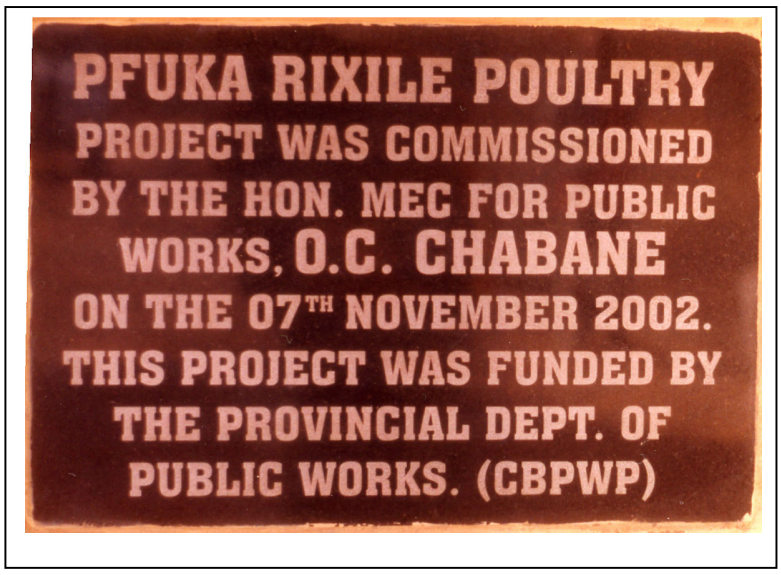
CHAPTER 4

A CASE STUDY OF PFUKA RIXILE POULTRY FARM

4.1. INTRODUCTION.

This chapter presents findings of a case study conducted to investigate the kind of support that the Greater Giyani Municipality provides to chicken farms, the extent to which municipal support contributes to the LED strategy, which is job creation, entrepreneurship development. The interviews conducted were intended to also find the challenges that chicken farmers and the municipal LED unit are faced with, lessons learnt and solutions to the challenges for the growth and development of SMME in the Greater Giyani municipality. The findings are related to extensive literature review and are based on interviews with three LED officers and three chicken farm sole proprietors.

Figure 4: Stone plaque at the poultry farm



Source: Pfuka Rixile site project

Pfuka Rixile Poultry project has been chosen as the case study for the purpose of this research. It is one of the projects that were initiated by the Limpopo Provincial Department of Public Works. This project was chosen because it was initiated by the provincial government to encourage small business development and poverty alleviation through job creation. The Greater Giyani Municipality was tasked to ensure that this project, together with other SMME projects, is sustained to enable it and other projects to create jobs for the purpose of alleviation of poverty and to ensure local economic growth. The role of the municipal LED unit was to create suitable conditions for local economic development through resources mobilization for SMME growth and developing capacity of SMME owners in running their small businesses. This included among others, organizing for some training courses to be conducted and some financial assistance to SMMEs

Like many other projects, Pfuka Rixile had its own share of challenges. Had it not been for the persistence of its co-owners, this chicken farm would have closed down. Given its share of challenges and the reasons for its establishment, the project had become an important case study to understand the support measures provided by the Greater Giyani municipal LED strategy in the promotion of small business and job creation. The chicken farm project also makes the researcher to understand constrains of running the chicken farm business and also how this could be dealt with.

4.2. GREATER GIYANI MUNICIPAL PRIORITIES FOR LED.

The Greater Giyani Municipality is predominantly rural. Agricultural activity dominates the economy of the area and it is as such, a priority area for the development of small business. Its economy is centred largely on agriculture, hence the need for a predominant agricultural based LED strategy (Greater Giyani Local

Economic Development Strategy, 2003). A high rate of unemployment and significant levels of poverty have also ravaged the municipality.

One of the municipal priority areas (Greater Giyani LED Strategy, 2003) is to identify economic development opportunities that will influence and broaden the local economy, address the creation of employment base of the municipality, support development initiatives and facilitate projects aimed at job creation. Chicken farming was identified as one of the priorities that if adequately supported, could achieve the objectives of municipal LED strategy.

The LED strategy is aimed at sustaining households through promoting and sustaining the creation and expansion of SMMEs through the establishment of small business support infrastructure, advisory services, business skills training and market information systems for SMMEs. LED support includes among other methods, provision of grants or loans, training, leadership and guidance for new businesses.

4.3. KEY FINDINGS.

This section provides key findings on the support measures that the Greater Giyani municipal LED strategy provides to chicken farms, the extent to which the support contributes to the objectives of the LED strategy, lessons for SMME development in the Greater Giyani municipality for LED. The information was collected from the co-owners of Pfuka Rixile Poultry Farm and officials from the Greater Giyani Municipal LED unit through interviews. The interviews with the key individuals were conducted according to their schedule and availability.

4.3.1. SUPPORT MEASURES PROVIDED TO SMMEs.

The Greater Giyani Municipality recognises the importance of SMMEs to economic development and growth. The municipality often dispatches funds to ailing small businesses to encourage the development and sustainability of SMMEs. It is in the hope that the sustainability of SMME would create sustainable employment opportunities to the local people. The municipality often encourage small entrepreneurs to get organised so that arrangements could be made for them to get some training on the improvement of business skills. It is hoped that this will promote the development of a competitive SMME community and improve municipal efficiency in the delivery of services to small businesses, in particular the small business support service such as advisory and training services which have been of inferior quality and poor. However, the municipal support strategy is very limited and has therefore some challenges for both chicken farmers and the municipal unit for local economic development

4.3.2. CHALLENGES FOR CHICKEN FARMERS.

Many difficulties among chicken farmers are generally encountered in the realisation of sustainable small business and job creation. Besides the limited support in the form of starter packs for small business support services, the Greater Giyani Municipality still finds it uneasy to find answers to the specific needs of the smallest businesses due to lack of organised small business and inadequate LED team. The support that the municipality provides is low due to unorganised small businesses. A not so organised small business compromises the intentions of an improvement in the development of the local economy as articulated in the Greater Giyani LED strategy for SMME development. As such, the Greater Giyani Municipality is not only unchallenged by small business, but is also struggling to create an appropriate environment for small business to flourish.

Chicken farmers are faced with serious challenges that require intervention. They are often faced with lack of water and insecurity for their chicken. A concern was raised by one of the chicken farmers that access to financing was still one of the largest impediments to the development of their chicken farm. Indications were that financial institutions are reluctant to fund small businesses that operate in a rural trust land. One municipal official said chicken farmers do not have financial management skills and their cost price of chicken is often incorrectly calculated.

4.3.2.1. LACK OF TRAINING.

Chicken farmers never received training prior to receiving money to start their business. They have limited knowledge about financial management and chicken farming skills. These were the words said by one of the chicken farm co-owners (Spondo, 2006, personal interview conducted on SMME development in the Greater Giyani Municipality). As a result, lack of training on financial management has an effect on the running of their businesses. Requests to the department of Agriculture for some training on raising chickens and financial management skills were often made, but the chicken farmers were never successful. The current failure of chicken farms is partly due to the skills deficit among individuals or owners of the entities.

When asked how they manage all these challenges when other chicken farmers are showing signs of collapse or have completely collapsed, chicken farmers indicated that besides their limited business experiences, one of their member had once attended a meeting organized by the Limpopo Business Support Agency (LIBSA) where business management skills training was offered. Also, when white chicken farmers came to deliver the chicks, these chicken farmers would relate some of the problems they encountered and in that way, they were able to get some mentoring from white chicken farmers

The implications for this are that without support such as business management training, it would be difficult for chicken farmers who do not have this training to manage their business so that it grows and contribute to local economy. Relying on spontaneous advice is therefore not good enough for small business development.

4.3.2.2. INEFFECTIVE LOCAL GOVERNMENT.

The support offered by the municipality to SMMEs is not sufficient to ensure that their objectives of sustainable small business are achieved. Chicken farmers are given funds at the start of their small businesses and no follow-ups are made to see if there is progression in the development of small business establishment. Indications were that the municipal LED unit does not have a manager and that its staff members are not well acquainted with LED processes and as such, they are at times not able to meet other necessary requirements to support SMME or make follow-ups to ensure the survival of those SMME projects that have been initiated. This is an indication that the LED unit is not as organised as it should in order to successfully manage its support program.

Municipal LED officials shared the same sentiments and acknowledged that there is a capacity deficit in the LED unit. Indications were that the current LED unit has people who do not have sufficient expertise to facilitate small business development and that there is a need for capacity building. Claims were also made by chicken farmers that lack of follow-ups is an indication that the municipality does not have ideas on how to help solve the problems that chicken farmers face for the development of small business. It is imperative to note therefore, that the sustainability of SMMEs depend on competent and trained staff committed to seeing the established projects through.

4.3.2.3. INSUFFICIENT PENETRATION OF SMALL BUSINESS SUPPORT.

The local small business support agency called Limpopo Business Support Agency (Mopani News, 2006) has recently been established in the Mopani district to serve SMMEs in the form of training and helping small business access funding. The agency has not yet penetrated to small businesses that operate in the periphery of Giyani, chicken farms in particular. Although the support service has been established, there is lack of awareness of support services among chicken farmers. Small enterprises lack information on the existence and availability of support for their respective enterprises. Thus, the relatively low participation in support services among SMMEs might be connected to the low level information on support services offered. This could be either that the support service does not market itself much. Creating awareness of the existence and availability of support services among entrepreneurs is therefore one of the major challenges for small business support agencies.

4.3.2.4. LACK OF FINANCIAL ASSISTANCE.

Lack of access to finance by chicken farmers is a huge challenge that has led to the collapse of chicken farms that benefited from the Greater Giyani Municipal grants. Banks have red lined SMMEs such as chicken farms because chicken farmers do not have business record of accomplishment and the requisite skills and knowledge necessary to manage their business. The local business agency which provides free services such as training on book keeping, financial management, money lending and banking is not being utilized by chicken farmers, the reason for this being that small business people are charged exorbitant interests when they lend money through the local support service, thus making it difficult for them to make repayments for the money they would borrow. As a result, chicken farmers are also reluctant to seek any advice or any form of assistance from the local small business agency as they do not trust the local small business support agency that much.

From the above challenges, it is imperative to realise that the challenges that chicken farmers face are enormous to the extent that immediate municipal intervention is necessary for the development of SMMEs. Without swift and adequate municipal intervention, most chicken farms can hardly sustain themselves. Giving money to small business without a monitoring process is not good enough for the development of the local economy.

4.4. LESSONS LEARNT.

Great lessons have been learnt from both the municipal LED officials and chicken farmers. One of the first lessons learned is the importance of competent staff within the Greater Giyani LED unit. The municipality LED officers indicated the need for an enhancement in their internal systems and capacity development that could help them to assist SMMEs. Indications were that this could also bring some improvement in their planning, implementation, monitoring process and management of their programmes and projects aimed at poverty reduction through the creation of conditions for economic growth and local economic development.

There was also an indication from the municipality LED officer that there is a need to work closely with other government departments such as the department of Agriculture in the process of economic development. The agricultural department can play an important role in advising local agricultural business on various forms of farming and also on how, in the case of chicken farmers, they can feed their chicks and minimise chicken death. The municipality has also learnt that they should first, in liaison with small business support agencies provide skills such as financial management by training SMME people before they could even be given money for small business development.

The municipality has also learnt that an increase in business increases the municipality's capacity to raise its own funds. Municipal status would also improve with municipal capacity to raise its own funds. Less municipal involvement in economic activity would mean less contribution to the overall national economy. As a result, the municipality realised a need to better the local economy through the improvement of services that they provide to SMMEs. The municipal LED unit realised and acknowledged that the collapse of SMME defeats the purpose for which SMMEs have been established.

Chicken farmers also had some lessons to learn. The following lessons were learnt by Pfuka Rixile chicken farmers. They indicated the need to acquire knowledge through training in order to improve the running of small business. They also realised the need to associate themselves with the local chamber of small business and the small business agency that can be of help in terms of training and other relevant information necessary for the development of their small businesses. Most importantly, chicken farmers acknowledged the importance of establishing an organised group that can, as a collective confront the local government on issues that relate to support for small business development.

4.5. CONCLUSION.

This chapter has provided some highlights on the support that the municipality provides to SMMEs, the extent to which the support contributes to small business development and job creation, the challenges that both chicken farmers and the municipal LED unit in the Greater Giyani Municipality are faced with. What has clearly emerged is that municipal LED officials need to be capacitated to so that they can effectively carry their mandate of local economic development as this could assist in pushing back the frontiers of poverty through provision of small business support.

Chicken farmers have also not really done enough to manage their businesses due to inadequate management skills. They expected the municipality to cater for them each time they experienced problems, yet there is a local small business support agency that they could seek assistance from. Both the municipality and chicken farmers need adequate support in the form of training and capacity development in order to be successful. There is also a need for chicken farmers to get organised so that they can confront the LED unit as an organised front.

An issue of municipal capacity building and training of chicken farmers emerged most frequently. Also, an issue of insufficient penetration of small business development agencies emerged as that which requires a major attention for the development and enhancement of the local economy. Indications are that an improvement in this regard could bring an improvement in the development of small business, increase the municipal tax base and employment growth. If changes for improvement are not effected, LED in the Greater Giyani Municipality, which is characterized by high levels of poverty, may not live up to its expectations. The Greater Giyani Municipality requires effective LED strategy driven by efficient officers to redress the high levels of poverty, joblessness and underdevelopment.

CHAPTER 5

ANALYSIS AND ASSESSMENT OF RESEARCH FINDINGS

5.1. INTRODUCTION.

As shown in the previous chapter, the analysis of results is based on the research findings from interviews conducted and document studied about the municipal LED support provision to chicken farms as well as an assessment of support provision. The extent to which the support contributes to entrepreneur development, job creation and local economic growth is also investigated.

The analysis is then followed by a description of good practice, which could be used as lessons necessary for responding to local economic conditions in the Greater Giyani Municipality. The good practices are, however, not comprehensive of all the best practices existing in the world, but a choice based on the cases considered relevant to the study and trends occurring in the Greater Giyani municipal LED.

5.2. MUNICIPAL LED OBJECTIVE.

The stated objective of the Greater Giyani Municipality remains that of creating favourable conditions for economic growth, poverty alleviation and job creation through SMME support. Given the support measure provided by the municipality, it is unlikely that the support would adequately achieve the above stated objective. Chicken farmers only received money to start and run their own businesses without receiving regular training to develop their entrepreneurial skills necessary to sustain their business operations. This is primarily the reason for which chicken farms funded by the Greater Giyani Municipality have not been sustainable and hence the collapse

of the majority of them. This implies poor planning and inefficient management of local economic development on the part of the Greater Giyani Municipality.

5.3. PERSISTENT CHALLENGES.

A number of identified challenges and weaknesses detracted meeting the stated objective of the municipality and the sustainability of chicken farms. Based on the information collected about the challenges that both chicken farmers and the municipal LED unit face, one can deduce that the success of chicken farms was not only constrained by a number of barriers such as poor access to capital and lack of training for capacity building, but also failure on the part of municipality to assess the extent to which they are able or unable to meet their local economic growth strategic objectives. The situation seems to have persisted for long without any form of intervention by the municipality. This is a sure sign of municipal incapacity to even acknowledge the sad reality of their persistent inadequacy.

Understandably, the projects have had a focus that could benefit the municipality in terms of job creation, broadening the tax base and poverty reduction, but lack of adequate support for chicken farms to grow the local small business economy and development had become a common problem. Few of these projects have had skilled individuals to manage and as such, chicken farm projects have become ‘chaotic’ without proper support and management. There is weak evidence in support of the perception of SMMEs as important sources of employment as perceived by the municipality.

Lack of synergy between the municipality and other government departments such as the department of Agriculture does not help the LED process on the ground. This is one other vital point that the municipality should consider in order for small entrepreneurs to benefit from an integrated support system. In most cases, the

beneficiaries of funding are not identified properly and as such, project failure and mismanagement became evident. Often agricultural projects are just initiated by the municipality without the necessary involvement of the agricultural department which can shed some lights on the development of such projects, a clear sign of no synergy between the municipality and other departments.

In most cases, project leaders seem extremely reluctant to learn from what has happened in the past and this often leads to a continuous failure. Besides, the municipality does not have enough staff to facilitate SMME support, development and entrepreneur training. There is also lack of administrative capacity to drive the development of SMMEs. The current LED unit is not qualified enough to provide such a service. Nothing except an acknowledgement has been made about the situation. Given the existing antagonism between chicken farmers and municipal LED officials and internal conflict between the municipal officials, it would seem that support is not primarily on the agenda of the local municipality.

5.4. LESSONS LEARNT.

The collapse of other chicken farms has taught both chicken framers and municipal LED officials the lessons that there is a need to improve municipal internal capacity to enable them to enhance their systems and operations. There is a growing notion that the availability of a small business agency without proper and collective engagement of chicken farmers is as good as not having one, as the small business agency is being underutilized to the detriment of chicken farmers. As such, the lessons for chicken farmers are that through an organised chamber of small business, they can be in a position to gain certain advancement as a collective

Small-scale entrepreneurs need more than money to start up an enterprise and to survive in the market place. They need access to strategic support that takes account

of their needs and the complexity of SMME development, as well as the markets within which they operate. Support is provided at the initial stage of SMME and no further support in the form of further training and links with micro lenders is provided. Without this, SMMEs cannot survive any further on their own.

5.5. LIMITED SUPPORT.

Most of the support for chicken farms had been limited to the start-up of new enterprises through the provision of small scale funding. There has been a significantly low emphasis on supporting these enterprises and helping them to survive beyond basic start-up and to compete in the local market or achieve planned business growth. Small business development is complex and demands long-term support and commitment. If no immediate, persistent or continuous support is granted, SMMEs will continue to struggle and lie on the margins of the country's economy. The municipality acknowledge its small business support deficiency and needed to act upon this.

The limited financial support is an indication that chicken farms could operate at the margins and not expected to do more than generate income for survival. The lack of support may be an indication of Greater Giyani Municipality's inability in terms of capacity to offer the more detailed support linkages required to take chicken farm activities beyond a subsistence level to the level of successful competition.

There is a growing indication that for some chicken farmers, SMME development is less about enterprise and more about survival on a day-to-day basis. This idea emerges from certain quarters of chicken farmers in the interviewing process, and need to be addressed if chicken farmers would really want to make it big in the chicken business. This of course requires some form of guidance and advice from

small business development agencies that the municipality can organize for these chicken farmers.

5.6. POOR COORDINATION.

There is an indication that agricultural projects such as chicken farms are initiated without the knowledge of the Department of Agriculture. This shows that the Municipality is not well integrated with other government departments. This became evident when SMMEs asked for some assistance from the Department of Agriculture and were told that their project formations were not discussed with the department and as such, there was nothing they could do as interventions could be seen as hi-jacking the projects initiated by the municipality. The design of some other chicken houses and the sizes of such chicken farms is an indication that there has been no poultry specialist to advise them on the correct sizes and measures of chicken houses to avoid heat stroke and stress, yet there are such specialist in the agriculture department. Partnership is a vital component to successful implementation of LED initiatives and as such, this need to be forged with key role players.

5.7. INSUFFICIENT MONITORING.

The development of chicken farms had been limited by lack of adequate monitoring process. There have been no follow-ups to check whether there is progress regarding the small businesses that received funding from the municipality. This in itself is an indication of poor planning and management on the part of the municipality as sustainability and viability of projects rests on the monitoring process which is the integral part of the process. The success of LED projects and SMME development requires monitoring and evaluation mechanisms to be implemented. The mechanism of some form of measurement indicators is important in ensuring progress and the effectiveness of LED project operations and interventions, and ultimately the long-

term sustainability of the LED chicken farm projects. These projects should also be encouraged to devise strategies towards project self-sufficiency in order to reduce dependency for extra funding and other forms of support, thus enhancing control of business development process.

5.8. MULTIPLE ROLES.

Some municipal officials 'wear many caps'. Some individual councillors are school teachers and do not work for the municipality on a permanent basis. They are often given some administrative duties as the municipality is said to be running short of staff. They do not show commitment to LED process that requires lot of attention. They have divided attention between municipal responsibilities and that of their schools. This is an indication that LED is less considered and as long as situations like these still exist, the municipality objectives may take a very long time to be achieved with those officials that have divided attention.

5.9. BEST PRACTICES.

One of the best practices would be to conduct a formal investigation of business options before starting an enterprise and evaluate its feasibility, and an assessment of whether the municipality has the relevant staff to carry out the mandate and an identification of relevant people to be given start-ups. This does not seem to have happened. Apparently, the selection of chicken farm business was guided usually by intuition and was based on a combination of personal interest in the activity. People who are relatives of councillors benefited the most and this needs to be guarded against if the achievement of sustainable small business needs to be realised.

Another best practice could be the formalization of legitimate local chamber of commerce and the establishment of a joint SMME committee within the local

municipality, comprising of local government LED unit and support agencies for proper identification of those deserving any form of assistance. These structures are available as independent entities, but do not seem to have coordination and integration to provide services required for small business development in the Greater Giyani Municipality. The suggested committee should identify common objectives for small business development, entrepreneurship and come up with concrete and achievable strategies to support the SMME sector.

The small business development agency needs to be frequently used as a tool for SMMEs development in the provision of training and other services based upon the priorities of municipal LED initiatives. This includes the rolling out of business related information to prospective and existing business people and a base for leading commercial banks and any other relevant stake holder involvement in the development and promotion of SMMEs to promote their products and services to the small business community. This requires the initiatives and coordination by the municipality, small business accessibility because many entrepreneurs in the municipality do not seem to have knowledge about the relevancy of the support agencies.

5.10. RISK AVERSION.

There is an identified attitude of aversion to risk by chicken farmers and this need to be cleared out of chicken farmers if they need to grow and develop their small business. There is also limited acceptance by micro credit to lend money to chicken farmers. The feeling is that should chicken farmers fail to make loan repayment, their financial situation could be significantly worse than before. For many, taking a loan is risky because failure to repay threatens the livelihoods of their business. This situation requires the attention of the Greater Giyani Municipality for the purposes of small business development

Many chicken farmers lacked an understanding of credit options available to them due to lack of training and exposure to those forms of loans. For example, a number of chicken farmers heard little about micro-finance and did not understand how such programmes worked, and so avoided them altogether. The services of micro lenders do not seem to have been adapted to the realities and borrowing constrains and requirements of most chicken farmers.

It is understood that micro lenders that have been approached by some of the chicken farmers and the lenders hedged their risks by requiring guarantees, something that the chicken farmers do not have to enable them to obtain their loans. This is contrary to indications that loan terms and conditions are tailored to the needs and capacities of clients and that a borrower can obtain small loans using simple procedures and requirements for loan security (Khula Service Directory, 2005).

What seems crucial though is that training, market knowledge and access to finance are important variables associated with the success of chicken farms, but this is not taken seriously as there has been little training offered to chicken farmers about access to financial services. These capabilities must be present in order for chicken farms to grow and avoid risks. The most important objective for most chicken farmers seems to be making money to meet their needs. This factor, which is important and immediate to them, had a significant implication for their business. Chicken farmers need to realize that success does not come overnight. It takes some time and requires endurance. The evidence presented here suggests that without municipal and small business agencies interventions to inculcate such knowledge, chicken farmers would continue to struggle and as such, this could have some negative effects on the realisation of the LED strategic objectives.

5.11. CONCLUSION.

An overall assessment based on the data gathered is that an increase in the number of entrepreneurs within the municipality would not in itself translate into local economic growth without municipal support. The success of chicken farms relies on a combination other factors, which include proper LED planning by the municipality, effective small business development agencies and a determination to succeed on the part of chicken farmers if the municipality would want to turn the tide on poverty and unemployment. As such, a strong strategy and criteria for sustainable SMMEs need to be developed by the municipality. The municipality, together with the established small business development agency, should play a robust role in promoting and supporting SMMEs in order to create sustainable economies and the promotion of socio-economic development. Chicken farmers need to also consider their business not only as those that should only keep their families running, but also as those that have the ability and capacity to grow, create jobs and contribute to the growth and development of the local economy

Given the challenges such as capacity deficit and limited support that the municipality have, achieving the objective of local economic development would not be something easy. It is required therefore, of the Greater Giyani Municipality take lessons of what has let to the collapse of those other chicken farm initiatives that were funded by the municipality in order to create appropriate environment for small business to flourish if their strategy has to seriously contribute to the development of small business in their area. A lot should be learnt from their practices in order to change the situation for the betterment of small business development. A dramatic change is therefore required for the municipal services to answer the specific needs for small business.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.1. INTRODUCTION.

This is a final chapter of the research study and it is hoped that the conclusions and recommendations tabled in this last chapter will be useful for the development of chicken farming in the Greater Giyani Municipality and elsewhere. The analysis of the research has indicated the weaker side of both the municipal unit and that of chicken farmers in terms of how to develop sustainable chicken farms and the creation of local economic growth. The municipality showed to have incapacity to monitor the successes or failures of chicken farm projects that were initiated. Great lessons have been learnt by the municipal LED officers and chicken farmers where upon the need for a joint committee made of municipal LED officers, small business support agencies and chicken farmers was perceived as a necessity for the development of sustainable and viable small business. However, it remains to be seen whether both chicken farmers and the municipal unit for local economic development would take lessons learnt so serious to forge ways for an improvement in the development of small business and efficient LED strategy.

The research has revealed that the Greater Giyani Municipal small business support is only limited to starter packs for the establishment of small entrepreneurs, and also that further support in the form of training for capacity building, assistance in terms of accessing finance is not rendered. Small business owners have shown not to be taking the effort of business development upon them and heavily relied on local government support in many ways. If the creation of jobs and the enhancement of local economic growth is a common objective, both entrepreneurs and the local municipality need to learn upon the lessons to improve their activities of local economic development. Lack of small business support leads to lesser development

of the of local economy, defeats the initiatives and purpose for setting up SMMEs, thus creating failure on the part of local government economic development mandate. Small business support agencies are crucial for the development of any form of business. The collapse of small business development initiatives does not only ensure that development is not occurring, but that communities are being marginalized and business investment deterred. Such a situation requires a shake-up of the municipal operation systems and requires serious attention, hence the need for strong and visible small business support.

In a nut shell, the results of this study show that the municipal LED does not adequately support the existing social development theory that emphasizes municipalities' interventions in the development of local economies through. Without the necessary conditions for small business to achieve local economic growth, fight poverty, and achieve sustainable local economic development, the growth of the local economy in the Greater Giyani Municipality would take a long time. This will have a negative impact on job creation.

There are also indications that the existing projects such as chicken farms are not always economically or financially sustainable because of inadequate support. Due to the poor survival rate and insufficient local government-support, chicken farms have not been able to generated substantial number of jobs. This has defeated the purpose for which SMMEs (chicken farms) have been established, i.e. job creation, poverty reduction and local economic growth. If government is seriously committed to supporting LED, radical intervention is required. The collapse of chicken farms in the Greater Giyani Municipality is an indication that LED is not only failing to live up to expectations, but also that inadequate support is 'decentralizing poverty'

The current state of SMMEs (chicken farms in particular) in the Greater Giyani Municipality is generally attributed to, among others capacity deficit on the part of the municipality and lack of adequate business skills that chicken farm owners need.

Although the country has had over twelve years of democratic governance which its primary objective is to uplift the poor through SMME development and reduce poverty levels, this has showed little improvement probably due to local government incapacity to drive the process towards the realisation of the democratic government goal. The majority of small entrepreneurs have closed, an indication that LED in the Greater Giyani municipality does not seem to be a success. Poverty levels and unemployment are still exacerbated by the collapse of chicken farms that could have been creating jobs that people desperately need.

6.2. RECOMMENDATIONS.

There has been a persistent argument that the reasons for the collapse of chicken support measure, ineffective support services and unorganised chicken farmers. The implication thereof is that both the municipal unit for LED and chicken farmers need to put a concerted effort towards the improvement and development of the local economy as the study has revealed the need for much effort from both. Based on the findings of a case study conducted at Pfuka Rixile chicken farm, the following recommendations are regarded as useful to LED operators when a comprehensive intervention to enhance LED is put in place:

6.2.1. AN EFFECTIVE LED UNIT.

The Greater Giyani Municipality should persistently improve its efforts in Local Economic Development. This is possible when people with relevant skills are employed for those critical positions that require extensive knowledge of local economic development. It should be taken into account that a position of LED manager is not a political one, but one of those positions that requires one to have the necessary capacity, skill and ability to develop strategies for small business development.

There is a great need also, to fill the positions that are vacant so that municipal officers could work effectively and efficiently, not to be pilled up with work that could possibly make them neglect some other important responsibilities. It is quite surprising that the municipality does not have a person in charge of LED development, yet they have this unit that its primary objective is to fight poverty, create jobs and promote local economic growth.

6.2.2. PROPER MANAGEMENT.

The Greater Giyani Municipality need a well trained, committed and well-resourced LED team and proper management for SMMEs development since this is viewed as the engine for economic revival. This will ensure the effectiveness of LED and the sustainability of SMME projects. The unit should be encouraged to undergo economic and development training by registering with institutions of higher learning so that they can improve their knowledge capacity on running the local government business for SMME development. This will also enable them to deal with issues related to poverty relief and economic development.

6.2.3. LOCAL ECONOMIC DEVELOPMENT OPERATIONAL PLAN.

The unit need to put an operational plan on how projects will be funded, supported, and monitored and not just as haphazard as it has showed to be, wherein money had just been given to a group of poor people who had no background knowledge of business. This would ensure that weaknesses are identified earlier and are dealt with before any further collapse of small businesses. A strong leadership, commitment and a pragmatic approach on the part of the municipal manager, the mayor and the entire municipal administration should complement each other to ensure the success of the plan for the promotion of economic viability through sustainable support provision to small entrepreneurs.

6.2.4. GOOD GOVERNANCE.

There is a need by the Greater Giyani Municipality to de-politicise economic development and reduce opportunities for corruption by setting appropriate standards to ensure that people do not unnecessarily get funds to establish SMMEs that exist only for their relatives. Any project initiative should be based on business principles and local authorities need to dispatch grants to those projects that conform to such principles. The district municipality need to play an oversight role by monitoring what happens in local municipality and give support, guidance and corrections where necessary.

6.2.5. IMPROVEMENT IN SERVICE DELIVERY.

In order to build the capacity for small business growth, the municipality need to improve its services by going beyond creating conditions for local economic growth by further helping chicken farmers access finance that can help them to graduate from micro-enterprise to small business. The municipality need to be more proactive in assisting small businesses access funds as financial institutions have poor perception of SMMEs. There is therefore a great need for municipality to create conditions in which links between small businesses, financial institutions and business support agencies are forged.

6.2.6. EFFECTIVE SMALL BUSINESS DEVELOPMENT AGENCIES.

There is a need for effective small business development agencies. Small business development agencies should asses small business needs, identify the management skills required and develop plans to help SMMEs to acquire particular business skills. The municipality should aim at upgrading small business development skills through training the owners of SMMEs to help them develop, manage, and grow their business. The current small business support agency needs to be analyzed to evaluate

its ability to carry out its mandate as there is serious need for small business development.

6.2.7. THE NEED FOR PERFORMANCE MEASUREMENT.

There is a need to develop a set of performance measuring system for the purposes of determining internal effectiveness and efficiency of the LED strategy, and the identification of potential impediment to the development of small business. The outcome for this exercise will definitely provide guidance for future planning and decision making. The municipality need to establish a committee for monitoring LED initiatives by establishing a unique evaluating and measuring mechanism. The monitoring activity should regard the sustainability, the impact, the efficacy and the effectiveness of the LED strategy as key indicators of local economic development. Any attempt to develop these solutions should include engaging the SMME sector to ensure that the solutions meet the challenges they are faced with.

6.2.8. NATIONAL AND PROVINCIAL SUPPORT.

Strong support from the national and provincial support is generally needed for fostering LED practices. Provision for a regulatory framework only is not enough. There is a need therefore to facilitate the functionality of the local implementation structures such as local municipalities in the creation of conditions for economic growth. Officers from the national and provincial Local Economic Development level need to come down to local municipalities to analyse key implementation issues that would assist them in the review of the Greater Giyani economic strategy. This will give them idea as to what kind of support and guidance is required for the development of small business and in the growth of the local economy.

6.3. CONCLUSION.

There is a consistent message that local economic development depends on skilled entrepreneurs supported by local government with the aim of tackling pockets of poverty and to achieve economic growth. Both the literature surveyed as well as field interviews conducted for the purposes of this research confirm this position. The achievement of this goal requires partnerships with small enterprise development agencies to ensure that localised enterprise and innovation can flourish and also that there is development and improvement in basic management skills and leadership capacity in the promotion of enterprise culture within local municipalities.

The Greater Giyani municipality need to take a conscious decision to change their approach to local economic development to ensure sustainable development of SMMEs. This does not necessarily mean that the municipality should directly be responsible for creating jobs, but should rather be responsible for taking active and appropriate steps to ensure that the overall economic conditions of the locality are conducive to the creation of employment opportunities. This include among others, laying the basis for deepening community access to economic initiatives, support programmes and information. It is required therefore that the municipality should employ credible LED strategies, effectively implemented by a qualified and dedicated LED unit.

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8. GLOSSARY OF TERMS.

Entrepreneur – someone who starts a new business or arranges business deals in order to make money, often in a way that involves financial risks (Longman Dictionary of Contemporary English, 2003)

Greater Giyani Business Development Service – service to help develop the business of an entrepreneur. The service does not include offering finance, but provides services such as business training and accounting services.

Micro-finance institute – a business support service that offers loan to SMME. It differs from loan sharks as it is regulated by the Micro Finance Regulatory Council.

Small, Medium and Micro Enterprise – While there are many definitions of SMME, the researcher has for this research, chosen SMME Forum's definition of "an enterprise which is majority owned and managed by previously disadvantaged individuals". (SMME Forum, 2004).

9. APPENDICES.

RESEARCH QUESTIONNAIRE

Research Topic

Small, medium and micro enterprises as an element of Local Economic Development in Greater Giyani Municipality.

Dear Participant

You are requested to participate in a research study that seeks to understand how LED strategy supports SMMEs, in particular, chicken farms to create jobs and stimulate economic growth in the Greater Giyani Municipality.

You are further requested to complete this questionnaire and also make yourself available for a follow-up in-depth interview. You are not required to put your name on a questionnaire. Your information provided will be confidential.

Your participation is voluntary. However, you are encouraged to complete this process as it is useful for the development of small business in the Municipality. Answer the questions frankly and objectively, giving your own candid opinion and experiences.

This questionnaire will be collected by the researcher and an interview will be conducted thereafter. The results of the study could be offered to you on request. It will take you approximately 10 minutes to complete this questionnaire.

Yours Sincerely

Aaron Ramodumo (Student – Wits University: 0516611 X)

Cell No: 083 416 9176

QUESTIONNAIRE SCHEDULE

SECTION 1: Biographical information

Complete each question by marking (X) in the appropriate box and writing down your answers in the lines provided.

1.1. Gender?

Male	
Female	

1.2. How old are you?

Under 19 years	
20 - 25 years	
26 - 30 years	
31 - 35 years	
36 - 40 years	
41 - 45 years	
46 - 50 years	
Over 50 years	

1.3. What is your function?

Municipal (LED) officer	
Chicken farm entrepreneur	
Other	

1.4. What is the highest level of education you have completed?

Never went to school	
Some years in primary school	
Finished primary school	
Some years in high school	
Finished high school	
Incomplete tertiary education	
Have a complete tertiary qualification	

THE FOLLOWING QUESTIONS (1.5 TO 1.11) SHOULD BE ANSWERED BY CHICKEN FARMERS / ENTRERPRENEURS ONLY

1.5. How long have you been in the chicken farm business? ☐ **Years**

1.6. Why do people establish or engage themselves in chicken farming?

……
……

1.7. What drives their choice of activity?

……
……

1.8. Do you make a profit out of your business?

Yes	
No	

1.9. Do you have experience of running a chicken farm business?

Yes	
No	

1.10. Did you ever run any other business before your current business?

Yes	
No	

1.11. What are the challenges that you are facing in running a chicken farm as an entrepreneur?

……
……

1.12. How can one overcome these challenges?

……
……

1.13. Do you derive any benefit from the Greater Giyani Chamber of Small Business?

Yes	
No	

SECTION 2:

The purpose of this section of the questionnaire is to gain an insight into the support provided by the Greater Giyani Municipal LED strategy to SMMEs (chicken farms).

2.1. Does the GGM support SMMEs?

Yes	
No	
Unsure	

2.2. If so, what is the nature of support given?

……
……

2.3. What opportunities have arisen from chicken farming as a business?

……
……

2.4. How does the municipal support of chicken farming benefit the Greater Giyani Municipality?

……
……

2.5. Do you think the support provided is sufficient to ensure the sustainable development of SMMEs? Please explain

……

2.6. Where does SMMEs obtain information about their support services?

……
……

2.7. Do you think SMMEs know and understand the opportunities available for their small business finance?

……

2.8. Do you think chicken farmers have sufficient access to business skills development initiatives?

……

SECTION 3

The purpose of this section of the questionnaire is to understand the lessons learnt and best practices for SMMEs (chicken farms) projects in the Greater Giyani Municipality for LED strategy.

3.1. What do you think has led to the collapse of some chicken farm initiatives in the Greater Giyani Municipality?

……
……

3.2. What are the lessons for municipal LED strategy from these failures?

……
……

3.3. What can chicken farm owners learn from these failures?

……
……

THANK YOU FOR YOUR COOPERATION.