

Designing a policy and strategy framework for black, women-owned small and medium businesses in Johannesburg and Pretoria cities, Gauteng Province

By

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ABSTRACT

There have been numerous challenges impeding efforts of black women in establishing, growing and sustaining their small and medium businesses in South Africa. This sector is male dominated and yet, females, especially black women, are predominant in the South African economic active population. If meaningful success is to be achieved, it is imperative for both public and private sectors to formulate and implement sustainable policies and strategies to stimulate, grow and sustain black women businesses.

Black women were the focus of this study because of their historic marginalisation, economically. In this study, the insights of black female entrepreneurs hopefully provided an understanding of the challenges facing black women establishing and developing SMEs in different sectors in the South African economy.

The aim of the study was to design a policy and strategy framework for black, women-owned small and medium businesses in Johannesburg and Pretoria cities, Gauteng Province. This would be achieved through identifying the obstacles faced by small and medium businesses owned by black women, and using recommendations provided by these women to design such a policy and strategy framework.

An exploratory research design and a qualitative approach to data collection were utilised to collect and analyse primary data for the study. Purposive non-probability sampling was used to identify eight black female SME entrepreneurs. The sampled black female entrepreneurs were contacted and asked to participate in the research study. Initially the sample was supposed to be drawn directly from the DTI's various women business development and support programmes. However due to challenges experienced to schedule the actual interviews, the snowballing sampling method introduced other black female entrepreneurs outside of the DTI programmes.

Interviews with semi-structured questions were conducted with each of the entrepreneurs to collect the primary data. The focus of the interviews was to review the challenges faced by black women-owned SMEs, determine the current

government policies and strategies addressing the SMEs' challenges, and suggest ways of revising or improving the policies and strategies to promote black women-owned SMEs.

It was found that the micro challenges include: lack of finance, insufficient education and experience, lack of customer satisfaction, female gender roles, lack of marketing, lack of compliance with legislation, and lack of focus, while the macro challenges include: gender prejudices, limited access to finance, bureaucratic processes, execution failure, corruption and nepotism, delays in payments, difficult registration process, lack of infrastructure, lack of networking, and high competition.

The existing government policies and strategies to address the challenges that black women-owned SMEs contend with were as follows: BBBEE, SEDA, SEFA, B'avumile Skills Development Initiative, GWE Unit, and Gauteng Economic Propeller. However, the findings revealed that most participants were not aware of the nature of the support provided by the policies and strategies of the identified programmes.

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LIST OF ACRONYMS

B-BBEE	Broad Based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
BRICS	Brazil, Russia, India, China and South Africa
DST	Department of Science and Technology
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GoSA	Government of South Africa
IBRD	International Bank for Reconstruction and Development
IDC	Industrial Development Corporation
ILO	International Labour Organisation
ISP	Incubation Support Programme
LRA	Labour Relations Act
MCOs	Micro Credit Organisations
MDGs	Millennium Development Goal
M&E	Monitoring and Evaluation
NBS	National Business Services
NEF	National Empowerment Fund
NDP	National Development Plan
NGP	National Growth Path
NSBS	National Small Business Survey
OECD	Organisation for Economic Co-operation and Development
PwC	PricewaterhouseCoopers
RBM	Results Based Management
RDP	Reconstruction Development Programme
RFI	Retail Finance Intermediaries
RSA	Republic South Africa
SAMAF	South Africa Micro-finance
SAWEN	South African Women Entrepreneurs' Network
SCGS	Standard Credit Guarantee Schemes
SEDA	Small Enterprise Development Agency

STP	Seda Technology Programme
SEFA	Small Enterprise Finance Agency
SMEs	Small and Medium Enterprises
SMMEs	Small, Medium and Micro Enterprises
Stats SA	Statistics South Africa
TWIB	Technology for Women in Business
UNDESA	United Nations Department of Social and Economic Affairs

CHAPTER 1: BACKGROUND AND RESEARCH OVERVIEW

1.1 Introduction

The world over, small and medium enterprises (SMEs) have become the engine for driving all economies, and South Africa is no exception. Since the advent of democracy in South Africa in 1994, there has been an upward trajectory of unemployment in the region of 27%. An estimate by Statistics South Africa in the fourth quarter in 2018 was about 27.5% (Stats SA, Quarter 4, 2018). According to Afolabi (2015: 49), these SMEs are critical for driving economic growth, dynamism and flexibility in developed, emerging and developing economies. Indeed, the catalytic effect of SMEs on achieving economic goals such as economic growth, employment creation and poverty alleviation cannot be underplayed.

In 1994, the South African government, through the Department of Trade and Industry (DTI), launched the nation's first attempt to address SMME development as a matter of priority to create employment and stimulate the economy (Amra, Hlatshwayo & McMillan, 2013: 1–2). The DTI has since promulgated a range of legislation such as the Broad-Based Black Economic Empowerment (BBBEE) Act (2003), The Small Business Development Act 1996, and established several agencies such as The Small Enterprise Development Agency (SEDA), and The National Empowerment Fund (NEF) (Chiloane-Tsoka, 2013: 347) to foster socio-economic development. Although such policies and strategies were formulated and implemented to support small businesses, their success to drive set-ups and promote sustainability of black women owned small businesses require scrutiny.

According to Fatoki (2014: 922), fostering sustainable small, medium and micro enterprise entrepreneurship development is a socio-economic agenda in almost all nations throughout the world, since successful business enterprises can create additional job opportunities and contribute towards remarkable national GDP growth of a country. This view is shared by Afolabi (2015: 62) who corroborates that entrepreneurship development promotes economic growth, economic independence,

economic competitiveness, job creation, social welfare, self-esteem coupled with national security and political stability.

It is imperative that the obstacles faced by SMEs are dealt with decisively in order to derive the maximum contribution of these enterprises to a country's economy. The main challenges facing black women-owned small businesses in South Africa include lack of managerial expertise and experience, access to finance, lack of technology (Fatoki, 2014: 926), a punitive regulatory framework, and inadequate infrastructure (Small Enterprise Development Agency (SEDA), 2016: 7-8). This study seeks to investigate the challenges faced by black women-owned SMEs in South Africa, with the focus being in Gauteng's Pretoria and Johannesburg cities.

Despite efforts by the Government to provide the Khula guarantee scheme through the Khula Enterprise Finance Limited, the challenge is that some of the SMEs, particularly start-ups, are unable to provide the minimum collateral security required to qualify for the credit guarantee scheme. This is due to limited capacity (Mazanai & Fatoki, 2012: 60). Comparatively, SMEs usually borrow smaller loans than large enterprises. However, the transaction costs charged by commercial banks for administering and processing the loans are fixed, regardless of business size, thereby compromising these small businesses. Additional costs, such as the costs of gathering information, visiting lenders and monitoring their loans are also a burden for SMEs (Mazanai & Fatoki, 2012: 60). The South African government provides business support services through the Small Enterprise Development Agency (SEDA) and the agency hires consultancy services to prepare business plans for entrepreneurs. This approach has not been very beneficial to entrepreneurs because some SMEs fail to implement the business plans, thus rendering the approach ineffective (Fatoki & Odeyemi, 2010: 33).

1.2 Background of study

In 1994, South Africa changed from an authoritarian state to a democracy, and the government prioritised start-ups and the development of small, medium and micro enterprises (SMMEs) to alleviate poverty and unemployment by driving economic growth (Amra *et al.*, 2013: 1). Chimucheka (2013: 157) confirms the role of SMMEs

as the engine of South Africa's economy, contributing to the Gross Domestic Product (GDP) and employment creation. SMEs comprise 91% of formalised businesses, provide jobs to about 60% of the labour force and contribute approximately 34% of GDP (Banking Association of South Africa, 2017: online). In 1994 the Reconstruction and Development Programme (RDP) was implemented as a general economic policy prioritising small and medium businesses as key to economic development and employment creation, yet the support might have been insufficient to promote start-ups and sustainable SME development. In South Africa, the failure rate of new SMMEs is between 70% and 80% (Fatoki, 2014: 925).

The RDP was succeeded by general economic strategies such as the Growth, Employment and Redistribution Plan (GEAR, 1998), the Accelerated Shared Growth Initiative for South Africa (ASGISA, 2006), the New Growth Path (2010) and the latest being the National Development Plan (NDP) (2012) (Amra *et al.*, 2013: 2). In this study, effort was made to determine the success of these generic strategies and any other customised policies and strategies to foster black female empowerment through SMEs.

Chiloane-Tsoka, (2013: 348) confirms that historically women in South African have been subjected to extreme levels of discrimination under the guise of cultural, social and religious systems which promoted oppression of women and patriarchy. This view is corroborated by South African History (2018: online), namely that in most cultural and social groups, African women assumed traditional positions in households which restricted their economic participation. Such discriminatory practices left women marginalised in management as well as entrepreneurship.

Carter, Mwaura, Ram, Trehan and Jones (2015: 29-30) posit that the use of gender labels can obscure the complex research aimed at investigating the underrepresentation of women in enterprise development. It is overly simplistic to use gender to dichotomise businesses, but rather Marlow and Swail (2014: 63) propose a view which nuances gender as a mental (cognitive and affective) perspective that affects operations and organisational creation processes. However, one can still argue that the findings of the research studies were relevant in the UK -

a developed nation - and still interrogate their applicability in South Africa, a developing nation.

It was reported that apartheid government systems and practices such as pass laws and restrictions of the establishment of labour unions nurtured oppression for Black Africans, specifically for women, thereby marginalising African women from economic participation (South African History 2018: online). A study by Chiloane-Tsoka, (2013: 348) supports the view that the complexity of the establishment of SMMEs is associated with the apartheid regime's oppression and discouragement of an entrepreneurship culture among black people in South Africa. The promulgation of the Natives Land Act (No. 27 of 1913) disqualified black women from owning property, thus impeding their access to collateral, exacerbating their obstacles to starting businesses. This pushed black women to seek other economic opportunities which landed them mostly in the informal sector (Chiloane-Tsoka, 2013: 349). Such socio-political practices made it difficult for black women to access business opportunities and contribute towards enterprise development in South Africa. For example, the introduction of pass laws (1800 – 1994) restricted free movement of Black African workers, especially women workers, to areas where their husbands were working, thereby marginalising them economically (South Africa History, 2018: online).

Recent statistical economic evidence further supports that one of the major social vices that South Africa struggles with, is an alarmingly high national unemployment rate, i.e. at about 27.5% (Stats SA, Quarter 4: 2018) which is partly exacerbated by a chronic shortage of skilled labour such as managerial skills and financial management skills. Against this backdrop, the Government continues to design and implement policies, strategies and programmes to allow easy access to finance and entrepreneurship development to enable the SME start-ups. One of the major questions that remain to be answered is: To what extent do these policies, strategies and programmes introduced by the government directly stimulate entrepreneurship for black women in small business enterprises?

The DTI has the overall responsibility to provide support to small enterprises to promote economic development, economic empowerment, employment and poverty reduction (BANKseta Report, 2014: 24). These benefits are congruent with the findings of Chimucheka, (2013: 62) which include creation of employment and alleviation of poverty, innovation, new product development, exports of products and services and an increase in a country's Gross Domestic Product (GDP). This notion is also supported by Mutoko and Kapunda (2017: 1) who maintain that SMMEs are significant in economies across the world in the sense that they contribute positively to employment creation, economic welfare and the creation of social stability in countries like Botswana, Canada, Japan, Kenya, Malaysia, Nigeria, Sri Lanka, South Africa and the United Kingdom). Organisation for Economic Co-operation Development (OECD), (2015: np) provides evidence from empirical studies showing:

That SMEs contribute over 55% of GDP and over 65% of total employment in high-income countries, over 60% of GDP and over 70% of total employment in low-income countries, while contributing over 95% of total employment and about 70% of GDP in middle-income countries.

The South African government continues to recognise the significance of the SMMEs sector as evidenced by the establishment of a new Ministry of Small Business Development in early 2014. The aim of the Ministry is to facilitate the promotion and development of small businesses. The DTI (2014: 36) confirms that small business enterprises contribute significantly to national GDP and employment creation. FinScope (2013: np) suggests that SMMEs provide an opportunity to impart critical skills perceived to be lacking in South Africa, such as managerial expertise and financial management prowess, by enabling those with low skills to be up-skilled through practical application of knowledge, via on-the-job training.

Chimucheka (2013: 159-160) observes that SMMEs are crucial because they inculcate a culture of entrepreneurship and innovation, perceived to be lacking in South Africa. This view is supported by OECD (2014: np) which suggests that SMMEs can offer local innovative solutions to local problems, at a low cost. Indeed, SMMEs are expected to intensify competition, thus providing South Africans with lower prices of goods, a wider variety as well as better quality of products. OECD (2016: online) reports that most SMMEs in South Africa fail as a result of, amongst

others, a lack of appropriate education, a lack of the requisite experience and an entrepreneurial culture and most importantly, a lack of access to funding. Bhat and Khan (2014: 2) argue that a major factor in the success or failure of a business is its ability to scan and understand its external environment and design their product marketing strategy to align with their product. The authors emphasise that the entrepreneur must first monitor and analyse the opportunities and threats posed by external factors before exploiting such opportunities.

SEDA (2016: 3) made similar reports that SMEs face several challenges, which include a lack of appropriate management competence, access to finance and obtaining credit; access to markets; the lack of an ability to develop relationships with customers; a lack of the requisite technology; low production capacity; a lack of recognition by large businesses and government bureaucracy and a lack of support for the role they play in economic development.

These challenges prompted the Government to pay more attention to the problems of SMEs by introducing several capacity building initiatives. These include amongst others, the establishment of The National Strategy for the Development and Promotion of Small Business in South Africa, whose main objective is to drive the nation through challenges and induce developments to foster institutional, policy-shaping and implementation evolution, which led South Africa to its current 'integrated approach' for small enterprise support. Afolabi (2015: 62) confirms the role of government agencies such as Khula Enterprise Fund Ltd, South African Microfinance (SAMAF), Retail Finance Intermediaries (RFIs) and National Empowerment Fund (NEF) in supporting funding schemes on behalf of government to ensure easy access to funding to promote growth of SMEs.

In 2012, Khula, SAMAF and the small business activities of IDC were amalgamated to form the Small Enterprise Finance Agency (SEFA) (Amra *et al.*, 2013: 3). Furthermore, the South African Government has prioritised the advancement of SMMEs as a catalyst to achieving economic growth and development. It therefore uses its various departments and agencies to craft policies and programmes to

implement several SME development initiatives, to access funding and other forms of assistance to propel SMEs to long-term sustainability (Fatoki, 2014: 926).

The Government of South Africa promulgated laws such as The Small Business Development Act (1996) and the Broad-Based Black Economic Empowerment (BBBEE) Act (2003) to create an enabling environment to ensure the growth and survival of SMEs. The Department of Trade and Industry (DTI) has the primary mandate to promote SMEs and is supported by departments such as the Department of Science and Technology (DST) (Chimucheka, 2013: 783). The institution and agencies established by the GoSA to support SMEs include: Small Enterprise Development Agency (SEDA), Seda Technology Programme (STP), Small Enterprise Finance Agency (SEFA), Technology Innovation Agency, National Empowerment Fund (NEF) and Incubation Support Programme (ISP) (Masutha, 2014: 41). The present study investigated whether black women-owned SMEs are benefiting from these generic efforts instituted to drive the starting and growing of small and medium businesses in South Africa.

Though the Credit Guarantee Scheme provided by SEFA was introduced to facilitate the sharing of credit risk between SEFA and the commercial banks, in order to provide funds to SMEs (Mazanai & Fatoki, 2012: 65), the progress remains low. A study by Mago and Toro (2013) reveals that the level of awareness of the Credit Guarantee Scheme and knowledge of how to secure the service is low, and that the marketing communications of the available programmes are ineffective. Mago and Toro (2013) further suggests that SMMEs generally perceive the cost of borrowing using SEFA to be very high, since they are expected to provide minimum collateral to qualify for the funding.

According to the National Credit Regulator's "Literature Review on Small and Medium Enterprises Access' to Credit and Support in South Africa" report (2011:10), despite the availability of SME funding programmes, there seems to be a general lack of awareness of these programmes and this has subsequently impeded the uptake of these programmes. The rejection rate for SMEs applying for financial assistance through bank sponsored schemes seems to be high. The report states

some of the reasons for this high rejection rate as general lack of information about funding programmes; lack of alignment between small business product offerings and the market; and a gap between the minimum requirements for a business loan and the status of most SMEs.

Furthermore, South Africa as a developing nation does not have a strong venture capital culture. Hirrengton, Kew and Kew (2010: 145) observe that South Africa has a low number of venture capital companies faced by a very high capital demand, resulting in them being selective in providing funding to their clientele. Therefore, SMEs owned by black women compete with SMEs owned by other groups to access venture capital. This renders their financial position weak, threatening the survival of the start-up firms.

1.3 Motivation for the study

Policy formulation and implementation are fundamentals to promote successful equality and economic transformation in South Africa. Therefore, investigating the effectiveness of government policies and strategies in addressing challenges confronting black women-owned SMEs to stimulate economic growth carries a strong theoretical and practical relevance. Based on the findings, the researcher developed a policy and strategy framework to promote the development of SMEs in Johannesburg and Pretoria, South Africa. Such a framework provides a valuable contribution to SMEs national policy design and implementation for South Africa and other developing economies alike.

The policy and strategy framework could inform the GoSA when designing suitable policies and strategies to assist the start-up and growth of black women-owned SMEs. The results from the study will also guide implementers of the policies and strategies to improve the performance of such SMEs and ultimately lead to the attainment of national strategic goals, which are: employment creation, poverty alleviation, equity and participation, social stability and economic growth and development (Fatoki, 2014: 924). This present study also draws the attention of owners of small businesses and policy-makers to the urgent need for good

governance to enhance sustainable growth of SMEs owned by black women in South Africa.

From an academic perspective, the present study promotes the establishment of knowledge of the oversight of government departments such as the DTI in South Africa with regards to the development of black women-owned SMEs in Johannesburg and Pretoria. More research and national debates on governance and political transformation of economic development on the role of SMEs, especially black women-owned SMEs are on-going. As such, the study provides a basis and platform for future research and national debates.

Prior studies in many African countries reveal that SMEs have been essentially used as the engine to accelerate job creation, industrial development, poverty alleviation and economic growth, and that evaluating the effectiveness of the policies and strategies used to foster the development of black women-owned SMEs is vital (Afolabi, 2015: 60). Reviewing and formulating relevant policies and strategies to address the obstacles facing black women-owned SMEs is important to minimise the failure rate of such SMEs. It is against the outlined perspective that the present study became a necessity.

1.4 Problem statement

Since 1994, the South Africa government has committed itself to stimulating socio-economic development through the growth of SMEs by formulating and implementing relevant policies and strategies, some specifically designed for the benefit of black people, and some of these, for black women, to be precise. Yet, the outcomes have not been consistent with the targeted expectations, due to a lack of proper policy and strategy alignment with the needs of especially black women-owned SMEs, poor implementation and lack of supervision. Therefore, it is vital that the current government policies and strategies for SMEs be assessed to determine their success, in order to refine such policies and strategies, or even to design a new policy and strategy framework to improve black women-owned SME performance in South Africa.

Findings of the GEM Report 2014 indicate that there is a low rate of survival for start-up small business and opportunities for entrepreneurial activity are lowest in developing countries (SEDA, 2016: 10). The survey also highlights that there are high chances of survival for SMEs driven by opportunity as opposed to those whose activity is driven by necessity. As a developing country, South Africa has been no exception to the low survival rate of SMEs. Amra, *et al.* (2013: 3) support the view that the South African government developed programmes to support the SMEs to become sustainable businesses, but the question that remains unanswered, is whether the government has a clear policy framework for black women-owned SMEs and, if yes, how successful is it?

Interestingly, Kumah, and Omilola, (2014: 5) point out that the growth of small businesses remains anaemic despite support from government and other private initiatives which facilitate the development of such small businesses. Yet, Chimucheka and Mandipaka (2015) observe that these SMEs continue to face challenges which hamper their establishment and development, despite the existence of many government support initiatives. The focal point of the present study was to explore whether black women-owned SMEs' needs are clearly understood and supported by existing policies to foster start-ups, growth and sustainability of these small and medium businesses.

1.5 Research question

The present study was anchored by the primary research question posed as follows: Does the Government of South Africa have a policy and strategy framework for black women-owned Small and Medium businesses?

In a bid to provide answers to the main question, the following secondary research questions were postulated:

Research question 1: Which obstacles, if any, are faced by SMEs owned by black women in South Africa with regards to their start-up and development?

Research question 2: What are the existing government policies and strategies to address the challenges facing SMEs owned by black women in South Africa?

Research question 3: What means should be adopted to design a policy and strategy framework for black women-owned SME development in South Africa?

1.6 Research aim and objectives

This study was aimed at designing a policy and strategy framework for black women-owned small and medium businesses in South Africa. This would be achieved through identifying the obstacles faced by small and medium businesses owned by black women and the current policies and strategies, if any, applied to address these obstacles, and evaluating the success of such policies and strategies. The present study provides recommendations, based on scientific exploratory study, to develop a future policy framework for black women-owned small and medium businesses to champion the growth and development of such SMEs in South Africa.

To achieve the primary aim of the study, focus was on the following research objectives:

Objective 1: To discuss, investigate/review the obstacles facing SMEs owned by black women in Johannesburg and Pretoria regarding their start-up and development.

Objective 2: To determine the knowledge of existing government policies and strategies to address the challenges facing SMEs owned by black women in Johannesburg and Pretoria, South Africa.

Objective 3: To design a policy and strategy framework for black women-owned SME development in South Africa.

1.7 Theoretical perspective

To determine the formulation and implementation of government policy and strategy framework for SMEs, the Collaborative Governance Theory, the Capital Rationing Theory, as well as the Human Capital Theory were adopted and discussed to build the present study.

The policy development framework for this study was established based on the Collaborative Governance Theory. Collaborative governance is described as the engagement of stakeholders such as the state, private sector and civil society in collective decision making for local development (Kamara, 2017: 104). Collaborative governance hinges on the fundamental objective of collective capacity building for multi-level stakeholders to make and/or implement decisions that cannot be made unilaterally to foster socio-economic development (Emerson & Nabatchi, 2015).

Hodgman (1960) propounded the Equilibrium Rationing Model on the premise that loan providers assess potential credit applicants based on the loan's expected return-expected loss ratio. In 1981, Stiglitz and Weiss published an improved credit rationing theory which was grounded on three main facets, namely; the agency costs, asymmetry information and moral hazards. The present study adopted the Stiglitz and Weiss model to explain the financing of SMEs, because it caters for both the demand and supply side of credit rationing to borrowers.

1.8 Research design and methodology

This section provides the research philosophy, research approach, research design, research methods, sampling strategy, data collection procedures, data analysis and ethical considerations. The composition of this section is consistent with the views of Sekaran and Bougie (2010: 29) who suggest that research methodology encompasses all the techniques which will be used to structure a study, gather and analyse the data during a research investigation and ultimately interpret the data to answer the research question.

1.8.1 Research Philosophy

Neuman (2011: 94) describes a research paradigm as a general broad way of thinking in scientific studies. According to Denzin and Lincoln (2011: 1) there are two main research paradigms, namely positivism and post-positivism. Post-positivism is categorised into interpretivism and critical theory as sub-paradigms. The research philosophy underpinning the present study was the interpretivism paradigm. Primary data were gathered to provide an in-depth and more holistic comprehension of the challenges faced by black women-owned SMEs, the current policies and strategies implemented to mitigate the obstacles, as well as the effectiveness of these policies.

1.8.2 Research Approach

The two main approaches that are at the disposal of a researcher are qualitative and quantitative methods. Antwi and Hamza (2015: 220) describe quantitative research as involving the collection of numerical data, while qualitative research depends on the collection of non-numerical data such as words and pictures. A qualitative approach was used in the collection and analysis of data for the present study. The qualitative study was designed to explore participants' insights about the existing policy framework for promoting SME start-ups and growth, as well as the obstacles confronting the SMEs owned by black women.

1.8.3 Research Design

As a phenomenological study, Leedy and Ormrod (2010: 141) assert that such a study seeks to comprehend the views and perceptions of people in a particular situation. The present study was designed as an exploratory study, using in-depth face-to face interviews to gather the primary data to gain insights into the perceptions of participants in order to make informed research conclusions. The data were collected within a cross sectional time horizon over approximately 3 months, from participants in the Johannesburg and Pretoria area.

1.8.4 Data Collection Method

The qualitative data were collected using face-to-face, in-depth interviews with black women SME entrepreneurs. The research method was suitable for the present study, since the respondents were accorded an opportunity to express their views according to their individual experiences (Saunders *et al.*, 2012: 318). Open-ended semi-structured questions were used to conduct in-depth interviews to gather the data from a sample (n=8) of black women SME entrepreneurs. The interview questions referred to in paragraph 1.5 above were developed from the research questions to achieve the research objectives.

8.1.4 Sampling Strategy

The target population provides the sampling frame for a research study. Welman *et al.* (2007: 57) explain that a sampling frame is a complete set where each unit of

analysis is mentioned only once where a study sample is drawn. For the present study, the sampling frame comprised of all registered SMEs in different sectors in Johannesburg and Pretoria Metropolis.

A non-probability sampling technique was used to draw the sample from the sampling frame. Bhattacharjee (2012: 65) suggests that non-probability sampling techniques are used when qualitative data are to be collected, and a small sample is usually drawn making it difficult to generalise the results to any population. Accordingly, in this qualitative study, a non-probability sampling technique, snowballing sampling was used to select the study sample. Purposive sampling technique was particularly used to draw the research participants from the sampling frame, whereas snowballing sampling applied when the participants referred the researcher to other potential participants. The study comprised a sample size of eight (n=8) black female SME entrepreneurs. The original sample was planned to be drawn from the various SME development programmes under the auspices of the Department of Trade and Industry (the DTI), but due to many challenges, this approach was abandoned by the researcher.

8.1.5 Data Analysis

The researcher conducted comparative thematic analysis on primary data collected from in-depth interviews. The recorded interviews were transcribed prior to arrangement of sentences into themes, categories and codes that were analysed line-by-line to determine the perceptions and experiences of the participants (Welman *et al.*, 2007: 221). The thematic content analysis was conducted using Atlas.ti 6.2 - computer-aided qualitative data analysis software to break down the data into distinct units of meaning. By applying the “describe-compare-relate” technique, data were presented in summary form substantiated by the interviewees’ comments verbatim (Belanger & Hart, 2012: 15). Using recurring patterns of responses, themes were extracted to interpret the data.

8.1.6 Ethical Considerations

Ethical approval to conduct the research was obtained from the University of Free State before commencing with data collection, because the study involved human participants. Leedy and Ormrod, (2010: 101) describe four ethical considerations that

were complied with in the current study, namely; protection from harm, voluntary and informed participation, right to privacy and honesty with professional colleagues.

1.9 Outline of the Study

Chapter 1: Background and problem statement of the study - This chapter provides the introduction and background of the study, the motivation of the study, the problem statement, research questions and research objectives and the theoretical perspective and research design and methodology.

Chapter 2: Theoretical background - In this chapter, a review of related literature of theoretical frameworks for policy development is conducted and used to inform and build the policy framework for supporting start-ups, growth and development of black women-owned SMEs.

Chapter 3: Operationalising of SMEs - In this chapter, empirical evidence of previous studies on the obstacles faced by black women-owned in Johannesburg and Pretoria is critically discussed and used to justify gaps for the present study. Further, some of the current government policies and strategies for supporting SMEs are evaluated to determine their impact on black women-owned SMEs.

Chapter 4: Data presentation, analysis and interpretation - This chapter is the heart of the study where results are presented, analysed and interpreted. The interpretation of the results was used to answer the research questions, therefore achieving the research objectives.

Chapter 5: Conclusions and recommendations - Based on the research findings, the answers to the research question are discussed in relation to the literature reviewed. Conclusions and recommendations for the study are made based on the discussion of results validated by the relevant literature. Directions for further research studies are also suggested.

1.10 Conclusion

In this chapter an overview of the present research study was provided in order to build-up for the next chapters. The outline included the background of this study which led to the research problem, research questions, research aim and objectives, and motivation for the study. The research design and methodology utilised to gather primary data was logically discussed and ultimately the organisation of the chapters was summarised. In the next chapter, the theoretical frameworks underpinning the present study will be discussed in detail.

CHAPTER 2: THEORETICAL BACKGROUND

2.1 Introduction

The fundamental theoretical issues discussed in this chapter include the frameworks for policy development, the theory for financing SMEs, and the importance of human capital. This approach is concerned with how different stakeholders participate in the development of strategies which advance economic development such as the growth of SMEs. The Capital Rationing Theory is reviewed to establish the financing model serving SMEs in South Africa; the Human Capital Theory is evaluated to highlight the importance of relevant knowledge, skills and experience for entrepreneurs to ensure successful SME performance and survival. An evaluation of the Collaborative Governance Theory will be used to guide the development of a theoretical framework for the contextualisation of findings of the present study.

2.2 Collaborative Governance

One of the approaches to foster policy development is referred to as collaborative governance. Ansell and Gash (2008, cited in Kamara, 2017: 104) describes collaborative governance as the engagement of stakeholders such as the state, private sector, civil society, and citizens in collective decision making for economic development. Collaborative governance hinges on the fundamental objective of collective capacity building for multi-level stakeholders to make and/or implement decisions that cannot be made unilaterally to foster socio-economic development (Emerson, Nabatchi & Balogh, 2012: 15). Therefore, the process of promoting SME start-ups, growth and development in South Africa requires policies initiated through inclusive efforts of the state, private sector and civil society organisation.

There are several theoretical frameworks of collaboration propounded by different scholars, including among others: Collaborative Governance (Ansell & Gash, 2008); Collaborating to Manage (Agranoff, 2012); and Integrative Framework for Collaborative Governance (Emerson, Nabatchi & Balogh, 2012: 2). Bryson, Cosby and Stone (2015: 4) suggest these collaborative theoretical frameworks have commonalities such as the context of dynamic processes which constitute the

collaborative regime, yet they have important differences. According to Clarke (2016), the theoretical application of collaborative frameworks led to the evolution of two distinct models, namely, the state-centric model, and the society-centric model.

2.2.1 State-Centric Model

The state-centric model relies on successful collaborative efforts of public officials to institute negotiations, initiating, and funding collaborative initiatives such as economic policy formulation and deployment. The public managers are mandated to set rules and apply state authority and resources to promote government programmes for economic growth and development (Kamara, 2017: 105). The state-centric model plays a pivotal role in establishing effective development policies to stimulate growth and development of SMEs. However, the success of the state in guiding genuine collaborative arrangements to shape economic development can be contested, owing to ethical and practical problems which undermine the position of government as a stakeholder in a collective endeavour. Kamara (2017: 105) observes that the collaborative efforts of the state are hindered by capacity constraints, divergent policies and priorities and fiscal volatility.

2.2.2 Society-Centric Model

The evolution of the society-centred approach represented a shift from the traditional top-down, state-centric approach towards one with less emphasis on state or private leadership. More focus is directed towards integrating civil society leaders to facilitate a problem-solving oriented network (Kamara, 2017: 105). Government agencies and private businesses may provide funding for initiatives driven by civil society without directing the collaborative efforts. Jessie (2012: 10 cited in Kamara, 2017: 106) argues that society-centric models are propelled by informal structures and operations, which rarely accomplish the agenda status of economic development prospects. Another drawback of this model is lack of transparency and accountability, which are imperative principles to achieve efficient and effective collaborative endeavours.

2.2.3 Hybrid-Centred Approach

The hybrid model was proposed by Kamara (2017: 107) in search of a cutting-edge model of collaborative governance. The new approach thrives on the roles of the state, civil society organisation, and private sector. Aoyama and Parthasarathy (2017: np) reveal that the hybrid domain consists of the willingness and energy to exceed conventional knowledge to identify sustainable solutions for the socio-economic development agenda. Kamara (2017: 107) asserts that the key to a functional development state is a strong partnership between the government, private sector, and civil society. Based on the hybrid-powered model, the state upholds the roles of providing an enabling environment for the functionality of relevant policies and strategies which advance economic development (Dohan *et al.*, 2014: 665). Essia (2015: 2) confirms civil society promotes empowerment of citizens to alleviate poverty and encourage government and private sector to be accountable for economic decisions. Nadeem (2016: 7) supports the view that the hybrid approach nurtures the evolution of economic solutions which foster engagement and joint responsibility for implementation, monitoring and evaluation of such solutions.

The collaborative governance approach is also known as the inclusive multi-stakeholder approach, where most of the capacity building institutions such as business support systems are established through an interactive engagement of the public and private sectors and civil society (Masutha & Rogerson, 2014: 153). Government policy initiatives should therefore focus on building institutional capacities to provide skills development, financial access, and suitable infrastructure and trigger marketisation for small and medium enterprises, especially those owned by black women. A nation that practices good governance is likely to exploit broad benefits in development such as sustainable development, human development, poverty alleviation, economic growth, inclusive development and market functionality.

Ali (2015: 74) highlights that most development experts in recent times emphasise the importance of 'good governance' for fostering socio-economic development. It is perceived as a vital component that should be integrated in the development strategy. Good governance entails promoting the rights of all citizens to social and

economic opportunities to improve or maintain their well-being equitably and inclusively. The principles of equity and inclusivity are among the most important constitutional principles upon which the contemporary system of governance hinges (Ali, 2015: 70). It is therefore imperative that the government should make deliberate effort to ensure women empowerment, especially black women in SMEs because they were marginalised culturally and politically.

2.3 Capital Rationing Theory

Several proponents contributed to capital rationing theory, which seeks to explain the gaps that exist in the financing of SMEs, especially black women-owned SMEs in South Africa.

2.3.1 Equilibrium rationing model

The first proponent who tried to explain how credit rationing is a rational, equilibrium framework was Hodgman (1960). In his model, Hodgman postulated that loan providers assess potential credit applicants based on the loan's expected return-expected loss ratio. The other premise was that there is a maximum repayment that the borrower can reliably promise, thereby limiting the amount of funds the lender will offer the client, regardless of the interest rate; ultimately the expected losses exceed the expected return. However, the Hodgman model ignored the lender's bankruptcy costs, inevitable when the borrower defaults, which is argued to be consistent with rational expectations between the borrower and lender. The lender is exposed to default risk if the borrower fails to settle the financial obligation. This model is therefore inadequate to provide an informed financial framework operating between loan providers and small business borrowers in South Africa, since it mainly focuses on the demand side of credit.

2.3.2 Stiglitz and Weiss Model

In 1981, Stiglitz and Weiss propounded a similar credit rationing theory which was grounded on three main facets, namely; the agency costs, asymmetry information and moral hazards. The agency problems emanate from the relationships which exist between managers (agents) who may have conflicts of interest with the business owners (principals) (Fatoki & Edeyemi, 2010: 130).

Stiglitz and Weiss (1981: 394) describe credit rationing as a two-pronged phenomenon in which either (a) among borrowers who seem to be identical, some are granted loans while others are not. Applicants who are denied credit are unlikely to receive loans, even if they were to offer to pay a higher interest rate; or (b) at a given credit supply certain identifiable individuals are unable to access loans at any interest rate although, if the supply of credit increased, they would. The definition suggests that loan providers fully give credit to some applicants but reject applications of others, even if the two groups are identical in the eyes of the loan providers.

The concept of asymmetry information is based on the premise that managers of SMEs have superior information about the financial needs of the businesses and are also aware of the ability of the enterprises to repay the debts. The managers provide relevant information such as a statement of cash flows and statement of financial position to commercial loan providers when applying for funding. Loan providers assess the creditworthiness of loan applicants by considering the cash flow position as the liquidity of the business. However, such information may not be available for start-ups, which rely on projected cash flows and financial position provided in business plans.

On the other hand, bank managers make decisions about the amount of debt to be granted guided by the information and under a moral hazard and adverse selection risk (Mazanai & Fatoki, 2011: 61; Mutoko & Kapunda, 2017: 3). The same authors describe moral hazard as *“a situation in which an agent (the borrower) takes an action that adversely affects the return to the principal (the lender)”*. The suppliers of finance using asymmetry information may choose to offer an array of interest rates depending on the firms' risk factors, thereby excluding a significant number of potential SMEs without access to credit. The failure of SMEs to access bank loans is bound to threaten the development and survival of such businesses.

The agency cost theory suggests that new SMEs' capital structure usually has a relationship pattern of low-high-low. This pattern implies that at the early stages of start-ups the debt is low, as the enterprises develop the debt is high and as the firms reach their prime times the debt is low. When SMEs start, they require long term financing for current assets in order to allow the firm to reach the break-even cash flow with minimal constraints. Therefore, management has the responsibility to strike a balance between equity (internal) financing and debt (external) financing (Fatoki & Odeyemi, 2010: 130).

2.4 Human capital theory

Becker (1964) developed the human capital model to provide an appropriate platform for understanding inequalities, and the model is applied in the present study to explain the low participation of black women in small business entrepreneurship in South Africa. This theory is concerned with how people's decision to invest in education, knowledge, skills and experiences build their cognitive and productive capabilities for their benefit, as well as their organisations (Becker, 1964). It therefore seems correct to perceive that the success of start-up businesses is largely dependent on the competencies of management and business owners (Fatoki & Odeyemi, 2010: 133). It is essential for small business entrepreneurs to possess critical strategic management and financial management skills to enhance successful performance of their businesses.

Terjesen, Sealy and Singh, (2009: 54) confirm that human capital investment in education, especially advanced education, is a point of departure for the development of independent thinking, a critical facet for entrepreneurial performance. Educational and professional qualifications are highly valued by public institutions and employers can then benefit from the competencies and credibility of the educational human capital of their staff and management. Finance providers are concerned about the human capital of businesses when rating the credibility and sustainability of the businesses before granting them credit (Zarook, Rahman & Khanam, 2013: 106).

Jamieson (1984: 9, cited in Buwule & Mutula, 2017) proposes the adoption of a three-category framework in order to organise and appreciate entrepreneurship education. The author distinguishes between education *about* enterprise (which is about awareness pertaining to entrepreneurship); education *for* enterprise (regarding the preparation for enterprise start-up); and education *in* enterprise (which relates to growth and development training). According to Fatoki and Odeyemi (2010: 768) trade creditors are willing to provide funding to SMMEs, after careful consideration of the level of education and the relevant experience which can promote improved managerial competency. Similarly, Jamak, Ali and Ghazali (2014: 577) describe the importance of understanding the existence and ways to access options for reducing bank charges, negotiate loan facilities, arrange loan repayments, and make other crucial finance decisions. Competency in numeracy and literacy can be the platform for advancing self-employment in small businesses (Jamak, Ali & Ghazali, 2014: 577).

2.5 Conclusion

This chapter provided a comprehensive discussion of the relevant theories on which the present study was built. The theories included the Inclusive Governance Theory which provides an approach for policy formulation and implementation, the Capital Rationing Theory which focuses on financing access gaps, and the Human Capital Theory which evaluates the importance of relevant knowledge, skills and experience.

CHAPTER 3: OPERATIONALISING OF SMEs

3.1 Introduction

In order to have a clear understanding of entrepreneurship, SMEs and governance, it is important to explain the concepts and align them for the purpose of this study. The explanations of the concepts provide clarity of the terms in the context of the study. Although the same terms may have generic definitions, different meanings are acceptable in different contexts; hence definitions are coined and tailored for this study. This section also presents empirical evidence on the importance of SMEs, the obstacles faced by SMEs and current policies and strategies aimed at fostering start-ups, growth and development of SMEs.

3.1.1 Entrepreneurship

According to Afolabi (2015: 50) entrepreneurship is a process that entails identification, assessment and exploitation of business opportunities to develop new products, ways of organising markets and processes, using ways which did not previously exist. It is a critical determinant of national development since entrepreneurs are takers of calculated risks which unlock opportunities promoting progressive levels of economic growth. The flourishing of small and medium enterprises is attributed to business entrepreneurship which results in employment and wealth creation, as well as economic growth (Afolabi, 2015: 56, 62). It is essential to note that the concepts entrepreneurship and small businesses are not synonymous. SMEs are one of the means adopted by individuals to demonstrate their entrepreneurial prowess. In the present study, entrepreneurship was viewed from the perspective of the establishment of black women-owned SMEs in Gauteng, South Africa.

3.1.2 Entrepreneur

According to Pahuja and Sanjeev (2015: 4) an entrepreneur is a person who seeks economic opportunities where others observe intractable problems, for the purpose of generating profit and growth. On the other hand, Ahmad and Seymour (2008: 14) define entrepreneurs as “those persons who seek to generate value through the creation or expansion of economic activity by identifying and exploiting new products, processes or markets”. Goyal and Parkash (2011: 197) precisely define a

woman entrepreneur as a person who accepts challenging roles to face her personal needs and become economically independent by exploiting business opportunities. This definition is relevant in this study for continuous reference to black women in ownership of SMEs as participants providing in-depth insights for this study. Yet, Du Toit *et al.* (2009: 41) suggest that from economists' point of view, entrepreneurs integrate different resources in order to produce goods and services to generate profit. Another interesting view (SEDA, 2016: 10) reveals that there is more necessity-driven entrepreneurship in developing economies as opposed to opportunity-driven activities that are common in developed countries.

From the definitions described above, an entrepreneur is a person who goes beyond just running or managing a business but provides the characteristics of a person who “creates” and economically runs the business to earn profit. For purposes of this study the terms entrepreneur and business owner are used interchangeably to refer to black women starting or growing SMEs. Furthermore, entrepreneurs are female investors who commence SMEs for either economic or necessity reasons. Of importance are their experiences in starting and growing such small businesses and their exposure to government capacity building initiatives.

3.1.3 SMEs and SMMEs

Globally, SMEs and SMMEs are defined in accordance with the context of the country within which they operate. South Africa uses the quantitative dimensions of size of business to define SMEs and SMMEs. Size in this context encapsulates various dimensions such as the total number of full-time employees; the business turnover per annum and the business' gross assets. The National Small Business Act (Republic of South Africa-RSA) 1996: 15-16) defines small businesses in terms of various characteristics as mentioned in Table 2:1 below:

Table 3.1: Definition of SMEs by sector

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees	Total annual turnover (R)	Total gross asset value (fixed property excluded) (R)
Agriculture	Medium	100	4m	4m
	Small	50	2m	2m
	Very Small	10	0.4m	.4m
	Micro	5	0.15m	0.1m
Mining and Quarrying	Medium	200	30 m	18m
	Small	50	7.5 m	4.5m
	Very Small	20	3m	1.8m
	Micro	5	0.15m	0.1m
Manufacturing	Medium	200	40 m	15m
	Small	50	10m	3.75m
	Very Small	20	4m	1.5m
	Micro	5	0.15m	0.1m
Electricity, Gas and Water	Medium	200	40 m	15m
	Small	50	10m	3.75m
	Very Small	20	4m	1.5m
	Micro	5	0.15m	0.1m
Construction	Medium	200	20 m	4m
	Small	50	5m	1m
	Very Small	20	2m	0.4m
	Micro	5	0.15m	0.1m
Retail and Motor Trade and Repair Services	Medium	100	30m	5m
	Small	50	15m	2.5m
	Very Small	10	3m	0.5m
	Micro	5	0.15m	0.1m
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	50m	8m
	Small	50	25m	4m
	Very Small	10	5m	0.5m
	Micro	5	0.15m	0.1m
Catering, Accommodation and other Trade	Medium	100	10m	2
	Small	50	5m	1m
	Very Small	10	1m	0.2m
	Micro	5	0.15m	0.1m
Transport, Storage and	Medium	100	20	5m

Communications	Small	50	10m	2.5m
	Very Small	10	2m	0.5m
	Micro	5	0.15m	0.1m
Finance and Business Services	Medium	100	20m	4m
	Small	50	10m	2m
	Very Small	10	2m	0.4m
	Micro	5	0.15m	0.1m
Community, Social and Personal Services	Medium	100	10m	5.m
	Small	50	5m	2.5m
	Very Small	10	1m	0.5m
	Micro	5	0.15m	0.1m

(Source: National Small Business Act, 1996)

It is clear from Table 2:1 that different sub-sectors or sectors in accordance with the Standard Industrial Classification have different values for each of the three quantitative variables. Similarly, Buwule and Mutula (2017: 4) describe medium enterprises as having fewer than 250 employees and small enterprises as having fewer than 50 employees. Inyang (2013: 124) also agrees that the lower limit of small enterprise is 5 – 10 workers and an upper limit of 50 – 100, whereas the upper limit for the medium enterprises is usually 100 - 250. Inyang (2013: 125) also coins a qualitative description of small and medium enterprises which entails controlling a small market share, management by owner, multitasking, limited funds, personal touch and operating with an informal structure. The qualitative definition reveals some distinct characteristics that are common in most small businesses.

Although size in terms of the three quantitative variables, namely number of employees, turnover per annum and gross assets, are not the same, the researcher acknowledges that SMEs and SMMEs are two concepts which are generally used interchangeably and for purposes of this study the terms shall be used in that way. The black women-owned SMEs and SMMEs are defined according to both qualitative and quantitative factors as described and will be referred to as small businesses in this study.

3.1.4 The concept of governance

Many political scientists and other scholars proposed a myriad of definitions for the concept of governance. The World Bank (2015: online) defines good governance as a *“process by which governments are selected, monitored and replaced; the capacity of such governments to effectively formulate and implement sound policies; the respect for the citizens and the state for the institutions that govern economic and social interactions among them”*.

Similarly, de Vries (2013: 4, 7) states that governments should at least seek to protect property rights, create security, ameliorate social problems and reposition themselves to assume the leading role in controlling and steering societal developments. The two definitions refer to the role governments perform in policy formulation and implementation to achieve socio-economic objectives. Chibba (2009:79) coins another perspective of governance that views the concept from two key overlapping dimensions.

“Firstly, governance relates to the way a nation is governed, including its institutions, policies, laws, regulations, processes and oversight mechanisms. Secondly, it relates to cultural and ideological setting, for governance is perceived and shaped by values, culture, traditions and ideology.”

When Kofi Annan was still the secretary general of the United Nations, he described good governance as the single most critical factor to promote development and eradicate poverty (United Nations University, 2002: np). On the other hand, the United Nations Department of Social and Economic Affairs (UNDESA) (2010: np) recommends the need to embrace a six-step procedure that entails restoration of trust in government institutions, effective leadership, appropriate institution-building, a capable and inclusive public service that engages citizens. The perspective reveals that governments have a duty to promote appropriate institution-building initiatives and engage citizens in devising means to ensure effective social and economic performance.

Countries that practise good governance have sustainable economic growth rates as compared to those with poor governance. Furthermore, enhanced governance is perceived to be at the nerve centre of the development maze, as evidenced by

growth and increases in per capita income suggested by some scholars as the *raison d'être* of development (Chibba, 2009: 81). The role of the GoSA is to stimulate economic development by promoting SMEs start-ups and growth that should be evaluated from a strategic viewpoint in a bid to improve the status quo. As such the aim of this study is to design a policy framework to promote the development of black women-owned SMEs in South Africa.

3.1.5 Strategic management process

The strategic management cycle involves formulation of strategy, implementation of strategy and evaluation of strategy (Venter, 2014: 3). It is the mandate of government departments to effectively execute the strategic management process in order to realise the desired national targets. Discussions from the previous chapter indicate that the GoSA has several policies and strategies to drive the start-ups of black women-owned SMEs; hence the focus of this study is to evaluate the success of the strategies. The evaluation provides insight on the effectiveness of the strategies applied by the DTI to address the challenges faced by the SMEs, leading the researcher to formulate or redesign a new policy framework.

3.1.6 Assessment of government policies and strategies

As alluded to in the previous section, the public affairs administration process is consistent with the formulation, implementation and evaluation stages adopted in the strategic management process (Hartsenko & Sanga, 2013). As such the successful completion of the policy and strategy cycle is marked by an effective assessment phase to ensure that the intended goals are achieved. The eighth principle of the Millennium Development Goal (MDGs) as adopted by UN member nations, of which South Africa is a member, recommends governments to institute effective monitoring and evaluation (M&E), and results-based management (RBM) of strategies and policies (Chibba, 2009: 84). The GoSA formulated both generic and customised SME policies and strategies to advance the development of the SMEs economy, yet the success of the policies and strategies can only be confirmed after a thorough assessment.

Mazanai and Fatoki, (2012: 58) recommend that to address the challenges of access to finance by SMEs, it is prudent that policies implemented must be regularly monitored and revised to ensure effectiveness in eradicating the problem. This recommendation highlights the importance of constant evaluation of programmes that are implemented to improve the availability of capital to the development and growth of such SMEs.

3.1.7 Development of alternative policies and strategies

The effective evaluation of the implementation of existing policies and strategies may expose disparities that may require redesign (Nedelea & Paun, 2009: 143) or formulation of new policies and strategies that will successfully support the black women-owned SMEs sector (Dubihlela & Sandada, 2014: 46). The assessment provides relevant information regarding some of the causes of government's failure to achieve the set policy goals, such as addressing SME needs (Dubihlela & Sandada, 2014: 46). Previous literature highlighted that policies and strategies to stimulate black women-owned SMEs growth have been ineffective in developing economies, including South Africa. As such, a continuous evaluation of the existing policies and strategies would provide justification for the development of an effective policy framework to promote the growth of black women-owned SMEs in South Africa.

3.1.8 The concept of government policy

According to O'Toole (2003: 266) policy is described as "the connection between the expression of governmental intentions and actual results". It is also viewed as a broad statement of general guidelines and aspirations expressed as goals and how such goals can be achieved. Governments of emerging and developing economies adopt public policy as deliberate and purposeful measures to foster social and economic development such as the growth of the SMEs sector to promote employment creation, reduce poverty and promote economic growth (Edoho, 2014: 129). It is clear that public policies are expected to eradicate societal challenges confronting the nations.

Worldwide governance has articulated six features of good governance which include: accountability and transparency, stability in political systems, effectiveness

of governmental policy, elimination of corruption, quality of governance and establishing the rule of law. (Ali, 2015: 68). Accordingly, one of the objectives of this study is to determine the success of government policy on start-ups and growth of SMEs owned by black women in South Africa.

3.1.9 The concept of strategy

Venter (2014: 47) explains strategy as the direction or scope adopted by an institution over a long period to achieve its set objectives to maximise wealth creation to meet the expectations of the various stakeholders. Similarly, Grant (2014: 4) describes strategy as *“a unifying theme that gives coherence and directions to the actions and decisions of an individual or an organisation”*. It focuses on gaining competitive advantage through effective utilisation of capabilities and resources of an organisation, promoting growth of businesses and attaining the desired outcomes. Accordingly, governments develop and implement strategies to pursue economic goals such as supporting black women-owned SMEs to create employment, alleviate poverty and promote sustainable socio-economic growth.

3.3 Empirical framework

3.3.1 Anticipated economic goals

The post-apartheid South African Government embraced entrepreneurial development and small business development as key to addressing the following generic socio-economic development goals: poverty alleviation, job creation, equity and equal participation, economic growth and development (Nieman & Nieuwenhuizen, 2014: 276). These goals are attainable if appropriate policies and strategies are formulated and implemented to support the SMEs sector, especially black women-owned SMEs.

3.3.1.1 Job creation

Nieman and Nieuwenhuizen (2014: 276) concur that the SMME sector was selected by the democratic GoSA to be a catalyst to stimulate employment creation to reduce the high level of unemployment in the Republic. The establishment of SMEs provides employment for the founding entrepreneurs as well as workers that assist by

providing services in different functional areas in return for wages and services. The expansion of SMEs could increase job opportunities at a higher rate than large enterprises because SMEs are highly labour intensive (Mazanai & Fatoki, 2012: 31). The sector is therefore able to create job opportunities for unskilled, semi-skilled and skilled employees in different industries.

3.3.1.2 Poverty alleviation

Poverty is one of the key global socio-economic vices demanding an inclusive approach and sacrifice of various stakeholders in most countries. Poverty alleviation has been on the South African Government's economic agenda since the dawn of democracy in 1994. Mazanai and Fatoki (2012: 31) suggest that the provision of subsidies by the government to SMEs could lead to more job creation, thus providing steady income to employees, enabling them to satisfy their basic needs and ultimately resulting in poverty alleviation.

3.3.1.3 Equity and equal participation

The South African government's economic transformation strategy has been primarily focusing on the development of SMMEs in previously disadvantaged communities. The provision of sustainable employment to job seekers helps the government in solving income inequalities in society (Mazanai & Fatoki, 2012: 39). The DTI (2015: ii) highlights its important role to bridge the economic divide and expand economic participation through the inclusion of marginalised groups of people (e.g. women and disabled), the majority of whom are black women. Hence, all the support given by the government to promote the development of SMEs by black women entrepreneurs remains noble in addressing the colonial legacy of inequality.

3.3.1.4 Economic growth and development

SMMEs make a large contribution to the sustainable development of South Africa in areas of economic growth, employment creation, poverty reduction and community development. Edoho (2014: 129) reiterates that policymakers and previous scholars acknowledge the primary role of entrepreneurship and SMEs in promoting accelerated economic growth. The main economic policy objectives such as

employment creation, poverty reduction and expanded economic opportunities would be achievable in most developing countries. Reports of the Global Entrepreneurship Monitor (GEM) reveal a strong statistical relationship between entrepreneurial activity and the subsequent level of economic growth. The data from the reports indicate that there are positive correlations between high entrepreneurship levels and high levels of economic growth (Edoho, 2014: 130). SMEs contribute towards economies' increased production output, greater exports and increased revenue from taxes (Fatoki, 2014: 923).

Mazanai and Fatoki (2012: 31) argue that SMEs are perceived to be more productive than large firms, despite encountering failures in financial markets and other institutions that could retard their development. Ligthelm (2013: 59) suggests a contrary view that not all business and entrepreneurial activities are beneficial to growth and development in the economy, because business can either be a success or failure. Since governments fail to attain the anticipated economic objectives, this study seeks to establish the shortcomings of the existing policies and strategies.

3.3.2 Obstacles faced by SMEs

The preceding section 2.5 highlighted the importance of SMEs as an engine for driving economies of developed, developing and emerging countries. However, there are myriad hindrances confronting SMEs that impact on the successful establishment and growth of this sector. Such challenges include, among others, lack of access to finance, lack of marketing knowledge and management skills (Cant & Wiid, 2013: 707), lack of infrastructure, competitive local and international markets (Edoho, 2014: 129), lack of access to suitable information communication technology, as well as a restrictive regulatory framework. Edoho (2014: 129) posits that the entrepreneurial revolution is constrained by limited access to credit, burdensome taxation, lack of education and marketing skills and the tedious processes of start-ups

3.3.2.1 Lack of access to finance

Goyal and Parkash (2014: 199) reveal that women lack knowledge about the existence of financial assistance in the form of loans, schemes and incentives. So,

few women entrepreneurs make efforts to access financing and most of them are not beneficiaries of funding. Mzanai and Fatoki, (2012: 61) state that financial institutions consider collateral before approving loans to applying firms and seem to favour those enterprises that have established long standing relationships with lenders.

A study by Mazanai and Fatoki (2012: 31) indicates that historical imbalances, such as gender discrimination and inequality, created problems such as a lack of access to finance and collateral, which has impeded the number of start-ups and growth SMEs. Ornmans (2013: 7) observes that finance is the resource at the top of the list for most small business entrepreneurs. This resource is critical for start-ups, because it is the nerve centre of product development, attraction of the best team, executing marketing activities and other functions essential to building enterprises. Black female entrepreneurs struggle to access funds due to lack of collateral required by lenders.

Most SMEs rely of personal savings, family and friends to finance their start-ups as well as their enterprise growth. At least ninety-five percent of small enterprises in South Africa were established from funds obtained from personal savings and funding from family and friends (Herrington *et al.*, 2010: 124). Evidence from these previous studies highlights the plight of SME entrepreneurs with regards to access to external finance. The DTI (2015: 10) confirms that access to finance is one of the major problems faced by women in starting and growing their small and medium businesses in South Africa. The criteria and conditions set for accessing finance have been identified by women in business as an obstacle to accessing funds. The impediments in the finance market have made women to heavily depend on family and friends' financial support mechanisms for commencing and growing their SMEs, thus leaving them economically marginalised.

3.3.2.2 Lack of managerial skills and experience

Relevant management skills are essential for an SME to plan, organise, direct and control its operations. Fatoki and Odeyemi (2010: 133) describe managerial competencies as sets of skills, attitudes, behaviours and knowledge that are relevant for the effective performance of a person in a managerial position. Such

competencies are essential qualities expected of a successful entrepreneur. The failures of most start-up SMEs are attributed to insufficient management skills and experience (Mazanai & Fatoki, 2012: 31). In 2000, a survey conducted in Canada showed that about fifty percent of bankrupt SMEs were managed by executives who had limited managerial skills and experience.

The importance of relevant leadership, managerial skills and knowledge in promoting business success in any sector of the economy cannot be downplayed. According to a study by Zaroob *et al.* (2013: 106), adequate managerial competencies increase SMEs' ability to develop strong plans and strategies to ensure effective management. Similarly, Mazanai and Fatoki, (2012: 41) note that a lack of management skills negatively impacts the performance and survival of SMEs. Furthermore, Mazanai and Fatoki, (2012: 62) suggest that small entrepreneurs in emerging economies have limited skills in management, marketing and book-keeping, compared to those in developed countries, adding to the risk perception regarding to their projects. The FinScope survey 2010 showed that sixty percent (60%) of small business owners had less than a matric certificate, while fifty-eight percent (58%) of the small businesses were owned by women (Amra *et al.*, 2013: 3).

3.3.2.3 Inadequate infrastructure

Lack of infrastructure impedes the growth and survival of SMEs. The availability of infrastructure can create an environment that is conducive to economic development by providing support such as access to water, electricity, communication networks, and transportation (Cant & Wiid, 2013: 711). Poor infrastructure and shortages of infrastructure are major obstacles to the growth of SMEs in developing and emerging economies. The GEM South Africa report (2014) indicates that infrastructure is one of the key enablers for promoting SMMEs development. This entails access to reliable transport and communication infrastructure, land or space at affordable prices and utilities (SEDA, 2016: 8). Findings from a survey by FinScope (2010: np) revealed that small businesses in Gauteng struggle to access physical operating space. Ramukumba (2014: 25) agrees that high energy costs and a lack of consistent electricity supply and the high cost of transport impacts on SMEs.

3.3.2.4 Lack of information

Goyal and Parkash (2011: 199) observe that women-controlled businesses, let alone black women, are often a small number because it is difficult for women to access the information they need regarding training, alternative markets, concessions, innovations and technology. Mazanai and Fatoki (2012: 61) observe that small businesses experience the problem of asymmetric information more often than large businesses, since small firms have lower information standards and higher variability of risk. SMEs are also under no legal obligation to report their financial performance; hence they are more vulnerable than big businesses.

3.3.2.5 Local and international markets

Failure by businesses to devise and implement appropriate pricing strategies may in low product demand. Pricing perceptions affect SMEs in the sense that, if prices are too low, consumers may doubt the quality of the product and, if too high, they may opt for a competitor's products (Cant & Wiid, 2013: 713). Demand may also be too low when SMEs have insufficient marketing knowledge, e.g. market positioning and segmentation (Mazanai & Fatoki, 2012: 41). Poor location of SMEs may also pose a challenge of accessibility to consumers; hence demand for products could be low and threaten the survival of businesses. Lastly, the brand names of SMEs may not be reputable, causing customers not to trust them. Competitors may also capitalise on poor brand image to attract disgruntled consumers (Cant & Wiid, 2013: 713). Ramukumba (2014: 25) also agrees that many SMEs have insufficient knowledge and networks for their market or industry. The businesses are aware of the products or services offered to customers but lack the marketing strategies to attract and retain customers.

3.3.2.6 Strict regulatory framework

Babalola and Agbenyegah (2016: 1752) note that the existing regulatory framework in a country may create challenges for SMEs. Labour laws affect the hiring decisions of entrepreneurs and the remuneration of workers, while by-laws followed to obtain business licenses have an adverse impact on effective business operation. Mazanai and Fatoki, (2012: 62-63) note that the perception of risk regarding SMEs is high, because of limited legal frameworks that cover the enforcement of their financial

contracts, thus making it challenging for lenders to claim their debts. Tighter collateral security requirements are instituted by commercial banks to minimise risk perception. This practice militates against the viability of small businesses and emerging enterprises due to a lack of access to financial resources.

The International Bank for Reconstruction and Development (IBRD) (2014: 60) outlines lengthy legal procedures for establishing small businesses in South Africa. It takes five procedures and nineteen days to form a business and eighteen procedures and about one hundred days to secure the relevant trading licenses. Such tedious processes would be discouraging for new entrepreneurs, thus impeding on the establishment of new SMEs.

3.3.2.7 Macro environment

According to Cant and Wiid (2013: 712), business operations of SMEs in South Africa are faced with high crime risks, which threaten investor confidence. The enterprises incur losses as a result of theft of goods or property and high security costs, which deplete their profit margin.

High interest rates charged by financial institutions are distressful for SMEs in need of funding. They lead to a high cost of borrowing when servicing the borrowed capital by SMEs investors.

Inflation poses a double effect for businesses, since it increases the cost of operations or production. It also impedes consumers' ability to purchase goods and services, due to a decrease in disposable income.

Lastly, legislation promulgated by the GoSA to support SMEs may actually slow start-ups and even the growth of SMEs (Cant & Wiid, 2013: 712). This is due to the fact that the formulation procedure may be time consuming and tedious.

Ramukumba (2014: 25) re-enforces the argument that labour regulations, such as the Labour Relations Act (LRA) and the Basic Conditions of Employment Act (BCEA) in South Africa, are inflexible. The BCEA makes provision for a minimum wage which

is too high for SMEs to afford. Similarly, sections of the LRA make provision for the establishment of unions and employees' right to strike.

The view of the impact of external factors is shared by Fatoki (2014: 924), who mentions variables such as a weak logistics chain, high completion costs, as well as limited access to finance. PwC (2013: 7) notes that small businesses in South Africa face obstacles such as market failure and poor government policy and regulation.

3.4 Current policies and strategies to support SMEs in South Africa

It is the responsibility of the national government to create an enabling environment for entrepreneurship and SME development by establishing agencies to provide the much-needed resources (Inyang & Enuoh, 2009: 62) such as finance. The government should also contribute towards the proliferation of policies, institutions and programs to foster the development of SMEs in the country. The formulating and implementing of suitable policies and strategies remove constraints on small business entrepreneurs and extend opportunities accessible to them by providing relevant training, financial assistance and market information, which are regarded as vital to SMEs development (Osemeke, 2012: 261). In South Africa, the DTI established essential capacity building institutions to support SMEs. These include the Small Enterprises Development Agency (SEDA), Khula Enterprise Finance Ltd, the Industrial Development Corporation (IDC), the National Empowerment Fund (NEF), the South African Women Entrepreneurs' Network (SAWEN) and Technology for Women in Business (TWIB) (DTI, 2010: np)

3.4.1 Business Development Services

SEDA's role is to provide business advisory services to SMMEs, which enables them to enhance the quality of their processes, systems and products. SMMEs can exploit SEDA's in-house resources, such as business templates and software which entrepreneurs may access to prepare their business plans, for no consideration (SEDA, 2012: np).

According to Fatoki (2014: 947) government agencies such as SEDA should be used to develop new SME entrepreneurs' skills at preparing business plans and proper

enterprise management. Effort should also be deliberately made to ensure that potential and new SME entrepreneurs are aware of the skill development programmes. SEDA also provides mentoring and coaching programmes to start-up and existing SMME entrepreneurs. Babalola & Agbenyegah (2016: 1756) suggest that the mentoring and coaching strategy can lead to improved self-esteem and efficacy of both entrepreneurs and employees as they have opportunities to learn how others think strategically, which would ultimately contribute to the growth of their businesses (Iwu & Nxopo, 2015: 8).

3.4.2 Business incubation

Hackett and Dilts (2004:57, in Dee *et al.* 2013: 5) describe incubation as “a shared office space facility that seeks to provide its incubatees with a strategic, value-adding intervention system of training, monitoring and business assistance, with the objective of facilitating the successful new venture development while simultaneously containing the cost of their potential value”. The DTI adopted business incubation as a strategic tool to accelerate the growth of SMEs into successful and globally competitive businesses. Such successful businesses would have the potential to promote employment creation and poverty alleviation through the empowerment of previously disadvantaged groups, such as black women and the disabled. The cumulative benefits of entrepreneurial activities of black women-owned SMEs are economic growth and social development (Masutha & Rogerson, 2014: 143).

Business incubators utilise resources, knowledge and skills acquired from previous experience in incubation consulting services, aided by government and industry support. There are different incubators in different sectors of the economy, such as the information communication technology incubator in Gauteng, the steel incubator in Mpumalanga, furniture manufacturing incubators, and a sugar-cane incubator in KwaZulu-Natal (SEDA, 2012: np).

The geographic location of the different business incubators in different provinces could not be ruled out as an impediment to SMEs which might have wanted information relevant to a sector not found in incubators in their province. In this study, the researcher interrogated how incubators have been effectively used for

nurturing black women-owned SMEs start-ups or whether the entrepreneurs were aware of their existence.

3.4.3 Skills development

SME entrepreneurs are faced by skills deficiencies in management, different functional areas of business, and leadership which adversely affect the development of SMEs in South Africa. Eskom, a state-owned company, runs training and SME expos for black-owned SMEs through the Eskom Development Foundation (Eskom, 2016: online). SEDA also provides skills development through workshops and seminars. The Agency offers training in financial management, project management, basic business skills, and computer skills (SEDA, 2012: np).

To encourage black women SME start-ups and growth, training programmes can be instituted to promote the development of professional competencies in managerial, leadership, marketing, financial management, production processing and other skills (Iwu & Nxopo, 2015: 7). Women who are well-trained in various business management areas are likely to make quality decisions which grow and sustain their businesses.

3.4.4 Access to finance

GEM (2010: np) ranks access to finance as the critical obstacle impeding start-ups and growth of SMEs in South Africa. In a bid to ameliorate this challenge, the GoSA established Khula Enterprise Finance Limited (1996) to provide loan guarantees to SMEs through the Khula Indemnity Scheme for them to access funds from commercial banks. This scheme was established to support SMEs that need to access funding to expand their businesses but are impeded by lack of collateral security. Other financial agencies include Retail Finance Intermediaries (RFIs) and Micro-Credit Organisations (MCOs) (Molapo *et al.*, 2008: 28). Micro-Credit Organisations access money from Khula Enterprise Fund in order to lend it to SMEs.

The Khula Enterprise Fund drives the following schemes: The Standard Credit Guarantee Schemes (SCGs), seed loans from Retail Finance Intermediaries and the Khula Start Fund. The Standard Guarantee Scheme provides funding for start-ups and acquisitions of new businesses. Seed loans are for financing new enterprises

penetrating the RFI market, whilst Khula Start Fund services micro enterprises that are at the lower end of the market and mostly located in rural areas (Molapo *et al.*, 2008: 29). In 2012, the Small Enterprise Finance Agency (SEFA) was formed after the amalgamation of Khula, the South Africa Micro Finance Apex Fund (SAMAF) and small business activities of the IDC (Amra *et al.*, 2013: 3).

However, the critical question is, how effective were these strategies in addressing the financial needs of SMEs? Afolabi (2015: 53) observes that the Government's bureaucratic tendencies and inefficiency in administering incentives discourage institutions working to support SMEs, instead of promoting SME growth. A study conducted by Chiloane-Tsoka (2013: 1) points out that collateral security has continued to be a major barrier in women's quest to access finance, regardless of the efforts made through the Credit Guarantee Scheme. This risk continues to make commercial banks hesitant to lend money to SMEs. Agwa-Ejon & Mbohwa (2015: 522) also observe that the clients (SMEs) are not clear on the selection criteria and requirements for applications for funds, leading to the higher applications failure rate.

Furthermore, Agwa-Ejon and Mbohwa (2015: 522) cite uneven distribution, limited provincial offices, the high cost of searching for support services, limited accredited professional service providers, lengthy administrative procedures and scanty knowledge transfer between service providers and SMEs as reasons for poor access to support services. High interest rates for smaller loans charged by micro financiers are also perceived to be too high and unaffordable to SMEs.

Fatoki and Odeyemi (2010: 218-129) indicate that SMEs are unable to access venture capital at start-up because this type of capital is available at the medium term or later stages of the SMEs life cycle. The South African Venture Capital Association (2008) revealed that venture capital funds in South Africa controlled R65-billion, yet only an estimated R1.1-billion was available for investment in SMEs. The lack of venture capital leaves SMEs with limited options bank loans and overdraft financing in the early stages, which may be comparatively expensive.

3.4.5 Access to market opportunities

SMEs in South Africa are confronted by limited access to sustainable local and international markets. In response to this challenge, the GoSA in 2004 established SEDA to replace Ntsika and other government agencies to provide SMMEs with local, regional and international market information through different business information centres (SEDA, 2016: np). Workshops and seminars are held by government to disseminate market information to SMMEs regarding any market changes. SEDA also plays a pivotal role in creating market opportunities by assisting small businesses to exhibit their products in both domestic and foreign markets. What needs to be answered in the study is the extent to which black women-owned SMEs are aware of the existing market opportunities.

In 2011, SEDA organised the Durban Business Fair, which allowed SMMEs to showcase and market their products and services. The event facilitated the sharing of information and business networking between entrepreneurs.

Furthermore, SEDA helps SMMEs to develop their marketing materials at a subsidised cost (SEDA, 2012: np). The marketing support systems assist the SMMEs to easily access the local market, although the marketing materials could not be sustained.

SEDA also provides a Trade Point Portal to enable SMMEs to obtain the latest market information, to advertise their products and services, to source suppliers and to engage in networking opportunities.

Another typical example of the GoSA's commitment to the development of the SME market is the country's participation in the BRICS market (Brazil, Russia, India, China and South Africa). This concession is intended to create and provide opportunities to build South Africa's domestic manufacturing sector and increase the country's value-added exports, promote technology sharing, and overall increase support to small business development (DTI, 2014: 32 – 33).

The rigid market structure and unfavourable regulatory environment pose a threat to entry in new markets in industries for SMEs. The entrepreneurship activity rate and

the prevalence rate for new business is lower than the average rate at 7.8% and 2.1%, respectively (Agwa-Ejon & Mbohwa, 2015: 523).

3.4.6 Infrastructure and business premises

The introduction of The Small Business Act 106 of 1996 was intended to create an enabling environment for SMEs. This legal framework reflects the government's clear intention to provide a better business environment to promote the socio-economic welfare of citizens through entrepreneurial development (SEDA 2016: 1). In South Africa, infrastructure and business premises have always been impediments for the effective operation SMMEs. The Government committed itself to building infrastructure in rural areas and townships by providing electricity, telecommunications and road networks. DTI (2010: np) indicates that the Government introduced the Khula Property Portfolio programme to provide operating premises to start-ups and developing SMMEs. The ILO (2012: np) further observed that support to SMMEs is also provided through services such as health, transport, postal services and social services.

3.5 Proposed policy framework for black women-owned SMEs

The objective of a development policy framework for black women-owned SMEs' should be to support start-ups of SMEs, strengthen existing SMEs and extend nurturing programmes for SMEs that are experiencing start-up, growth and viability challenges. The policy should address the following areas: an enabling environment, access to finance, technology and innovation, research and development, entrepreneurial culture, skills development and market facilitation (*see Figure 2.1*).

3.5.1 An enabling environment

The policy will enable the Government to improve the legislative, regulatory and institutional framework to promote simplification, coordination, and rationalization of processes and procedures to establish an environment conducive to SME development and competitiveness.

3.5.2 Access to finance

By adopting this policy, the Government could create a supportive environment with strong mechanisms for easy access to finance affordable to SMEs. The policy should enhance easy access and cheap financing of the SMEs.

3.5.3 Technology and innovation

The policy will enable Government to facilitate the acquisition and adoption of state-of-the-art technologies for women-led SMEs to continuously improve the quality, innovation, production of the products or services.

3.5.4 Research and development

This policy will allow Government to utilise research and development to effectively develop new technologies and innovations with a view to ensuring improved product development, processes, productivity and to increase the competitiveness of women-owned SMEs.

3.5.5 Entrepreneurial culture and skills development

Through this policy, government will foster, enhance and support women entrepreneurship development and build capacity at school level, technical and vocational training institutions and universities.

3.5.6 Market facilitation

The policy will allow the Government to view the SME market as a global market and therefore support the entrepreneurs to access both domestic and foreign markets.

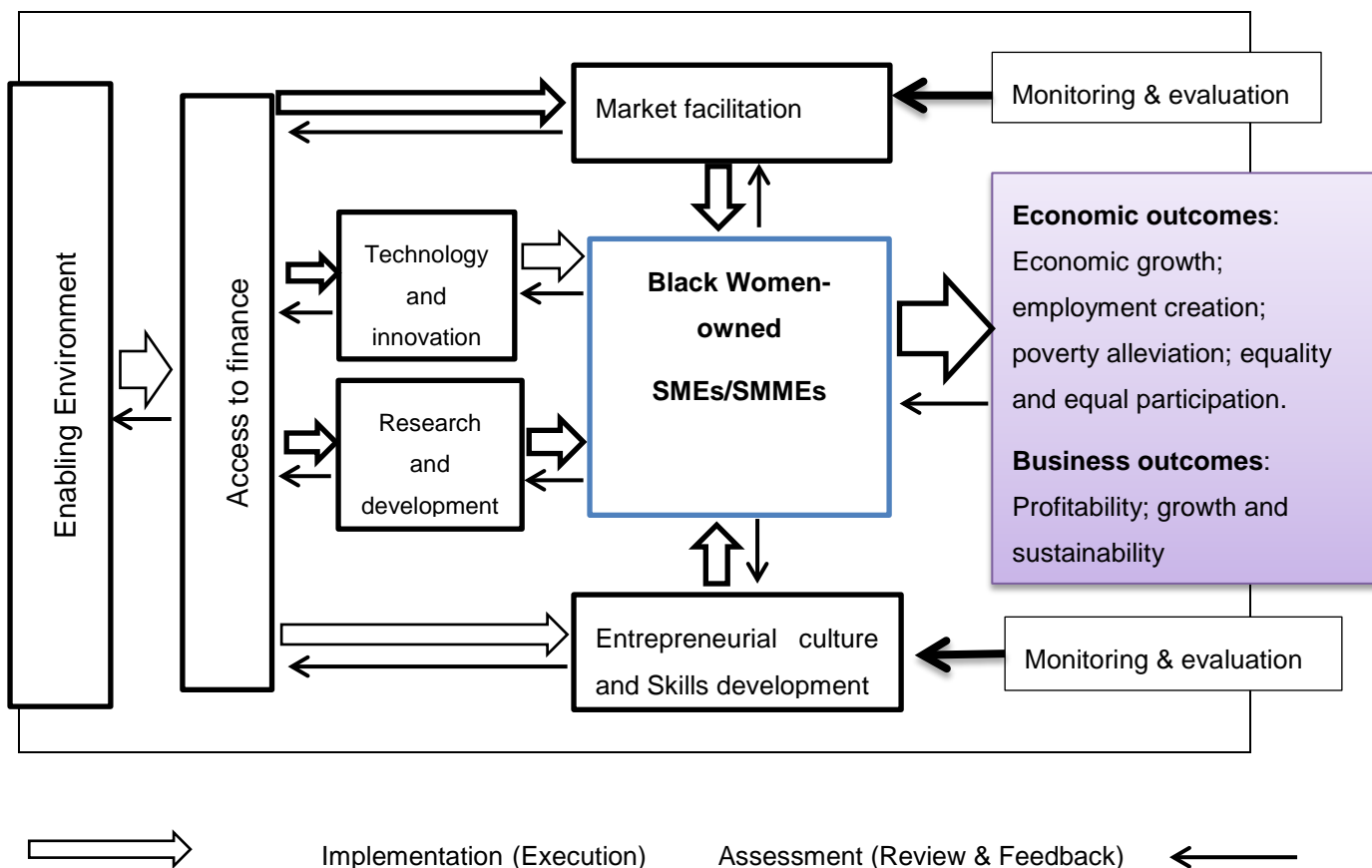


Figure 1: Proposed framework for black women-owned SMEs

3.5.7 Monitoring and evaluation

The implementation of each policy should be monitored and evaluated to ensure that it is effectively executed and able to realise the intended outcomes at individual and enterprise levels. The assessment process should be performed continuously and consistently in order to have a timeous response to any deviations from the expected performance.

3.5 Conclusion

The discussions in this chapter provided the conceptual, theoretical and proposed policy framework for the study. Key issues in the conceptual framework include the concepts of entrepreneur and entrepreneurship, SMEs/SMMEs, governance, policy and strategy. The theoretical framework analysed the inclusive governance theory, the capital rationing theory and the human capital theory. Literature from previous studies was critically discussed, focusing on the obstacles facing black women-owned SMEs the GoSA's current policies and strategies implemented to address the

challenges, and the effectiveness of these policies and strategies. If policies are successful, they may not need to be changed, or they may be improved. However, if the policies and strategies are ineffective in addressing the challenges confronting the SME sector, they should be refined, overhauled, or discarded to give way to the formulation of more relevant and effective policies as informed by the findings of this study.

CHAPTER 4: QUALITATIVE RESULTS

4.1 Introduction

This chapter provides the interview results for the study, coded according to main themes discussed to provide answers to the research questions and achieve the research objectives set out in Chapter 1. The data provide valuable information on the obstacles confronting black women-owned SMEs to design a policy framework for black women-owned small and medium businesses in Pretoria and Johannesburg, South Africa. The chapter presents the interview responses to the main research questions. These findings were further analysed and outlined in themes.

A total of eight interviews with black women-owned SMEs in different sectors such as beauty therapy, engineering, health, fashion design, were conducted for the purposes of this study. The interviews were conducted over a period of 12 weeks at locations that were convenient to the participants, to obtain new insights into phenomena, as suggested by Saunders and Lewis (2012), until the scheduled questions were exhausted. The interviews were recorded with the permission of the participants. The recordings were then transcribed and coded by use of the qualitative analysis software, ATLAS.ti version 6.2 for the purposes of analysing and interpreting the findings.

All eight participants were female, as the study sought to understand the obstacles affecting black women-owned SMEs to design a policy framework such SMEs in South Africa. The participants were selected from SMEs in Pretoria and Johannesburg in diverse industries or fields of work.

4.2 Presentation of results

The results were presented as per the research questions set out in Chapter 1. It is important to note that the data were analysed in categories based on the key themes identified in each research question. Frequency counts (across interviews) of the occurrences were used to determine what role the data played, i.e. whether it was an indication of a positive or more negative role, or even if there was any influence at

all. To ensure that the research question was dissected and analysed thoroughly, the following sections were sub-divided according to the formulated research-questions for the current study.

4.2.1 Research Question 1

Which obstacles, if any, are faced by SMEs owned by black women in South Africa with regards to their start-up and development?

The main aim of this question was to prompt the participants to identify the obstacles faced by SMEs owned by black women in South Africa during the start-up and development phases. Factors militating against the success of SMEs have impacted on the growth and survival of such business enterprises and this question seeks to discover backgrounds, trajectories and interactions of SMEs. There were common obstacles raised by the participants impacting on black women-owned SMEs during the inception and growth phases of such businesses.

The results from the participants indicated that obstacles with an impact on SMEs can be classified in internal and external categories. Internal obstacles are micro challenges that management of the SMEs have full control over, while the external obstacles are hindrances that management of SMEs have no control over.

Table 4.1: Key themes identified for Research Question 1 - Internal obstacles

Rank	Theme	Participant's code	Frequency
1	Lack of finance	P1; P2; P3; P4; P5; P6; P8	7
1	Insufficient education and experience	P1; P2; P3; P4; P5; P6; P7	7
2	Lack of customer satisfaction	P1; P2; P4; P6; P7	5
3	Female gender roles	P3; P4; P5	3
4	Lack of marketing	P3; P4; P7	3
5	Non-compliance with legislation	P2; P7	2
5	Lack of focus	P2; P4;	2

4.2.1.1 Micro Challenges

The main themed challenges raised by the participants include: lack of finance, lack of customer satisfaction, insufficient education and training, female gender roles,

non-compliance with relevant legislation and lack of marketing. The results to substantiate each theme are quoted below.

Lack of finance

Results from the participants showed that inadequate finance was a major barrier for both start-ups and growth of SMEs. The limitation of finance was mentioned by seven of eight participants as a challenge faced by SMEs, affecting the circulating capital as well as investing capital for the SMEs.

P1 highlighted that acquiring enough stock from suppliers to meet customer demand was expensive. The participant commented on the need for adequate financing at start-up:

“What is of interest to me is to become a make-up artist, but you need stock. So, as part of the start-up process, you need to purchase your stock, and that stock is expensive.” (1:1; 105)

P2 commented on the high estimated start-up costs for new SMEs by providing such minimum figures as stated below:

“If I think of starting up a business here in South Africa, currently you need a minimum R50 000.00 to R100 000.00, to be able to comply with all the legislating requirements for you to participate as an entrepreneur.” (2:1; 142)

She furthermore mentioned that many small businesses do not survive beyond three years after their inception, saying:

“So many businesses fail between zero and three years and we know what makes them fail.” (2:1; 142)

P3 also supported the urgent need for cash injections to promote the growth of small businesses. The participant had this to say about capital need:

“Money (Laughs)... small businesses need cash injections, seriously. We struggled to build a healthy income statement. We approached a number of funders, and every time we were told one and the same thing, that we should

go through the process” (3:7; 125)

According to P4, personal funding limits the growth of small businesses and made the following comment about personal funding:

“So, I was funding it from my own pocket, but it’s an obstacle on its own in that the business has limited growth.” (4:3; 139)

P5 highlighted her desperate search for capital to start a business that would enable her to be financially sound:

“I needed capital badly. Secondly, it was the first time I was not in mainstream employment, and I was going to run a business that had to support me and my family financially and otherwise.” (5:1; 29)

P6 echoed a similar sentiment about the need for funding:

“The biggest challenge I faced as a young black woman was that of funding or financing.” (6:2; 27)

P6 also emphasised the need for more working capital to settle operating expenses for an increasing salaries and wages bill:

“Even now, financial assistance would be helpful, because I want to get more ambulances, and employ more people. I want the community to benefit from this business for more people to have access to health services.” (6:10; 41)

Participant 8 was no exception regarding constraints to finance her business operations. She reported that she invested personal funds to buy capital goods.

“So, when we left them, we were left with nobody to assist us, so we had to use our personal finances. But fortunately, we later managed to get funding from Gauteng [unclear] to buy equipment.” (8:2; 27)

Lack of education and lack of experience

Another common obstacle raised by the participants was insufficient education and lack of experience for small business entrepreneurs. Seven participants opined that

education, training and experience should be prioritised to ensure effective operation of their businesses.

P1 emphasised the need for more knowledge relating to the line of business for the entrepreneur. The participant commented as follows:

“I’m still that person who is trying to save up so I can be able to take myself to school to learn more, because I know to a certain extent my level, I’d say, it’s still a good start-up.” (1:9; 167)

P2 indicated the importance of training even though a female business owner may be hard working. The participant made the following statement about training:

“No matter what, a woman will make sure she works hard. So, training, I’d say is the most top element that needs to be looked into.” (2:18; 455)

Participant 3 hinted that a lack of financial and marketing skills was a problem that hindered the growth of small business enterprises. Lack of essential knowledge, such as the preparation of a business plan, market growth and business registration procedures were stated from the paragraph quoted below:

“I had to go to too many people to learn how to put a business plan in place. I am not a finance person, so at the time I could not read and understand simple things like income statements. I knew my target market, but at the time I did not know how to expand this market, or at least get a bigger slice of the pie; I did not know how to get a site to operate from; I did not know that I needed some Dept. of Labour registration of employees; register a company; register with SARS; money ... where to get capital.” (3:10; 145)

P4 highlighted lack of financial competence as a challenging issue when running small businesses. She commented on the importance of understanding financial information:

“Any business person must be able to read an income statement and a balance sheet. We had to get these skills, quick, as we could not run our business without basic financial management competencies.” (4:5; 51)

P5 noted that lack of experience made her lose business tenders: *“She made it clear that there was a process they were following to appoint the right businesses and encouraged me to apply. I did, and sadly they told me about lack of experience, and I did not get the tender.”* (3:32; 31)

P6 also indicated that investors used her level of experience as a risk factor and were unwilling to fund her business during start-up:

“The obstacles I faced in starting up my business were that no one wanted to invest in the business. Government departments even said that I was inexperienced, and they didn’t want to take that risk, especially since I am young and did not have a lot of background on operating a business.” (6:36; 41)

She also emphasised why it is important for an entrepreneur to be knowledgeable on different business functions, such as administration activities:

“So, it’s important to immerse yourself in your business and know exactly what is going on. From operational things, to administration, you need to know a lot about your business to ensure its successfulness.” (6:8; 39)

P7 emphasised the importance of having experience and how lack of experience impacted her business when serving clients:

“I guess, since we decided at a young age to do this, one of the challenges we experienced was lack of experience. I now know how important experience is [laughs]. I used to think it is over-rated. I quickly learnt that customers buy experience, more than they buy the actual product.” (7:3; 47)

Lack of customer satisfaction

The views of the participants revealed that a lack of customer satisfaction was another challenge encountered by SMEs in their quest to provide a unique product or experience to the customers. Five out of eight participants indicated that, even if they had customers, it was essential to keep the customer promise to retain such

customers. The opinions of the participants were substantiated by the statement quoted below.

P1 shared her experience on how customers demanded a better service, despite her being convinced that her service had been of good quality:

“Or you get people who say you did their makeup....’I don’t know. Actually, I don’t like this. Can you change it? Just remove everything and just start over.” (1:2; 131)

P2 mentioned that customer satisfaction had a direct bearing on customer retention, as well as sustainability of the business:

“That’s all you care about, to bring in the money, but once you move from the start-up phase, sustainability follows. So, now you are starting to pack into customer satisfaction. How do I retain this customer so that he remains with me, and that speaks to your policy and procedures of operations? So, you need to develop that.” (2:3; 175)

Furthermore, P4 also highlighted the importance of keeping the customer promise in order to have a sustainable customer base:

“It has grown in the sense that, okay, I’ve got clientele. The obstacle I’m having right now is to keep to the customer promise.” (4:7; 167)

P6 shared that, as a new business in the community, her service was viewed with suspicion by customers, as they compared the service to that of existing businesses:

“I was not an established brand or an established service, so of course there was scepticism and people were scared to come to me and use my services, because [Sesotho 14:50] “lehaphe” also should anything happen to the patient, then I would be to blame. So, in the beginning people would ask me if I had insurance for the services I provide.” (6:13; 49)

P7 reported that sustaining customer satisfaction remains a challenge once SMEs evolve from the start-up phase. She made the following statement:

“That’s all you care about, to bring in the money. Right? But, once you move

from the start-up phase, it's about sustainability, right? So, now it's about customer satisfaction ... [giggles] because, the one customer brings your next, right? So, the focus is on satisfying and strengthening relations with the current customers, so that they refer you to the next batch of customers. In my personal experience, customers are attracted and retained by predictability, reliability, price and good quality.” (7:9; 116)

Female gender roles

Three participants highlighted the differences in gender roles as slowing down the career development of black female entrepreneurs. As small business owners, women are faced with the challenge of being caregivers and mothers of their families. The gender roles require businesswomen to try and balance their limited time between businesses and families.

P3 indicated that female business owners have extra responsibilities as wives, mothers and caregivers:

“I think it is over and above having the work, being a wife and a mother. So, I've added more responsibility to being a wife and a mother, and sometimes I feel like, if I was man maybe, then I would have more time, because then men don't have to worry about a child being sick and ... I find that my husband has ample time than I do.” (3:5; 187)

The view of P4 was that, when women get married, their focus on career development is slowed down and their attention is divided between business and family:

“... along the way a woman gets married, and then along the way in a three year cycle a man is focusing on the career only. In the three-year cycle I just got married. It's in us women to want to establish families. We are not 100% into careers, being us. So, you need to balance.” (4:25; 563)

P5 agreed that women perform a demanding parenting role:

“I had little kids, no helper and no husband, and I had to run around and do things myself. Well, I wanted to run this business badly, so I did all these things myself.”

(5:5; 29)

Lack of marketing

Another micro obstacle hindering the growth of SMEs raised by three participants is the failure by their businesses to make inroads into new markets and the failure to attract new customers.

P3 suggested that despite having knowledge of the target market, the challenge was to grow the market to have a new customer base:

“I knew my target market, but at the time I did not how to expand this market, or at least get a bigger slice of the pie; I did not know how to get a site to operate from...where to get capital.” (3:10; 145)

Similarly, P4 raised a concern about the slow growth of her clientele base and her dependence on referrals to attract new clients:

“Weekend I don’t have the appetite, but it’s a kind of product that is sustainable when a person uses it for the first time. So, if I have to profile the business, I can say I’ve not got new clients that much on my own. The new clients that are coming are on referral.” (4:2; 95)

P7 reported that she experienced problems on how to attract customers. She commented that she struggled to market her business services:

“Oh my... marketing of my services. I just did not know how to get clients. This is one area that if I had done right, I would have not struggled as much as I did. It was tough getting the first customer.” (7:6; 57)

Lack of compliance with legislation

Another experience raised by participants that poses a challenge to female entrepreneurship was compliance with legislation. SMEs must comply with minimum legal requirements in order to be considered for deals involving government tenders.

P2 was of the view that small businesses need a substantial amount of money to ensure compliance with the minimum legal requirements:

“You know, for me one of the key and most critical areas that I think, you know, cripple entrepreneurship in Gauteng, is our compliance, especially to tax legislation. Now the issue here is not to run away from tax but, you know, to provide a platform when there is gradual growth of the business.” (2:1; 142)

P7 acknowledged having challenges in complying with relevant legislations such as tax compliance:

“Yes, absolutely. Business spends unnecessary time and money on complying with various legislative requirements. There are tax compliance requirements issues, if you are in construction you should register with Construction Industry Development Board (CIDB).” (7:7; 81)

Lack of focus

Two participants suggested that the performance of their businesses was affected by the inability to set enduring strategic direction and staying focused on the vision.

P2 indicated that business entrepreneurs set short term visions which result in the premature termination of the enterprises:

“...and one of the first things they said is that, you know, we are looking at the three to five-year horizon and then, maybe when we get to that five years, we liquidate. So, now when I’m telling this person to liquidate before they start.” (2:17; 315)

P4 highlighted that the business suffers in direct relation to the rate at which the level of commitment decreases:

“I’ve sort of neglected and regressed in terms of the amount of time I used to put. Instead of putting more hours, I’ve reduced. So, I need to pay attention the same way I did when I established. I used to give it 100% focus.” (4:8; 175)

4.2.1.2 Macro Challenges

Nine themes identified from this category include gender prejudices, lack of infrastructure, delay in payments, bureaucratic processes, registration processes, execution failure, corruption and nepotism and financing requirements. The patterns and trends of the participants' responses are presented below.

Table 4.2: Key themes identified for Research Question 1-External obstacles

Rank	Theme	Participant's code	Frequency
1	Gender prejudices	P1; P2; P3; P6; P8	5
1	Limited access to finance	P1; P3; P5; P6; P8	5
1	Bureaucratic processes	P1; P2; P3; P4; P6	5
2	Execution failure	P2; P3; P5; P8	4
2	Corruption and nepotism	P2; P3; P7; P8	4
3	Delay in payments	P1; P6; P8	3
3	Difficult registration process	P5; P7; P8	3
4	Lack of infrastructure	P2; P4	2
4	Lack of networking	P5; P6	2
5	High competition	P6	1

Gender Prejudices

The views of four participants highlighted how their businesses and careers were not taken seriously because the businesses were owned by women. Such treatment made black businesswomen to feel undermined as substantiated by the quoted comments below.

Participant 1 mentioned that she felt that women in beauty therapy business are not taken seriously.

"I mean people don't really take us as make-up artists serious or is there anything it's that corporate career but it's actually a career to be a make-up artist." (1:3; 135)

In view of black women being undermined in business, P2 believed black business women do not speak out because of fear of victimisation for such a reaction:

“Yes! And really one of the biggest challenges is that, right now, women are still afraid to speak up, right? If I had to stand up and speak, you know. in the end the person who will be attacked is me.” (2:12; 235)

P3 agreed that as a woman in business, there are times when people undermine you because of gender:

“I’d say even sometimes people would tend to take advantage or you know they always belittle us.” (3:17; 427)

Apart from lack of financial support, P6 experienced both racial and gender biases in the male dominated transport industry:

“Lack of financial support, lack of support generally, racism, there’s sexism, especially in the transport business, it’s dominated by males. So, it’s not easy to start, because people don’t believe in you as a woman.” (6:19; 55)

P8 hinted at male dominance in institutions when seeking support for black women-owned businesses:

“It simply means we are not getting any positive traction on this issue, because men are put in charge to come up with solutions for women’s problems. If women don’t trust their own, meaning other women, then we are going to disappear at our own peril as women.” (8:32; 209)

Limited Access to Finance

Five participants noted that prerequisites set by financial institutions for applying for funding posed an impediment for black women owned SMEs. It was clear that some SMEs were denied access to finance because they could not meet the minimum requirements set those institutions. The perceived nature of the challenges was as follows:

Participant 1 indicated that when a black female entrepreneur lacked a recognised qualification(s), some financial providers would not accept their application for capital; hence SME owners have pressure to attain a level educational certification:

“I’m selling my art. So, I’m working with certain companies. They do want you to have a certificate.” (1:10; 215)

P3 pointed out the needs for banks to relax their capital application requirements to enable black-owned SMEs to access the much-needed capital injection:

“Banks, especially, I believe need to relax their requirements, to make it possible for women to access funding. Capital injection is a big challenge for us. I also believe that part of these programmes that have been put in place should address things such as managing people; safety issues.” (3:12; 157)

P5 explained that commercial banks requested business plans from black women SMEs that required funding:

“If you approach Absa or FNB, they will ask for a business plan, before you even say good morning (laughs). They want to see how serious you are about starting this business.” (5:17; 54)

P6 highlighted that the bank requested collateral security when she applied for funding. She described how her bonded property was rejected as security:

The first thing they wanted to know is whether I had collateral. I was in a property that I am until today still paying. I told them about this house, and they said the house did not qualify since I owed money on it.” (6:29; 71)

P8 reported the main challenge to access funds was the request for collateral security:

“... it’s extremely difficult because you go to places where they tell you they don’t have funds, you know, and in other cases they want certain types of collateral which you do not have ...” (8:3; 40)

Bureaucratic Processes

Five participants noted that the chain of processes and procedures they followed when dealing with public institutions were rather frustrating and discouraging.

P1 described how difficult it was to complete operation when engaging mainly public institutions:

“You know, you go there, and they tell you to come back the next day... So, I was starting to be fed up and ... okay ... and I don’t give up easy...” (1:12; 271)

P2 highlighted that black women-owned SMEs are expected to comply with the pillars of BEE in order to receive BBBEE certification to increase the chances of receiving government tenders. The participant said she failed to understand the logic behind the process:

“Thirdly, we had to get a BBBEE certificate. But we are black, why do need one, we asked ourselves. So, yes, again, we went through the process to get our BBBEE certificate.” (2:6; 117)

Similarly, P3 went through tedious processes to satisfy the required tender documentation when applying for a government tender:

“Well, for starters, the tender documents are too long, especially for small businesses like ours. It is just an unnecessary bureaucracy...” (3:17; 61)

P4 stated that bureaucracy could be blamed for negatively affecting good policies. The participant made the following supporting statement:

“There is absolutely nothing wrong with the policies, except oh ... I think the bureaucracy is what impact on good policies; the corruption also destroys these policies.” (4:16; 181)

The bureaucratic processes in government departments were also experienced by P6:

“The problem is, once you’ve applied, it can take years for them to respond to you, and even when they do respond it’s excuse after excuse, they don’t get straight to the point and they don’t tell you why they think your business does not have potential or what you need to improve on.” (6:28; 67)

P6 also mentioned her negative experience with the Department of Trade and

Industry (DTI) from the attitudes of employees providing registration services to new SMEs:

“I knew that this is something I could also access through government, especially the DTI, but because of their attitude and how slow things move there, I decided to do this on my own.” (6:11; 43)

Execution Failure

Four participants opined that transformation policies were not successful due to failure by people assigned to perform the implementation process. The implementers of policies, such as black economic empowerment, were not sensitive to the needs of black female entrepreneurs and another view stated that insensitivity was regardless of gender.

P2 suggested that the human drivers of implementation were not familiar with the challenges encountered by black female entrepreneurs:

“So, we have these great ideas of email old businesses this is how we can support them, set up these structures and, but the execution part fails, and I think one of the key critical factors because ... the biggest failure is that the people that drive these processes have never been entrepreneurs themselves, right? So, if you’ve never been an entrepreneur you cannot understand the heart of an entrepreneur, because what makes an entrepreneur make a decision right is not a check list.” (2:6; 211)

P3 concurred that the implementation of government supporting policies fails regardless of the gender of the business entrepreneur:

“In general, I don’t think these policies achieve what they are intended to, irrespective of gender. I know a lot of black men that have been struggling just to put their foot in, and they thought BBBEE would open doors for them.” (3:13; 161)

P5 provided a viewpoint contrary to P3, that the implementation of BBBEE was mainly biased towards benefiting men to the detriment of black women. In fact, she argued for a BBBEE for women only:

“Well, firstly, this legislation is not solely for women. Men remain the most beneficiaries of government initiatives... I believe that until such time that there is a women-only BBEE, and then we could start seeing more and more women entering the business world.” (5:26; 167)

P8 shared her experiences trying to access supporting programmes and concluded that the execution was ineffective:

“They never got back to me. I wrote them an email; they never got back to me. They can have as many policies as they want. There is no implementation.” (8:19; 122)

Corruption and Nepotism

Six participants cited that SMEs contend with corruption and nepotism practised by government officials who are mandated to execute government strategies and policies intended to benefit SMEs, especially black women-owned SMEs. The quotations listed below support the experiences of the participants.

P2 hinted that the impact of government policies was overshadowed by corrupt practices where black women SMEs that thrive are those for the politically connected:

“...but in government, it’s clouded by the other issues such as corruption you know, nepotism and all of these other things that start to come into play and so you do not see the impact, and what happens also in government is once they find one black woman, right? Who is politically connected, right?” (2:10; 227)

P3 also indicated that government officials engage in corrupt activities in order to benefit from kickbacks received by the SMEs granted government tenders. The participant commented that:

“The problem nowadays is that government officials are so involved in corruption, and they give tenders to those who will pay them some kind of a kick-back.” (3:8; 125)

P5 narrated how she felt lack connections in the government frustrated her and

compromised her chance of getting assistance. She noted that waiting for government financial support would have negatively impacted the establishment of the start-up:

“Government funding, of which I am a taxpayer, is not for people like me but for other people who are connected to government people. I decided not to frustrate myself. If I did, I would still be waiting for government to help, if they would have at all.” (5:24; 61)

The concern raised by P6 was that she experienced corruption from Government officials when establishing her business enterprise. In describing her encounter, she made the following statements:

“We all know that our government is full of corruption. So, even when we went to propose our business to the government, there was a lot of backlog and just unnecessary meetings just because some people wanted me to partner with them to get a percentage of my business and I didn’t want that.” (6:3; 29)

P7 reported that fraud and corruption should be eliminated when selecting beneficiaries of support programmes:

“And by fraud and corruption I mean in terms of selecting the beneficiaries. If government is not stringent and allows, through corrupt officials, people that do not meet the minimum requirement to enter the programme, then there will certainly be a problem.” (7:34; 282)

P8 shared that she was approached by a person from a supporting institution, demanding a payment in return for a service:

“So, black women are the ones who are mostly disadvantaged. Somebody somewhere said to me you have to pay for certain things.” (8:12; 78)

Delayed Payment

Three participants stated that SMEs experience cash flow problems because of the slow payment by most government departments after concluding tender jobs, as well as other related businesses.

P1 described how payment for work completed was delayed even if the contracted service was delivered as scheduled:

“I go there, and I get there and work and unaware of taste. I’m supposed to get paid because I delivered. The person doesn’t answer the phone.” (1:4; 143)

P6 also described how she experienced delayed payment for services rendered to a government department:

“Oh yes, the other obstacle I did not mention is that we don’t always get paid on time. There are times when I go for 2-3 months waiting for the money to come in, but when it does, I use it wisely because I know I am going to wait for long for the next pay cheque.” (6:16; 51)

P8 also reported that she experienced delayed payment after providing services to government departments:

“No, we went for five months without pay and we had to deliver the services.” (8:11; 75)

Difficult Registration Process

Three out of eight participants faced problems when registering their start-ups.

The procedure of registering the business was difficult for P5 and the process should be improved to encourage establishment of SMEs, as explained below:

“Maybe I should have started here - registering a business during those times was a lot harder and you physically had to go yourself to the then CIPRO, I don’t even remember what it was called then. I had to go and register a company myself.” (5:4; 29)

P7 said the registration process of small businesses was quite tedious and

sometimes difficult to understand:

“Then you must register with the Department of Labour for employees, UIF, COID, SARS. This means you run around going to all these departments to get registered. The forms are not straightforward to understand. It’s a mammoth task to get a business going in this country.” (7:8; 85)

P8 reported that the process of registering a construction business is quite demanding. She described the long registration process, including hiring an accountant:

“... then you register for tax, and then you get your tax clearances and all of those basic compliance things. Then you have to have an accountant as well.” (8:5; 51)

Lack of Infrastructure

Two out of ten participants indicated that they operated their business activities in mobile facilities because of high costs involved in leasing property. This approach appeared to be ineffective when the business anticipated growing and meeting the expectations of consumers.

The view of P2 was that operating from the boot of a car in order to minimise the costs of operating would hinder growth. The participant made the following statement:

“Hence you find, you know, entrepreneurs in South Africa, it’s still a one-man show a lot of times running from a boot of a car because I want to keep, retain control and we do not understand that as the business grows, control comes from your operational processes.” (2:4; 191)

P4 conducted business operations directly from the boot of the car, as supported by the quotation:

“I’m selling from my boot.” (4:1; 55)

Lack of Networking

Two out of eight participants felt that lack of networking affected their business

operations and performance.

P5 pointed out that lack of business connections negatively affected her SME at start-up phase. New small businesses face a challenge obtaining contracts, because they are not easily preferred by large businesses:

“Thirdly, I needed to connect with people in business. I only knew so many, and most of them told me they already had preferred recruitment agencies, and were not looking for any new, or that they had cut recruitment...” (5:2; 29)

Similarly, P6 shared that creating networks is good for business. She supported the need for establishing business networks:

“The only obstacle with the private companies is that if they get to the scene first, the scene of the accident, that’s the only obstacle, but right now we [are] creating networks where we basically have information about every street or every highway surrounding the local municipalities. So, immediately, should something happen, we’re getting a call within maybe five minutes of that happening. We’re establishing those types of networks.” (6:15; 49)

High Competition

P6 indicated how competition from existing service providers affected her entry into the industry as a new business:

“I was not an established brand or an established service, so of course there was scepticism and people were scared to come to me and use my services, because should anything happen to the patient, then I would be to blame. So, in the beginning people would ask me if I had insurance for the services I provide.” (6:14; 49)

4.2.2 Research Question 2

What are the existing government policies and strategies to address the challenges facing SMEs owned by black women in South Africa?

Research Question 2 highlights the existing government policies and strategies that support black women SMEs to address challenges from set-up to growth phases.

Participant P7 reported that she was not aware of any programmes targeted towards benefiting black women:

“Well, I am not aware about programmes that are only for black women-owned businesses. I also don’t believe that there should be such programmes. They are not necessary, frankly speaking.” (7:16; 141)

The findings to this research question would inform the decision on whether to devise new policies and strategies or revise the existing policies to improve their support for black women owned SMEs.

Table 4.3: Key themes identified for Research Question 2

Rank	Theme	Respondent Code	Frequency
1	BBBEE	P1; P3; P5; P6; P7; P8	6
2	Small Enterprise Development Agency	P3; P5; P6; P7; P8	5
3	Small Enterprise Finance Agency	P3; P5; P6; P7	4
4	B'avumile Skills Development Initiative	P5	1
4	Gender and Women Empowerment (GWE) Unit	P5	1
4	Gauteng Economic Propeller	P8	1

Broad Based Black Economic Empowerment

Six participants highlighted that government promulgated legislation such BBBEE and developed strategies and policies which resulted in the establishment of agencies such as the Small Enterprises Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) to support SMEs.

P1 claimed ignorance about BEE policy and how SMEs benefit from it:

“I hear about it, but I don’t know much about BEE. I don’t know. I’m not familiar with that.” (1:19; 435)

P3 indicated that BBBEE Act is one of many pieces of legislation introduced by government to promote SME start-ups and growth:

“BBBEE is one such piece of legislation; there is SEDA and SEFA, which have been designed to advance black economic transformation.” (3:11; 153)

P5 confirmed knowledge of BBBEE with regards to the pillar of supplier development:

“Each department also has to meet BBBEE requirements, and the biggest part of this in this context is supplier development. You also get additional BBBEE points if these suppliers you are helping develop, end up being your suppliers.” (5:12; 50)

Similarly, P6 agreed that she was aware of the existence of BBBEE; however, she was quick to mention that she did not know of specific policies in her sector:

“Well, the only policy that I’m aware of that exists is BBBEE. In my sector specifically, I’m not aware of any policies or strategies or I would’ve utilised them a long time ago.” (6:22; 61)

P7 acknowledged that the government was one of her main providers of business tenders:

“We have a variety of clients, but about 70% of clients or customers are government, including state enterprises.” (7:1; 39)

P8 reported that her business received government tenders for consulting services:

“There are opportunities like tenders and then we go in and we consult, which is quite expensive for the government.” (8:16; 111)

Small Enterprise Development Agency (SEDA)

Four participants displayed knowledge of SEDA as an existing institution that provides support to small businesses.

P3 mentioned that SEDA was designed to promote black economic empowerment:

“...SEDA and SEFA, which have been designed to advance, back economic transformation.” (3:11; 153)

P5 also confirmed SEDA as a DTI agency for promoting SMEs:

“SEDA is also an agency of the DTI. Its purpose is to develop, support and promote small enterprises throughout the country. They have a lot, what else is there?” (5:10; 43)

P6 stated that, despite knowing about SEDA and SEFA, she did not seek their support:

“She advised me to go to SEDA, SEFA, and DTI... If it was government, I decided that I was not going to get involved.” (6:23; 61)

P7 also mentioned that she had knowledge of the agency SEDA which provides support to small business owned by black entrepreneurs, but did not clarify the nature of support:

“I don’t think I will do justice to mention them by name, but the DTI has a dedicated department that focus on black entrepreneurs’ support such as SEDA.” (7:11; 137)

P8 admitted knowledge of the SEDA, but did not give much on its supporting activities:

“I know somebody who has dealt with SEFA and they were quite happy. For me they did business cards and it was very interesting how they did it.” (8:21; 130)

Small Enterprise Finance Agency (SEFA)

Just like P3 mentioned above, Participant 5 identified the Small Enterprise Finance Agency as an institution set up to provide funding to small business:

“There is also SEFA. I am not sure if it belongs to the DTI, but its main focus is to give financing to small businesses, through loans that are repayable over a period of time. It is more like the bank, albeit I think, its rules are less

strict than the banks.” (5:11; 43)

P6 mentioned the South African Entrepreneurship and SEFA, yet she was not knowledgeable about how these institutions function:

“I once heard of the DTI’s small business department; the South African Women Entrepreneurship Network, which was established by Ms Lindiwe Hendricks, the Small Enterprise Finance Agency, or SEFA as most people call it, but I don’t know how they work or how they can benefit me.” (6:30; 71)

P7 identified that DTI has departments that focus on supporting entrepreneurs such as SEFA, but could not elaborate on the nature of support:

“I don’t think I will do justice to mention them by name, but the DTI has a dedicated department that focus on black entrepreneurs’ support such as SEDA and SEFA” (7:11; 137)

B'avumile Skills Development Initiative

P5 commented on the existence of the B'avumile Skills Development Initiative with a special focus on rural women in business:

“They also have a B'avumile Skills Development Initiative which focuses on especially rural women in the arts and crafts industry. They train them and equip them with the relevant resources they need.” (5:9; 43)

Gender and Women Empowerment (GWE) Unit

P5 described the GWE Unit as another policy introduced by DTI to support women in their participation in economic activities. She mentioned that:

“The DTI has established what they call Gender and Women Empowerment (GWE) Unit. It focuses on providing women enterprises with a variety of supportive programmes and policies to accelerate and increase their participation in the country’s mainstream economy.” (5:8; 43)

Gauteng Economic Propeller

P8 mentioned they got support from a little-known agency, The Gauteng Economic

Propeller. This agency provided much needed funds for the business owned by the participant:

“The Gauteng Economic Propeller (GEP) helped me with a business plan and with accessing funding. I believe if it was not because of them, I would not be where I am with my business. I was at the point of almost giving up and they came to my rescue, financially.” (8:22; 135)

4.2.3 Research Question 3

What means should be adopted to design a policy and strategy framework for black women-owned SME development in South Africa?

This research question sought to identify the means that should be adopted to design or review policies and strategies to support black women-owned SMEs in order to promote the sustainability and viability of such business enterprises. The responses of the participants on this research question were very limited. Of the participants who responded, the following themes were noted, as indicated in Table 4.4.

Table 4.4: Key themes identified for Research Question 3

Rank	Theme	Respondent Code	Frequency
1	Monitoring and Evaluation	P2; P3; P5; P6; P7; P8	6
2	Inclusive Policy Formulation	P2; P4; P5; P7; P8	5
2	Collaborative Partnerships	P2; P3; P5; P7; P8	5
3	Review Current Policies	P3; P5; P7; P8	4
3	Financing	P4; P5; P7; P8	4
3	Mentorship	P5; P6; P7; P8	4
3	Entrepreneurial Development	P5; P6; P7; P8	4
4	Business Incubation	P5; P6; P7; P8	4
4	Policy Awareness	P5; P7; P8	3
5	Exclusive Policies	P5; P7	2
5	Revolving Fund	P5; P6	2
6	Simplified Registration	P4;	1
6	Business Profiling	P4;	1
6	Progressive Retention	P4;	1
6	Timeous payment	P4	1

Monitoring and evaluation

Six participants emphasised the importance of adopting appropriate evaluating methods to assess the effectiveness of policy implementation to ensure the success of the supporting initiatives. Participants observed that proper evaluation of policies and strategies can create accountability and reduce corruption.

P2 underlined the need for continuous feedback and a reporting system that is double-looped. The performance of the incubators and the SMEs should be monitored and evaluated as quoted below.

“So, now the incubators create a monitoring system to ensure they report back. That reporting back is not one-sided. They have to get a report from the entrepreneur to be able to know that whatever they have agreed to and whether, the incubator is delivering on it or not. So, it is a 360 degree - reporting mechanism.” (2:19; 351)

P3 said that the tracking of performance during the implementation policies to

benefit SMEs was vital for the success of the initiatives. The participant suggested the adoption of independent audits:

“Only if there was a monitoring entity, and it was not an agency of Government, whose role it is to track and monitor implementation of these policies.” (3:15; 165)

P5 suggested that evaluation and control of supporting policies should be conducted on a continuous basis:

“Evaluation and monitoring will have to be monthly, quarterly and annually. All the private and public entities with Sustainability Reports will have to report on the implementation of such a policy, like they do on other sustainability issues, case in point, CSI.” (5:30; 213)

P5 further suggested that the onus for evaluation should be granted to women as interested partners:

“I guess one of the most important things for me would be that the implementation of such a policy would have to be monitored by women, and they will have to report to parliament or their Board of Directors if it is a private entity.” (5:29; 213)

P6 suggested that supporting policies must define the expected feedback as well as the nature of the evaluation:

“The most important thing is that it must stipulate to the users when they can expect feedback and how the feedback will be presented. Ideally, the feedback must be delivered in person. It is important for the people who use the policy to understand why they cannot benefit from the policy if, for example, they were applying for funding and were rejected.” (6:32; 86)

Participant 7 recommended that government facilitate effective evaluation of programmes:

“Where the government should be investing a huge effort, is evaluating why these programmes are not achieving the targets they set for themselves.”

(7:15; 137)

P8 suggested that a department should be appointed to monitor the implementation of supporting programmes to ensure success:

“There has to be a department, for example, that deals with that specifically, because if you don’t have anybody monitoring this process no one is going to do it.” (8:15; 99)

Inclusive policy formulation

Five participants suggested the formulation of inclusive policies and strategies to support SMEs start-ups and growth. They downplayed the need to formulate policies and strategies that were purely for black female entrepreneurs, because that would lead to their isolation.

P2 argued for active participation of black women business when formulating relevant policies and strategies for SMEs, because they had a better understanding of their business needs.

“You know seminars and whatever, but we go and listen to the Minister. When is the Minister going to listen to us, you understand? And you cannot listen all the time in an event where there are a thousand people?” (2:15; 295)

P4 reiterated the significance of their inclusion in policy formulation as consumers of such policies. The participant emphasised why their experience is vital for the success of such policies:

“Certainly, as the consumers of the policies, people who are going to be affected by the policy, they have first-hand experience. Policies that are written in their office, but they expected to be carried out on the ground, would not work.” (4:33; 795)

P5 emphasised the importance of consultation in policy formulation, especially the inclusion of black women:

“You cannot develop such a policy without involving the people directly

affected. Consultation is of utmost importance. The involvement of black women who own or once owned business is important. They are the ones that have a good understanding of the challenges, and they are without a doubt the ones who would know how these should be addressed.” (5:31; 225)

However, P7 stated that there was no need to develop exclusive policies for black women. She pointed out that there should be more emphasis on applying support policies to benefit black women-owned businesses.

“The policies are already exclusively for female black people, so I believe the further rationalisation should be on the size of the slice of the cake to the different beneficiaries. So black women get the biggest slice, so that we can have more black women entrepreneurs from the programme, and then a whole of other categories follow like youth, disabled people.” (7:32; 278)

P8 emphasised the importance of the involvement of many stakeholders such as female and male participants. She commented that:

“Before it is passed into policy, it has to go through various steps that involve participation by the ordinary man and woman through, what they call, “public participation.” (8:33; 213)

Collaborative partnerships

The view of five out of eight participants was that the government should partner with the private sector to promote the establishment of start-ups and growth of black women-owned SMEs. The participants indicated that the collaborative efforts of both private and private sector can develop a better SME sector for black female entrepreneurs.

P2 explained the role of both public and private incubators in the development of SMEs. The participant noted that private incubators are more impactful on SMEs than public incubators, since entrepreneurs had expectations after paying a fee for the service:

“You know, for me a big brother system is very pertinent, and I think this is

where government can partner with the private sector. The incubators that I have seen that work are the ones that are private sector driven. The ones that are government driven, I haven't seen them in having impact basically, and the reason is the ones that are private sector driven have impact. Firstly, private incubators make the entrepreneur pay a fee and the principle is, if you pay for something, you will have ownership of it.” (2:18; 339)

P3 reported that partnerships do exist between private financial institutions and government, providing funding to black women-owned small businesses, but she did not mention whether she was a beneficiary:

“There are a lot of other private companies like financial institutions, which also take funding for black people a bit more serious than government. I know that Old Mutual has a division, or is it a company, called Masisizane.” (3:14; 54)

P5 admitted that the government and some private companies collaborate in providing funding, and training in financial skills of small business owners:

“Government and most private companies have dedicated sections of their business that focus on black economic empowerment. They offer funding, entrepreneurial training; they train people on how to write business plans, how to do cash flow projections.” (5:16; 54)

P7 reported that the government should enter into partnerships with well-established private businesses to assist black women-owned businesses to satisfy operational capacity to meet customer requirements:

“Well, I believe part of government's assistance should be government partnering with well-established businesses, irrespective of their colour. These people should be paid for their efforts, because they will be spending their precious time when they could be making money, on mentoring others, showing them the ropes.” (7:20; 166)

P8 mentioned the need for banks to support small black women-owned businesses. She related this support to corporate social investment:

“I think it is now called Social Investment. Look, banks should assist small businesses like mine. But, with the bank it is more difficult, since they want to know what is it that you can give them to hold on to, if you don’t succeed.”
(8:18; 117)

Review current Policies

P3 stressed the need for financial support and mentorship programmes to promote sustainable black women-owned small businesses:

“The essential elements that are needed to support black women-owned enterprise are financial support, mentorship, and other policies that will help us especially with the government, just recognising us as black women.”
(3:18; 55)

P5 argued that the current obstacles experienced by black women-owned SMEs were not due to the absence of Government policies, but execution failure on the part of the implementers:

“Government does not have to create policies. It has policies and a lot of agencies in place. There is definitely more than what I have mentioned. Each department also has to meet BBBEE requirements, and the biggest part of this in this context is supplier development.” (5:12; 50)

P7 suggested that effort had to be made to effectively utilise existing support programmes to achieve successful growth of the SME sector through black women-owned small businesses:

“Well, the very same programmes that have been designed for black entrepreneurs should be used to address the challenges experienced by black women entrepreneurs. I don’t see why any programmes should be established. I believe it is important to understand why more than 70% of black entrepreneurs’ businesses fail, especially when small businesses contribute more than 40% to South Africa’s GDP.” (7:17; 145)

P8 reported that the solutions for black women-owned businesses should include male-owned small businesses; however more emphasis should be given to

female owned businesses:

“But there should also be some attention to males so to say you are part of the solution. But there has to be more emphasis really on women without excluding the males.” (8:20; 128)

Financing

Four participants highlighted that adequate financing is essential for SMEs to perform effectively, satisfying their purposes. Participants emphasised the need for proper funding of SMEs in order to foster their growth and sustainability.

P4 indicated that lack of funding can threaten the very existence of an enterprise:

“If I employ people and I’m not ready financially. I don’t have enough finance by the way. I end up being in a trap of just doing it on a one on one basis. The big mission of the enterprise may never materialise.” (4:6; 147)

P5 suggested the introduction of a financing programme that would provide black women with collateral security. She mentioned that:

I suppose we could run a programme for women with some form of collateral, for example, they may have 30-50% of the capital required to start their business, and above financial assistance, they may need skills in running a business.” (5:23; 159)

P7 proposed a precondition for applying for financial assistance; successful completion of a financial course. She emphasised that black women financial applicants should be knowledgeable in financial management:

“Well, for those applying for financing with the government, it can be made part of the agreement that the funds are released on successful completion of the basic course. But this should not apply willy-nilly to everyone. They must first check if a person has the requisite skills or not. This is way people will be able to at least financially manage their businesses, understand the pitfalls of not financially managing it, and the upside when they do.” (7:23; 182)

P8 indicated that despite the ability to manage the business, the business owner requires financial support:

“First it’s your normal business experience. You need to be able to manage your project and to do the financing... So that and you need financial support.” (8:7; 59)

Mentorship and Coaching

Four participants suggested the need for entrepreneur mentorship programmes to develop black female business owners in various business skills.

P5 mentioned the importance of developing financial and managerial skills:

“The institute shall then give the aspiring entrepreneur mentorship and some basic financial literacy; how to write a proper business case; how to employ and manage people; how to manage inventory” (5:21; 130)

P6 agreed that the Government should facilitate the access of SMEs to male mentors who own most businesses. She was directly quoted:

“Government must in this policy have mentors identified from different businesses, even if its men, because most of the businesses in our country are owned by men. The men must transfer their skills to the women. They must guide and mentor.” (6:33; 86)

P7 acknowledged the need for a mentor or coach to provide guidance in challenging situations. Due to their diverse experience, mentors support business owners to manoeuvre through challenges by applying different approaches to situations:

“I personally found it hard in the beginning, to an extent that I wanted to quit and focus on something that was simpler and easier. We desperately needed support in the form of mentors. So, we knew we had to find people who are already in the industry.” (7:4; 47)

P8 suggested the need for a mentor to support the small business through various stages and processes:

“... yes, it’s important to get a mentor, but that becomes a relationship between you and the person because he knows about the business and he understands the processes.” (8:6; 57)

Entrepreneurial Development

Four participants highlighted the importance of formulating and implementing supporting programmes that develop or improve the business skills and knowledge of SME entrepreneurs.

P5 suggested that the South African government should take initiative to introduce entrepreneurial development programmes to inculcate entrepreneurial values in young women in the early stages of their lives:

“I also believe that Government has a responsibility to make entrepreneurial development as part of the school curricula, especially from the formative years. You know in my language they say “le ojwa le sa le metsi” (You bend it while it’s still moist or wet). So, we have to get children interested in becoming entrepreneurs while they are still young.” (5:13; 50)

P6 highlighted the importance of basic financial knowledge and skills for female entrepreneurs. She questioned how a business owner could run a business without relevant financial know-how:

“So, imagine you have someone who runs business like a franchise, and yet does not understand the financial health of his business. It’s a bit overwhelming. It is important that the entrepreneurs are provided with the basic financial knowledge and some skills.” (6:22; 178)

P7 remarked on the need for collaboration between government and private businesses in providing entrepreneurial training. The support would enable black women-owned businesses to acquire essential business skills:

“You know, I think once a person has raised their hand to receive government support, I suppose depending on the kind of support they receive, government could consider doing is partnering with businesses that have been in the game for long, to provide on-the-job training. (7:19; 158)

P7 also underlined the need for the implementation of such an entrepreneurial programme:

“The process is to ensure that our people have been given the education they so require to at least register, open and run a small business, which can one day be a huge business, who knows. So, this is an empowerment programme and not an employment programme. Such a problem should be funded by Government using the Job Fund, and/or other programmes that may be in any of its agencies.” (7:26; 234)

P8 emphasised that the government has a responsibility to increase entrepreneurial development:

“I believe that government must be concerned about creating more entrepreneurs, not jobs in government or people working for Chinese and American companies.” (8:30; 200)

P8 stressed the critical issues to be included in entrepreneurial development programmes:

“The content for entrepreneurial development must include; how to draw a business plan, some basic financial management skills such as how to develop cash flow projections, planning and budgeting, and forecasting, market analysis, coaching and mentorship, access to companies for internships, management skills, leadership skills, running a business, access to financing.” (8:34; 234)

Business Incubation

Four participants highlighted the importance of having incubation programmes to support SME start-ups until they are fully established and operational. The decision generally improves the success rate of the SMEs.

A response of P5 suggested the introduction of incubation programme to grow and mature black women-owned small business. The programme should provide female entrepreneurs with relevant support, especially funding:

“You would then incubate them for a period of time, while paying them some kind of a stipend, just to make some ends meet. You will then have to help them set up their businesses, and then once their businesses are running, they must plough back into the programme one way or another. Look, the funding does not have to be free, but you may not have to ask for any monies from the onset.” (5:24; 150)

In agreement with the viewpoint of P5, P6 suggested the Government should develop and incubate black female businesses in all provinces and different industries:

“So, each Province must be given a target of black female entrepreneurs to incubate, annually. The programme must cover diverse industries, so that these women spread their wings outside of their provinces and join provinces where a particular industry is the strongest. ...we could have an incubation programme in construction, health services; education; arts, culture and textiles; engineering - civil, electrical, and mechanical.” (6:19; 62)

P7 recognised the existence of incubation provided by some institutions, but was not herself a beneficiary of such incubation:

“I am aware of an incubation programme by the SABS, the IDC; Land Bank... (7:12; 137:137).”

Participant 8 showed a rough knowledge of business incubators:

“... oh, I went to a black, a small business whatever. There is something called Black Umbrella. They do what you call incubations.” (8:17; 115)

Policy Awareness

Three out of eight respondents suggested the need to inform small businesses about existing government policies and strategies meant to benefit black women-owned SMEs.

Participant 5 suggested the need to intensify awareness of Government policies and strategies targeted towards supporting SMEs. She argued that black women fail to benefit from such policies and strategies due to lack of information, therefore a policy should ensure the awareness of potential beneficiaries:

“Then I suppose such a policy would also have to address the issue of awareness about the policies and programmes that exist in both the public and private entities, to address this need for black women-owned businesses. It is one thing to developing a policy, but if the beneficiaries of such a policy are not aware of it, then it’s a waste of money.” (5:8; 204)

P7 reported her ignorance of government supporting programmes when she needed assistance. She mentioned how she struggled before becoming aware of the existence of such programmes. In her own words:

“One of the biggest challenges, if not the main on, is lack of knowledge about these programmes. I will use myself as an example. By the time I got to know about all these government programmes, was after I had struggled so much, and [laughs...] I only got to know about these late in my struggles. So, the question we should ask: what is government doing to market these programmes?” (7:18; 153)

P8 admitted that she did not know much about policies available:

“Yes, I do believe so. Look, much as I don’t know much about these policies, I believe there is nothing wrong with them.” (8:24; 158)

Exclusive Policies

Three out eight respondents underlined the importance of formulating policies that are purely targeted at benefiting black women-owned SMEs. They made the statements below to substantiate their views.

Participant 5 suggested the Government should have policies that are focused on benefiting black female entrepreneurs in order to achieve tangible outcomes:

“There is too much inclusion, so the policy would only include exclusions, or beneficiaries of the policies. I guess the scope would somehow be like that of BBBEE; the difference would be that this policy is for black South African women only.” (5:27; 196)

P6 proposed that the government could design new policies to address the existing problems confronting SMEs:

“Well, obviously the Government can assist us by creating policies that can help us, give us first preference for finances, like funding, and also protect us and protect our businesses so nobody will take advantage of us, especially in sectors that are dominated by males.” (6:20; 57)

P7 reported that entrepreneurial programmes should be administered to benefit mostly female entrepreneurs:

“Well, because our focus of today is black women entrepreneurs, what I would suggest is that the programme should be purely for female black people, since they were marginalised, and the support should be something like a 60/40 or 70/30 split, with women getting the bigger slice of the cake, since they were the worst marginalised.” (7:25; 207)

Revolving Fund

Two participants proposed the importance of establishing a revolving fund to assist SMEs and ensure that they repay the funds to support new and upcoming start-ups.

The concept of building a sustainable funding system was highlighted by P5, through encouraging successful SMEs to repay their loans:

“So, not only would you have given them the support, you walk all the way with them without spoon-feeding them, to make sure that they can stand on their own, become successful and sustainable businesses, and then once their business succeeds, they then have to start repaying the loan.” (5:25; 154)

P6 agreed that successful black women SMEs should create a revolving fund by ploughing back into the communities to start new businesses:

“It will be such a good idea if they would champion mentorship of aspiring young black women-owned businesses out there. These women could also help with funding and internships in their businesses by ploughing back into the communities.” (6:35; 90)

Simplified Registration

One participant was of the view that the registration of SMEs should be simplified to allow start-ups of more black women-owned small businesses. The participant suggested that the registration process should not pose a hindrance for new entrants.

P4 pointed that the registration of SMEs should be easy for new entrepreneurs. The participant made the following comment:

“I suggest that, when we register a business, we don’t want to make the registration process complicated. After we register, there should probably be another phase where you profile your business.” (4:10; 247)

Business Profiling

P4 proposed the need for immediate profiling of SMEs after registration to provide a tracking system to keep track of how the businesses are developing. Suitable measures can be prescribed for SMEs at different stages of development.

“Then that profile, even if it is an immediate profiling and maybe interim checking on how you are doing. Now it becomes a similar process to track the performance in the medium term and long term and assess where help is needed.” (4:11; 251)

Progressive Retention

P4 recommended that the government should adopt progressive SME retention systems, where support for old SMEs should be shared with new upcoming SMEs in order to promote their growth as stated below.

“Retention of old SMEs, yet adopting new black women-owned entrants because, as the supporting systems retain old SMEs only, opportunities are denied for new ones like us coming in.” (4:30; 699)

The participant (P4) further highlighted that equal opportunities should be provided to new entrants:

“So, give them an equal opportunity. You retain them for three years allowing new entrants.” (4:31; 711)

Timeous Payment

One participant suggested that when SMEs are paid timeously, that improves the cash flow which ultimately contributes towards the growth and sustainability of the businesses.

P4 indicated that timeous payment of SMEs is vital to promote sustainable growth of the businesses:

“If you get paid on time, [Sesotho] in terms of business sustainability, then you know I can sustain my business for a year, or two years. It will make a huge difference in terms of business growth.” (4:32; 783)

4.3 DISCUSSION OF FINDINGS

4.3.1 Introduction

The results presented in the previous section are discussed, contextualised, and validated with the literature reviewed in Chapter 2 and used to answer the research questions for the present study. The results of the interviews that were conducted with black women entrepreneurs at the selected SMEs (n=8) related mostly to the challenges experienced by black women-owned SMEs; existing government policies and strategies to address challenges faced by the SMEs and recommendations on how to improve investment in black women-owned SMEs.

4.3.2 Research Question 1

From the results, challenges faced by SMEs owned by black women in South Africa during the start-up and development stages of the cycle are classified into internal (micro) obstacles and external (macro) obstacles.

4.3.2.1 Micro Challenges

The internal obstacle themes identified from the findings included: lack of finance, insufficient education and experience, lack of customer satisfaction, female gender roles, lack of marketing, non-compliance with legislation and lack of focus.

Lack of Finance

Results confirmed that inadequate finance was one of the major obstacles confronting both start-ups and growth of SMEs owned by black women. Seven out of eight participants experienced lack of finance for different purposes at different stages of the SMEs evolution cycle. The challenge of insufficient funds affected both the investing capital as well as circulating capital for the SMEs. Mutoko and Kapunda (2017: 4) also found that SMEs encounter limited finance. Working capital was required for purchasing inventory for the businesses as well as settling operating expenses such as wages and salary bills. It was also reported that there were high start-costs for engineering SMEs which affected the survival of such SMEs beyond three years after their inception. In some cases, entrepreneurs were in desperate search of start-up capital to ensure a sound financial footing. Financial constraints

forced black women entrepreneurs to use personal finance to purchase capital goods.

Lack of education and lack of experience

The results highlighted insufficient education and a lack of experience as another common obstacle faced by small business entrepreneurs. Seven participants opined that education and experience should be prioritised to ensure effective operation of their businesses. Leboea (2017: 45) observes that most SMMEs in South Africa fail as a result of, among other things, lack of appropriate education and lack of requisite experience. Participants emphasised that black female business owners require knowledge relating to their areas of business operations. The specific skills deficiencies reported included lack of financial skills, marketing skills and administrative skills.

The results confirm the view that the failure of most start-up SMEs can be attributed to insufficient management skills and experience (Mazanai & Fatoki, 2012: 31). Participants further elaborated on other essential skills such as the preparation of a business plan, market growth and business registration procedures as relevant for start-ups. A lack of financial skills have been associated with financial incompetence and lack of experience, leading to a loss of business tenders. Potential investors and banks used the level of experience as a risk factor and were unwilling to fund a business during start-up. A lack of experience also negatively impacted the quality of the services provided to clients.

Lack of customer satisfaction

The participants revealed that it was difficult for SMEs to satisfy customer when providing them with products or services. One of the main challenges of customer satisfaction was to keep the customer promise and ensure their retention. Customers always demand services which they perceive to be of good quality. Another view suggested that when small businesses fail to satisfy customers, the sustainability of such businesses is threatened. Participants further argued that the customer base of a business is dependent on one's ability to sustain customer expectations. Another shared view revealed that services or products supplied by start-ups are viewed with suspicion compared to those provided by existing large businesses.

Female gender roles

The participants shared the view that female gender roles slow down the career development of black female entrepreneurs. As mothers and wives, black female entrepreneurs are compelled to also assume the role of caregivers of their families. Black female entrepreneurs operating small businesses are expected to balance time and effort between their businesses and families. The participants believe that once business women are married, their career development slows down because they must pay attention to both their families and business responsibilities. This view is supported by Sathiparsad, Taylor and Dlamini (2008: 847) who found that in most cultural and social groups, women assumed traditional positions in households which restricted their economic participation. The parenting role performed by the business owners compromises the competitiveness of their businesses.

Lack of marketing

The participants mentioned that SMEs also fail as a result of having to deal with difficult access into new markets which affects their ability to attract new customers. There is a slow growth of customer base since businesses are dependent on referrals to attract new clients. Mazanai and Fatoki, (2011: 62) suggest that small entrepreneurs in emerging economies have limited skills in management, marketing and book-keeping compared to those in developed countries, adding to the risk perception about their projects. Problems are experienced when seeking to attract customers to purchase the goods or services offered by small business owned by black women. Demand may also be too low when SMEs have insufficient marketing knowledge about market positioning and segmentation (Mazanai & Fatoki, 2012: 41).

Lack of compliance with legislation

The participants highlighted that black female entrepreneurs struggle to comply with relevant legislation with regards to their operations, such as the provisions of the BBBEE Act to meet minimum requirements to be considered for government tenders. BBBEE compliance is associated with the pillars of BEE such as ownership, management and control, skills development, enterprise development and supplier development, and socio-economic development. Another issue of compliance stated relate to the submission of returns and tax compliance.

Lack of focus

The participants indicated that defining a clear strategic direction was a challenge for small businesses which impacted their sense of direction. The lack of an enduring vision and mission affected the performance of the businesses. They further explained that entrepreneurs set short term visions which failed to sustain the continual operation of their businesses, leading to premature termination of operations. The participants also revealed that low levels of commitment by entrepreneurs negatively impact performance. Lastly, it was argued that the level of focus for business owners decreases as businesses progress in the SME evolution cycle.

4.3.2.2 Macro Challenges

The external obstacles identified and presented in the previous chapter include the following themes: gender prejudices, limited access to finance, bureaucratic processes, execution failure, corruption and nepotism, delayed payments, difficult registration process, lack of infrastructure, lack of networking, and high competition.

Gender Prejudices

The participants highlighted how gender prejudices affected their SMEs and careers. They reported instances where their SME operations were undermined because the businesses were owned by Black women. The experience by one SME in the beauty therapy sector revealed that beauty business are not always taken seriously, and black business women do not speak out due to fear of victimisation. Some black female business owners who visited government agencies in search of financial support shared that they were exposed to both racial and gender biases in the male dominated environment, especially in the transport sector.

Limited Access to Finance

The respondents noted that the requirements that must be met by Black female entrepreneurs when applying for funding made it difficult for the credit applicants to qualify for funding. Failure to satisfy the minimum requirements disqualified some SMEs from accessing finance from financial institutions such as banks. When black female entrepreneurs failed to provide business plans and educational and

professional qualifications, financial providers rejected their applications for loan finance. This finding is corroborated by Mutoko and Kapunda (2017: 3) who established that banks consider observable characteristics such as age, experience, education and credit background when making credit rationing decisions. The need to relax requirements for capital application by financial institutions was suggested.

Another essential requirement highlighted is collateral security and the fact that bonded property was rejected as security by credit providers. Denis (2004: 304) agrees that is one of the impediments faced by start-ups in their effort to access finance. The author cited lack of collateral security to pledge to potential lenders as a challenge for new enterprises considering that they may not yet be profitable. The DTI (2014: 12) reported that access to finance is one of the major problems faced by women in starting and growing their small and medium businesses in South Africa. The results confirmed that the major obstacle to access funds is the need for collateral security.

Bureaucratic Processes

The participants reported that lengthy processes and procedures SMEs are expected to follow when seeking assistance from support programmes provided by government agencies are cumbersome and discouraging. Dealing with public institutions was reported as difficult and frustrating. For SMEs to be awarded BEE certifications, they are expected to comply with the pillars of BEE which would enhance their opportunities to receive government tenders. The process to obtain and provide the required documentation for tender submissions is also another tedious process. Some participants particularly shared that the Department of Trade and Industry (DTI) provided them with unsatisfactory registration services for new SMEs.

Execution Failure

The participants reckoned that the implementation of economic empowerment policies was not successful due to the failure of the people assigned to execute them. The implementers of policies such as black economic empowerment were not sensitive to the needs of black female entrepreneurs. The results supported that the human resources drivers of implementation were unfamiliar with the obstacles faced

by black female entrepreneurs. On the contrary, another participant argued that BBBEE mainly benefited black male entrepreneurs to the detriment of black women. Therefore, the general perception was that the access to supporting programmes was limited due to ineffective execution.

Corruption and Nepotism

The participants stated that SME entrepreneurs encountered corruption and nepotism when dealing with government officials in their search for support programmes to benefit their businesses. The participants argued that the impact of support programmes is threatened by corrupt practices of the employees providing the services. It was alleged that the available support was mainly provided to SMEs of politically connected black women. The participants further alleged that government officials engaged in corrupt activities in order to benefit from kickbacks. Some SME owners were frustrated by waiting for government financial assistance and had to seek alternative funding.

Delayed Payments

The findings supported that the participants experienced delayed payment for services or goods provided to mostly government departments. This problem was experienced by SMEs awarded government tenders. The participants described how they struggled to receive payment for completed work. Lack of payment for work completed according the schedule affected the cash flow of the SMEs. When payments were delayed, the ability of SMEs to deliver quality services to customers was negatively influenced by depleted circulating capital.

Difficult Registration Process

The results suggest that the registration process for SMEs pose problems for black female entrepreneurs when registering start-ups. The participants indicated that the registration procedure for SMEs was difficult to execute. Another view pointed to the registration process sometimes being difficult to understand and lengthy. There was mention of the process of registering construction SMEs which requires compliance to regulations such as the appointment of an accountant before operating.

Lack of Infrastructure

Participants reported a lack of suitable infrastructure, which caused SMEs to perform their business activities in mobile facilities (e.g. the boot of car) because of high rental costs associated with renting premises for operations. The potential for small business expansion and growth is affected by the SMEs' capacity to satisfy consumer requirements. Operating in limited space such as a car boot may minimise the costs of operating, yet this operating model would hinder business growth. Findings from a survey by Finmark Trust (2013: np) revealed that small businesses in Gauteng struggle to access physical operating space. Ramukumba (2014:25) concurs that the state of infrastructure, high energy costs and an inconsistent supply of electricity pose constraints to SMEs.

Lack of Networking

A lack of networking affects the successful operation and performance of SMEs. The participants revealed that a lack of business connections is common for SMEs at start-up phase. Newly established small businesses encounter problems of obtaining contracts since they are not part of the supply base of existing businesses. Lastly, participants suggested that establishing business networks promotes better development of SMEs.

High Competition

The results indicated that competition from existing service providers affect the entry of SMEs in different industries. Businesses that have operated for many years in the industry provide products or services with established brands. Customers choose to buy recognised products or services and are sceptical of new products or services offered by start-ups. The view on the impact of external factors is shared by Fatoki (2014: 924) who mentioned variables such as a weak logistical chain, high completion costs, as well as limited access to finance. Therefore, the revenue generated by such SMEs may be inadequate for the continuous sustenance of the small businesses.

4.3.3 Research Question 2

The participants' responses on current government policies and strategies to address challenges facing black women-owned SMEs revealed their knowledge of

and, in some case, how they benefited from the BBBEE, SEDA, SEFA, B'avumile Skills Development Initiative, GWE Unit and GEP. The results provide a clear view of the private and public institutions and programmes that support development and operation of such SMEs.

Broad Based Black Economic Empowerment

Most participants acknowledged that the BBBEE Act is one of the many pieces of legislation introduced by the government to promote SME start-ups, growth and maturity. The Government of South Africa promulgated laws such as The Small Business Development Act (1996) and the Broad-Based Black Economic Empowerment (BBBEE) Act (2003) to create an enabling environment to ensure the growth and survival of SMEs. Among the five pillars of BBBEE, enterprise and supplier development is the main pillar popular among the respondents. While one respondent indicated ignorance about BEE policy and how black women-owned SMEs benefit from its provisions, two respondents were aware of the Act, but did not know about the policies that benefit SMEs. The SMEs that received government tenders benefitted from preferential procurement which provided opportunities for the growth and sustainability of such SMEs. For some SMEs, government tenders augmented the existing business they already enjoyed.

Small Enterprise Development Agency (SEDA)

The findings reflected that the participants were aware of SEDA as an agency of DTI responsible for providing support to small businesses in the South African economy. Some participants understood that SEDA was designed to promote black economic empowerment through facilitating the establishment of black owned SMEs regardless of gender. According to Fatoki (2014:947) government agencies such as SEDA should be used to develop skills for new SME entrepreneurs regarding the preparation of business plans and proper enterprise management. Despite being aware of the SEDA, one respondent shared that she did not seek help from the institution; two others did not provide clarity on the nature of SEDA support.

Small Enterprise Finance Agency (SEFA)

It was clear from the results that some respondents who were aware of SEDA were the also familiar with SEFA as an agency of DTI. SEFA was identified as an

institution that provides funding to SMEs that need financing. SEFA was introduced to facilitate the sharing of risk between SEFA and the commercial banks, in order to provide funds to SMMEs (Mazanai & Fatoki, 2012a:65) Other participants displayed limited knowledge of the role of institutions such as South African Entrepreneurship and SEFA.

B'avumile Skills Development Initiative

One participant mentioned an institution known as the B'avumile Skills Development Initiative with a special focus on rural women in business. Since the respondents were in Johannesburg and Pretoria, the programme could not have benefited them. However, a programme such B'avumile Skills Development Initiative is meant to benefit black women in the arts and crafts industry in rural areas.

Gender and Women Empowerment (GWE) Unit

One participant mentioned that the GWE Unit was established under the auspices of DTI to empower women to participate in economic activities in South Africa. The programme focuses on providing women enterprises with a variety of supportive programmes to increase their participation in the country's mainstream economy.

Gauteng Economic Propeller

The last agency mentioned to be a provider of support was the little-known agency referred to as the Gauteng Economic Propeller. The institution was described as a provider of funds to needy SMEs, as well as assisting with the preparation of business plans.

4.3.4 Research Question 3

The previous chapter identified different means that should be adopted to design or review policies and strategies to support black women owned SMEs in order to promote sustainability and viability of such business enterprises. These means include reviewing current policies, inclusive policy formulation, collaborative partnerships, monitoring and evaluation, financing, mentoring and coaching, entrepreneurial development, policy awareness, business incubation, exclusive

policies, revolving fund, business profiling, simplified registration, progressive retention, and timeous payment.

Inclusive policy formulation

Most participants suggested that the formulation of policies and strategies to support SMEs start-ups and growth should engage all relevant stakeholders. The participants felt that there was no need to formulate policies and strategies to benefit black female entrepreneurs only, since this would propagate their isolation. It was proposed that women as beneficiaries of the policies and strategies should be included in the formulation process. Consultation with women would allow them to contribute their views that are directly informed by their experiences. This approach is consistent with the hybrid collaborative approach propounded by Kamara (2017: 108). It therefore pointed out that there should be more emphasis on applying support policies to benefit black women-owned businesses.

Collaborative Partnerships

The participants stressed the need to establish a collaborative partnership between government and private sector to provide supporting programmes that promote the establishment of start-ups as well as growth of black women-owned SMEs. The findings revealed that private incubators are more impactful on SMEs than public incubators in nurturing entrepreneurs, the payment of a fee for the service serving as encouragement to perform.

Masutha and Rogerson (2014: 153) describe an inclusive multi-stakeholder approach as one where most of the capacity building institutions such as business support systems are established through an interactive engagement of the public sector, private sector and civil society (Kamara, 2017: 108). Collaboration was also emphasised between private financial institutions and public funding for effective capitalisation of black women-owned SMEs. It was also argued that a partnership should exist to assist the SMEs with mentorships in financial planning and operations to meet customer expectations.

Review Current Policies

The participants argued that the challenges faced by black women-owned SMEs are not attributable to the absence of relevant policies and strategies, but to execution failure. There is a need for a deliberate shift by policy implementers to rethink the execution of existing support programmes to achieve successful growth of the SME sector through black women-owned small businesses. Another interesting view recommended the need to include males to foster effective implementation of support programmes that benefit black women-owned SMEs.

Monitoring and Evaluation

The participants suggested that the adoption and application of suitable monitoring and evaluating methods to assess effective policy implementation would yield tangible benefits for black women-owned SMEs. They argued that proper evaluation of the implementation of SME supporting policies and strategies should create accountability for the implementers. The adoption of 360 degrees evaluation was proposed to foster continuous feedback and reporting of programme performance such as incubator centres. It was further suggested that the tracking of the performance of support programmes is key to the success of such initiatives. Regarding the challenges of access to finance by SMEs, Mazanai and Fatoki, (2011: 58) recommend policies implemented must be regularly monitored and revised to ensure effectiveness in eradicating the problem. Another view suggested that women should be accorded the opportunity to conduct programme evaluations as directly interested stakeholders. Lastly, there should be adequate investment by public and public institutions to foster application effective evaluation methods.

Financing

The results revealed that adequate financing is an essential resource for SMEs to perform effectively and sustain their operations. The participants reported that proper funding of SMEs serves as the life-blood of the businesses, promoting the growth and sustainability of the SMEs. It is clear from the perception that financing determines the establishment, growth and survival of black women-owned SMEs. Ornmans (2013: 7) observes that finance is the resource at the top of the list for most small business entrepreneurs. This resource is critical for start-ups because it is the lifeblood of product development, attraction of the best team, executing

marketing activities and other functions essential for building the enterprises. Another view emphasised that financing programmes should address issues of collateral security for easy access to finance. Another suggestion recommended the successful completion of a financial management course before funds are released.

Mentorship and Coaching

The results showed that the participants perceived entrepreneurial mentorship and coaching as another requirement for the development of relevant business skills to promote better performance by black women-owned businesses. It was suggested that mentorship programmes should include inventory management, human resources management, as well as financial literacy. It was specified that male mentors should be brought on board because they own most of the successful SMEs. The participants acknowledged that mentors and coaches could provide their diverse experience to assist black female SMEs owners to navigate challenges at the various stages and processes of the businesses. Babalola & Agbenyegah (2016: 1756) suggest that the mentoring and coaching strategy can lead to improved self-esteem and efficacy of both entrepreneurs and employees as they have opportunities to learn how others think.

Entrepreneurial Development

The participants suggested that supporting programmes for entrepreneurial development should be implemented to develop or improve the business skills and knowledge of SME entrepreneurs. There was mention of focus on inculcating entrepreneurial values in young women, ensuring their early empowerment with relevant expertise. Lack of financial management skills was ranked as one of the main obstacles of SME failures. Therefore, some participants proposed the importance of financial training skills to improve the financial know-how of black female small business owners. Adequate managerial competencies increase the SMEs' ability to develop strong plans and strategies to ensure effective management, according to a study by Zarook *et al.* (2013: 106). The results revealed that such training can be provided by government institutions in collaboration of private sector. The critical issues proposed for inclusion in the entrepreneurial training programmes include: how to prepare business plans, financial management skills, preparation of cash flow analysis, leadership skills, mentorship and coaching

and market analysis. It is therefore clear that the success of start-up businesses is largely dependent on the competencies of management and business owners (Fatoki & Odeyemi, 2010: 133)

Policy Awareness

The respondents suggested the need to better inform potential entrepreneurs and SMEs about existing government policies and strategies intended to benefit black women-owned SMEs would assist in reducing the failure rate of SMEs due to lack of access to supporting programmes. The extent of the reported ignorance of SMEs supporting policies can be ameliorated by instituting intensive awareness drives in both public and public media and other forums.

Business Incubation

The provision of incubation programmes was identified as one of the critical strategies to enhance success of SMEs start-ups in different sectors. The continual support provided to the SMEs at the various evolutionary stages improves the success rate of the SMEs because the support is professional. The participants suggested that when SMEs are incubated, they grow and mature, thereby increasing their economic impact. Tsai *et al.* (2009: 629) describe incubation as “a shared office space facility that seeks to provide its incubatees with a strategic, value-adding intervention system of training, monitoring and business assistance.” Incubation programmes should cover the different areas of business such as funding, marketing, financial management and budgeting and control. The establishment of incubators in all provinces to cover different industries was suggested to target black female entrepreneurs. Some participants indicated that they were aware of incubators, but they were not direct beneficiaries.

Exclusive Policies

Some respondents suggested that the government and private sector should formulate policies that are solely geared towards benefiting potential entrepreneurs and black women-owned SMEs. The participants argued that such a move would provide more attention to black female entrepreneurs leading to the achievement of tangible outcomes. Another view suggested that the supporting programmes should

be administered exclusively, prioritising the assistance to black female business owners.

Revolving Fund

The respondents also proposed the establishment of a revolving fund to assist SME start-ups and thereafter but emphasised the importance of repayment of such funds to facilitate continuity of the funding. Repayment of the loans would enable the funding model to be self-sustaining. Another related view suggested that successful black women SMEs should undertake to assist other start-ups in their communities.

Simplified Registration

A participant suggested that the registration of SMEs should be simplified to encourage start-ups of more black women-owned small businesses. The participant suggested that the registration process should not pose a hindrance for new entrants. Potential female small business entrepreneurs should not be frustrated by registration process, but rather should find the process friendly.

Business Profiling

The results revealed the need for profiling SMEs immediately after they are registered in order to ensure that their information is kept in a database. The system should allow the progress of SMEs to be tracked in the different stages of their lifecycle. The nature of support required by SMEs can be identified if the progress of the businesses is followed. Upon registration, SMEs should directly be linked to government supporting programmes. This will allow SME's easy access to supporting initiatives.

Progressive Retention

It was recommended that the government should adopt progressive SME retention systems for the SMEs benefiting from its support such as preferential procurement and supplier development. Opportunities should be created for SME start-ups by supporting them until they are able to sustain themselves. While old SMEs should

still be retained and supported, new entrants should be prioritised to ensure that they avoid failure.

Timeous Payment

The importance of timeous payment of SMEs after they render services, particularly to government departments, should be taken seriously. It was argued that when SMEs receive payments early, the cash flow improves. Adequate cash flow is vital for business operations which ultimately promotes sustainable growth for the SMEs.

4.3.5 Conclusion

The discussed and contextualised results provided understanding of the challenges faced by black women-owned SMEs, the current policies and strategies for supporting the SMEs, as well as the possible ways to improve small business ownership by black women. The next chapter focuses on recommendations and conclusions of the present study.

CHAPTER 5: RECOMMENDATIONS AND CONCLUSIONS OF THE STUDY

5.1 Introduction

The previous study focused on the discussion of the qualitative results presentation in the previous chapter. The findings are contextualised and interpreted to achieve the research objectives by answering the research questions. The aim of the present research study was to investigate challenges that black women-owned SME start-ups, growing and maturing SMEs were contending with. The current government policies and strategies implemented to address the challenges facing the black women-owned SMEs were reviewed. This study reflected upon the statutory framework of policies and strategies which will increase the 'success rate' of black women-owned SMEs, and suggested variances in both existing policies and the preceding processes of design. This chapter provides an informed discussion of the recommendations, conclusions of the study, limitations of the study and recommended areas of further studies.

5.2 Recommendations of the study

The researcher suggests the adoption of the following recommendations in order to revise and re-design a framework of policies and strategies to promote the establishment of black women-owned SMEs, their growth and ultimate maturity. The framework was recommended consistent with the Collaborative Governance Theory propounded by Kamara (2017: 107).

5.2.1 An enabling environment

The South African government should review the current legislative, regulatory and institutional framework such as the B-BBEE Act, SEDA and SEFA to address the challenges facing black women-owned SMEs. This should occur through the simplification, coordination, and rationalization of processes and procedures to establish a favourable environment for SME development from start-up, growth, to maturity. The review process should be inclusive of all the relevant stakeholders, especially black women, both current and potential entrepreneurs. Mazanai and

Fatoki, (2012: 62) note that SMEs' risk perception is high because of limited legal frameworks that cover the enforcement of their financial contracts, thus making it challenging for the lenders to claim their debts.

5.2.2 Marketing communications

The results of the present study revealed that most SMEs did not benefit from existing government policies and strategies because of ignorance about their existence or purpose. If policies for supporting SMEs exist but remain unknown to the intended beneficiaries, they are of no purpose to both the government and SMEs. Institutions should be established to inform SMEs and potential entrepreneurs of the existing programmes available to deal with different challenges. Mago and Toro (2013) reveal that the level of awareness of the Credit Guarantee Scheme and the knowledge of how to secure the service are low, and that the marketing communications of the available programmes are ineffective. This points to a shortcoming in the effectiveness of the existing financing system which needs to be improved.

5.2.3 Entrepreneurial development

The entrepreneurial development policy should be the fundamental stage when empowering black female entrepreneurs. The government should foster, enhance and support women entrepreneurship development and build capacity at different institutional levels such as schools, technical and vocational training institutions, private platforms and universities. High and primary schools' curricula should include entrepreneurial skills at such early stages as girl child development. Training forums should be established to empower women who were able to access the formal education system. Singh, Sealy and Terjesen (2009: 54) confirm that human capital investment in education, especially advanced education, is a point of departure for the development of independent thinking, which is a critical facet for entrepreneurial performance.

5.2.4 Access to finance

Finance is the lifeblood of all business organisations; therefore, the government should strive to ensure that black women have easy access to funding for investing in SMEs. The finance policy should create a supportive environment with strong mechanisms for easy access to finance from both public and private institutions, and the cost of the finance should be affordable to black women SME entrepreneurs. Women should be supported to meet the minimum requirements set by financial institutions to access funds such as collateral security and financial management skills.

5.2.5 Technology and innovation

In sectors such as construction, engineering and mining, the government should have a technology and innovation policy to facilitate the acquisition and adoption of state-of-the-art technologies for black women-owned SMEs. This must enable them to continuously improve the quality, innovation, production of their products or services. Re-training of beneficiaries will be necessary to ensure that the technology is put to good use for the benefit of SME growth.

5.2.6 Research and development

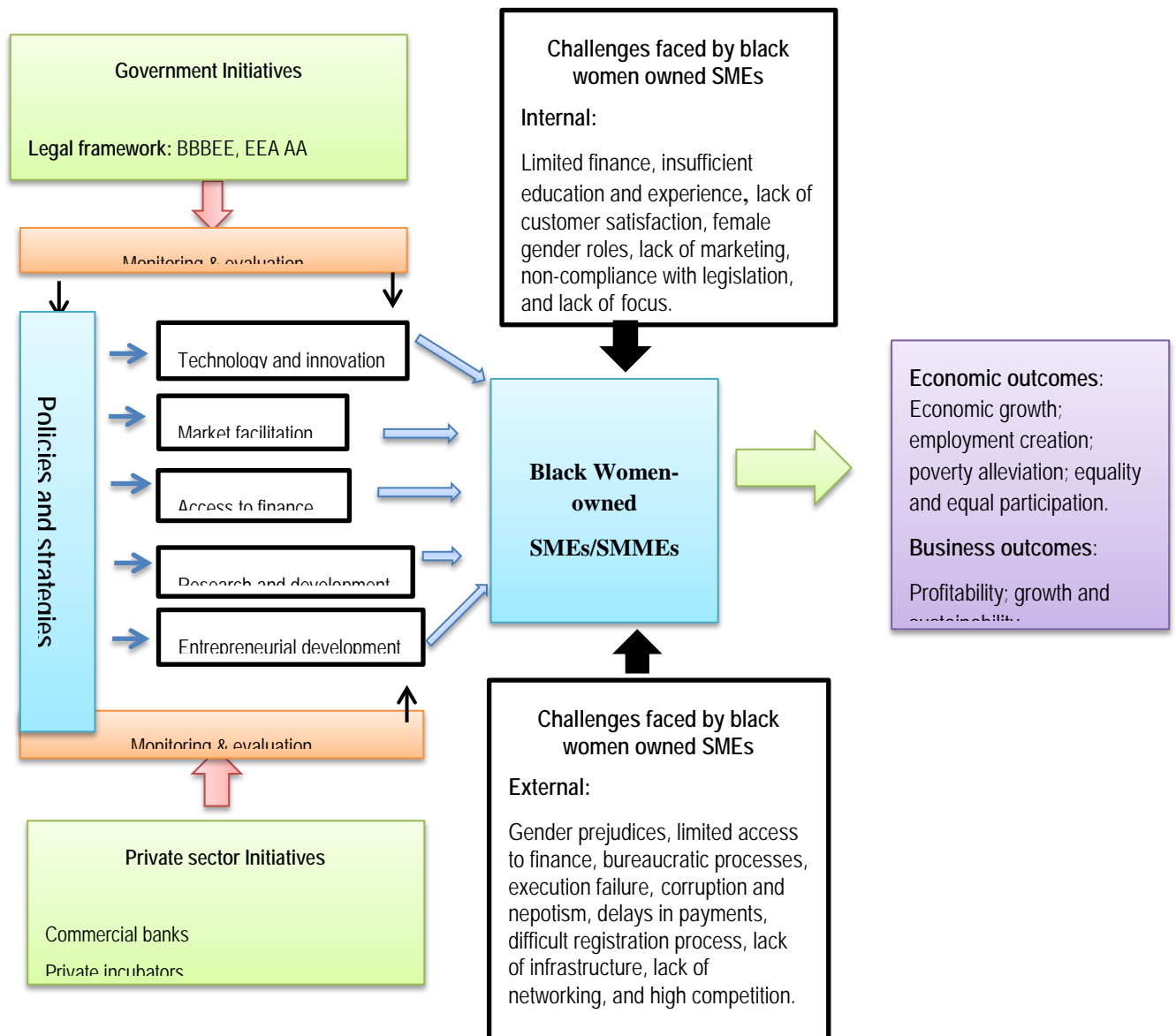
The research and development policy should be utilised to effectively develop new technologies and innovations. This is done with a view to ensuring improved product development, processes, productivity and to increase the competitiveness of women-owned SMEs. This policy may be instituted by public incubators and the Department of SMEs. The results from research conducted should target benefiting SMEs in different sectors.

5.2.7 Market facilitation

The market facilitation policy should assist black women-owned SMEs to exploit the worldwide market and therefore support the entrepreneurs to access both the domestic and foreign markets. The policy should facilitate the marketing of the services or products of the SMEs, including market penetration for start-ups and the global market for growing SMEs. There should be specific public institutions and private organisations mandated to host business expos.

5.3.8 Monitoring and evaluation

The value of the proposed policies depends on the effective implementation of policies to achieve the desired outcomes. To foster proper execution of such policies, there should be suitable strategies for monitoring and evaluating implementation to ensure that the policies are effectively executed. When disparities are identified when the policies are implemented, immediate corrective action should be taken. The assessment process should be performed continuously and consistently in order to have a timeous response to any deviations from the expected performance.



Key:






- Policy formulation 
- Policy implementation 
- Challenges facing SMEs 
- Monitoring and evaluation 
- Outcomes 

Figure 2: Policy framework for black women-owned SMEs

5.3 Conclusions of study

Based on the findings of the present study and their subsequent contextualisation within the intended scope of study, the conclusion is that all three research objectives were substantially addressed. The present study was conducted to investigate and achieve the following three research objectives:

To discuss, investigate/review the obstacles facing SMEs owned by black women in South Africa, with regards to their start-up and development.

The results from the current study revealed there are many obstacles impeding the successful establishment, growth and maturity of black women-owned SMEs in South African. The SMEs contend with both micro and macro challenges themed as follows:

Micro Challenges

The obstacles associated with the internal operations of the black women-owned SMEs included a lack of finance, insufficient education and experience, lack of customer satisfaction, female gender roles, lack of marketing, non-compliance with legislation, and lack of focus.

Macro Challenges

From the findings the external obstacles were themed as follows: gender prejudices, limited access to finance, bureaucratic processes, execution failure, corruption and nepotism, delays in payments, difficult registration process, lack of infrastructure, lack of networking, and high competition. Limited access to finance, gender prejudices and bureaucratic processes were ranked top of the challenges.

To determine the knowledge of existing government policies and strategies to address the challenges facing SMEs owned by black women in Johannesburg and Pretoria, South Africa.

The existing government policies and strategies to address the challenges that black women-owned SMEs contend with were identified as follows: BBBEE, SEDA, SEFA,

B'avumile Skills Development Initiative, GWE Unit, and Gauteng Economic Propeller. However, the findings revealed that most participants were not aware of the nature of the support provided by the policies and strategies of the identified programmes. The BBBEE Act was the most popular strategy, yet the participants were only well informed about the pillar of preferential procurement (supplier development) and enterprise development. Some of the agencies found in the current study are similar to institutions and agencies established by the GoSA to support SMEs include: Small Enterprise Development Agency (SEDA), Seda Technology Programme (STP), Small Enterprise Finance Agency (SEFA), Technology Innovation Agency, National Empowerment Fund (NEF) and Incubation Support Programme (ISP) (Masutha, 2014: 41).

However, what was evident from the findings was that the existing initiatives have not yielded the desired outcomes of supporting set-ups and development of black women-owned SMEs. This is owing to several factors identified in this study, such as a lack of awareness about the existence of most of the current policies and strategies, high prevalence of public corruption, poor monitoring and evaluation of the implementation of such policies and strategies.

To design a policy and strategy framework for black, women-owned small and medium businesses in Johannesburg and Pretoria cities, Gauteng Province

The design of the policy and strategy framework for black women-owned SME development was in response to the challenges reviewed when research question 1 was answered, as well as findings of the participants suggesting ways to address the current challenges identified. The framework includes modification of existing policies and design of new policies and strategies with greater emphasis on creating awareness as presented in the recommendations of the present study.

5.4 Recommendations for future research studies

This study focused on investigating the critical dynamics impacting the representation of women in corporate directorship in various organisations operating in different industries. In order to broaden the theoretical knowledge and literature for government strategies and policies to support black women-owned SMEs, the following topics were recommended:

- The challenges facing the South African government when promoting the development of SMEs;
- The impact of the private sector engagement in promoting the establishment and growth of SMEs in different sectors;
- The economic contribution of the black women-owned SMEs to the South African economy; and
- An evaluation of the high success SMEs to understand their key success factors.

5.5 Limitations of the study

The gender prejudices surrounding black women entrepreneurship may have affected the objectivity of the participants of the current study in their response to some of the interview questions. Despite strong considerations of ethical issues, five potential participants who had set appointments for interviews abruptly cancelled their scheduled interviews without giving valid reasons, thereby causing the researcher to reduce the study sample size to eight participants. Some participants misinterpreted research questions, resulting in time-consuming interventions to bring clarification. In some cases, participants could use their home languages for better understanding. The research results were also affected by bias that was evident from self-reporting. The ultimate reduction of the study sample size to eight participants implied that the results cannot be generalised in situations.

5.5 Contribution of the study

Despite the limitations highlighted above, the results of the study made a substantial contribution to theoretical knowledge regarding challenges facing black women-owned SMEs, as well as the development of relevant policies and strategies to improve the establishment of SMEs. Scholars are informed of the generic and specific challenges encountered by black women-owned SMEs and the effectiveness of different government policies and strategies promoting investment and survival of black women-owned SMEs.

The findings also provide value to government economic strategists, as well as existing and potential entrepreneurs. The national strategists should revise

legislative, regulatory and institutional frameworks to promote the rationalization of processes and procedures to establish a suitable atmosphere for SME development and foster competitiveness of such businesses. Existing and potential entrepreneurs are informed about the programmes that they can access when establishing and addressing operational challenges such as financing, incubation, and financial management training.

5.6 Conclusion

The in-depth discussion of the findings provided clear insights of the obstacles facing black women-owned SMEs, the current government supporting strategies and policies and the recommended revised strategies and policies to improve the existing situation. This therefore implies that the targeted research objectives were successfully achieved, contributing to the theoretical board of knowledge for black women-owned SMEs, as well as providing national and corporate strategists with valid information upon which to base their decisions.

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