UNIVERSITY OF CAPE TOWN
DEPARTMENT OF SOCIOLOGY

INSTITUTIONS SUPPORTING SMALL AND MEDIUM ENTERPRISES IN THE WESTERN CAPE: ENTREPRENEURIAL PERCEPTIONS OF THE SBDC

BY
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ABSTRACT

The object of the thesis is to explore the perceptions of small business people mainly from the Athlone area regarding the SBDC and other similar support organisations. The survey targeted mainly coloured and Indian firms. African businesses face constraints different from those run by Indian and coloureds in the Western Cape. The study targeted a defined group of businesses and its particular limitations. This complexity requires sensitivity that recognises differences among disadvantaged firms. It also investigated the provision of training, marketing and financial functions of the Small Business Development Corporation, addressing: the activities involved in the provision of services, the policy formulation process within the institution with regard to the service function, and the environment within which the institution operates. Finally the thesis analysed the post 1994 government policy on SMEs and activities since the Presidents Conference on Small Business.

The study focused on three support functions, training, marketing and financial services offered to black entrepreneurs. The study looks at the SBDC as support provider of services to the construction, service and manufacturing sectors in the Western Cape.

Small and Medium enterprises included, are those enterprises which employ ten but no more than one hundred workers; are owned by entrepreneurs who emerge from relatively disadvantaged communities; are relatively labour intensive in that their capital labour ratio is less than the average in manufacturing in South Africa.

Each segment of business is driven by very different policy objectives, hence each sector requires specific policy instruments which have very different policy outcomes. In this context an analysis of a specific target group enabled detailed investigation. A total of 30 interviews were conducted with owners of enterprises from the Western Cape, during 1994. 21 interviews were conducted across various sectors in the manufacturing sector and 9 interviews were conducted in the service sector. An interview schedule was used.

The thesis concluded that small businesses in South Africa face a wide range of constraints and are less able to address their problems on their own. These problems include: the legal environment, the access to markets, finance and business premises at affordable rentals, level of skills and managerial expertise. It has to be emphasised that not all enterprises are exposed to constraints equally and nor are all able to tackle constraints with the same success. A supportive environment needs to be strengthened in the Western Cape and supportive action is needed by small business to make them function more effectively. There are fundamental shortcomings inherent in past small business-support policies and institutions and these are highlighted in the study.

ABBREVIATIONS

CBO	Community-based organisation
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank of Southern Africa
DTI	Department of Trade and Industry
EMA	Export Marketing Assistance
FRD	Foundation for Research Development
GEIS	General Export Incentive Scheme
IBEC	Informal Business Enrichment Centre
IDC	Industrial Development Corporation
IDT	Independent Development Trust
KFC	KwaZulu Finance Corporation
LSC's	Local Service Centre
NAFCOC	National African Federation of Chambers of Commerce
NEDLAC	National Economic and Labour Council
NGO	Non-governmental organisation
NPI	National Productivity Institute
NSBC	National Small Business Council
RDP	Reconstruction and Development Programme
RSC	Regional Services Council
SACOB	South African Chamber of Commerce
SAFTO	South African Foreign Trade Organisation
SBDA	Small Business Development Agency
SBDC	Small Business Development Corporation
SMEs	Small and medium enterprises

OUR SURVIVAL SONG

We are tenants of the hive
So we all stand together
We the tenants of the hives
We really care for one another
That's why, well stand in harmony

*Hier kom hulle (*3) nou*
Eers het ons nie geworry nie, maar nou kan ons nie...meer nie
Die tenants is nou siek and sat
Want hulle wil mos net vat en vat
Die werk is skaars ons krap al kop
Julle stoot julle service al op en op

Wolfgang Thomas, kom kyk hoe toy toy ons nou hier
ons kan nie meer die hoe so rent verduur
Wolfgang Thomas, ons het so baie mooi gevra
maar jy se ons wil net kla en kla

VIVA - ons is nou siek en sat
VIVA - ons het oorgenoeg gehad
VIVA - ons gaan nou action vat
VIVA!!! VIVA!!! VIVA!!! VIVA!!!

With all our savings, yes our savings and very little dope
We were unsure, yes unsure if we could really cope
So SBDC advise .... it is free enterprise
So if your workmanship is tops
They would help to create jobs

Get the hives filled was their aim
That's what they did for name and fame
For when the tenants could not pay
Just get them out without delay.
(that is what they say)

Move from our hives, go to your backyards!
We want your homes to look like scrapyards!
So where do we go from here?

They always claimed that they do care
And that's the reason why they there
They said we never need to fear
SBDC's not far but near
(now this is what they say)

Move from our hives, go to your backyards!
We want your homes to look like scrapyards!
So where do we go from here?
Mr Thomas is the one who promise
and that is without a doubt
He make sure he jot the cure
just in case they find him out.

He is a man who argues strong
and gets his way whether he is right or wrong
He promises to help wherever he can
But please dont quote him, that's his stand.

When he is questioned he becomes abrupt
Dont bother to complain
They'll just cover up.

The point is this, we know too much
And that is why there is this grudge
Though they seem string and we so weak
The time is near when we shall speak.

That day meneer the heads will fly
When we shall laugh and they will cry
We've been oppressed for much too long
That's why we wrote our freedom song

FOR WE SHALL OVERCOME.

Anton Rupert and Ben Vosloo they are much to far away
To see the tenants hardships growing greater every day
Propagating that they even fund a very good idea
But there are so many hurdles
If "jou kleur is bruin meneer"

"Give your house up as collateral
Or you must get security
Because the colour of your face
Clearly spells impurity"

Sorry we cannot really give you
What you came here for today
SBDC's policy's in favour
Only of the ones who pay.

They have some courteous workers
Who really are sincere
Maar as die groot baas uitvind
Word hulle "gerinnerweer"

Yes we have proof of this and more
With inconsistencies galore
So challenge us and we shall bring
The evidence that some will sink.

The budget reads boosts Small Business Fund
Please sir be cautious, look what they've done
So iron out all the bad things first.
before you quench S.B.D.C's thirst

M.A. Thompson
SECRETARY: MITCHELLS PLAIN TENANTS ASSOCIATION

INTRODUCTION

Internationally, numerous studies have been completed examining the terms and conditions under which support inputs are made available to small and medium enterprises (SMEs). Many have recommended changes to existing delivery systems but recognised that the impact of training, finance, markets and technology can only have a real effect if delivered within a broader supportive business, regulatory and institutional framework. The recognition of the importance of the broader environment has led to a re-examination of the institutions charged with contributing to an enabling environment. In South Africa over the last two years there has developed an increased awareness of the dysfunctional SME support and institutional environment.

The previous Government did have a policy on SMEs but it was largely inadequate. Policy formulation was largely the prerogative of the various para-statals resulting in a variety of definitions and contradictory policies. Apartheid policies have moreover resulted in the duplication of services, the inefficient use of resources and an exclusionist culture within para-statal organisations.

There are a number of para-statal organisations charged with SME programme implementation in South Africa. These include the Department of Trade and Industry, the Industrial Development Corporation, the Development Bank of South Africa, the South African Foreign Trade Organisation, the Small Business Development Corporation, the Independent Development Trust and the various Homeland Development organisations. SME development and promotion is not however the exclusive activity of these organisations. Some have programmes designed to support SMEs, others have none, even though they are mandated to support SMEs, while others focus almost exclusively on larger enterprises. The largest and most influential of these organisations have been set up by the Nationalist Party Government, with private sector support to promote and support SMEs is the SBDC. Some support institutions have been criticised for focusing too narrowly on the concerns of big business, while the previous homeland development organisations have not only proved wholly inept at what they do, but they have more recently been shown to have

been thoroughly corrupt.

It is against this background and a widely held perception that the previous government machinery to implement policy and to create an environment conducive to the growth of SMEs, was inadequate that calls for the restructuring of support institutions especially the SBDC have become louder. An influential document, published by the Department of Trade and Industry on SMEs , published in February 1995 has called for a restructuring of state and para-statal institutions charged with SME support. While the criticism, in particular against the SBDC has been clearly articulated, the calls for restructuring have not until recently been accompanied by the presentation of alternatives. Debate has been limited, recommendations broad and unstructured. Discussion on the SBDC furthermore is broad. It is in this context that a thorough review of the SBDC has become necessary, in order to develop policy proposals and the ongoing monitoring and evaluation of the organisation.

The objective of the thesis is to explore the perceptions of small business people mainly from the Athlone area regarding the SBDC and other support institutions. The survey targeted mainly coloured and Indian firms. African businesses face constraints different from those firms run by Indians and coloureds. The study targeted a defined group of businesses and its particular limitations. This complexity requires sensitivity that recognises differences among disadvantaged firms. It also investigated the training, marketing and financial functions of the SBDC, addressing: the activities involved in the provision of services, the policy formulation process within the institution with regard to the service function, and the environment within which the institutions operates. Finally the thesis analysed the post 1994 government policy on SMEs and activities since the Presidents Conference on Small Business.

The study focused on three support functions, training, marketing services and financial services offered specifically to Black entrepreneurs in the Western Cape region, in particular Athlone. The study limited itself to the SBDC as support provider of services identified. The study will also limit itself to the provision of services to the construction,

service and manufacturing sectors.

Services offered to small and medium business were investigated. Small and medium enterprises included, are those enterprises which employ ten but no more than one hundred workers; are owned by entrepreneurs who emerge from relatively disadvantaged communities; are relatively labour intensive in that their capital labour ratio is less than the average in manufacturing in South Africa.[1]

I recognise that restructuring is politically sensitive and the construction of a new organisation is limited by the availability of resources. Moreover it is impossible to dismantle one organisation and construct a new one without the possibility of a breakdown in the services.

South Africa is in a new democratic dispensation. Organisations which have operated on the basis of exclusionist policies now have to develop new policies and restructure their operational systems to meet basic needs under policies of equity. This is a process of improving institutions ability to make effective use of their human and financial resources available under a new dispensation. The thesis has argued that a restructuring process should be guided by the goals of equity, accessibility, accountability, representative and gender sensitivity.

Each segment of small business is driven by very different policy objectives, hence each sector will require specific policy instruments which will have different policy outcomes. In this context, an analysis of a specific target group is necessary to enable detailed investigation.

FOOTNOTES

[1] There is no consensus on the definition for small and medium enterprises. A wide variety of definitions expressed by researchers, policy makers and business advisors illustrate a lack of agreement. It may be because of different purposes to which the definition would be put. I formulated a definition to identify and interview SME owners. I argued that a business may be defined as SME if it contains elements one and two. Some large enterprises can and frequently do meet conditions three, five and six.

[1] between 9 to 100 employees
[2] annual turnover of between R500 000 to R2.5 million
[3] owners are directly involved in management
[4] consists of not more than one unit or branch
[5] privately and independently owned
[6] privately and independently managed.

CHAPTER ONE

1.1 THE SMALL BUSINESS SECTOR IN SOUTH AFRICA'S DEVELOPMENT

Jill Nattrass in the conclusion to her book, The South African Economy, its Growth and Change argued:[1]

The challenge to South Africans will be to make this solution work, to face up to the tough compromises that will be made by all parties and to plot a course that can be navigated between the Scylla of dictatorship and the Charybdis of revolution.

There is an emerging agreement on the future economic policy in South Africa between the main political parties i.e. the National Party and the African National Congress. There is consensus that South Africa should have a "mixed economy", driven internally by the market but guided by the state, which should provide education, health services and housing to the black majority. This agreement extends to the need for growth, the view that economic policies should encourage foreign investment and that state spending should not lead to inflation. .

The consensus does not conceal the **differences** between the major political parties which focus around the precise role of the state and the market. "Issues here include the emphasis to be given to supply as well as demand management issues, the extent to which concentration of corporate power should be diluted". [2] Another difference focuses around the speed at which the historically disadvantaged groups, and their access to the general infrastructure, should be improved. These differences can be seen in the economic programmes of the major "players".

1.2 THE SOUTH AFRICAN ECONOMY IN TRANSITION

Stephen Gelb in "Making sense of the Crisis"[3] argues that "the institutional context i.e. .social structure of accumulation" of post World War Two South Africa was based on "racial Fordism". Racial Fordism

who formed part of skilled and supervisory positions in the production process while blacks tended to be drawn into production at a lower level with the use of old technologies and equipment. Hence white wages increased rapidly and enabled whites to purchase the new consumer goods as well as housing. In addition, structures of collective bargaining, social welfare and credit were available to working class whites but not to blacks. Black workers, became increasingly differentiated over the next 40 years as industrialisation produced a layer of permanently urbanised workers.

Thus "racial Fordism" established the basis for a long run boom in the post war period. There were short term downswings but these were reproductive in character i.e. they acted as "stabilisers", leading to an improvement in profitability. Moreover policy action simply endorsed changes already occurring in accumulation. Gelb argues that the economic crisis in South Africa is due to three major processes.

- The main factor, he argues is rising cost of machinery imported into South Africa from the industrialised countries after 1968. These countries were already experiencing a productivity decline and instability in their institutional context. This was imported into South Africa through high prices of machinery and technical knowledge. The result being: more funds was used for the same investment project.
- There were growing problems in the international financial system. The collapse of the International Bretton Woods system of fixed exchange rates was damaging to South Africa. The price of South African exports, especially gold, but also other minerals, began to fluctuate more widely than before. Thus, South Africa's balance of payments became unstable, aggravating the long wave downswing.
- The rise in black wages in S.A. after 1973 is the third factor. Gelb identifies two main causes for this. In manufacturing, the rise in black wages was due to the 1973 strikes which were a response to rising inflation. In the mining industry wages rose in the wake of the increased gold price after 1971.

Gelb's analysis has three implications:

- The economic crisis in S.A. is part of an international crisis which is caused by external factors. The process of its development, impact, depth and length are the result of local patterns of accumulation and policy.
- The crisis cannot be attributed to failure of demand without analysis of changing of conditions on the supply side.
- **The resolution of the crisis depended on the emergence of a new, restructured institutional context.**

On the 8th of May 1989, the Governor of the Reserve Bank, Dr de Kock, warned that:

...if adequate progress is not made in the field of political and constitutional reform, South Africa's relationships with the rest of the world is unlikely to improve to any significant extent. ... In that event, South Africa will probably remain a capital-exporting and debt-repaying country for years. ... In such circumstances, the average standard of living in South Africa will at best rise only slowly.

South Africa's economy is large with only ten other countries in Africa which have an absolute GDP greater than South Africa. In 1992 the Reserve Bank data estimated South Africa's GDP (measures economic output in South Africa) to be 327.1 billion Rand. GDP accelerated from 2.5% in 1994 to 3.5% in 1995. The World Bank sees SA as an 'upper middle income' country. Within Sub-Saharan Africa, South Africa's economy is three times larger than the next biggest. [4]

The economy has been dominated by one commodity, that is gold. South Africa produces 35% of the world gold production Gold accounts for 50% of total mineral production and for over 30% of total export earnings. The Gold industry is currently under extreme pressure and the above contribution is expected to decline. Minerals including processed minerals constitute 60% of the country's total export.[5]

Due to the overall growth of mining and manufacturing, agriculture only contributes 6% of total annual

output which is very sensitive to natural factors. The agricultural sector has seen a growth rate since the 1950's but this growth is small compared to the growth rate experienced by the manufacturing sector between 1950 and 1980. Agriculture, including processed products, accounts for over 20% of exports. [6]

A little under one-quarter of South Africa's total output comes from manufacturing industry. Manufacturing is especially important because it has the potential to generate high productivity jobs and activities. Countries with productive manufacturing sectors can sustain the development of lower productivity sectors such as labour intensive sectors[7]. For over a decade, manufacturing in South Africa has performed poorly compared to that of other countries. Poor performance is manifest in low output and employment growth, low levels of investment and limited success in international markets. Manufacturing output rose rapidly in the 1970's with fluctuations but there has been no increases since 1981[8]. Manufacturing employment rose in the 1970's, but it is no higher now than in 1980. Employment has been falling rapidly since 1990. Much of manufacturing investment has been in those parts of industry which create relatively few jobs. In particular, chemicals and to a lesser extent, steel. South Africa has also developed poorly in international markets. South Africa's exports are concentrated in primary products. International demand for these products is growing slowly. The developed countries are expanding their output of manufactured goods but without increasing their need for primary products.[9]

Productivity measures the output produced by labour and by plant and equipment. Measurement of productivity is not easy however, it is clear that South African manufacturing industry has seen very low productivity growth over the last twenty years for both capital and labour. Many of South Africa's competitor countries have sustained high levels (5%) of productivity growth over the same period. Poor performance on export markets has been the major factor preventing the entire economy from growing at a faster rate. South Africa is heavily dependent on our need to import, especially capital equipment.[10] When the economy expands, the demand for imported capital equipment rises very rapidly. A major constraint on South

Africa's growth is the balance of payments. Because of its low level of exports and need for more imported plant and equipment as the economy grows, South Africa can only sustain a growth rate of about 1.5% per annum. [11] This would allow an employment growth considerably less than the growth in new work seekers. Technology plays a vital role in an economy. Production processes improve as more is invested in research and development to improve technology, e.g. computers have substantially altered the production process. Enhancing South Africa's technological capacity is one of the most urgent and important task confronting the South African economy. South Africa's weakness in this area is characterised by our industrial sector relying on imported technologies and on key commodities i.e. machinery and other capital goods that are technology intensive. Countries using old technologies find it difficult to compete. It underlies our weakness in exporting high value manufactured commodities.

The S.A. economy entered a recovery in mid 1993 which lasted throughout 1994. As events unfolded it became clear that the initial 3.5% GDP (measures economic output in S.A.) forecast was lower than what was achieved[12]. The growth of the economy is more remarkable if setbacks in the primary sector are taken into account. Poor rainfall affected field crops badly and contributed to a decline in agricultural production in 1995. The gold and diamond industries experienced labour disputes. In addition, the gold mining industry experienced rising production costs and a decline in the gold content of ore mined. As a result gold production declined by 10.5 in 1995[13]. The manufacturing sector experienced growth in the domestic market and from abroad. Economic growth in 1995 was the highest recorded since 1988. This process levelled off around the end of 1995, when output fell back slightly to 2.5%. The Gross National Product (which represents the real income of South African citizens) declined from 4% in 1994 to 3% in 1995[14]. This was essentially the result of an increase in foreign payments and a deterioration in the terms of trade i.e. prices of imports and exports.

1.3 THE REPRESENTATION OF SMEs IN THE ECONOMY

The White Paper[15] mentioned a total figure of about 800 000 for South Africa's small, medium, and micro enterprises. In the following table we find a sector breakdown for all businesses, as represented in statistics from the Central Statistical Services. A few conclusions can be drawn from the table:

- By far the largest percentage of businesses operate in retail and wholesale trade (30.6%), with community, social and personal services (13.5%), construction (11.6%), agriculture/fishing (11.4%) and manufacturing (9.8%) next in line.
- Whites own about half of all businesses, concentrated in the more capital, land and technology intensive sectors.
- African business ownership is high (in numbers) in clothing, transport and personal services but it is low in metal production, tourism and the financial sector.
- The total share of women among business owners is 27.6% with significant shares in clothing, trade, catering, accommodation and in personal services.

In a Centre for Small Business Promotion, document[16], it is argued that although the table does not show separate percentages for coloured and Asian business ownership, an aggregate of 5.2% in the case of coloured business ownership is only about half the population share suggesting a backlog. In the case of Asian people, the business ownership share of 6.5%, three times the population share of 2.2%. The data represents the opposite in the informal sector with an over representation of coloured entrepreneurs.

TABLE 1 Business ownership by sector

SECTOR	FORMAL SECTOR CONTROL			
	NO	%WHITES	%AFRICAN	%WOMEN
1. Agriculture, forestry, fishing	91 000	72.4	23.4	12.2
2. Mining and quarrying	5 600	71.1	24.9	10.0
3. Manufacturing	78 000	50.4	34.5	34.2
incl. Clothing and leather	27 000	19.0	63.8	71.7
metal production/machinery	17 000	72.5	18.1	8.1
4. Electricity and water	3 100	57.0	34.8	7.9
5. Construction	93 000	38.1	47.9	3.8
6. Trade	2 45 000	40.4	44.4	35.2
7. Hospitality sector	13 000	69.2	20.3	39.3
8. Transport/Communications	43 000	24.2	64.6	7.5
9. Financial and Business services	65 000	88.8	4.4	26.2
10. Community, social and	108 000	44.4	47.6	45.6
11. Other	54 300	34.4	51.9	32.3
TOTAL	800 000	48.5	39.8	27.6

Source: Central Statistic Services

The figures summarised in the above table should be viewed as an approximation of the SME sector structure. The Centre for Small Business Promotion will be compiling and circulating more detailed, annually revised breakdown trends for monitoring and policy purposes. The Small Business Development

Corporation estimates that the number of small businesses (formal and informal) in South Africa is 3 310 739. Approximately 75.5% (2 500 000) of these operate in the informal sector and 810 739 in the formal sector.[17] Formal SMEs are found in sectors such as agriculture, mining, manufacturing, construction, wholesale, retail, transport, financial services and community services. The literature outlines the activities of small businesses and seems to ignore the activities of medium sized businesses. Examples of small business activities in the commercial, industrial and service sectors are given below:

FORMAL SMALL BUSINESS SECTOR

1. COMMERCIAL AND CATERING

- Small corner shop
- Specialised shop, fruit and vegetables, boutique
- pub, licensed restaurant, tavern
- small department store
- hotel
- formal shop in rural areas
- disco
- cinema

2. INDUSTRIAL

- Clothing factory, CMT
- Small textile plant
- small furniture factory
- small industrial chemicals plants
- metal works
- spare parts
- producer of construction material
- smallholding farmer

3. SERVICE

- transport contractor
- panelbeater
- hairdressing parlour
- funeral parlour
- security firm
- medical doctor
- private schools, trainers
- pc consultant

The examples have been chosen in such a way that the spread of activities within each sector could be illustrated. Further variations could be added from agriculture, mining, construction, maintenance and repairs, water and electricity supply, transport and communication, personal services and community services - i.e. virtually all sectors of the economy. It is important to realise the enormous spread and diversity of small

business activities, in particular since even critical observers sometimes equate the informal sector with just a narrow range of activities like hawking/trading, taxis, shebeens and panel-beating[18].

Entrepreneurship is linked with economic development. The need for employment - creating growth in South Africa demands that the best use be made of available resources reinforcing the role of small enterprise development in such growth. Entrepreneurship promotion is an instrument with which to pursue goals such as job creation, economic growth and the better spread of wealth[19].

Although SMEs comprise the largest component of business enterprises in terms of numbers, their contribution to GDP is significantly less at about 26% but they are more efficient at employment creation with 38% of the workforce active in SMEs.[20] The rate of growth in the population, accompanied by increasing urbanisation of the rural population, will increase the unemployment problem. Self employment has become the only alternative for many unemployed people. It is unrealistic to expect that large business corporations or the public sector will be able to create enough employment opportunities. Small business have an important role in absorbing new job seekers in the future. Growth in the numbers of new small enterprise provides a vehicle through which skills development can take place and contribute to creative potential development. The advantage of SME growth is that owners of productive resources in the economy will, as managers and risk takers of SMEs, also have a claim to the profits generated by the enterprise. This will provide a vehicle whereby economic opportunities can be more widely spread and contribute to economic empowerment[21].

The increasing concentration of the South African business structure is cause for concern. The patterns of inter linking control between big and medium sized businesses are responsible for decision making being concentrated in a relatively few business decision makers. Growth of new SMEs could contribute to a less centralised business structure and the increased competition resulting from this could have numerous positive effects. Competition policy could also foster a favourable business environment that encourages co-operation between SMEs e.g. big business interaction with small business by way of joint ventures and sub-contracting

on a competitive basis. Recent studies have questioned the cost efficiency and productivity of small scale enterprises[22]. Efficiency levels are by comparison fairly low in many segments of SMEs particularly if viewed from a total productivity perspective where technological advancement and improved skills levels are taken into account. Labour relations are probably easier to manage in smaller firms than in larger ones, which could have an effect on costs. Concerted efforts in this direction are necessary to improve total productivity to facilitate competitiveness and a small producer export drive.

Clearly, the South African economy is having severe difficulties and is unable to maintain the growth achieved in earlier years. In South Africa over the last two years there has developed an increased awareness of the dysfunctional SME support and institutional environment which points to the need for support of SMEs.

1.4 SOUTH AFRICA: THE CONTEXT

South African policy makers are faced with an economy that in many areas is different from those countries where Small and Medium Enterprise policy was successfully developed. South Africa's economy is over-centralised with four large corporations controlling 81% of the share capital, a minority of white farmers who control 81% of agricultural land, and a staggering 5% of the population that owns 87% of all personal wealth[23]. Ownership and control with severe constraints to competition still dominates our economy. The economy still remains protected, however this is now changing as a result of the current WTO and Gatt negotiations[24]. In SMEs as a whole, "black and white" were severely constrained in its development. Government policy and its institutions have not only been racially biased but directed its finance and technology and other resources towards large companies. Legislation dating back to the 1913 Land Act, influx control, Group Areas Act, Education and Training Act, all acted with the cheap labour system to skew the economy and force blacks to become workers and restrict access by black South Africans to economic activity[25]. No coherent and co-ordinate strategy to develop and support SMEs existed. Government's role in

the main was played by SBDC, while big capitals support was channelled through financially supporting the SBDC and Urban Foundation which were later instrumental in forming the Sunnyside Group. Other than this, big capital's support was through its sub-contracting relationship with small companies[26]. The relationship in most cases coincided with international patterns of down scaling and operating in smaller production units. Large companies e.g. Barlow Rand, having broken up into smaller companies then sub-contracted work to their own created smaller companies. In other cases larger companies used labour brokers to sub-contract with as a means to avoid industry set wages and working conditions. Temporary workers with no job security and benefits were employed by these labour brokers and were not allowed to join unions.

Lack of policy and the domination of the conglomerates and monopolies forced many SMEs into operating within the retail and service sector. In addition black small businesses were forced by legislation to be restricted to retail and services, characterised by hawking, spaza shops, clothing co-ops, shebeens and later with a relaxation in legislation, the taxi industry[27].

Over the last three years as the recession and the economic crisis reached its peak many companies were forced to close or restructure. The workers were not only victims, smaller companies having enjoyed a parasitic relationship with bigger companies found themselves with severe problems, many having to close down, particularly those which did not diversify or seek other relationship with many different companies. This sub-contracting relationship between big, medium and small, remain characterised by these practises.[28]

The SME sector itself is characterised by inefficiency, low wages, bad working conditions and a lack of proper health standards, labour intensive methods, use of old technology, unskilled workers and a lack of research and development. Whilst opportunity exists for closer co-operation and networking amongst SMEs, this is non existent. These represent the main features of our economy, features that differ greatly from those of many other economies. In this respect, South Africans are having to shape and implement new policies within the context of globalization and more particular economic changes brought about by the current

political developments. A move to an open economy would mean that policy would have to ensure a rapid development of human resources, in particular education and training so as to ensure a rapid move from a low skilled base to a high skilled base where workers and managers are able to produce efficiently and at the quality level required by world standards.

1.5 THE INDUSTRIAL DISTRICTS

The international debate covers many areas but I will focus on one area i.e. "industrial district model" of SME development, characteristic of Northern Italy, Spain, Denmark and Germany. Industrial districts is a set of companies located in a small geographical area; that these companies work, either directly or indirectly, for the same end market, that they share a series of values and knowledge so important that they define a cultural environment; and that they are linked to one another by very specific relations in a complex mix of competition and co-operation[29].

An industrial district normally comprises many mini companies (with fewer than 20 employees), a fair number of small companies (between 20 and 50 employees), several medium companies, and a few large companies. The proportion of these companies differs. The Spanish district of Carpi one may find that around 60% of the workforce is employed by mini companies. The overall size of the district varies from 5000 to 30 000 or even 50 000 workers. An industrial district that manufactures shoes, for example comprises not only shoe manufacturers but also those companies involved in the advertising of shoes, those that produce shoe boxes, the manufacture of glue, buttons, leather and the manufacture of machines. These companies share marketing, training, technological and financial resources. This relationship is a result of the fact that - alongside state regulations, there is a second set of rules that derives from the community to which all the companies belong. This set of rules, shared by everyone and to which everyone has to adapt - originates in civil society, and also carries a series of sanctions. Each business forms a link to a chain. This

chain regulates business activity, encouraging co-operation. The point that I have tried to highlight is that very vigorous and fierce competition is regulated and coexist with widespread and well developed forms of co-operation. Even if there are no cartels to set a lower price limit and no sales consortia, many other forms of collaboration are practised.

Close examination of the international experience reveals that, industrial success is rooted in a diversified industrial structure[30]. Taiwan's small enterprises have undoubtedly played an important role in the country's manufacturing performance, this does not exclude the important role of some large usually state-owned enterprises at key points of the production system. Nor should the contribution of German and Japanese factories and groups, cause us to ignore the critical significance of SMEs in economic development. We should be cautious of the "romanticism that colours many attempts to replicate the communitarian, small firm networks represented by the industrial districts of Italy and elsewhere"[31]. Co-operation amongst small firms and between small and large firms should be encouraged. We can also not wish away large firms. No matter how rapidly SMEs develop, South Africa's overall industrial performance will remain heavily reliant upon the performance of its large firms and on their relationship to other parts, including small producers of the industrial structure.

1.6 CONCLUSION

SMEs as single companies will not be able to make the leap from where they currently are. Groups of SME companies should co-operate and network amongst each other so that they can overcome the structural limitations of single companies. In other words a small enterprise on its own will not be able to have a research and development unit, it will not be able to purchase expensive technology or have sufficient resources to market its products. Through networking and co-operating at local, regional and national, SMEs could develop new relationships and strengths that will enable them to compete with large companies. Through sharing of expensive technology, machinery and equipment a whole network of SME at local and

regional level can achieve lower production cost and achieve greater efficiency. Examples of co-operation are the Steinbeis Centre in Badenwuttenberg in Germany and the Information Centres of the Danish Technological Institute. Networks of SME in the same sector or in different sectors can easily respond to changing production and marketing requirements .

This could ensure a capacity to produce quality goods and a range of designs required by the market. Whilst SMEs can contribute to job creation, they will not be able to solve the unemployment crisis, the present number of unemployed being 6 million. Furthermore they on their own will not solve the lack of growth in our economy. They will contribute but it will be both large companies and SME with proper industrial policies and deliberate state intervention that will assist to overcome the economic crisis. This essay on the economy shows that there are many problems with the way in which the economy operates. The structure of the South African economy has not and does not meet the demands of the majority of the population. Yet in spite of all these problems, there exists a significant degree of optimism across the country.

1.7 FOOTNOTES

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See also, D Innes, Anglo American and The Rise of Modern South Africa.

Innes' critical study traces the emergence of Anglo within the context of capitalist development in Southern Africa, examining how a small corporation founded in 1917 has come to include South Africa's top five mining houses, controls or holds substantial shares in five of the top ten industrial concerns, and has substantial property, banking and insurance interests.

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Offices of the SBDC

- North and Eastern Transvaal Region
- Central Region
- KwaZulu-Natal Region
- Eastern Cape Region
- Free State and Northern Cape Region
- Western Cape Region
- Regional offices
- Branch offices with Business Service Centres
- Head Office

CHAPTER TWO

2.1 SMALL ENTERPRISE PROMOTION IN SOUTH AFRICA

THE SMALL BUSINESS DEVELOPMENT CORPORATION

The 1970s saw a clear shift in the economic development paradigm. Economic growth became an indicator of development with greater emphasis being placed on the direct creation of employment opportunities and on more efforts to alleviate poverty.[1] Development thought in South Africa took note of development concepts of basic needs, and informal sector development took firm root in discussion of development policy. Small enterprise development progressed towards the formulation of a development strategy and the establishment of organisations giving effect to the policy.[2] The small enterprise development strategy suited government policy shift towards more emphasis on the market mechanism and more private sector participation in government policy. The Industrial Development Corporation, the Corporation for Economic Development, the different ethnic development corporations, the universities and private companies, notably the Rembrant Group and the Norton Group have all given assistance to small enterprises. Small enterprise development provided the authorities with a useful instrument for devising a policy of regional economic development.[3] Two programmes would form the basis of the official small enterprise development programme. It was announced by the then Prime Minister in an address at Assocom's annual congress on 21 October 1980:[4]

- *The establishment of the Small Business Development Corporation (SBDC) as a joint venture of the public and private sectors. The functions of the Corporation are supposed to be complementary and not competitive with the financial services provided by the commercial banks and other financial institutions. The services rendered by the SBDC include the provision of finance - directly and through a bank guarantee system - aftercare services, but to clients only, and infrastructure. The Corporation is non-racial, privately managed, but publicly supported.*

The prime minister noted that the residents of the national states, were free to benefit from the services of both the new budget programme and the SBDC. The operational policy of the SBDC was to concentrate on the urban areas outside the national states and to leave development assistance in the national states to the respective national corporations. Ten homeland development

Corporations emerged by the 1970s as well as long established development support bodies for coloured and Indian people, which were initially more focused on resettlement and decentralisation issues.[5] They shifted their attention to the promotion of entrepreneurship. Against the above background and the reshaping of the public-private sector relationship during the post-Soweto crisis years, it was logical that the SBDC and a number of smaller, private sector organisations in the area of small business promotion emerged. During this period a pattern of support developed.[6]

- Development Corporations with financial assistance from the Developmental Bank of South Africa increased their involvement in the small business environment in black areas. Overall programmes had a limited impact compared to the size of the entrepreneurial numbers of 10 to 12 million homeland inhabitants.
- In addition to the SBDC, a number of small business supporting non-governmental organisations (NGOs) and private sector companies evolved during the 1980s. Some of these initiatives were linked to community and church bodies. These organisations where part of a larger development strategy and had close links to the Urban Foundation, DBSA and homeland corporations. The SBDC developed close links with many of these organisations. Various attempts were made towards closer co-operation and co-ordination among some of these support bodies.
- Several small business institutes funded by the state were established at several universities. The department of Commerce, Industry and Tourism tried, for several years to co-ordinate support through a Small Business Council which was terminated in the late 1980s.
- There was a shift from big business growth development to more big and small business interaction. The above process developed in conjunction with an increase in black business associations notably the National African Chamber of Commerce (Nafcoc) and the Foundation for African Business and Consumer Services (Fabcos) which are the two leading associations operating nationally.

SME Development and promotion are not the exclusive activity of these organisations. The largest and most influential of these organisations set up by government, with private sector support to promote and support SMEs is the SBDC.

2.2 THE SBDC: AN OVERVIEW

The Small Business Development Corporation (SBDC) was established in february 1981 as a joint private-public sector development agency. Although its share-holding is divided equally between the public and private sector, it is however controlled by the private sector through majority representation of at least 75% on the Board of Directors. Joe Schwenke is the current Managing Director, a former senior general manager of the Central Region (South and Western Transvaal) SBDC. As a public company, the SBDC is liable for the payment of taxes and despite its developmental aims it operates on a profitability basis.[7] The SBDC applies broad guidelines based on business principles to determine whether an SME qualifies for assistance under the SBDC development programme. Enterprises which qualify, should display the following characteristics.[8]

- be an independent business operation
- have total assets of less than R15 million
- be economically viable
- be under the control of persons with appropriate experience, managerial ability and entrepreneurial skill
- be profit motivated
- be involved in the manufacturing, commercial or service sector.

The mission of the SBDC is to harness the power of entrepreneurship by developing SMEs for the benefit of all South Africans. The SBDC acts in four key areas.[9]

1.the provision of finance to SMEs in both the formal and informal sectors

2.the provision of affordable business premises

3.support services, for example, information and advisory services as well as training for entrepreneurs and

4.Special projects and promotion to stimulate entrepreneurship.

As the goal of the SBDC is the development of entrepreneurship through the creation and growth of sustained business enterprises in the manufacturing, commercial and service industries, they therefore do not consider financing in the following fields:[10]

- activities not for gain
- community services

- farming
- financing outside the borders of the RSA
- speculative transactions
- underground mining

The SBDC receives its funding from various sources of which the main sources include:[11]

- share capital from private and public sectors
- programme funds (special grants made by the state and private sector)
- loan funds (advance payments made by the state pending conversion to share capital, as and when private sector share capital is received and other loans)
- repayment of existing loans
- rentals on business premises

The SBDC receives its funding from various sources. Private sector share-holding was R143 066 075 for the 1995 financial year. Public sector disbursements, i.e. transfers from the Department of Trade and Industry to the SBDC, totalled R89.1 million for the 1993/1994 financial year. The total disbursements for the 1993/1994 year increased by approximately 7.5% for the 1994/5 year. The figure of R89.1 million is made up of the following:[12]

• Subsidy to SBDCs Man Programme	R1.34m
• Information Scheme (Subsidy to SBDCs Regional Offices)	
• Rebate Programme	R1.7m
• Credit Guarantee Scheme	R20m
• Interest subsidy of SBDC loans	R0.3m
• Subsidy on rent of physical facilities	R4.6m
• Pioneer fund	R59.5m
TOTAL	R89.1m

The SBDC is involved in several small business development related activities. A graphical synopsis of the SBDCs chief main activity is presented on the next page. The first activity to be discussed is that of **financing**. Generally the SBDC helps to raise the finance for viable business enterprises which are constrained because of inadequate finance. According to the SBDC, they

Small Business Development Corporation Limited

Financing

Financing of Formal Sector
- General Financing Programme
- Bank Indemnity Scheme

Financing of Micro-Enterprises
- Mini Loans Programme
- Comprehensive Assistance Programme
- Contract Financing
  - Small Builders
  - Procurement

Specialised Programmes
- Fisheries Development Finance
- Small Business Support Fund
- Start-up Fund

Business Premises

Commercial Premises
- Shopping centres
- Office premises

Industrial Premises
- Industrial Parks
- Industrial Hives

Community Projects
- High-risk Business Premises
- Recycling of buildings
- Market Stalls
- Make and Sell Stalls
- Hives
- Container Shops

Support Services

Information and Advice
- Business service centres
- Information Bank
- Business Link-Up Directory
- Publications
- Economic Services

Consultation
- Rebate Scheme
- Tenant Development Programme
- Mentor Advisory Programme
- Aftercare Service

Training
- Formal Courses
- Basic Business Skills Courses
- Seminars
- Workshops
- Bursary Schemes

Subcontracting
- Marketing of Small Business Products and Services to Big Business

Development Promotion

Special Promotions
- Competitions
- Youth Entrepreneurship
- Exhibitions
- Marketing Support
- Entrepreneurship Awareness
- "Your Own Business" NNTV series and magazine
- Craft Art Initiative

Special Projects
- Marketing support
- Hawker's Trolleys
- NGO and CBO support
- RDP Support Initiative

Community Development
- Local Entrepreneurs Task Group Scheme

Advocacy

- General Promotion of Small Business Interests and Climate Creation
- Deregulation Campaign
- Ad hoc Legal Assistance

Informal sector

Semi-formal sector

Formal sector

All sectors

provide finance for business development on more reasonable terms than are available from other sources by way of favourable and flexible interest rates, repayments terms and security cover. The Corporation offers various financing programmes for SMEs. It can be seen from the diagram on the previous page that the SBDC has developed special financing programmes for informal, semi-formal, formal small and medium businesses. Two financing programmes for micro-enterprises have been designed to cater for the particular requirements of informal and semi-formal enterprises, especially in lesser developed areas. These programmes include[13]:

- The Mini Loan Programme[14]
- The Comprehensive Assistance Programme[15]

According to Schwenke, the new MD, this function will be gradually phased out as it focuses more on small and medium enterprises. In addition to the above two financing programmes specially aimed at the informal/ semi-formal and micro-enterprise sector, various financing programmes have also been designed for the formal sector and include:

- The General Finance Programme[16]
- The Bank Indemnity Scheme[17]
- The Fisheries Development Fund[18]
- The Small Business Support fund[19]
- The Small Business Start -up Fund[20]

The SBDC provides a further two financing programmes which also focus specially at job creation but aimed at the semi-formal sector. These programmes include:

- The Small Builders Bridging Fund[21]
- The Entrepreneurs Training and Development Programme[22]

The SBDC considers loans from as little as R10 000, the average amount granted is approximately R50 000. Amounts exceeding R1 million are considered in exceptional circumstances. The time taken to process the different size loans varies. For mini-loans, ie loans up to R6 000, processing takes an average of two weeks. This assumes that after submitting a loan application, an evaluation occurs. If however there is no lack of information, then the mini loan can be processed in one week. For general loans below R100 00, processing takes an average of three weeks. For loans up to R250 000, processing takes an average of four weeks and for loans of R250 000 and more, it takes an average of four to six weeks to process.

A total of 4 667 loans amounting to R278.7 million was granted during the 1993 year as compared to the 7 811 loans amounting to R347.7 million granted in 1995. Since the SBDCs inception until 1995, a total of 56 235 loans have been granted to SMEs to an amount of R2.3 billion. A total of 45% of all financing went to the manufacturing sector. The rest of the financing was split between the retail sector (42%) and the service sector (13%). The SBDC approved 2 463 (32.5%) loans to white entrepreneurs and 5 347 (68.5%) loans to black entrepreneurs for the year ending 31 March 1995. Since June 1990 when the Bank Indemnity Scheme was lanunched, until the end of March 1995, 1 161 indemnities for financing to the value of R209 million have been granted. Claims totaling R1.7 million have been paid out.[23] Bad debts amounted to R28.2 million for 1995, lower than 1994 at R55.8 million. Financing of R65.6 million was provided to 2 093 businesses in the Western cape during 1995, an increase of R5 million over the previous year. A particular focus was support to sectors such as clothing, woodworking, construction, fishing, food, processing, tourism, arts and crafts.

In addition to the provision of financing, the SBDC also provides **business premises**. These are provided in the form of industrial hives, industrial parks, factories, office premises, shopping centres and shops. The small manufacturers occupying the industrial hives generally produce goods for township markets. Some include furniture repairs and manufacturing, printing operations, tombstone, knitwear, school uniform, sub-contracting relationships with larger clothing manufacturers (CMT), burglar bar makers and a few electronic repair units.[24] Most industrial hive producers were generally already in existence as backyard manufacturers. Capital for establishing present enterprises came from personal or family savings rather than formal financing channels.[25] Small scale manufacturers are generally not unsuccessful job seekers, they are generally skilled workers, who left previous employment with the desire to set up an independent enterprise. By the mid 1990s the number of industrial hives increased to forty six accommodating 800 tenants. And offering 7000 jobs. Presently, the SBDC is the largest developer of industrial and commercial premises in developing areas. These projects are financed either by the SBDC or in joint ventures with the private sector. The Industrial Hives are spread throughout South Africa and are not confined to townships, thereby linking SBDC programmes with regional development projects. Development priorities are determined in consultation with local communities. The SBDC encourages private ownership of business premises.[26] The lettable area of the property now stand at approximately 700 000 meters squared. The market value of the buildings approached R310

million. The number of tenants housed in these properties totals 5 429 tenants who pay R6.8 million to the SBDC gross rental each month.[27] The SBDC sold certain of its premises in the Western cape region as part of its promotion for business ownership. Property to the value of R3.1 million was sold and two major hives i.e. Mitchells Plain and the Eyona Centre in Guguletu are still to be sold. A Hive Marketing Committee was established through which the marketing of hive products and other support services to tenants was facilitated. 19 Business Service centres operate in the Western cape Region who together released a video, "Starting and Running Your Own Business in South Africa".

The SBDC also provides **support services**. They comprise the provision of information, counselling, consultation, training and sub-contracting. These services are offered to improve the business expertise of SBDC clients as well as other SME entrepreneurs in general. Information and advisory services are rendered from 58 SBDC offices countrywide. Information officers and mentor counsellors provide advice and guidance through all stages of setting up or buying a business especially in the following areas:

- viability studies
- marketing and business plan
- correct financing methods
- loan application preparation
- licensing and legal issues
- purchasing equipment and materials
- record keeping and accounts
- costing and profit margins
- cash flow management

Mentor counsellors also provide assistance to clients, i.e. aftercare, usually at the clients premises, covering problems related to finance, administration, production, organisation, marketing and expansion. The organisation has experienced growth in enquiries for advisory services. Enquiries have risen from fewer than 2 000 a month at the beginning of 1985 to an average of 21 912 enquiries per month according to the 70 Business Service Centres around the country.[28] "Your Own Business" television series and magazine has developed with some momentum throughout the year. It is supported by a "Small Business Hot-line" as well as a write in and fax service. The

service has received well over 16 000 enquiries by August 1995. A wide variety of promotional activities, theatre productions, competitions occurred during the 1995 financial year in the Western Cape. Research on the Industrial Council system and related topics are being conducted at the University of cape town, Labour Law Unit.

As part of support services, various training courses are presented by the SME Training Institute through, inter-alia, the SBDCs regional office network. Various training programmes, including seminars and workshops as well as certificate courses are arranged on a regular basis throughout the year. The following courses are offered in the Western Cape region and are run at different times throughout the year.

- How to Start Your Own Business[29]
- Basic Business Skills[30]
- How to Manage and Improve Your Own Business[31]
- Labour Relations[32]
- Small Business Practice[33]
- Promoting Your Business[34]

According to the 1993 Annual Report, since the inception of the SBDC training programme in 1988, 9 489 persons have attended various formal training courses throughout the country and income therefrom amounts to R3 358 322. The workshops presented during the 1993 financial year were attended by 848 persons.

The SBDC also provides support services by way of a **Sub-contracting Programme**[35] which promotes the purchase of goods and services of small firms by large companies. Through the SBDCs business link up programme, the SBDC aims to (however without much success) facilitate contracts from larger businesses in favour of small developing businesses. In the Western cape region, links were established between larger more established companies and some small businesses in the manufacturing sectors and support was given to exporters in the arts and craft businesses. The SBDC has also put together a database of small businesses that is available to organisations interested in channelling a greater proportion of purchasing to small business. The project is relatively new, started in the 1989/1990 financial year.

SMALL BUSINESS DEVELOPMENT CORPORATION LIMITED

STAGES OF SMALL BUSINESS SUPPORT

JOB CREATION AND SKILLS TRAINING TOWARDS SELF-SUSTAINABLE ECONOMIC EMPOWERMENT

1	2	3	4	5
RECRUITMENT OF ENTREPRENEURS WITH DEVELOPMENT POTENTIAL	**SCREENING AND TRAINING OF POTENTIAL CANDIDATES**	**EVALUATION OF BUSINESS FEASIBILITY**	**START-UP OR EXPANSION SUPPORT**	**AFTER-CARE AND OPERATIONAL INTERACTION**
- SBDC OFFICES - SBDC CLINICS - NGO'S & CBO'S - TRAINING PROGRAMMES - SCHOOLS AND TECHNICONS - PUBLIC MEDIA	- SCREENING INTERVIEWS (ATTRIBUTES & SKILLS) - PEER REFERENCES - BUSINESS SKILLS DEVELOPMENT	- TESTING BUSINESS IDEA(S) - DEVELOPING BUSINESS PLANS	- INITIAL FINANCING - INFORMATION - COUNSELLING - MENTORING - IMPLEMENTATION - FACILITATION - PREMISES - FURTHER TRAINING	- ADDITIONAL FINANCING - MENTORING - COUNSELLING - CONSULTATION - MARKETING SUPPORT - TECHNICAL SUPPORT - MANAGEMENT SUPPORT - MATCHMAKING - CREDIT CONTROL
UNEMPLOYED RETRENCHED RETURNED EXILES SCHOOLLEAVERS EMPLOYEES EXISTING ENTERPRISES	**SBDC FACILITIES AND OTHER INSTITUTIONS**	**SBDC FACILITIES AND OTHER INSTITUTIONS**	**SBDC FACILITIES AND OTHER INSTITUTIONS**	**SBDC FACILITIES AND OTHER INSTITUTIONS**

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During the 1980s, the political climate affecting small and medium enterprises began to shift from repression to new initiatives for promotion.[36] This occurred within certain limits defined by the government and big business.[37] Emerging in the 1980s under the direction of the SBDC, small black manufacturers became part of the wider strategy for "inward industrialisation".[38] The foundation of the new policy was to create and develop independent black producers and to assist in the formalization of black manufacturers. The new period introduced measures for deregulation added with initiatives to stimulate sub-contracting arrangements between large and small enterprises. This process sometimes transformed black manufacturers into dependent producers for larger businesses. The initiatives spearheaded by the SBDC during the 1980s assisted existing and potential small producers to escape their hardships. Initiatives included measures for direct financial assistance, the provision of advisory services for marketing, accounting and finance. The most significant initiative was the making available of an industrial built environment or hive which did not previously exist in black areas. These industrial areas extended to some Bantustans. These industrial hives where confined to urban areas within black townships due to historical legislative restrictions of the Group Areas, but this situation has changed.

2.3 BUILDING SUCCESS

The lives of many ordinary South African's have been touched by the SBDC. For many people, particularly black South African's support received have shaped the course of their working lives. The SME sector has been both a potential source of opportunity and upward mobility for some households and individuals, and a sinkhole for many others. This ambiguity exists to the present day, with the occasional case of the miraculous success of the 'self made person' as opposed to the common situation of bare survival and desperation. It is important that we do not ignore the numerous men, women and children whose energy and labour power laid the foundation for success.

Among the SBDCs black business successes are Ledwaba Funeral Parlour of which Elias Ledwaba is the proprietor. Ledwaba is 52, and belongs to the upward mobile group of entrepreneurs. In 1986 Ledwaba resigned from the insurance company where he had worked for 26 years to start his funeral parlour. He had R40 000 and managed to convince the SBDC to lend him another R100 000 to build and furnish his premises in Atteridgeville. He had to first go about getting quotations which he says saved him money. He confessed that he risked all his saving

during this venture. He used from the loan what was needed, and R7 000 is still remaining. Ledwaba opened his doors on the 14 March 1987. His family has been involved in the enterprise since the inception. Since then his turnover has increased from R12 000 to R30 000 and he is planning to expand. He says that his aim: " is to provide people with a good, dignified send-off".[39]

If Ledwaba represents the top range of borrowers, who is at the opposite extreme? Margaret Simangos dressmaking school is an example. Simangos school, started in her Soshanguve home in the mid-seventies but at the end of the decade the house was proving too small. She asked the SBDC for help and moved into a hive they started in the township. But the school kept on growing. Last year with a R30 000 loan from the corporation, and R60 000 out of her own poket, she built her own premises. Now she employs three dressmakers to teach her 150 students and as a sideline sells clothing made by the students and hires out wedding dresses. Her monthly turnover, she says is about R6 000.[40]

2.4 SBDCs RESTRUCTURING

During the past years there has been a steady increase in the number and urgency calls for the 'restructuring' of the Small Business Development Corporation, the largest and most influential development support-body focusing on small, medium and emergent enterprises in South Africa. The calls have been particularly strong from black business leaders, but they have also included elements within the SBDC, big business as well as union leaders and spokespersons for organised business - quite aside from individual entrepreneurs who feel that their particular needs are not met by this development agency. Some of the most vocal grassroots criticisms about the SBDC comes from individual loan applications or tenants disappointed about the rejection of their request for assistance. This is understandable, but cannot constitute the basis for an analysis of more fundamental issues levelled at the corporation.

In a joint statement on the 27 January 1995 DTI minister Trevor Manual and SBDC chairman Anton Rupert agreed on a, 'broad set of principles to restructure the corporation" and that the corporation would become a private sector led partnership with government.[41] A White paper (still to be discussed) on the development and promotion of small business in South Africa, constituting the governments policy document on the empowerment of SMEs, was approved by cabinet and parliament in March 1995. Proposals in the White Paper included amongst others, that the SBDC

would continue as a private sector led partnership with government and the corporate sector. Assets worth R600m, including programme funds that had been made available to the corporation between 1985 and 1995 but had not been incorporated into share capital, would be returned to the government and would be channelled into a wholesale finance facility linked to Nepa. The SBDC would also assist with setting up NEPA units. It would continue to function as a national institution with a regional office network, comprising regional boards representing provincial development agencies, provincial governments and private sector.[42] According to Schwenke, services to micro-enterprises would gradually be phased out as it focuses more and more on small and medium enterprises. Its mission would be slightly changed, turning it into a specialist financing organisation focusing chiefly on the needs of advanced SMEs. The SBDC has embarked on a process of evaluation emerging with several tentative conceptual frameworks. Some of the 'shortcomings as perceived by the different stakeholders' include:

- The composition of the SBDCs board executive as well as the action committee should be reorganised and more responsible to the stakeholders.
- The powers of the managing director have to be re-evaluated and possibly reduced.
- More black people have to be included in senior management at head office and in regions.
- The corporation should not see itself as the only major "player' but co-oporate with other development support bodies in the areas of financing, training, mentorship, aftercare research, information services and general promotion.
- A large share of the corporation's loan capital still goes to finance low risk, conventional small and medium enterprise ventures, whose owners could easily get finance from the bank.
- The SBDC should spend more effort on research and planning of institutional programme innovation through which sectorally and diverse needs of the SME can be addressed.
- The Corporation staff should be more directly involved with emergent entrepreneurs.
- The diversity of SME support at both a regional and national level places importance on the communication between these bodies and a reasonable degree of co-ordination of their efforts.

Against the above discussion, Wolfgang Thomas in a discussion document sketches at least six different possible models for the SBDCs restructuring.[43]

- Maintain the present structure of a centrally controlled body with a network of branches. Within this model he argues, with minor changes many of the above points of criticism could be addressed. The changes can take place speedily and effectively.

- Greater regional autonomy, but one integrated Corporation. This would allow the different regional offices to evolve more in line with regional needs. Head office would remain the sole supplier of funds.
- A reduction of functions. This would result in the SBDC discontinuing some of its functions, either because of lack of funds or other bodies can supply them in a more appropriate way. Such functions could include the bank indemnity scheme, the supply of venture capital, training services and possibly the evolution of a national grid of business information centres.
- An expansion of services. The focus would include all those activities which are felt to have been previously neglected by the Corporation in the past.
- A split of the national and regional responsibilities. This model offers greater regional autonomy and assumes that the regional corporations are effective implementation bodies which could differ in the services they offer. This model includes a national role for the head office in strengthening SME development in the country.
- A more central role for government. A powerful government department takes over the role currently played by several development organisations.

With South Africa's changing priorities, state support will increase for the historically disadvantaged as is reflected in the White Paper. A few institutions will maintain key positions in the new SME framework. These institutions include the Department of Trade and Industry, the SBDC as a broad based, multi-functional organisation and other development corporations. A wide range of other private, state and foreign aided bodies would emerge. A proper balance between these institutions, which will compete with each other for resources, sometimes co-operating, would be the greatest challenge for a strategy which must include all of South Africa. If accepted after consideration of all the scenarios for SBDCs future, the model presented in the White Paper (to be discussed in more detail) could easily be implemented in the next few years. Changes emerging from the White Paper are gradual at both the national and the regional level. There would be no danger of discontinuity of services or risk to the capital accumulated over the past twelve years by the SBDC.

2.5 FOOTNOTES

[1] McCarthy. CL, "Aspects of Small Enterprise Promotion in Developing Countries: The South African Case" in Development Studies Southern Africa, Vol. 5(4), July 1994.
[2] Ibid.
[3] Vosloo WB, "Government and Economic Growth" in Entrepreneurship and Economic Growth, Human Science Research Council, 1994.
[4] McCarthy. CL, "Aspects of Small Enterprise Promotion in Developing Countries: The South African Case" in Development Studies Southern Africa, Vol. 5(4), July 1994.
[5] Ruiters. A, "An Overview of the SME Support Environment in South Africa", Unpublished Paper.
[6] Thomas. W, "Supporting job creation: Small Business and Informal Sector Development" in Wealth or Poverty: Critical Choices for South Africa, Oxford University Press, 1994.
[7] Falkena. HB, "Financial Institutions" Southern Book Publishers (Pty) Ltd., 1992
[8] Small Business Development Corporation, "Annual Report: 1995".
[9] Small Business Development Corporation, "Annual Report: 1993".
[10] SBDC Financing Programs - Pamphlet, 1994.
[11] Falkena. HB, "Financial Institutions" Southern Book Publishers (Pty) Ltd., 1992
[12] Development Bank of Southern Africa Statistics
[13] Small Business Development Corporation, "Annual Report: 1995".
[14] The Mini Loan Programme: It provides for the needs of informal micro enterprises who usually need money urgently for a short term. Loans of up to R5 000.00 are considered, with the repayment period exceeding 12 months. The interest rate is 30% per annum. Application requirements include active involvement in business and fixed residential address.
[15] The Comprehensive Assistance Programme: Provides for special requirements of semi formal enterprises. Finance up to R50 000 per enterprise is available. Three year repayment period and a possible subsidized interest rate.
[16] The General Finance Programme: Aimed at both existing enterprises and new business start ups who besides financing require limited other support. Application requirements include:

- Profitability should be good
- management should not require assistance
- cash flow should be positive from the start
- development contribution would probably be in the area of technology, import replacement and exports whilst the cost per job created or maintained should be moderate.

[17] The Bank Indemnity Scheme: Aimed at both existing enterprises and new business start ups. The purpose is to indemnify participating banks against part of the loss which they may sustain on facilities which they have granted to a client. This reduces the level of security the bank would normally demand. The maximum facility available per client is R400 000. Up to 60% of the approved credit facilities provided to SMEs by the participating banks are guaranteed by the Corporation. Finance charges levied by participating banks on indemnity facilities may not exceed their prime overdraft rate plus 4.0% per annum.
[18] The Fisheries Development Fund: Through the Fisheries Financing Programme, loans are provided bone fide commercial fisherman for whom fishing is their only source of income as well as allied industries.

[19] The Small Business Support Fund: Assist viable enterprises which require high levels of support and whose continued existence is threatened by external factors beyond their control. Financing of up to R750 000 is provided.
[20] The Small Business Start Up Fund: It is intended for entrepreneurs starting a small business for the first time or expanding into new products or services and who require more support and more lenient loan conditions.
[21] The Small Builders Bridging Fund: It is intended to provide bridging finance to small builders who require ready cash to finance contracts until progress payments are received. The maximum amount per contract is R4000.
[22] The Entrepreneur Training Development Programme: Provides special centres and services for the development of emerging entrepreneurs.
[23] Small Business Development Corporation, "Annual Report: 1995".
[24] I have spent time at the SBDC Industrial Hives of Mitchells Plain, Athlone Industria One and Two.
[25] Rogerson, CM, Da Silva M, "Upgrading urban small scale forms of production: The South African case" in Linge GJ, Peripheralisation and Industrial Change, London
[26] Small Business Development Corporation, "Annual report: 1993".
[27] Ibid.
[28] Ibid.
[29] How To Start Your Own Business
Target Group: Start ups or existing businesses
Duration: 10 Modules for 3 hours
Contents: The steps in business planning
Price: R600
[30] Basic Business Skill
Target Group: People who want to know more about business
Duration: 10 Modules for 2.5 hours
Contents: Keeping records and accounts
Price: R350
[31] How To Manage and Improve Your Own Business
Target Group: Advanced course for existing entrepreneurs
Duration: 4 modules for 3 hours
Contents: Planning, liquidity, management information
Price: R270
[32] Labour Relations
Target Group: People who are employing staff
Duration: 8 modules of 3 hours
Contents: Dismissal and termination, "dealing with trade unions".
Price: R480
[33] Small Business Practice
Target Group: Business owners who need training
Duration: 3 full days or 8 session of 3 hours
Contents: Business Cycles, buying, selling, costs, prices
Price: R200
[34] Promoting Your Own Business
Target Group: Business People who want to Promote their business
Duration: 3 modules of 4 hours

Contents: Promotion Strategy
Price: R150

[35] Ruiters. A, "An overview of the SME Support Environment in South Africa", Unpublished Paper, 1994.

[36] See Rogerson. CM, "The State and the informal sector: a case of separate development" in G Moss et al, South African Review 4 Ravan, Johannesburg.

[37] Leis. D, "Unemployment and the Current crisis" in Stephen Gelb's, South Africa's Economic Crisis, Cape Town, 1991.

[38] Rogerson. C, "Deregulation, subcontracting, and the (in)formalisation of small scale manufacturing", Oxford University Press, 1991.

[39] SBDC, "Roots of Enterprise" A Leadership Publication, June 1988.

[40] Ibid.

[41] The Argus, 17 February 1995.

[42] Business Day, 14 March 1995.

[43] Thomas W, "A National Small Enterprise Administration: Ideas about one possible SBDC restructuring model". Cape Town, January, 1994.

CHAPTER THREE

3.1 METHOD USED: OBTAINING INFORMATION

Young researchers generally have a desire to conduct research projects that are new, different and vitally important. This is an admirable goal, but it often leads to the choice of a broad topic for which data sources and references are limited. Research projects are not selected in a vacuum but the researcher is stimulated by the ideas and the research of others. Developing creative ideas in isolation often leads to feelings that one has lost creative powers. I have read other studies within the area of interest, which helped me see new things that need to be done to improve the research or increase the body of knowledge. I have chosen a topic or problem area that I feel is of particular relevance to myself and the community I live in. It was important for me to investigate historical factors inhibiting black participation within the small and medium enterprise sector of the economy and also strategies for the promotion of black participation. In addition to the number of different areas of interest from which one can choose a research topic or problem, there are different world views or paradigms ("frame of reference for viewing the social world") within the same area of specialisation. I have been guided by the social democratic experience:

- parliamentary democracy
- the promotion of the free enterprise and private initiative but with the state playing a guiding role within the economy
- private ownership but the state guards and acts against un-competitive behaviour and economic concentration.
- the market may regulate the allocation of resources and the distribution of goods and services but the state may for example regulate prices of essential commodities.
- Social security. The disadvantaged must be protected through unemployment insurance, pension schemes and subsidised health schemes.

Many international examples of social democracy do not face the massive problems of impoverishment that exists in South Africa. The role and the relationship between the state and the market in this country would be different compared to other countries. My hidden value guiding this thesis is that social democracy can stimulate economic growth, raise living standards, reduce unemployment and create a more equitable distribution of income.

Information has been obtained from two sources:

1. **Secondary**

   A review of national and international literature dealing with factors necessary for the creation of an enabling environment for the SMEs.

2. **Primary**

- documents, newspaper cuttings relating to para-statal activity with a focus on the SBDC
- interviews were conducted with the following persons of the SBDC and related to the organisation
  1. office staff
  2. other stakeholders

- **A Mini Survey** was conducted mainly in Athlone in the Western Cape with thirty SME owners. The sample was equally split into 'users' and 'non users'. The users included those currently using services and those who have previously used a service but currently not. The non users are those who have never used a service. The survey it is hoped will provide the basis for our thinking on how to develop a demand driven support service.

Interviews were conducted between October and November 1994. An interview schedule was used for the manufacturing and service sectors. (21 were administered for the manufacturing sector and 9 for the service sector.) The interview schedule generally probed the biographical details of owners, how the business was set up, the day to day operations, interaction with support organisations and the success of the business. Interviews took place on the business premises, which in many instances was on the factory floor. This provided the interviewer with the opportunity to observe how the business operated. Each interview took approximately one and a half hours to complete. The study was conducted in the greater Cape Town area with 50% being in Athlone and Mitchells Plain.

The study intended to interview in equal proportion male and female business owners. However as the intention was to cover all sectors, I was not able to interview male and female on a 50/50 basis. I found that the majority of women operated in service and trade sectors and if I pursued my initial intention, the interviews would have been skewed towards these two sectors. In the Athlone area I encountered additional problems. Where females were running businesses, they were often not the owners. The owners once located were male.

The diversity of activity within the SME sector was captured by conducting interviews across various sectors. The objective was to gain a sense of specific problems experienced in each of the sectors and to establish whether certain sectors were better serviced than others. The scope of the study of SMEs includes survivalist, as well as expanding or emergent businesses. Both types fall within the SME sector. Though, the differences between an expanding and small business is often blurred[1] Survivalist enterprises are subsistence businesses where the owner is generating an income while "living day to day". Expansionist or emergent are businesses where the owner displayed entrepreneurial qualities. There are distinctive qualitative differences between the owners of survivalist enterprises and owners of emergent businesses. I also looked for signs of increased use of staff that were not family members, the use of sophisticated machinery, a shift in the owners focus from operational to managerial activities i.e. planning and forecasting.

The study examined both the role of non-conventional SME support organisations such as the family, churches, civics, as well as conventional support organisations.
The analysis of the data took place during December and January. The data was quantified and tabulated into tables. The intention was clearly to conduct a quantitative study. The findings are represented as trends and not as representative of the SME sector.

The survey has a number of shortcomings:

Weaknesses of the survey.

1. the validity of respondent's answers could not be verified.
2. While the observations of the interviewers added to the richness of the research, they were subjective.
3. A representative sample was not chosen and thus the data while quantifiable is not entirely reflective of the region.
4. The information collected on the SBDC in this short period of time is arguably insufficient to paint the whole picture. It would therefore be unfair to pass judgement on any organisation or present the information as if an evaluation was conducted of the SBDC. Such an analysis would have required spending a significant amount of time with the SBDC. The information presented on the SBDC is carefully constructed to provide the reader with an introductory overview of the support environment and the range of services offered.

The interviews were conducted under conditions less than normal and perfect. Enterprises which had the characteristics contained within my definition of SMEs were contacted. Lists where obtained from the SBDC, Small Business Institute at the University of the Western Cape and even the Yellow Pages. Most business people on these lists did not want to be interviewed due to a lack of time. A 'snowball' effect method was used. I have tried to be sensitive to objectivity and scientific methods of enquiry. Many of the interviewees did not concentrate on the interview as they were generally active on the factory floor. Some interviews where postponed midway due to external factors. SMEs should be seen as a spectrum of businesses which are in motion and not static. The survey should be seen as a snapshot of enterprises within a particular geographical location, at a particular time.

3.2 FOOTNOTES

[1] Small and medium enterprises while all part of one continuum are distinguished either qualitatively or quantitatively. Qualitatively it refers to the owners operating style, business ownership structure, market share, degree of specialisation or its overall aims and objectives. Quantitative definitions rely on clearly defined parameters or combinations of parameters, which include one or more of the following: the number of employees, sales turnover, assets, capital, net worth. For this study a definition across all sectors was applied. (See introduction).

CHAPTER FOUR

A SURVEY OF SMALL AND MEDIUM ENTERPRISES IN THE WESTERN CAPE

"Eers het ons nie geworry nie, maar nou kan ons nie ... meer nie
Die tenants is nou siek en sat
Want hulle wil mos net vat en vat
Die werk is skaars en ons krap al kop
Julle stoot julle services al op en op"

M.A. Thompson
Secretary: Mitchells Plain Tenants Association

4.1 INTRODUCTION

This section outlines the findings of a study investigating small and medium enterprises in the Western Cape, mainly in Athlone and Mitchells Plain. The aim was to target mainly coloured and Indian firms. African businesses in the Western Cape face constraints different from those firms run by Indians and coloureds. The study targeted a defined group of businesses and its particular limitations. This complexity requires sensitivity that recognises differences among disadvantaged firms. The more established black enterprises are distinguished from microenterprises less by their size, largely because apartheid legislation has ensured that black enterprises are small, than by their base of financial and human resources, which prepare them better to play a dynamic role for growth and employment. The sample consists of small and medium enterprises which have a short to medium term potential to be integrated into broader South African markets. The results and recommendations made are intended to assists policy makers in shaping future interventions in the sector.

The recent move to remove the restrictions on black enterprises does not eliminate the constraints that limit the ability of even the most dynamic business to grow, create employment, accumulate assets and generally prosper in the formal economy.

Black enterprises generally identify both internal and external constraints that adversely affect their businesses. The internal constraint includes the direct legacy of apartheid, lack of adequate technical, administrative and managerial skills and the lack of access to financing, which was a result of the inability to presumably assets that can be used for collateral. The external

constraints include highly competitive markets, lack of market infrastructure, and a politically unstable and often violent business environment.

Deregulation and market based solutions are a step in the right direction, but they must be accompanied by measures that eliminate the constraints that prevent black entrepreneurs from starting businesses or from running businesses capable of playing a dynamic role in the economy. Clearly, South Africa cannot and should not adopt another country's model for its own use. Evaluating the mistakes of others, in conjunction with assessing its own needs and priorities, can help South Africa formulate policies and strategies for strengthening black enterprises.

The chapter is divided into four parts: part one provides a biographical description of an entrepreneur; part two provides characteristics of the small and medium enterprise sector in the Western Cape; part three examines the provision of services (marketing, training and finance): a view from below. Part four looks at SME expectations regarding government policy.

4.2 BACKGROUND TO THE STUDY

A problematic area was to identify a sample to be interviewed. Questions of: industry sectors and geographical regions were identified. I chose to conduct interviews across various sectors. This was guided by access and resource constraints. The diversity of activity within the SME sector was captured by conducting interviews across various sectors. The objective was to gain a sense of specific problems experienced in each of the sectors and to establish whether certain sectors were better serviced than others. Table 1 indicates the completed interviews by area and sector. The study was conducted in the Greater Cape Town area of Athlone, Mitchells Plain, Wynberg, Elsies River and Guguletu to reflect the racial composition of the region.

	FURNITURE MANUFACTURE	CLOTHING MANUFACTURE	BUILDING	PRINTING/ TEXTILES	FITNESS EQUIPMENT MANUFACTURE	CLEANING CHEMICALS MANUFACTURE	TRANSPORT	PAINT MANUFACTURE
ATHLONE	2	6	1	0	0	0	1	0
AIRPORT INDUSTRIA	0	0	0	0	0	0	1	0
ELSIES RIVER	1	1	0	1	0	0	0	0
GUGULETHU	0	1	0	0	0	0	0	0
MITCHELLS PLAIN	0	3	1	0	0	0	0	0
OBSERVATORY	0	0	0	0	0	1	0	0
PARROW INDUSTRIA	0	1	0	0	0	0	0	1
RETREAT INDUSTRIA	1	1	0	0	1	0	0	0
SALT RIVER	1	0	0	0	0	0	0	0
WETTON	0	0	1	0	0	0	0	0
WYNBERG	0	0	0	1	0	0	0	0

TABLE 1 SME business owners interviewed.

Locating SMEs that have the above definition characteristics is difficult. Support organisations have a data base of SMEs of a particular definition characteristic. I contacted owners directly using a snowball method, and they introduced me to other SME owners. They acted as 'gatekeepers' and access was made easier. A total of 30 interviews were conducted during October and November 1994. 21 interviews were conducted across various sectors in the manufacturing sector and 9 interviews were conducted in the service sector. An interview schedule was used.

46% of the Western Cape population is coloured. This characteristic is due part to previous legislation such as influx control regulations imposed since the 1950s and the implementation of a coloured Labour Preference Policy. This population structure combined with a relatively well developed secondary and tertiary educational infra-structure has resulted in a relatively well educated and skilled labour force. The abolition of influx control in 1986 resulted in a growing African unskilled labour force comprised largely of new arrivals in the Western Cape. This pattern is replicated in household income. The African population has the lowest household incomes and the most dependants. Unemployment and emerging SME activity are also most predominant among Africans. Manufacturing and technical services are concentrated though not exclusively amongst coloureds[1] .

Since 1980, the Western Cape economy has contributed a growing share to the wealth of the country. About 10% of South African's live in the Western Cape and they contributed 14% of the economic output in 1993. Despite the regions advantages and beauty, it suffers from the same backlogs and problems as the rest of the country. According to the 1991 Population Census nearly three and a half million people live in the Western Cape. At least 70% of these live in the Cape Town metro area, while a million live outside the metropolis[2] . Significantly the Western Cape's economy has grown since 1985, unlike most parts of the country. Financial and business services have increased dramatically. Trade, accommodation, catering, transport, storage, communication and agriculture have grown, while manufacturing, construction and mining have dropped slightly. The majority of jobs are in the garment and food processing industries. These jobs are mainly occupied by women, yet they earn less than their share of total income because their wages are lower.[3]

The clothing industry is an important industry in the Western Cape being a major employer, with considerable growth potential in local and export markets. Competition is fierce in the formal and informal sector. The industry is caught between oligopolistic raw material, textile suppliers and small margins offered by consumer outlets. In addition, cyclical fluctuations in the economy have a direct effect on clothing demand. The government's easing of import protection has increased foreign

competition. While formal employment in the clothing sector may have declined over the past decade and wage levels have remained relatively low, informal employment seems to have increased substantially - though unmeasured. Recent clothing industry technological changes may strengthen the co-operation of larger and more smaller producers.

The Western Cape RDP offers an estimation of SME numbers and contribution to the regional GDP of the region:

- Share of SMME contribution to the regional GDP (black and white business) 60%
- Established number of small and medium enterprises 75 000
- employment 400 000
- Established number of informal enterprises 150 000
- employment 240 000

The "racial" distribution of the sample implies that there are more "coloureds" involved in SMEs than other groups in the Western Cape. Due to the method of sampling, one "racial group" could not be interviewed exclusively.

RACE	TOTAL
AFRICAN	4
COLOURED	14
INDIAN	4
WHITE	8

TABLE 2: Respondents According To Population Group

In the clothing industry, the Job Reservation Laws, which existed until 1979, permitted skilled jobs to be filled by Indians and coloureds, but not Africans. In clothing manufacturing, firms in the region owned by Africans are scarce and tend to be smaller and less well-developed than firms owned by whites, Indians and coloureds. None of the black owners had been employed as skilled workers in textile or clothing factories before starting their own business, while most of the Indian and coloured

owners had. Africans thus have little training in this area, and only a small percentage of African owned enterprises have developed the quality and delivery standards needed to become subcontractors, giving them access to new production techniques.

The interview schedule probed the biographical details of owners, how the business was set up, the day to day operations, employee description. Three aspect: training, finance and marketing reflected interactions with support organisations and success of the business. The final section briefly probed expectations on interaction between SMEs and government policy. The schedule reflected the support environment as experienced by entrepreneurs.

Interviews took place on the business premises, which in many instances was on the factory floor. This provided the interviewer with the opportunity to observe how the business operated. Each interview took approximately one and a half to two hours to complete.

I intended to interview in equal proportion male and female business owners. However due to access problems we were not able to interview male and female on a 50/50 basis. We found that a minority of women operate as entrepreneurs. They concentrate in the Cut, Make and Trim sector of manufacturing. If we pursued our initial intention, the interviews would have been skewed towards this sector. Our respondents as can be seen from TABLE 3 were mainly male. This gender imbalance does not adversely affect my research as it is indicative of the status quo in the SME environment in the Western Cape.

MALE - 80%
FEMALE - 20%
TOTAL - 100%

TABLE 3: Gender breakdown of respondents.

The scope of the study includes new, expanding business and long established businesses. The above spectrum reflect different experiences by enterprises. These types fall within the SME sector. Though, the difference between an expanding and small business is often blurred. Some enterprises are barely

able to pay accounts every month. They operate on a monthly basis sometimes even on a weekly basis. Expansionist enterprises are businesses where the owner displayed entrepreneurial qualities. (See example of paint manufacturer interviewed: Marks Paints). There are as this report shows distinctive qualitative and quantitative differences between established and emerging enterprises.

The second part of the interview schedule dealt with support received and it covered the following areas: services received, staffing profiles, source of income, details of training and training methods, criteria for receiving loans, as well as how SME's evaluated the impact of support organisation services. While business people were eager to be interviewed, there was a reticence to provide time. Many complained of a month end rush. Many had to also disrupt the interview to be on the shop floor. A previous chapter focused on the support organisations environment. It created a more balanced picture. I investigated the Small Business Development Corporation, which provides support to small and medium enterprises in South Africa.

Information gained was supplemented with observations to verify quantifiable data. The information gleaned in this short period of time is arguably insufficient to paint the whole picture. A more representative sample would have required interviews with more businesses across a wider cross sector and to spend a longer time with each business. The following information is carefully constructed to provide policy makers with an overview of the SME's sector and the support received.

4.3 DISTINGUISHING CHARACTERISTICS OF THE SMALL AND MEDIUM ENTERPRISE SECTOR IN THE WESTERN CAPE

TRENDS

The following broad trends were identified.

The operations and development of an enterprise is affected by the following factors:

- previous employment experience of employer and employees. Workers with past experience and skill are employed. Previous experience helps create links or networks with suppliers of machinery and raw materials, wholesalers, skilled employees, and other enterprises in the same sector.

- Co-operation with other enterprises is important. Some relations can be characterised as mutually profitable or parasitic i.e. the survival of an SME depends on its relations with a larger enterprise.

- Access to capital. SMEs do not have easy access to capital as financial institutions do not serve the needs of SMEs. Financial support is obtained from own capital i.e. loans from family members, savings, etc.

- Small and medium enterprises are hierarchical and management is centralised. Family members of the entrepreneur tend to be responsible for most management functions. The job descriptions of those involved in an SME are very broad. Levels of formal education did not have any effect on the nature and operation of the SME.

I was not able to find activity in all the sectors with relative ease due to access problems. SMEs of different sectors are scattered across the Western Cape. Activity in Athlone ranged from SMEs struggling to survive, to well established 'CMT' enterprises who are moving towards more independent production lines employing large numbers of machinists.

Mitchells Plain, has a concentration of SMEs. Enterprises cover all sectors and once again from new to larger, high technology expanding business. As the infrastructure here is more developed, there is a higher concentration of manufacturing activity relative to other areas, with the exception of Athlone. A study by Koch shows that there are large numbers of established CMTs working for fashion houses. Guguletu has a better infra-structure than other townships which has resulted in an emergence of survivalist clothing manufacturing especially school clothing. In this area retailing and the service sector predominate.

DISTINGUISHING FEATURES OF SMEs AND ENTREPRENEURSHIP

The age of an enterprise generally reflects it's stage of development. The older enterprises i.e. older than 5 years are more established, expanding and generally experience little financial problems. Entrepreneurs from established enterprises have more technical skill, networks and co-operative links with other enterprises.

The average age of enterprises ranged from 1 to 5 years and the highest between 20 to 30 years. The majority of businesses fell within the 6 to 15 year range. Some enterprises operate on an informal basis before operating formally. Another business was operating for nearly 3.5 decades. An entrepreneur who manufactured a paint mixing machine which is similar in function and efficiency to an imported one costing R40 thousand. His machine costs was R3 thousand. The first 5 years is a test period for enterprises. During this period it experienced financial, technical, training and problems related to isolation. Support interventions are needed during this crucial period. SMEs, younger than 5 years are regarded as high risk and very little support is available in the form of finance. I would speculate that it is because of this lack of support in the first 5 years that many if not most fail in the first 5 year period.

The ages of business owners interviewed ranged from 29 to 65 with the majority being between 35 to 45. 77% of the interviewees could speak, read and write English and Afrikaans. 90% of the interviewees could speak, read and write English. The other languages that emerged include: Polish, German, Xhosa and Zulu. Language is very important for any policy intervention to be effective. An

interviewee complained that his wife is Afrikaans speaking and she went to a SBDC course which was in English. She did not understand much of what was being said. Language can be a barrier to receiving assistance. Support organisations need to become more sensitive to disadvantaged communities.

80% of the interviewees were married, 10% were divorced and another 10% were single. 67% of the employers had between one to three children. About 23% had between four to six children. The level of education and or formal training seemed not to have an effect on the success or failure of the business as some of the more successful businesses are managed by people who did not complete formal education. Some of these entrepreneurs have completed primary school. Two people completed engineering degrees at university and used these skills in the manufacturing of fitness equipment and copper ornaments. They do not make use of their educational training to it's fullest potential. Production skills and management skills are developed from previous employment, on the job training and trial and error.

There are many differences between businesses located in coloured areas and those in African areas. There are more formal businesses and manufacturing businesses in coloured areas as compared to informal micro-enterprises located in African areas. The access to electricity, roads, storage facilities, industrial areas, public transport, communication networks, access to machinery, support and repair services etc. are a determining factor for the types of business activity. Small businesses face a wider range of constraints and problems and are less able to address the problems on their own. These constraints relate to the legal, regulatory environment, the access to markets, finance, business premises, managerial expertise, appropriate technology and business infrastructure in poverty areas. Entrepreneurs generally have many years of experience in the field as supervisors, managers or even running the company for employers. They bring much of their previous skill and experience with them. The majority in this group also claim to have never being unemployed for long periods of time which could be linked to the high level of skill, work experience and responsibility. More than 67% of the persons interviewed started their business as a result of wanting independence from previous employment and self benefit. Some were unemployed for very short periods of time and were involved in the informal sector activities. The development of entrepreneurs can help in goals such as job

creation and economic growth. Manufacturing is seen as a logical continuation from the informal sector. These respondents left formal employment for self employment. The second largest group started their business as a result of unemployment. Self employment has become the only alternative for many unemployed people. A minority inherited their business from the family. 83% of the people started the business and did not take the business over from somebody else. There is a strong sense amongst respondents of achievement and the feeling that hard work and sacrifice is the only road to a successful enterprise.

USE SKILL FOR OWN PROFIT	76%
UNEMPLOYMENT	13%
FAMILY BUSINESS	7%
EXPANSION	3%

TABLE 4: Reasons for starting business.

Experience in a sector and necessity acts as a substitute for market research. Entrepreneurs have previous experience in the production process, sales, employment, administration and technical knowledge. Some entrepreneurs are forced by necessity to take risks and invest within a particular sector e.g. a shopkeeper lost his business due to the Group Areas Act. He invested in the printing business. 90% of the entrepreneurs did not conduct any market research but had sufficient knowledge of the market due to past experience in the sector. The issue of registration with the Industrial Council was a contentious issue. Registration of some enterprises is flexible. Enterprises can be categorised as those who apply for exemption, do not apply and do not register and finally those enterprises that register. The younger and struggling enterprises are the most flexible. The validity of respondent's answers regarding registration could not be verified. The enterprises are registered as follows:

CLOSED CORPORATIONS	40%
PRIVATE COMPANIES	37%
SOLE PROPRIETORSHIP	20%
PARTNERSHIP	3%

TABLE 5: Enterprises registered as.

The support for the Industrial Council and the regulation of the sector came from expanding and long established enterprises. Wages, working conditions and health conditions generally follow Industrial Council regulations in the emerging, long established enterprises. Industrial relations in these enterprises are not harmonious but it cannot be characterised as conflictual. An "established" entrepreneur said:

'This industry does not need fly-by-nights-operators. It has to be regulated or there would be anarchy. They give other enterprises a bad image.'

The younger enterprises called for the deregulation of the industry. 70% of the above registered establishments are owned by single owners and 30% are jointly owned. Some employers refuse to register with the industrial council. An enterprise employing more than five workers is bound to register with the IC but 33% of the establishments interviewed did not. The above respondents indicated that the regulations and fees paid to the IC would 'force them to close down and increase unemployment'. These owners were hesitant in exposing the average income of employees. A suspicion is that the employees in these establishments worked long hours and below the minimum wage set by the industrial council. 67% of the employers registered with the industrial council. They complained that regulations affecting larger enterprises are imposed on smaller enterprises, especially labour legislation. These respondents argued that small business should be promoted in order to create employment and stimulate the economy. The informal enterprises can be characterised by low wages, bad working conditions, lack of proper health conditions, labour intensive methods and conflictual industrial relations. Unions are not welcome and treated as 'trouble makers'.

Access to adequate business premises was not identified as a problem although many felt that they were currently occupying the best site for a business given the present limited resources. 80% of the interviewees described the type of premises as a small factory, medium factory, workshop or storage facility. The factories comprised of storage and office space. It was also felt that the sites could be improved by extending the storage space and the factory floor space. 90% of those interviewed operated from one branch. A clothing factory sold its products at five stalls operating from flea markets

across the Western Cape. It is important to focus equally on manufacturing and sales. Sales has been identified as a problem for the new and struggling enterprises.

Only three enterprises operated out of more then one premises, the highest being four. Operating from more than one premises allowed the entrepreneur to apply for exemption from industrial council regulations. A clothing manufacturer operated from two premises in the same complex. He was exempted from council regulations. The average size of business premises range between seventy square meters to two thousand square meters with the concentration being between two hundred to eight hundred square meters.

The clothing manufacturers used industrial sewing machines, overlockers, cutting machines etc. Other enterprises interviewed used power tools, paint mixing machines, welders, cutting machines etc. The above enterprises are labour intensive as capital equipment is expensive for a small and medium enterprise. Entrepreneurs are innovative and adaptable to changing situations. Imported machinery was identified as a problem, it was expensive to buy and maintain. From an observation, SMEs can be characterised as labour intensive methods, they use old technology and virtually no research and development. Some entrepreneurs have been able to adapt to a cheaper South African replacement for imported machinery e.g. a clothing manufacturer who builds scrap imported machines and again the paint machine, built from a plastic drum, motor and precision blades made by a Western Cape engineering company. The majority of raw materials used in the production process include materials, cloth, fabrics, wood, leather, paints, ink, brass and copper sheets. SMEs complained of the unequal cost of raw materials for larger companies as compared to them. They are not able to buy raw materials in large quantities thereby paying more for them. Sometimes larger companies who are competitors are also suppliers of raw materials. Larger companies have an advantage over SMEs.

CHARACTERISTICS OF EMPLOYMENT

The issue of employment numbers is linked to the debate around the industrial council. The validity of the respondents answers could not be verified. The data would be richer if we could interview workers

from these enterprises to obtain a more balanced picture. This was not possible due to access, resources and time constraints. Entrepreneurs were hesitant in answering questions fearing prosecution. Some respondents did not mention the total number of employees and others sub-contracted work to the informal sector especially in the clothing industry. Labour is seen as a quantitative cost to be minimised and not a qualitative resource to be developed.

EMPLOYING BETWEEN 0 - 20	53%
EMPLOYING BETWEEN 20 - 50	30%
EMPLOYING BETWEEN 50 - 100	13%
EMPLOYING BETWEEN 150 - 200	4%

TABLE 6: Average Numbers Of Employees.

The family members of entrepreneurs are generally employed in these enterprises, some on the factory floor but the majority in management positions. Family involvement ranged from casual employment during school holidays, bookkeeping, teaching or managing on the shop floor, dispatch and running the company i.e. day to day operations. The majority of interviewees employed between 10 to 20 workers. The number of employed fluctuated whenever sales increased and employees were reduced when sales decreased. Employers saw it important for the survival of the enterprise to have a very flexible labour force sensitive to the demands of the enterprise. Employment was more stable in the 50 to 100 and the 150 to the 200 category with long periods of employment. Small and medium enterprises sub-contracted on a large scale to informal establishments. Clothing manufacturers frequently sub-contracted to home industries throughout the Western Cape. It was cost effective as sub-contractors competed for work. Home industries completed an entire garment or part of it. Owners of home industries sometimes work in SMEs.

The interviewees did not provide any financial details such as start up capital, current assets, fixed assets, current liabilities and long term liabilities. It was explained that this information was for definition purposes only. The majority felt that the above information was personal fearing prosecution. They did divulge annual turnover after it was categorised into groups. The turnover of enterprises in the first category is not stable and fluctuates under different conditions e.g. seasons. During some periods

enterprises barely survive, with employees being 'put on standby', the owner earning no salary and no raw materials are purchased. Debt collectors are generally avoided and are paid from loans or whenever work is available.

R500 000 - R1 000 000	53%
R1 000 000 - R1 500 000	20%
R1 500 000 - R2 000 000	7%
R2 000 000 - R2 500 000	20%

TABLE 7: Annual Turnover.

The businesses in the last category have a stable turnover with slight fluctuations. Employment patterns are more stable, with a core permanent staff and a few casual workers. SMEs i.e. new, struggling and medium enterprises operate in a hostile environment dominated by a few large producers e.g. the paint industry is dominated by two monopolies i.e. Plascon and Dulux who are also the suppliers of key raw materials in paint manufacturing. The monopoly influence extends to training courses which are monopolised. SMEs are restricted entrance.

80% of the employees in the above establishments are employed on a full time basis with 13% of the employees moving from full time to casual employment depending on the availability of work. Employers find it difficult to maintain permanent full time employment. These enterprises are usually at an early stage of development. 3% of the employees are employed on a casual basis. Entrepreneurs are cautious about discussing casual labour patterns. Enterprises have to meet industrial council regulations regarding casual labour. In new and struggling enterprises: wages, working conditions, hours of work and benefits for casual labour do not meet Industrial Council regulations. Casual labour patterns in SMEs is a research topic that needs further intensive investigation. The majority of employees at clothing companies are female with a few clothing companies employing males. Males were concentrated in the more strenuous job descriptions e.g. welding or using power/industrial tools.

LESS THAN A YEAR	4%
BETWEEN 1 AND 3 YEARS	30%
BETWEEN 4 AND 7 YEARS	43%
BETWEEN 7 AND 10 YEARS	10%
10 YEARS +	13%

TABLE 8: Duration of employment.

The majority of workers have been employed between four and seven years. Employers do not like a high labour turnover because it increases training cost i.e. employers or supervisors have to spend productive time training a new recruit, and workers have to 'fit in' with the other employees.

Most workers have been employed since the formation of the enterprise. Some are employed for twenty years in the established companies. In a furniture factory three generations of a family are employed. The workers who have been employed for long periods are sometimes financially bound to the owner of the enterprise e.g. personal loans, home loans, transport, children school fees, electricity bills etc. The relationship is characterised by dependence. Inappropriate or unduly restrictive legislation are often viewed as constraints on the access of small enterprises into the business sector and as obstacles to their growth. There is discussion and frequent disagreement about the proper degree of regulation and deregulation of small businesses. Unduly strict regulations often harm small businesses and benefit larger, more established ones, whereas less regulation may lead to aggressive competition between enterprises, to the neglect of workers interest, or health hazards and environmental destruction. The majority of employees fall in the 25 to 40 age category. Some employees are over 45. Employers prefer to employ people in the 25 to 45 age group.

EMPLOYEES NOT ORGANISED BY TRADE UNIONS	73%
EMPLOYEES ORGANISED BY TRADE UNIONS	27%

TABLE 9: Trade Union Membership.

Enterprises which have applied for exemption from the Industrial Council and others which have not, do not have a trade union presence. Trade unions are treated with suspicion and organisers are not

allowed to organise on the shop floor.. Industrial relations can be characterised as conflictual between employers and the trade unions.

The South African Clothing and Textile Workers Union is active in the clothing sector. The National Metal Workers of South Africa; Paper, Pulp, Wood and Allied Workers Union and The Canvassers and Roap Workers Union organised in the other sectors. The smaller less established enterprises are also hostile to trade union organisations, threatening to retrench workers who are members of the trade union. An interviewee offered workers five hundred Rand if they resigned from the union. Employers view trade unions as imposing minimum wages and employment conditions that SMEs cannot meet.

Entrepreneurs require a flexible labour force and the ability to retrench when no work is available. This conflicts with the union demand of job security. The majority of the companies have not experienced industrial action in the form of strikes or work stoppages. One manufacturer had an "industrial relation incident: the worker complained to the African National Congress that he was paid less than the other workers".

Educational level of employees was not a criteria for employment as employers stressed that workers need to complete a particular task reduced to a simple operation. This does not need high levels of education. The majority of worker's (67%) level of formal education are between standard six and standard eight. 17% of the employees were employed before completing standard five and 17% of the remaining employees between standard nine and ten.

I was not given a clear picture of the average income of employees. Salaries in the SME sector is flexible. Industrial Council wage rates is seen as a factor hampering growth. An employer confessed that he did not pay these rates. Each sector has a wage rate which is divided into job description per sector e.g. the clothing and textile sector paid R240 basic for a machinist with experience. A pattern maker and cutter earned R428 per week. Wage differences differ between sectors. The wage rates for the furniture sector ranged between R270 and R350 depending on job description. The largest wage

difference existed in the transport industry with packers and labourers earning R900 a month and long distance drivers earning R4000 a month.

SMEs do not have many job descriptions per industry as employers and employees have more than one job description. The most common benefits except salary include: Unemployment Fund, Workman Compensation, Sick Fund, Provident Fund, Insurance and a periodic bonus. 5 enterprises did not provide any benefits or subscribe to the Industrial Council regulations. Industrial relations are conflictual in the above establishments, between employers and union officials.

All the enterprises subscribed to the Occupational Health and Safety Act but the employers stressed that the nature of work was not hazardous. No serious accidents have been reported. A workers was sent home for cutting his finger with a cutting machine in the clothing industry.

The drivers for transport companies work overtime. It was stressed by employers that they are financially rewarded for services. The remaining companies do not work overtime or shifts. The hours of work for employees was 42.5 hours for a five day week. Employers stressed that they work about 47 hours per week due to responsibility and decision making.

MANAGEMENT STRUCTURE

Any policy objective should be to encourage entrepreneurship in general and black entrepreneurship in particular. If support intervention is not sensitive to the disadvantaged communities, white and advantaged communities would be the sectors who benefit the most from this support.

SIZE OF ENTERPRISE	MANAGEMENT STRUCTURE
SMALL	OWNER FAMILY SUPERVISOR RECEPTIONIST/ADMINISTRATOR ACCOUNTANT
MEDIUM	OWNER FAMILY [NOT AS ACTIVE] SUPERVISOR RECEPTIONIST/ADMINISTRATOR PRODUCTION MANAGER SALES MANAGER DISPATCH MANAGER ACCOUNTANT

TABLE 10: Management Structure.

Small enterprises do not have many levels of managerial structures. The owners generally play the role of managers and supervisors. Their duties include administration, salaries, sales, marketing, day to day running, finance, delegate tasks and public relations. Family members of the owner play a crucial role in the operations of the business. They are involved at the shop-floor level in a supervisory capacity and they tend to concentrate in managerial positions. Family members help reduce business cost as they earn low if any salaries. They also provide a necessary support to the entrepreneur.

Most companies have an administrator assisting the employer and acting as a receptionist. There is direct contact between the owner and workers. The accountant plays a very indirect but active role in the management of the company. 57% of the companies hire supervisors on the shop-floor. The supervisors are in charge of the production line i.e. they maintain efficiency without stoppages. They have experience in production and tend to work for the owner for a long time. Shop-floor workers do

not work on one task continuously. They are moved to other tasks which include skilled jobs, when the need arises e.g. production deadlines and targets which have to be met. Flexibility in job description is due to the size of the operation. This is a form of multi-skilling.

The medium sized companies have a larger management structure because of larger employee numbers, increased turnover and a more widespread marketing strategy. The management structure differs between factory, sector and industry however a broad pattern emerged which include: increased number of supervisors on the shop-floor, production manager, sales manager, dispatch manager, overall manager and an accountant. The role of the family is decreased in the management structure of the medium enterprise. Workers are organised into work teams which is directed by a supervisor. There is less contact between employers and employees. Workers job description are not very flexible in medium enterprises. Unions organise in these sectors.

PROBLEMS IDENTIFIED BY RESEARCHER:

- Personal debt usually incurred during the start up stage is a major impediment to business expansion. The majority of respondents were still paying off accounts related to the start up period. Surpluses could thus not be invested in the business to make it grow.
- There is a lack of access to capital and information on how best to employ capital once obtained. Many owners complained that loans were provided with no after care.
- High rents particularly in the central business district.
- Violence is a major impediment to growth and businesses operate in a climate of uncertainty militating against long term planning.
- The most pressing need is for information. Owners lack the time and resources to conduct searchers for the most appropriate service. This point needs to be underlined. The reality is that business owners just do not know that advice is available. In fact many of them are surprised to hear that support organisations exist.
- It is difficult to gauge the success of enterprises. The significant number of owners live a hand to mouth existence. They determine profit by how much they bank each month. One of the

inconsistencies is that they all claim to use written bookkeeping methods yet some respondents could not calculate profit or indicate whether the business is growing.

- The most common and also the most realistic answer was that the success of the business is tied to the fortunes of the economy. Many felt that once the economy improved business would pick up. In this respect there appeared to be a resignation to the fact that training, finance or other technical inputs would be of little consequences unless macro-economic conditions changed.

Part Three, reflects the isolation of enterprises at different stages of development and a lack of support experienced by entrepreneurs during its development, in the Western Cape.

4.4 FEATURES OF SMALL AND MEDIUM ENTERPRISE SUPPORT IN THE WESTERN CAPE

There is an increased interest in supporting developments in the small and medium enterprise sector. Policy-makers, researchers and politicians are actively involved in its development and are responsible for support institution involvement in this sector. SMEs require a more supportive environment. Research indicates that the support organisation environment in the Western Cape is developed and extensive. A range of organisations exist each offering a variety of specialised service. The organisations include: Triple Trust, IBEC and the SBDC. Other organisations involved in training , financing, marketing and general support services are university and university based institutes, local business associations, technical training organisations, Non governmental Organisations (NGOs), Community Based Organisations (CBO's), private sector companies and business associations. A major institution in the Western Cape is the Small Business Development Corporation. Support institutions have specialised areas for intervention. Each support organisation services a specific target group within the small and medium enterprise sector. A general lack of awareness of support interventions exist among entrepreneurs.

FINANCE

SMEs require more supportive financial institutions. The lack of finance is one of the major problems SMEs face. Even emerging enterprises have difficulty borrowing from institutions. Most entrepreneurs appear to use their own money for start up capital as opposed to borrowing it. Apartheid laws restricted blacks from owning businesses especially manufacturing. Black businesses are concentrated in the service and trade sector. Financial intervention encouraging black manufacturing entrepreneurs is beginning to emerge. Working capital and industrial capital e.g. to purchase extra machines and equipment is cited as the most problematic.

A pattern is reflected in TABLE 15 which indicates that 73% of interviewees obtained their start up capital from savings, family members, retrenchments and UIF.

SOURCE OF START UP CAPITAL	TOTAL
Commercial Bank	17%
Parastatal development organisation	4%
Small business organisation or association	3%
private money lender	3%
stokvels club	0%
own capital: family loans, UIF, Savings etc.	73%

TABLE 11: Source Of Start-Up Capital.

Together with savings and UIF the majority of business owners obtain start-up capital from within the immediate family, and repay as if these were loans. Respondents felt less vulnerable taking money from family than institutions.

"..did not have surety or security. Nedbank does not finance new SMEs. Standard Bank wanted me to sign everything I had as surety".

Some enterprises have roots in homes. Money from previous employment and savings are invested in machinery which is a slow and long process. SMEs who have a growth potential find it difficult to obtain credit for the purchase of extra machines or equipment.

"..started from home, 4 machines. bought more machines. Paid R760 for first machine. It is difficult to start your own business".

It was difficult for black entrepreneurs to obtain start-up capital. Black entrepreneurs interviewed feel humiliated and cheated by the apartheid laws which prohibited them from engaging in manufacturing.

"Colour, it was difficult for black people to get money".

A respondent obtained start-up capital from a money lender, who is generally avoided. Respondents fear the interest rate which is currently 30%. Another respondent obtained start-up capital from the SBDC. This is of no significance as our thirty respondents are a drop in the ocean. The SBDC rejects loan applications due to "too many restrictions e.g. feasibility study, surety and security". A respondent from a transport company refused to reveal his source of start-up capital. The interviewee stated that "a corporate company helped to set the business up". The company was not named.

A similar pattern is reflected in TABLE 16 which indicates that 63% of those interviewed did not apply or did not receive assistance for operating capital.

SOURCE OF OPERATING CAPITAL	TOTAL
Commercial Bank	23%
Parastatal development organisation	0%
Small business organisation or association	7%
Religious/ Voluntary organisation	0%
private money lender	7%
stokvels	0%
own capital: family loans, Savings, too risky	63%

TABLE 12: Source Of Operating Capital.

The majority of respondents have not applied for operating capital. Loans for operating capital is obtained from within the immediate family or business, and repaid as loans.

"Security, surety and feasibility study. Did not make an effort. Did not want to be tied to organisation".

Loans from commercial banks for operating capital is more frequent than loans for start-up capital. Institutions hesitate and do not take sufficient risks in lending enterprises start up capital as compared to operating capital. These respondents meet the loan requirements that a large number do not meet. Respondents generally see loans as a last resort and a risk. They are unsure of interest rates payments due to instability of the enterprise.

Operating capital is generally hard to obtain and is sometimes obtained from "orders" and production targets.

Three manufacturers from different sectors buy machines on a six month credit without interest or they buy old, broken or second hand machines which are repaired and used. The machines are frequently sold to other enterprises. A respondent complained of bias against black entrepreneurs in obtaining operating capital as loan applications from the SBDC and commercial banks are refused due to the many restrictions already discussed. A respondent from the transport company who received a "corporate grant" did not complain of operating capital problems. He stated that, "the banks did not want to help him".

Assistance received from commercial banks included: overdraft facility and hire purchase. Banks decide on a loan application after assessing a borrower's balance sheet and income statement. A respondent invested a bond for home improvement in his business. A commercial bank issued a loan of R200 000 to a fitness equipment manufacturer. He used his small holding in Constantia as collateral. Loans from the SBDC ranged between R7 000, R8 000 to R14 000. The respondents who do not receive financial assistance cited surety and collateral as the main reasons. Respondents who receive financial assistance are able to provide either surety, collateral or a large turnover but complained of the bureaucratic process and the lack of understanding from the SBDC and commercial banks for SMEs. Screening methods of collateral and surety as a condition to granting a loan excludes many black businesses without assets. Respondents frequently work 'from hand to mouth' and are turned away because of 'too many forms, viability study, surety and security'.

"SBDC, too much of forms and viability study. They want you to prove that the business can make a certain turnover"

"With surety and collateral, you give your soul to the bank"

The commercial banks processed loan applications as soon as surety is guaranteed. The SBDC generally processed loans efficiently once surety is guaranteed e.g. from a few days to one week. When surety is not guaranteed the period for processing applications increases from three weeks to seven months. In many cases the application is refused.

Respondents generally complained that the conditions for financial assistance hampers the growth of the enterprise. Conditions act as a barrier to assistance generally affecting the disadvantaged communities who have the entrepreneurial will but are denied access to resources.

Interest rates, collateral and surety are seen as an expense for the enterprise which increases costs and hampers growth; by "reinvesting the money".

Giving loans to SMEs is not a solution on it's own and can worsen their problems. Pre and post loan support is important if the loans are to be profitable. The nature of support will depend on the sector the enterprise is involved in. SMEs should be involved in support structures which will create co-operation between enterprises.

"paper work and surety hamper rate of growth. It is difficult to draw up five year projections. SMEs do not know how to".

Financial assistance is invested in the day to day running of the company e.g. paying debtors, buying stock, wages and sometimes used "to complete job". A major portion of loans are invested in machinery e.g. power tools, sewing machines, cutting machines and vehicles.

The majority of respondents have not received financial assistance. The respondents do not have knowledge of the financial institutions environment to propose a preferred institution which could best serve the operations of an enterprise. The respondents who received financial assistance perceived the commercial banks and the SBDC as best serving the operations of their business if it becomes less bureaucratic and more sensitive to the needs of small and medium enterprises.

Once operational, owners obtained advice from an accountant, auditors, family or a business in the same sector. The support of accountants and auditors was far more valued than support organisation intervention. The reasons provided were accessibility, on the spot advice and knowledge of local markets. Those who were aware of support organisations often spoke disparagingly.

"Advice is not helpful. It is general advice. I need more specific advice i.e. related to my industry".

It is significant that 63% of the respondents received no formal advice from any source. This highlights the fact that these enterprises are extremely isolated from support institutions. All the respondents indicated that competition existed with other companies. It takes the form of price, quality, efficiency, delivery, design and service. Some companies complained that larger companies and monopolies have an unfair advantage. SMEs find 'market access' an obstacle to growth. The larger companies have a greater share of the market, making it difficult for SMEs to compete. The issue of co-operation is less clear because 47% of the respondents do not co-operate with other enterprises but contact between companies can take the form of passing job orders to other companies, sharing orders, selling materials, hiring machinery, technical advice and the formation of a Brick paving Institute of the Western cape to maintain standards. Respondents indicated that they do not share 'trade secrets'.

SOURCE OF ADVICE	**TOTAL**
Auditors/ Accountant	20%
Damelin	3%
SBDC	10%
Full time financial Advisor	4%
No Assistance	63%

TABLE 13: Source of Advice.

The SBDC and Damelin provided introductory, management courses. The advice provided was management and not technical related. Accountants are providing bookkeeping advice and not advice related to the operations of the business. It is useful to diaries accounts, costing, stock values and the monitoring of daily expenses. One respondent indicated: "it is helpful, I save on paying tax".

A respondent proposed an "area hive" which is sensitive to the need of SMEs in that area. The "area hive" should be operated by established entrepreneurs and other interest groups from that community. It should co-ordinate economic activity in that area e.g. transport, communications, storage facilities, co-operation between enterprises etc. The advice should not be expensive and work on a community collective basis i.e. the more established businesses in a community who have experienced developmental problems can guide new and less established enterprises who experience new and similar problems. Advice should include: machinery, export, tax saving schemes, marketing, costing and the diversification of investments. Enterprises do not need sophisticated financial advice. There are many entrepreneurs who are capable of providing this service. This would lead to co-operation and co-ordination between enterprises.

Lack of access to financing is a constraint facing manufacturers, but firms with subcontracting relationships with larger firms find it less of a constraint than those that do not. A percentage of the enterprises have access to financing, yet financial constraints are a concern because the cost of materials and of financing is high. Incentives should be designed to encourage large enterprises to buy from small and medium enterprises. Larger enterprises should provide technical advice and training to smaller black firms to achieve the quality necessary for procurement arrangements. The relationship should be voluntary and mutually beneficial.

TRAINING

Technical, management and shop floor training is an important condition for the success and development of an enterprise. Institutions offer a wide range of training courses however entrepreneurs are generally not aware of these courses. Enterprises generally require training that is sector specific and relevant to an enterprises.

Once up and running, owners obtained advice within the family or past work experience. The advice from family and past work experience is more valued than support organisation intervention. The reasons provided are accessibility, on the spot advice and relevance to particular sector. Those who are aware of support organisations spoke disparagingly at this.

"training support is not relevant to my particular business".

It is significant that 70% of respondents received no assistance from any source. It highlights the fact that these enterprises are extremely isolated and entrepreneurs lead a lonely business existence. However there is substantial amount of unrecorded advice and assistance between SMEs that takes place. Particularly in the start-up phases when the newcomer needs to be introduced to the "ropes of the business".

The majority of respondents did not require training for the following reasons: the type of production was not so specialized and technical. Some employers had sufficient training from past employment and on the job training. Training courses for small and medium enterprises have been extensively introduced recently. Training is expensive both financially and in terms of time. Employers favour in-house training rather than going to training institutions. Training support should be mobile and flexible. "no time to go for courses as time is spent at the factory". Some respondents complained that the training available is not relevant to their industry. The long established enterprises complained of racism.

SOURCE OF TRAINING	TOTAL
TRAINING BOARDS	10%
S.A PAINT MAKERS ASSOCIATION	3%
SBDC	4%
DAMELIN	3%
PREVIOUS EMPLOYMENT/ON THE JOB TRAINING	70%
NAFCOC	4%
FAMILY BUSINESS	3%
EXTRA MURAL COURSES	3%

TABLE 14: Source of Training Employers.

The courses offered are not centrally co-ordinated to perform any national, regional or local economic goal. They offer business skill and a limited selection of technical skill training. The majority of organisations offered business skills training. They offer a basic course and then proceed to specialise. The NAFCOC courses continued for eight weeks part time; the clothing industry training board courses lasted for between one and a half and three years part time. The majority of courses continued for eight weeks. The longest course was a four year paint manufacturing diploma. A British polytechnic introduced the course in South Africa. It was monopolised by two major paint companies: Plascon and Dulux. Entrance was not allowed for private and individual enterprises. Enterprises gained entrance through the South African Paint Manufacturers Association which was allowed a limited number of entrants. The course was monopolised by the above mentioned companies.

FUTURE TRAINING COURSES	TOTAL
Not interested in future training courses	63%
Interested in future training courses	37%

TABLE 15: Future Training Courses.

The majority of respondents are not interested in future training courses. The reasons include: lack of knowledge of the support environment, isolation, relevance of present courses to sector, personnel shortage, expensive, sufficient experience in industry, age of owner and training can be conducted on the job rather than a training institute. Some respondents saw the need for future training courses e.g. mechanics courses, pattern making and designing courses for the clothing industry. Respondents across the different sectors are interested in management courses e.g. sales, book keeping and marketing. It is necessary that these courses are relevant to the particular industry or sector if they are to have any effect. The majority of people complained that courses are very general and do not relate to their industry.

It is significant that 53% of employees did not receive any training related to the operations of the business. Only 47% of employees have been for training courses. An insignificant minority of the 47%

have been trained at training institutions. The majority have received training from previous employment and on the job training.

SOURCE OF TRAINING	TOTAL
PREVIOUS EMPLOYMENT/ON THE JOB	84%
FSA CONTACTS	3%
SAMPSONS TRAINING SCHOOL	3%
KELLY GIRL	3%
DAMELIN	4%
CITB	3%

TABLE 16: SOURCE OF TRAINING EMPLOYEES.

The main form of training at SMEs are on the job training and employment of skilled workers. Individual factories, sectors and industries have specific wants e.g. administration, machinery, supervisory, receptionist, communication and general mechanics training. On the job training takes many forms. Some include: new workers are trained by shop-floor workers or a skilled supervisor. The owner is frequently involved in training. Job descriptions is flexible. On the job training is seen as a continuous process based on the needs of the company. It continues as long as the employee is employed. Workers are moved to different job descriptions which require training. Training of employees is not based on trial and error. Sampsons Training School courses continue for six weeks and three days in the example of Kelly Girl. Employers do not prefer to send workers to institutions for training as it increases costs and workers have to be replaced for the production line.

Respondents do not see any need for further training of the employees in the operations of the business. Tasks are broken into simple operations and each person has a particular job. On the job training is seen as sufficient in meeting the demands. Some respondents need management courses for supervisors but it should be relevant to the industry and not very general.

The following statement reflects the demand for training courses:

"SBDC courses cater for the very unskilled or for the very skilled. No relevant courses in between"

"No need for further training as each person has particular job. Simple task".

INSTITUTIONS PROVIDING TRAINING TO SMEs	TOTAL
SBDC	100%
IDT	27%
IDC	40%
DBSA	27%
SAFTO	40%
CSIR	43%

TABLE 17: Knowledge of Support Institutions.

The above table reflects the knowledge of support institutions by entrepreneur. A list of the above institutions was provided.

The largest and most frequently advertised organisation in the Western Cape is the SBDC followed by CSIR, SAFTO, IDC, IDT and DBSA. 90% of the respondents have not used or been offered any service by the above organisations. 7% of the respondents have enrolled for SBDC courses. A respondent approached the SBDC but experienced 'too much red tape'.

The majority of trainees have not experienced problems in applying knowledge to their work. This pattern is reflected in TABLE 14 which indicates that 80% of employees have not experienced any problems.

PROBLEMS EXPERIENCED AFTER TRAINING	TOTAL
NO	80%
YES	20%

TABLE 18: Problems Experienced After Training.

Workers are hired on a trial basis. If they do not complete a particular task, they are moved to other jobs. Skilled workers are employed who have experience from previous employment. In the clothing industry, different garments need new instructions and directions to assemble. Job description flexibility

creates a need for further training. Skilled job descriptions e.g. paint, cleaning and chemicals manufacture require basic scientific knowledge of pH levels etc. Some of the solutions proposed by employers to these problems include:

- cheaper and ongoing courses
- move workers to manageable jobs
- courses relevant to industry
- factory based courses

Institutions provide certificate for courses after completion which are recognised by institutions providing the training. Certificates issued by the Clothing Industry Training Board are nationally recognised. The respondents do not know of institution who recognise the courses.

"yes, I recognise the certificate but it is important what workers can do which they take to other jobs".

After training, employees are moved to skilled jobs but due to the size and limited levels of jobs in the enterprise upward mobility is limited. Workers are given job descriptions corresponding to previous employment and present skill and are financially enumerated. Job description requires knowledge of many tasks and operations. Increased skill and knowledge results in an increased job description and greater work load. Employees identified by respondents are trained for skilled jobs. In the clothing industry cutters and pattern makers are highly skilled and operate sewing machines but machine operators do not operate as cutters. The national training board and trade unions do not play an extensive role in offering training. 97% of the respondents contribute to an Industrial Council Training Fund which is generally not used. Respondents felt that Non Governmental Organisations and Community Based Organisations can provide training. Employers have had little exposure to the training board.

MARKETING

Small and medium enterprises regard market access and the ability to sell their goods as a serious constraint to the development of a business. A common constraint is monopolies. It is significant that 60% of the respondents market their products in the Western Cape. This highlights the fact that these enterprises are extremely isolated from other regions and markets.

MARKET	TOTAL
WESTERN CAPE	60%
SOUTH AFRICA	20%
INTERNATIONAL: NAMIBIA ONLY	13%
INTERNATIONAL	7%

TABLE 19: Location of Market.

60% of the respondents have heard of the South African Foreign Trade Organisation. Two respondents have international contact. One entrepreneur has made personal links with international businesses. A clothing company use the services of SAFTO to export clothing to the neighbouring countries e.g. peak caps to FRELIMO. 43% of the respondents market direct to the client. Cut make and trim companies do not aim at any market. Promotional companies or agents subcontract from larger 'fashion houses'. CMT's compete for orders. There is a parasitic relationship between CMT's and larger fashion houses. Subcontracting allows fashion houses to avoid Industrial Council wage and working conditions. Workers are generally the victims of this relationship as job security is not guaranteed. Some CMT's have to close down. 27% of the respondents aim directly at shops e.g. furniture manufacturing.

53% of the respondents market their goods and services. Respondents regard marketing advice from institutions as expensive and showed little knowledge of the marketing institution environment. Respondents showed interest in marketing services if it was relevant to Small and Medium Enterprises and if it increased sales. A chain store marketed the goods of a furniture factory. The manufacturer adds the cost for marketing in the cost of the item.

"If you know there is a well around the corner, you will drink from it"

27% of the CMT respondents use promotional companies or subcontractors. Respondents generally do not hire reps to market goods and services: "they sit at home and make phone calls in the morning". The enterprises longer in operation generally have a network of regular customers and do not require marketing services. The majority of respondents (83%) do not receive assistance in the marketing of goods and services. The new and struggling enterprise do not consider marketing assistance as a necessity due to the high cost and accessibility. The structure of these enterprises would not cope with the increased sales. Institutions providing marketing advice include: NAFCOC, Old Mutual, Marketing Services International and Ardena. A respondent receives advice from a person involved in the same sector. Assistance from the above organisations include: contacting shops, clients, circulating photos, price lists, advice on market and mail orders to overseas companies. Respondents generally do not use advertising because of cost, subcontracting in the clothing sector and accessibility. The main form of advertising includes newspaper, Yellow Pages, telephone book and leaflets. The radio which has an extensive impact over a large number of people is not used.

73% of the respondents do their own packaging. The service sector and certain enterprises in the manufacturing sector are not required to package. Respondents who do their own packaging follow the requirements of clients who specify the type and usage. This system is most frequently used in the CMT enterprises.

Two enterprises have access to marketing intelligence services i.e. Chamber of Industry who sends reports from the Central Statistics. The second source of information is Marketing Intelligence Services used by a clothing manufacturer. The respondents generally do not show any interest in marketing intelligence services. The majority of respondents operate as isolated entities. Only 37% of respondents belong to any association or chamber.

CHAMBER OF BUSINESS	**TOTAL**
CAPE CHAMBER OF COMMERCE	17%
CHAMBER OF INDUSTRIES	13%
WEBCOC	3%
CHAMBER OF PRINTING	3%
ISOLATED ENTERPRISE	64%

TABLE 20: Membership to Chamber Business.

A significant minority i.e. 40% of the respondents subscribe to an industry magazines. It is a source of information, ideas, it provides trends in the industry, information on technology and it acts as an

indicator. The magazines range from Shoes and Views, Coats and Coating in the Clothing industry to Sports Trader and Pharmaceuticals and Cosmetics Review. Other magazines include Pursuit, DTP Publishers and MBA magazines.

The above sample reflects the lack of relevant supportive action including training, marketing and finance by SMEs which will make them function more effectively in the Western Cape. It also reflects the lack of provision provided by the Small Business Development Corporation to SMEs and the isolation that SMEs experience as a result.

4.5 GOVERNMENT POLICY AND PROBLEMS EXPERIENCED BY SME'S

The South African economy is dominated by large enterprises whose share of the market prevents small businesses from gaining access.

Previous government economic policies reflected the distortion of a monopoly dominated economy and obstructed blacks from entrepreneurship. Government incentives to enterprises favoured large corporations at the expense of small and medium enterprises. Black small enterprises were directed towards the service and trade sector, and often neglected by government economic policy. Government funded institutions favoured white owned businesses.

During the 1980s the policy climate affecting small and medium enterprises began to shift from repression to new initiatives for the promotion of black businesses within certain limits. Starting in the 1980 and under the direction of the SBDC, the development of small black enterprises became part of the wider growth strategy. The 1987 government white paper on *Privatisation and Deregulation in the Republic of South Africa* stressed the importance of encouraging entrepreneurship and stressed that "the approach to regulation must therefore emphasise the promotion of economic activities and be less directed towards their control".

The abolition of apartheid legislation included: the abolition of the Influx Control Act in 1986 and culminated in 1991 of the repeal of the Group Areas Act, the Black Land Act, the development Trust and Land Act and the Population Registration Act. The repeal of these acts removed the legal framework that the government used to restrict black business activity. The Business Act, passed through parliament in 1991, eliminated many of the regulatory burdens on black small businesses. This Act denied municipalities the authority to declare certain areas off limits to street trading. From 1986 to early 1994, deregulation has been the watchword of government strategy and a tactic for stimulating small business and the informal economy.

The respondents do not know how government policy as regards to small and medium enterprises is formulated. The following issues concern respondents: financial and training assistance for SMEs from

government structures is limited. The respondents complained that Industrial Council regulations affecting larger enterprises are 'imposed' on SMEs. The survivalist enterprises cannot afford to meet the present regulations. "Leave business alone. Market will sort itself out. Get rid of industrial council"

The unions posed further problems for SME growth. Some respondents complained that the union and the state play more of a 'policing' role rather than reaching consensus on economic growth and increased employment. Some respondents had not formed an opinion on the issue because they have not been exposed to government formulation before.

The following table reflects how entrepreneurs think their interest could be represented in policy formulations.

Government questionnaire which are sent to them	7%
Trade association	13%
Small Business Association	30%
Chamber of Commerce and Industry	17%
Local panels where government and business panels could exchange views	30%
Personal interview conducted by government official	10%
Accountants or bankers	3%
Local council offices or job centres, staffed by civil servants, where small business owners could go to put their views	7%
Personal interview conducted by an independent intermediary	7%
Other (mass media)	3%

TABLE 21: Consultation Options.

Small business associations and local panels where government and business owners could exchange views received the most support due to direct interaction.

There is a lack of access to capital and information of investments, training and marketing support. Many owners complained that loans were not provided with an after care service. Information is in

need. Owners lack the time and resource to search for the appropriate service. Many were surprised to hear the names of support organisations during the interview. It is difficult to gauge the success of an enterprise. The majority of owners live a hand to mouth existence. SMEs as single companies will not be able to make the leap from where they currently are. Groups of SME should co-operate and network amongst each other so that they can overcome the structural limitations of single companies. A small enterprise on its own will not be able to have a research and development unit, expensive technology or have sufficient resources to market its products. Through networking and co-operating i.e. competition and co-operation at local, regional and national levels, SMEs could develop new relationships and strengths that will enable them to compete with large companies, produce quality goods and a range of designs required by the market.

As is evident from the profiles of small and medium enterprises presented in this chapter, black enterprises have the potential to be dynamic and productive players in South Africa's economy. They also offer an avenue of opportunity and achievement for a large section of South Africa's ignored human potential. The need for a coherent national small-business policy follows logically from the above discussion. Most of all there is urgent need for a government framework at national level, within which the different needs, policies and programmes can be co-ordinated. This is necessary for the setting of priorities and the allocation of public funds.

4.6 FOOTNOTES

[1] Athlone - a dense trading area half way between the major South East Townships and squatter camps and the CBD.
Mitchells Plain - a coloured area to the west of Khayelitsha
Guguletu - an African township with a more developed infra-structure than Khayelitsha. It is also closer to the CBD, adjacent to Athlone and the major industrial area of Epping.
Khayelitsha - is a sprawling African Township to the east of Mitchells Plain. It is by far the largest African township in the Western Cape and is rapidly expanding as it absorbs new arrivals to the Western Cape.
[2] Western Cape Reconstruction and Development Programme, Draft One, Unpublished Discussion Document, 2 March 1994.
[3] Ibid.

CHAPTER FIVE

5.1 SMALL BUSINESS POLICY IN SOUTH AFRICA

The general purpose in any country of economic policy is the "*generation of sustained, long term increases in the material and social welfare of the society to which it applies*".[1] The South African economic and social welfare objectives have been comprehensively laid out in the Reconstruction and Development Programme (RDP). In order to achieve the eradication of poverty and degradation, the RDP proposes five key programmes: meeting basic needs, developing South Africa's human resources, building the economy and democratising the state and society.[2]

This provides the yardstick against which policy should be evaluated. The emerging unfolding initiatives discussed in this chapter are designed to assist industrial policy and should be appropriate to the achievements of RDP objectives in general and small business development in particular. In a presentation to the Trade and Industry Portfolio Committee on 28 February 1996, the Chief Director for Small Business Promotion said that the governments mission was to create an enabling environment which stimulates the growth and development of small business, resulting in job creation, a redistribution of wealth and shifts small business from the margins of our economy to the centre.[3] The above mission of the government should be seen within a two phased context.

- Policy formulation and Consensus Building which included: The White Paper On Small Business Promotion and The President's Conference on Small Business.
- Activities Since the President's Conference On Small Business.

5.2 POLICY FORMULATION AND CONSENSUS BUILDING

THE WHITE PAPER ON SMALL BUSINESS PROMOTION[4]

A White Paper entitled, 'National Strategy for the development and Promotion of Small Business in South Africa' was presented to Parliament on 20 March 1995 after it was accepted by cabinet and discussed by the Parliamentary Select Committee on Trade and Industry. The White Paper (WP) made preparations for a national plan for small business which was as inclusive as possible. The WP committed government to transparency in its support action. The reason for the National Strategy included the diversity, size and importance of South Africa's SME group and the number of people involved in SME. It contributes just over a third of the national output. South Africa's

SME have been neglected in the past especially black owned or controlled enterprises. Women, disabled, the youth and rural dwellers were also neglected. SME support goes back many years but most of it was not enough for the growing number of small businesses or was based on race. The lack of co-ordinated efforts means a national plan is needed. The previous government was not seen as legitimate, making it impossible to fulfil this role. The National Strategy is a commitment to a plan within the wider framework of the RDP. The WP does not set targets on the goals but leaves that to the institutions which are setting up the national plan.

The objectives of the National Strategy outlined in the White Paper include the following:[5]

- the creation of a supporting environment for SMEs
- aiding greater spread of wealth and economic opportunities
- creating and upgrading long term jobs
- strengthening the economic empowerment of black people and women in business
- stimulation internationally competitive sector growth
- strengthening links between big and small as well as rural and urban business.

The principles underlying the national plan includes:[6]

1. The National Strategy is part of a vision for the future growth and development of SME in South Africa, creating links between enterprises.
2. Competitiveness has to be increased while taking note of the standards of the growing competitive international economy.
3. A support plan has to look at both supply and demand side issues and concerns with encourages payment for support services.
4. Limited resources require support programmes which must be planned and co-ordinated in order of importance and availability of resources.
5. Institutional frameworks for small business support must include all stakeholders allowing provincial co-ordination
6. Private sector, co-operatives, NGOs, business associations, training institutions and foreign donors have to play a role and be co-ordinated within the integrated National Strategy.

The institutional reform would involve the restructuring of some of the existing institutions and to add new ones in order to get an appropriate institutional framework. At the national level, the

Department of Trade and Industry is the co-ordinating body for policies and programmes related to small business promotion. The Centre for Small Business Promotion has been set up as a Chief Directorate to fulfil this co-ordinating role and charged with the overall co-ordination of implementation of the National Small business Support Strategy . An amount of R79 620 000 was allocated to the Department in the 1995/1996 financial year. [7]

The White Paper proposed the setting up of the National Small Business Council and provincial small business councils which will allow small business entrepreneurs to have a real say in the shaping of SME support. The NSBC which is also to become a statutory body and which is to act as an advocate for the needs of small, medium and micro scale enterprises.

Since July 1995 the Department has established interim Provincial Small Business Councils. The WP proposed the setting up of a new SME development agency to help co-ordinate the setting up of different support plans. The development agency, Ntsika Enterprise Promotion Agency (NEPA) will consists of four operational units: Business Development Services (BUDS), which will co-ordinate the local service centre plan, a training co-ordination unit, a marketing and procurement support unit and a policy planning and research unit. These structures should work closely with the DTI and the NSBC. A wholesale finance agency, Khula Enterprise Finance would focus on loan finance and credit guarantee. The institution would be jointly funded by the private as well as the public sector.

Along with the setting up of the above structure, the function, role and funding of the SBDC has been reconsidered. The White paper has formed the thinking around the negotiations between the DTI and SBDC board. This process is combined with the streamlining of other national and provincial agencies with support responsibilities e.g. DBSA, IDC, DTI and Kagiso Trust. The White Paper is based on the understanding that public responsibility for SME promotion is shared between national and provincial governments with local authorities playing a more active role. Policy would be implemented through provincial or local instruments in the nine regions. The White Paper does not determine the role of different development corporations, NGOs, business associations and SME support agencies. The role of these organisations have to be determined in line with the needs within each province. The implementation focus of the White Paper is village's,

towns, city and metropolitan areas. The WP stress the need for co-operation with other support agencies.

5.3 THE PRESIDENT'S CONFERENCE ON SMALL BUSINESS[8]

Parallel to the drafting of the WP, preparations were being made for the President's Conference on Small Business, to occur from 28 to 31 March 1995 in Durban. The objective of the conference was to heighten public awareness about the plight of SME. Over two thousand stakeholders and delegates used the WP as a framework of action. The conference stressed a new approach towards SME support in South Africa. The conference reflected the governments willingness to listen and highlight the complexities of issues to delegates. The conference concluded with a broad consensus about the importance of small enterprises in South Africa.[9] The challenge was now, in the development of specific strategies and the implementation of appropriate policies.

5.4 ACTIVITIES SINCE THE PRESIDENT'S CONFERENCE ON SMALL BUSINESS[10]

NTSIKA ENTERPRISE PROMOTION AGENCY (NEPA)[11]

NEPA facilitates and co-ordinates the provision of non-financial services to the small business sector, develops and provides information and analysis on the evolution of the small business sector, to government. It also acts as an aid to policy development.[12]

Nepa will function as an intermediary by working with government, the private sector and NGOs in order to network effectively with the organisations and institutions that support SMEs. NEPA will ensure that small businesses are no longer confined to the margins of the economy, but through its intervention create an environment for important sectors of the South African society, e.g. women, rural people, youth and less able, to be empowered to play an important role in the economic growth of South Africa. NEPA's objectives are the following:[13]

- promotion and co-ordination of national programmes of research, analysis and advocacy on SME issues and creating an SME database to assist the task of policy making.
- monitoring, evaluating and reviewing the effectiveness of SME policies and programmes
- facilitating increased demand side intervention based on identified needs of the target group.

The target groups that NEPA intends to reach is micro, small and medium entrepreneurs and enterprises both aspiring and those already in business.[14] The needs identified by the target group are a user friendly legal and regulatory environment, adequate facilities for training in enterprise management and entrepreneurship development, access to information, counselling and extension, access to financial services, access to technology, access to markets and special issues such as targeted assistance.

NEPA has been established with the following six divisions to respond to these needs.[15]

- Administration Division - responsible for internally administering NEPA and externally to build the image of NEPA in co-ordination with all other divisions.
- finance and monitoring division - manage the internal financial affairs for the organisation and externally will monitor the financial disbursements made through other NEPA divisions.
- Business Department Services Division - create a network of service providers to cater to all business needs of SMEs
- management and entrepreneur development division- improve the training capacity and delivery systems of agencies involved in training and counselling
- marketing and linkages division - increase and expand marketing avenues for SME goods and services
- policy and research division - provide all stakeholders with information which guides decision making, policy formulation and reviews.

BUSINESS DEVELOPMENT SERVICES (BuDs).

The objectives and goals envisaged for BuDs derives from the broad recommendations in the White Paper, and the President's Conference on Small Business. Both sources stress the urgent need of "all would be and existing entrepreneurs to have easy access to high quality business support services". Such mechanisms, they emphasise, must 'support viable micro and small enterprise based on the assumptions of sustainability and potential growth and small (often disadvantaged) manufacturing enterprises which have aspirations and potential for growth but which lack technological and manufacturing expertise'.

BuDs, a unit of NEPA, has launched three programmes aimed at supporting the establishment of a network of Local Business Service Centres (LSBCs), developing a network of Manufacturing Technology Centres (MTCs) and establishing the Information and Networking Programme which are necessary to link all LBSCs and MTCs.[16]

A key component of the SMME support strategy is the establishment of decentralised/localised support service centres that provide a range of services to SMEs and have the credibility of relevant stakeholders. The role of BuDs is to co-ordinate activities for this national network of LBSCs and MTCs.

LOCAL BUSINESS SERVICE CENTRE PROGRAMME (LBSC)[17]

The LBSC aim is to respond to the needs of viable micro and small businesses. Such services will include business information, general business management advice and counselling, aftercare and networking to other services and are aimed at existing and potential micro and small businesses A LBSC is an accredited organisation delivering non-financial business support to small and micro enterprises. The 10 criteria for accreditation are:[18]

1.strategy
2.statement of purpose and business plan
3.core services
4.code of ethics
5.legal status
6.statutory obligations
7.charging for services and fee policy
8.financial solvency
9.development and allocation of staff
10.broad orientation, establishing targets and evaluation and dissemination of best practice and mentorship.

Satisfying the criteria will assist organisations in attracting both clients and donors and will be able to administer certain government programmes.

BuDs will assist LBSCs in developing their delivery capacity through training and development of LBSC members and facilitate access to information and information flow between LBSCs.[19] BuDs is also looking at two other mechanisms to assist the rural areas, namely a task force convened by BuDs to assist communities develop LBSCs and providing existing organisations with resources to work with potential LBSCs in the rural area.

MANUFACTRUING TECHNOLOGY CENTRE PROGRAMME (MTC)

These centres will render specialist forms of support aimed at providing targeted, sector specific assistance to small manufacturing firms.[20] These structures are being established in collaboration with key public and private sector stakeholders, together with international development partners. South African manufacturers need access to 'best practice' technology and management expertise and the capacity to meet the needs of new markets.

Four pilot MTCs will soon be established in different regions of the country. The administration and operation of these MTCs will be funded in part by the industry sectors involved, in part by the government through BuDs, and local development agencies.[21]

The location for the pilot MTCs will be selected from applications so as to present assistance to a large number of SMEs in particular black owned SMEs. BuDs will assist in the development of these regional MTCs, provide some funds for the centres and assist in the establishment of programme elements.

The objectives of the BuDs Information and Networking Programme are to assist SMEs to improve productivity and increase competitiveness through access to, and utilisation of, information through LBSCs and MTCs.[22] It will also work with other support organisations, such as NGOs, academic and technical institutes, national and provincial government departments to build the small business support environment. Two forms of networking are being promoted by the Programme, namely personal and institutional networks and electronic information networks. [23]

The Business Development Services Unit of NEPA is already in operation. Since the release of the accreditation charter, 14 service providers have been accredited as LSBC. Presently the department is in the process of establishing departments of NEPA, i.e. training marketing, linkages, policy and the research division. NEPA will become a statutory body as soon as the National Small Business Enabling Act is enacted.[24]

KHULA ENTERPRISE FINANCE (KEF)

Khula Enterprise Finance and Khula Credit Guarantee are wholesale finance companies which have also been established as a result of the White Paper and Presidents Conference.
Khula will promote growth and prosperity by increasing access to finance for South African SMEs, particularly amongst the previously disadvantaged.[25] This will be done through the development of Retail Financial Intermediaries (RFIs) that are financially stable with the commitment and capacity to serve the SMME sector. RFIs will include Provincial Development Corporations (PDCs), banks and NGOs. Khula will not deal directly with SMMEs but instead will provide services to approved RFIs, who will serve SMMEs. These services include loans, guarantees to reduce risk and collateral deficiency in the SMME sector. Khula will also provide grants to RFIs without access to adequate capital and those who will serve the most marginalised SMMEs and institutional development services to enhance the long term capacity of RFIs.[26]

RFIs will be assessed and monitored according to criteria which include job creation, outreach to targeted groups (women, youth and disabled) and previously disadvantaged areas (e.g. rural), support to promising sub-sectors and outreach to new SMME clients. The Institutional Criteria include the number of SMME clients, portfolio performance - repayment rate, efficiency - number of clients per officer and sustainability - cost of servicing the portfolio.[27] The RFI will also be evaluated according to financial performance, management capacity, efficiency, portfolio composition and outreach.

Khula will offer RFI two types of loan schemes, depending on their SMME lending capacity and the experience of the RFI. These are development and business loans.[28]

Development loans will be offered to RFI with little experience of lending to SMME sector and loans will be a minimum of R1 million and a maximum of R10 million. Business loans from R2

million to R20 million will be offered to RFIs that have experience in lending to the SMME sector. Loans maturity will not exceed 6 months beyond the average term of the portfolio being financed and cannot be longer than 36 months. Security will be based on the perceived risk. Repayment will follow the RFIs income derived from the SMMEs loan repayments.[29] The RFIs loan will be repayable irrespective of payment by its SMME clients.

Grants will be offered to new RFIs and those serving micro enterprises, the disadvantaged segment of SMME markets. Grant funds may be used to fund operational costs and on-lending to SMMEs. There are two basic programmes:[30]

- Seed Grants for new RFIs will cover operating and start up costs, in addition to capitalisation of a new portfolio,
- and capitalisation grants to fund growth in the portfolio of more mature RFIs whose focus is on micro-enterprises.

The credit guarantee will increase access to finance for SMMEs and will provide a mechanism enabling funds in the formal financial sector to be released into the SMME market on a risk sharing basis.[31] There will be three types of guarantees, namely

- institutional guarantees
- portfolio guarantees
- individual guarantees

An institutional Guarantee will enable a RFI to access funding from its financiers for on-lending to the targeted SMME sector. The extent of the indemnity will be 70% of the financiers irrecoverable loss. A Portfolio Guarantee will indemnify a RFI for a portion of losses on a new SMME portfolio in a predetermined sector. The extent of the indemnity will be 80% of the RFIs irrecoverable loss. An individual Guarantee will enable SMME entrepreneurs to access funding from the RFI to establish, expand or acquire a business.

The following terms and conditions will apply to Institutional and Portfolio guarantees, namely that the projects should be economically sound, the amount guaranteed must not exceed 50% of the RFIs approved projects, the guarantee may not be used to finance the purchase of personal

vehicles, the payment of dividends, personal consumption needs of the borrower and speculative investments. In addition the repayment period of loans guaranteed to finance working capital will be a maximum of 180 days, including a grace period of 60 days and the repayment period of guaranteed loans to finance the purchase of fixed assets will be a maximum of 720 days inclusive of a grace period of 180 days.

RFIs will have access to the Emergent Entrepreneur's Scheme and the Standard Guarantee Scheme. Although these schemes have similar general conditions, the specific terms and conditions of each differ slightly. The SMME must be independently owned with assets of less than R2 million before financing. Owners should have appropriate business skills and be business oriented.[32]

Khula is expected to be operational by the second half of 1996 when all of the above mentioned activities are in place.

THE NATIONAL SMALL BUSINESS ENABLING ACT

The Bill attempts to give effect to the White Paper on Small Business. On the 15 December 1995 the Department gazette the NSBEA for public comment. Provincial and national workshops were held to elicit comment on the Act. The Act was presented to NEDLAC at the end of March 1996 for comment and tripartheid endorsement. Upon NEDLACs endorsement of the Bill, the process will be set in motion for parliamentary approval, ratification and enactment. It is envisaged that the Bill will be enacted during the second session of Parliament. The objective of the Bill is to provide for enabling legislation to set up the National Small Business Council (NSBC) and Ntsika Enterprise Promotion Agency.[33] Khula Enterprise Finance has been set up as a company outside the Acts ambit.

The NSBA was ratified by Nedlac during July 1996. The recent version of the NSBA is substantially different to the one gazetted in December 1995. The new version may not achieve its previously stated objectives to "facilitate an enabling environment" says Chris Darroll, executive director of the Small Business Project.[34] The new version would establish two statutory small business institutions. "This Act subjugates law to government policy. In the original version, government departments were required to carry out impact analyses to ensure that new legislation

did not harm the small business sector. The latest version merely requires impact analyses on how existing and proposed laws will affect the governments small business support strategy", says Darroll.[35] She argues that the Act should serve and facilitate a more enabling regulatory environment and should not be "promulgated in a rash manner because there is an urge to prove statutory status to those bodies in the institutional framework which are already operating".[36] The governments Growth, Development and Redistribution Strategy makes mention of the small business sector as the engine for economic growth but it does not set targets for small business job creation or even how this will be achieved.[37] The Department of Trade and Industry's small business strategy is experiencing discontent for slow delivery and methods of implementation from quarters which needs to be taken seriously.[38] These analysis have been refuted by the Chief Director for Small Business Promotion, Dr Alister Ruiters. It is still difficult for SMEs to operate. Some of the difficulties include access to markets and availability of capital. The implementation of the small business strategy is compounding the problem. The governments strategy is a policy which reflects thoroughness and consultation but requires increased speed in implementation at the SME level.

5.5 FOOTNOTES

[1] Department of Trade and Industry, An Account of National Support Measures for Manufacturing, Submission by Government to the Trade and Industry Chamber of Nedlac. 16 November 1995.
[2] Reconstruction and Development Programme, African National Congress, 1994
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A consultant from Sri Lanka, Mr Anton Balasuriya is being paid R1 million to assist the government to kick start small business development and to establish a series of Local Business Service Centres. It was reported that at least a minimum of five skilled South African's, who know the local small business arena could have been employed. It was further reported that BuDs which has made the most progress in delivery, is closing down and being moved to Pretoria. The decision according to the report was made unilaterally by Dr Ruiters. Ms Marie Norval, A Human Resource Consultant was involved in recruiting the staff for BuDs. Her consulting fees was approximately R100 000, but applicants were also flown to cape Town or interviews and posts were advertised. If the organisation is moved to Pretoria, these posts will have to be re-advertised and more consultants will have to be paid.
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CONCLUSION

"Small medium and micro enterprises (SMME) represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. Throughout the world one finds SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that - with the appropriate enabling environment - SMMEs in this country can follow these examples and make an indelible mark on this economy" (Trevor Manuel, Minister of Trade and Industry, 1995)[1]

South African's are faced with the challenge of reconstruction and development. Since the democratic transition, progress has been made in the removing of constraints on growth while establishing policy for the delivery of social services. The budget deficit has been reduced and inflation brought down. The economy has been opened up to international competition and industrial relations have been improved. Even with these achievements, our present growth targets are yielding a 3% growth per annum which cannot reverse the unemployment crisis and the inadequate resources for the necessary expansion in social service delivery. Increased growth and job creation without undermining macroeconomic stability is the key challenge facing economic policy.[2]

It is internationally accepted today that the SME sector is an essential factor in promoting and achieving economic growth and development and the widespread creation of wealth and employment. As with SMEs in other countries, South African SMEs also need assistance in improving business management, procurement risk or venture capital, obtaining and developing human resources, capturing and developing new markets and acquiring and putting to use technologies which are either the best or most appropriate in meeting their needs.

The South African economy's weak performance in terms of growth and employment in recent years and its high unemployment figure and unsatisfactory growth rate, focuses the attention of the role and contribution of the country's SME sector. In his opening address to the President's Conference on Small Business in March 1995, President Nelson Mandela said that the Government of national unity is

committed to helping create an environment in which small business can flourish and prosper. He went on to say that the Government should do its utmost to encourage an entrepreneurial culture as part of its efforts to re build the dignity of our people and restore our pride in hard work.[iii]

The Western Cape economy has suffered the same economic problems as the national economy. Under the apartheid system, the state co-operated with large enterprises to shape the economy to benefit a minority at the expense of black people. This process had a profound effect on economic structure. This process reduced efficiency and flexibility as well as greatly aggravating inequality and unemployment. Socio- economic changes are required which are unfolding to restructure our economy to meet the needs of the majority. Economic policy and the conservative sections of industry and agriculture systematically excluded and hindered black entrepreneurs. South Africa has one of the most unequal patterns of distribution of income, wealth and opportunity in the world. The apartheid system forcibly denied blacks and women key positions in business and the public sector. It left most without meaningful education, managerial skill or access to capital. Almost a quarter of employment in the Western Cape, as well as regional production comes from manufacturing. Growth in the service sector may outstrip industrial and primary production. In terms of employment, the most significant sectors are clothing, food, textiles, printing, metal products, chemicals and beverages.[iv] The data in the 1985 Manufacturing Census excludes informal sector industrial activity. The clothing industry establishments excluded home based clothing producers whose contribution to regional employment output and capital investment will have increased substantially in recent years. The same will apply to other sectors.

My study investigated small and medium enterprises in the Western Cape, mainly in Athlone and Mitchells Plain. The study targeted mainly coloured and Indian firms as African businesses in the Western Cape face constraints different and more severe than those firms run by Indians and coloureds. The study targeted a defined group of businesses and their limitations. The owners of more established enterprises have an average of ten years of formal schooling and a few have pursued post school certificates or diplomas. A large percentage of entrepreneurs, had left employment, served as an apprentice, or both before opening their own business. Most had entrepreneurial rather than survival motivations for starting a business. These firms also have fewer disadvantages, although they were constrained by apartheid from becoming

integrated with the formal South African economy. Many were established during the apartheid period, and the average age of the enterprises was seven years. Despite restrictions on licences Indian and coloured businesses were allowed to exist and to function, some as virtual monopolies in these areas.

The use of bank facilities vary among SME entrepreneurs. Financing is less of a constraint for the more dynamic business, however, because new investments can be financed from earnings, which is a result of high rates of profitability or from family members. For the potentially slow and emerging entrepreneurs, however, financing is often an important constraint to expansion.

Across the spectrum of enterprises, market factors such as strong competition is a major problem. This was not expected since more established businesses have access to a broader range of markets and opportunities to diversify than less established ones. These enterprises face limitations from the top, from large corporations as well as from black microenterprises. Market forces were perceived to be difficult today because of the combinations of high inflation and recession. A variety of internal constraints such as access to skilled labour and management and structural constraints such as access to land, inhibits black business ability to expand. The study has found that these enterprises are isolated and entrepreneurs lead a lonely business existence however there is a substantial amount of unrecorded advice and assistance between SMEs that takes place. Some relations between enterprises can be characterised as either profitable or parasitic, i.e. the survival of an SME depends on its relations with a larger enterprise.

Each segment of small business is driven by very different policy objectives, hence each sector will require specific policy instruments which will have different policy outcomes. In this context, an analysis of a specific target group was conducted to enable detailed investigation. The study has found significant heterogeneity in SMEs. Research indicates that the support organisation in the Western Cape is relatively developed in comparison with the other regions.[5] The range of organisations offer a variety of specialised service. The organisations involved in training, marketing, finance and other support service include: Triple Trust, IBEX and the SBDC. The SBDC is the largest and most resourced organisation in the Western Cape.

The SBDC has become a leading provider of capital, i.e. both equity and loan capital for both small and medium enterprise which do not have ready access to capital. Since its inception in 1981, the SBDC has granted close to 56 250 loans to the value of R2 314 million. The SBDCs current mission is to help facilitate the participation of viable black owned businesses in the mainstream economy. The SBDC will no longer finance the informal sector as this task will be assumed by a new government agency, Khula Wholesale Finance. The SBDC will concentrate on small and medium enterprises in the formal sector. The SBDC will concentrate on three services: loan, risk partner and equity partner. Mr Jo Schwenke, Managing Director of the organisation released the latest SBDC figures for the year ending 31 March 1996. The SBDC awarded 2 654 loans amounting to R262 million for the past year. It is less than the R341 million for loans for the previous year but the reductions can be attributed to the R60 million for micro loans which were given back to the state.[6]

The government is to reduce its shareholding in the SBDC by 30% and transfer R599.8 million to Khula over the next five years. A hundred million of this will be in cash, with the balance in properties. The Department of Trade and Industry has over the past 15 months designed, set up and staffed four institutions as outlined in the White Paper. It has also developed programmes for implementation of support to SMMEs. While the SBDC has been criticised in my report for operating as a bank, its contribution to job creation over the past fifteen years is impressive. It is becoming increasingly difficult for enterprises in the SME sector to operate, as delays in the implementation of the state's small business promotion strategy is compounding the problem. Difficulties faced include access to markets. Lack of information and advice is also hampering small business development. The government's small business strategy is an excellent policy framework experiencing delays in implementation.

Whilst SMEs can contribute to job creation, they will not be able to solve the unemployment crisis, the present number being 6 million. Furthermore they on their own will not solve the lack of growth in South Africa's economy. They will contribute but it will be both large companies and SME with proper industrial policies and deliberate state intervention that will assist to overcome the economic crisis.

The thesis has concluded that small businesses in South Africa face a wide range of constraints and problems and are less able to address the problems on their own. These constraints include: the legal environment, the access to markets, finance and business premises at affordable rentals, level of skills and managerial expertise. It has to be emphasised that not all segments of the small business sector are equally exposed to such constraints nor are all enterprises unable to tackle constraints on their own. All entrepreneurs are also not able to approach adversity with innovation, risk taking and hard work. The thesis has highlighted that a supportive environment is present in the Western Cape but more active support, from institutions and government departments is needed by small business to make them function more effectively. With a supportive environment, SMEs can learn from 'best practice' which will make a contribution to the economy. The stimulation of SMEs must be seen as part of a strategy to diversify our economy, enhance productivity and stimulate investment.

FOOTNOTES

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APPENDICES

INTERVIEW SCHEDULE FOR SMALL AND MEDIUM ENTERPRISE STUDY

UNIVERSITY OF CAPE TOWN

DEPARTMENT of SOCIOLOGY
RONDEBOSCH
7700

Interview Schedule number: **Code:**

Interviewers name:

Date:

Name of Business:

Address of respondent:

CONFIDENTIAL
Any information you give us will be treated as strictly confidential and will be used solely for research purposes.

Your co operation will be greatly appreciated.
THANK YOU

SECTION A

BIOGRAPHY
Please tick where appropriate

[1] Gender

[A] MALE	[B] FEMALE

[2] Age

[A] 20 years to 29 years
[B] 30 years to 39 years
[C] 40 years to 49 years
[D] 50 years plus

[3] Race

[4] Home Language

A	English
B	Afrikaans
C	Xhosa
D	Zulu
E	Other (Specify)

[5] Language able to: READ WRITE

English [a] [b]
Afrikaans [a] [b]
Xhosa [a] [b]
Zulu [a] [b]
Other (Specify) [a] [b] .....

[6] Marital Status

A	Married
B	Single
C	Divorced
D	Other (Specify)

[7] Number of Dependants

A	1 - 3
B	4 - 6
C	7 +

[8] Highest level of education and/or training

A	Before standard 5
B	Standard 5 to standard 8
C	Standard 9 to standard 10
D	University degree e.g. BComm
E	Technical Diploma e.g. engineering etc.
F	Artisan training e.g. bricklaying
G	Skills training eg dress making and upholstery
H	Business training eg bookkeeping
I	Other (Specify)

[9] Area of residence

[10] Were you employed previously?

A	Yes
B	No

[10.1] If yes, where were you employed?

[10.2] Describe previous employment

[10.3] How long were you employed previously?

[11] Why did you leave your last job?

[12] Is there any job that you did that was useful for this business? Which one?

[13] Were you unemployed at any time?

A	Yes
B	No

SECTION B
DESCRIPTION OF BUSINESS

[14] Which sector does this business fall into?

A	Service sector
B	Manufacturing sector

[15] What is your business registered as?

A	Sole proprietorship
B	Partnership
C	Closed corporation
D	Private company
E	Unregistered

[16] Are you registered with the Industrial Council?

A	Yes
B	No

[17] Address of business

[18] Type of premises e.g. workshop, home, small factory, other

[19] Are you:

A	owner of this business
B	joint owner of this business

[20] Did you:

A	Take this business over from someone else
B	start it yourself

[21] What was your main reason for starting your own business?

[22] Did you conduct any market research before starting your business?

A	Yes
B	No

[23] What type of business is this? (Please give a brief description of the product made or sold and / or the service that is offered)

[24] Describe the machines/ tools used in the production and/or services provided by your business

[25] Please give a description of the raw materials used in your business?

[26] How many people work in your business

MANUFACTURING	SERVICE
[a] 0 -20	[a] 0 - 20
[b] 20 - 50	[b] 20 - 50
[c] 50 - 100	[c] 50 - 100
[d] 100 - 150	[d] 100 - 150
[e] 150 - 200	[e] 150 - 200

[27] Could you please provide the following financial details:

start up capital, current assets (eg stocks, debtors) and Fixed assets, current liabilities (e.g. bank overdrafts, Short-term loans) and long term liabilities (eg long term loans and mortgage loans).

[28.1] How many branches does this business operate from?

[28.2] What is the size of your premises?

[29] Into which category does your annual turnover fall?

A	500 000 - 1 000 000
B	1 000 000 - 1 500 000
C	1 500 000 - 2 000 000
D	2 000 000 - 2 500 000

[30] When did you start this business?

A	1 year to 5 years
B	6 years to 10 years
C	11 years to 15 years
D	Other (Specify)

[31] Is your family involved in the operations of the business? (e.g. bookkeeping etc.)

A	Yes
B	No

[31.1] If Yes: Please describe this involvement.

[32] Do you have any comments or additional information on the Description of your business?

SECTION C
EMPLOYEE DESCRIPTION
(The following questions relate ONLY to employees)

[33] In which age category do the majority of your employees fall?

A	Below 18
B	From 19 to 24
C	From 25 to 30
D	From 31 to 35
E	From 36 to 40
F	From 41 to 45
G	46 years and over

[34] Are the majority of your employees:

A	Male
B	Female

[35] Are the employees employed on a:

A	Full-time basis
B	Casual
C	Seasonal
D	Both a and b
E	Other (Specify)

[36] The average duration of employment for full-time employees

A	Less than a years
B	between 1 and 3 years
C	between 4 and 7 years
D	between 7 and 10 years
E	10 years +

[36.1] The average duration of employment for casual labour?

[37] Do employees in your business belong to a trade union?

A	Yes
B	No

[37.1] If yes, please name this trade union.

[37.2] Have you had any industrial action? (in the form of strikes or work stoppages etc.)

A	Yes
B	No

[37.3] If yes, how has this affected your business? If at all.

[38] What is the level of education of employees

A	Before standard 5
B	Standard 6 to standard 8
C	Standard 9 to standard 10
D	Tertiary education

[39] What is the average income of employees?

[39.1] Do employees receive any benefits except their salaries?

A	Yes
B	No

[39.2] If yes, please describe these benefits?

[40] Please describe the safety and health regulations as regards to employees, if any.

[41] What are employees hours of work?

[41.1] Do you have a system of shifts?

A	Yes
B	No

[41.2] If yes, why do you have shifts?

[42] Please give a breakdown of employees in terms of:

A	Managers	
B	Supervisors	
C	Shopfloor workers	
D	Other (Specify)	

[42.1] Please give a detailed job description of:

[a] Managers

[b] Supervisors

[c] Shopfloor Workers

[d] Other (Specify)

[43] Please give a breakdown and description of your management structure

[44] Do you have any additional information or comments?

SECTION D

TRAINING

The following six questions are related to the management/owner.

[45] Have you received any training related to the operations of your business?

A	Yes
B	No (Go to question 49)

[46] If yes, please describe training received.

[47] Where did you acquire your training?

[48] How long did the training last?

[49] Do you intend going for future training courses?

[50] Are there any particular reasons why you have not received training related to the operations of your business?

The following five questions are related to employees only.

[51] Have the employees received any training related to the operations of your business?

A	Yes
B	No (If no go to Question 51.4

[51.1] If yes, please describe training.

[51.2] Where did they acquire the training?

[51.3] How long did the training last?

[51.4] Do you see any need for further training of the employees in the operations of your business. Discuss

The following questions are related to institutions involved in training.

[52] Which of the following institutions provide training to small and medium enterprises?

A	SBDC
B	IDT
C	IDC
D	DBSA
E	SAFTO
F	CSIR
G	Other (Specify)

[52.1] Which of the above institutions have provided training for the operations of your business?

[54] What kind of machines or tools do you use?

[55] Does the use of the machines/tools require any level of skill?

[56] Have any of the people trained experienced problems in applying what they have learned to their work?

A	Yes
B	No
C	Don't know

[56.1] If yes, what sort of problems do you think they might have?

[56.2] How can these problems be overcome?

[57] Do people attending these courses receive certification at the end?

A	Yes
B	No

[57.1] If yes, who recognises this certificate?

[57.2] Do you recognise the training and how does it affect workers in the company?

[58] Describe the role played by the national training board, trade unions etc. in training.

[59] Do you have any additional information or comments?

SECTION E

FINANCE

[60] Have you received any financial assistance in the setting up of your business?

A	Yes
B	No

[60.1] If yes, where have you received finance from?

A	Commercial bank
B	Parastatal development organisation
C	Small business organisation or association
D	Religious/ Voluntary organisation
E	stokvels club
F	private money lender
G	Own capital

[h] Other (Specify).....

[60.2] If no, why have you not received financial assistance in the setting up of your business?

[61] Have you received any financial assistance in the operations of your business?

A	Yes
B	No

[61.1] If yes, where have you received finance from?

A	commercial bank
B	parastatal development organisations
C	Small business organisations or association
D	religious/ voluntary organisations
E	Stokvels club
F	private money lender
G	own capital
H	Other (Specify)

[61.2] If no, why have you not received financial assistance in the operations of your business?

[61.3] Describe financial assistance received.

[62] Can you describe the procedure you went through to obtain a loan.

[62.1] How long did it take for your loan application to be processed?

[62.2] What were the conditions for receiving financial assistance? Explain in detail. (Collateral, terms of payment, interest rate etc.)

[62.3] Describe aspects of the above conditions which affected the operations of your business. How did these conditions affect your business?

[63] How have you distributed the financial assistance used in the operations of your business? (e.g. wages, purchasing of machinery etc.)

[64] Which financial institutions could best serve the operations of your business? Describe why?

[65] Have you received any financial advice?

A	Yes
B	No

[65.1] Briefly describe the advice you have received.

[65.2] Where have you received financial advice , if any?

[65.3] If you have received advice how helpful has the financial advice been in the operations of your business?

[66] What financial advice would you require institutions to offer you?

[67] Do you have any additional information or comments to make?

SECTION F

MARKETING

[68] Where is your market?

A	local
B	international
C	both a and b

[68.1] If you export, have you heard of the South African Foreign Trade Organisation?

A	Yes
B	No

[68.2] If yes, describe services used.

[69] Who are you aiming at?

A	wholesalers
B	Shops
C	Direct to clients
D	construction companies
E	Other (Specify)

[70] Is there any competition with other firms?

A	Yes
B	No

[70.1] If yes, please describe competition.

[71] Is there any co operation with other firms?

A	Yes
B	No

[71.1] If yes, please describe this co operation.

[72] Who markets your product(s) and/or service(s)?

[72.1] Do you receive assistance in the marketing of your product(s) and/or service(s)?

A	Yes
B	No

[72.2] If yes, from which organisation(s) do you receive assistance?

[72.3] Describe assistance received, in detail.

[72.4] Where would you want marketing advice or services to come from?

[72.5] What should this advice or service entail?

[73] If you make use of advertising, what is your expenditure on advertising?

[74] Do you do your own packaging?

A	Yes
B	No

[74.1] If yes, where do you receive advice from on the packaging of your product(s)?

[74.2] If no, who does your packaging for you?

[75] How accessible are market intelligence services?

[76] Do you belong to a chamber of business?

A	Yes
B	No

[76.1] If yes, please name the chamber of business.

[77] Do you subscribe to an industry magazine?

A	Yes
B	No

[77.1] If yes, please give the name of the magazine(s).

[78] Do you have any additional information or comments to make?

SECTION G

Policy

[79] Do you know how government policy as regards small and medium enterprises is formulated?

A	Yes
B	No

[79.1] How would you like to influence policy?

[79.2] How best do you think your interests could be represented in policy formulation. Choose your preferred consultation options.

A	Government questionnaires which are sent to them
B	Trade Associations
C	Small Business Associations
D	Chamber of Commerce and Trade
E	Local panels where government and business owners could exchange views
F	Personal interview conducted by government official
G	Accountants or bankers
H	local council offices or job centres, staffed by civil servants, where small business owners could go to put their views.
I	Personal interview conducted by an independent intermediary
J	Other (Specify)

[80] Do you have any additional comments or information.

THANK YOU FOR YOUR CO OPERATION

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