The Influence of Policy on Rural SME Development in Swaziland

Zamanyambose Bachazile Mtetwa

September 2011

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

Abstract

This research report explores the fate of rural entrepreneurs in the Lubombo region of Swaziland, particularly their failure to take advantage of the incentives provided in the National Policy for SMEs (2002). The qualitative research approach was utilized and data was collected through interviews, observation and existing literature on the subject.

In my view the data collected through interviews indicates that the entrepreneurs of the Lubombo region are not taking advantage of the incentives provided in the National Policy for SMEs (2002) because of the following: Small business owners in the region do not know of the National Policy; Availability of National Policy in one official language which is English whereas the majority of entrepreneurs in the Lubombo region are more comfortable conversing and reading in Siswati; No tangible benefits from the implementation of the National Policy; Expensive business registration; Red-tape and nepotism in government; Lack of business skills and the need for an Agricultural Bank.

Therefore on the basis of the above findings the following recommendations are offered to the Swaziland government: Policy consultations in the Lubombo region; Translation of the National Policy on SMEs to Siswati; Review of business registration costs; Evaluation of Government Funds; Targeted SME development strategies; Segmentation of SME sector; Coordination of government efforts aimed at SME development; Capacitate SEDCO and accredit business service providers and finally strengthen macro-economy.

Declaration

I, Zamanyambose Mtetwa, declare that this research report is my own work. It is submitted to the University of the Witwatersrand, Johannesburg in partial fulfilment of the requirements for the degree of Master of Management (in the field of Public and Development Management). It has not been submitted before for any degree or examination at this or any other university.

Zamanyambose Mtetwa

30th September 2011

Acknowledgements

I would like to thank the Government of the Kingdom of Swaziland for affording me the opportunity to embark on this one-year learning experience. The lessons learnt are too many to mention. I have grown as a person and more importantly as a professional. I know I will be able to use the skills and knowledge gained over this period to the benefit of the Swaziland government.

To my supervisor, Dr. Thomas Mogale, thank you for your interest and patience in guiding me through this research process. Your input and skills have been invaluable in the learning process and I would like to wish you all the best in your future endeavours.

To my dear friend and colleague Avess, thank you for your input and sharing of information.

I would also like to thank everyone that contributed towards this research for their valuable input and the time taken to share their knowledge and experience with me. I particularly thank all the small business owners of the Lubombo region for their time and input.

To my family and friends, thanks for your support during this exciting journey. Bongani you have been a pillar of strength, your love and support guided me through this research work. Finally, I could not have done this without the Lord Jesus, and the prayers of family and friends. Thank – You.

List of Abbreviations

FIT:	Forum on Information Technology
GDP:	Gross Domestic Product
IDB:	Inter-American Development Bank
IFC:	International Finance Corporation
ILO:	International Labour Organization
ITDG:	Intermediate Technology Development Group
LUSIP:	Lower Usuthu Smallholder Irrigation Project
MCIT:	Ministry of Commerce, Industry and Trade
MSE:	Micro and Small Enterprises
NGO:	Non-Governmental Organization
SEDCO:	Swaziland Enterprise Development Company
SMEs:	Small, Medium and Micro Enterprises
SMME:	Small, Medium and Micro Enterprises
WBES:	World Business Environment Survey

Table of Contents

CHAPTER ONE

INTRODUCTION

1.1. Introduction

The National Policy on Small and Medium enterprises (SMEs) sets out the vision, intention and strategy of the Kingdom of Swaziland on SME development. The policy supports meaningful Swazi ownership of SMEs and increased foreign investment as well as employment creation. The policy is aimed at addressing deprivation, poverty, economic empowerment and adjusting disparities through increased wealth creation (National Policy on SMEs, 2002). The SME sector in Swaziland ranges from rural women working on their own to well established entrepreneurs involved in exports. According the National Policy on SMEs (2002), small businesses in Swaziland are defined as outlined in Table 1, however where the definition is in conflict, meaning where the value of assets or turnover is intangible, then the number of employees is used as the defining criteria.

Table 1: Definition of Small Businesses in Swaziland

	MICRO	SMALL	MEDIUM
VALUE OF ASSETS	Under E50 000	E50 001 to E2 million	E2 million to E5 million
STAFF EMPLOYED	1 to 3 people	4 to 10 people	11 to 50 people
TURNOVER	Up to E60 000	Up to E3 million	Up to E8 million

Source: National Policy of the Kingdom of Swaziland on the Development of SMEs (2002).

It is important to note that based on the number of business registrations per year (Ministry of Commerce, Industry and Trade, MCIT, 2009), there is a limited number of entrepreneurs from the Lubombo region that graduate from the informal sector to formally register their businesses. Clearly the entrepreneurs of this region find it difficult to benefit from the programmes and projects outlined in the National Policy of Small and Medium Enterprises (SMEs), 2002, which are geared towards the upliftment of this sector. Formal business registration is of great benefit to the growth of small businesses because it enables the entrepreneur to apply for financial assistance and tender for big jobs with government as well as engage in business with the private sector and non-governmental organisations (NGOs).

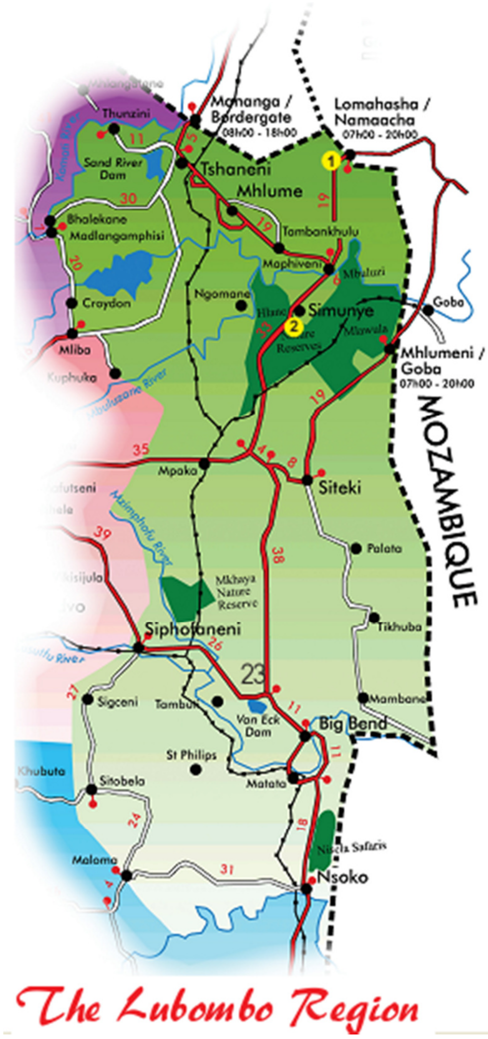
1.2. Background

The Lubombo region is home to Swaziland's greatest concentration of nature reserves, which is collectively known as the Lubombo Conservancy. The nature reserves are home to a number of animals, including the Big Five. The region runs from the north to the south of Swaziland, this area is dominated by the country's sugar industries, hence the Lubombo region is home to "The Sugar Belt", which is formed by sugar estates. These sugar companies are the largest source of employment in the region due to the fact that there is very little industry in the Lubombo region (Swaziland Integrated Labour Force Survey, 2007). The region is predominately rural, and it forms Swaziland's eastern border with Mozambique as reflected in figure 1.

The Lubombo region has a population of 250 000 (Swaziland Integrated Labour Force Survey, 2007). 80% of the population is dependent on subsistence farming (Poverty Reduction Strategy and Action Programme, 2006). The Lubombo region has the highest unemployment rate, which is 31.8%, the high rate of unemployment is exacerbated by the persistent drought (Swaziland Integrated Labour Force Survey, 2007). The

Lubombo region is the second poorest region in Swaziland with a poverty rate of 73%, and an area of 5947 square kilometres (Poverty Reduction Strategy and Action Programme, 2006).

Figure 1: The Lubombo Region



Source: Swaziland Discovery 2011

1.3. Problem statement

The overall objective of the Swaziland Government through its National Policy on SMEs, (2002) is to facilitate and support the creation of an enabling environment for SMEs in order to foster economic growth and development. A number of Swazi's have taken the initiative to operate their own businesses since the adoption of the SME policy in 2002. However based on the number of businesses registered per year, there are a few small business owners from the rural areas of Swaziland who graduate from the informal sector and formally register their businesses (MCIT, 2009). This is an indication that rural communities find it difficult to take advantage of the projects and programs outlined in the National Policy on SMEs, (2002) as evidenced by the percentage of registered rural small businesses. Only 40% of businesses in the Lubombo region are registered and the rest operate their businesses informally (MCIT, 2009).

Although much research (for example, A Countrywide Study of Small Scale Enterprises in Swaziland, 2003) has been conducted on SME development as an engine for economic growth, not much is known of why rural small business owners have failed to take advantage of the policy programs with a view to growth and development. However, through the investigation of why rural based small business owners from the Lubombo region, which has the highest rate of unemployment 31.8% and is the second poorest region in Swaziland 73%, the real challenges faced by rural small business owners could be identified and corrective interventions in the policy adapted (Swaziland Integrated Labour Force Survey, 2007; Poverty Reduction Strategy and Action Programme, 2006).

1.4. Purpose statement

The purpose of this research was to explore why rural small business owners fail to take advantage of the programs and projects outlined in the National Policy for SMEs (2002) by thoroughly investigating the National Policy for SMEs and small business owners' experiences particularly at the start-up phase in the Lubombo region. This study intends to establish the influence of the National Policy for SMEs (2002) as a tool for fostering economic growth and development, with the intention of informing appropriate policy direction.

1.5. Research questions

The research is based on the following three (3) questions:

1. Why does a small number of SMEs in the Lubombo region take advantage of the programs of the National Policy for SMEs?

2. What do rural small business owners in the Lubombo region think of the incentives brought about by the implementation of the National Policy for SMEs?

3. According to the rural small business owners, what could be done to increase the uptake of rural business registrations?

1.6. Research outline

This chapter of the report provides the context of the research, followed by the problem and purpose statement as well as the main research questions. The second chapter explores the key issues in the relevant literature, which includes the following topics: small business policies and lessons for Swaziland, small businesses and economic growth, growth of SMEs in developing countries and lastly constraints faced by SMEs. The third chapter covers the research methodology and this includes the research approach, which is qualitative. The research design is also covered in this chapter as well as data collection. The data collection section contains the methods used in this research, namely, interviews, observation, and secondary data collection methods such as journals and the literature available on the topic under investigation. The forth chapter captures the data presentation and the fifth chapter captures data analysis as well as a summary of main findings. The last chapter covers the conclusion and recommendations based on the data presentation as well as data analysis.

1.7. Significance of the study

Policies that have been specifically designed to promote small enterprises can create a useful foundation for government efforts to support and encourage SME development. Therefore the significance of the study is to establish the influence of the National Policy for SMEs (2002) as a tool for fostering economic growth and development, with the intention of informing appropriate policy direction.

1.8. Limitations and ethical considerations

The limitations of the research are the following: The researcher works for the Small and Medium Enterprises Unit, which is the custodian of the National Policy on SMEs, however to avoid researcher biases and hence limit the research findings, the researcher kept it in mind that the truthful presentations of the findings will enable achievement of the objective of the government of Swaziland, which is poverty alleviation and therefore the researcher ensured to separate herself from being a government official to a researcher for the duration of the research. Another limitation may have been the use of interviews as a method of primary data collection, however the researcher did not experience any form of response biases from the interviewees. A further limitation of the research was that against a patriarchal traditional culture that assigns certain roles to women, the researcher wanted to get a perspective on how women entrepreneurs operate their businesses. However this was not possible because all the business women approached by the researcher for an interview politely refused to be interviewed.

According to Rogerson, 2001, the existence of gender- differentiated patterns of enterprise growth is vital for policy formulation. Most important is the danger that growth- oriented strategies for small enterprise development neglects the large number of female entrepreneurs at the survival level and hence ignoring the importance of their earnings (Rogerson, 2001). It is critical that policy interventions aimed at SME development contain an element of seeking of seeking out female small business owners and helping these groups of women address their needs because a majority of them work from home. Therefore the researcher would suggest that future research work be directed on female small business owners because they contribute a lot in terms of feeding their families and even sending their children to school.

SME owners do not keep written records especially those in rural areas, therefore it was extremely difficult to get financial data, however to determine the size of the business, the researcher used the number of employees as stated in the National Policy on SMEs. Hence, the number of employees was used as a measure the growth of the small businesses in this research. To add on to the limitations, is the fact that the Swaziland government does not have any recent statistics and hence some of the figures used in the research may be outdated.

The only ethical consideration that arose from the research is that of disclosure, all four interviewees refused to have their names disclosed in the report and hence the researcher used the names of the businesses they operate to refer to each small business owner in the report as follows: Smallholder Vegetable Farmer; Smallholder Sugarcane Farmer; Smallholder Grocery Shop Owner and Smallholder Internet Cafe Owner.

1.9. Summary

SMEs play a very important role in the economy of Swaziland, therefore it is vital that, the National policy on Small and Medium enterprises (SMEs), 2002 which is aimed at addressing deprivation, poverty, economic empowerment and adjusting disparities through increased wealth creation is properly formulated so as to achieve the above mentioned policy objectives.

A number of Swazi's have taken the initiative to be entrepreneurs since the adoption of the SME policy in 2002. However based on the number of businesses registered per year, there are few entrepreneurs from the rural areas of Swaziland who graduate from the informal sector and formally register their businesses (MCIT, 2009). Although much research (for example, A Countrywide Study of Small Scale Enterprises in Swaziland, 2003) has been conducted on SME development as an engine for economic growth, not much is known of why rural entrepreneurs have failed to take advantage of the policy programs with a view to growth and development. However through the investigation of why rural based entrepreneurs from the Lubombo region, which has the highest rate of unemployment 31.8% and is the second poorest region in Swaziland 73%, the real challenges faced by rural entrepreneurs' could be identified and corrective interventions in the policy adapted (Swaziland Integrated Labour Force Survey, 2007; Poverty Reduction Strategy and Action Programme, 2006).

The purpose of this research was to explore why rural entrepreneurs fail to take advantage of the programs and projects outlined in the National Policy for SMEs (2002) by thoroughly investigating the National Policy for SMEs and entrepreneur experiences particularly at the start-up phase in the Lubombo region. The intension of this study was to establish the influence of the National Policy for SMEs (2002) as a tool for fostering economic growth and development, with the intention of informing appropriate policy direction.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The purpose of this literature review is to explore contextual views about SME policy and impact on outcomes as well as literature discourse on the development of small and medium enterprises and their contribution to the growth of a country. Reference to studies that have been conducted in the past on the above mentioned subject area will be made with an aim to unpack key concepts and theory so as to give supporting evidence to this research work. The following areas will be discussed; SME sector and economic growth, growth of SMEs in developing countries, contextual factors, constraints faced by SMEs in developing countries and lastly the nature of SME policies and lessons for Swaziland.

2.2. SME sector and economic growth potential

The World Bank Group is committed to the development of the SME sector as a core element in its strategy to foster economic growth, employment and poverty alleviation (Beck et al, 2003; Ayyagari et al, 2007). There is also a growing recognition of the role that SMEs play in sustained global and regional economic recovery (Ayyagari et al, 2007). SMEs comprise the vast majority of firms and provide most employment in developing countries (Stern, et al., 2005). In rural areas SME employment can play a vital role in income growth and stability (Stern, et al., 2005). According to Stern, et al., 2005, “SMEs are a bridge between innovation and inclusion; they account for a significant share of employment and GDP in developing countries and are a foundation for growth”. Employment through SMEs provides a way out of poverty for many poor households, through job creation SMEs do much to empower those households, and they are a dynamic source of learning, ideas and other externalities for developing countries (Stern, et al., 2005).

Different households experience economic growth and change in different ways. According to Stern, et al. (2005), "the fortunes of individual households depend not only on their country's economic growth, but also on factors such as the growth rate of their community and the health of the industries that employ household members". Therefore given the employment patterns of low-income households, it is evident that the route out of poverty for many poor people starts in a small, private firm or farm (Wei and Christodoulou, 1998; Stern, et al. 2005).

The SME sector generates substantial employment and economic output in many countries (Nichter and Goldmark, 2009). For example, according to Wei and Christodoulou, "In 1995, employment in the Taiwan's SMEs was 79.75% of national employment, SMEs generated employment opportunities which have contributed to Taiwan's low unemployment and clearly it is apparent that SMEs play a crucial role in Taiwan's economy".

The importance of SMEs in economic development has been of interest to policy-makers for many decades (McPherson, 1996). For example, the promotion of small-scale textile manufacturing in India was a priority even before independence in 1947 (McPherson, 1996). The theme that village and small-scale industries can play a crucial role in overcoming the problems of poverty and unemployment has been an integral part of the Indian Development Strategy (Kashyap, 1988).

2.2.1. Importance of SMEs in emerging economies

SMEs are important determinants of empowerment in terms of the actions available to poor people; they comprise the vast majority of firms and provide most of the employment in developing countries (Stern et al, 2005). Small enterprises ensure a more equitable distribution of national income. They facilitate an effective mobilization of resources, capital and skills (Kashyap, 1988). Beyond simply providing income for poor people, SMEs also help manage the risk of falling into poverty (Stern, et al., 2005). For example, an increase in entrepreneurial attitudes, generated by increased incentives, has contributed to the economic growth of China (Gibb and Li, 2003; Mohapatra et al, 2007). It is important to consider the fact that macroeconomic growth is an extremely complex phenomenon, and a few facts about the economy of China do not explain the growth trend in that country. However, they do suggest that entrepreneurship may play a very important role in emerging economies and that the type of entrepreneurship observed in these countries may be different from that observed in developed ones (Minniti and Levesque, 2010).

SMEs are more flexible, in that they are able to substitute factors of production more efficiently than can bigger firms (Acs and Audretsch, 1991). The flexibility of SMEs can also be seen in their ability to rapidly seize opportunities and adapt to changes in their environment (Stern, et al. 2005). SMEs are likely to be an important source of innovation and ideas, small enterprises are the foundations for learning, change and long-term growth (Stern, et al., 2005). The SME sector generates substantial employment and economic output in many countries (Nichter and Goldmark, 2009). Their share of overall employment tends to be higher in developing countries, which are typically more focused on small scale production (Tybout, 2000). For example, studies in five African countries (Botswana, Kenya, Malawi, Swaziland, and Zimbabwe) found that SMEs generate nearly twice the level of employment that large-scale enterprises and the public sector does (Mead and Liedholm, 1998). According to Rogerson (2001), the importance of the small enterprise economy to economic and social development in

Africa is almost undisputed. For one observer, African entrepreneurs are described as 'pioneers of development' who have flourished under supportive policy regimes but have managed to survive even in hostile environments. The significant contributions of this sector lie in the areas of employment creation, the enhancement of growth and poverty alleviation (Rogerson, 2001). It is important to note that, the benefits of growth in SMEs extend beyond the provision of economic opportunities, small firms give a breath and depth to public voice, and thus can support the development of democratic processes over time (Stern, et al., 2005).

2.3. Growth of SMEs in developing countries

The growth of SMEs can be measured in several ways, including growth in sales, profits, or number of workers (McPherson, 1996; Beck, et al., 2005). If measurement error were not a problem, defining growth in terms of sales or profits might be preferable to a labor-based measure from an accuracy standpoint. However, since most proprietors of small businesses do not keep records, they are unable to report their sales or profits at a given time. As a result SME growth is measured in terms of the changes in the number of workers (McPherson, 1996; Beck, et al., 2005). For much of government policy research, as well as a number of management economics sources, growth is measured in terms of increases in SME employment (Beck, et al., 2005). It is important to note that it is a measure which has most relevance to many government policy makers since SME growth has been seen as an important measure of reducing unemployment (Beck, et al., 2005; Nichter and Goldmark, 2009).

The findings on the profile of small enterprise economies in most African countries suggest that there is no overall scarcity of entrepreneurs for new enterprises are being established at a rapid rate (Mead and Liedholm, 1998; Nichter and Goldmark, 2009). The vast majority of new enterprise births tend to be one-person establishments. The

African experience appears to be that a majority of start- ups are the result of enforced entrepreneurship rather than the pull of market opportunities (Rogerson, 2001; Stern, et al., 2005). Start-ups are more likely to be driven by the search for new livelihoods. However, despite the creativity and diligence of many developing country entrepreneurs, few of their firms will ever experience substantial growth (Nichter and Goldmark, 2009). Surveys of over 28,000 SMEs in Africa and Latin America reveal that less than 3% of SMEs expand by four or more employees after start-up (Mead and Liedholm, 1998; Liedholm, 2002). However, it is important to note that aggregate SME growth reveals a remarkably different picture. For example, the survey of 28,000 SMEs in Africa and Latin America suggests aggregate employment growth within the sector of nearly 17% per year, at least double the GDP (Gross Domestic Product) growth rate in most countries studied (Mead and Liedholm, 1998; Liedholm, 2002).

A striking finding from the surveys across Southern Africa is that less than 1% of firms will graduate from the micro-enterprise seedbed and become established enterprises which employ more than 10 workers (Mead and Liedholm, 1998). A number of studies have identified common characteristics of Southern African businesses that successfully graduated from the micro-enterprise seedbed into the formal economy. Key elements of successful enterprises were those, inter alia, with relatively stable access to markets, with access to capital from outside sources, such as NGOs (Non-Governmental Organizations) and run by entrepreneurs with a capacity to innovate and take risks (McPherson, 1996; Rogerson, 2001). Observers have noted that in India, small firms succeed best where they have favourable location influences such as factories which process dispersed raw materials; products with local markets and relatively high transfer costs; service industry (Kashyap, 1988). In addition to the above small firms succeed where they have process influences and market influences (Kashyap, 1988). However the following have been identified to have an influence on the growth of small enterprises:

2.3.1. Institutional environment

It is important to take into account that, the general institutional environment in which small enterprises operate has an effect on the growth (Baumol, 1990; Stern,et al. 2005; Ayyagar,i et al. 2007; Naude, 2010). For example, Sub- Saharan Africa is both the least developed region as well as the region mired in the most number of violent conflicts over the past half century (Naude, 2010). There is now substantial agreement that an important cause for lagged development and conflict in Sub-Saharan Africa is due to institutional failures, which in a region with natural resource abundance, has resulted in the least growth (Naude, 2010). Therefore development economists now routinely advocate the building and strengthening of appropriate institutions for development, such as the rule of law, property rights, contract enforcement, and accountability and good governance (Ayyagari, et al., 2007; Naude, 2010).

Institutional development is the average of six institutional variables, namely, voice and accountability, government effectiveness, regulatory quality, rule of law, political stability and control of corruption (Ayyagari, et al., 2007; Naude, 2010). According to Ayyagari, et al. 2007, “there is a strong positive correlation between SME variables and institutional variables, suggesting that SMEs thrive more in countries with better developed institutions”. In their work, Ayyagari, et al. 2007, they further found that, there is a negative relation between entry regulation and the importance of the SME sector, indicating that high entry regulation in terms of a greater number of procedures and higher cost and time act as a deterrent to the development of the SME sector.

2.3.2. Incentive structure

Small businesses are not the constraint on development, but instead some features of the incentive structure in an economy are placing constraints that impact through the activities of the small business sector (Baumol, 1990; Naude, 2010). Baumol, (1990), has described the exercise of entrepreneurship as sometimes unproductive or even destructive, and that whether it takes one of these directions or one that is more benign depends heavily on the structure of payoffs in the economy- the rules of the game. For instance, Baumol, (1990), further discusses the following three propositions, firstly, the rules of the game that determine the relative payoffs to different entrepreneurial activities do change dramatically from one time and place to another. Secondly, entrepreneurial behaviour changes direction from one economy to another in a manner that corresponds to the variations in the rules of the game. Thirdly, the allocation of entrepreneurship between productive and unproductive activities, though by no means the only pertinent influence, can have profound effect on the innovativeness of the economy and the degree of dissemination of its technological discoveries (Baumol, 1990).

2.3.3. Formal and informal SMEs

Most businesses in developing countries operate informally (McPherson, 1996). For example The ILO, (2004), reports that, "the informal economy's share of the nonagricultural workforce has reached 55% in Latin America, 45–85% in Asia, and nearly 80% in Africa". For the purposes of this report, informality refers to businesses that are unregistered but derive income from the production of legal goods and services. In terms of sheer quantity, the number of informal firms often dwarfs the number of officially registered enterprises (Nichter and Goldmark, 2009). However of utmost importance is the fact that, not only does informality in itself reduce the chances for growth, but also it is associated with several other characteristics that make growth difficult (Nichter and Goldmark, 2009).

Although small, informal SMEs may be able to circumvent government regulations and taxation, as they grow they risk becoming more visible, creating disincentives to expand beyond a certain size (Nichter and Goldmark, 2009). For example, contracts with international or government buyers may be off-limits for many informal firms because they require legal documentation that these SMEs lack (Nichter and Goldmark, 2009).

This is exactly the case in the Lubombo region, a number of SMEs operate informally and this greatly impacts on their opportunity to grow. It is important to note that, many firms in developing countries have problems accessing financial and legal systems, but informal enterprises face even greater difficulties in obtaining formal credit and assistance from law enforcement agencies and courts (Nichter and Goldmark, 2009). Therefore due to the above mentioned reasons and a number of other factors, informal SMEs tend to grow more slowly than do their formal counterparts (Nichter and Goldmark, 2009).

An econometric study in Ivory Coast found that formal status has a positive effect on firm growth, even when using instrumental variables and controlling for the size, age, and efficiency of firms (Nichter and Goldmark, 2009). Analysts at McKinsey and Co. argue that informal companies tend to be sub-scale, sub-invested, sub-skilled, and that they also tend to produce substandard products and services (Nichter and Goldmark, 2009). While such an assessment may paint a very bleak picture, the Ivory Coast study suggests that formal firms are more efficient for two reasons, firstly, they enjoy a larger range of production factors and, secondly, they have a broader range of choices when it comes to input suppliers (Nichter and Goldmark, 2009).

It is important to take into account that, certain SME characteristics make it particularly likely that they will operate in the informal economy, a point underscored by McPherson and Liedholm's (1996) empirical research into African countries with divergent policy and regulatory environments (Nichter and Goldmark, 2009). They found that the likelihood of registration did not depend on a country, but on the type of SME (Nichter and Goldmark, 2009). For example, individually owned and operated, rural based, women owned and operated within the household and SMEs located in certain sectors are less likely to register (Nichter and Goldmark, 2009).

2.4. Contextual factors

Contextual factors play a major role in shaping the opportunities of SMEs in developing countries (Nichter and Goldmark, 2009). Most obviously, the overall state of the economy directly influences the availability of profitable business opportunities. Growth opportunities wax and wane as the business cycle evolves (Nichter and Goldmark, 2009). Therefore, it is hardly a surprise that SMEs tend to grow more quickly during periods of overall economic growth (Liedholm, 2002). There are, however, some important nuances in the relationship between SME growth in developing countries and the business cycle: the overall SME sector often expands during economic downturns due to an increase in survivalist-type activities, although individual SMEs may stagnate or contract (Liedholm, 2002). For example, an econometric study found evidence of a push-and-pull dynamic in Nicaragua: individuals become self-employed and start-up microenterprises during bad economic times, and then leave them for salaried jobs when the economy is strong (Nichter and Goldmark, 2009). In severe economic crises, SMEs may be more resilient than their larger counterparts (Nichter and Goldmark, 2009). For example, during the East Asian economic crisis, many small-scale firms fared better than larger companies in Indonesia (Tambunan, 2005; Nichter and Goldmark, 2009).

Macroeconomic and relative price volatility is also an important issue for SME growth, as experience has shown in Latin America and Sub-Saharan Africa (Liedholm, 2002; Nichter and Goldmark, 2009). For example a survey of 500 SMEs in Ghana found that entrepreneurs perceived their three greatest problems to be inflation, high interest rates, and the depreciation of the local currency (Nichter and Goldmark, 2009).

IFC (International Finance Corporation) surveys of 10,000 firms in 80 countries found that both the inflation and the exchange rate tend to affect SMEs more than larger firms (Nichter and Goldmark, 2009). In many developing countries, credit market failures also put constraints on small firm growth (Beck and Demirguc, 2006; Nichter and Goldmark, 2009). SME owners often claim that insufficient credit is their most pressing obstacle, though entrepreneurs' perceptions may not necessarily correspond to actual barriers to growth (Nichter and Goldmark, 2009). The IFC study found that more than any other obstacle, financing was ranked as one of firms' top three challenges (Beck and Demirguc-Kunt, 2006; Nichter and Goldmark, 2009).

The regulatory and institutional environment in developing countries is notoriously burdensome when compared with that of developed countries and frequently hampers small enterprise growth (Beck and Demirguc-Kunt, 2006). An econometric analysis of firm level data in 54 countries suggests that financial, legal, and corruption challenges disproportionately constrain the growth of smaller firms (Beck, et al., 2005). For instance, strict regulations and high taxes may keep firms small and informal (Nichter and Goldmark, 2009). Regulatory and institutional challenges may deter SME owners from making growth-enabling investments, while special subsidies and trade protection offer greater benefits to larger firms, which are often more capable of lobbying (Nichter and Goldmark, 2009). Smaller firms more frequently report government policies to be unpredictable, and this uncertainty may be yet another factor that reduces growth-enabling investments (Beck and Demirguc-Kunt, 2006).

2.5. Constraints faced by SMEs in developing countries

Small and medium-sized enterprises operate in a complex environment and confront a diverse array of constraints (Rogerson, 2001). Therefore it would be wrong to search for a single constraint common across all countries, which once released would lead to the rapid development of SMEs (Rogerson, 2001). It is important to consider the fact that, not only is there substantial variation among countries as to which a constraint is binding the release of one constraint is likely to bring to the forefront some other constraint whose inhibiting influence had not previously been evident (Rogerson, 2001). Below is a discussion of a number of constraints faced by SMEs in developing countries:

2.5.1. Access to finance

Both in the developing and developed world small firms have been found to have less access to external finance and to be more constrained in their operation and growth (Beck and Demirguc-Kunt, 2006; Nichter and Goldmark, 2009). However from reasons ranging from a lack of collateral to bias against small firms, SMEs tend to face greater financial constraints than do larger firms (Beck and Demirguc-Kunt, 2006; Rogerson, 2008; Nichter and Goldmark, 2009). For example, an IFC study of 10,000 firms across 80 countries found that credit is mentioned more frequently by smaller firms as a constraint on growth (Nichter and Goldmark, 2009). It is very rare for SMEs in developing countries to apply for and receive formal bank loans (Nichter and Goldmark, 2009). Therefore they have to rely on other types of credit such as trade credit, overdrafts, and informal loans (Beck and Demirguc-Kunt, 2006; Nichter and Goldmark, 2009). Micro-finance institutions also provide important sources of financing for SMEs, but their outreach is typically more limited than that of traders who frequently provide working capital in cash or kind, especially in rural areas (Nichter and Goldmark, 2009).

Therefore, due to limited access to capital, entrepreneurs across the world typically start firms primarily through their own savings (Beck and Demirguc-Kunt, 2006; Nichter and Goldmark, 2009). For example, a study of over 14,000 microenterprises in Mexico found that owners mostly used their own resources and savings or those of their family and friends to launch their firms (Nichter and Goldmark, 2009). However, developed country researchers have identified similar trends, including a range of creative mechanisms used by small firms to leverage tangible and intangible assets known as bootstrapping (Nichter and Goldmark, 2009). The financial constraints experienced by SMEs do not end at start-up, because, even after SMEs overcome the start-up hurdle, a lack of credit frequently hinders their growth during their early years, as younger firms tend to find financing even more difficult than older firms (Beck and Demirguc-Kunt, 2006; Nichter and Goldmark, 2009). In a firm's business life cycle, growth can also be hindered by credit constraints that curb investments in the maintenance or improvement of technology (Nichter and Goldmark, 2009). In some contexts, evidence suggests that microenterprises funded through external sources such as, bank loans and credit from buyers or suppliers are more efficient, but it remains unclear whether this finding simply reflects ex ante screening by selective creditors (Nichter and Goldmark, 2009).

Although many SMEs have limited access to capital, it is often unclear whether credit represents a binding constraint on firm growth. Few empirical studies have explicitly tested the positive link between access to finance and SME growth (Nichter and Goldmark, 2009). Findings from one econometric study, based on a random sample of 225 SMEs producing garments in Nairobi, Kenya, suggests that further research is needed in this area (Nichter and Goldmark, 2009). The authors argue that credit access is not a significant determinant of firm performance, and that the factors significantly affecting credit access are different from those affecting the growth and profitability of garment firms (Nichter and Goldmark, 2009). As development finance practitioners have long preached, a loan does not create a viable business opportunity (Nichter and Goldmark, 2009).

A cross-country firm-level survey has enabled researchers in the past years to not only explore firm-differences within specific countries, but also to compare firms across countries and link differences to country characteristics such as financial and institutional development (Rogerson, 2001). This comparison had been enabled by The World Business Environment Survey (WBES), which is a unique firm-level survey conducted in 1999 and 2000 for over 10,000 firms in more than 80 countries (Rogerson, 2001). First, this database provides information on the obstacles as perceived by the firms and allows researchers to relate these obstacles to actual firm growth (Rogerson, 2001). Second, the database contains information on a broad cross-section of different types of firms, including a large number of small and medium-size enterprises, firms of different ownership and organizational structure (Rogerson, 2001).

Firms in the WBES were asked to rate financing and other obstacles, such as infrastructure, crime, macroeconomic instability and corruption in terms of their impact on the operation and growth of the firm. Data shows that small firms consistently report higher growth obstacles than medium-size or large firms (Rogerson, 2001). Beck, et al. (2003), indicates that size, age and ownership are the most reliable predictors of firms financing obstacles, it further indicates that older, larger and foreign-owned firms report lower financing obstacles. This relationship is not only statistically but also economically significant (Rogerson, 2001). The probability that a small firm lists financing as a major obstacle as opposed to moderate, minor or no obstacle is 39% compared to 36% for medium-size firms and 32% for large firms (Rogerson, 2001). The higher financing obstacles that small firms report match not only anecdotal evidence from both developed and developing countries they also confirm theory's predictions (Rogerson, 2001). Theory indicates that in a world with fixed transaction costs and information asymmetries, small firms with demand for smaller loans face higher transaction costs and face higher risk premiums since they are typically more opaque and have less collateral to offer (Rogerson, 2001; Beck, et al. 2003). This is an indication that the finance obstacle faced by small firms, certainly slows down the growth of such firms.

The development of financial services for the small enterprise economy has proven a major challenge across Africa (Rogerson, 2001). The formal financial institutions find offering services to this economy risky, costly and unprofitable (Rogerson, 2008). In a stream of studies which have interviewed small entrepreneurs in Africa concerning the major problems of their businesses, access to finance invariably stands out as one of the key blockages for development (Rogerson, 2001; Beck,et al, 2003; Rogerson, 2008). However throughout most of Africa the small enterprise economy has received hardly any access to institutional credit. Moreover, the operations of the Fund for SMEs Development of the World Bank to pass on a credit line to commercial banks financing private SMEs has proven unsuitable for supporting the small enterprise economy (Rogerson, 2001). Several studies such as, The Informal Sector and Microfinance Institutions in West Africa (The World Bank, 1996) and Microfinance in Africa: Is It Either The Problem or The Solution (World Development, 1997) confirm that the most common source of enterprise start-up funds is usually from own savings which are supplemented by either gifts or informal flexible loans from friends and relatives (Rogerson, 2001).

2.5.2. Profitable business opportunities

SMEs in developing countries lack profitable business opportunities and capabilities such as skills, resources, and technology (Nichter and Goldmark, 2009). These firms demonstrate the least proclivity towards growth, and their owners may focus instead on firm survival (Nichter and Goldmark, 2009). However despite their lack of growth, these SMEs frequently play important economic and social roles, even if they do no experience employment growth, they often provide essential sustenance for their owners and workers (Nichter and Goldmark, 2009). In some cases slow or non-existent firm growth may also be attributable to entrepreneurs' competing interests (Nichter and Goldmark, 2009). For example, women SME owners may be especially likely to use business proceeds to purchase household necessities, to invest in parallel enterprises, or to assist their offspring in launching new firms (Nichter and Goldmark, 2009).

2.5.3. Cost of entry

The cost of entry is a challenge to SMEs, for example in countries where it is more costly to register a new enterprise, there is a smaller share of SMEs and a large informal sector (Ayyagari et al, 2007). This is the case in Swaziland, it is very expensive to register a company and such a process has to be done by a practising lawyer who charges a company registration fee which escalates the costs borne by SME. Therefore due to the reasons stated above, the Lubombo region has a large informal sector. Clearly this indicates that costly business registration requirements constitute an impediment for informal firms to convert into formal enterprises. Bureaucratic hurdles and corruption impose barriers to entry, raise operating costs, and create uncertainty for small and medium enterprises (Stern, et al., 2005; Ayyagari et al, 2007). This is a clear indication that governance and institutions are one of the important factors that affect the creation and operation of SMEs (Stern, et al., 2005).

2.5.4. Market linkages

The market linkages between firms in Africa and Latin America are rather limited (Liedholm, 2002). The vast majority of SMEs in these areas sell directly to final consumers rather than to other firms. Results from the surveys in Malawi, Swaziland, and Zimbabwe, for example, reveal that over 96 percent of the SMEs sell primarily to individuals, while in Jamaica 87 percent of SMEs output is sold directly to final consumers (Mead and Liedholm, 1998; Liedholm, 2002). These same studies have indicated that SMEs in these areas that sell to traders and manufacturing firms are more likely to grow than those that sell directly to final consumers, therefore selling to individuals is a disadvantage to developing country SMEs (Liedholm, 2002).

Subcontracting and clustering are two institutional arrangements that can enable SMEs to move beyond a direct sale of their output to final consumers (Liedholm, 2002). However, subcontracting has been much less prevalent in Africa and Latin America than in Asia (Liedholm, 2002). This may be due to the smaller markets as well as to the propensity of the larger firms to import a large share of their needed inputs (Mead and Liedholm, 2002). Examples of successful subcontracting efforts, however, have begun to surface in several African countries where commercial, market-based linkages have been forged between independent enterprises (Liedholm, 2002). Many types of enterprise competence can be purchased in the market, and this should be encouraged and not stifled and undercut through subsidized provision of the same services by governments or NGOs (Liedholm, 2002). There has been a growing worldwide interest in clusters (Tambunan, 2005). A number of analysts have argued that these geographical concentrations of enterprises in related activities have provided significant benefits to those who participate in them (Tambunan, 2005; Nichter and Goldmark, 2009). However, such linkages are not popular in Africa and Latin America; this may be due to the low levels of trust that exist in these areas (Liedholm, 2002).

2.5.5. Location

Location is a challenge to SMEs in the region, mainly because most of these small enterprises operate in rural areas where there is little or no development (Liedholm, 2002). For example, the share of all enterprises in urban locations, cities and towns with at least 20,000 inhabitants, reaches as high as 46% in the Dominican Republic, but is 30% or less in the other countries (Liedholm, 2002). Even adding enterprises in rural towns, generally, concentrations with 2,000 - 20,000 persons still leaves well over half the enterprises in strictly rural areas of most countries (Liedholm, 2002). Therefore it is important for policymakers to keep these facts in mind since many programs focus on enterprises in urban areas, where they are often more obvious and easier to reach (Liedholm, 2002).

2.5.6. Training and skills development

As is evident from the international experience, globalization raises the need for what has been termed “learning-led competitiveness” (Rogerson, 2008). It is argued that to respond to the challenge of competitiveness under the conditions of globalization, important elements of response both for countries and enterprises are effective “strategies to improve individuals’ and enterprises’ level of knowledge and skills” (Rogerson, 2008). The role of training and skills development is thus seen as essential for SMMEs (small, medium and micro enterprises) for them to learn to grow (Rogerson, 2008) as well as to move up the value chain’(Rogerson, 2008). That said, it is cautioned also that “skills are not the only, nor even the main, answer to the challenge of small enterprise development” (Rogerson, 2008).

Over the past decade, there has appeared a number of research contributions on training and skills development linked to the SMME economy (Rogerson, 2008). For example, at the broadest level, there are a suite of investigations, which confirm that a large segment of South Africa’s SMME entrepreneurs have very limited skills and correspondingly of the importance of training and the acquisition of skills for business development (Rogerson, 2008). Several studies show a pattern that the most successful, adaptive and innovative SMMEs are those in which entrepreneurs and often also the workers have good to high levels of education, technical or managerial skills and training (Rogerson, 2001; Nichter and Goldmark, 2009). In the Global Entrepreneurship Monitor, it was found that education, training and experience are key elements in successful enterprise creation (Rogerson, 2008).

There are four different categories of skill as necessary for the start-up of a micro-enterprise, these are; personal skills, technical skills, business operation skills and management skills (Rogerson, 2008). For example, an investigation concerning the business success factors of SMMEs in Gauteng, it was revealed that lack of technical and managerial skills impacted in a highly negative fashion on business development (Rogerson, 2008). However, a number of studies have disclosed that lack of management skills and training is one of the most prevalent causes of general business failure amongst SMMEs in South Africa (Rogerson, 2008). For example, it was found that 90% from a sample of 1000 entrepreneurs believe that small businesses fail due to a lack of managerial skills (Rogerson, 2008).

2.6. Nature of SME policies

Public and private interventions aimed at promoting SME development may take different forms and outcomes. These may have an effect on a number of different areas and stages of SME activity, for example design, start-up and development (Wennerkers and Thurik 1999; Audretsch and Thurik 2001; Mas-Verdu, et al. 2009). Thus a variety of possible tools that might go to make up a strategy policy on SME development could range from fostering spin offs at universities and public research laboratories to the promotion of potential SME projects in technological clusters, along with the reduction of barriers and bottlenecks in the development of new firms at the initial stages of their evolution (Mas-Verdu, et al., 2009).

Therefore taking these differences into account, varying actions designed to promote SME development can be categorized into three different areas: Firstly, action aimed at promoting SMEs can contain elements of both supply such as, technological development and demand, for example, regional development and tailored taxation. Secondly, action aimed at promoting change in the culture and predominant values in a given society: through an education that favours new firm creation and lastly providing potential entrepreneurs with different types of resources (Wennerkers and Thurik 1999; Audretsch and Thurik 2001). However on a more general level, the content of the different lines of action can be placed into two main areas. Firstly, programmes that allow for an increase on the offer to potential entrepreneurs, such as actions aimed at fostering SME development in society as a whole (Wennerkers and Thurik, 1999; Mas-Verdu, et al., 2009). The above mentioned may be achieved through the potential of the public sector in promoting a suitable institutional environment such as the adoption of strategic measures for strengthening social and cultural capital (Wennerkers and Thurik, 1999; Mas-Verdu et al, 2009). Secondly, direct interventions which include providing resources in order to enable growth of newly created SME initiatives (Wennerkers and Thurik, 1999; Mas-Verdu, et al. 2009). According to Audretsch and Thurik, 1999, “financial support for innovative smaller firms is of particular significance”.

Proponents of the promotion of the SME sector make three core arguments for the effectiveness of SME policy (Ayyagari, 2003; Beck, et al., 2005). First, SMEs enhance competition and entrepreneurship and thus have economy wide benefits in efficiency, innovation, and productivity growth (Ayyagari, 2003; Beck, et al., 2005). Therefore direct government support of SMEs can help countries reap social benefits. Second, SMEs are generally more productive than large firms but are impeded in their development by failures of financial markets and other institutions (Ayyagari, 2003; Beck et al., 2005). Thus, pending financial and institutional improvements, direct government support of SMEs can boost economic growth and development (Ayyagari, 2003; Beck, et al., 2005). Finally, the growth of SMEs boosts employment more than the growth of large firms because SMEs are more labor intensive. Therefore, subsidizing SMEs may help reduce poverty (Beck, et al., 2005; Nichter and Goldmark, 2009).

2.6.1. Performance of SME policies in different countries

Countries such as Taiwan passed legislation in the form of rules, namely “the rules for Development of Small and Medium Sized businesses”. Under these rules eight guidance systems were set up to assist SMEs (Wei and Christodoulou, 1998). These were, firstly, the financial system for improving financial and investment structures; secondly, the management system, for improving management efficiency and developing human resources; thirdly, the production technology system, for raising technological standards; the research and development system for encouraging strategic alliances in research and development and creating new products and technologies; the information management system, for establishing a management system to increase operational efficiency; the industrial safety system, for resolving industrial safety problems and lastly the marketing system, for offering market information and assisting SMEs to expand their markets (Wei and Christodoulou, 1998). It is important to note that recently two guidance systems have been added namely: the mutual support and co-operation system, for conducting exchanges and cooperation activities for SMEs (Wei and Christodoulou, 1998).

The above mentioned rules give a clear indication that the government of Taiwan is fully supportive to the promotion of the small business sector and it is important to first lay a stable business environment for SMEs to grow. SMEs in Taiwan play a very important role to the economy of the country even though Taiwan has a few natural resources and depends heavily on foreign trade (Wei and Christodoulou, 1998). It is important to note that Swaziland’s National Policy on SMEs, 2002, currently does not have any supporting legislation, for example Taiwan has the rules for Development of Small and Medium Sized Businesses these rules make it easy for SMEs in Taiwan to flourish. Hence it is important for the government of Swaziland to fully show commitment to this sector by passing legislation to support the National Policy on SMEs, 2002.

Another example of an Asian country which has successfully implemented vigorous SME support measures is South Korea, this country established a system where both commercial banks and rural local banks are required to allocate minimum specified percentages of their loans to SMEs, such quotas were even forced on nonbank financial institutions such as insurance companies, these policy measures have greatly benefited the small and medium enterprises sector and the economy as a whole (Nugent and Yhee, 2002). It is important to note that this was not always the case, in the 1960s and early 1970s, in the pursuit of rapid economic development, and in the absence of markets and other institutions capable of providing access to small and new firms, SMEs were relatively neglected (Nugent and Yhee, 2002). Policy was directed to providing credit and other support to firms that have made it through the start-up phase and managed to succeed in export markets (Nugent and Yhee, 2002). This is currently the case in Swaziland, SMEs that require start-up capital are viewed as a high risk sector by financial institutions and hence it is difficult for them to acquire start-up capital. Swaziland can learn from South Korea by implementing a system which will require commercial banks to allocate a certain percentage of their loans to SMEs as mentioned above.

2.6.2. Lessons for Swaziland and other developing countries

Policy- makers in developing countries, have to realize that the key element of policy support for a more dynamic small enterprise economy is macro-economic reform which can be an effective vehicle for catalyzing the expansion of productive employment within the small enterprise economy (Mead and Liedholm, 1998; Rogerson, 2001). An important factor to take into account is that, when the whole economy is stagnant, total employment in the small enterprise economy may expand just as rapidly, albeit a much higher proportion of these jobs are likely to be fragile and located in survival activities (Rogerson, 2001; Stern et al, 2005). These relationships between enterprise performance and the state of the economy are easy to overlook in enterprise- level surveys of the perceptions of entrepreneurs since few respondents are likely to identify the state of the macro-economy as the root cause of either their success or failure (Rogerson, 2001). Also at the macro level, it is important to acknowledge that the context in which small enterprise support programmes operate will exert a strong influence on their potential outcome (Rogerson, 2001; Ayyagari, et al. 2003). When the overall macro-economy is weak, it is unrealistic to expect that even the most appropriate small enterprise support programmes can succeed in helping more than a small number of enterprises to expand (Rogerson, 2001).

Policy-makers in developing countries have to pick the best practices from developed countries, for example as a comparative advantage, in Western Europe and North America public policy has responded to businesses geared towards new knowledge (Carree and Thurik, 2002). Public policy response has been in two fundamental ways, the first has been to shift policy focus away from the traditional tone of policy instruments essentially constraining the freedom of firms to contract mainly in the form of regulation (Carree and Thurik, 2002). The policy approach of constraint was sensible as long as the major issue was how to restrain multinational corporations in possession of considerable market power (Carree and Thurik, 2002). However developing countries apply the policy approach of constraint to SMEs. It is important to note that a new policy approach is emerging which focuses on enabling the creation and commercialization of knowledge, examples of such policies include encouraging research and development, venture capital and new-firm start-ups (Audretsh and Thurik, 2001).

According to Mead and Liedholm, 1998, when formulating small enterprise support programmes policy-makers have to take the fact that the clients of such programmes are diverse and heterogeneous. Among the array of small enterprises there are various potential target groups each with different contributions to make and with different support needs (Mead and Liedholm, 1998; Rogerson, 2001). It is therefore necessary for policy-makers to search for and craft sets of interventions to match the needs of particular groups of small enterprises (Rogerson, 2001). The international development community has discovered that a one size fits all approach to small business policy simply does not work due to the heterogeneity of small businesses as well as the differences in the economies of countries (Acs, et al. 2008). Hence practitioners in developing countries have to avoid unrealistic objectives such as broad based SME expansion because a wide range of evidence from both the developing and the developed world shows that SME development differs (Nichter and Goldmark, 2009). Practitioners should thus be clear, for example, about whether they aim to unleash the untapped growth potential of latent gazelles, or whether they aim to stabilize the incomes of the poor by providing assistance to survivalist SMEs (Nichter and Goldmark, 2009).

Although all SMEs are likely to benefit from certain types of interventions, such as alleviating market failures in credit, it is important for policy-makers to consider the fact that SMEs that have hidden growth potential are likely to require types of specialized development assistance to survivalist SMEs (Nichter and Goldmark, 2009). Therefore this implies that public policy needs to be informed by a number of factors, such as the dynamics of entrepreneurship and economic development, as well as local institutional conditions (Acs, et al. 2008). For example, enterprises at start-up face a set of problems and needs which are different from those of existing firms seeking to expand (Rogerson, 2001; Mas-Verdu, 2009; Minnti and Levesque, 2010). Another factor to be considered by policy makers is that, different groups of small enterprises will have different contributions to make to the dual objectives of poverty and growth (Mead and Liedholm, 1998; Minniti and Levesque, 2010). Being explicit about objectives is a basic but all too often overlooked step in the effort to develop effective customized programs (Nichter and Goldmark, 2009).

Significant numbers of small enterprises make their major contribution by helping people survive, when nothing better is available (Mead and Liedholm, 1998; Stern, et al., 2005; Nichter and Goldmark, 2009). These survivalist enterprises are particularly appropriate target groups for the objectives of poverty alleviation (Rogerson, 2001;

Stern, et al., 2005). Such enterprises can be very critical in terms of helping a large number of poor people become a little less poor, (Rogerson, 2001; Stern, et al., 2005). These enterprises have their own particular dynamic forces as they increase in numbers primarily through new start-ups, therefore policy support for this group must increase the likelihood that these enterprises can survive and earn somewhat higher and more reliable levels of income (Rogerson, 2001). The existing evidence suggests that the provision of a small amount of one missing ingredient, working capital, is often all that is required to sustain the enterprise and enable it to increase its performance (Mead and Liedholm, 1998).

Policy-makers should further consider non-financial constraints, experienced by small enterprises such as, access to markets, (Rogerson, 2001). Evidence suggests that, education and training can make their most effective contribution when they are closely linked to the issue of markets: helping entrepreneurs take advantage of market opportunities, preferably ones they have identified themselves but where they may need targeted capacity building, to enable them grasp these opportunities (Mead and Liedholm, 1998). Policy-makers should further realize that the existence of gender differentiated patterns of enterprise growth is vital for policy formulation (Rogerson, 2001; Mas-Verdu, et al., 2009). Most important is the danger that growth- oriented strategies for small enterprise development threaten to neglect the large numbers of female entrepreneurs at the survival level, ignoring the importance of their earnings, however small (Rogerson, 2001; Mas-Verdu, et al., 2009). This danger arises from the fact that women more likely than men, will be invisible entrepreneurs, operating from home based enterprises (Rogerson, 2001). In light of the above mentioned information, it is critical, that the policy support structure contain an element which is aggressive in terms of seeking out and helping these groups of rural women address their particular needs (Rogerson, 2001; Mas-Verdu, et al., 2009).

Equally important is the fact that, until recently, the image of support for non-financial services or business development services was not good in a number of African countries (Rogerson, 2001). The record of many training programmes, information support services and technology support programmes had been unimpressive and often seen as suffering from three major weaknesses (Rogerson, 2001). The first weakness being, that they had a limited impact through a general failure to reach large numbers of beneficiaries, secondly, most programmes had been supply-driven, with services and projects on offer reflecting the views of service providers and poorly informed by the needs and priorities of target groups (Rogerson, 2001). Lastly, such programmes were criticized as expensive with limited capacity for cost-recovery and long-term financial sustainability (Rogerson, 2001). It was as a consequence of these weaknesses that, during the 1980s, greater interest in small enterprise support programming shifted towards the provision of credit rather than support for non- financial services (Rogerson, 2001). In light of mounting criticisms directed at minimalist credit provision, a policy turnaround appears to be taking place with a renewed interest in the supply and recognition on the importance of the non-financial or business service provision for small enterprise development (Rogerson, 2001).

The issue of expanding the outreach of business development services has been achieved through three major sets of initiatives (Rogerson, 2001). The first and perhaps most critical, is the use of a subsector approach to the analysis and diagnosis of the constraints on small enterprise development and the design of appropriate interventions (Rogerson, 2001). In essence, the subsector approach stresses that the focus of study and of intervention, should not be the individual enterprise per se, rather it should be the system or subsector in which the enterprise operates (Rogerson, 2001). More specifically, subsector analysis involves a study of the vertical structure of a particular economic activity such as tailoring or blacksmithing from input supply through to the production process and marketing of the finished product (Rogerson, 2001). Such an analysis permits a clear identification, of firstly the bottlenecks which constrain the economic activity; secondly, niches in which small producers can have a comparative advantage; and, lastly specific interventions which can ease the bottlenecks and facilitate the exploitation of niche opportunities (Rogerson, 2001). According to Rogerson, (2001), “an illustration of the application of sub-sector analysis in Africa is

Buckley's (1998) study of the tailoring and dressmaking economy in Kenya, in this research attention is given to the training needs of tailors and dressmakers, who are classified into stars and laggards, the difficulties they experience in running their businesses and the policy implications".

The major difference between this approach and conventional forms of analysis is that whereas conventional studies of the informal sector identify problems shared by small enterprises and recommend broad, non-specific interventions, subsector analysis permits the identification of problems and solutions that are specific to the system in which small enterprises operate (Rogerson, 2001). Therefore, in other words, the subsector analysis gives rise to a focused undifferentiated approach and avoids the tendency to see the small enterprise economy as though it were an undifferentiated mass of enterprises (Rogerson, 2001). The subsector approach can further help to identify policy changes by government in relation to the subsector which could have wide positive ramifications (Rogerson, 2001).

Equally important is the fact that, business development services have also become more effective and expanded their reach once again in relation to the approach and workings of subsector analysis (Rogerson, 2001). It has been recognized that there are a number of nodal points where products and services which have the potential to benefit large numbers of small enterprises pass through a relatively small number of hands (Rogerson, 2001). It is critical therefore for support service providers when directing assistance to nodal points to be clear about the distinction between beneficiaries and target groups (Rogerson, 2001). The most important nodal points that have been identified in sub-sectoral research are the following, strategically placed enterprises; traders and retailers and lastly sectoral associations or clusters (Rogerson, 2001).

The first group, which is comprised of the strategically placed enterprises, is often but not always large and sophisticated firms that can be highly effective and commercially sustainable channels for the delivery of support to small enterprises (Rogerson, 2001).

An example of an African case study is that of the Intermediate Technology Development Group (ITDG) in Zimbabwe (Rogerson, 2001). The ITDG helped modern small enterprises in Zimbabwe to produce manually operated wheel-making equipment and so enabled artisanal producers all over the country to manufacture their own wheels (Rogerson, 2001). This was an innovation which removed a constraint on the production of ox-carts and other rural vehicles (Rogerson, 2001).

The importance of traders and retailers as an important subsectoral nodal point has a number of African examples (Rogerson, 2001). The best known is the FIT programme in Kenya, which is a Dutch funded programme of the International Labour Office and seeks to promote the development of networks between small-scale entrepreneurs and other actors with whom they work, most importantly traders and retailers (Rogerson, 2001). Through the FIT programme, the dissemination of the products of small enterprises has been improved by stimulating and strengthening private market channels (Rogerson, 2001). The FIT programme has also been influential in promoting innovation among small enterprises in Kenya, particularly through encouraging meetings between producers and traders and encouraging producers to participate in trade fairs (Rogerson, 2001). Lastly, the activities of small clusters or associations of enterprises offer considerable scope for support agencies to reach many clients (Rogerson, 2001; Tambunan, 2005). Clusters offer opportunities to achieve greater scale of operations, as well as promoting both external economies, especially access to markets that arise from having several producers in a single location (Rogerson, 2001; Tambunan, 2005). The third method in which greater scale of operations has been achieved is through promotion of greater linkages and subcontracting arrangements between large enterprises and the small enterprise economy (Rogerson, 2001). For example in Kenya, government initiatives have sought to promote linkages and partnerships for subcontracting between large enterprises and the small enterprises (Rogerson, 2001).

According to Acs and Karlsson, (2002), “to induce dynamic entrepreneurial competition requires that public policy fulfills the following two conditions: the first relates to the importance of creative destruction, meaning a dynamic economy requires a high level of innovative activity, which in turn requires vigorous entry of small enterprises, which in turn causes a high degree of turbulence". It is important to note that it is the gross flows of entry and exit of newly created jobs, and on the other hand the jobs destroyed, which are important, not the net changes (Acs and Karlsson, 2002). This implies that if government wants to stimulate economic growth, the most important policy objective is not to retard the process of change and displacement in the small business sector, but to facilitate it particularly by encouraging entrepreneurship and free entry and tolerating failure (Acs and Karlsson, 2002).

It is important to note that the need for action in the field of entrepreneurship policy has provoked substantial debate in the literature. Some authors do not find reasons for public sector intervention aimed at an explicit promotion of entrepreneurship (Baumol, 1990). The main reason for this stance is that widespread support may allow firms to enter the market that otherwise would have not gained entry. However, contrary to this view other literature indicates that both the lack of explicit public support and administrative obstacles may hinder latent entrepreneurship (Acs and Szerb, 2007). However, government support is vital to the development of SMEs in developing countries because most of these enterprises are survivalist enterprises and offer people in these countries an alternative to survive where there are high levels of poverty and unemployment.

2.7. Summary

Employment through SMEs provides a way out of poverty for many poor households, through job creation SMEs do much to empower those households, and they are a dynamic source of learning, ideas and other externalities for developing countries (Stern, et al., 2005). For example, through this study the researcher has seen how SMEs in the Lubombo region have provided a source of income to the people of the

Lubombo which has the highest rate of unemployment, 31.8% (Swaziland Integrated Labour Force Survey, 2007). The World Bank Group is committed to the development of the SME sector as a core element in its strategy to foster economic growth, employment and poverty alleviation (Beck et al, 2003; Ayyagari et al, 2007).

It is important to note that even though SMEs provide a source of income to the poor, these SMEs operate in a complex environment and confront a diverse array of constraints (Rogerson, 2001). For example, both in the developing and developed world small firms have been found to have less external finance and to be more constrained in their operation and growth (Beck and Demirguc-Kunt, 2006; Nichter and Goldmark, 2009). SMEs in developing countries lack profitable business opportunities and capabilities such as skills, resources, and technology (Nichter and Goldmark, 2009). The cost of entry is a challenge to SMEs, for example in countries where it is more costly to register a new enterprise, there is a smaller share of SMEs and a large informal sector (Ayyagari et al, 2007). Bureaucratic hurdles and corruption impose barriers to entry, raise operating costs, and create uncertainty for small and medium enterprises (Stern, et al, 2005; Ayyagari et al, 2007). Location is a challenge to SMEs in the region, mainly because most of these small enterprises operate in rural areas where there is little or no development (Liedholm, 2002). Lack of knowledge and business skills is also a challenge to SMEs, particularly SMEs in rural areas.

Public and private interventions aimed at promoting SME development may take different forms and outcomes. These may have an effect on a number of different areas and stages of SME activity, however policy-makers in developing countries, have to realize that the key element of policy support for a more dynamic small enterprise economy is macro-economic reform which can be an effective vehicle for catalyzing the expansion of productive employment within the small enterprise economy (Mead and Liedholm, 1998; Rogerson, 2001).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The research methodology section of the report outlines the research plan the researcher used to answer the following research questions through the use of an evidenced based analytical process:

- Why does a small number of SMEs in the Lubombo region take advantage of the programs of the National Policy on SMEs?
- What do rural small business owners in the Lubombo region think of the incentives brought about by the implementation of the National policy on SMEs?
- According to the rural small business owners, what could be done to increase the uptake of rural business registrations?

3.2. Research approach

To answer the above mentioned research questions, the researcher used the qualitative research approach. According to Creswell, (1998), “qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting. It is important to note that qualitative research studies typically serve one or more of the following purposes: firstly, description, they can reveal the nature of certain situations, settings, processes, relationships, systems or people (Leedy and Ormrod, 2010). Secondly, interpretation, they enable a researcher to gain new insights about a particular phenomenon, develop new concepts or theoretical perspectives about the phenomenon and or discover the problems that exist within the phenomenon (Leedy and Ormrod, 2010). Thirdly, verification, they allow a researcher to test the validity of certain assumptions, claims, theories, or generalizations within real world contexts and lastly, they provide a means through which a researcher can judge the effectiveness of particular policies, practices, or innovations (Leedy and Ormrod, 2010). As a general rule, qualitative studies do not allow the researcher to identify cause and effect relationships, for such one needs quantitative research, hence the reason why this research report is based the qualitative research approach.

3.3. Research design

The research was conducted using a case study of the Lubombo region situated in what is known as the low-veld of the Kingdom of Swaziland. This region was studied with a view to understanding the factors that contribute to the failure of rural entrepreneurs to take up businesses as provided by the National Policy on SMEs (2002). The rationale of choosing the Lubombo region is because it is the second poorest region in the Kingdom of Swaziland, with a poverty rate of 73% (Poverty Reduction Strategy and Action Programme, 2006). The Lubombo region has the highest rate of unemployment, 31.8% (Swaziland Integrated Labour Force Survey 2007-2008). Therefore if the effects of the programs outlined in the National Policy on SMEs (2002) could reach out to this region Swaziland's poverty rate of 70% would be greatly reduced (Poverty Reduction Strategy and Action Programme, 2006).

It is important to note that the Lubombo region is unique due to the fact that it is home to the largest sugar companies in Swaziland, yet it is has the highest rate of unemployment in the country. One would expect that the people of the Lubombo region would live a better life compared to residents of the other regions in Swaziland since sugar is termed "Swazi gold." The sugar sector is central to the economy of Swaziland, accounting for 59% of agricultural output, 35% of agricultural wage employment and 18% to the country's gross domestic product (GDP) hence the name Swazi gold (Swaziland Sugar Association, 2011).

Based on the need to provide a detailed view of rural SMEs towards the achievement of policy objectives, the study was qualitative and a non-probability convenience sample size of 2 registered small business owners and 2 unregistered small business owners was used. The registered small business owners are those who have survived through the start-up phase and have formally registered their businesses with the Ministry of Commerce, Industry and Trade. The unregistered small business owners' are those who are operating their businesses without trading licences mainly in the informal sector. Convenience sampling was used so as to yield the most information about the influence of policy on rural entrepreneurship.

One-on-one interviews were conducted with the 4 (four) small business owners. A set of open ended interview questions was designed by the researcher prior to the interviews for purposes of primary data collection. The researcher made sure to inform the interviewees of the purpose of the research before hand and the issue of disclosure was clearly explained to the interviewees. The researcher asked the interviewees whether they would like their names to be revealed in the report or not, this was done for ethical reasons and to ensure confidentiality, as well as protect the anonymity of individuals who do not want to be named. However all four small business owners refused to have their names disclosed for the same reason, which is fear of being discriminated. All four interviews took place where the small business owners operate their businesses (natural setting) this enabled the researcher to develop a level of detail on how the small business owners' conduct business as well as observe certain aspects of the business which may not be revelled by the small business owner during the interview.

3.4. Data collection

The data collection process included the collection of information through various mediums. These included interviews, observation and existing literature on the subject. For example, primary data was collected through interviews; this was facilitated by the process of designing interview questions which formed a guide line to the questions asked at the interview. The reason the researcher used interviews is because interview questions can be easily targeted to the research, which helps reveal the true insight to the problem at hand, interviews also allow the researcher control over the line of questioning and further interviewees can provide more information on the subject matter. To get a clear understanding of the issues, two of the interviews were conducted in the small business owners' mother language which SiSwati reason is; the small business owners did not have a clear understanding of the questions when posed to them in English.

The researcher was hoping to interview at least one woman small business owner in order to get a female perspective on operation of businesses in the Lubombo region, unfortunately all the women small business owners the researcher approached were not comfortable with being interviewed and hence politely refused. An audio tape recorder was utilized at interviews to enhance the data collection process and interview notes were written immediately after the interview. Observation was carried out by the researcher after each interview. The researcher asked each of the small business owners' if she could spend more time on the small business owner's premises and watch whilst the small business owner carried on with his duties. Here the researcher took field notes on the activities that go about as the small business owner carries about with his daily duties. The observation enabled the researcher to record information as it is revealed and further enabled the researcher to gain insight into certain issues that the participants did not reveal during the interview. Throughout the research process the researcher was constantly engaged in the process of collecting secondary data through reports from journals, government documents as well as newspaper articles on the research topic

3.5. Validity

Validity is a strength of qualitative research, but it is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participants, or the readers of an account (Creswell, 2003).

The validity of the research was checked against the interviewees involved in the research by verifying with them whether the conclusions were accurate and matched reality. The researcher’s interpretation of the interviews was verified with two interviewees to ensure that the interpretation of the interview sessions was consistent with the responses given during the interviews. No discrepancies were identified and the researcher is therefore confident that the information was analysed such that it would give an accurate reflection of the responses given at the interviews.

3.6. Reliability

The responses given at the interviews include the interviewees’ personal views, and thus may be biased. Small business owners from a different region could also construct different possible realities, which lead to the fact that a different group of interviewees might lead to slightly different consensus.

3.7. Summary

This research study utilised the qualitative research process to try and understand why rural small business owners of the Lubombo region fail to take advantage of the programs and projects outlined in the National Policy for SMEs (2002). Based on the need to provide a detailed view of the rural small business owners towards the achievement of policy objectives, a non-probability convenience sample size of 2 registered small business owners and 2 unregistered small business owners was used. A set of open ended interview questions was designed by the researcher prior to the interviews. However, one limitation of the interviews was that, against a patriarchal traditional culture that assigns certain roles to women, the researcher wanted to get a female perspective on how women small business owners operate their businesses due to the fact that women face more difficult problems compared to their male counterparts.

CHAPTER FOUR

DATA PRESENTATION

4.1. Introduction

This section presents the research data collected and provides a preliminary analysis of the data. Hence it is largely descriptive and analysis is limited to the specific research question discussed. Four small business owners were interviewed in the month of January 2011. Two of the small business owners are from Siphofaneni and two are from Big Bend. Siphofaneni and Big Bend are towns situated in the Lubombo region. Siphofaneni is popular for the Lower Usuthu Smallholder Irrigation Project (LUSIP). This project entails the provision of irrigation infrastructure to enable smallholder farmers to diversify their agricultural production. The origins of Swaziland's sugar industry can be traced back to an irrigation project in Big Bend and houses the Illovo Sugar Company today.

Two of the small business owners interviewed are from the agro-industry, they are commonly referred to as small holder farmers, one is a vegetable farmer and the other is a sugarcane farmer. The other two small business owners are in the retail industry, where one is operating a small grocery shop and the other is operating a photo shop which has an internet café and video games for children. All four small business owners are males with ages ranging from 23 to 55 years. All the small business owners are literate, however one out of the four small business owners has difficulty reading in English but he is very good in reading in his mother language which is Siswati. Unfortunately it was very difficult to get hold of female entrepreneurs because the majority of women entrepreneurs operate their businesses from home. Female small business owners operating their businesses in town politely refused to be interviewed.

The purpose of this research was to explore why rural small business owners fail to take advantage of the programs and projects outlined in the National Policy for SMEs (2002) by thoroughly investigating the National Policy for SMEs and small business owners' experiences particularly at the start-up phase in the Lubombo region.

Interviewees consisted of two unregistered small business owners and two registered small business owners. Both registered and unregistered small business owners were interviewed in order to get a broad view of the subject matter from the business operators as well as each entrepreneur's experience. The responses given by the interviewees during all four interviews will be presented below. These responses stem from the three (3) research questions which are:

- Why does a small number of SMEs in the Lubombo region take advantage of the programmes of the National Policy on SMEs?
- What do rural small business owners in the Lubombo region think of the incentives brought about by the implementation of the National policy on SMEs?
- According to the rural small business owners, what could be done to increase the uptake of rural business registrations?

The above main research questions were broken down to five (5) interview questions (see appendix). All four small business owners refused to be disclosed in the report, for ethical reasons and ease of identification they will be referred to according to the businesses they operate, which is as follows: The Smallholder Vegetable Farmer, the Smallholder Sugarcane Farmer, the Smallholder Grocery Shop Owner and the Smallholder Internet Cafe Owner. Both farmers are unregistered and both the Grocery shop owner and Internet Cafe Owner are registered businessmen, the responses from their interviews are presented as follows:

4.2. Lack of knowledge of the National Policy on SMEs

In response to the question of whether the small business owners have heard about the National Policy on SMEs, one out of the four entrepreneurs (25%) interviewed has heard about the policy, the entrepreneur is also knowledgeable on the contents of the policy. The fact that only 25% of the small business owners interviewed know about the National Policy on SMEs is an indication that the majority of rural entrepreneurs lack knowledge of the SME Policy. The reason, the Smallholder Vegetable Farmer knows about the policy is because he was part of the team that first commissioned the drafting of the policy. However, this is where his knowledge about the policy ends, he stated that the last time he heard about the policy was when he was involved in the work that was being done on the National document and never heard anything thereafter. A question that arises is, "how can government be successful in her mandate to make the environment conducive for SME development when only 25% of small business owners the researcher interviewed know about the National Policy on SMEs"?

4.3. National Policy on SMEs is available only in one official language

One of the issues that came up from the interviews is the fact that the policy is only available in one of the country's two official languages, which is English. The Smallholder Grocery Shop Owner stated that even if he was to come across the policy it would not be beneficial to him because he has difficulty reading the English language, but he can read SiSwati very well.

4.4. No benefits from the projects and programmes outlined in Policy

All four small business owners stated that they have not derived any tangible benefits from the implementation of the policy, for example these include the following policy objectives: make it easier for potential entrepreneurs to enter into business; ensure the existence of specific support measures for established entrepreneurs and increase the flow of capital into the SME sector (National Policy of the Kingdom of Swaziland on the Development of SMEs, 2002). Even the Smallholder Vegetable Farmer who is the only entrepreneur interviewed who knew of the policy, stated that he has not benefited from the implementation of the policy objectives listed above and in his opinion if he was not part of the team that commissioned for the drafting of the policy he would not know of the policy's existence. The Smallholder Vegetable Farmer further stated that, he has never used any of the implementation programmes outlined in the policy to register his business, due to the fact that the agencies tasked with implementing the policy objectives are not clearly knowledgeable about the small business sector and more importantly the challenges faced by small business owners hence it is very difficult for them to provide meaningful assistance.

The Smallholder Sugarcane Farmer stated that what has worked for them as smallholder sugarcane farmers of the Lubombo region is to get into groups and solicit the services of private business service providers if they require any information on how to grow or even promote their businesses. However he mentioned that the only service they get from government is in the form of technical assistance from the Ministry of Agriculture's extension officers. He stated that these officers are always available to assist them as farmers whenever they seek agricultural assistance. In addition to this, the Smallholder Sugarcane Farmer stated that even though extension officers from the Ministry of Agriculture always offer farmers assistance, this is not enough because these officers are technical people and they cannot help them on business or market related issues. He further stated that as farmers they lack information on how long and what are the conditions required for staff to work in the fields, and lack of such important information is a disadvantage because employees fall sick and this negatively impacts on the business.

This is contrary to the literature review, for example countries such as Taiwan passed legislation in the form of rules, namely the rules for development of small and medium sized businesses (Wei and Christodoulou, 1998). Under these rules eight guidance systems were set up to assist SMEs (Wei and Christodoulou, 1998). This clearly indicates that for policy to be effective there has to be accompanying legislation such as the legislation in the form of rules as seen in Taiwan's example. Therefore from the evidence gathered at the interviews there is an indication that Swaziland has to pass legislation to support the implementation of the National Policy on SMEs, because without legislation there is no instrument that compels people to comply with the policy objectives. The literature review, further states that, when formulating small enterprise support programmes, policy-makers have to take into account that the clients of such programmes are diverse and heterogeneous (Mead and Liedholm, 1998). Therefore it is necessary for policy-makers to search for and craft sets of interventions to match the needs of particular groups of small enterprises (Rogerson, 2001). For example, we have seen from the SMEs which were interviewed that their needs are different, small businesses that are in the agricultural sector face a set of problems and needs that are different from those in the retail sector. However we do not see specific sector interventions this in Swaziland's National Policy on SMEs, (2002).

4.5. Policy Performance

In response to the question on whether the policy has assisted the country in terms of poverty alleviation, reduction of unemployment and national growth, which are the policy objectives, all four entrepreneurs were of the view that the policy has not achieved any of its objectives. The Smallholder Grocery Shop Owner, stated that the policy has not assisted the country in poverty alleviation instead people that operate their own businesses in the Lubombo region do so as a means to survive because of the high levels of unemployment. Therefore there has been no reduction of unemployment and no increase in national growth. Literature states that, a critical piece of the policy puzzle is to understand the factors which will cause some firms to grow and become successful small enterprises which create sustainable or long-term employment opportunities, (Rogerson, 2001).

It is important to note that the Lubombo region has the highest rate of unemployment, 31.8% and a poverty rate of 73% (Poverty Reduction Strategy and Action Programme, 2006; Swaziland Integrated Labour Force Survey, 2007). An understanding of the elements for growing of successful small enterprises is critical for policy formulation, therefore it is important for policy- makers to formulate relevant policy support measures. The Internet Cafe Owner stated that the situation is so bad such that a lot of people cannot even afford to start their own businesses, they do not even have relatives who can give them start-up capital. It is important to note that, due to the high rate of poverty and unemployment in the Lubombo region, a significant number of small enterprises make their major contribution by helping people to survive.

The literature review states that, policy- makers in developing countries, have to realize that the key element of policy support for a more dynamic small enterprise economy is macro-economic reform which can be an effective vehicle for catalysing the expansion of productive employment within the small enterprise economy (Mead and Liedholm, 1998; Rogerson, 2001). The literature review further states that, when the whole economy is stagnant, total employment in the small enterprise economy may expand just as rapidly, albeit a higher proportion of these jobs are likely to be fragile and located in survival activities (Rogerson, 2001; Stern, et al., 2005). The situation outlined in the review is exactly the current state of affairs in the Lubombo region as mentioned above.

4.6. Expensive business registration

All four small business owners stated that it is expensive and cumbersome to register a business in Swaziland. The small business owners stated that it is expensive both in monetary terms and the time required to register a business is long and hence also ends up as an expense to the entrepreneur. For example, the small business owner has to take a bus from Big Bend to the capital city Mbabane which is approximately 95 kilometres (km) away to register a business. It is important to note that upon arrival at the Registrar of Companies in Mbabane, the entrepreneur has to pay between E2500-E5000 (between two thousand five hundred Emalangeni to five thousand Emalangeni) for application forms and legal fees. This process does not take one day, the small business owners stated that since they operate their own businesses it is very expensive for them to be away from their place of business for a few hours because they lose money in the form of sales they could have made to customers.

In response to the question on how unregistered small business owners may be assisted to register their businesses, the two unregistered small business owners stated that they would have registered their businesses a long time ago, but they have not done so due to the high business registration costs. Therefore to enable them to register their businesses government will have to reduce the business registration costs and make the business registration process less cumbersome. For example, all four small business owners stated that the business registration process should be decentralized and it should be made possible to register your business on line in order to reduce business registration costs and made the process friendly to small business owners. Therefore future policy should address the importance of flexibility of business registration. The unregistered small business owners stated that they cannot afford the business registration fee, and once you register you are required to pay tax and they do not know how much would be required by government in taxes since they do not make much profit. This is an indication that small business owners need training on a number of issues such as taxation and government should take the initiative to train SMEs.

The unregistered small business owners, stated that they cannot afford to pay tax because the price of farm inputs is so high and often there is not much money left after catering for farm inputs. The literature review states that, due to the heterogeneity of small enterprises, policy-makers have to be clear about whether they aim to unleash the untapped growth potential of SMEs, or whether they aim to stabilize the incomes of the poor by providing assistance to survivalist SMEs (Nichter and Goldmark, 2009). It is important to note that the National Policy on SMEs (2002) does not mention anything on survivalist enterprises yet the majority of businesses in Swaziland fall under this classification.

4.7. Red- tape and nepotism in government

All four small business owners stated that there is too much red-tape when one wants to access government funds. For Example, one of the rules of the Regional Development Fund is that the Fund does not issue loans to individual small business owners instead they issue loans to business associations and group projects and this is a challenge hence the fund ends up being misused because there are certain individuals who access the Fund and this is a sign of nepotism. The small business owners further stated that if they want to access either the Youth Enterprise Development Fund or the Regional Development Fund, the officer in charge demands a list of requirements which are different to the requirements mentioned when the funds were initiated and in some instances the officer will come up with unrealistic conditions required to access the fund in-order to frustrate the small business owner and this eventually leads the small business owner to give up on the loan application.

According to all four small business owners interviewed, the awarding of these funds is not clear and this has lead to nepotism and corruption. According to the literature reviewed, the general institutional environment in which small enterprises operate has an effect on growth (Baumol, 1990; Stern, et al. 2005; Ayyagari, et al., 2007; Naude, 2010). Therefore development economists now routinely advocate the building and strengthening of appropriate institutions for development, such as the rule of law, property rights, contract enforcement, and accountability and good governance (Ayyagari, et al., 2007; Naude, 2010). According to Ayyagari, et al., 2007, “there is a strong positive correlation between SME variables and institutional variables, suggesting that SMEs thrive more in countries with better developed institutions”. The researcher is of the view that Ayyagari, et al., are right that there is a strong positive correlation between SME variables and institutional variables. For example, countries such as Taiwan with few natural resources and depend heavily on foreign trade, still manage to grow their economy mainly on SMEs and this is mainly due to the fact that they have better developed institutions to enforce the rule of law, property rights, accountability and good governance (Wei and Christodoulou, 1998).

4.8. Formation of business clusters

All four small business owners stated the importance of getting together as business operators, they all emphasized the importance of the formation of business clusters for Swazi small businesses. The small business owners further stated that business clustering would be very beneficial for Swazi small business owners due to the fact that Swaziland is a small land locked country which has a small market, therefore working together as business people would beneficial in terms of meeting market requirements of South Africa and Mozambique which are the two neighbouring countries. They stated that business clustering would encourage innovation and competition and hence positively impact on the performance of businesses. This is in line with the literature review, for example, clusters facilitate SME growth by enhancing horizontal as well as vertical linkages (Tambunan, 2005; Nichter and Goldmark, 2009). Clusters may also involve consciously pursued joint action, such as the sharing of machinery or the joint development of a product (Tambunan, 2005; Nichter and Goldmark, 2009).

4.9. Lack of business skills and the need for an Agricultural Bank

The Smallholder Vegetable Farmer and the Smallholder Sugarcane Farmer stated that most people who operate their own businesses in the region are farmers and not businessman, therefore they have the technical expertise of running a business but they lack business skills which are of utmost importance. Hence the Smallholder Vegetable Farmer stated that an element of capacity building will have to be incorporated in the policy so as to assist rural small business owners. 3 of the 4 entrepreneurs interviewed were of the view that Swaziland needs a financial institution that will understand the agricultural sector, therefore future policy initiatives and government interventions have to be targeted to specific business sectors because the problems faced by entrepreneurs are not the same. This supports literature which states that, it is necessary for policy-makers to search for and craft sets of interventions to match the needs of particular groups of small enterprises, since a one size fits all approach to small business policy does not work due to the heterogeneity of small businesses (Rogerson, 2001; Acs, et al., 2008).

4.10. Unfavourable Business Environment

In response to the question on how favourable is the business environment, all interviewees stated that it is very difficult to operate a business in Swaziland. They stated that this is evident in the cumbersome process business people have to undergo when registering their businesses and the expenses incurred from such. Government does not consider the interests of small business owners due to the fact that during the crafting of policies that will affect business people there is no clear consultation process followed by the government and hence the policies end up being not conducive for business.

4.11. Future Policy direction

All four small business owners were of the view that in order to assist rural small business owners in the future, Swaziland needs a policy which will compliment all the other government efforts on SME development which are already on the ground. For instance, SME development involves various government ministries and departments, therefore for the SME Policy to be effective there has to be coordination of all government efforts aimed at SME development. For example, government is currently providing the following empowerment funds aimed at SME development: the Regional Development fund and the Youth Enterprise Development Fund, however 2 out of 4 small business owners interviewed stated that they have once applied for finance under these funds but they have both been unsuccessful.

Evidence gathered at the interviews indicates 50% of the small business owners interviewed have applied for the funds and have been unsuccessful. All four small business owners stated that they cannot point out a single SME from Big Bend who has benefited from these funds, therefore, there is clearly lack of co-ordination in the government ministries and a number of government programmes are not reaching the intended beneficiaries. The small business owners also stated that there is too much red-tape in government and the environment that government has created makes it difficult if not impossible for small businesses to survive. For example 3 out of 5 small businesses survive for the first 5 years in business and only 1 makes it to the 8^{th} year (A Countrywide Study of Small Scale Enterprises in Swaziland, 2003).

4.12. Summary

Evidence gathered at the interviews indicates that small business owners of the Lubombo region are not aware of the existence of the National Policy on SMEs. This is based on the fact that one out of the four small business owners interviewed lack of knowledge of the National Policy on SMEs (2002). The researcher can safely conclude that, the performance of SMEs is a measure of the Policy environment under which those SMEs are governed. The attitude and perception of government on the potential of SMEs is a strong determinant in deriving an environment that supports in securing markets, finance and skills to developing themselves.

Small business owners of the Lubombo region have not benefited from the implementation of the projects and programmes outlined in the policy, mainly because all government interventions aimed at SME development do not reach the intended beneficiaries. The National Policy on SMEs has not achieved the objectives of poverty alleviation, reduction of unemployment and increase in national growth. This is evident because, Swaziland has a poverty rate of 70% and the Lubombo region has a poverty rate of 73% which is the second highest in the country; all the interviewees also stated that they have not derived any benefit from the implementation of the National Policy on SMEs (Poverty Reduction Strategy and Action Programme, 2006).

Business registration is expensive and cumbersome in Swaziland and there is too much red-tape and nepotism in government. For example, business registration ranges from R2500- R5000 (two thousand five hundred Rands to five thousand Rands). The entrepreneur further has to apply for a trading licence and this ranges from R500-R5000 (Ministry of Commerce, Industry and Trade, 2006).

Small business owners of the Lubombo region stated that they lack business skills and hence cannot grow their businesses. The responses given at the interviews indicate that it is difficult to operate a business in Swaziland, due to an unfavourable business environment. This is contrary to why the National Policy on SMEs was formulated. The National Policy on SMEs states that it was formulated to create an enabling environment for business, in which a business can go about its daily activities confident that government has done what it can to keep licensing and other regulations to a minimum (National Policy of the Kingdom of Swaziland on the Development of SMEs, 2002). They stated that future policy should have a clear capacity building programme so as to help their businesses grow. This supports the literature which states that, it is necessary for policy-makers to search for and craft sets of interventions to match the needs of particular groups of small enterprises (Rogerson, 2001; Acs, et al., 2008).

CHAPTER FIVE

DATA ANALYSIS

5.1. Introduction

In general, data analysis means a search for patterns or similar strands in data, and these may be in the form of recurrent behaviours, objects, phases or ideas (Neuman, 2006). The process of data analysis involves preparing the data for analysis, conducting different analyses, understanding the data, representing the data and making an interpretation of the meaning of the data based on the similar patterns identified (Creswell, 1998). However to enrich data analysis, the researcher used documental analysis in addition to interviews and observation.

The data was collected through:

- Interviews with four small business owners (2 registered and 2 un-registered),
- Observation, and
- Existing literature review

The data collected at the interviews was interpreted. This process involved getting a sense of the whole, by reading all the transcriptions carefully and writing down the exact responses given by the four small business owners who were interviewed. Secondly, data was categorised according to similar patterns and themes that arose during the interviews, which were based on the following: Lack of knowledge of the National Policy on SMEs; National Policy on SMEs is available only in one official language; No benefits derived from the implementation of the projects and programmes outlined in the National Policy on SMEs; Policy performance; Expensive business registration; Red-tape and nepotism in government; Formation of business clusters; Lack of business skills and the need for the formation of an Agricultural bank and lastly future policy direction. The data was also organised thematically with respect to the research questions. After thematic data organisation, the researcher read through all the data so as to obtain a general sense of the information and to reflect on its overall meaning. Hence the data was organized according to the following themes:

5.2. Lack of knowledge of the National Policy on SMEs

Evidence gathered at the interviews states that one out of the four entrepreneurs' who were interviewed, knew of the National Policy on SMEs (2002), this may give an indication that there is a low level of the rural small business owners who were interviewed that know about the National Policy on SMEs, 2002. The researcher is of the view that based on the responses given at the interviews, (refer to section on data presentation) there is a suggestion that a majority of the rural small business owners who were interviewed lack knowledge of the National Policy on SMEs. From the evidence gathered at the interviews, the researcher is of the view that the small business owners do not know what this policy is about, what the policy seeks to achieve and most importantly, the reason for its formulation. This may be due to the fact that government invested very little in terms of decentralizing the policy consultative process to the rural areas of Swaziland for example the policy consultative process outlined in The National Policy on SMEs, 2002, states that extensive consultation took place with government agencies, the private sector and NGOs at the Protea Pigg's Peak Hotel. It is important to note that the above mentioned hotel is situated in the Hhohho region and there is no mention of any consultative workshops in the Lubombo region.

5.3. Availability of National Policy on SMEs in only one official language

The fact that the National Policy on SMEs, 2002, is available in only one of the two official languages is problematic to some of the entrepreneurs who are more comfortable conversing and interacting through medium of Siswati language (refer to section on data presentation). Another factor that adds on this problem is the fact that, evidence gathered at the interviews state that the rural small business owners of the Lubombo region were not part of the policy consultation process hence they do not have ownership of the policy document.

5.4. No benefits from projects and programmes outlined in the policy

Evidence gathered at the interviews indicate that none of the rural small business owners who were interviewed have derived any tangible benefits from the implementation of the projects and programmes outlined in the National Policy on SMEs, 2002. For example, one of the programmes stated in the policy is easy access to new business and start-up finance, the implementation of this was the formation of the Small Scale Enterprise Loan Guarantee Scheme which is administered by the Central Bank of Swaziland, which in turn reports annually to the Minister for Commerce, Industry and Trade on the progress of the scheme. It is important to note that, small scale enterprise credit guaranteed by the Fund is available from financial resources of participating financial institutions, namely Standard Bank, Nedbank and First National Bank. The lending terms of the Fund, state that, the minimum contribution from the small business owner should be at least 5% for start-ups and 15% for existing businesses (Central Bank of Swaziland, Small Scale Enterprise Loan Guarantee Scheme, 2010) however, despite the formation of the above mentioned Fund, evidence gathered at the interviews indicate that deserving small business owners who were interviewed cannot afford this facility because of the lending conditions of the Fund, evidence indicates that the Fund is no accessible to the rural poor small business owner in the poverty stricken Lubombo region.

5.5. Policy Performance

Evidence gathered from the interview sessions indicates that the National Policy on SMEs, 2002, has not meaningfully catalysed the objectives of poverty alleviation, reduction of unemployment as well as increase in national growth. It is important to note that the Lubombo region has the highest rate of unemployment, 31.8% and a poverty rate of 73% (Poverty Reduction Strategy and Action Programme, 2006; Swaziland Integrated Labour Force Survey, 2007). However, it is important to note that, the evidence gathered at the interviews may also suggest a deep rooted nature of poverty in the Lubombo region.

An understanding of the elements for growing of successful small enterprises is critical for policy formulation, therefore it is important for policy- makers to formulate relevant policy support measures. The poor in Swaziland are those people without adequate income to buy the minimum amount of food (set at 2100 calories per person per day) necessary to sustain a normal and active life, and to acquire basic non-food requirements for a decent living.(Poverty Reduction Strategy and Action Programme, 2006). This is referred to as income poverty. Income poverty in Swaziland increased from 66% in 1995 to 69% in 2001 (Poverty Reduction Strategy and Action Programme, 2006). The increase was in all the regions of the country and was particularly pronounced in the rural areas which had 76% of the population suffering from income poverty compared to 50% in urban areas (Poverty Reduction Strategy and Action Programme, 2006). The unemployment rate in Swaziland is 38% (Swaziland Integrated Labour Force Survey, 2007). This means that almost 4 out of every 10 persons who are available for work and are searching for work are without a job. It is important to note that the poverty rate in the Lubombo region is much higher (73%), than national poverty (Poverty Reduction Strategy and Action Programme, 2006).

5.6. Expensive business registration

The cost of business registration in Swaziland ranges from E2500 to E5000 (two thousand five hundred Emalangeni to five thousand Emalangeni) depending on the category or type of business one would like to register (MCIT, 2011). This cost comprises the company application fee, legal fees incurred when one registers a company. It is important to note that the cost mentioned above is not inclusive of trading license fees and other expenses incurred by the small business owner such as travelling expenses (MCIT, 2011). Evidence gathered at the interviews indicates that it is expensive to register a business in Swaziland and hence rural small business owners cannot afford to do so. According to Nugent and Sukiassyan, (2009), "when regulation costs in a country are sufficiently high, firms choose to avoid regulation and hence not register with authorities". This is exactly what is currently happening in Swaziland and this has resulted into a huge informal sector.

According to literature informality is common in developing countries (Nichter and Goldmark, 2009). For example, the ILO (2004) report indicates that the informal economy's share of the non-agricultural workforce has reached 55% in Latin America, 45-85% in Asia, and nearly 80% in Africa (Nichter and Goldmark, 2009). It is clearly evident that in terms of quantity the number of informal firms often dwarfs the number of officially registered enterprises (Nichter and Goldmark, 2009). However, not only does informality reduce the chances for growth, but it is also associated with several other characteristics that make growth difficult (Nichter and Goldmark, 2009).

5.7. Red- tape and nepotism in government

Evidence gathered at the interviews indicates that, there is too much red-tape and nepotism in government. For example, the small business owners who were interviewed pointed out that, government is providing certain funds (Youth Enterprise Development Fund and the Regional Development Fund) to promote the SME sector, however, the rules that have been formulated for accessing the Regional Development fund are too excessive. For instance, evidence gathered at the interviews states that one of the rules is that the Fund is not available to individual small business owners but to associations and business groups but there are certain individuals who access this Fund which is sign of nepotism. Evidence gathered at the interviews suggests that the officials in charge have manipulated the process to access these funds such that they benefit people the funds are not intended for (unintended beneficiaries).

5.8. Formation of business clusters

Evidence gathered at the interviews indicates that small business owners of the Lubombo region tend to adopt the individualistic approach in business and this is a disadvantage to the growth of these businesses because they cannot get concession from government and the private sector. Therefore the researcher suggests the formation of clusters to enhance the performance of these businesses. It is important to take into account that, all four small business owners stated the importance of getting together as business operators; they all emphasized the importance of the formation of business clusters for Swazi small business owners. It is important to note that business clustering encourages innovation and competition and hence positively impacts on the performance of businesses. This is in line with the literature review, for example, clusters facilitate SME growth by enhancing horizontal as well as vertical linkages (Tambunan, 2005; Nichter and Goldmark, 2009). Clusters may also involve consciously pursued joint action, such as the sharing of machinery or the joint development of a product which reduces costs and increases profit (Tambunan, 2005; Nichter and Goldmark, 2009).

5.9. Lack of business skills and the need for an Agricultural Bank

Evidence gathered at the interviews indicates that, three out of the four small business owners lack business skills. On average the small business owners who were interviewed have been operating their businesses for 5 years, however they stated that they are technical people and therefore lack the skills required to grow their business operations. An important point to note is that, there is the Swaziland Enterprise Development Company (SEDCO), which a parastatal under the MCIT whose mandate is to capacitate small business owners, however evidence gathered at the interviews indicates that SEDCO needs to be capacitated because the business development courses offered by the company do not address small business owners needs yet they are expensive. It is important to note that, small business owners require different support services at different stages in the business life cycle (Rogerson, 2001). Therefore it is necessary for policy-makers to search for and craft sets of interventions to match the needs of particular groups of small enterprises (Rogerson, 2001). Of equal importance is that this finding is exactly what Rogerson, (2001), had discovered when he stated that, “until recently, the image of the support for non-financial services or business development services is not good in a number of African countries”. This is exactly what the evidence gathered at the interviews reflect.

Two out of the four small business owners who were interviewed stated that, in order for the agro-industry of Swaziland to grow, farmers require the establishment of an Agricultural Bank. The small business owners stated that such a Bank will understand the difficulties farmers go through and such a bank will be more responsive to farmers needs unlike the Commercial banks which do not grant farmers loans due to the fact that the industry they are in is viewed as a high risk sector.

5.10. Future Policy direction

All four small business owners who were interviewed were of the view that future policy interventions should be crafted such that they compliment all the other government efforts on SME development which are already on the ground. For instance the issue of SME development involves various government ministries and departments, therefore for the SME Policy to be effective there has to be coordination of all government efforts aimed at SME development. For example, government is currently providing the following empowerment funds aimed at SME development: the Regional Development fund and the Youth Enterprise Development Fund, however the small business owners who were interviewed have once applied to access these funds but have been unsuccessful.

5.11. Summary

The data analysis process involved a search for patterns or similar strands in data from the evidence gathered at the interviews. This process involved getting a sense of the whole by reading all the transcriptions and capturing in writing the exact responses given by all four small business owners at the interviews. The data was categorised according to similar strands as follows: Lack of knowledge of the National policy in SMEs; Availability of National Policy in one official language; No benefits derived from the implementation of the projects and programmes outlined in the National Policy on SMEs; Policy performance; Expensive business registration; Red-tape and nepotism in government; Formation of business clusters; Lack of business skills and the need for the formation of an Agricultural bank and lastly Future policy direction.

CHAPTER SIX

RECOMMENDATIONS

6.1. Introduction

The overall objective of the Swaziland Government through its National Policy on SMEs, (2002) is to facilitate and support the creation of an enabling environment for SMEs in order to foster economic growth and development. A number of Swazi's have taken the initiative to be entrepreneurs since the adoption of the SME policy in 2002. However based on the number of businesses registered per year, there are a few entrepreneurs from the rural areas of Swaziland who graduate from the informal sector and formally register their businesses (MCIT, 2009). This is an indication that rural communities find it difficult to take advantage of the projects and programs outlined in the National Policy on SMEs, (2002) as evidenced by the percentage of registered rural small businesses. Only 40% of businesses in the Lubombo region are registered and the rest operate their businesses informally (MCIT, 2009). Therefore based on the data analysis section of this research report, the following recommendations are offered to the Swaziland government:

6.2. Policy consultations in the Lubombo Region

The findings of this report indicate that one out of the four entrepreneurs' who were interviewed, knew of the National Policy on SMEs (2002), this may give an indication that there is a low level of the rural small business owners who were interviewed that know about the National Policy on SMEs, 2002. The research findings indicate that the rural small business owners who were interviewed lack knowledge of the National

Policy on SMEs. This may be due to the fact that government invested very little in terms of decentralizing the policy consultation process to the rural areas of Swaziland especially the Lubombo region. For example the policy consultation process outlined in The National Policy on SMEs, 2002, states that extensive consultation took place with government agencies, the private sector and NGOs at the Protea Pigg's Peak Hotel. It is important to note that the above mentioned hotel is situated in the Hhohho region and there is no mention of any consultation workshops in the Lubombo region.

Therefore the researcher recommends that in future the government of Swaziland has to involve the small business owners of the Lubombo region for the next review of the National Policy on SMEs. This has to be done to develop the SME sector in the Lubombo region and enhance the opportunities of rural communities who find it difficult to take advantage of the projects and programmes outlined in the National Policy on SMEs, 2002. These small business owners have to be educated on the policy and their views have to be added into the national document in order to formulate specific policy interventions for effective SME development.

The government of Swaziland can adopt either one or a combination of the following policy presentation methods to the public: paid publicity and advertising campaigns; press and information services which respond to media interest and provide appropriate briefings; and personal communication from key officers addressing meetings and stakeholders with an interest in new developments (Kaul, 1997).

6.3. Translation of National Policy document to Siswati

The findings indicate that rural small business owners of the Lubombo region are more comfortable conversing and interacting through the medium of Siswati language. Therefore due to the fact that the National Policy on SMEs, 2002, is available in only one of the two official languages is problematic to some of the small business owners, the Swaziland government, through the MCIT has to translate the policy into Siswati in order to make the policy inclusive.

6.4. Review of business registration costs

The research findings indicate that it is expensive to register a business in Swaziland and hence rural small business owners cannot afford to do so. According to Nugent and Sukiassyan, (2009), "when regulation costs in a country are sufficiently high, firms choose to avoid regulation and hence not register with authorities". It is important to note that it is difficult to develop the SME sector if small businesses are not registered, therefore the government of Swaziland has to review business registration costs, in order to enable the SME sector to grow and ultimately reduce the level of unemployment and poverty in the Lubombo region.

6.5. Evaluation of Government Funds

The research findings indicate that there is too much red-tape and nepotism in government, therefore government has adopt a system of evaluating her Funds. According to Owen (2007), a meta- model consisting of five evaluation forms can be used as a framework or guide towards conducting a good evaluation. Therefore to determine to why the intended beneficiaries of the Funds are not benefiting from the

Funds the government of Swaziland can use a combination of proactive evaluation and monitoring evaluation.

Proactive evaluation is a form of evaluation designed to inform front-end decision making about the structure and content of policies and programmes (Owen, 2007). This form of evaluation may be applied in one of two situations, the first situation is before a programme is designed, where the aim of the findings is to assist in making evidence based decisions for programme design (Owen, 2007). In the second, "a programme exists but there is a need for a major review, with the likelihood that the existing programme will be completely altered or even replaced by a new and more appropriate one" (Owen,2007). Therefore since the Funds in question are already in existence, the second situation applies in Swaziland's case. This form of evaluation will enable the government to make evidence based decisions as to whether there is a major review required for the Funds to perform as expected.

The second form of evaluation that the government of Swaziland is recommended to adopt is, monitoring evaluation, this form of evaluation associated with determining that the delivery of the programme plans is on track and that the expected outcomes are achieved, establishing management information systems that can assist in the assessment of programme delivery and outcomes, providing proof through which managers can report on achievements, and lastly providing mechanisms for the modification of programmes based on the concrete findings (Owen, 2007). This form of evaluation will assist the government in establishing, whether the delivery of the Funds is on track and that the expected outcomes are achieved.

6.6. Targeted SME development strategies

On the basis of the findings the researcher recommends that the government of Swaziland has to adopt targeted SME development strategies. For example, businesses in the Lubombo region are survivalist enterprises due to the high level of poverty in the region. Therefore the government has to adopt strategies that will enable these survivalist enterprises to grow. Evidence contained in this report has indicated that, the SME sector is both large and heterogeneous, for example the SME sector in the Lubombo region is made up of different sectors, namely, the agricultural sector, retail sector, hospitality sector and the manufacturing sector. Therefore this is an indication that broad- based strategies are not effective in the development of the SME sector. It is important to develop customized interventions tailored to the specific needs of each small business sector. For example, to solve the problem faced by the rural small business owners who were interviewed in this research, the farmers and the retailers need different strategies to address their problems. To enable the effective development of tailored SME programmes, segmentation can play an important role.

6.7. Segmentation of SME sector

The research findings indicate that policy interventions aimed at developing the SME sector do not reach the small business owners of the Lubombo region or the intended beneficiaries. To deal with this issue, segmentation of each of the SME sectors in the Lubombo region can enable practitioners to tailor interventions to the specific needs of SME segments (Nichter and Goldmark, 2009). Therefore to enable this process the primary tasks for development practitioners would include the following: firstly, identifying potential segmentation variables, this will involve, identifying variables linked to SME growth, opportunities, and capabilities (Nichter and Goldmark, 2009). Through brainstorming, practitioners can identify other measurable variables that may also be used to segment the SME sector in Swaziland as a whole. Secondly, the creation of an

SME segmentation frame, this will involve analyzing which variables best predict characteristics such as SME growth, opportunities, and capabilities in Swaziland (Nichter and Goldmark, 2009). Thirdly, defining homogeneous segments, to define segments practitioners can use either quantitative or qualitative analysis to examine characteristics such as growth, opportunities, and the capabilities of firms within each individual cell in the segmentation frame (Nichter and Goldmark, 2009).

6.8. Coordination of government efforts aimed at SME development

The research findings indicate that there is no proper coordination among line ministries, all four small business owners who were interviewed were of the view that future policy interventions should be crafted such that they compliment all the other government efforts on SME development which are already on the ground. It is important to note that a conducive environment for policy management requires coordination among line ministries (Kaul, 1997). Therefore it is important that the government of Swaziland, implements a strategy for the integrated of all government efforts aimed at SME development, through proper coordination of line ministries. Coordination is further hampered by poor communication channels in the administrative system and in the relationship between administration and the social environment (Kaul, 1997). The findings of this report indicate that the National Policy on SMEs, 2010 was not communicated to the small business owners of the Lubombo region.

6.9. Capacitate SEDCO and Accredit business service providers

The research findings indicate that three out of the four small business owners who were interviewed lack business skills. Hence this may be the reason why rural communities find it difficult to take advantage of the projects and programmes outlined in the National Policy on SMEs, (2002). It is important to note that, opportunities for profitable business activities clearly affect the ability of a small business owner to expand his or her firm. However, to take advantage of these opportunities, small business owners must possess the appropriate capabilities, such as skills, resources and technology. Therefore, the government has to monitor the provision of business development services to SMEs through the accreditation of these service providers so as to enhance small enterprises capabilities to harness opportunities. It is also important that the Swaziland government should equip SEDCO with the necessary business skills required to provide capacity building to small business owners.

Policy-makers should further consider non-financial constraints, experienced by small enterprises such as, access to markets, (Rogerson, 2001). Overall evidence suggests that, education and training can make their most effective contribution when they are closely linked to the issue of markets: helping entrepreneurs take advantage of market opportunities, preferably ones they have identified themselves but where they may need targeted capacity building, to enable them grasp these opportunities (Mead and Liedholm, 1998).

6.10. Strengthen macro-economy

On the basis of the research findings, it is important that for SMEs of the Lubombo region to flourish, government has to strengthen the macro-economy. Strengthening of the macro-economy will enable SMEs of the Lubombo region to achieve the overall objective of the National Policy on SMEs, (2002), which is to support the creation of an enabling environment for SMEs in order to foster economic growth and development. An important point to note is that, when the overall macro-economy is weak, it is unrealistic to expect that even the most appropriate small enterprise support programmes can succeed in helping more than a small number of enterprises to expand (Rogerson, 2001). Therefore it is important for government to strengthen the macro-economy in order to make the environment conducive for SME development.

6.11. Summary

The overall objective of the Swaziland Government through its National Policy on SMEs, (2002) is to facilitate and support the creation of an enabling environment for SMEs in order to foster economic growth and development. A number of Swazi's have taken the initiative to be entrepreneurs since the adoption of the SME policy in 2002. However based on the number of businesses registered per year, there are a few entrepreneurs from the rural areas of Swaziland who graduate from the informal sector and formally register their businesses (MCIT, 2009). This is an indication that rural communities find it difficult to take advantage of the projects and programs outlined in the National Policy on SMEs, (2002) as evidenced by the percentage of registered rural small businesses. Only 40% of businesses in the Lubombo region are registered and the rest operate their businesses informally (MCIT, 2009). Therefore based on the data analysis section of this research report, the following recommendations are offered to the Swaziland government: Policy consultations in the Lubombo region; Translation of the National Policy on SMEs to Siswati; Review of business registration costs; Evaluation of Government Funds; Targeted SME development strategies; Segmentation of SME sector; Coordination of government efforts aimed at SME development; Capacitate SEDCO and accredit business service providers and finally strengthen macro-economy.

REFERENCES

Acs, Z.J., Desai,S., and Hessels, J. (2008). Entrepreneurship, Economic Development and Institutions. **Small Business Economics, 31, 219-234.**

Acs, Z.J., and Karlsson, C. (2002). Introduction to Institutions, Entrepreneurship and Firm Growth. **Small Business Economics, 19, 183-187.**

Acs, Z.J. and Szerb, L. (2007). Entrepreneurship, Economic Growth and Public Policy. **Small Business Economics, 28, 109-122.**

Audretsch, D.B., Keilbach M.C. and Lehmann E.E. (2006). Entrepreneurship and Economic Growth. **New York: Oxford University Press**

Audretsch, D.B. and Thurik, R. (2001). Linking Entrepreneurship and Growth. **OECD Science, Technology and Industry Working Papers, 2001/2**. OECD Publishing, DOI

Ayyagari, M., Beck, T. and Demirguc-Kunt, A. (2003). Small and Medium Enterprises Across the Globe: A New Database. **World Bank**

Baumol, W.J. (1990). Entrepreneurship: Productive, Unproductive, and Destructive. **The Journal of Political Economy, 98 (5), 893-921.**

Beck, T., Demirguc-Kunt, A., and Levine, R. (2005). SMEs, Growth, and Poverty: **Cross** Country Evidence. **Journal of Economic Growth, 10, 199-229.**

Beck, T. and Dermirguc-Kunt, A. (2006). Small and Medium- Size Enterprises**: Access** to Finance as a Growth Constraint. **Journal of Banking and Finance, 30, 2931-2943.**

Buckley, G. (1997). Microfinance In Africa: Is It Either The Problem or The Solution? **World Development, 25, 1081-1093.**

Carree, M.A., and Thurik, A.R. (2002). The Impact of Entrepreneurship on Economic Growth. **International Handbook for Entrepreneurship Research.**

Creswell, J.W. (1998). Qualitative Inquiry and Research Design: Choosing Among **Five** Traditions. **California: Sage Publications Inc.**

Gibb, A. and Li, J. (2003). Organizing For Enterprise in China: What Can We Learn From The Chinese Micro, Small, and Medium Enterprise Development Experience. **Futures, 35, 403-421.**

Gries, T., and Naude, W. (2010). Entrepreneurship and Structural Economic Transformation. **Small Business Economics Journal, 34(1), 13-29.**

Kashyap, S.P. (1988). Growth of Small- Size Enterprises in India: Its Nature and Content**. World Development, 16(6), 667-681.**

Kaul, M. (1997). Better Policy Support: Improving Policy Management in the Public Service. **London: Commonwealth Secretariat.**

Leedy, P.D. and Ormrod, J.E. (2010). Practical Research: Planning and Design. (9thEd). **New Jersey: Pearson Education**.

Liedholm, C. (2002). Small Firm Dynamics: Evidence from Africa and Latin America. **Small Business Economics, 18, 227-242.**

Mas-Verdu, F. Baviera-Puig, A. and Martinez-Gomez, V. (2009). Entrepreneurship Policy and Targets: The Case of a Low Absorptive Capacity Region. **International Entrepreneurship Management Journal, 5, 243-258.**

McPherson, M.A. (1996). Growth of Micro and Small Enterprises in Southern Africa. **Journal of Development Economics, 48.**

Mead, D.C. and Liedholm, C. (1998). The dynamics of Micro and Small Enterprises **in** Developing Countries. **World Development, 26(1), 61-74.**

Ministry of Commerce, Industry and Trade. (2009).

Ministry of Economic Planning and Development. (2006). Poverty Reduction Strategy and Action Programme. **Swaziland.**

Ministry of Enterprise and Employment. (2002). **National Policy on Development of Small and Medium Enterprises.**

Ministry of Labour and Social Security. (2007). **The Swaziland Integrated Labour Force Survey.**

Minniti, M., and Levesque, M. (2010). Entrepreneurial Types and Economic Growth. **Journal of Business Venturing 25, 305-314.**

Mohapatra, S., Rozelle, S., and Goodue, R. (2007). The Rise of Self Employment in Rural China: Development or Distress? **World Development 35 (1), 163-181.**

Naude, W. (2010). Entrepreneurship is Not a Binding Constraint on Growth and Development in the Poorest Countries. **World Development 39 (1), 33-44.**

Naude, W. (2010). Entrepreneurship, Developing Countries and Development Economics: New Approaches and Insights. **Small Business Economics Journal, 34 (1), 1-12.**

Neuman, W.L. (2006). Social Research Methods: Qualitative and Quantitative Approaches (6th Ed.). **Boston: Pearson Education International.**

Nichter, S. and Goldmark, L. (2009). Small Firm Growth in Developing Countries. **World Development, 37 (9), 1453-1464.**

Nugent, J.B. and Yhee, S. (2002). Small and Medium Enterprises in Korea: Achievements, Constraints and Policy Issues. **Small Business Economics, 18, 85-119.**

Nugent, J,B. and Sukiassyan, G. (2009). Small Firms and Formality: The Influence of Judicial Efficiency and Regulation Costs. **Small Business Economics, 34, 349-371.**

Owen, J.M. (2007). Program Evaluation: Forms and Approaches (3rd Ed.). **New York; London: The Guilford Press.**

Rogerson, C.M. (2001). In Search of The African Miracle: Debates on Successful Small Enterprise Development in Africa. **Habitat International, 25, 115-142.**

Rogerson, C.M. (2008). Tracking SMME Development in South Africa: Issues of Finance, Training and the Regulatory Environment. **Urban Forum, 19, 61-81.**

Shane, S. (2005). Economic Development through Entrepreneurship. **Massachusetts: Edward Elgar Publishing Limited.**

Stern, N. Dethier, J. and Rogers, F.H. (2005). Growth and Empowerment: Making Development Happen. **London: The Massachusetts Institute of Technology Press.**

Tambunan, T. (2005). Promoting Small and Medium Enterprises with a Clustering Approach: A Policy Experience from Indonesia. **Journal of Small Business Management, 43 (2), 138-154.**

Wennerkers, S., and Thurik, R. (1999). Linking Entrepreneurship and Economic Growth. **Small Business Economics, 13(1), 27-55.**

Appendix 1

Interview Questions

1. In your opinion why does a small number of small business owners in the Lubombo region take advantage of the programmes of the National Policy on SMEs?

2. Have you benefited from the implementation of the projects and programmes outlined in the policy?

3. Do you think the policy programmes have helped the country in terms of
   a. Poverty alleviation;
   b. Reduction of unemployment; and
   c. National growth?

4. In your opinion what areas of the policy could be improved to assist rural small business owners in future?

5. How favourable is the business environment you operate in?