

Tracking SMME Development in South Africa: Issues of Finance, Training and the Regulatory Environment

Christian M. Rogerson

Published online: 14 February 2008

© Springer Science + Business Media B.V. 2008

Abstract The significance of issues concerning finance, training and regulation has been a continuous thread in South African policy discussions about the development of the country's small, medium and micro-enterprise (SMME) economy for more than a decade. Better access to finance, skills and leadership training and more flexible regulations are identified as key strategic elements in supporting the three national pillars of promoting entrepreneurship; strengthening the enabling environment for SMMEs; and enhanced competitiveness and capacity at the enterprise level. The monitoring of research on the SMME economy in South Africa is viewed as a critical issue of high policy relevance. Against this backdrop, the aim is to provide a synthesis of existing research in South Africa concerning the three important themes of: (1) finance; (2) training and skills acquisition; and (3) the regulatory environment for SMME development. Several research gaps are identified for further analysis.

Keywords Small enterprises · South Africa · Finance · Training · Regulation

Introduction

Questions of access to finance, training opportunities and an appropriate regulatory environment remain high on the international agenda of policy debates and research for improving the prospects for urban small enterprise development. In the international literature there has been a stream of important writings on issues concerning financing for enterprise growth and of identifying good practices and policies whereby governments can support increased access by SMMEs to financial services (Beck et al. 2002a, b; Malhotra et al. 2006). Moreover, the significance of developing an appropriate regulatory environment is an essential element of wider international debates currently taking place about introducing an appropriate 'business environment', including for small enterprise development (see Chen 2005; Clemensson 2006). Finally, for successful enterprise development in Africa, the essential role of training and skills development for creating groups of 'smart entrepreneurs' able to 'learn to compete' within an increasingly competitive and

C. M. Rogerson (✉)

School of Geography, Archaeology and Environmental Studies, University of the Witwatersrand, Johannesburg, South Africa
e-mail: Christian.rogerson@wits.ac.za

globalised economy is a theme that is emphasised particularly in recent works by King and McGrath (1999, 2002) and Afeyadu et al. (2001).

The significance of issues concerning finance, training and regulation has been a continuous thread in South African policy discussions about the development of the country's small, medium and micro-enterprise (SMME) economy for more than a decade (Republic of South Africa 1995; Rogerson 2004a). For SMME development as a whole, the significance of enhanced access to finance, improved skills acquisition and of developing an appropriate regulatory environment is recognised most clearly in the Department of Trade and Industry's (DTI) Integrated Small Enterprise Development Strategy (Department of Trade and Industry 2005). Better access to finance, skills and business training and more flexible regulations are identified as key strategic elements in supporting the three pillars of promoting entrepreneurship; strengthening the enabling environment; and enhanced competitiveness and capacity at the enterprise level. In addition, it is significant that the 2006 strategic framework document for the national government's efforts in fostering entrepreneurship and small business promotion identifies the substantial strengthening of access to finance as one of its core 'strategic actions' (Upstart Business Strategies 2006: 39). The national importance of training and skills development is highlighted further in the Accelerated and Shared Growth Initiative for South Africa (ASGISA), especially with the launch in March 2006 of the Joint Initiative on Priority Skills Acquisition (JIPSA), which is led by the Deputy President. The immediate priority for JIPSA is on skills identified by ASGISA including those for infrastructure development, public service delivery, Information and Communication Technologies (ICT) skills and for the ASGISA priority sectors. Nevertheless, at the launch of JIPSA in March 2006 the Deputy President highlighted that "skills development must also benefit SMMEs within the sectors we have identified" (Mlambo-Ngcuka 2006: 5). Finally, the ASGISA attributes the mediocre performance of the SMME sector in part to "the sub-optimal regulatory environment" (Upstart Business Strategies 2006: 40).

The monitoring of research on the SMME economy in South Africa is viewed as a critical issue of high policy relevance (Department of Trade and Industry 2005; Upstart Business Strategies 2006). It is against the above background that the aim in this article is to provide a synthesis of the existing research in South Africa concerning the three important themes of: (1) finance; (2) training and skills acquisition; and, (3) the regulatory environment for SMME development. By way of conclusion, several research gaps are identified for further analysis.

Finance

The relationship between finance and SMME development in South Africa has generated an enormous volume of writings over the past decade. In unpacking this large amount of scholarship several broad themes of work and analysis can be differentiated. First, there is a set of 'demand-side' writings, which focus mainly on tracking the importance of finance, access to finance and the financing requirements of the SMME economy. Amongst the most useful contributions of this kind are: those by Falkena et al. (2001), Orford et al. (2003), Angela Motsa & Associates (2004), Clarke et al. (2006) and FinMark Trust (2006a); second, a set of studies that

centre more particularly on evaluating the supply of finance to SMME entrepreneurs. Within this literature there are several important subthemes, which relate to an assessment of government programmes designed to enhance access to finance of particular groups of entrepreneurs, private sector programmes and of 'pro-poor' micro-finance services. Amongst the most useful recent contributions are those by Schoombee (2000), Bay Research and Consulting (2002), Monkman (2003), Angela Motsa & Associates (2004), and especially the detailed assessment produced by the World Bank (2006) for DTI.

Demand-side Issues

In terms of demand-side research, a number of studies point to the significance of access to finance as a constraint on SMME development. For example, both the Johannesburg and Durban surveys of SMMEs, which were conducted by the World Bank (Chandra and Rajaratnam 2001; Skinner 2005), showed lack of credit to be a core business constraint faced by especially emerging SMME entrepreneurs. The most common finding is the use of personal savings or borrowing from friends and relatives for business start-up. Issues of poor access and high interest rates were underpinnings of low usage of formal bank loans and exacerbated by complex application processes, lack of collateral and credit history (World Bank 2006). In another more recent World Bank firm level study, the Micro-Enterprise Investment Climate Assessment, it was confirmed that access to finance remains one of the priority challenges faced by micro-enterprises and that any improvement in the investment climate for micro-enterprises is conditional upon an enhanced access of entrepreneurs to finance (Clarke et al. 2006; World Bank 2006).

A number of studies draw attention to the differential financial needs (and demands) of different kinds of SMMEs. In particular, across different phases in SMME development – from start-up through growth phase and into a stable phase – different financing requirements have been observed. The valuable study by Falkena et al. (2001) makes a distinction between the financial needs of the group of 'minority' or traditional white-owned enterprises on the one hand, which enjoy access to finance through family/friends or equity in property, and, on the other hand, of the larger group of emerging enterprises from previously disadvantaged communities, which present the biggest challenge in SMME development. As confirmed by Angela Motsa & Associates (2004: 14) the majority in this second group of entrepreneurs have "neither their own or friends/relatives resources; no possible collateral and no access to traditional debt due to their fragility and risk of failure".

Several studies make a sharp distinction between the financing constraints and needs of informal and formal entrepreneurs with lack of finance a critical issue for a significant swathe of informal or second-economy entrepreneurs (Angela Motsa & Associates 2004: 16). In particular, the 2002 and 2003 *Global Entrepreneurship Monitor* highlights the manifold financial problems that confront entrepreneurs from disadvantaged communities (Foxcroft et al. 2002; Orford et al. 2003). A valuable finding is that "the probability of cash flow difficulties being experienced was found to significantly decrease in those firms that kept cash books, records of accounts receivable, records of inventory and practiced active debtor management" (Angela Motsa & Associates 2004: 16).

The most recent research investigations continue to underline the significance of finance as an obstacle for SMME development, especially in the lower tiers of that economy. For example, the World Bank's (2006) investigation showed that the most significant difference in constraints as reported in a sample of micro-enterprise (ME) as opposed to formal SMEs or large enterprise "was in access to finance" (World Bank 2006: 29). The World Bank suggests that while cost of finance is a problem, *access to finance* is an acute hurdle for micro-enterprises. The major financial divide was seen between formal and informal enterprises as opposed to large versus small enterprises. A particularly interesting set of findings in the World Bank research relates to racial ownership of businesses and access to finance. Whereas white and Indian owners of small businesses were "far less likely to see access to finance as a serious problem than other firms", the results disclosed that "access to and cost of finance is a concern principally for black-owned MEs" (World Bank 2006: 31). In explaining this finding the World Bank draws attention to issues of collateral, education and business experience of managers, registration and the trend amongst Black-owned enterprises "not to have audited accounts, which is a general requirement for access to bank finance" (World Bank 2006: 32).

The findings of the investigations of 2001 enterprises across Gauteng by FinMark Trust provide further insight into the significance of finance and of access to finance as a vital issue in SMME development (FinMark Trust 2006a, b). The core results confirm that access to finance remains one of the most crucial "hindrances to the development of the informal sector" (Kubheka 2006: 19). Currently, in Gauteng's SMME economy family and friends are the main source of financial borrowing especially for the start-up of new enterprises. The incidence of loans and borrowing from the formal financial sector by small businesses is low (FinMark Trust 2006b). It was found that whilst more small businesses cited access to capital as a problem than any other constraint, credit extension rates to Gauteng small businesses are remarkably low with only 2% of survey respondents reporting use of loans (FinMark Trust 2006b: 2). A major problem for small businesses considering financial product uptake and commitment to a long-term relationship with a bank was disclosed to be "the fact that many small business entities do not know where their next customer is coming from" (Kubheka 2006: 21).

Overall, there is shown to be a high segment of "unbanked" small businesses in Gauteng, which points to the need for further development by banks of this market (Currin 2006). The analysis reveals "a real desire" amongst SMME entrepreneurs for banking services with only 27 percent of unbanked small businesses reporting that they do not need a bank at all (FinMark Trust 2006b: 2). For Napier (2006a, b), what is required is a broad shift in "the frontiers of access to finance" across South Africa. In terms of immediate improvement in access to finance, one useful suggestion offered by FinMark Trust (2006a) is that to support the start-up of new enterprises, government should seek to offer tax incentives to stimulate the supply of capital from friends and family, which (after own savings) is the most important source of start-up capital. Another important suggestion is that to assist the operations and expansion of enterprises operated by immigrant entrepreneurs (mainly from sub-Saharan Africa) a special permit should be introduced to allow non-South African residents access to financial services offered by banks (FinMark Trust 2006b: 3).

The vital issue of ‘gendered’ access to finance was ignored in the World Bank study and also given limited attention by the FinMark Trust investigation. The particular problems of women entrepreneurs in accessing finance for business start-up and development have been highlighted in earlier investigations (O’Neill and Viljoen 2001). The challenge of access to finance for South Africa’s women entrepreneurs was the recent focus of work commissioned by the International Finance Corporation’s Gender Entrepreneurship Markets programme on behalf of the Gender and Women’s Empowerment Unit of DTI (International Finance Corporation 2006; Naidoo et al. 2006). The Naidoo et al. (2006) study points out that the Financial Charter “is silent on gender equality in terms of financial services outreach, enterprise development and procurement finance”. In addressing the lack of understanding of women’s enterprises, this research highlights several particular sets of obstacles, which are experienced by women in accessing finance:

- Financial literacy – poor understanding of financial terminology and lack of awareness of bank and microfinance services as well as credit processes.
- Attitudes of banks towards women with the absence of specific programmes to increase the share of women-owned enterprises.
- Black Economic Empowerment (BEE) code targets, which do not contain sufficient explicit targets for women’s financial outreach or business activity; in many respects, the prevailing consensus is that BEE is a ‘man’s game’ with women treated as minor partners or add-ons (Naidoo et al. 2006: 6).
- Lack of awareness by women of development finance options, different institutions, their products and how to access them.
- Overall lack of financial confidence of women as compared to men.
- Bias in Business Development Services (BDS) provision towards male entrepreneurs.
- Lack of appropriate products for women entrepreneurs especially with the emphasis on collateralised and asset-based lending, which disqualifies most women from accessing loans.

Overall, it is concluded that there is a need for “a more deliberate and integrated strategy focusing on women in business” and in particular to address the marginalised position of black women in terms of access to finance for business development (Naidoo et al. 2006: 6). In addition, the International Finance Corporation (2006: 8) makes a number of important policy recommendations, including *inter alia*: the Charters and Codes should urgently be reviewed to include targets and definitions of women’s business that enable equal access for women to business opportunities; a regularly updated national directory of business financiers should be published and widely disseminated; and finance institutions should gender disaggregate their portfolios and targets and put in place strategies to better understand and take advantage of opportunities relating to women entrepreneurs.

Supply-Side Issues

On the supply-side of financing the key issues of research have been evaluations of the workings of the major players involved in the supply of finance to the SMME economy and of assessing the impacts of various financing programmes.

In 2006 research conducted by FinMark Trust, it is revealed that banks are currently servicing only the upper end of the small business market with a variety of products; what is termed “the lower end of the market” is shown to be using only a savings product (FinMark Trust 2006a). The engagement of the private sector in supply of finance has received critical attention in a number of investigations (Schoombee 1999, 2000; Nieuwenhuizen and Kroon 2003). In terms of formal sector financing, the role of private banks in addressing the credit needs of the SMME economy has been of major concern. Schoombee (1999, 2000) has addressed the failure of commercial banks to serve the low-income market and of potential policy options available to government to stimulate involvement. Initiatives made by banks to enter the market have centred largely on the formally employed (see Schoombee 1999; Polkinghorne 2001) and/or delivering products to established rather than emerging SMMEs (Daniels 2004: 840). The reasons for ‘market failure’ are explained in terms of the high risk of default when bank’s grant credit, high cost of screening, low returns and the particular issues of dealing with informal sector entrepreneurs due to language and cultural barriers (Schoombee 2000: 752).

Schoombee (2000) reviews options for government in enticing bank participation in terms of lowering risks, lowering costs and increasing returns. It was concluded that if government cannot succeed in encouraging banks to lend to micro-enterprises through market-oriented policy measures “all that remains is to make use of non-market-oriented or direct policy measures”, including the redirection of credit through legislation (Schoombee 2000: 764). It is cautioned on the basis of international experience, however, that this is not the most appropriate policy approach and instead recommended that government re-visit its guarantee scheme and effectiveness as well as considering the use of grant or subsidised funding to reduce the costs of banks entering the micro-enterprise market (Schoombee 2000: 765). In a follow-up investigation of the Khula individual guarantee scheme it was revealed that there are various aspects regarding its functioning “that negatively influence the bank’s participation in the scheme”, in particular concerning the administration costs incurred by banks and the way that Khula calculates risk (Nigrini and Schoombee 2002: 748).

In a rich and powerful review of debates on supply of financing, Angela Motsa & Associates (2004: 42) highlight that commercial banks “are not geared to financing entrepreneurs due to the fact that they developed in an economy dominated by large companies” and thus “do not have the skills set for assessing start-ups and small enterprises”. Furthermore, it was found that banks “were not able to interact effectively with entrepreneurs” because of once again “the quality of communication and the level of understanding of their businesses by bank officials” (Angela Motsa & Associates 2004: 45). One of the core problems, as identified by Schoombee (2000), relates to the availability of collateral and creditworthiness of loan applicants. Nieuwenhuizen and Kroon (2003) argue that existing criteria for and methods of evaluation of loans discriminate against SMME entrepreneurs and do not identify potentially successful owners of SMMEs, instead they focus on potentially successful enterprises. It is argued that banks should consider offering finance to entrepreneurs with little security, albeit who comply with important criteria affecting success, including “specifically leadership, the knowledge and skills of the applicant, market orientation, financial insight and management, creativity and innovation and

risk orientation” (Niewenhuizen and Kroon 2003: 141). Alternative channels for expanding formal finance include the greater use of private equity, of angel financing and of the potential use of factoring; these are themes and challenges raised by Falkena et al (2001), Ebony Consulting International (2002) and Angela Motsa & Associates (2004).

Finally, as a result of the disappointments of private sector formal lending supply, some potential entrepreneurs turn (reluctantly) to informal suppliers of finance. Given the extensive nature of informal money-lending, Siyongwana (2004: 852) rightly points to the surprising “lack of research on informal moneylenders” in South Africa. In a recent detailed study on the organisation and workings of informal moneylending, Siyongwana (2004) concludes that “the informal or unregistered microlending sector is an important segment of the ‘unbanked’ sector of the South African population” and provides “a valuable financial service to a section of the population that is unable to utilise the formal banking system”. In concluding their extended assessments of the supply of private sector financing both Falkena et al (2001) and Angela Motsa & Associates point to a need “for better research and better disclosure on the exact extent of banks involvement” in the SMME economy (Angela Motsa & Associates, 2004: 46). In particular, this is significant in view of bank’s commitments under the 2003 Financial Services Charter with targets for so-called ‘empowerment lending’, including for black-owned SMMEs. Further research, adds Siyongwana (2004: 865), is required on “the issue of informal money-lending” and of DTI’s role “in regularising and supporting the microlending business”.

The involvement of the NGO sector in the provision of micro-finance has spawned a number of research contributions. The most significant discussions are those offered by Bay Research and Consulting Services (2002) and Baumann (2004). The focus of these studies is on developing ‘a pro-poor micro-finance sector’ in South Africa. It was argued that for the very poor most of the existing SMME financing products “are useless” for poor township or rural households (Bay Research and Consulting Services 2002: 7). These poor households can benefit, however, from “other microfinancial services – particularly those that are designed specifically for the savings and credit needs of households in their situation” (Bay Research and Consulting Services 2002: 7). The benefits of such initiatives, including for HIV prevention, have been highlighted in a number of cases (Pronyk et al. 2005; Dubbeld 2006).

It is argued that the financial needs of informal sector entrepreneurs operating household-based micro-entrepreneurs have been little explored (Bay Research and Consulting Services 2002; Baumann 2004). Moreover, there exists no government policy or programme that supports micro-finance institutions (MFIs) that are explicitly geared to ‘welfare activities’, poverty alleviation and supporting survival strategies. Further, it was argued that DTI “is concerned almost exclusively with microenterprise microcredit and has little appreciation of microfinancial services appropriate to the livelihood strategies of the poor” (Bay Research and Consulting Services 2002: 27). This criticism is levelled notwithstanding the new Apex Funding mechanism as it is argued that government “does not appear to be developing a more comprehensive approach to ‘lifeline’ microfinancial services” (Bay Research and Consulting Services 2002: 27). Angela Motsa & Associates (2004: 53) draw a

distinction between an SMME microcredit focus to facilitate income generation and a SMME microfinance approach – aimed at the unbankable – with the objective of social mobilisation in terms of leveraging “hidden social assets in resource-poor communities to address poverty and vulnerability”.

An assessment was conducted by Baumann (2004) of the performance of selected South African micro-credit NGOs that have a poverty-alleviation focus. Baumann (2004) produced a number of significant findings on those MFIs that straddle the country’s formal and informal sectors. First, that staffing of these MFIs is ‘middle-class’ resulting in a greater ‘distance’ in South Africa between MFI staff and their clients than is the case in say India or Bangladesh. Second, using the group-lending methodology against comparative benchmarks of other countries, the productivity levels of these enterprises in South Africa are low. Third, the salary burden of South African micro-credit NGOs is the highest in the world. Fourth, considerable problems face these NGOs in terms of improving productivity to compensate for the divergence between staff and client living standards. Overall, it is questioned whether supply of microcredit is an appropriate intervention and that a more appropriate support channel might be through support for Accumulating Savings and Credit Associations (Baumann 2004).

The most significant policy-relevant supply-side-focussed research on financing has involved critical analysis of government-driven or supported programmes for extending financial support to emerging entrepreneurs. In an influential assessment conducted for DTI through FinMark Trust, Monkman (2003) scoped all DTI product offerings to stimulate SMME development and assessed the performance of organisations against key objectives. The key conclusions of this review related to the following:

- Problems are inherent in the supply-driven character of existing finance programmes and that a more flexible ‘collaborator friendly approach’ might be more effective for government (Monkman 2003: 5).
- That simple traditional models of assessing credit worthiness may be unsuitable for the target SMME market.
- The effectiveness of government support in terms of the neediest SMMEs might be enhanced if it offered retail support through provincial and local governments as well as wholesale finance through Khula.
- Separating BDS services from access to financial services was not addressing the practical challenges facing entrepreneurs.
- There is lack of understanding and monitoring of the SMME marketplace, its participants and performance, which feeds into difficulties of effective management and development.
- Given international trends away from government-led delivery of financial support to SMMEs, the need was identified to encourage more partnerships with the private sector to drive the delivery of financial support (see also Angela Motsa & Associates 2004: 58).
- Overall, the most appropriate path for SMME support might be to shift away from a ‘heavy-handed’ state-led approach towards a ‘financial market systems approach’ involving the promotion of a market-enabling environment (Monkman 2003: 5).

The approach of ‘making markets work for the poor’ (M4P) and of developing financial markets for the poor has been most strongly taken up by FinMark Trust (Porteous 2002; Currin 2006; FinMark Trust 2006a, b). FinMark Trust was set up in 2002 as an independent trust funded by the British Department for International Development (DFID) to be “a temporary facilitator or catalyst of market development rather than a permanent provider in the market per se” (Gibson 2006: 4). Its core mission was summarised as “to facilitate a more effective and inclusive financial services market in South Africa” (Gibson 2006: 10). Guided by the M4P framework, research undertaken by FinMark Trust has highlighted the key obstacles in delivering financial services to low-income groups, including poor coordination, poor quality information services, inappropriate rules, and weak product innovation.

In a recently conducted evaluation for the period 2002–2005, Gibson (2006: 2) argues that, as compared with conventional (government-led) approaches, FinMark has made a substantial impact, especially through the systemic approaches that have resulted from its work in terms of: (1) a more informed and constructive public dialogue about finance; (2) a sustainable information service through its FinScope initiatives; (3) a more informed and rigorous regulatory review process; and, (4) creating a more conducive environment for financial product innovation. Certain of the recent changes in DTI policy on financing support for SMMEs and for the creation of the Apex lending institution align with the outputs and suggestions made by Monkman (2003), Angela Motsa & Associates and other research conducted by FinMark Trust towards creating a ‘financial market systems approach’ for SMME financing in South Africa.

The most recent assessments of the impact and workings of government-led financial support programmes – in particular of Khula Enterprise Finance – have generated a mixed set of responses. Makina and Malobola (2004: 799) conducted an impact assessment of Khula and point to “a positive impact on the beneficiaries of microfinance, especially women in rural areas where they are specifically targeted”. Indeed, it is clear that Khula microfinance programmes “lead to improvements in the economic welfare of households, enterprise development and increased empowerment of women” (Makina and Malobala 2004: 813). Nevertheless, in urban areas where women are targeted, but no specific percentage targets are set as in rural areas “the programme has benefited more men than women” (Makina and Malobola 2004: 812). In addition, it was shown that the geographical patterns of the impact of Khula financing are uneven with lower income communities in rural areas benefiting far less than “the not-so-poor counterparts in urban areas” (Makina and Malobola 2004: 799).

In a close scrutiny of the Khula Retail Finance Intermediary (RFI) programme undertaken by the World Bank (2006), it was concluded that “initial goals were ambitious” and that few RFIs are yet financially sustainable with low levels of lending. Further, it was argued that Khula criteria for RFI eligibility has been too weak, with low rejection rates and that in the future the criteria need “to be applied more aggressively” (World Bank 2006: 52). That said, the World Bank was positive about the job creation impacts of RFIs (especially compared to other programmes) and highlighted that, going forward, for the RFI programme “the key issue is to focus on a limited number of model RFIs, develop more flexible products and larger intermediary loan programs per selected RFI” (World Bank 2006: 53).

It is significant that the Khula programmes received a better assessment than that given to the Small Medium Enterprise Development Programme (SMEDP), one of the largest DTI funding support initiatives for the South African SMME economy. The World Bank (2006: 48) review was highly critical of the functioning of the SMEDP pointing to the fact that the size of participating firms was larger than implied by qualifying assets such that “probably less than 50% of funds actually went to the smaller category of firms”. Of particular concern was that grants were not supporting BEE objectives and were overlooking informal, micro-enterprises and that “black-owned businesses were a very small proportion of those assisted” (World Bank 2006: 49). On the basis of this evaluation it was argued that any future SMEDP-type programmes should focus only on smaller firms, apply tighter selection criteria and develop more simplified application procedures (World Bank 2006: 50).

At a more general level of analysis, the World Bank (2006) research was further critical of other aspects of the supply-side of financing through government programmes. Based on beneficiary surveys a number of conclusions were revealed, which point to deficiencies found in early assessments of government support programmes (Rogerson 2004a). Firms expressed concern about accessibility and bureaucracy around SMME support. A low level of awareness and knowledge of government support programmes was disclosed. Interactions between firms and staff running programmes were unsatisfactory. DTI’s promotion of programmes was rated as poor or very poor. Programme management in terms of processing time of applications was seen as less than satisfactory. Finally, in many cases programmes did not create ‘additionality’ with SMEDP especially guilty in this respect and of grants thus being ‘windfalls’ for successful applicants. As a whole, these findings point to an urgent need for further enhanced monitoring and evaluations of public financial support programmes for SMME development (World Bank 2006: 78).

Training and Skills for SMME Development

As is evident from the international experience, globalisation raises the need for what has been termed “learning-led competitiveness” (King et al. 2002; King and McGrath 2002). It is argued that to respond to the challenge of competitiveness under conditions of globalisation, important elements of response both for countries and enterprises are effective “strategies to improve individuals’ and enterprises’ level of knowledge and skills” (King et al. 2002: 28). The role of training and skills development is thus seen as essential for SMME enterprises for them to ‘learn to grow’ (McGrath and King 1999: 211) as well as to ‘move up the value chain’ (Kraak 2005: 58). That said, it is cautioned also that “skills are not the only, nor even the main, answer to the challenge of small enterprise development” (McGrath 2005a: 5).

Over the past decade, there has appeared a number of research contributions on training and skills development linked to the SMME economy in South Africa *as a whole*. At the broadest level, there are a suite of investigations, which confirm that a large segment of South Africa’s SMME entrepreneurs have very limited skills and correspondingly of the importance of training and the acquisition of skills for business development (Erasmus and Van Dyk 2003; Niemann et al. 2003; Perks 2004; Smith and Perks 2006). Several studies show a pattern that the most successful, adaptive and innovative SMMEs are those in which entrepreneurs (and often also the workers) have

good to high levels of education, technical/managerial skills and training (Rogerson 2000; Chandra and Rajaratnam 2001; Ligthelm and Cant 2002; Skinner 2005). In the *Global Entrepreneurship Monitor* Orford et al. (2003: 56) find that education, training and experience are key elements in successful enterprise creation. Perks (2004) and Smith and Perks (2006) differentiate four different categories of skill as necessary for start-up of a micro-enterprise, viz., personal skills, technical skills, business operation skills and management skills. McGrath (2005b) examines the question of national policy development to address the skills development of SMMEs.

In a recent investigation concerning the ‘business success factors’ of SMMEs in Gauteng, it was revealed that lack of technical and managerial skills impacted in a highly negative fashion on business development (Ligthelm and Cant 2002). In the case of the clothing industry of inner-city Johannesburg the success of businesses run by immigrant entrepreneurs as opposed to the survivalist character of parallel businesses run by South African entrepreneurs can be accounted for, to a large extent, in terms of factors of skills and training (Rogerson 2004b). The special significance of training for development of youth entrepreneurs is highlighted in work conducted by Moiloa (2001) and for women informal entrepreneurs in a study produced by Skinner (2000).

Within a number of studies it is disclosed that lack of management skills and training is one of the most prevalent causes of general business failure amongst SMMEs in South Africa. In a survey conducted by Radipere and van Scheers (2005: 409) it was found that 90% of a sample of 1000 entrepreneurs “believe that small businesses fail due to a lack of managerial skills”. Despite the significance of skills in determining the success or failure of SMMEs in South Africa, a consistent and remarkable finding in many studies is that entrepreneurs often “see little need for skills training” (McGrath 2005a: 5). In the findings of a 2006 World Bank study in which respondents were asked to indicate demand for particular support programmes offered through DTI, it was concluded “that training did not figure as prominently as expected” (World Bank 2006: 67). This situation accounts for the relatively low proportion of small business owners who have had any specific business training. In the FinMark Trust (2006a) study of 2001 small business enterprises in Gauteng, it was concluded that “only 12.5% have had any specific business training”.

Among the most significant and richest current national research on skills development and skills training in SMMEs is the group of studies undertaken by Martins and Van Wyk (2004), Martins (2005) and McGrath (2005a, b). The core focus in all these investigations is on meeting the skills needs of the category of “very small and micro-enterprises” or VSMEs. This category straddles both formally registered as well as informal enterprise (McGrath 2005a: 2). These works on VSMEs seek to address what McGrath (2005a: 25) identifies as “the paucity of research on skills development for enterprise development in South Africa”. Essential baseline information is that provided in the Department of Labour’s National Skills Survey and the National Skills Study. Among salient findings of these investigations are:

- Evidence exists that a relatively large amount of training is taking place within VSMEs (Martins 2005: 45) and underpinned by a positive attitude towards a quality-led improvement to business performance.

- Attitudes and extent of training are much greater amongst formally registered VSMEs than informal enterprises (McGrath 2005a: 36).
- The bulk of training is ‘on the job training’ rather than aligned with National Qualifications Framework (NQF)-recognised training (Martins 2005: 54 and McGrath 2005a: 42), thus placing a question mark over training quality.
- A key finding is that there is “very little engagement of VSMEs with the formal skills development system” (McGrath 2005a: 72).
- Black employees constitute 62% of those receiving training, a significantly lower level than their proportion of the population and below Department of Labour’s 85% targets (McGrath 2005a: 38).
- Within VSMEs “informal learning was the predominant way in which knowledge and skills were transferred in these enterprises”(McGrath 2005a: 63).

Further important insight on training is offered in the World Bank’s (2006) assessment of government SMME programmes. The results of this investigation are highly critical of the effectiveness of existing government training systems in supporting SMME development. Overall, the study reached the evaluation that “results suggested that government programs to encourage training (e.g. SETA) have not been successful” (World Bank 2006: 17).

In addition to research concerning training and skills development for SMMEs in general, there is also an emerging focus on sector-specific issues relating to SMMEs and skills development. This newer focus in training research on SMMEs links back to JISPA’s mandate to support skills development in priority sectors. Currently, the most detailed work on training and SMMEs at a sector-specific level relates to tourism. In the case of tourism, the national Department of Environmental Affairs and Tourism (DEAT) recognises the absence of adequate training and education as a major stumbling block to the development of tourism in the country and identifies as “perhaps the greatest deficiency in the tourism industry” the lack of education and training opportunities for previously neglected groups (Republic of South Africa 1996: 9).

In respect of developing skills for tourism, the design of appropriate training curriculum emerges as an important theme with implications for SMME development in research produced by Saayman and Geldenhuys (2003). In other works, skills development has been shown as having an important role to play as regards job skills and enterprise development towards effecting what Kaplan (2004a) describes as South Africa’s ‘tourism-led development strategy’ (Teclé and Schroenn 2006). Skills development ensures that as the industry grows, opportunities that are opening up in the formal tourism industry (in hotels, tourism destinations, travel agencies, car hire companies) are filled by previously disadvantaged South Africans – not only in menial positions but at all levels. Moreover, the growth of this skills base should furnish a pool of potential new tourism entrepreneurs (Kaplan 2004b; Marock 2006).

In terms of direct impacts on tourism SMME development, skills development and training ensures that people living in marginal rural areas and urban townships, where new tourism products are currently being developed, are able to take advantage and benefit from this development through business opportunities (Kaplan 2004a). Much of South Africa’s most exciting new tourism development is set to

take place outside the mainstream and at the community level where innovative cultural, heritage and nature-based products and experiences are being developed. Yet, as shown by the experience of tourism development in Alexandra township Johannesburg, the development of such projects is often severely hampered by a lack of appropriate knowledge and skills in tourism (Kaplan 2004b). This lack of skills not only includes actual operational skills necessary to run a successful tourism business, but extends also to the basic knowledge of what tourism is and how to benefit from a tourism-led development strategy (Kaplan 2004a, b; Teclé and Schroenn 2006).

The record of experience of the Tourism Enterprise Programme (TEP) in skills development in the tourism sector is important in terms of highlighting a set of critical policy issues concerning training for enhanced SMME development (TEP 2006). Based on a period of 4 years of involvement and experience with skills development for tourism SMMEs several key conclusions emerge. First, whilst there is a great deal of training material available, much of it is generic in character and not specifically related to the needs of the sector. Second, although there are many trainers in the market as service suppliers, many of them are not properly accredited and do not have the required skills to effectively present courses. Moreover, a wide variety in costs and quality of training courses is observed. Third, many trainers do not have sufficient empathy with the SMME market to train effectively; rather they tend to be more oriented towards the corporate market. In addition, much of available training material is also aimed at the corporate rather than SMME market and there is little effort by service providers to develop training material specifically for SMMEs. Four, in many cases SMMEs lack appreciation as to the benefits of training/skills acquisition and thus do not perceive a link between training and business improvement. Finally, training courses are often not graduated and thus do not take into consideration the different needs of SMMEs at different stages of enterprise development (TEP 2006: 5).

Regulation and the Regulatory Environment

Over the past 5 years, questions regarding regulations and the regulatory environment for SMME development have generated a considerable volume of very detailed research investigations (Mollentz 2002; Christianson 2003; South Africa Foundation 2003; SBP 2004, 2005; Abrie and Doussy 2006; Chamberlain and Smith 2006; Cheadle 2006; Godfrey et al. 2006; Pahwa et al. 2006; Rankin 2006; SBP 2006a). This recent explosion in local research on regulatory issues has been triggered, in large measure, by the findings of a much-publicised study released by SBP (2004, 2005).

At the outset, however, a review on research on regulations must be prefaced by a reminder that most surveys of SMME entrepreneurs consistently report that market issues and demand for their products to be the most important factor to positively influence enterprise growth (Mollentz 2002: 47). As argued by Chamberlain and Smith (2006: 47), whilst issues of regulations are significant for long-term development, reducing the burden of regulations “is unlikely to result in dramatic development of the SMME market in the short term”. Overall, regulation is thus

considered “more likely to be a catalyst or facilitator of development rather than a driver of growth” and that drivers “will come from improvements in the general economic environment and demand conditions combined with initiatives to empower individuals to start their own businesses” (Chamberlain and Smith 2006: 47). These cautions are necessary for much of the recent surge in writings around regulation sometimes tends to project an exaggerated view of its over-riding significance relative to other factors for SMME development.

The work of Mollentz (2002), which was produced for the ILO, drew attention to several of the issues around the regulatory environment for SMMEs. It was argued that “most SMMEs do not understand the laws that govern them” (Mollentz 2002: 47) and experienced “difficulties in finding out about policies and legislation which apply to them” (Mollentz 2002: 67). Moreover, many “SMMEs do not comply with some regulations because they are time-consuming and expensive”, with income tax and VAT singled out as some of the most problematic areas for compliance (Mollentz 2002: 68). During 2003, Christianson (2003) followed up on the regulatory environment with a survey of high growth firms for DFID, which linked a ‘better regulation’ agenda to the wider ‘better investment agenda’ in South Africa. Regulatory issues were thus a lens for Christianson (2003) to provide insight into a range of matters concerning the investment climate in South Africa.

Key findings of this investigation were that SMMEs considered the local investment climate as ‘over-regulated’ and that whilst there was an argument to support new regulations to address the distortions of apartheid, this had been undertaken “with little reference to the principles of regulatory best practice” (Christianson 2003: 1). Of particular significance for these high growth SMMEs, argued Christianson (2003), were complicated labour regulations, skills development levies, and pressures to pursue an empowerment agenda. It was argued that the regulations that were introduced were variously designed for big companies and imposed “additional hassles” on SMMEs (Christianson 2003: 7). The overall conclusion of this investigation point to “a less-than optimal regulatory environment” within which SMMEs did business (Christianson 2003: 11). During 2003 there appeared also a report from the South Africa Foundation (2003), which drew upon the international experience – in particular of UK, USA, Australia and New Zealand – to present an argument for the introduction of Regulatory Impact Assessments (RIAs). The core goal of establishing RIAs would be “to ensure that regulation achieves its goals in the most efficient way – and in a way that facilitates long-term development” (South Africa Foundation 2003: 13). It was stressed that RIAs were of particular benefit “for parties operating at the fringe of the market”, including SMMEs (South Africa Foundation 2003: 13).

During the early 2000s the Small Business Project was influential in heightening awareness of the significance of regulations and regulatory assessment for SMMEs in South Africa. In 2004 – renamed as SBP – this organisation was responsible for undertaking a landmark investigation on the costs of regulation in the South African private sector based on an in-depth survey of nearly 1,800 businesses (SBP 2004, 2005). The SBP study examined two forms of regulatory costs faced by the private sector, namely efficiency costs and compliance costs. Efficiency costs arise because regulation may distort market outcomes such as in the case of an SMME’s business decision to keep sales below the VAT threshold. Compliance costs are “pure red tape

costs” and represent the costs incurred by business in complying with regulations in terms of filling in forms and fulfilling reporting requirements (SBP 2004: 3). At the outset, the SBP (2005) study highlighted the absence of any comprehensive database of regulations in South Africa such that businesses “have to spend time learning what regulations apply to them, complying with them and keeping up with changes” (SBP 2004: 7). An important finding was that “the relative importance of different types of regulation to total compliance costs varied with size of firm” (SBP 2004: 11); for small firms tax compliance costs were much more significant than labour regulation.

Overall, the study showed that regulation creates significant efficiency costs for the South African economy, including for SMME development, with strong evidence to show that the regulatory environment discouraged business growth in the formal economy (SBP 2005). In addition, it was concluded that “the regulatory environment acts as a barrier to development by keeping a large, energetic and entrepreneurial group of black South Africans out of the formal economy” (SBP 2004: 14). The study argued that from the perspective of informal operators, “the regulatory environment is a cliff – they stand at base, very aware of the advantages of reaching the higher ground, but equally aware that the cliff is too steep to be climbed” (SBP 2004: 14). Finally, the study disclosed that in an international comparative perspective South African regulatory compliance costs appear to be significantly higher than those in developed countries (SBP 2005). In conclusion, the study endorsed earlier calls for the creation of RIAs in government as well as for a systematic review of the existing regulatory environment (SBP 2004, 2005).

As a result of the impact of this investigation produced by SBP, several other studies have been undertaken as follow-up. DFID funded an SMME project aimed at further understanding the regulatory environment for small business in South Africa. The outputs of this research project, under the management of the Development Policy Research Unit at University of Cape Town, have been substantial with six detailed reports issued during 2006 (Chamberlain and Smith 2006; Cheadle 2006; Godfrey et al. 2006; Pahwa et al. 2006; Rankin 2006; SBP 2006a). Themes under investigation have included, *inter alia*, the impact of government regulations on SMMEs in particular (Rankin 2006); the impact of municipal regulations on SMMEs (Pahwa et al. 2006); specific examination of the tax-regulatory burden (Chamberlain and Smith 2006), conditions of employment (Godfrey et al. 2006) and of legal regulation of the labour market for SMMEs (Cheadle 2006); and a sectoral focussed investigation of the impacts of sector-specific policies and regulations on the growth of SMMEs in eight (agri-processing, automotive industry, clothing and textiles, financial services, ICT, mining, pharmaceuticals and tourism) selected sectors (SBP 2006a). In addition to these studies the SBP (2006b) was commissioned by ComMark Trust to build upon its seminal 2005 research (SBP 2005) by focussing upon regulatory compliance costs across the tourism industry as a whole, including SMMEs, which comprise the overwhelming majority of enterprises in tourism. Further material on regulation is contained in results of the 2006 FinScope Small Business Study of Gauteng (Finmark Trust 2006a, b; Kubheka 2006).

Taken together the findings of these several detailed reports have advanced and deepened considerably the understanding of the South African regulatory environment and of its impact especially upon SMMEs as a whole and SMME development

in several important sectors. Among the most important policy findings that can be highlighted are as follows:

- As a whole, regulatory compliance across the spectrum of SMMEs is limited to registered businesses classed as so-termed Business Sophistication Measure (BSM) 7 in the FinScope survey of Gauteng small businesses. High compliance costs and lengthy, complex procedures are stated as major reasons for non-compliance by most small business entrepreneurs (Finmark Trust 2006a; Kubheka 2006).
- For SMMEs labour regulations were identified as the most important regulatory constraint to business and for investment (Rankin 2006: 69).
- In terms of labour regulations the most onerous elements relate to the firing of workers followed by the administrative burdens related to hiring (Rankin 2006).
- The costs imposed on SMMEs by regulations are reflected in various manifestations of firm behaviour such as disincentive to growth, avoidance through underreporting, and a reduction in efficiency (Rankin 2006).
- Tax compliance costs for SMMEs are also viewed to have negative impacts on SMMEs, with a large proportion of SMMEs outsourcing their tax responsibilities due to lack of skills and time (Venter and de Clercq 2007).
- Such costs potentially can be ameliorated through following the examples of UK and New Zealand where an agency exists dedicated to articulating SMME interests and providing small business inputs to all government departments (Chamberlain and Smith 2006). This would contribute towards a better coordination between government departments in SMME policy (Chamberlain and Smith 2006: 44).
- While a reduction in tax compliance costs can assist towards a more enabling environment for SMMEs the notion of a special tax regime for SMMEs is not supported; indeed a strong argument is made for a number of other SMME policy-related issues to receive greater emphasis than tax compliance costs (Chamberlain and Smith 2006).
- In terms of existing labour regulations it was suggested that the principle of ‘regulated flexibility’ be introduced with small businesses under a certain turnover to be issued with an annual certificate that would qualify them for operating under a special regulatory environment within the framework of existing labour law protection (Cheadle 2006: 44).
- At municipal level the regulatory impact on SMMEs is inextricably linked to the local economic development and service delivery roles of municipalities. The impact of regulations is a function of municipal capacity to implement, which results in many municipalities choosing to implement certain regulations only on a selective basis, especially in relation to informal traders (Pahwa et al. 2006).
- Improvement of municipal regulatory roles potentially may be effected through improved consultation processes with local business regarding new and existing policies, consultation with national departments to remove apparent contradictions between policy objectives in relation to local SMMEs; and the establishment within the LED offices of large, more well-resourced municipalities of an RIA unit (Pahwa et al. 2006).
- Changes in the sector-specific regulatory environment would often benefit SMMEs as such regulatory costs act as constraints on enterprise growth (SBP 2006a: 41)

- Sector-specific regulations create significant costs for SMMEs in certain sectors with the automotive, pharmaceutical and tourism sectors identified as hardest hit (SBP 2006a). By contrast, such regulations have little impact on SMMEs in agri-processing or clothing/textiles. In ICT and financial services SMMEs often ignore, evade or are simply unaware of sector-specific regulations (SBP 2006a: 41).
- Tourism SMMEs experience a host of constraints from sector-specific regulations relating variously to licensing of vehicles, zoning, permits and so forth (SBP 2006b). Overall, it is shown that “the regulatory burden is exceptionally onerous for tourism firms compared to firms in the broader economy” with average compliance costs estimated to be up to three times higher than in other economic sectors” (SBP 2006b: 75).

Concluding Remarks

Issues of access to finance, training opportunities and an appropriate regulatory environment remain high on both the international and South African policy agenda for SMME development. The task in this article was to provide a critical review and synthesis of the current ‘state of the art’ concerning research on these issues in South Africa.

The review points to a number of important research gaps that must be addressed in terms of monitoring the unfolding progress of the second decade of government programmes designed to assist the SMME economy (Department of Trade and Industry 2005; Upstart Business Strategies 2006). Evaluations of the effectiveness of changing government support programmes for finance and of government-led versus “financial market systems approach” to SMME financing are critical themes. Of significant concern also is the potential applicability and relevance in South Africa of international ‘good practice’ for delivery of financial services to SMMEs, including of investing in supportive information structures, such as credit bureaus, and of new forms of supplier finance such as factoring. Further specific issues on finance include, *inter alia*, monitoring the demand versus supply of finance to SMMEs in different phases (start-up vs growth phase), different sectors and different ownership status; the use of friends and family as source of finance; women entrepreneurs’ access to finance; the changing involvement of banks in entrepreneurship/SMME financing; and examining the market for pro-poor finance.

Several research gaps can be identified in terms of training and the regulatory environment for SMMEs in South Africa. Of particular importance regarding training are analysis of the role of training as a business-success factor; understanding learning processes in SMMEs in different sectors and especially of emerging SMMEs; evaluation of impact for SMMEs of government training systems; and the development and impact of sector-specific training. Also, the impact of the changing regulatory environment for SMMEs, sector-specific research on regulations and analysis of appropriate provincial government and municipal regulations for SMME development are further key research issues for future investigation. Overall, of critical importance is a continuous review of the appropriateness of existing finance, training and regulatory environment for supporting SMMEs.

References

- Abrie, W., & Doussy, E. (2006). Tax compliance obstacles encountered by small and medium enterprises in South Africa. *Meditari Accounting Research*, 14(1), 1–13.
- Afenyadu, D., King, K., McGrath, S., Oketch, H., Rogerson, C. and Visser, K. (2001). *Learning to Compete*, Education Research Paper No. 42, Department for International Development, London.
- Angela Motsa & Associates. (2004). SMME Finance Sector Background Paper: A Review of key documents on SMME finance 1994–2004, Report prepared for the FinMark Trust, Johannesburg, available at <http://www.finmarktrust.org.za>.
- Baumann, T. (2004). Pro-poor microcredit in South Africa: cost efficiency and productivity of South African pro-poor microfinance institutions. *Development Southern Africa*, 21, 785–798.
- Bay Research and Consultancy Services. (2002). The Pro-Poor Micro-Finance Sector in South Africa, Report prepared for the FinMark Trust, Johannesburg, available at <http://www.finmarktrust.org.za>.
- Beck, T., Demircuc-Kunt, A. and Maksimovich, V. (2002a). *Financing and Legal Constraints to Firm Growth: Does Size Matter?*, Policy Research Working Paper No., 2784, World Bank, Washington DC.
- Beck, T., Demircuc-Kunt, A. and Maksimovich, V. (2002b). *Financing Patterns Around the World: The Role of Institutions*, Policy Research Working Paper No., 2905, World Bank, Washington DC.
- Chamberlain, D. and Smith, A. (2006). *Recent Findings on Tax-Related Regulatory Burden on SMMEs in South Africa*, Working Paper 06/105, Development Policy Research Unit, University of Cape Town.
- Chandra, V., & Rajaratnam, B. (2001). *Constraints to Growth and Employment in the Informal Sector: Evidence from the 1999 Informal Survey*. Washington DC: World Bank.
- Cheadle, H. (2006). *Regulated Flexibility and Small Business: Revisiting the LRA and BCEA*, Working Paper 06/109, Development Policy Research Unit, University of Cape Town.
- Chen, M. (2005). The Business Environment and the Informal Economy: Creating Conditions for Poverty Reduction, Draft Paper for the Committee of Donor Agencies for Small Enterprise Development conference on Reforming the Business Environment, Cairo.
- Christianson, D. (2003). The investment climate in South Africa – regulatory issues: some insights from the high-growth export oriented SME sector, Paper prepared for DFID, London.
- Clarke, G., Kaplan, D. and Ramachandran, V. (2006). The investment climate for micro-enterprises in South Africa, Paper presented at the TIPS Conference on Accelerated and Shared Growth in South Africa: Determinants, Constraints and Opportunities, Johannesburg 18–20 October.
- Clemensson, M. (2006). Reforming the business environment: emerging trends and challenges, available at <http://www.businessenvironment.org>.
- Currin, B. (2006). Small business segmentation workshop presentation, available at <http://www.finmarktrust.org.za>.
- Daniels, R. C. (2004). Financial intermediation, regulation and the formal microcredit sector in South Africa. *Development Southern Africa*, 21, 831–849.
- Department of Trade and Industry (2005). *Integrated Small Enterprise Development Strategy: Unlocking the Potential of South African Entrepreneurs*. Pretoria: DTI.
- Dubbeld, E. (2006). *The future of microcredit in Bangladesh and South Africa: the Grameen Bank and SaveAct*. SELDADurban.
- Ebony Consulting International. (2002). *Private Equity and Capitalisation of SMMEs in South Africa: Quo Vadis?*, Working Paper No. 34, Social Finance Programme, Employment Sector, International Labour Organisation, Geneva.
- Erasmus, B. J., & Van Dyk, P. S. (2003). *Training Management in South Africa*. Cape Town: Oxford University Press.
- Falkena, H., Abedian, I., von Blottnitz, M., Coovadia, C., Davel, G., Madungandaba, J., Masilela, E. and Rees, S., (2001). SMEs Access to Finance in South Africa – A Supply-Side Regulatory Review by the Task Group of the Policy Board for Financial Services and Regulation, available at <http://www.finforum.co.za>.
- FinMark Trust, (2006a). FinScope Small Business Gauteng 2006: Pilot Study Survey Highlights including BSM model, available at <http://www.finmarktrust.org.za>.
- FinMark Trust, (2006b). New survey sheds light on small business sector, Press Release, 21 November available at <http://www.finmarktrust.org.za>.
- Foxcroft, M., Wood, E., Kew, J., Herrington, M., & Segal, N. (2002). *Global Entrepreneurship Monitor*, Graduate School of Business. Cape Town: University of Cape Town.
- Gibson, A. (2006). *Developing Financial Services Markets for the Poor: FinMark in South Africa*, Working Paper, Fauno Consortium of the Employment and Income Division, Swiss Agency for Development and Cooperation, Berne.

- Godfrey, S., Maree, J. and Theron, J. (2006). *Conditions of Employment and Small Business: Coverage, Compliance and Exemptions*, Working Paper 06/106, Development Policy Research Unit, University of Cape Town.
- International Finance Corporation, (2006). *Access to Finance for Women Entrepreneurs in South Africa*. Johannesburg, IFC.
- Kaplan, L. (2004a). Skills development in tourism: South Africa's tourism-led development strategy. *GeoJournal*, 60, 217-227.
- Kaplan, L. (2004b). Skills development for tourism in Alexandra township, Johannesburg. *Urban Forum*, 15, 380-398.
- King K. & McGrath, S. (Eds.) (1999). *Enterprise in Africa: Between Poverty and Growth*. London: Intermediate Technology Publications.
- King, K. & McGrath, S. (2002). *Globalisation, Enterprise and Knowledge*, Oxford: Symposium.
- King, K., McGrath, S., Rogerson, C., & Visser, K. (2002). Learning-led competitiveness: a challenge for South African development. *Africa Insight*, 32(3), 28–35.
- Kraak, A. (2005). Human resources development and the skills crisis in South Africa: the need for a multi-pronged strategy. *Journal of Education and Work*, 18, 57–83.
- Kubheka, B. (2006). Small business survey highlights 2006, available at <http://www.finmarktrust.org.za>.
- Ligthelm, A. and Cant, M.C. (2002). *Business Success Factors of SMEs in Gauteng: a Proactive Entrepreneurial Approach*, Research Report No. 311, Bureau of Market Research, University of South Africa, Pretoria.
- Makina, D., & Malobola, L. M. (2004). Impact assessments of microfinance programmes, including lessons from Khula Enterprise Finance. *Development Southern Africa*, 21, 799–814.
- Malhotra, M., Chen, Y., Criscuolo, A., Fan, Q., Hamel, I. I., & Savchenko, Y. (2006). *Expanding Access to Finance: Good Practices and Policies for Micro, Small and Medium Enterprises..* Washington DC: World Bank Institute.
- Marock, C. (2006). *Reskilling the Tourism and Hospitality Sector: A Case Study of the Tourism Learnership Project*, Learning Series No. 2, The Business Trust, Johannesburg.
- Martins, J. (2005). The state of skills training in very small and microenterprises in the South African environment, *South African Journal of Labour Relations*, 33–58.
- Martins, J.H. and van Wyk, H.J. (2004). *Skills Development Practices at and Needs of Micro-, Very Small and Small Businesses (SMEs) in Selected Sectors of the Economy*, Ntsika Enterprise Promotion Agency, Pretoria.
- McGrath, S. (2005a). *Skills Development in Very Small and Micro Enterprises*. Cape Town: HSRC Press.
- McGrath, S. (2005b). 'Skills for productive citizenship for all': the place of skills development for micro and small enterprises in South Africa. *Journal of Education and Work*, 18, 111–125.
- McGrath, S., & King, K. (1999). Learning to grow?: the importance of education and training for small and micro-enterprise development. In K. King, & S. McGrath (Eds.) *Enterprise in Africa: Between Poverty and Growth* pp. 211–222. London: Intermediate Technology Publications.
- Mlambo-Ngcuka, P. (2006). Address delivered by the Deputy President, Phumzile Mlambo-Ngcuka, at the launch of the Joint Initiative for Priority Skills Acquisition 27 March, available at <http://www.info.gov.za/speeches>.
- Moiloa, M. J. (2001). Training as a tool for SMME development within the youth sector of the KOSH area, Unpub. M.Admin dissertation, School of Public Management and Training, University of Stellenbosch.
- Mollentz, J. (2002). *Creating a Conducive Policy Environment for Employment Creation in SMMEs in South Africa*, SEED Working Paper No. 35, International Labour Office, Geneva.
- Monkman, D. (2003). *A Review of DTIs SME Financial Assistance Programmes and Its Proposal to Create a New Integrated Financial Institution*, Report prepared for the FinMark Trust, Johannesburg.
- Naidoo, S., Hilton, A. and Melzer, I. (2006). Access to finance for women entrepreneurs in South Africa: challenges and opportunities, available on <http://www.finmarktrust.org.za>.
- Napier, M. (2006a). Building inclusive financial markets in Africa – charting the frontiers of access to finance, Presentation at Microfinance club of London, 23 October, available at <http://www.finmarktrust.org.za>.
- Napier, M. (2006b). Pyramids and frontiers of finance – measuring access to finance, Presentation at Forum for the Future 24 October, available at <http://www.finmarktrust.org.za>.
- Nieman, G., Hough J. and Nieuwenhuizen, C. (2003). *Entrepreneurship: A South African Perspective*, Van Schaik, Pretoria.
- Nieuwenhuizen, C., & Kroon, J. (2003). The relationship between financing criteria and the success factors of entrepreneurs in small and medium enterprises. *Development Southern Africa*, 20, 129–142.

- Nigrini, M., & Schoombee, A. (2002). Credit guarantee schemes as an instrument to promote access to finance for small and medium enterprises: an analysis of Khula Enterprise Finance Ltd's individual credit guarantee scheme. *Development Southern Africa*, 19, 735–750.
- O'Neill, R.C. & Viljoen, L. (2001). Support for female entrepreneurs in South Africa: improvement or decline?, *Journal of Family Ecology and Consumer Sciences*, 29.
- Orford, J., Wood, E., Fischer, C., Herington, M. and Segal, N. (2003). *Global Entrepreneurship Monitor: South African Executive Report*, Graduate School of Business, University of Cape Town, Cape Town.
- Pahwa, S., Bester, J., van Nieuwenhuyzen, H., Dawood, G., Pieterse, D., Kane, K., Schlemmer, L., Bot, M., Hamilton, G., Madel, C. and Van Eden, R. (2006). *Impact of Municipal Regulations on SMMEs*, Working Paper 06/112, Development Policy Research Unit, University of Cape Town.
- Perks, S. (2004). The entrepreneurial skills necessary for growth of micro entrepreneurs: an empirical study, in J.P. Grundling and N. Olivier (eds), *Proceedings 3rd International Conference: Entrepreneurship in Africa Sustainable Globalisation*, Tshwane University of Technology, Pretoria, 217–226.
- Polkinghorne, R. (2001). Small and medium enterprise lending in South Africa – a suggested way to boost productivity and access through the encouragement of an E-finance model, available at <http://www.worldbank.org>.
- Porteous, D. (2002). SMME Financing: Credit Providers Position Paper, Report prepared for the FinMark Trust, Johannesburg.
- Pronyk, P. M., Kim, J. C., Hargreaves, J. R., Makhubele, M. B., Morison, L. A., Watts, C., & Porter, J. D. H. (2005). Microfinance and HIV prevention – emerging lessons from rural South Africa. *Small Enterprise Development*, 16(3), 26–38.
- Radipere, S., & van Scheers, L. (2005). Investigating whether a lack of marketing and managerial skills is the main cause of business failure in South Africa. *South African Journal of Economic and Management Sciences*, 8(NS), 402–411.
- Rankin, N. (2006). *The Regulatory Environment and SMMEs: evidence from South African firm level data*, Working Paper 06/113, Development Policy Research Unit, University of Cape Town.
- Republic of South Africa (1995). *National Strategy for the Development and Promotion of Small Business in South Africa*. Cape Town: Department of Trade and Industry.
- Republic of South Africa, (1996). *White Paper on the Development and Promotion of Tourism in South Africa*. Department of Environmental Affairs and Tourism, Pretoria.
- Rogerson, C. M. (2000). Successful SMEs in South Africa: the case of clothing producers in the Witwatersrand. *Development Southern Africa*, 17, 711–740.
- Rogerson, C. M. (2004a). The impact of the South African government's SMME programmes: a ten year review (1994–2003). *Development Southern Africa*, 21, 765–784.
- Rogerson, C. M. (2004b). Pro-poor local economic development in post-apartheid South Africa: The Johannesburg fashion district. *International Development Planning Review*, 26, 401–429.
- Saayman, M., & Geldenhuys, S. (2003). An analysis of skills required for selected sectors of the tourism industry. *South African Journal for Research in Sport, Physical Education and Recreation*, 25, 83–95.
- SBP (2004). *Counting The Cost of Red Tape: Headline Report*. Johannesburg: SBP.
- SBP (2005). *Counting the Cost of Red Tape for Business in South Africa*. Johannesburg: SBP.
- SBP. (2006a). *The Impacts of Sector-specific Policies and Regulations on the Growth of SMEs in Eight Sectors of the South African Economy*, Working Paper 06/112, Development Policy Research Unit, University of Cape Town.
- SBP (2006b). *Counting The Cost of Red Tape for Tourism Businesses in South Africa*. Johannesburg: ComMark Trust.
- Schoombee, A. (1999). Linkage banking for micro-enterprises in South Africa. *South African Journal of Economics*, 67, 418–456.
- Schoombee, A. (2000). Getting South African banks to serve micro-enterprises: an analysis of policy options. *Development Southern Africa*, 17, 751–767.
- Siyongwana, P. Q. (2004). Informal moneylenders in the Limpopo, Gauteng and Eastern Cape provinces of South Africa. *Development Southern Africa*, 21, 851–866.
- Skinner, C. (2000). *Securing Livelihoods: A Gendered Analysis of Support Interventions Available to Street Traders in the Durban Metropolitan Area*, Research Report No. 34, School of Development Studies, University of KwaZulu-Natal, Durban.
- Skinner, C. (2005). *Constraints to Growth and Employment in Durban: Evidence from the Informal Economy*, Research Report No. 65, School of Development Studies, University of KwaZulu-Natal, Durban.

- Smith, E. E., & Perks, S. (2006). Training interventions needed for developing black micro-entrepreneurial skills in the informal sector: a qualitative perspective. *South African Journal of Human Resource Management*, 4(1), 17–26.
- South Africa Foundation (2003). *Designing a Regulatory Impact Assessment for South Africa*. Johannesburg: South Africa Foundation.
- Teclé, Y. H., & Schroenn, J. L. (2006). The contribution of HRD to tourism-led development in an African context. *South African Journal of Economic and Management Sciences*, 9(4), 444–457.
- Tourism Enterprise Programme. (2006). Future direction of TEP, available at <http://www.tep.co.za>.
- Upstart Business Strategies (2006). *Integrated Strategy on the Promotion of Entrepreneurship and Small Business*. Pretoria: Department of Trade and Industry.
- Venter, J. M. P., & de Clercq, B. (2007). Tax compliance burden for small, medium and micro establishments in the business services industry. *South African Journal of Economic and Management Sciences*, 10(1), 1–13.
- World Bank. (2006). *South Africa: Enhancing the Effectiveness of Government in Promoting Micro, Small and Medium Enterprise*, Report for the Department of Trade and Industry, Pretoria.

About the author

Christian M. Rogerson is a Professor of Human Geography in the School of Geography, Archaeology and Environmental Studies at the University of the Witwatersrand, Johannesburg, South Africa.

Copyright of Urban Forum is the property of Springer Science & Business Media B.V. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.

Copyright of Urban Forum is the property of Springer Science & Business Media B.V. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.