

**AN INVESTIGATION INTO CHALLENGES FACING SMALL AND
MEDIUM ENTERPRISES IN WINDHOEK**

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ABSTRACT

Small to Medium Enterprises (SMEs) play an important economic role in many developing and developed countries all over the world. In Namibia, for example, the SME sector contributed over 13 per cent to the Gross Domestic Product in 2012 according to the National Statistics Agency report. As another example, the development of SMEs has increasingly contributed to China's economic growth whereby they make up over 99 per cent of all enterprises in China (Liu, 2008). Despite their significance, statistics indicate that 85 per cent out of 100 SMEs in Africa do experience high failure rate during their developmental period because of different business challenges.

This study sought to investigate challenges facing SMEs in Windhoek, particularly in the sectors of manufacturing, trade, tourism and other services. A mixed method design involving both quantitative and qualitative research methods was used for this study. A sample for the study was drawn through stratified random sampling. Through this method a sample of 120 businesses was drawn from the population of 1080 SMEs in Windhoek as per database obtained from the Ministry of Industrialisation, Trade and SME Development. Data were collected through questionnaires administered to get information from SMEs as well as interviews with senior officials from the two SMEs supporting institutions namely; the Namibia Chamber of Commerce and Industry and the Ministry of Industrialisation, Trade and SME Development. Quantitative data collected were analysed by means of descriptive statistics using SPSS volume 22 and results were presented through

figures, tables, charts and summaries. Qualitative data were analysed, summarised and arranged into categories then coded and presented in an understandable way.

The findings indicate that the top five challenges facing SMEs in Windhoek are: lack of finance; high taxes and levies; lack of skills; labour retention and technical advice; and lack of vocational training. The SMEs in Windhoek need support from government and private institutions in aspects of vocational training (skills); subcontracting; utilities; technical advice; and financing. This study recommends that, these challenges should be seen as interdependent, the issue of lack of finance should be handled strategically by solving the root cause, government should create an open dialogue with SMEs and civil society, and a reviewed SME Policy should be implemented.

Key words: SMEs, MSME, challenges, policy, MITSD, NCCI

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LIST OF ACRONYMS AND ABBREVIATIONS

BoN	Bank of Namibia
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
IPPR	Institute of Public Policy Research
LDC	Least Developed Countries
MITSD	Ministry of Industrialisation, Trade and SME Development
MSME	Medium, Small and Micro Enterprises
MTI	Ministry of Trade and Industry
NamBic	Namibia Business Investment Climate
NCCI	Namibia Chamber of Commerce and Industry
NDP	National Development Plan
NGO	Non-Governmental Organisation
NPC	National Planning Commission
NSB	National Small Businesses
OECD	Organisation for Economic Cooperation and Development
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprise

SMIDEC	Small and Medium Industries Development Corporation
SMME	Small, Medium and Micro Enterprises
SPSS	Statistical Package for the Social Sciences
SSI	Small Scale Industries
UNAM	University of Namibia
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation

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A similar dedication goes to my father in law, tatekulu Eliakim Shipulwa, for always extending his hand whenever I need him. His love and respect towards my family is a blessing. He is indeed a wise man.

DECLARATION

I, Teckla Kandali Shipulwa, declare hereby that this study is a true reflection of my own research, and that this work, or part thereof has not been submitted for a degree in any other institution of higher education.

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Date: 15 August 2016

Teckla Kandali Shipulwa

CHAPTER 1

INTRODUCTION

1.1 ORIENTATION OF THE STUDY

Small and Medium Enterprises (SMEs) are increasingly seen as playing an important role in the economies of many countries. Thus, governments throughout the world focus on the development of the SME sector to promote economic growth (Finlayson, 2003). In Namibia, the Government has been reforming policies, building and developing the multi-sector market economy. United Nations Industrial Development Organisation (UNIDO) estimates that SMEs represent over 90 per cent of private businesses and contribute to more than 50 per cent of employment and of gross domestic product (GDP) in most African countries.

According to Ipinge (2010) and Namibia Economic Society (2004), small businesses in Africa face several constraints during their developmental phase, thus experiencing a failure rate of 85 per cent. Despite these constraints, the sector has made remarkable progress mainly through non-governmental organisations (NGOs) and government support programmes, although with limited outreach (Ipinge, 2010). The SME sector is estimated to be providing employment to 160 000 people, approximately one-third of the Namibian workforce (Ogbokor and Ngeendepi, 2012). In terms of the sector's contribution to the GDP, it increased from 8 per cent as recorded in 2002 to 11 per cent in 2003, exceeding the second National Development Plan (NDP2) target of 5 to 10 per cent by 2006 (Gaomab, 2004). According to Namibia Statistic Agency (2013), the SME contribution to the GDP is above 13 per cent.

Since independence in 1990, the Government has undertaken a series of initiatives through a number of ministries and agencies to support the small business sector. As stipulated in the Namibian SME Policy document of 1997 (MTI, 1997), assisting the SMEs with the identification and exploitation of wealth-creating opportunities would have a major impact on the country's socio economic development.

SMEs do contribute to the national economy of Namibia in various ways, including employment creation, adding value to the GDP of the country and helping towards the realization of the government 2030 vision agenda, just to mention a few (Ogbokor & Ngeendepi, 2012). Despite all these efforts, the SME sector has not grown to full potential. For the government to design effective policies and programmes to enhance SMEs development, it is crucial to identify and understand the challenges and thus find mitigation measures. The aim of this study is to explore challenges hindering the SMEs and recommend ways to overcome them.

1.2 STATEMENT OF THE PROBLEM

The importance of SMEs in contributing to the national economy is critical. According to Arnold (2005), the GDP contribution by SME sector in Namibia was about 12 per cent and the employment share was about 20 per cent in 2003 and 2004 respectively. In their labour survey, the Namibia Statistics Agency (2013) however showed that unemployment is a challenge, as the unemployment rate stands at 29 per cent, with 41 per cent of the youth unemployed. According to the Policy and Programme on Small Business Development of 1997, Namibian small businesses are particularly disadvantaged. Most of the SMEs are in the informal sectors and they were only established after independence in 1990. The problematic situation for the

SMEs is still prevailing, as they are getting much pressure from the South African firms in terms of competition (NamBic, 2011).

Although some studies on SMEs have been conducted in Namibia, for example, Ogbokor & Ngeendepi (2012) which considered a very small and unregistered informal sector of SMEs, these findings could not be generalised to every SME sector. This study concentrates on formally registered SMEs within the boundaries of Windhoek, taking into account the four sectors of manufacturing, trade, tourism, and other services.

These sectors are being chosen for this study because they are regarded as a backbone of SMEs in Windhoek, and that a combined outcome of this study would help address the challenges effectively. It is therefore the aim of this study to investigate into challenges facing the SME sector in Windhoek. Thereafter, appropriate measures can be put in place to try and overcome these challenges.

1.3 OBJECTIVES OF THE STUDY

The central objective of this research is to identify major challenges facing SMEs in Windhoek. The specific objectives of the study are to:

1. identify key challenges facing SMEs development and growth in manufacturing, trade, tourism and other services sectors;
2. investigate SMEs responses to these challenges;
3. find out how government has responded to these challenges;
4. make recommendations on how to overcome existing and future challenges.

1.4 RESEARCH QUESTIONS

Here are the research questions for this study.

1. What are the key challenges facing SMEs development and growth in the manufacturing, trade, tourism and other services sectors?
2. What are the SMEs' responses to those challenges?
3. How does the government respond to those challenges?
4. How are the existing and future challenges facing SMEs could be addressed?

1.5 SIGNIFICANCE OF THE STUDY

The combined efforts from private and public sectors would lead to the improvement in the Gross Domestic Product (GDP). According to the National Statistics Agency (2013), the Namibian unemployment rate for 2012 is at 29.2 per cent. The government of Namibia is committed to the growth of SME sector in Namibia as part of its strategy for poverty alleviation and employment creation. Research findings from this study would be useful especially to the economy of Namibia. First, the findings will enable the SMEs to understand the challenges hindering their businesses and therefore be in a better position to address such. Second, this study will provide insight for policy makers about which policies to review. The study also assists other researchers in further studies leading to new insights and findings to enhance further understanding of the problems in the SME sector.

1.6 LIMITATIONS OF THE STUDY

This study only covered the SMEs operating in Windhoek. This is because Namibia is geographically a big country and it would have been very costly and time

consuming if the researcher had expanded the study to other towns. In addition, only four sectors have been investigated. This is a limitation because SMEs from other towns and sectors might have different problems. The study was able to reach the target of 120 respondents just as was initially planned.

It however took long to get the targeted respondents because of the inclusion criteria of the study. The criteria included: being in the business for more than one year and not over fifteen years; business being headed by owner manager or employed manager; and business being registered with the Ministry of Industrialisation, Trade and SME Development (MITSD). These pre-requirements forced the researcher to physically visit each individual business to make appointments. Telephone appointments were impossible some of the telephones did not exist. These physical visits were costly and time-consuming because it emerged that some physical addresses given were not corresponding with the businesses.

The list from the MITSD did not help much because it contained a combination of active and non-active SMEs and their system is believed to have been malfunctioning for quite some time. Some prospective interviewees did not want to give clear information and some did not give information at all for some reasons that they do not have time or they do not see any improvements after giving their opinions to previous researchers. This study will be made available to different key stakeholders for possible consideration of its findings and recommendations.

1.7 ORGANISATION OF THE STUDY

This study consists of five chapters. Chapter one is the general introduction. Chapter two is the literature review which reviewed literature according to the research

objectives used in the study. Chapter three is the methodology. It explains the research design and also gives details about the population, sample and sampling procedures used in the study. It explains the research instruments, methods of data collection, and data analysis. Chapter four is the data analysis and discussion. Chapter five presents the conclusions and recommendations from the study.

CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter reviews the existing literature on the SMEs sector from different countries and in Namibia. SMEs definitions, challenges, importance, policy and other relevant aspects to this study are also highlighted.

2.2 THEORETICAL VIEW ON SME

Economic development creates a natural place for development of enterprises of all sizes of establishments (micro, small, medium as well as large). The size of the business establishment depends on a variety of factors. As mentioned by Tambunan (2006), the term SME is widely used to describe small businesses in the private sector. Regulators and financial institutions use factors such as employee strength, annual sales, value of fixed assets and loan size proxies to define the sector in the context of finance.

The acronym, "SME" refers to small and medium-sized business. SMEs can therefore be described by three keywords - small, single and local as explained by Srinivas (2016): **Small** - SMEs are small in nature, either in terms of number of employees, capital and asset and turnover. **Single** - Most SMEs have a single owner who could also be the sole employee. While this may predominantly be the case, definitions set a certain numbers of employees as the limit for enterprises to be called an SME. **Local** - SMEs are essentially local in nature - their market is usually localized to the area where they are located (same city, district or state); or may be 'local' in the sense that they operate from a place of residence. There are, of course,

exceptions for example, SMEs while having a small output, can have a global market for its product/service or SMEs may produce more than one product or provide service (Srinivas, 2016).

2.3 THE DEFINITION OF AN SME

There is no accepted worldwide definition of SMEs (Hooi, 2006). According to OECD (2006), the most frequent upper limit designating an SME is 250 employees, as in European Union. However, some countries set the limit at 200, while the United States considers SMEs to include firms with fewer than 500 employees.

In Malaysia, SME definitions depend on fixed quantitative measures such as the total number of workers, the total number of capital employed, total assets and by sales turnover (Hashim & Abdullah, 2000). According to the Malaysian Third Industrial Master plan of 2006, SMEs in the manufacturing sector are defined as enterprises with full time employees not exceeding 150 or annual sales turnover not exceeding RM25 million, whereas SMEs in the services and primary agriculture sectors and ICT are enterprises with full time employees not exceeding 50 or annual sales turnover not exceeding RM5 million. These SMEs are further categorized into medium-sized companies, small enterprises, and micro-enterprises (Omar, et al., 2009).

SME definition in China is quite complicated and depends on the industry category. It is defined based on the number of employees, annual revenue and total assets of a company. An industrial SME is defined as having up to 2000 employees, a medium sized business has between 301 and 2000, while a small business has less than 300

(Liu, 2008). What is regarded as an SME in China may be quite large if compared to an SME in other countries.

In South Africa, a small business is officially defined in Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004 (NSB Act) as:

“... a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in Column I of the Schedule 14... ”.

The NSB Act further categorises small businesses in SA into distinct groups, namely; survivalist, micro, very small, small and medium, hence the use of the term “SMME” for small, medium and micro-enterprises. However, the terms ‘SMME’ and ‘SME’ are used interchangeably in SA. The SME definition uses the number of employees (the most common mode of definition) per enterprise size category combined with the annual turnover categories, the gross assets excluding fixed property. This is summarised in Table 2.1:

Table 2.1: Broad Definitions of SMMEs in the National Small Business Act of South Africa

Enterprise Size	Number of Employees	Annual Turnover (SA Rands)	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200 depending on industry	Less than R4 m to R50 m depending on industry	Less than R2 m to R18 m depending on industry
Small	Fewer than 50	Less than R2 m to R25 m depending on industry	Less than R2 m to R4.5 m depending on industry
Very Small	Fewer than 10 to 20	Less than R200 000 to R500 000 depending on industry	Less than R150 000 to R500 000 depending on industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

Source: Falkena et al. (2001)

Even though the definition varies from one country to another (depending on the economic structure), the regulatory and institutional framework for the Kenya's SMEs has been based on the number of employees and the company's annual turnover as shown in Table 2.2. For instance, the micro enterprises have been defined as those employing less than 10 workers with annual turnovers of less than KES 500,000 and capital formation of less than KES 5 million for services or less than KES 10 million for enterprises doing manufacturing. Small enterprises are

defined as those that employ between 10 and 50 workers with annual turnovers between KES 500,000 and KES 5 million and capital formation between KES 5 million and KES 20 million for services or between KES 5 million and KES 50 million for enterprises doing manufacturing (see Table 2.2).

Table 2.2: Classification of MSEs by the MSE Act, 2012 of the Republic of Kenya

Entity	Number of Employees	Annual Turnover Limit	Investment in Plant and Machinery and Registered Capital	Equipment Investment and Registered Capital
Micro Enterprise	Less than 10 people	Not exceeding KES 500,000	Not exceeding KES 10M	Not exceeding KES 5M
Small Enterprise	More than 10 but less than 50	Between KES 500,000 TO 5M	More than 10M but less than 50M	More than 5M but less than 20M

Source: Ong'olo & Awino, (2013)

Generally, the SMEs sector in Kenya comprises of manufacturing and trade (wholesale and retail) sub-sectors, with substantial engagement in agro-based activities which directly affects a larger population in the society (Ong'lo & Awino, 2013).

2.4 SME DEFINITION IN NAMIBIA

As mentioned earlier, SME definition varies from country to country and with the type of industry it is involved in. In Namibia SME is defined by the Ministry of Trade and Industry (MTI) as shown in Table 2.3.

Table 2.3: Definition of a Small Business in Namibia

Sector	Employment	Turnover (N\$000)	Capital Employed (N\$000)
Manufacturing	Less than 10 persons	N\$ 1 000	N\$ 500
Other businesses	Less than 5 persons	N\$ 250	N\$ 100

Source: MTI (1997) and LaRRI (2002)

In Namibia, small businesses can be informal and unregistered or formal and licensed firms. To be classified as a small business, the criterion of number of employees must be fulfilled and one of the two other additional criteria which are turnover or capital employed. The National SME Policy and Programme of 1997 which defines an SME, is currently under review by the MTI and it seeks to establish a generally acceptable definition of SME in Namibia through consultations. This study is, however, using the existing definition in the table above.

2.5 THE ROLE AND IMPORTANCE OF SME IN DIFFERENT ECONOMIES

In many countries around the world, the role of SMEs is important since SMEs often offer the only realistic prospects for creating additional employment and economic growth, and thus reducing poverty and enhancing the quality of lives. For example, the development of SMEs has increasingly contributed to China's economic

development and growth whereby they make up over 99 per cent of all enterprises in China (Liu, 2008). Liu (2008) further points out that the output value of SMEs accounts for at least 60 per cent of the China's GDP, generating more than 82 per cent of employment opportunities in China. The SMEs in China are increasingly playing an important role in employment generation. Large enterprises employ 20,877.8 or 18.11 per cent of the total employment; medium enterprises employ 35,464.3, or 30.76 per cent; while small enterprises employ 58,947.8, or 51.13 per cent according to Liu.

As in any country, Omar, et al. (2009) stressed that SMEs play a vital role in the development of Malaysian economy and their contributions brought big impacts to the economy as a whole. SMEs are also important traders and service providers to primary industries. According to Omar, et al. (2009), a large number of SMEs are also producers of finished goods and services. They also mentioned that SMEs offer employment opportunities, initiate improvement, accelerate competition and support big companies. Evidence shows that SMEs contribute to 32 per cent to gross domestic product, 56.4 per cent to employment opportunities and 19 per cent to export of the Malaysian economy (SMIDEC, 2008).

In the case of Kenya, SMEs employed about 5.1 million people representing 74 per cent of the total national employment and also contribute about 88 per cent of the total job creation; they also contribute to the Gross Domestic Product of the country, whereby they contribute about 24.5 per cent to the GDP (Maina, 2006). In a different study, Atieno (2009) pointed out that the development of SMEs has been identified as one of the strategies for generating industrialization, employment generation and poverty reduction in Kenya.

In Tanzania, SMEs contributions to GDP estimated to be ranked about one third. It is also estimated that about 20 per cent of the labor force in Tanzania, which is almost 3 million people, are employed in small businesses (Kira, 2013). The International Finance Company of the World Bank estimates that there are approximately 2.7 million enterprises in Tanzania whereby over 98 per cent are SMEs.

The important role played by SMEs in developing countries has been increasingly realised over the past years. Not only are they important for the vitality of the business sector, they also provide new jobs (Kaunouwewa & Chao, 2011). To play their role in future, there is a need for researchers and policy makers to identify this role and constantly interact to bring about a sustainable policy framework. Kaunouwewa and Chao (2011) further allude that, for industrial development methods to have maximum effectiveness, they must include methods specifically adapted to work with small industries.

2.6 THE ROLE AND IMPORTANCE OF SME IN THE NAMIBIAN ECONOMY

When it comes to the SMEs, Namibia recognises the importance and critical role that the SME sector plays in the economy. Hussain, et al. (2010), state that SMEs are essential to the economy of every country, particularly in the developing economies. They further added that in today's competitive and challenging international economy, a really viable and dynamic SME sector is vital for economic growth.

In their study, the Institute of Public Policy Research (IPPR) (2005) concluded that SMEs contribute 12 per cent to the GDP and 20 per cent to national employment. However, the Namibia statistic agency (2012) concluded that the SMEs contribution

to the GDP is above 13 per cent. The SME sector is estimated to be providing employment to 160 000 people, approximately one-third of the Namibian workforce (Ogbokor and Ngeendepi, 2012). This is indeed a significant contribution to the economy, given the challenging business environment SMEs are operating from. The range of SMEs that are found in Namibia are in many sectors including various types of crafts, diverse manufacturing, small scale mining, small scale construction, informal services, and informal trade.

2.7 CHALLENGES HINDERING SMES

According to Popa (2012), most SMEs face a number of vulnerabilities, many of which are inherent to their status. These include addiction by one person, namely the entrepreneur, limited resources and low technical level. In certain circumstances, these vulnerabilities can be fatal to the concerned SMEs if they are ignored and ways to treat the exposure to risk are not established (Popa, 2012).

For example in Russia, securing financial resources particularly at the early stage of the project is a daunting task. Direct assistance programs and venture capitalists are non-existent in Russia, while a combination of state regulations and banking policies have placed credit out of reach for Small and Medium size enterprises (Dasan, 2013).

Certain challenges have been cited for constraining the growth of SMEs in South Africa. Specifically, previous research has highlighted challenges related to accessing finance; a lack of managerial skills; inadequate equipment and a lack of access to appropriate technology; regulatory issues; and access to international markets as major constraints to SME growth in South Africa (SEDA, 2012). Similarly, the World Bank has found that the vast majority of small enterprises in the

country report that difficulties gaining access to credit represent a major constraint to new investment, a key determinant of growth in South African SMEs.

Onugu (2005) summarised the broad problem areas militating against SMEs in Nigeria as follows: management problems, access to finance/capital, infrastructural problems, Government policy inconsistency and bureaucracy, environmental factor related problems, unfair competition, marketing related problems, and non-availability of raw materials locally. Onugu (2005) further alluded that the SMEs' characteristics and the attendant challenges notwithstanding, it is a consensus that SMEs, which globally are regarded as the strategic and essential fulcrum for any nation's economic development and growth have performed rather poorly in Nigeria.

In their 12th Annual Symposium Publication on SME Development in Namibia, the Bank of Namibia (BoN) (2010) indicates that only 10 per cent of SMEs in Namibia enjoyed any credit facility provided by their suppliers. The BoN also notes that other challenges faced include cumbersome business regulation, insufficient infrastructure, corruption, access to finance and management capacity (BoN, 2010).

In an IPPR briefing paper on addressing the unique challenges faced by SMEs, Shejvali (2007) argues that the challenges faced by SMEs extend beyond their financing issues. She highlights five elements non-financial that influence the development of SMEs: firm or structural characteristics, owner's characteristics, management decisions, general growth environment, financial and development services.

2.8 POLICY FRAMEWORK FOR SME IN DIFFERENT COUNTRIES

According to the United Nations Conference on Trade and Development (UNCTAD) (2005) report, experience has shown that, in the absence of a coherent policy environment, the globalization of production and the opening of domestic markets has had adverse effects on the enterprise structure and in particular on the SME sectors of many developing countries, especially least developed countries (LDCs). The report further pointed out that these consequences have led to a situation where SMEs have been often massively destroyed or are continually losing ground in terms of their competitiveness, giving rise to a missing or declining middle in the enterprise structure in these countries.

In particular, the establishment of SME support agencies and programmes need to go in parallel with efforts to improve the policy, legal and regulatory environment in which SMEs operate (UNCTAD, 2005). This would imply, among others, reducing subsidies and other policy measures which favour large enterprises and discriminate against SMEs, simplifying regulations and administrative procedures for business start-ups and development and enacting new legislation to deal with gaps or inconsistencies in business laws.

In different studies, evidence shows that improving such an environment may be more beneficial for SME development than specific support programmes. Effective interaction and dialogue between the government and the private sector, including Non-Governmental Organisations (NGOs), plays a key role in creating a coherent policy framework and effective support measures and structures for the development of enterprises. SMEs account for a large share of enterprises and a large share of the private sector of African economies. It is generally accepted that one of

government's major role in promoting economic growth is the creation of an appropriate business environment.

In response to the triple challenge of poverty, unemployment and inequality the South African government has made substantial commitments to supporting Small, Medium and Micro Enterprises (SMMEs) as a critical policy vehicle for achieving sustainable economic growth, creating employment opportunities and alleviating poverty (DTI, 2006; and Rogerson, 2013). It is significant that the national government's New Growth Path (NGP) and the National Development Plan (NDP), South Africa's blueprint for future development, both identify the SMME sector as central to the realization of South Africa's Vision 2030 (Masutha & Rogerson, 2014).

The National Development Plan Vision 2030 of South Africa sets out a target of creating 11 million jobs by 2030, of which 90 percent is expected to come from SMMEs (National Planning Commission, 2011). In addition, the promotion and growth of SMMEs is one of the cornerstones for the successful attainment of local economic development programming in South Africa (Rogerson, 2014). The development of the SMEs sector can be traced back from the National Small Business Act, No. 102 enacted in 1996 which was amended in 2004.

In India, the overall regulatory framework for the SMEs is driven by specific SMEs act which specifies the key institutional linkages for effective coordination. The Micro, Small and Medium Enterprise Development Act No. 27 of 2006 is the overall SMEs strategy which has been instrumental in revitalising the performance of the SMEs sub sector in India (Ong'lo & Awino, 2013). The Act generally aims at

enhancing and promoting competitiveness of micro, small and medium enterprises. It establishes the necessary structure for overseeing and regulating the development of the SMEs in India. The implementation of the Act is supported by several public institutions and agencies.

Table 2.4: Important features in the Policy, Legal and Regulatory Framework of South Africa and India

Indicator	South Africa	India
SME Act	National Small Business Amended Act of 1996	Guided by the Micro, Small and Medium Enterprises Development Act of 2006
Private-Public Dialogue Mechanism	There is recognised mechanism which links the SMEs to the Department of Trade	Occurs through the Small Scale Industries (SSI) Board
Coordinating Institutions	DTI in collaboration with the Small Enterprise Development Agency (SEDA)	Ministry of Micro, Small and Medium Enterprises and the Small Scale Industries (SSI) Board
SME Financing Mechanism	The South Africa Micro Finance Apex Fund to enhance increase in access to finance	The Small Industries Development Bank of India (SIDBI)

Indicator	South Africa	India
Framework for SMEs Association	A recognised SMEs association and SEDA	The Small Industries Development Organisation (SIDO)

Source: Own construct from different sources.

Table 2.4 shows the institutional structure that the governments of India and South Africa have developed in their countries respectively; indicating good formal institutional structure to spearhead SMEs development. Such institutions and associations are important in advocating for policy reforms for the country.

2.9 SME POLICY IN NAMIBIA

The Government of Namibia through the Ministry of Trade and Industry (MTI) continues honouring its mandate of providing a sound business environment by developing business and industrial infrastructure for SMEs (MTI, 2013). The World Bank's Doing Business report (2015) ranks Namibia's overall business environment at 88 out of 189 economies, higher than the Sub-Saharan average ranking of 142. However, a slowdown in policy and institutional reforms has seen the country's Doing Business performance lagging behind similar countries' economies. The report observed that starting a business in Namibia requires 10 procedures and 66 days at a cost of 14.7 per cent of per capita income, placing the country at 156th out of 189 economies, below the sub-Saharan average of 129 and way behind continental leaders Mauritius (29th) and South Africa (61st).

The Government of Namibia recognises that SMEs are disadvantaged in comparison with larger businesses due to their comparatively higher costs of compliance. The

Namibian government has designed a number of policies geared towards promoting SME development. A national SME policy and programme was launched in 1997 to “set out the government’s firm commitment to transform the sector, as a priority from its current state of deprivation and underdevelopment into a lead sector of the economy” (MTI, 1997). The government’s SME policy direction has since been contained in the country’s economic development blue print, Vision 2030 as well as in the National Development Plans (NDPs).

According to the now renamed Ministry of Industrialisation, Trade and SME Development (MITSD) (2015), the SME Policy and Programme of 1997 is under review. The Government aims at making the legal framework more flexible for Micro, Small and Medium Enterprises (MSMEs) in order to minimise the bureaucratic costs and foster MSME development (MTI, 2015). The new legal framework shall protect the MSMEs and their employees and ensure their working environment is safe. In his study, Kakwambi (2012) found out that 60 per cent were aware of the SME policy, while Iipinga (2010) concluded in her study that 94 per cent of SMEs were not aware of the policy. This information is contradicting given the timing gap between the two studies.

The Deputy Permanent Secretary at the Ministry of Industrialisation, Trade and SME Development (MITSD) alluded that the previous policy did not mirror the needs of micro enterprises nor on the coordination, implementation and monitoring and evaluation of SME development programmes (The Villager Newspaper, 2015). The policy also did not provide the viable treatment of an appropriate institutional framework for the attainment of its stated objectives. According to the same

newspaper, many governmental institutions as well as organisations from the private sector and civil society offer a wide range of developmental support programmes in a fragmented and non-coordinated way. This potentially leads to the duplication of efforts, and a sub-optimal allocation of resources. The revised National Policy on Micro, Small and Medium Enterprises in Namibia is allied to the national objectives as articulated in Vision 2030, the National Development Plans (NDPs) as well as the Industrial Policy and its recently-adopted implementation framework and strategy “Growth at Home” (MITSD, 2015).

Namibia has different legal policies and guidelines that support and promote SME sector development such as: the constitution of the Republic of Namibia, Namibia Vision 2030, National Development Plans, Decentralisation Policy, Namibia Industrialisation Policy of 2012, Local Authority Act 23 of 1992, Namibia policy and programme on small business development of 1997, and the Namibia Competition Act 2 of 2003. Given those policies and guidelines which support the SMEs development, Namibia must have a strong SME policy with pillars from different bodies and institutions in the government.

2.10 THE NAMIBIA CHAMBER OF COMMERCE AND INDUSTRY AND THE SMES

The Namibia Chamber of Commerce and Industry (NCCI) is an umbrella body catering for the business community being large or small. NCCI (2015) describes their vision as to be the premier voice of business in Namibia. Their mission is to be a force that represents the Namibian business community and advocate for the interests of the private sector. In his speech at the Business Forum in Pretoria – South

Africa, the NCCI Chief Executive Officer said that, of 2500 registered members, 50 per cent are SMEs (Shaanika, 2015). The Box 2.1 shows some of the advocacy services that the NCCI could offer.

Box 2.1: NCCI Advocacy

1. NCCI will speak on your behalf on issues affecting your business.
2. You will join forces with other businesses to push for an improved business environment.
3. You will have an opportunity to influence government policies and legislations.
4. You will have an opportunity to get information about laws and policies affecting you.
5. You will have a platform to make your views on business matters known to the government and stakeholders.

Source: www.ncci.org.na

The National Chamber of Commerce and Industry lists the following broad activities in their constitution as their functions towards SMEs in particular: interest representation, service, networking and partnership, development, and disputes. Given these broad categories, the NCCI assists in promoting and fostering trade and commerce, undertakes research on behalf of its members such as Namibia Business Climate reports in conjunction with other organisations, promotes the wellbeing and image of small entrepreneurs, promotes and advances the efforts of young women and men in enterprise and provides them with opportunities to acquire skills, abilities and attitudes.

Box 2.2: Other Services rendered by NCCI

1. Networking opportunities through NCCI events.
2. Listing on the NCCI Membership Directories.
3. You will receive regular information on trade and investment opportunities.
4. Will have an opportunity to participate in business missions organised or received by NCCI and partners.
5. Opportunity to get useful business contacts.
6. Opportunity to participate in NCCI demand driven training programs.
7. Receive trade enquiries received by NCCI.
8. Opportunity to participate in NCCI umbrella pension and medical aid schemes.
9. Receive referrals for services by other service providers.

Source: www.ncci.org.na

Looking at the Box 2.1 and 2.2, it is obvious that NCCI is a vital organ to businesses, but only if it is performing its job well as expected by members. The question, are these services reaching the end user (SMEs) as supposed to?

2.11 BUSINESS ENVIRONMENT AND THE GROWTH OF SME

There is a substantial literature showing that there is a strong correlation between business environment and growth opportunities for SMEs. The better the business environment, the more SMEs will be established, develop and grow. According to Fjose et al. (2010), growth opportunities in Sub-Saharan Africa are severely hampered by access to finance and mostly by the environment they are operating in.

It is believed that the interaction between the business environment and the SMEs becomes a focal point for its continued existence in the marketplace. The context of

the SMEs takes the form of an internal environment and an external environment, as illustrated in Figure 2.1. The internal environment is controlled by the entrepreneur whilst the external environment is beyond the control of the entrepreneur (Storey, 1994). It is the interaction the SME has with its environment that will determine its failure or success. The major factors impacting on the challenges faced by the SME will be derived from the entrepreneur and the internal and external environments.

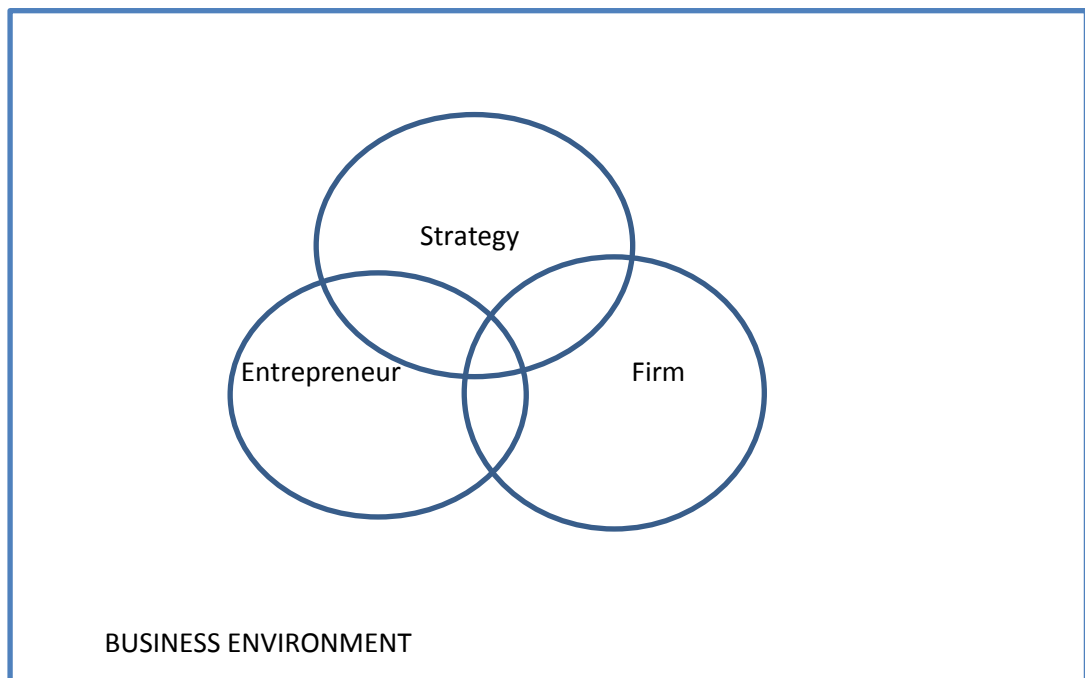


Figure: 2.1 Factors affecting business growth (Storey, 1994).

In Figure 2.1, it is apparent that business environment (such as governmental, national, regional, local and sectorial) has larger space than any other factor. This is where the government of any country and any other stakeholder can intervene to promote healthy business environment as a process of promoting SMEs. Rwigema & Venter (2004) state that the entrepreneur must consider the business as a whole and be fully aware of its place within the market it operates in. They also believe

that viewing the business in its totality will provide the entrepreneur with a long-term perspective for future growth and sustainability.

Various growth models do exist. The most four popular growth models are Greiner (1972), Churchill & Lewis (1983), Scott & Bruce (1987) and Burns in (Burns & Dewhurst, 1996), however, this study opt not to shed more on the theories of growth. Dobbs & Hamilton (2007) concluded that a unified theory of small firm growth is not only presently unavailable; it is likely to remain outside the reach of scholars. No one single theory will adequately describe the growth patterns in small businesses (Carter & Jones-Evans, 2006). Gupta et al. (2013) suggests that small entrepreneurial organizations and entrepreneurs will always be considered important for growth of developing economies. It is therefore critical to pay attention on the overall growth of this sector.

2.12 CHAPTER SUMMARY

The chapter looked at some existing literature about definition of SMEs, how SMEs contribute to economies and their importance thereof. The chapter did not only cover Namibia, but covered literature beyond Namibia and Africa. The following chapter explains the method in which the study was conducted.

CHAPTER 3

METHODOLOGY

3.1 INTRODUCTION

This chapter explains the methods that were used for the study. It explains the research design, the population, the sample and sampling method and the way the data were analysed. The aim of this study is to identify major challenges facing SMEs in Windhoek, putting into consideration four sectors of manufacturing, services, trade, and tourism. It was deemed suitable to achieve the research objectives by using quantitative techniques coupled with minimal qualitative techniques. Thus, the mixed methods design was used.

3.2 RESEARCH DESIGN

A research design is a strategy for the study and the plan by which the strategy is to be carried out. Research methods available are qualitative and quantitative methods or a mixture of both. A research design describes how a research was conducted and it encompasses procedures for conducting the study such as how the respondents are treated and methods of data collection used (McMillan & Schumacher, 2006).

According to Babbie & Mouton (2003), Quantitative research is used to quantify the problem by way of generating numerical data or data that can be transformed into useable statistics. It is used to quantify attitudes, opinions, behaviors, and other defined variables – and generalize results from a larger sample of the population. Quantitative Research uses measurable data to formulate facts and uncover patterns in research. Quantitative data collection methods are much more structured than Qualitative data collection methods. Quantitative design allows for the collection of a

large volume of data from a sizeable population in a highly economical way (Babbie & Mouton, 2003).

Qualitative research is primarily exploratory research and it is used to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research (Saunders, et al. 2005). Qualitative Research is also used to uncover trends in thought and opinions, and dive deeper into the problem. Data can be collected using unstructured or semi-structured techniques.

For the quantitative techniques, the researcher conducts a study through the use of structured questionnaires. A study design may fall in the category of non-experimental designs and is normally used to collect data that describes attitudes, opinions and beliefs (McMillan & Schumacher, 2006). Under the qualitative approach, the researcher uses semi-structured interviews with those responsible for policies that are designed to create a favorable atmosphere for SMEs and SMEs owners.

3.3 POPULATION

Wallace & Van Fleet (2012) define a population as all those entities (persons, organisations, things, events, etc.) that are the focus of interest of the research or study. A population consists of all members of a group about which you want to draw a conclusion. In this study, the population investigated comprised of one thousand and eighty registered SMEs in Windhoek as shown in Table 3.1. As a criterion for this study, these SMEs must be registered with the MITSD and have

SME certificates. This is because the registered SME with certificates are normally active and do benefit from government programmes.

Table 3.1: Number of Registered SMEs per sector

Sector	Windhoek
Manufacturing	220
Trade	290
Other Services	380
Tourism	190
Total	1080

Source: MTI (2013)

Table 3.1 shows the number of SMEs registered with the MTI who operate and based in Windhoek. These sectors were selected because they are the leading sectors in Windhoek. They are also easily accessible by the researcher. The database for these sectors at the MTI is better recorded than other sectors.

In order to get an overall understanding of the problem, two institutions namely the Ministry of Trade and Industry (MTI) and the Namibia Chamber of Commerce and Industry (NCCI) were also qualitatively investigated.

3.4 SAMPLE AND SAMPLING METHOD

Different sampling techniques exist ranging from random and non-random sampling, stratified, convenience and purposive sampling. Stratification is the process of grouping members of the population into relatively homogeneous subgroups before sampling and no population element can be excluded (Babbie & Mouton, 2003). The

research applied proportionate stratification method that is based on the stratum's share of the total population to come up with the sample in each stratum. The actual businesses interviewed were arrived at by using simple random procedures to draw the sample from each stratum.

Saunders et al. (2000) advises that for statistical analysis, a useful representative sample is a minimum number of 30 units. For this study, 120 units were chosen due to the nature of sampling method and for the reason of having enough representation from each stratum. The sample number was chosen in order to fairly represent every sector included in the study. A sample of 120 SMEs was therefore investigated as per Table 3.2.

Table 3.2: Sample selection by sector

Sector	Number of SMEs in Windhoek	% per sector	Actual sample per sector
Manufacturing	220	$220/1080 = 20.37\%$	25
Trade	290	$290/1080 = 26.85\%$	32
Other Services	380	$380/1080 = 35.18\%$	42
Tourism	190	$190/1080 = 17.59\%$	21
Total	1080		120

Source: Own construct

The following criteria were used for the sample selection and inclusion in the study:

- i) Only companies that had been in operation for at least more than one year but less than fifteen years;

- ii) A company registered with the Ministry of Industrialisation, Trade and SME Development and that have an SME certificate;
- iii) A company headed by the owner manager or an employed manager. It is believed that owners and managers know the ins and outs of the business;
- iv) Availability, accessibility and willingness to participate in the study;
- v) A company falling under one of the categories of business sectors set out for this study.

Preparations for data collection were really time consuming process because firstly, the researcher had to see to it that the participants meet all minimum criteria or requirements before they participate in the study. In order to obtain specialist information regarding the topic, two top management officials from the Ministry of Trade and Industry (MTI) and the Namibia Chamber of Commerce and Industry (NCCI) were interviewed respectively. This part of the research was qualitative whereby an interview guide was used. To elaborate more, these two institutions have been purposively selected because they deal with SMEs directly and they are the ones who can help the researcher to achieve the research objective of establishing how the Government has responded to the challenges faced by SMEs.

The author was of the opinion that collective grievances and applauds from SMEs regarding government and its policies can be obtained easily from the NCCI. Likewise, the insight information about the policy can be obtained from the policy maker, the MITSD.

3.5 RESEARCH INSTRUMENTS

3.5.1 Questionnaires

The study gathered data through the use of a structured questionnaire to collect data from SMEs. A questionnaire is a list of questions, which seeks to source data from the people to answer certain laid down research (Veal, 2005). According to Crowther & Lancaster (2009), questionnaires for quantitative research in the social sciences are usually designed with the intention of being operational definitions of concepts, instruments that reflect strength of attitudes, perceptions, views and opinions. Questions were simple, direct and appropriate in relation to the target population. An attempt was made to avoid confusing questions.

3.5.2 Interviews

Crowther & Lancaster (2009) describes an interview as a face-to-face questioning technique, aimed at collecting information from respondents. As an advantage, oral interview enables the researcher to check the validity and relevance of data as it is collected. The Interview technique has the potential for substantial depth and detail, and where data encompasses complex issues. It also stimulates more information and clarification on follow-up questions. Somehow, it has some disadvantages such as; higher cost, less anonymity, exaggerated desire to please interviewer and more care needed in layout and presentation (Veal, 2005). Interviews were conducted for the reasons in line with the explanations done by Veal (2005) and Crowther & Lancaster (2009). Interviews were considered appropriate because it can elicit startling and personal information (Swetnam & Swetnam, 2009).

Oral interviews were conducted using an interview guide (semi structured) to collect information from the Ministry of Industrialisation, Trade and SME Development and the Namibia Chamber of Commerce and Industry respectively. Interview guides were slightly different from each other in order to fit specific organisations. Each institution was represented by two senior officers, and it was agreed that they are all reflecting the views of their respective institutions and thus no demographic information from interviewee was required. The interviewees are therefore referred to in this study as the Ministry of Industrialisation, Trade and SME Development (MITSD) or the Namibia Chamber of Commerce and Industry respectively (NCCI).

The reason for using different ways is because these were representing different groups such as: the SMEs operators (SMEs), the representative body (NCCI), and the policy maker (MITSD). The aim was to validate the existence of occurrences in similar scenarios and to avoid bias.

3.6 VALIDITY

Validity addresses two issues which are the extent to which data collection method or methods accurately measure what they were intended to measure and, the extent to which research findings are really about what they profess to be about (Saunders, et al. 2005). A pilot run is usually used to show or confirm that the respondents are going to get the precise sense that the researcher meant in the questionnaire (Swetnam & Swetnam, 2009). A pilot study was conducted using 10 (ten) people from the sample. It was assured that there is an internal consistency and that the questionnaires were filled-in accurately. This means that efforts were made to ensure that any observation made in this research is sustained by evidence in the research.

For this study, the questionnaire for SMEs was mostly comprised of closed-ended questions. There were only a few open-ended questions. Closed-ended questions were deemed easy to use and code and they gave the respondents the chance of choosing from two or more fixed alternatives. They however create artificially forced choices and rule out the possibility of unexpected responses by the participants. The Likert scaling was used in many questions to ensure uniformity in response.

Maree (2007) describes a Likert scale as a scale that measures the extent to which a person agrees or disagrees with the question. The scale of 1-5 was used in this study. With 1 = strongly disagree, 2 = disagree, 3 = not sure, 4 = agree, and 5 = strongly agree. The scale allows, for example, for respondents to respond to the following: strongly agree, agree, disagree or strongly disagree or very often, often, not often and not at all (Bryman & Cramer, 1994 and Maree, 2007).

3.7 PROCEDURE

To save time and resources, two undergraduate students distributed questionnaires together with to the SMEs. Assistants were trained by going through the whole questionnaire so that they understood the content and the importance of the process. To make things easy for the SME operators, assistant had to fill in the questionnaires as they take information from the respondents, unless if the respondents were eager to fill it in themselves.

The interviews for MITSD and NCCI were conducted by the researcher herself. First, a requisition letter to conduct an interview was written and delivered to each organisation through the office of the Permanent Secretary in terms of MITSD and through the office of the Chief Executive Officer in terms of the NCCI. The letter

was accompanied by a consent letter from the University of Namibia (UNAM). After the acceptance from both institutions, the date for an interview was then set. A copy of a semi-structured interview questionnaire was delivered to each organisation two days prior to the actual interview date. This enabled officials to familiarise with the scope and content of the questionnaire and gather any relevant supporting information. A notebook and a pen were tools used to record the information; any other tool was believed to be disturbing the comfortability of the interviewees.

3.8 DATA ANALYSIS

To ensure that data collected was of high quality, a process of data evaluation was carried out. This involved going through all questionnaires and check out for errors and correct were possible. All closed-ended questions responses were assigned code numbers. Open-ended questions were analysed and arranged into categories then coded in qualitative way. The procedure of coding open-ended questions can probably be intuitively described as “qualitative factor analysis” (Maree, 2007).

A qualitative analysis is any form of research analysis that uses non-numerical approaches to derive meaning from such data. In this study, this form of analysis was used to examine information from interview discussions. This form of analysis offered considerable scope to scrutinize in detail how interviewees conceptualized and expressed their views on different aspects of SME policy and challenges facing SMEs in Windhoek.

Quantitative analysis focused on numbers and counting, and was applied to those responses from the structured SME’s questionnaires. This questionnaire consisted of mostly closed-ended questions. The SPSS V22, a simple descriptive statistic tool in

analyzing data in quantitative way was used, as well as Microsoft Excel. The analysed output were collated and interpreted and was presented in the form of tables, graphs showing trends and charts for easy understanding and read through as presented in chapter 4. Such analysis helped in understanding where and how many people agreed or disagreed on particular issues.

3.9 RESEARCH ETHICS

Research ethics were carefully considered during this study. The clearance certificate for ethical conduct was issued by the UNAM to the researcher prior the commencement of the research. The researcher also signed a confidentiality note before she start filling in the questionnaires. No names were required on the questionnaire. Thus, the confidentiality of participants was ensured. Therefore, this was a voluntary exercise from the side of respondents and no one was forced to give information. The information obtained is only being used for the purpose of this study.

To make sure that the business was eligible for the interview, the researcher asked the owner-managers or employed-managers firstly, the number of years that the business had been operating; secondly, if the business was in selected sectors for this study; and lastly, to confirm if the business employed less than 50 people. The age of the business was of importance as the study was only interested in interviewing owner-managers or managers whose businesses were between 2 and 15 years, even thou this exceeds the growth phase of a small business according to Churchill & Lewis (1983). The owner-managers were informed about the nature of the study and its purpose.

3.10 CHAPTER SUMMARY

The chapter dealt with the methodology used to conduct this study. It explained different methodologies, sample and sampling method used, data collection tools, and data analysis procedures. It also explained the ethics considered during this study.

CHAPTER 4

PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

This chapter deals with the presentation, analysis and discussion of the results. Results are presented in various formats including tables, graphs and descriptive narrations. The results reveal the general characteristics of SMEs in Windhoek and their views on challenges facing their businesses. It highlights perceptions of organisations supporting SMEs in Namibia, namely the Ministry of Trade and Industry and the Namibia Chamber of Commerce and Industry.

4.2 PRESENTATION, DISCUSSION AND ANALYSIS OF RESULTS OBTAINED FROM THE QUESTIONNAIRE FOR SMES

4.2.1 Gender demography

The majority of respondents were male which represented 57 per cent while females represented 43 per cent of the respondents as shown in Figure 4.1.

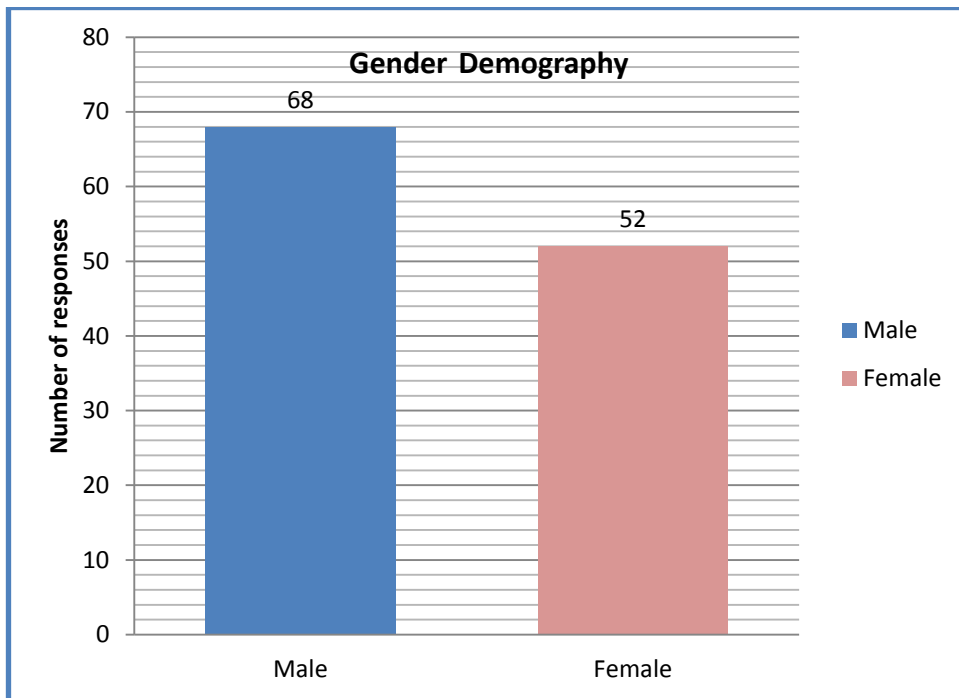


Figure 4.1: Gender Demography

Out of 120 respondents, 68 were male, while 52 were female. The gender representation is quite acceptable, and this shows that women are active in doing business.

4.2.2 Age demography

Respondents indicated their age categories as shown in Figure 4.2. It came out that most of the respondents (48 per cent) are aged between 25 – 35 years. This is a young generation, mostly either graduates or high school drop-outs who are unemployed. The least respondents were those younger than 25 years.

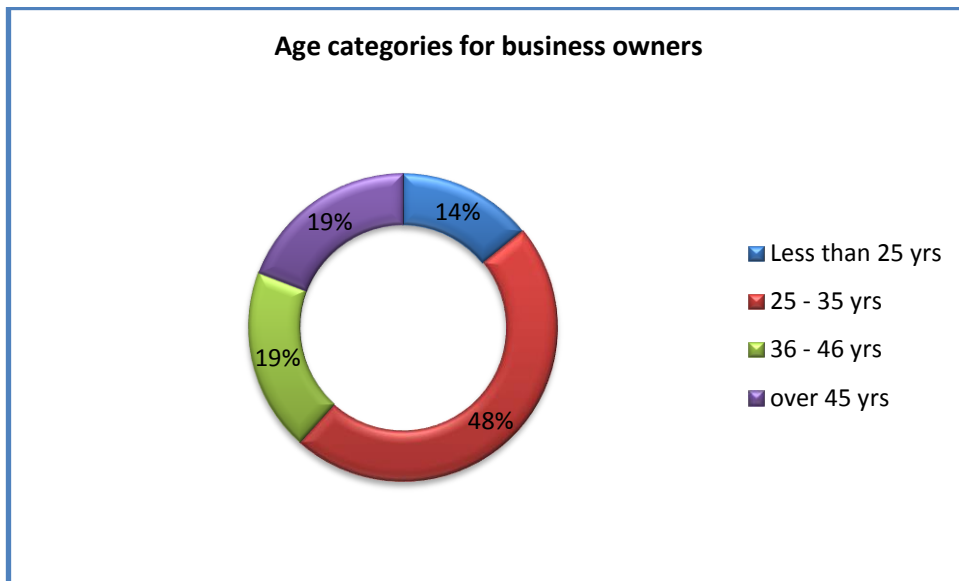


Figure 4.2: Age demography

Overall, this study found that the age group that manages the SMEs among the respondents was between 25 – 35 years of age with 48 per cent of respondents. The reasons might be that younger people who graduate from tertiary institutions all over the country cannot find jobs, or they just want to be self-employers and business owners.

4.2.3 Marital status

Married people are outnumbered by the singles among the respondents. Out of 120 people, 68 (57 per cent) are single while 52 (43 per cent) are married.

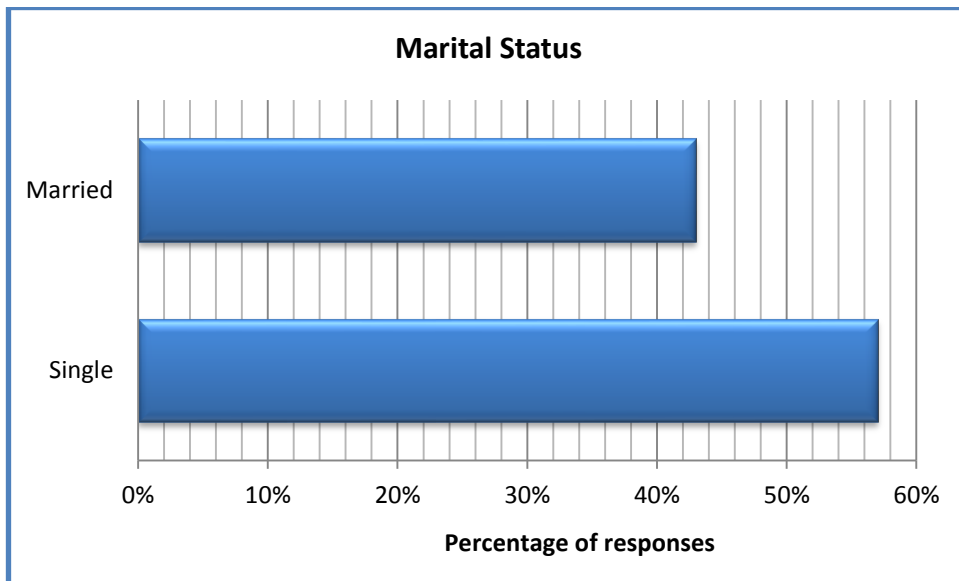


Figure 4.3: Marital status

Although this study cannot provide statistical data, it is believed that being an SME operator requires working long hours. Perhaps numbers for married respondents are low because they are not able to commit to businesses because of other family commitments.

4.2.4 Highest education level

As seen in Figure 4.4, vocational training has the lowest responses of 6 out of 120, which interprets a mere 5 per cent. On the contrary, many participants have reached a level of tertiary education of about 43 per cent. However, it should be noted that the questionnaire did not differentiate between a certificate, a diploma or a degree. Their level of education matches with the age group of between 25 – 35 years.

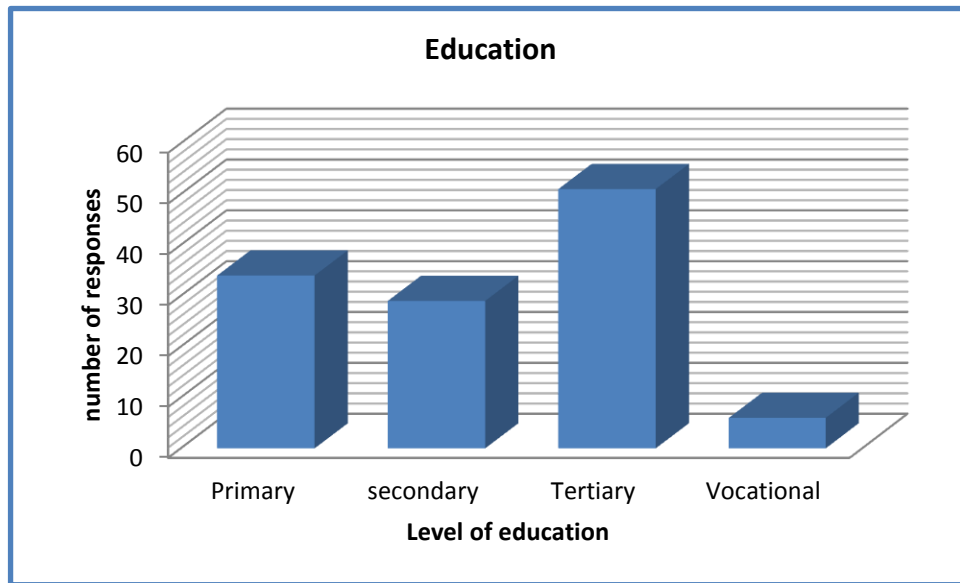


Figure 4.4: Level of education

The findings of this study regarding the educational level of respondents are quite different from many studies done in Namibia. Several studies concluded that most SMEs owners do not have tertiary qualifications and that is the reason of their businesses being faced with many challenges. However data for this study suggests that 43 per cent of 120 respondents have tertiary education. Having tertiary educated managers cannot prevent obstacles from external environment such as fees and taxes, unfavorable government policies, competition and natural disasters just to mention a few. It may not even fully prevent obstacles from internal environment such as lack of finance. Challenges like lack of access to finance cannot be prevented easily.

The issue of lack of collateral can affect all SMEs.

This study however agrees with Nzitunga (2009) who found out that a total of 49 per cent have either college or university education. In their study, Bowen et al. (2006) concluded that more (75.4 per cent) of those respondents who had received technical or vocational training said their business performance was deteriorating. This may imply that that formal education is not a critical factor in business success.

4.2.5 Ownership

As part of the requirements for participants, the respondents should be either the owner and manager or an employed manager. The results indicated that 57 per cent of businesses are run by owners and managers while the reminders of 43 per cent were employed managers.

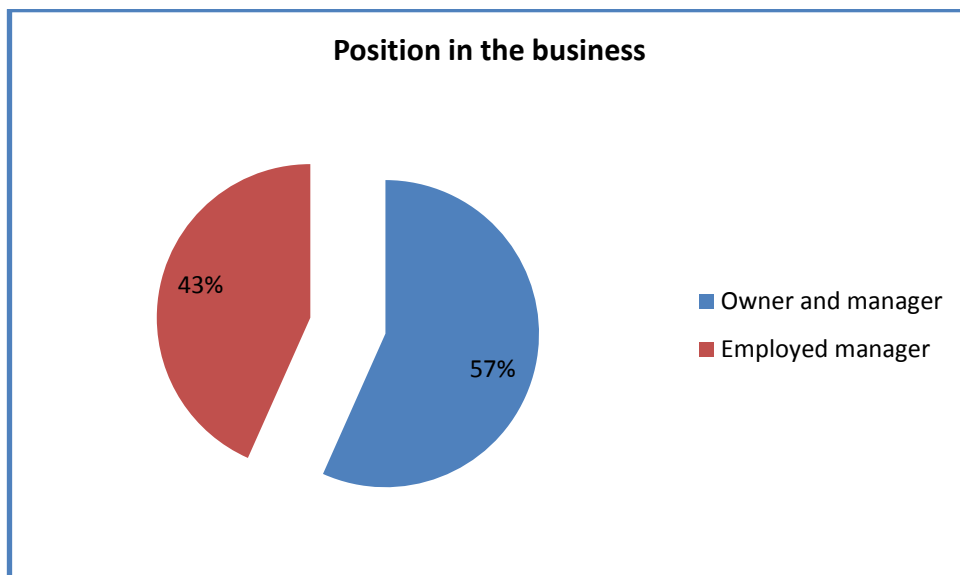


Figure 4.5: Position in the business

It was one of the criteria that the respondent must be the owner manager or an employed manager. It came out that 57 per cent of respondents were owner managers and the remainders were employed managers. This agrees that SMEs are normally managed mostly by the owners.

4.2.6 Nature of the business

Only four sectors were selected to participate in the study. As explained in chapter three, the sampling method of the quantitative part of this study was stratified sampling method, which depends on the proportionate stratification based on the stratum's share of the total population. The other services sector has 35 per cent,

trade has 27 per cent, manufacturing has 20 per cent and the tourism sector has just over 17 per cent. Other services sector has majority percentage because it is a sector which does not require huge startup capital.

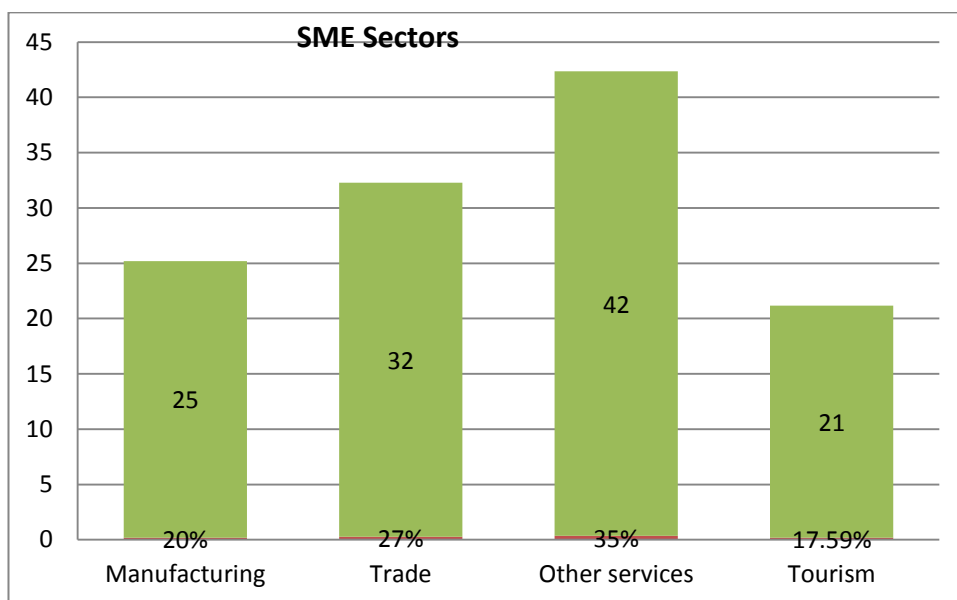


Figure 4.6: Nature of the business

This study opted to investigate only four sectors of SME businesses in proportional allocation of percentages. The majority of 35 per cent are from the other services sector because the sector has many operators. Businesses in the services sector are believed to be easy to start because the start-up capital is low compared to sectors such as manufacturing.

4.2.7 Business premises

When the respondents were asked about the localities of their businesses, about 43 per cent indicated that they operate their businesses in fixed indoor offices. This is followed by 38 per cent of respondents who indicated that they operate from the incubator centers, while 19 per cent conduct their business from their own premises.

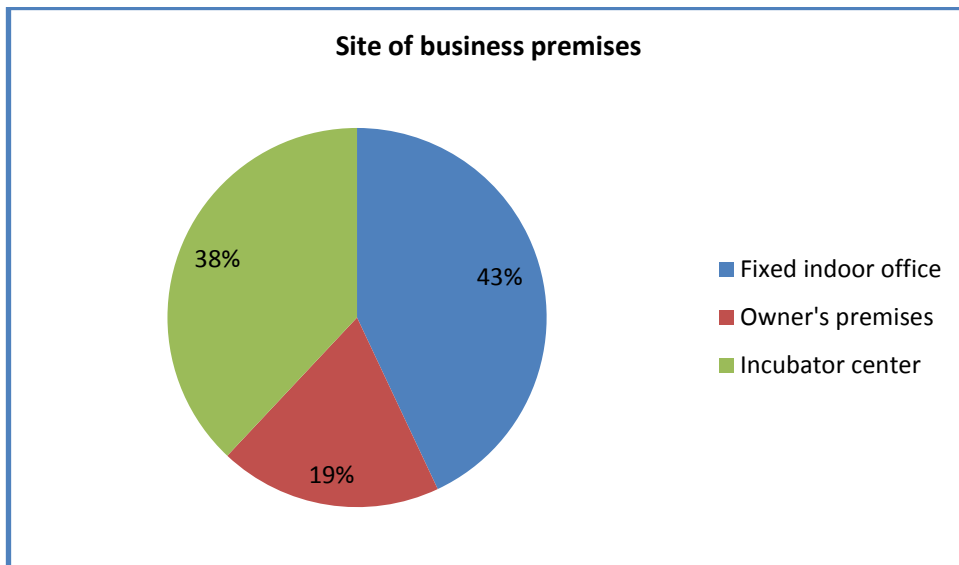


Figure 4.7: Business premises

Business premises are important to every business. Some customers are being attracted by the premises and location of the business. Operating from a rented premise is another expense to the business owner because they have to pay for rentals.

4.2.8 Ownership of the business premises

A large number of businesses do not own the premises where they operate from. Only 19 per cent of the respondents own the premises, while the majorities of 81 per cent do not own the premises they operate from.

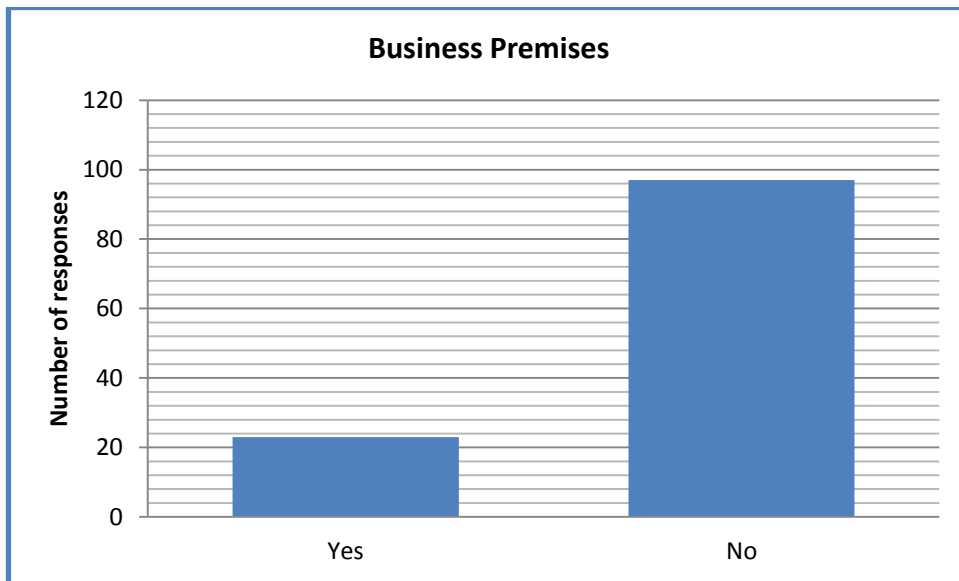


Figure 4.8: Ownership of business premises

In this study, only a few SMEs own their business premises which account for 19 per cent. The government in cooperation with the local authorities should work together and expand the incubator centers which are mostly affordable by new entrants. The establishment of a network of business incubators is an essential step for improving the local business environment and enhancing prospects for local development particularly in urban areas (Masutha & Rogerson, 2014).

4.2.9 Years in business operation

Figure 4.9 shows that about 40 respondents have been in the business for a period ranging between four and six years, followed by 29 respondents who have been in the business for a period between seven and nine years. The least was the business that operated between thirteen to fifteen years. Businesses which are less than one year old were not part of the sample.

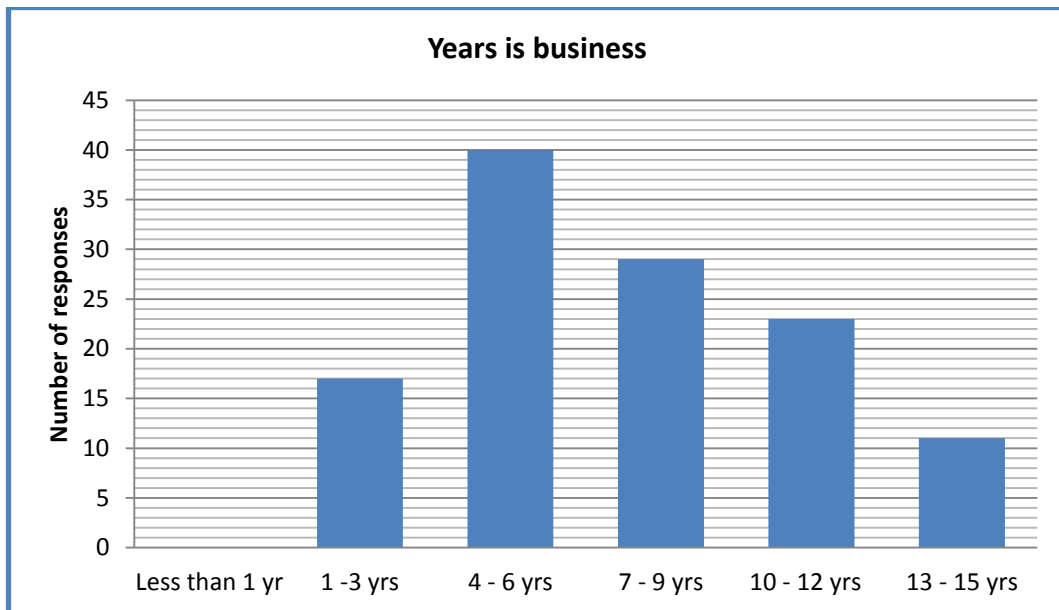


Figure 4.9: Years in business operation

Most of the businesses in this study have been in the business for a period between four to nine years. The histogram presented in Figure 4.9 looks like a business cycle whereby there is a growth from one to three years, then a peak between four to six years followed by slight decline in years between seven to nine years. It then declined to less than ten per cent of the business that has been in operation between 13 to 15 years. This implies that once they survive the first year, SMEs are progressing well in their fourth to sixth years which referred to as survivalists. Here entrepreneurs have full energy to manage their businesses, at the same time they are being faced by many challenges of which most of them could not handle any more leading to slight decline in survival of businesses. Only a few per cent of businesses exceed ten years of operations.

4.2.10 Employees in the business

Figure 4.10 shows how many people are being employed apart from the owner. About 40 respondents indicated that they employ between two to four persons,

another 40 respondents also employ five to seven persons. The least were companies who employ only one or no employee which scored six respondents each. Only eleven respondents indicated that they employ more than ten persons and this are manufacturing companies.

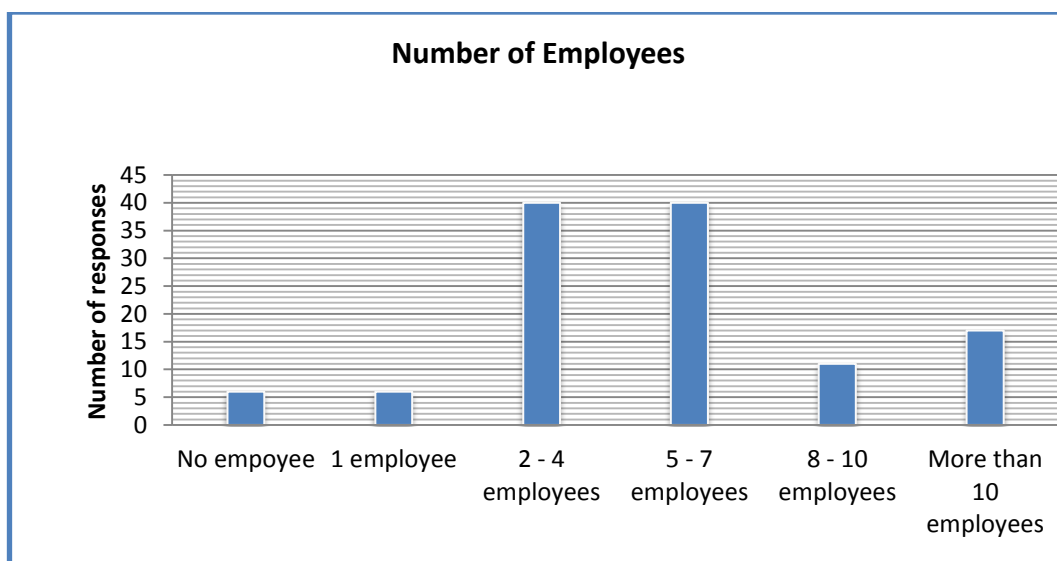


Figure 4.10 Number of employees

Most of these businesses (over 66 per cent) employ between two and seven people. And those employ more than ten people are mostly manufacturers. This agrees with the Namibian definition of SME as stipulated in the SME Policy and Programme of 1997.

4.2.11 Value of assets

As it can be seen in Table 4.1, capital employed by SMEs is different in value. It is seen that some categories have gone beyond the limit of the definition of SME of 1997 where it states that capital employed should be less than N\$100 000.00 in exemption of manufacturer SMEs. The study found out that 29 per cent of respondents own assets valued between N\$250 000 to N\$500 000, 25 per cent owns

between N\$50 000 to N\$250 000, 20 per cent owns less than N\$50 000, and only 5 per cent of the respondents own assets valued over N\$500 000. Most of the respondents who owns more than N\$500 000 operate from their own premises.

Table 4.1 Assets' value

Value of assets in N\$	Response frequency	percentage	Cumulative percentage
Less than 50000	24	20%	20%
50000 - 100000	30	25%	45%
100000 - 250000	25	21%	66%
250000 - 500000	35	29%	95%
500000 and above	6	5%	100%
Total	120	100%	

4.2.12 Membership in business associations

As seen in Table 4.2, more than 50 per cent of respondents are not affiliates of any business association. Only 5 per cent belong to the Namibia Chamber of Commerce and Industry while 19 per cent belong to other associations such as SME Compete. At least 29 respondents belong to the Namibia Manufacturing Association which represents 24 per cent.

Table 4.2: Membership in business associations

Name of Association	Responses	Percentages
Namibia Chamber of Commerce and Industry	6	5%
Namibia Manufacturing Association	25	20%
Other: SME Compete	23	19%
None	66	56%
Total	120	100%

Belonging to the industry association is very crucial for businesses because it shows the seriousness of its operations. Many businesses that are members of associations are believed to gain competitive advantages. This promotes access to networking and obtaining necessary business information. It is however a concern that 95 per cent of respondents do not belong to the NCCI. This implies that awareness and communication on the side of NCCI is not flowing as stated in their vision and mission statements. There is a need to rectify this.

4.2.13 Sources of products

The study shows that 66 per cent of respondents source their products locally while 29 per cent import their products. About 5 per cent of respondents indicated that they import some of the products and some they get them from local suppliers.

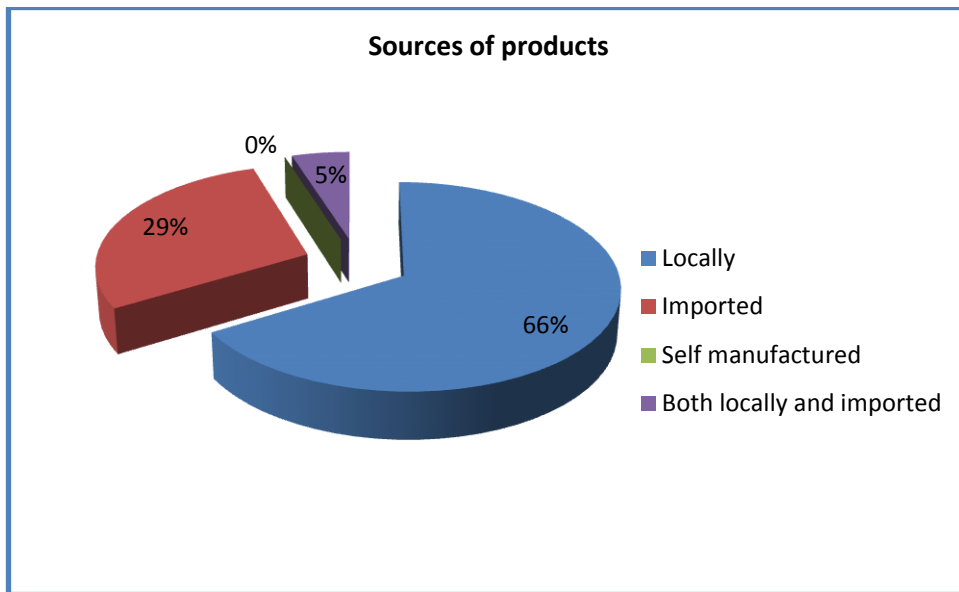


Figure 4.11: Sources of products

Given that 66 per cent of participants source their products locally, this means that they have to compete with each other in pricing strategy especially if they are from the same sector selling a similar product.

4.2.14 Frequency of formal staff meetings

Most companies do their formal staff meetings regularly. As seen in Figure 4.12, 52 per cent of companies conduct their formal meetings on monthly basis while 5 per cent of companies do their meetings weekly. However, 14 per cent of respondents indicated that they do not hold formal staff meetings at all. Meetings help employers to communicate with their employees on the way forward.

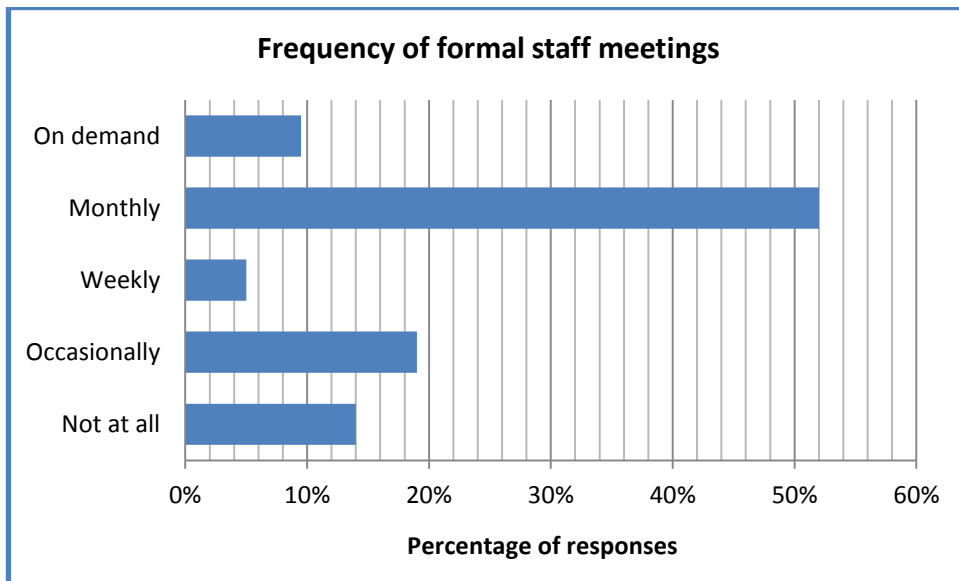


Figure 4.12: Frequency of formal staff meetings

4.2.15 Formal budgeting

Among the respondents, 59 per cent do not do formal budgeting while 41 per cent indicated that they conduct formal budgeting as seen in figure 4.13.

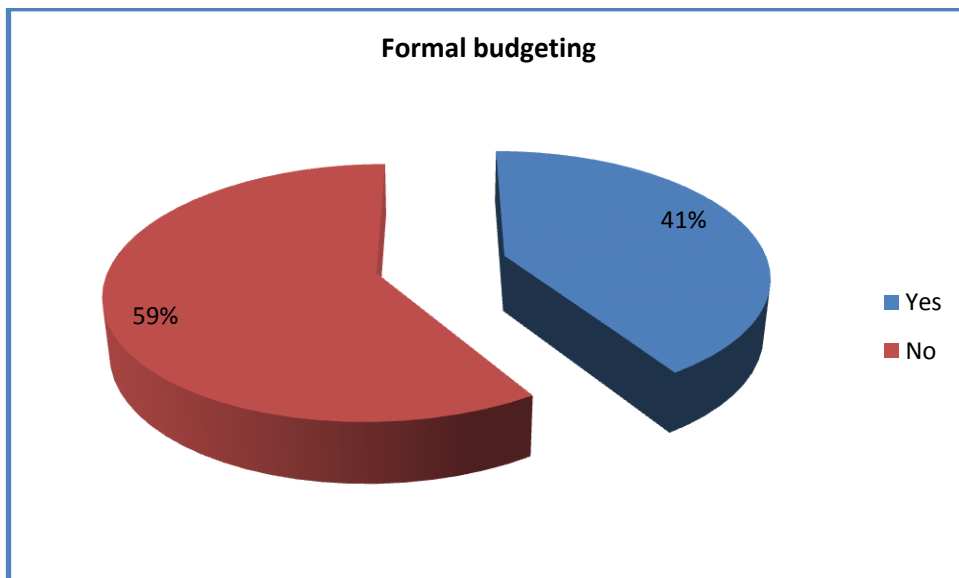


Figure 4.13: Formal budgeting

Budgeting is one of the crucial aspects in financial management. This study did not establish if companies who do budgeting really stick to that budget or they just do it because of formalities.

4.2.16 Frequency of formal budgeting

Among respondents who do formal budgeting, 76 per cent indicated that they do a budget on a monthly basis, 14 per cent budget once per year, and 10 per cent budget every six months. There was no respondent who does their budget on a quarterly basis.

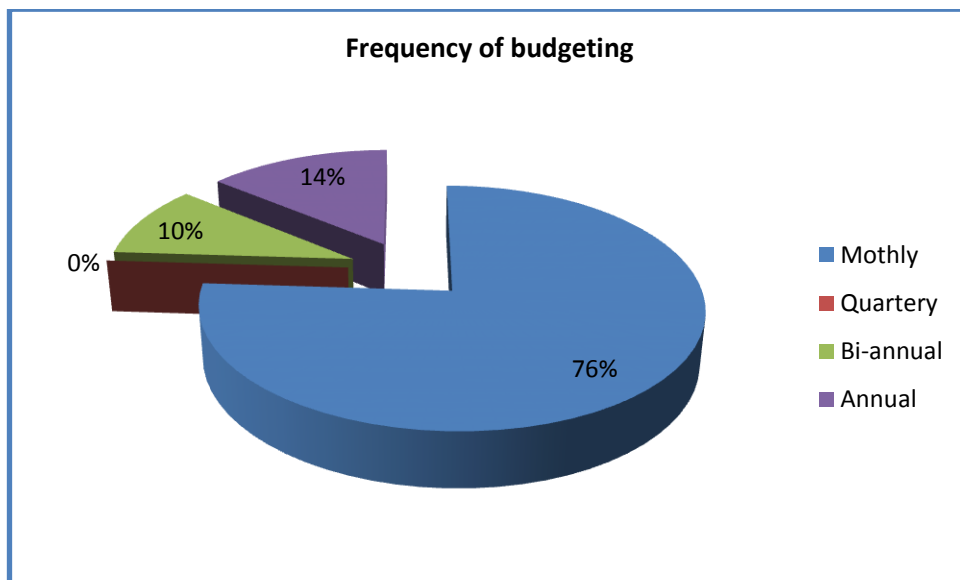


Figure 4.14: Frequency of formal budgeting

4.2.17 External consultants

The figure below shows whether the company involves external consultants in its operations. Sixty eight (68) respondents, which are about 57 per cent, indicated that they do engage external consultants while 52 respondents (43 per cent) indicated that they do not engage external consultants in their operations.

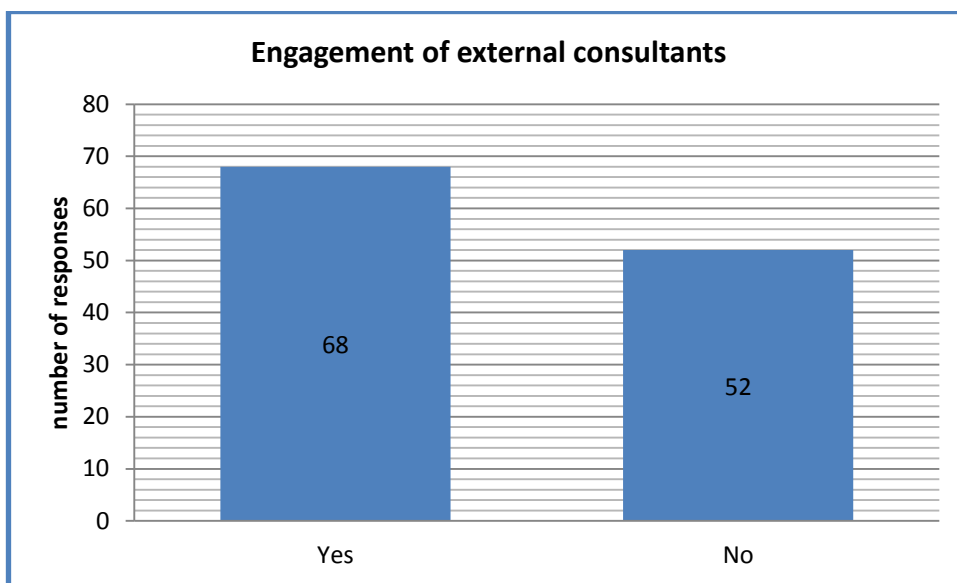


Figure 4.15: External consultants

4.2.18 The use of external consultants

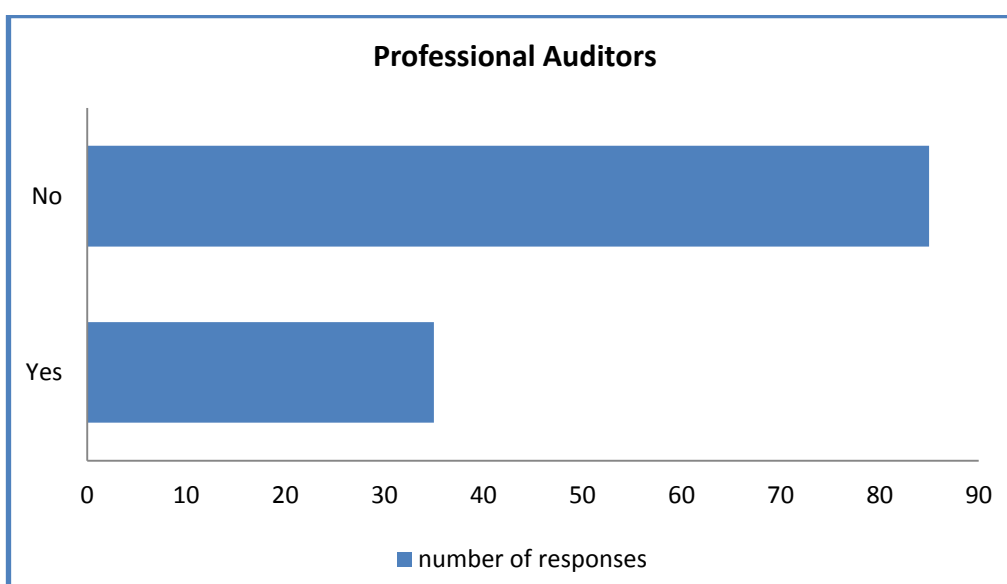
Out of 68 respondents who indicated that they use external consultants, 59 per cent use them for bookkeeping and other financial related matters. Services such as plumbing amount to 9 per cent, delivery was 9 per cent, and general services were 11 per cent of the respondents. As shown in Table 4.3, remainder of 13 per cent of the respondents declined to state what they use external consultants for.

Table 4.3: The use of external consultants

The use of external consultants	Frequency of responses out of 68	percentages
Bookkeeping and other financial matters	40	59%
Plumbing	6	9%
Delivery	6	9%
General services	11	16%
Did not state any use	5	7%
Total	68	100%

4.2.19 Professional Auditors

It is shown in figure 4.16 that 85 respondents do not have professional auditors while 35 respondents indicated that they do have professional auditors. This represents 71 per cent of those who responded no, and 29 per cent of those who responded yes.

**Figure 4.16 Professional auditors**

4.2.20 Names of Auditors

To the question of who are the auditors, many respondents were very much hesitant to mention their auditors. It is not known why they did not want to mention names. However, a few names such as DTA Chartered Accountants, Financial consultancy services, and Acsec Accounting services were mentioned by less than 20 per cent of the respondents.

4.2.21 Accounts keeping system

Figure 4.17 below indicates that 80 per cent of respondents have accounts keeping system while 20 per cent do not have any accounts keeping system. This question was focusing on modern technology accounting systems.

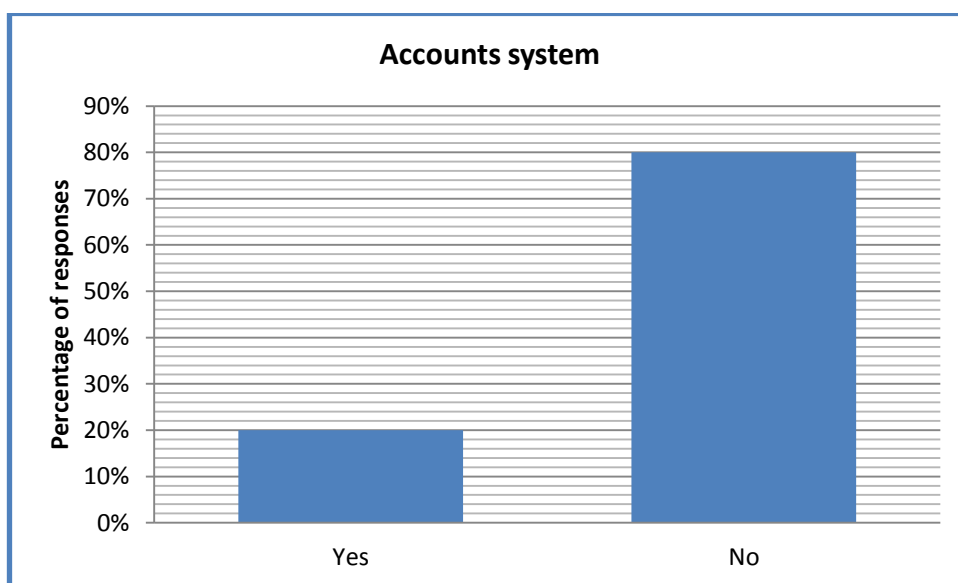


Figure 4.17 Accounts keeping system

It is a concern to know that more than 80 per cent of respondents do not have formal accounts keeping systems. This implies that accurate financial records are not kept. Some do not have the formal accounting system in order to avoid taxes and levies.

4.2.22 Annual Sales

As seen in the chart below, 58 per cent have their latest sales of between N\$260 000 – N\$350 000, followed by 19 per cent of sales over N\$350 000. The least are those 5 per cent having sales ranging between N\$60 000 – N\$150 000.

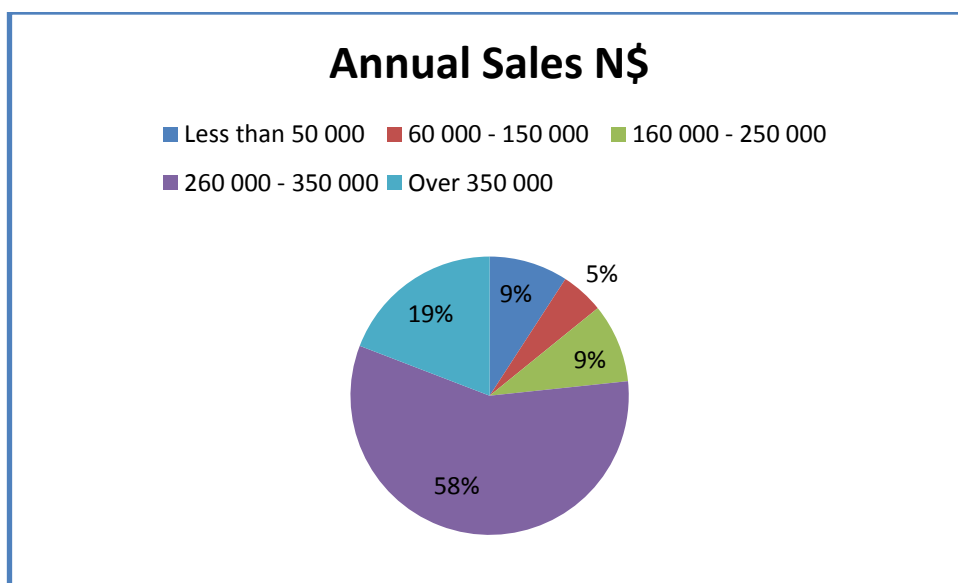


Figure 4.18: Annual sales

Note: Namibian Dollar is at par with the South African Rand.

4.2.23 Sales growth comparison to the previous year

Respondents who indicated that their sales were growing compared to the previous year were 46, representing 38 per cent, while 57 respondents indicated that their sales were constant, representing 48 per cent. The least category was the sales that fell compared to the previous year which accounts for 5% only as seen in figure 4.19.

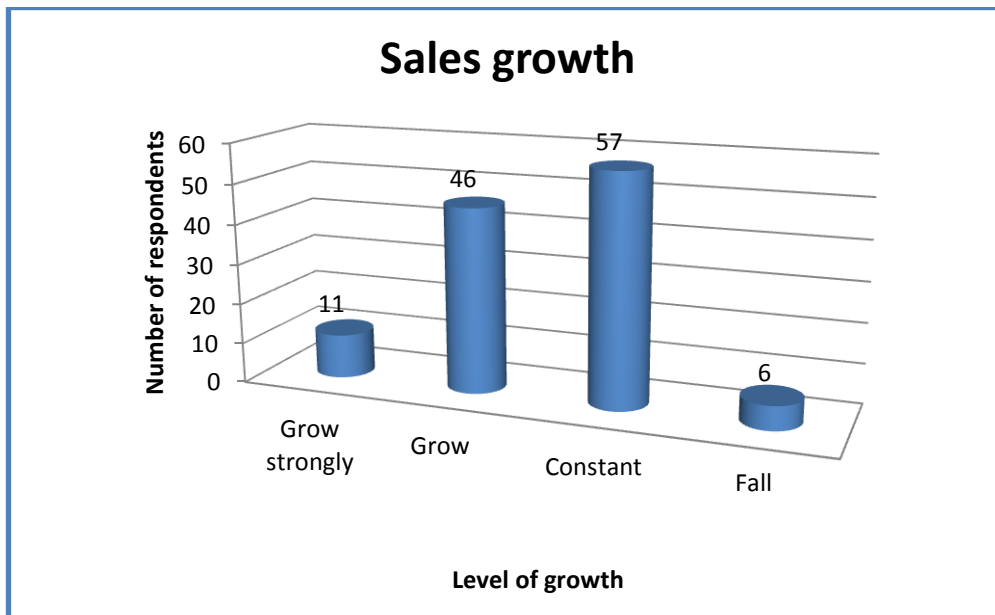


Figure 4.19: Sales growth

Businesses are expected to grow in assets, sales, profits, and so on. This is the indication that the business environment is not favourable at some point in the year as explained by Storey (1994).

4.2.24 Problems faced by SMEs

The question about problems faced by SMEs was asked in order to determine the opinions of the participants on how do they rate obstacles hindering their businesses. Some of the listed challenges seem not to affect participating businesses. For instance, bureaucracy is the least of their problems of which 76 per cent had no opinion (undecided) about it. However, lack of credits for working capital and investments was rated problem number one followed by taxes and levies, and lack of labour with skills which both scored above 80 per cent as seen in Table 4.4 below. It was observed that each sector has similar problems.

Table 4.4 Major problems in business

Type of problems	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Lack of management training	6 (4.8%)	23 (19%)	6 (4.8%)	74 (62%)	11 (9.5%)
Lack of on site management advisory services	6 (4.8%)	23 (19%)		85 (71%)	6 (4.8%)
Lack of technical training	17 (14%)	46(38%)	6 (4.8%)	51 (43%)	
Lack of technical advisory services	11 (9.5%)	57 (48%)	6 (4.8%)	46 (38%)	
Lack of technical information	11 (9.5%)	46 (38%)		63 (52%)	
Lack of marketing information	11 (9.5%)	29 (24%)		80 (67%)	
Lack of Information on cheaper sources of goods	6 (4.8%)	23 (19%)	6 (4.8%)	74 (62%)	11 (9.5%)
Lack of credits for working capital	37 (31%)	69 (57%)		14 (12%)	
Lack of credits for investments	29 (24%)	40 (33%)		51 (43%)	
Lack of labour with skill	6 (4.8%)	91 (76%)		23 (19%)	
Inability to retain labour with skills required	17 (14%)	69 (57%)	23 (19%)	11(9.5%)	

Slow demand	6 (4.8%)	11 (9.5%)	6 (4.8%)	80 (67%)	17 (14%)
Late payment by customers		35 (29%)	17 (14%)	51 (43%)	17 (14%)
Lack of computers	23 (19%)	11 (9.5%)	6 (4.8%)	80 (67%)	
Unfair competition	17 (14%)	35 (29%)	11 (9.5%)	57 (48%)	
Taxes and levies	17 (14%)	81 (68%)		22 (18%)	
Bureaucracy		17 (14%)	91 (76%)	12 (10%)	

The top five challenges in order of importance as perceived by the respondents analysed from Table 4.4.

1. Finance for capital and investments
2. Taxes and levies
3. Lack of labour with skills,
4. Lack of labour retention, and technical advice
5. Technical (vocational) training

4.2.25 Support needed for businesses

In the same manner as the previous question, participants were told to choose from a list of areas of support. The aim of this was to determine the area where they need more support for business growth and development. The procedures used to determine the most important needs were to look at the sum of percentages of

responses in strongly agree and agree. These were then added together as cumulative percentages per factor and arranged according to the highest.

Table 4.5: Support for businesses

Support needed	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Market information	11 (9.5%)	46 (38%)	6 (4.8%)	57 (48%)	
Vocational training	29 (24%)	74 (62%)		17 (14%)	
Technical Advice	23 (19%)	63 (52%)		34 (29%)	
Ideas about products	6 (4.8%)	29 (24%)		85 (71%)	
Advice on business	6 (4.8%)	74 (62%)		34 (29%)	6 (4.8%)
Credit for working capital or investment	29 (24%)	51 (43%)		40 (33%)	
Business plan to get a loan	6 (4.8%)	51 (43%)	6 (4.8%)	57 (48%)	
Sub-contracting (doing parts of job for a big company)		91 (76%)	6 (4.8%)	23 (19%)	
Transport	11 (9.5%)	74 (62%)		34 (29%)	
Water	6 (4.8%)	51 (43%)		63 (52%)	
Electricity	6 (4.8%)	80 (67%)		34 (29%)	
Telephone / cellphone	6 (4.8%)	63 (52%)		51 (43%)	
Other (specify)			109 (90%)	11 (9.9%)	

As seen in Table 4.5 above, the participants' responses according to the majority needs are now ranked in order of importance as follows: 1) Vocational training (skills), 2) subcontracting, 3) utilities (electricity, transport, and telephone), 4) technical advice, and 5) financing. If we look at those who strongly agree alone, vocational training (skills) and financing are number one needed support with 24 per cent each. All other factors with less than 50 cumulative percentages of strongly agree and agree were considered as not urgent needs to SMEs. For example, participants do not need ideas about products as the category received 71 per cent in disagreement.

4.2.26 Borrowing money from the bank

Figure 4.20 shows percentages of participants who borrowed money from the bank. Participants were asked if they have ever borrowed money from the bank to use in their businesses, only 20 per cent said yes. They indicated that they borrowed money from the bank in order to either buy equipment, furniture inventory or raw materials. A large group of 80 per cent of participants said that they never borrowed money from the bank to use in their business. Some were denied loans because they had no collateral.

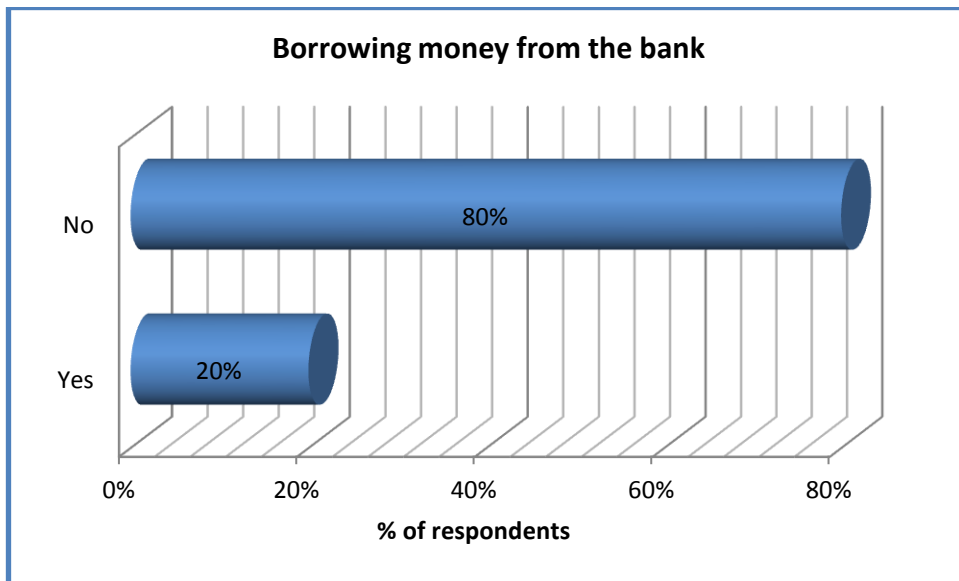


Figure 4.20: Borrowing from the bank

Most of the SMEs were not interested to borrow money from banks due to the fact that some of them could not secure collaterals for their loans. Even with the establishment of the SME Bank, the collateral is still a requirement for loan approvals.

4.3 PRESENTATION, DISCUSSION AND ANALYSIS OF RESULTS OBTAINED FROM THE INTERVIEWS WITH TWO SME SUPPORTING ORGANISATIONS

Two separate semi-structured interview questionnaires were specially constructed in order to get in-depth information from the Ministry of Industrialisation, Trade and SME Development (MITSD) as well as from the Namibia Chamber of Commerce and Industry (NCCI). Two senior officials from each institution were interviewed in pre-arranged interviews. This part of the interview is therefore being presented in a qualitative way. These officials are representatives of their institutions in terms of

this research, and their opinions will therefore be referred to as either from MITSD or NCCI respectively.

4.3.1 NCCI

Being an umbrella body and a voice of all businesses, small and large, in the country, NCCI works more closely with the MITSD in relations to issues regarding the SMEs sector. When asked if they have any records of changes in SMEs access to finance since the establishment of SME Bank in Namibia, they indicated that they did not. NCCI is of the opinion that although there are special programmes in a new bank, SME Bank operates as any other Commercial bank in the country, therefore, the issue of collateral is still an obstacle to SME access to finance.

4.3.1.1 Involvement in the SME Policy review

Given the ongoing process of the review of the new SME policy by the MITSD, the study wanted to find out if the NCCI was directly involved on behalf of its members. In response, NCCI admitted that it is involved, and has so far given its ideas to the policymaker. Now that the NCCI is directly involved in the review of the SME Policy which is aimed at bringing some new useful tools for SMEs including new financing opportunities, the SME sector is being represented. This is a good move on the side of the SMEs.

4.3.1.2 Larger companies and SMEs

NCCI also confirmed that they do encourage the cooperation between larger businesses and SMEs. For example, they have database for many businesses. This gives an opportunity for either large or small companies to go through the database and find any company that they would like to partner with especially if they want to

apply for government tenders. With those sentiments, NCCI pointed out that larger businesses out-source to SMEs in different ways as encouraged by NCCI, although this does not happen often. Cooperation between larger enterprises and SMEs is much needed. This goes together with the way some companies need other companies which is termed as outsourcing.

During their presentation at the International Conference on reforming the Business Environment, the UNCTAD (2005) asserted that cooperation between firms can help SMEs to overcome weaknesses, such as: isolation, and lack of economies of scale and scope. The UNCTAD further explained that different forms of cooperation between firms are horizontal and vertical, arms-length and long distance, spontaneous and artificial, or formal and informal can raise the competitive potential of SMEs through synergies and collective efficiencies, which individual producers can never attain alone. This means that inter-firm cooperation takes place not only within one city, but also to a great extent across borders.

4.3.1.3 Business climate

One way of helping SMEs and other businesses to improve business climate is through annual Namibia Business and Investment Climate (NamBic) surveys which are being conducted by the NCCI, the Manufacturing Association of Namibia and the Institute for Public Policy Research (IPPR). The challenge is that, SMEs do not understand this report as compared to bigger enterprises. General advocacy is another way of helping SMEs improves their general business climate. NCCI stated that they report the national business climate to their members through the Namibia Business and Investment Climate (NAMBIC) survey reports on an annual basis.

This is a good programme but there are challenges regarding language barriers. This can only be solved by translating the document in different local languages and make information programmes regarding the explanation and interpretation of the content of the same report. Often many SMEs are left out because they are not members of the NCCI. Apart from that report, NCCI do advocacy on behalf of its members as highlighted in BOX 2.1 in Chapter 2 of this study.

4.3.1.4 Other firms and SME challenges

NCCI was asked to state their roles with regard to competition between the SMEs and larger businesses. In response, NCCI states that bigger firms do benefit from the economies of scales as opposed to SMEs. However, the chamber is trying to help change the situation by developing a transparent market structure. NCCI stressed that competition is everywhere in the business world either among larger companies, among smaller companies, or between larger and smaller companies. As stated earlier, inter-firm cooperation might help SMEs gain economies of scales and be competitive. The NCCI is trying to help change the situation by developing a transparent market structure.

NCCI believes that the level of SMEs development is lagging behind due to their small size and the many obstacles they face. This often brings about instability in growth patterns of SMEs which sometimes leads to a decline in the activities and possible collapse. NCCI pointed out that the growth of SME businesses is being hindered by the nature and size of their businesses. SMEs' growth is being hampered by a weakly developed business environment (Fjose et al., 2010). Business environment cannot be entirely controlled by the firm because of external effects in the environment. The NCCI affirms that SMEs are faced by many challenges that

prevent their businesses to develop and grow. The highlighted SMEs challenges according to NCCI are: lack of securing skilled workforce, securing finance for growth, lack of ability to set up a stable organization, lack of positive cash flow, and tendency of depending on short term tenders. These sentiments are not far from those expressed by the SMEs participants.

4.3.1.5 Measures to tackle challenges

When asked to highlight measures in place to tackle SME challenges as mentioned earlier, NCCI indicated that it is looking forward to the finalization of a new SME policy with newly proposed financial instruments tailor-made to fit the needs of SMEs. Meanwhile, NCCI continues to disseminate educational information to its members especially during annual seminars. The way to tackle such challenges, according to the NCCI, are however difficult as these are becoming national problems. They further believe that there were many gaps in the old policy which will be addressed by the new policy.

NCCI was also asked whether there are measures undertaken to empower SMEs in general. As part of their responsibility, NCCI disseminates information from its members to the concerned parties. They do facilitate trade shows and fairs, and also lead delegations to foreign markets for business exposure and to showcase their products. In addition, NCCI gives a support program called Enterprise Development Programme. It was deemed necessary to know if there was a follow up programme that oversees the implementation of knowledge and skilled acquired from support programs. The NCCI indicated that there are programs such as Enterprise Development Programme which is a constantly working mentoring program with build in follow-ups activities.

NCCI was then asked to give its opinion on whether the programmes mentioned in the Namibian Industrial Policy are being implemented and to state its contribution in such programs. It is unfortunate that NCCI has distanced itself from shedding more lights regarding the issue, emphasizing that they have their own programmes to run and that they sometimes not only focusing of SMEs problems but to other larger businesses as well.

4.3.2 The Ministry of Industrialisation, Trade and SME Development (MITSD)

4.3.2.1 The issue of loan collateral

The government of the Republic of Namibia is the owner, by the majority shares, of the newly created SME Bank. The MITSD is a government organ which initiated the idea. When asked if there is a significant change in acquiring funds by SMEs, the MITSD showed some concerns on the issue. They stated that collaterals are still required and cannot be ignored at this point in time. Thus, no change is being observed yet. The MITSD has a special department which deals with SMEs in the country. It also represents the government in matters related to business development. During the interview, MITSD stressed that the SME Bank is not a collateral free bank as it was perceived by many.

The study suggests that a collateral free loan from the SME Bank can be lobbied through government intervention. In India, they have what is called the MSME Loan Policy which addresses the needs for collateral free loans as advised by the government up to a certain percentages and banks are being monitored by the central bank regarding the issue of such loans.

In one of the articles in the online platform for news called Ventures, Mulligan (2012) quoted the former Minister of Trade and Industry explaining the business model of the new SME Bank in Namibia as said: “The bank will not ask for any security, as the projects themselves become security to the SME Bank. It will ensure that the projects are feasible through project monitoring”. The article further states that the bank was expected to pump 10 to 20 percent of its profits back into the fund pool for providing further collateral-free financing. It is a concern that after opening its doors, the bank is not giving those types of loans. However, the MITSD is still working hard to change the status quo of the collateral issue.

4.3.2.2 SME Policy review

The SME Policy Framework of 1997 is currently under review. It took long to be reviewed even if it was not fully serving the purpose it was created for. Based on this, the study wanted to find out if there were major obstacles that kept it that way. MITSD indicated that the idea of reviewing the 1997 policy had been there. The ministry might have been focusing on other similar developmental projects.

To the question of what will be different from the existing policy, the MITSD had this to say: “The revised policy emphasizes stronger implementation guidelines, defines the appropriate national institutional framework at the micro level and advances suggestions for a comprehensive monitoring and evaluation system”. They further alluded that there will be a big difference in comparison with the “old policy” which did not have a viable institutional framework for the attainment of its stated objectives. The lack of important aspects in the old policy led to duplication of efforts and a suboptimal allocation of resources. The new policy, according to the

MITSD, will include policy strategy, comprehensive monitoring and evaluation system. It will also be reviewed after every five years.

4.3.2.3 Coordination between companies

MITSD has been trying to encourage SMEs to engage in business with larger businesses, however, there is a lack of coordination between businesses themselves, as well as private and public institutions supporting SMEs. Thus, there is a need to map all the interventions targeting SMEs and to explore effective ways to coordinate these interventions. Although outsourcing by bigger companies from smaller companies has been an issue, MITSD has been issuing SME Certificates to the registered SMEs who wanted to participate in joint ventures or to acquire government tenders. On the question of competition between larger firms and SMEs, MITSD's sentiments were the same as those of NCCI that larger companies benefit from economies of scales.

SMEs normally buy their products in smaller quantities, or they are not able to win bigger tenders than larger companies. However, some SMEs have been benefiting under the Black Economic Empowerment initiative. MITSD acknowledged that the cooperation between larger and smaller businesses is encouraged. This agrees with the sentiments highlighted by the NCCI as stated earlier in this chapter. The government can establish new rules that demand every large company to subcontract at least one SME company as a requirement to access government tenders. This will strengthen cooperation and weaken competition for both firms.

Competition is one of the challenges faced by the SMEs although it is not in the top five challenges highlighted in this study. Inter-firm cooperation helps SMEs to benefit from economies of scales through larger companies. Black Economic

Empowerment has been helpful for some of the companies although there is no existing policy and legal framework for broad-based Black Economic Empowerment in Namibia but there are regulations to be followed.

4.3.2.4 SME growth

The promotion of SME growth and development is one of the key objectives of the MITSD, the study wanted to know if there is a noticeable growth in a number of active SMEs. In response, the MITSD indicated that this is one part of information which is lacking in their records. It is difficult for them to have any indication of the SMEs growth level at this point in time. They further said that, things like SME growth rate, SME survival rate, SME contribution to national GDP, shares of SMEs in exports, and other similar issues will be monitored and evaluated under the new MSME policy for a growth of every SME. It is believed that, some companies do not plan to grow but just need to survive for the owner's needs. Some are afraid to grow because they believe that they will not be able to manage large enterprises.

4.3.2.5 Challenges facing SMEs

MITSD highlighted five major challenges facing SMEs as follows: access to land; access to finance; high costs of utilities; skills; and crime. They were asked to state measures in place to tackle those five major challenges. MITSD explained that they were aware that there is a need for intervention in order to reduce this cumbersome phenomenon towards the growth and development of SMEs. MITSD further acknowledged that several support programmes have been put in place to address the challenges facing the SMEs, but entrepreneurs still face challenges at different stages in their businesses.

Some of the new and improved actions to be taken, given the implementation of the new MSME Policy, are to strengthen the SME Bank, stimulate the development of financial leasing and factoring for MSMEs, to promote financial literacy awareness, facilitate creation of utilities and encourage green energy, consult with Local Authorities and private sector for business premises and promote entrepreneurial skills amongst others.

As it is one of the objectives of this study to find out how government has responded to challenges facing SMEs especially in the four sectors of manufacturer, services, trade and tourism. Among many challenges facing SMEs, the MITSD states that access to land is a burden to the business. The land issue in Namibia is on the spotlight, were low income persons cannot afford to buy. The costs of existing properties are skyrocketing now and then; and renting a business premise is very expensive. Another challenge is access to finance. This specific problem has demoralized many SMEs, some decided not to apply for loan from banks but to get startup capital or expansion capital from family and friends. This has been empirically proven by many studies.

The government indicated that they will develop a tailor made financial facilities for the purpose of promoting SME growth and development. High costs of utilities such as electricity, transport and water are also known to the government. The MITSD is planning to develop green energy for SME sector. Lack of skills can be solved by creating new programmes equipped with monitoring and evaluation models. Lastly, crime is seen as a threatening issue. Most of the SMEs cannot afford to employ security guards at their businesses or even to install an alarm response system.

MITSD is proud that the new SME policy is almost completed, and it will be implemented as soon as possible in order to help lift the SMEs up.

4.3.2.6 Support programs

Another question was about the measures undertaken by the MITSD in order to empower SMEs and the support programmes are being offered to SMEs. The MITSD indicated that there are support programmes offered to SMEs both to empower and equip them in their daily businesses operations. Programmes such as Equipment Aid Scheme, business projects evaluation, market research, assistance with business plans, and issuing of SME certificates are being offered to SMEs.

MITSD also offer business premises and machinery benefits to SMEs.

It was deemed necessary to find out if there is a follow up programme that oversees the utilization of such benefits. In response, the MITSD agreed that they do out-source companies to go in the field and do verification, monitoring and evaluation on those benefits. They however, indicated that this programme has many ups and downs because it is very costly and perhaps not well budgeted for. Hence, the records of the condition of equipment allocated to different SMEs are poor.

Currently the MITSD has on-going support programmes such as Equipment Aid Scheme, whereby SMEs can just submit their application for equipment with quotations supported by their business plans and cash flow projections. If the committee is satisfied with the application, then they can offer that equipment at no cost. However, these types of offers are seldom and can take up to five years before the applicant can hear from the committee.

As mentioned in the Namibia's Industrial Policy, one of the priorities of government is to promote training and development programmes for SME entrepreneurs. MITSD

was asked to indicate whether such programmes are being implemented and to state the focal points in these programmes. In response to this, MITSD has been hosting workshops in different regions of the country over the years. These workshops are aimed to educate and train SMEs in various ways. MITSD further says that public should not expect full time classes to be given by the ministry.

Activities such as open day for SMEs are aimed to bring about some motivation in the way SMEs do business. During SME open days, business owners are able to approach officials, at no cost, and seek advice on whatever they need such as financial assistance, equipment, services, and skills. MITSD observed that the only thing the SMEs mostly ask during open days is about SME certificates.

Indeed, the government of Namibia has special programmes in place. There is however a burning issue of implementation, monitoring, and evaluation. This study believes that the new SME Policy will address them systematically

4.4 SUMMARY

An organisational life cycle has different stages, and according to Churchill & Lewis (1983) growth model, there are different challenges with different causals and effects. When reflecting on the factors that affect business growth, it may link all factors together, such as firm, entrepreneur, strategy, and the entire business environment.

Having that, this study aimed at finding out what are the challenges facing SMEs in Windhoek. It is obvious that SMEs face many challenges and during this study they were able to rank them at their level of importance. The most important challenges according to respondents were: lack of finance for capital and investments; taxes and

levies; lack of labour with skills; lack of labour retention and technical advice; and lack of technical or vocational training.

It is one of the priorities of the government to rescue SMEs from such challenges especially if some of the challenges were results of weaknesses of SME policy. The areas of support needed by SMEs are also summarised as per findings of this study. These include vocational training (skills), subcontracting, utilities, technical advice and financing. There seems to be strategic needs shown by the importance of needs. For example the lack of access to finance is challenge number one, but for the needs financing is at the bottom line. This implies that SMEs need to be empowered internally from its workforce having skills, having access to utilities such as electricity and technical advice on how to operate.

After receiving all that, they will then need to be financed because by then they will have skills on how to manage their finances and operations of the business. As concluded in the NamBic (2014) survey, lack of access to finance issue appear to be compounded by skills deficiencies, therefore, this suggests that a three pronged approach at improving skills, promote innovation, and improving business environment can address the challenges than solitary efforts to improve only access to finance.

The NCCI and the MITSD need to work together in order to promote the SME sector. During the interviews, it was observed that both institutions value the importance of the sector. Both institutions have highlighted some challenges facing SMEs which are almost similar. Policies and programmes aimed to help SMEs need to be implemented, monitored and managed well.

4.5 CHAPTER SUMMARY

This chapter presents the findings of the study. It further discusses and analyses the findings using both quantitative and qualitative techniques. Results were presented in forms of graphs, charts, table, or descriptive narratives.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This study aimed at investigating challenges facing Small to Medium Enterprises (SMEs) in Windhoek. It focused only on four sectors of SME namely: manufacturer, other services, trade and tourism. Specific objectives of this study were addressed with the help of quantitative and qualitative data collection techniques as presented in the previous chapter. This chapter will then present conclusions and recommendations of the study.

5.2 SUMMARY OF FINDINGS AND CONCLUSIONS OF STUDY

A number of factors have been identified as the challenges hindering the growth and development of SME businesses in Windhoek. The study discussed these constraints in light of literature concerning factors affecting growth considering four SME sectors such as manufacturer, other services, trade and tourism. This study confirms that lack of access to finance surpasses all factors because it was confirmed by both three groups of participants (SMEs, NCCI, and MITSD). Lack of access to finance was emphasised even more by SME participants where they rank it as number one challenge. Another challenge is lack of skills (lack of labour with skills) which was ranked number three by SMEs. This study has therefore summarised top five challenges facing SMEs as being: lack of access to finance; high taxes and levies; lack of skills and labour retention; lack of technical advice; and lack of (vocational) training. SMEs need support from both the government and the private sector. Just like the challenges above, the support needed by SMEs were also summarised as per

majority findings of this study such as vocational training (skills); subcontracting; utilities; technical advice; and financing. These needs are interconnected, meaning that one need cannot be satisfied as a single component.

This study concludes that many SMEs do not belong to business associations, let alone the NCCI. This implies that they stand on their own and this leads to their down-fall. There is a need for a vigorous campaign aimed to promote inter-firm relationships. NCCI has a good constitution and a good advocacy policy which enables them to lobby for their members and train them continuously. This is opposite of what is on the ground. This study, agrees with the findings of the NamBic (2014) survey which stressed that NCCI need to improve its communication style with the SMEs. Media platforms like local language radios, television advertisements, flyers, newspapers, and face to face approaches regarding the benefits of associations. Although the MITSD do engage meetings and awareness of its programmes with SMEs, NCCI is also expected to inform SMEs about existing programmes and some policy issues.

This study can also conclude that the existing SME Policy of 1997 is weak and it does not fulfil its purposes due to the fact that it has neither an implementation strategy, nor an evaluation and monitoring system. Although MITSD has developed different programmes for SMEs, very few of them benefited. It was clear during the interview that the MITSD is mostly referring to the upcoming new MSME Policy regarding the mitigation measures towards the challenges facing SMEs.

Looking at the literature review from other countries, it takes a while in restructuring the robust business environment for the benefit of small companies as compared to larger companies.

A good business environment will benefit both small and larger enterprises, but it needs to be complemented by effective systems to support business growth, build needed skills, and facilitate business linkages. There must be appropriate mechanisms to facilitate dialogue on SMEs development between government, the private sector and civil society.

5.3 RECOMMENDATIONS

- SME owners should try to attend specific courses tailored for their specific needs in order to enhance their knowledge and skills. Entrepreneurial subjects should be introduced earlier in schools. Vocational training must be offered for free throughout the country. The government should not be the only one to be blamed for lack of skills, but owners must also invest in skills development of their staff.
- Entrepreneurs should know and understand their business environment.
- Government should look into better ways of reducing many burdens such as taxes and levies in favour of SMEs. SMEs are believed to be contributing to the country's economic growth and job creation; therefore they should be given preferential treatment in some aspects in order to promote their growth and development.
- The issue of lack of finance is to be strategically treated. This can be done by identifying the root cause of the problem. Government must smoothen the way for access to finance with the SME Bank and other different government initiatives.

- Demands for SMEs should be taken seriously by giving them equal opportunities as those given to larger companies. At least SMEs should benefit from the infant protection policy. Government need to provide support services to SMEs through well qualified service providers to allow for growth amongst SMEs.
- Subcontracting Small to Medium Enterprises should be a requirement when the government or state institutions are giving tenders to larger companies.
- There is a need for a new institution to represent SMEs only. Government can find the benchmarks from South Africa, India, and other countries with such institution as reviewed in the literature of this study. This kind of institution will only deal with SMEs and reporting to the government through MITSD. Such institution must be able to keep records of a number of SMEs in the country per sector, their survival rate, growth rate, and economic contribution to the GDP.
- There is a need for a continuous serious dialogue between SMEs, government and civil societies. This will help SMEs to get information they need and to understand the need of being in association with other organisations.
- NCCI should fulfil its mandate as stipulated in their vision and mission statements. They should not only focus on larger firms, but should make SMEs understand their operations and purpose of existence.
- Government should engage all business stakeholders in the SME policy reviews and the reviewed SME Policy should be implemented soon upon its finalisation.

5.4 FURTHER RESEARCH

Many studies have been conducted regarding challenges facing SMEs. This study selected only four sectors within Windhoek. It is suggested that further studies should focus on one specific challenge, for example, a study on effects of taxes and levies imposed on SMEs. There is also a need for comparative studies between SME manufacturer, services, trade, and tourism sectors in Windhoek.

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APPENDIX A**QUESTIONNAIRE FOR SMEs: OWNER MANAGERS OR MANAGERS.**

1. Gender:

Sex	
Male	1
Female	2

2. Age:

Years	
Less than 25 years	1
25 – 35 years	2
36 – 45 years	3
Over 45 years	4

3. Marital status

Status	
Single	1
Married	2

4. Highest education level

Level	
None	1
Primary	2
Secondary	3
Tertiary	4
Vocational training	5

5. Position held in the business

Position	
Owner and Manager	1
Employed Manager	2

6. Nature of the business

Sector	
Manufacturing	1
Trade	2
Services	3
Tourism	4
Other	5

7. Where do you conduct your business from?

Premises	
Fixed indoor office	1
Fixed outdoor office	2
Owner's premises/home	3
Incubator center	4
Moving around	5

8. Do you own the premises you are operating from?

Yes	1
No	2

9. How long have you been in this business?

Years	
Less than 1 year	1
1 – 3 years	2
4 – 6 years	3
7 – 9 years	4
10 – 12 years	5
13 – 15 years	6

10. How many employees are in your business apart from yourself?

Number of employees	
0	1
1	2
2 -4	3
5 – 7	4
8 – 10	5
More than 10	6

11. What is the current value of your assets:

Type of assets	Estimated value
Premises (building and land)	
Machinery and equipment	
Furniture	
Vehicle	
Inventory	

12. Is your business a member of any Business Association?

Name of Association	
Namibia Chamber of Commerce and Industry	1
Hawkers Association	2
Namibia Manufacturing Association	3
Association of Service Stations Operators	4
Other (Specify)	5

13. Sources of the products

Source	
Locally	1
Imported	2
Self –manufactured	3

14. How often do you hold formal staff meetings with your employees?

Frequency	
Not at all	1
Occasionally	2
Weekly	3
Monthly	4
On demand	5

15. Do you do formal budgeting?

No	1
Yes	2

16. If your answer above is yes, how often?

Frequency	
Monthly	1
Every three months	2
Every six months	3
Once a year	4

17. Do you engage external consultants services?

Yes	
No	

18. If yes, please explain.

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19. Do you have formal/professional auditors?

Yes	1
No	2

20. Who are they?

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21. Do you have accounts keeping system?

Yes	1
No	2

22. Your annual sales

Sales in N\$	
Less than N\$50 000	1
60 000 – 150 000	2
160 000 – 250 000	3
260 000 – 350 000	4
Over 350 000	5

23. Comparing with previous year, has your sales changed this year?

Growth	Grow strongly	Grow	Constant	Fall	Fall Strongly
Sales 2015	5	4	3	2	1

24. What are major problems facing your business? Please circle.

Type of problems	Strongly Agree	Agree	undecided	Disagree	Strongly disagree
Lack of management training	5	4	3	2	1
Lack of on site management advisory services	5	4	3	2	1
Lack of technical training	5	4	3	2	1
Lack of technical advisory services	5	4	3	2	1
Lack of technical information	5	4	3	2	1
Lack of marketing information	5	4	3	2	1
Lack of Information on cheaper sources of goods	5	4	3	2	1
Lack of credits for working capital	5	4	3	2	1
Lack of credits for investments	5	4	3	2	1
Lack of labour with skill	5	4	3	2	1
Inability to retain labour with skills required	5	4	3	2	1
Slow demand	5	4	3	2	1
Late payment by customers	5	4	3	2	1
Lack of computers	5	4	3	2	1
Unfair competition	5	4	3	2	1
Taxes and levies	5	4	3	2	1
Bureaucracy	5	4	3	2	1

25. Out of the above problems, which one is the most important to you?

.....

26. What type of support do you think you need to improve your business? Please circle

Support needed	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Market information	5	4	3	2	1
Vocational training	5	4	3	2	1
Technical Advice	5	4	3	2	1
Ideas about products	5	4	3	2	1
Advice on business	5	4	3	2	1
Credit for working capital or investment	5	4	3	2	1
Business plan to get a loan	5	4	3	2	1
Sub-contracting (doing parts of job for a big company)	5	4	3	2	1
Transport	5	4	3	2	1
Water	5	4	3	2	1
Electricity	5	4	3	2	1
Telephone / cellphone	5	4	3	2	1
Other (specify)	5	4	3	2	1

27. Out of the above support, which one is the most important to you?

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28. Indicate who your competitors are by circling the level of competition being either: very strong, strong, normal, weak, or very weak.

Competitor	Very strong	Strong	Normal	Weak	Very weak
Fellow Local SMEs	5	4	3	2	1
Large Business	5	4	3	2	1
Foreign owned SMEs	5	4	3	2	1
Others (specify)	5	4	3	2	1

29. Have you ever borrowed money from the bank?

Yes	1
No	2

30. If no, why not?

Reason	
No need	1
High interest rate	2
No collateral security	3
Loan application procedure too complicated	4
Other	5

31. If applied, have you ever been denied to borrow money from a bank?

Yes	1
No	2

32. If yes, why?

Reason	
No collateral security	1
No business plan	2
Lack of references	3
Others (specify)	4

33. If you have borrowed money from the bank (or anywhere else), what did you use it for? (You may circle more than one.)

Loan was used for	
Buildings	1
Equipment	2
Furniture	3
Vehicle	4
Stock/inventory	5
Raw material	6
Salaries	7
Others	8

34. Are you aware of the following supportive organisations?

Organisation	Aware and Used	Aware	Not sure	Never Heard of
Namibia Foundation trust	4	3	2	1
Namibia Development Corporation	4	3	2	1
Development Bank of Namibia	4	3	2	1
Agricultural bank of Namibia	4	3	2	1
SME Bank	4	3	2	1
First National Bank	4	3	2	1
Bank Windhoek	4	3	2	1
Standard Bank	4	3	2	1
Ministry of Trade and Industry	4	3	2	1
Namibia Chamber of Commerce and Industry	4	3	2	1
Inland Revenue	4	3	2	1

35. Any other information that you want to share with the interviewer?

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THANK YOU

APPENDIX B

**AN INTERVIEW GUIDE FOR SUPPORTING INSTITUTIONS: THE
NAMIBIA CHAMBER OF COMMERCE AND INDUSTRY.**

1. We now have an SME Bank in Namibia with special programmes for SMEs.

According to your records, has this helped the SMEs in acquiring necessary funds than before?

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2. The Ministry of Industrialization, Trade and SME Development is busy reviewing the SME Policy Framework of 1997. Are you directly involved in the review of the new policy on behalf of your members?

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3. Your members include larger businesses as well as small businesses. Are co-operations between larger businesses and SMEs encouraged?

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4. Do larger enterprises outsource to SMEs in terms of contracts or training?

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5. Which initiatives have been taken by your institution to improve the SMEs general business climate?

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6. How SMEs are being affected by bigger firms when it comes to competition?

What is the role of the NCCI regarding this matter?

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7. One of the objectives of the Ministry of Industrialisation, Trade and SME

Development is to promote SME growth and development. What is your opinion regarding the growth level of SME in the country?

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8. What are the challenges facing SMEs growth and development?

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9. What measures are in place aimed to tackle such challenges?

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10. What measures are undertaken by your institution to empower SMEs?

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11. What support programs offered to SMEs from your institution?

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12. Your institution also gives educational/awareness programmes to SMEs. Is there a follow up programme that oversees the implementation of knowledge and skills acquired from those programmes?

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13. In the Namibian Industrial policy, it is mentioned that one of the priority is to promote training and development programmes for SME entrepreneurs. Are these programmes being implemented? What is the contribution of NCCI in these programmes?

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14. Any other information that you would like to share?

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THANK YOU

APPENDIX C

**AN INTERVIEW GUIDE FOR SUPPORTING INSTITUTIONS: THE
MINISTRY OF INDUSTRIALISATION, TRADE AND SME DEVELOPMENT
(MITDS).**

1. We now have an SME Bank in Namibia with special programmes for SMEs.

Has this helped the SMEs in acquiring necessary funds than before?

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2. The Ministry of Industrialization, Trade and SME is busy reviewing the SME Policy Framework of 1997. What was the problem that hindered the Ministry not to review it earlier than now? And what will be different from the existing policy?

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3. Are co-operations between larger businesses and SMEs encouraged?

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4. Do larger enterprises outsource to SMEs in terms of contracts or training?

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5. Which initiatives have been taken to improve the SMEs general business climate?

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6. How SMEs are being affected by bigger firms when it comes to competition?

What is the role of the Ministry regarding this matter?

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7. One of the objectives of the Ministry is to promote SME growth and development. Is there a noticeable growth in a number of active SMEs?

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8. What are the challenges facing SMEs growth and development?

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9. What measures are in place aimed to tackle such challenges?

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10. What measures are undertaken by your institution to empower SMEs?

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11. What support programs offered to SMEs by the Government?

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12. Your institution also gives a premises and machinery benefits to SMEs. Is there a follow up programme that oversees the utilization of such machinery and premises?

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13. In the Namibian Industrial policy, it is mentioned that one of the priority is to promote training and development programmes for SME entrepreneurs. Are these programmes being implemented? What are the focal points in these programmes?

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14. Any other information that you would like to share?

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THANK YOU