



# Regulatory Obstacles and Small, Micro and Medium-sized Enterprises

**Zelege Worku\***

Tshwane University of Technology Business School, 159 Nana Sita Street, Pretoria 0001, South Africa. \*Email: [workuz@tut.ac.za](mailto:workuz@tut.ac.za)

**Received:** 29 April 2019

**Accepted:** 10 September 2019

**DOI:** <https://doi.org/10.32479/irmm.8088>

## ABSTRACT

The study was conducted in order to assess and evaluate factors that affect the ease of borrowing money by small, micro and medium-sized enterprises (SMMEs) from microfinance agencies and commercial banks in Pretoria West. The study was conducted by drawing a stratified random sample of size 334 SMMEs that conduct business in Pretoria West. Data was collected by using a structured, pretested and validated questionnaire of study. The degree of entrepreneurial skills of respondents was assessed by using a composite index developed by Choto et al. (2014). Data analyses were conducted by using methods such as frequency tables, cross-tab analyses and ordered logit analysis. The study found that 23.65% of SMMEs were granted loans needed for business operation, whereas the remaining 76.35% of businesses were not granted loans needed for business operation. Based on odds ratios estimated from ordered logit analysis, the ability of business operators to secure loans from money lending institutions was significantly influenced by 3 factors. These factors were level of entrepreneurial skills, ability to order merchandise in bulk on credit from wholesale suppliers and distributors, and participation in social capital activities.

**Keywords:** Pretoria West, Small, Micro and Medium-Sized Enterprise, Access to Loan, Entrepreneurial Skills, Odds Ratio

**JEL Classifications:** M13, M21, D21, R38

## 1. INTRODUCTION

Pretoria West is home to a large number and variety of small, micro and medium-sized enterprises (SMMEs). The overall aim of the study was to assess and evaluate obstacles that are experienced by SMMEs in respect of securing finance needed for routine business operation. Studies conducted by Marivate (2014), Fatoki (2014), Khale (2015) and Khale and Worku (2015) have shown that difficulty in securing loan is a key factor that undermines sustained growth and development in SMMEs operating in and around the City of Tshwane. The annual report issued by the City of Tshwane (2018) for the financial year 2016/2017 shows that attracting SMMEs into the City of Tshwane is a key strategic priority of the City of Tshwane as a means of creating jobs and alleviating poverty among the youth.

The study aims to look into the challenges experienced by SMMEs in the Tshwane region when accessing funding and support from

government funding agencies. The study will also discuss the role that SMMEs play in the economy of the country, creating employment and attracting foreign investments for the economy of the country. A healthy and functional SMME sector is essential for the creation of employment opportunities in all part of the country including Tshwane. Drahos and Braithwaite (2017) have pointed out that SMMEs create employment opportunities and entrepreneurial knowledge to the national economy. Collier and Dercon (2014) have pointed out that the SMME sector makes a significant contribution to the national economy although it is not given adequate support and recognition by the South African Government. Kauda (2015) has pointed out that the SMME sector contributes at least half of the GDP corresponding to the construction and agricultural sectors. Edoho (2016) has shown that SMMEs have made a contribution of 55.9% to total employment opportunities generated in 2002. Small businesses are vital to the economy. Rungani and Potgieter (2018:1) have argued that the SMME sector is quite important for achieving sustained growth

in the national economy, and that it deserves to be supported by the national government in terms of access to finance, training opportunities and policy and legislation related to entrepreneurial activities. A similar assessment has been made by Seeletse (2012) and Henrekson (2014).

### 1.1. Background to Study

A statistical report published by Statistics South Africa (2018) shows that the age group between 0 and 17 years is most severely affected by poverty in South Africa. Youth unemployment is a concern for every country, job creation of every economy in the world should be directed to the youth of that country, as we believe they are the future of the country. Living in poverty is the most significant threat to every human, bloodline, land, and continent. Unemployment often leads to criminal activities, corruption, depression and suicide (Nanda and Sorensen, 2010).

Rose-Ackerman and Palifka (2016) have shown that corruption and lack of leadership often undermine the quality of municipal service delivery in South African local governments. The authors that shown that resources are often abused due to corruption and lack of leadership skills. The South African Auditor-General (2018) has highlighted key areas of underperformance that need to be addressed by the City of Tshwane in respect of ensuring adequate municipal services to ratepayers, residents and the public. Naicker and Peters (2013) has shown that although the SMME sector is useful for creating jobs, the task of ensuring sustained survival and profitability in SMMEs requires good leadership from local municipalities. Oriaku (2012) has argued that the SMME sector in South Africa is not being provided with the support it deserves to be given by the national government. Marivate (2014) has shown that about half of all newly established SMMEs fail in the first three years of their establishment. Some of the causes of failure are lack of access to finance, lack of entrepreneurial skills, lack of good leadership in local municipalities, red tape, too much bureaucracy in trade license applications, and lack of suitable training opportunities for newly established SMMEs.

Adisa et al. (2014), Ayele (2015), and Akanle et al. (2016), have listed socioeconomic barriers that are known to undermine profitability in SMMEs operating in Sub-Saharan African countries such as Nigeria and South Africa. One of the key obstacles to growth in newly established SMMEs is inability to compete favourably with well-established businesses. The authors have shown that newly established SMMEs often do not have the necessary networking skills and financial means to operate at low cost due to intense competition from well-established businesses. Networking and managerial skills in small businesses are often very poor, and that newly established SMMEs are unable to compete with well established businesses. Bezuidenhout and Nenungwi (2012) have shown that newly established SMMEs do not have the necessary capital and skills to compete favourably with large enterprises, and that they need preferential treatment from national governments. Businesses are often monopolised by big companies. As such, newly established SMMEs need protection and adequate support from national governments if they are to thrive. It follows that South Africa needs to protect its SMMEs from unfair global brands that are taking over retail operators.

### 1.2. Objectives of Study

The overall aim of study was to identify and quantify key obstacles to securing finance in SMMEs operating in Pretoria West. Although SMMEs fail due to a number of reasons, one of the key causes of failure in SMMEs is difficulty in obtaining financial loans. The study aims to explain and describe factors that affect the difficulty involved in securing financial loans by SMMEs in the Tshwane region. The study aims to shade light on key barriers and obstacles that are related to applications made by operators of SMMEs in Tshwane to money lending institutions such as microfinance agencies and commercial banks.

## 2. LITERATURE REVIEW

According to Herrington (2018), the key obstacles to sustained growth and viability in newly established businesses are lack of entrepreneurial skills, poor quality of vocational skills at the high school level, lack of access to microfinance needed for basic operation by businesses, the shortage of mentorship programmes, and lack of access to local and international markets. Mbonyane and Ladzani (2011) have pointed out that the growth of SMMEs in South African townships is hampered due to lack of entrepreneurial skills, lack of access to microfinance, and inability of newly established businesses to compete against well established businesses and retailers. Littlewood and Holt (2018) have pointed out that national governments and local municipalities should actively support newly established businesses as a means of creating employment opportunities and reducing the degree of dependence on national governments.

Bekele and Worku (2008), Edoho (2016) and Kuada (2015) have pointed out that the degree of entrepreneurial skills among operators and owners of SMMEs in South African is low, and that the SMME sector needs assistance from the national government. National governments must support newly established and start-up businesses by providing tangible assistance in microfinance, skills-based training, mentorship and monitoring and evaluation. It is beneficial to support newly established businesses in their first three and a half years of operation as a means of ensuring viability (Marivate, 2014). The study conducted by Nel and Rogerson (2016) has shown that newly established businesses fail mostly due to lack of entrepreneurial skills and lack of access to microfinance.

According to Herrington (2018), about 71% of South African SMMEs are not formally registered, and function as informal businesses. This makes it difficult for the South African Government to extend the intended benefits of Black Economic Empowerment (BEE) economic incentives to SMMEs. A report published by Statistics South Africa (2018) on South African informal businesses shows that 79.1% of South African informal businesses did not have a bank account, and that above 90% of them did not have credit facilities. As a result, operators of informal businesses are unable to apply for credit cards or home loans. Operators of informal businesses are often unable to produce fixed assets or collaterals in order to support their loan applications. The report shows that 52.3% of informal businesses had a monthly turnover of R1, 500 or less. Only 14.6% of informal businesses had a monthly turnover of R6, 000 or more. About 64.9% of informal

businesses had monthly negative turnovers of R1, 500 or more. About 9.2% of informal businesses had a monthly net profit of R6, 000 or more. South Africa has a variety of funding programs that are meant for start-up enterprises operating in townships and cities. However, awareness about assistance programmes that are rolled out by agencies such as the South African Department of Trade and Industry (DTI) and the Small Enterprise Development Agency (SEDA, 2018) is low. Herrington (2018) has pointed out that only 25% of the adult population in South Africa is aware of assistance programmes and activities that are carried out by SEDA (Herrington, 2018).

### 3. METHODS AND MATERIALS OF STUDY

The design of study was descriptive and cross-sectional (Taylor et al., 2015). Data was collected by using a pretested, structured and validated questionnaire of study. Data was collected from 334 SMMEs operating in Pretroria West. The survey was conducted by means of personal visits, where structured questionnaires were given to eligible respondents to complete. Data analysis was done by using descriptive statistics, crosstab analyses (Hair et al., 2010) and ordered logit analysis (Hosmer and Lemeshow, 2013). Data collection was performed by using a pretested, validated and standardised questionnaire of study. The questionnaire of study consisted of 48 socioeconomic variables of study. Examples of these variables are lack of support from the South African Government, lack of access to finance, lack of entrepreneurial skills, lack of managerial skills, inability to network, poor marketing skills, poor geographical location, high cost of rent, high cost of electricity, difficulties in tax assessment, difficulties in license applications, and lack of leadership from local municipalities. The questionnaire of study was pretested, validated and standardised. Validity was ensured by using face validity (Taylor et al., 2015). This was done by conducting a pilot study with a sample of size 5 respondents. Reliability was ensured by using the Cronbach Alpha test (Taylor et al., 2015). All estimated Cronbach Alpha coefficients were above 75%.

### 4. RESULTS OF STUDY

The general profile of the 334 entrepreneurs who were included in the survey is provided in Table 1. The table shows that 23.65% of loan applications were approved, whereas moneylenders did not approve 76.35% of them. About 77% of businesses were profitable. About 75% of businesses were operated by actual owners. About 12% of business operators owned their business premises, whereas about 88% of business operators rented their business premises. Only 8% of business operators had Grade 12 level education or less. About 87% of businesses were operated by male entrepreneurs.

Table 2 shows that about 27% of respondents had attended at least one training programme on entrepreneurship in the past. The table shows that the level of artisan and vocational skills among the entrepreneurs in the study was poor. About 57% of businesses employed fewer than 3 employees in their business operations.

Table 3 assesses the level of basic competencies in conducting business. The table shows that more than half of the 334

**Table 1: General profile of entrepreneurs in the survey (n=334)**

Characteristic	Number of respondents and percentage
Approval of loan application	Yes: 79 (23.65%) No: 255 (76.35%)
Profitability of business operation	Yes: 258 (77.25%) No: 76 (22.75%)
Ownership of business	Owner: 249 (74.55%) Employee: 85 (25.45%)
Ownership of business premises	Owner: 39 (11.68%) Tenant: 295 (88.32%)
Duration of operation of business	Five years or less: 46 (13.77%) Six to ten years: 28 (8.38%) Eleven years or more: 260 (77.84%)
Highest level of formal education	Grade 12 or less: 28 (8.38%) Certificate: 31 (9.28%) Diploma: 44 (13.17%) Bachelor's degree: 223 (66.77%) Master's degree or more: 8 (2.40%)
Gender of business operator	Male: 291 (87.13%) Female: 43 (12.87%)
Age category in years	25 years or less: 31 (9.28%) 26 to 40 years: 46 (13.77%) 41 to 55 years: 204 (61.08%) 56 years or more: 53 (15.87%)
Marital status of respondent	Single: 183 (54.79%) Married: 117 (35.03%) Divorced: 23 (6.89%) Widowed: 3 (0.90%) Others: 8 (2.40%)
Race group of respondent	Black: 65 (19.46%) White: 49 (14.67%) Coloured: 26 (7.78%) Asian: 194 (58.08%)

**Table 2: Assessment of skills and number of employees (n=334)**

Characteristic	Number of respondents and percentage
Past attendance of at least one training programme on entrepreneurship	Yes: 89 (26.65%) No: 245 (73.35%)
Formal training on vocational skills	Yes: 99 (29.64%) No: 235 (70.36%)
Formal training on artisan skills	Yes: 44 (13.17%) No: 290 (86.83%)
Level of entrepreneurial skills of business manager	Good: 234 (70.06%) Above average: 28 (23.33%) Average: 55 (16.47%) Below average: 14 (4.19%) Poor: 3 (0.90%)
Level of managerial skills of business manager	Good: 231 (69.16%) Above average: 31 (9.28%) Average: 32 (9.58%) Below average: 17 (5.09%) Poor: 23 (6.89%)
Number of employees working in business	Less than 3: 189 (56.59%) 4 to 7: 85 (25.45%) 8 to 12: 43 (12.87%) 13 or more: 17 (5.09%)

entrepreneurs who were selected for the study possessed satisfactory competencies in drawing up business plans, taking

inventories, making oral presentations, and the preparation of audit and tax assessment reports.

Table 4 assesses the level of networking and marketing skills of respondents. The table shows that respondents who took

**Table 3: Assessment of basic competencies in conducting business (n=304)**

Characteristic	Number of respondents and percentage
Ability to draw up a business plan	Good: 210 (62.87%) Above average: 42 (12.57%) Average: 36 (10.78%) Below average: 33 (9.88%) Poor: 13 (3.89%)
Ability to take inventory of stocks	Good: 201 (60.18%) Above average: 46 (13.77%) Average: 40 (11.98%) Below average: 37 (11.08%) Poor: 10 (2.99%)
Ability to make an oral presentation of business plan	Good: 211 (63.17%) Above average: 41 (12.28%) Average: 38 (11.38%) Below average: 30 (8.98%) Poor: 14 (4.19%)
Ability to prepare an audit report	Good: 231 (69.16%) Above average: 31 (9.28%) Average: 32 (9.58%) Below average: 17 (5.09%) Poor: 23 (6.89%)
Ability to compile documents required for tax assessment	Good: 231 (69.16%) Above average: 31 (9.28%) Average: 32 (9.58%) Below average: 17 (5.09%) Poor: 23 (6.89%)

**Table 4: Assessment of networking and marketing skills (n=334)**

Characteristic	Number of respondents and percentage
Ability to network with potential customers and business partners	Good: 239 (71.56%) Above average: 33 (9.88%) Average: 29 (8.68%) Below average: 18 (5.39%) Poor: 15 (4.49%)
Ability to order of stock on credit from wholesale suppliers	Good: 237 (70.96%) Above average: 39 (11.68%) Average: 25 (7.49%) Below average: 22 (6.59%) Poor: 11 (3.29%)
Culture of saving part of profit	Good: 238 (71.26%) Above average: 40 (11.98%) Average: 26 (7.78%) Below average: 21 (6.29%) Poor: 9 (2.69%)
Ability to assess selling prices of business rivals and competitors	Good: 249 (74.55%) Above average: 42 (12.57%) Average: 25 (7.49%) Below average: 10 (2.99%) Poor: 8 (2.40%)
Ability to market goods and services to customers	Good: 249 (74.55%) Above average: 43 (12.87%) Average: 26 (7.78%) Below average: 9 (2.69%) Poor: 7 (2.10%)

part in the study possessed fairly good skills in networking and marketing.

Table 5 presents frequency counts and percentages on sources of initial and current capital. The table also shows figures for average monthly profit. About 45% of respondents used their own savings for starting up business ventures. About 36% of entrepreneurs started up their business ventures with capitals of R250, 001 to R500, 000.

Table 6 presents frequency counts and percentages on past history of applying for a business loan from various sources. About 41% of respondents had applied for a loan from a commercial bank at least once in the past. About 37% of respondents had applied for a loan from a microfinance agency at least once in the past. About 15% of respondents had defaulted on a loan at least once in the past. About 27% of respondents had a past history of selling goods to customers on credit. About 76% of applications made to commercial banks for loans were not successful. About 72%

**Table 5: Assessment of capital used in business (n=334)**

Characteristic	Number of respondents and percentage
Source of initial capital	Own savings: 149 (44.61%) Savings from friends and family: 57 (17.07%) Donation: 43 (12.87%) Loan from a commercial bank: 31 (9.28%) Loan from a microfinance agency: 27 (8.08%) Loan from a stokvel: 21 (6.29%) Other sources: 6 (1.80%)
Initial capital in Rand	R250, 000 or less: 104 (31.14%) R250, 001 to R500, 000: 120 (35.93%) R500, 001 to R1, 000, 000: 76 (22.75%) R1, 000, 001 or more: 34 (10.18%)
Current capital in Rand	R250, 000 or less: 84 (25.15%) R250, 001 to R500, 000: 115 (34.43%) R500, 001 to R1, 000, 000: 92 (27.54%) R1, 000, 001 or more: 43 (12.87%)
Average monthly profit in Rand	R250, 000 or less: 240 (71.86%) R250, 001 to R500, 000: 79 (23.65%) R500, 001 to R1, 000, 000: 13 (3.89%) R1, 000, 001 or more: 2 (0.60%)

**Table 6: Past history of applying for a business loan (n=334)**

Characteristic	Number of respondents and percentage
Past history of applying for a loan at least once from a commercial bank	Yes: 136 (40.72%) No: 198 (59.28%)
Past history of applying for a loan at least once from a microfinance agency	Yes: 122 (36.53%) No: 212 (63.47%)
Participation in social capital schemes such as a stokvel	Yes: 21 (6.29%) No: 313 (93.71%)
Past history of defaulting at least once on a loan	Yes: 49 (14.67%) No: 285 (85.33%)
Past history of selling goods to customers on credit	Yes: 89 (26.65%) No: 245 (73.35%)
Outcome of loan application made to a commercial bank	Positive: 81 (24.25%) Negative: 253 (75.75%)
Outcome of loan application made to a microfinance agency	Yes: 92 (27.54%) No: 242 (72.46%)
Payment of tax to SARS on a regular basis	Yes: 289 (86.53%) No: 45 (13.47%)

**Table 7: Awareness about potential sources of funding for SMMEs (n=334)**

Awareness about potential funding agency for SMMEs	Awareness about funding agency	Applying for assistance
Gauteng Economic Development Agency	31.28%	8.80%
Industrial Development Corporation	11.73%	46.00%
Isivande Women’s Fund	8.38%	4.80%
Khula Enterprise	1.68%	0.80%
Land Bank	1.12%	2.40%
National Empowerment Fund	2.23%	2.00%
National Youth Development Agency	30.73%	19.60%
Small Enterprise Finance Agency	1.12%	2.80%
Technology Innovation Agency	4.47%	2.40%
Tshwane Economic Development Agency	3.91%	3.20%
Others	3.35%	3.60%

of applications made to microfinance agencies for loans were not successful. About 87% of respondents paid tax to SARS on a regular basis.

Table 7 presents frequency counts and percentages for the degree of awareness of respondents about potential sources of funding who could be approached by SMMEs in the search for business loans. The table shows a significant difference between percentages for awareness and applying for loans.

Table 8 presents percentages for the various types of challenges experienced by loan applicants in the course of looking for loans from money lending institutions. About 6.85% of respondents experienced stringent regulations in the course of loan application. About 10.48% of applicants were told that they were not worthy of credit. About 46.37% of applicants experienced high interest rates. About 5.65% of applicants experienced unfavourable loan repayment terms and conditions. Nearly 8% of applicants experienced a difficult loan application process.

Table 9 shows socioeconomic factors that are highly associated with the ability of businesses to secure loans needed for business operation. The factors were identified based on results obtained from Pearson’s chi-square tests of associations at the 5% level of significance.

Table 10 shows odds ratios estimated from ordered logit analysis.

Odds ratios estimated from ordered logit analysis showed that the ability of business operators to secure loans from money lending institutions was significantly influenced by 3 factors. These factors were level of entrepreneurial skills, ability to order merchandise in bulk on credit from wholesale suppliers and distributors, and participation in social capital activities.

## 5. DISCUSSION OF RESULTS

Findings obtained from the study have shown that 23.65% of SMMEs were granted loans needed for business operation, whereas the remaining 76.35% of businesses were not granted loans needed for business operation. The results have shown that the ability of business operators to secure loans from money lending institutions was significantly influenced by 3 factors. These factors were level of entrepreneurial skills, ability to order

**Table 8: Challenges experienced by loan applicants (n=334)**

Challenges experienced by loan applicants	Percentage
Stringent regulations	6.85
Credit worthiness	10.48
High interest rates	46.37
Unfavourable repayment terms	5.65
Difficult application processes	7.72
Long waiting period to find out outcome	3.23
Lack of transparency	2.42
Insufficient documentation	4.03
Unclear requirements for loan applications	0.81
Lack of capacity to extend loan to applicant	5.24
Failure to raise collateral as part of application	3.60
Others	3.60

**Table 9: Highly significant two-by-two associations (n=334)**

Socioeconomic factors significantly associated with the ability to secure a loan for business operation	Observed chi-square value	P-value
Level of entrepreneurial skills	26.0268	0.0000
Ability to order merchandise in bulk on credit	23.2259	0.0000
Participation in social capital activities	20.4273	0.0000
Networking skills	14.8129	0.0000
Marketing skills	10.2736	0.0000

**Table 10: Estimates from ordered logit analysis**

Variable of study	Odds ratio	P-value	95% confidence interval of odds ratio
Level of entrepreneurial skills	5.32	0.000	(2.45, 8.07)
Ability to order merchandise in bulk on credit	4.74	0.000	(2.36, 7.36)
Participation in social capital activities	2.89	0.000	(1.84, 5.89)

merchandise in bulk on credit from wholesale suppliers and distributors, and participation in social capital activities.

Herrington (2018) has listed down barriers to development in start-up SMMEs. Marivate (2014) and Worku (2018) have shown that newly established SMMEs in Gauteng Province often fail due to failure to compete with well-established SMMEs due to inability to order merchandise in bulk on credit. The study conducted by

Marivate (2014) has found that the ability to order merchandise on credit in bulk from wholesale suppliers is a significant determinant of profitability in SMMEs.

Seeletse (2012) and Banerjee et al. (2015) has pointed out that SMMEs encounter problems such as inability to produce collateral while applying for loans. The study further states that majority of entrepreneurs in the SMMEs sector find it challenging to secure loans from banks reason being excessive red tapes, bureaucratic, and they don't understand the owners or operators of SMMEs (entrepreneurs). Edoho (2016) has pointed out that conventional financing mechanisms does not favor SMMEs who are in need of small financing amount and those who do not possess the required collateral, lack of collateral security due to poverty seems to be a challenge for SMMEs. The author has pointed out that the inability an SMMEs in securing loans from banks affect their contribution to the sector negatively, and that the banks takes into consideration the size and age of an SMME when offering loans. This means that those SMMEs in the starting phase will not be eligible to secure loan from the bankers. Microenterprises need access to loans quite often in order to stay profitable.

According to Statistics South Africa (2018), the unemployment rate among the youth aged 15 to 34 years is 38.2%. In the first quarter of 2018, the total estimated number of South Africans with ages between 15 and 24 years was equal to 10.3 million. Out of these 10.3 million South Africans, 32.4% of them or 3.3 million of them were unemployed mostly due to lack of skills for which there was market-related demand in business, government and industry. This fact indicates that the South African Government needs to develop a skills-based training programme that is tailor-made to the needs of business, government and industry in which the youth are given a priority. Marivate (2014) has identified the mismatch between theoretical lessons obtained by the youth at South African academic institutions and practical skills that are needed in the South African labour market as a major obstacle for sustained growth in start-up enterprises. Khale (2015) has proposed a framework that is based on the provision of training to the youth that would enable the youth to market their practical, vocational and artisan skills at the labour market. The framework proposed by Khale (2015) depends upon the availability of enough commitment, goodwill and resources that are required for rolling out specialised training and mentorship programmes to the youth. The framework proposed by Kuada (2015) for promoting entrepreneurship in Sub-Saharan African countries places emphasis on the development of an academic curriculum that is aligned with the practical needs of local markets.

## 6. CONCLUSION AND RECOMMENDATIONS

The study has shown that it is quite difficult to secure loans for operators of SMMEs in Tshwane and the surrounding townships. Formal money lending agencies often require collateral and a good track record of repayment of loans. The youth in Tshwane often do not satisfy these requirements. As such, their loan applications often get rejected by commercial banks and microfinance agencies. The

interest rates imposed on SMMEs by microfinance agencies and commercial banks are often too stringent. Findings obtained from the study are in agreement with what has been reported by Herrington (2018) in which the author has made a call for intervention from the South African Government in terms of easing the requirements for loan applications in South Africa. The study has found that entrepreneurs operating SMMEs in and around Tshwane experience severe challenges with regards to access to finance.

The study has found that the youth are disadvantaged due to poor background in entrepreneurial education and artisan and vocational skills that are essential for conducting business activities profitably over a long period of time. These findings are consistent with findings reported by Marivate (2014), Khale (2015) and Fine (2018). The study conducted by Seeletse (2012) has found that the youth operating in South African townships need to be provided with hands-on skills based training opportunities so that they can operate SMMEs profitably. Such training sessions must be made available at all townships and central business districts of major cities such as Tshwane. The youth must be provided with incentives and monitoring and evaluation programmes so that they acquire basic skills in drawing up business plans.

The study has shown the relative importance of managerial, accounting, auditing and entrepreneurial skills. An incentive should be provided to the youth so that they attend practical training sessions that are provided by SEDA and DTI to novice entrepreneurs. Such training sessions enable the youth to acquire basic skills in applying for loans, auditing, accounting, taking inventory, networking and marking oral presentations to clients and customers (Zulfiqar, 2017). The study has shown that the degree of awareness about support and training programmes that are offered to the youth by SEDA is quite low. The study has also shown that the youth need a practical incentive in attending and benefiting from training and support programmes that are rolled out by SEDA to the youth in Tshwane. The study has shown that it is essential to roll out monitoring and evaluation programmes that are directed at the youth so that efforts made by DTI, SEDA and the NYDA bear fruit. There are several reasons for the failure of support programmes that are led by the South African Government. Some of the reasons are lack of awareness of the support programmes that are offered by the Government, the uneven distribution of support services (concentration in some geographical regions), cumbersome administrative procedures and requirements, and too much bureaucracy and red tape (Marivate, 2014).

Seeletse (2012), Haile (2015), Chiloane-Tsoka and Mmako (2014) have shown that the poor level of competence of employees working on SMMEs undermines support programmes that are rolled out by SEDA and DTI. One example of programme that has failed to produce results is the Khula Mentorship Programme (Edoho, 2016). The mentorship programme is operated by people who lack skills in mentorship and entrepreneurial sciences (Bezuidenhout and Nenungwi, 2012; Choto et al, 2014).

In light of findings obtained from the study, the following practical recommendations have been made to the South African DTI and the South African SEDA with a view to assist SMMEs operating in Pretoria West.

- It would be helpful to roll out community-based awareness campaigns about support programmes and initiatives taken by DTI and SEDA to SMMEs.
- Operators of SMMEs do not have adequate fixed assets and collaterals that could be used for applying for loans from microfinance institutions in the course of loan applications. It would be helpful if money-lending institutions could buy a percentage of businesses in exchange for extending loans to SMMEs. Doing so would enable money-lending agencies to monitor and evaluate the proper utilisation of their loan money.
- It would be helpful for DTI and SEDA to actively monitor and evaluate SMMEs by providing all necessary mentorship and administrative support. Doing so would require the deployment of suitably trained employees of DTI and SEDA in commercial business districts such as Pretoria West.
- It would be helpful to amend the existing South African curriculum and syllabus at the high school and undergraduate level. Entrepreneurial, artisan and vocational skills should be taught to learners by suitably qualified and well-experienced educators both in terms of theory and in terms of practical applications in collaboration with local municipalities.

## REFERENCES

- Adisa, T.A., Abdulraheem, I., Mordi, C. (2014), The Characteristics and challenges of small businesses in Africa: An exploratory study of Nigerian small business owners. *Petroleum-Gas University of Ploiesti Bulletin Technical Series*, 66(4), 2-11.
- Akanle, O., Alemu, A.E., Adesina, J.O. (2016), The existentialities of Ethiopian and Nigerian migrants in South Africa. *International Journal of African Renaissance Studies*, 11(2), 139-158.
- Ayele, G.T. (2015), Microfinance institutions in Ethiopia, Kenya and Uganda: Loan outreach to the poor and the quest for financial viability. *African Development Review*, 27(2), 117-129.
- Banerjee, A., Duflo, E., Glennerster, R., Kinnan, C. (2015), The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics*, 7(1), 22-53.
- Bekele, E., Worku, Z.B. (2008), Factors that affect the long-term survival of micro, small and medium enterprises in Ethiopia. *South African Journal of Economics*, 76(3), 548-568.
- Bezuidenhout, A., Nenungwi, A.L. (2012), A competency framework for the small business sector in Johannesburg, South Africa. *African Journal of Business Management*, 6(47), 11658-11669.
- Choto, P., Tengeh, R.K., Iwu, C.G. (2014), Daring to survive or to grow? The growth aspirations and challenges of survivalist entrepreneurs in South Africa. *Environmental Economics*, 5(4), 93-101.
- Chiloane-Tsoka, E., Mmako, N. (2014), Effects of migration and immigration on SMMEs: The case study of Diepsloot informal settlement, South Africa. *Problems and Perspectives in Management*, 12(4), 377-383.
- City of Tshwane. (2018), Annual Report for 2016/2017. Available from: <http://www.tshwane.gov.za>.
- Collier, P., Dercon, S. (2014), African agriculture in 50 years: Smallholders in a rapidly changing world? *World Development*, 63(1), 92-101.
- Drahos, P., Braithwaite, J. (2017), *Information Feudalism: Who Owns the Knowledge Economy?* New York: Routledge.
- Edoho, F.M. (2016), Entrepreneurship paradigm in the new millennium: A critique of public policy on entrepreneurship. *Journal of Entrepreneurship in Emerging Economies*, 8(2), 279-294.
- Fatoki, O. (2014), The causes of the failure of new small and medium enterprises in South Africa. *Mediterranean Journal of Social Sciences*, 5(20), 922-930.
- Fine, B. (2018), *The Political Economy of South Africa: From Minerals-energy Complex to Industrialisation*. New York: Routledge.
- Haile, F. (2015), Determinants of loan repayment performance: Case study of Harari microfinance institutions. *Journal of Agricultural Extension and Rural Development*, 7(2), 56-64.
- Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. (2010), *Multivariate Data Analysis: A Global Perspective*. London: Pearson.
- Herrington, M. (2018), *Global Entrepreneurship Monitor South Africa Report for 2016 to 2017*. Available from: <https://www.gemconsortium.org/report/49833>.
- Henrekson, M. (2014), Entrepreneurship, innovation, and human flourishing. *Small Business Economics*, 43(3), 511-528.
- Hosmer, D.W., Lemeshow, S. (2013), *Applied Logistic Regression Analysis*. New York: John Wiley and Sons.
- Kuada, J. (2015), Entrepreneurship in Africa a classificatory framework and a research agenda. *African Journal of Economic and Management Studies*, 6(2), 12-19.
- Khale, S. (2015), Assessment of the quality of municipal services in the city of Tshwane, South Africa. *Journal of Corporate Ownership and Control*, 13(1), 678-695.
- Khale, S., Worku, Z. (2015), Benefits of good corporate governance principles: A study of the City of Tshwane, South Africa. *Journal of Corporate Governance and Control*, 13(1), 753-770.
- Littlewood, D., Holt, D. (2018), Social entrepreneurship in South Africa: Exploring the influence of environment. *Business and Society*, 57(3), 525-561.
- Marivate, S.P. (2014), The impact of entrepreneurial skills on the viability and long-term survival of small businesses: A case of the city of Tshwane, South Africa. *European Journal of Business, Economics and Accountancy*, 2(2), 53-72.
- Naicker, V., Peters, R. (2013), Small, medium and micro enterprises business goals and government support South African case study. *South African Journal of Business Management*, 44(4), 13-24.
- Nanda, R., Sorensen, J.B. (2010), Workplace peers and entrepreneurship. *Management Science*, 56(7), 1116-1126.
- Nel, E., Rogerson, C.M. (2016), The contested trajectory of applied local economic development in South Africa. *Local Economy*, 31(1-2), 109-123.
- Oriaku, N. (2012), Current challenges facing Small Business. *International Journal of Finance and Policy Analysis*, 4(2), 16-25.
- Rose-Ackerman, S., Palifka, B.J. (2016), *Corruption and Government: Causes, Consequences, and Reform*. London: Cambridge University Press.
- Rungani, E.C., Potgieter, M. (2018), The impact of financial support on the success of small, medium and micro enterprises in the Eastern Cape province. *Acta Commercii*, 18(1). DOI: 10.4102/ac.v18i1.591.
- Seeletse, S.M. (2012), Common causes of small businesses failure in the townships of West Rand district municipality in the Gauteng province of South Africa. *African Journal of Business Management*, 6(44), 10994-11002.
- South African Auditor-General. (2018), Annual Report for 2016/2107. Available from: <https://www.agsa.co.za/Reporting/AnnualReport.aspx>.
- South African National Department of Trade and Industry. (2018), Annual Report for 2016/2017. Available from: <http://www.thedti.gov.za>.
- South African Small Enterprise Development Agency. (2018), Annual Report for 2016/2017. Available from: <http://www.entrepreneurship.co.za>.
- Statistics South Africa. (2018), Unemployment Rates for 2016/2017. Available from: <http://www.statssa.gov.za>.
- Taylor, S.J., Bogdan, R., DeVault, M. (2015), *Introduction to Qualitative Research Methods: A Guidebook and Resource*. New York: John Wiley and Sons.
- Worku, Z. (2018), Factors that affect sustained profitability in the textile industry of Tshwane. *Journal of Applied Business Research*, 34(2), 295-308.
- Zulfiqar, G. (2017), Does microfinance enhance gender equity in access to finance? Evidence from Pakistan. *Feminist Economics*, 23(1), 160-185.