The Value of Information Resources in Sustaining SMME Projects in Limpopo Province

L Ledwaba
Department of Sports, Arts and Culture, Limpopo, South Africa

L Makgahlela
University of Limpopo, South Africa

Abstract: Information is crucial for improvement of the lives of any nation and has no substitute when it comes to the development because it has been identified as the driver of economic growth and productivity. There has been an acknowledgement from government that the previous regime government neglected the potential contribution of the SMMEs towards economic growth and job creation. South Africa continues to struggle with the sustainability of SMMEs. Most of these SMMEs are found in rural area of Limpopo and in agriculture and in health. Most of the SMME projects cover rural communities in Africa where the projects do not survive due to lack of relevant information. The information needs of SMME project owners vary. Therefore, such needs should be identified and matched with the resources. SMMEs may need information on how to run projects, the cost of project and know other project owners doing similar business. For example, those who are involved in the production or selling of goods would like to know where to products/good at a cheaper price, where to market them, and find customers for the products or goods. Project owners get information from different information centres. The majority of SMMEs have failed to grow or rather, more seriously, they have failed to survive. The failure is sometimes associated to a lack of access to information largely due to the fact that information is still not seen as an important as other natural resources by planners, developers and governments. There are SMMEs that do not consider the information as the important resource that would enable them to develop and sustain their projects. There are different types of SMMEs depending on the nature of their daily operations, the market they are in, and how they are organised and managed, agricultural farming, poultry farming, but they all need information. SMMEs need access to timely and relevant information. This paper seeks to establish the value of information resources to SMMEs. Thus the paper will assist to identify information needs of SMMEs, improving access to information and improving provision of quality information to these owners. Lastly, the authors of this paper suggest solutions on the lack of access to relevant information questions so as to improve sustainability of the SMMEs in Limpopo Province.

Keywords: SMME, projects, Limpopo Province, information, entrepreneurs, production, development

1. Introduction

global business landscape has been evolving in the last decades. According to Jorosi, (2006:97) "today's business environment is fraught with uncertainty, diverse global players, rapid technological change, wide spread price wars and seemingly endless reorganisation, all of which exert pressure on the business environment". Information is seen as one of the most important weapon that SMMEs can use to deal with these challenges. High rate of unemployment and staggering economic growth all over the world is a big concern for researchers, policy makers and government, and South African is not an exception. However, SMMEs has been seen as having the potential to be one of the most critical contributors to South Africa's job creations and economic growth. There is consensus among researchers, economists and policy makers that SMMEs play an important role in job creation to solve the high unemployment rate and economic growth. South African government have also realised the importance of SMMEs to the economy. A healthy SMMEs sector contributes immensely to the economy growth and creation of job opportunities. This research is driven by the arguments that SMMEs in South Africa have not been sustainable. It would not be accurate to claim that access to funding would lead directly to healthy entrepreneurial environment. There are other various factors that SMMEs need to have access to in order to have a healthy entrepreneurial environment.
A number of studies of the value of information on small, medium, and micro enterprises (SMME) have been covered widely in literature. Thus a new Ministry of Small Business Development was established in 2014 to facilitate the promotion and development of SMMEs in the country. According to the DTI, (2008) SMMEs “contribute significantly to national GDP and have proved to be major contributors to job creation”. However, experienced on the ground suggested that SMMEs in South Africa are faced with several difficulties in accessing information. Tlhomola, Rankhumise and van Niekerk (2010:3) posit that “apart from the lack of funding, SMMEs appear to suffer from a lack of information and efficient production technologies, scant use of management and control systems, inability to access consulting services and other related deficiencies”. This research was aimed at exploring the value of information resources in sustaining SMME projects in Limpopo Province. Most of the SMME projects cover rural communities in Limpopo Province do not survive due to lack of relevant information. The information needs of SMME project owners varies. Information is crucial for improvement of the lives of any nation and has no substitute when it comes to the development because it has been identified as the driver of economic growth and productivity. Therefore, such needs should be identified and matched with the resources.

There is consensus among researchers, policy makers, economists, and business experts that SMMEs are drivers of job creation and economic growth. SMMEs are faced with a competitive and constantly changing environment. The high level of unemployment and staggering economic growth in South Africa dictated the government to invest more money in SMMEs. Despite the significant role played by SMMEs in job creation and local economic growth, SMMEs in South Africa, are still faced with challenges that hinders job creation and economic growth. Majority of SMMEs has failed to grow or rather more seriously, they have failed to survive. Apart from funding and access to finance, SMMEs are faced with other challenges. It is an undisputable fact that access to information resources plays a critical role in sustaining SMMEs. Research evidence suggests that the failure of SMMEs is sometimes associated with lack of access to information largely due to the fact that information is still not seen as an important as other natural resources by like capital, land and labour. It can be concluded that the timeous access to information resources by SMMEs may reduce the risk of failing business. One major problem that is hampering development of SMMEs in Limpopo Province is lack of access to information. It is however becoming clearer that majority of SMMEs in Limpopo Province do not see the value of information resources or let alone have access to information resources. There are numerous benefits that could accrue if the relevant information is availed to the SMMEs. However, experiences on the ground suggest that SMMEs in South Africa are faced with several difficulties in accessing information. Unsurprisingly, based on the problems stated above the need for all SMMEs to have access to information cannot be overemphasised. It is against this statement that this study was instituted to investigate the value of information resources in sustaining SMME projects in Limpopo Province.

2. What are SMMEs?

SMMEs are an essential panacea for improving the standards of living in a society and the stability of a country. The definitions of SMMEs vary from country to country, and depending on the type of industry they are affiliated with (Esselaar, Stork, Ndilwana & Deen-Swarray, 2007:88). This implies that SMMEs in the construction industry will not be defined in the same way as SMMEs in the services sector (Modiba, 2010:32). A plethora of definitions exist and it becomes evident that there is no single, uniformly accepted definition for a ‘small’ enterprise. Nsegiyumva (2006:47) observed that even within countries like Ghana, Rwanda and Nigeria it is difficult to find a common definition. Modiba (2010:32) further states that SMMEs can in general be defined as small businesses that have a small number of employees.

The National Small Business Act (South Africa, 1996) defines micro, small and medium businesses (SMMEs) as: “a separate and distinct business entity, including cooperative enterprises and non-governmental 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 and which can be classified as a very small, a small, a micro- or a medium enterprise (SMME)”. According to the aforementioned Act, an enterprise is considered to be an SMME if it has between 1 and 200 full-time employees, makes a turnover of less than R50 million, has assets worth R30 million and has a fixed
address. SMMEs can be either be formal, which means legally registered with the Companies and Intellectual Property Registration Office (CIPRO), tax revenue, value added tax (VAT) and other bodies, or informal which are those that are not registered at all. All SMMEs fall under a specific industry which could be construction, services, agriculture or manufacturing. The type of industry with which an SMME is affiliated determines the differences (Modiba, 2010:36) and their information needs. For the purpose of this study, the South African context definition of SMMEs will be used.

3. The Role of SMMEs in South African Economy

Small businesses are the heart of many economies around the world. According to Mukumba (2014), SMMEs comprise over 90% of African business operations and contribute to over 50% of African employment and Growth Domestic Products (GDP). In South Africa, it has been indicated that SMMEs account about 91% of the formal business entities which contribute 51-57% to the GDP and 60% of employment (Lekhanya, 2015). According to the Banking Association South Africa (2014), SMMEs foster diversification through their development of new and unsaturated sectors of the economy. Moreover, the report by the Department of Trade and Industry of 1995 linked SMMEs to the country’s economic growth (Underwood, 2009:1). The development in business environment, globalisation and competition have necessitated the SMMEs to change the way they do information in order to survive. Literature shows that unemployment is one of the pressing issues that attract more attention in South Africa at the moment (Ngok & Smit, 2013). SMMEs can play a vital role in job creation and economic growth. This is because the cost to create one job in a small firm is less than creating a job at a big firm, as large businesses are more capital intensive (Davies, 2012). Job creation can help to solve some of the many pressing socio-economic problems such as unemployment, poverty and crime. In addition, innovative and technology-based small and medium enterprises can provide a platform for local, regional and international growth, especially in Brazil, Russia, India, China, South Africa (BRICS) economy (Lekhanya, 2015). However, despite the above-mentioned commendable contribution of SMMEs towards economic growth and job creation, SMMEs in Limpopo like in many other provinces and countries faces a variety of constraints. Majority of SMMEs has failed to grow or rather more seriously, they have failed to survive. The constraints are sometimes associated with lack of access to information largely due to the fact that information is still not seen as an important as other natural resources by planners, developers and governments. One of the major significant constraints to the SMMEs sector is the lack of credible information to support the businesses. Chiware (2007:136) underscores that the ability of SMMEs to survive in an increasingly competitive global environment is largely dependent upon their capacity to access and use business information as an economic resource.

4. Business Information Needs of SMMEs

Information is generally described as the data that has been processed. Chiware (2007:23) views information as a strategic commodity that brings value to business activities. An individual’s information need is usually tricked by the problems encountered by that individual. In business, the information needs of SMMEs are driven by types of business activity, size of business, stage of growth, and the education level of the business owner (Jaworski, 2012:13). According to Feldmann (2014), business community requires both financial and nonfinancial business information in order to develop effective business ventures. Jaworski (2012) found that SMMEs in Poland were more concerned with short-term financial information needs such as information on liquidity, profitability, operation efficiency, cash flow, income, and costs of products than long-term financial information needs such as how to manage debt, cost of capital, net profitability of investments, current and future value of a business venture, payback period and net return on investment. In contrast, Kamunge, Njeru and Tirimba (2014) examined non-financial information needs of SMMEs and found that the needs include business matters, infrastructure development, information on available institutional support and networks, information on trade policies and legal framework. Okello-Obura, Minishi-Majanja, Linda Cloete and Ikoja-Odongo (2008) point out that the most needed information by the business enterprises include such as business contacts which involves information on business and marketing partners, technology providers, public incentives bodies, available market opportunities such as procurement and marketing opportunities; markets
for products or goods; and services and research information, general business information such as registration, procedures, laws, taxation and tariffs, sector statistics such as target markets and prices, business potential and business trends such as resources for development; and changes in demand, supply and prices and adequate information and knowledge for new product/service development, design or innovation. The aforementioned information needs are both financial and non-financial and they promote growth of the SMMEs. This is in tandem with the results of the study conducted by Rufaro, Chiware and Dick (2008) which show that the information needs of SMMEs can be ranked as: sources of finance, marketing, production processes, training in business management and development, government policies on SMMEs, sources of raw materials, government regulations and technical information. Through the use of information, managers of SMMEs are also able to adapt their organisations to changes in order to sustain and prosper.

5. Value of Information to SMMEs

SMMEs are important drivers of economic growth and development in South Africa, particularly Limpopo Province. However, their development and growth are deprived of availability and accessibility of relevant information (Okello-Obura, Minishi-Majanja, Cloete & Ikoja-Odongo, 2007:1). Access to information for SMMEs is important in that it provides entrepreneurs with a competitive edge in running their businesses. Without access to information, entrepreneurs will not know about financial institutions and government bodies that can assist them with funds to start up and sustain their businesses. Bank (2014:1) acknowledges the value of facilitating access of credit financial information by SMEs, and linked it to growth and development of the SMME sector, and to the creation of jobs and cohesion in the community.

SMMEs need to have access to adequate information to enhance productivity and to facilitate market access. Chiware (2007) states that the lack of business information affects growth and SMMEs’ ability to provide jobs and income opportunities in both urban and remote rural areas. Entrepreneurs should be aware of fellow business people with whom they can form partnerships in order to strengthen their business. This can only be achieved if relevant and reliable information is available for them.

The value of business information cannot be overemphasised. It helps the entrepreneur to be abreast of the latest development in the business sector and increases the entrepreneur’s knowledge and skills. Gichohi (2016) concurs with this view and notes that information enlightens one on how best to handle business customers and configure available resources in order to pursue identified business opportunities. It also equips one with the ability to overcome inhibiting personal, economic and socio-cultural factors. Bouthillier (2013:126) established that the business community sought and accessed information in order to identify business opportunities, to start businesses, understand competition, and to identify markets. Small businesses cannot operate properly if their owners lack information. Entrepreneurs need information to start and sustain their businesses. Gichohi (2016:76) argues that such information plays a critical role in opportunity recognition and notes that it is the access to information and how one utilises it that makes the difference on new business venture development. As such, this information should be communicated to sustain small businesses.

6. Information Sources that Support SMMEs

An information source is any material regardless of its form that contains facts, ideas, and data in an organised manner to meet the needs of the intended user (Gichohi, 2016:48). Information sources that support SMMEs are called business information sources. Information sources can be available in various forms such as print, CD-ROM, audio visual or online. They can be found in various libraries such as public libraries, academic libraries, special libraries, government ministries, and in various bookstores. According to Okello-Obura (2007) a business information source can be formal such as government published reports, and trade journals or informal such as colleagues, customers and suppliers.

The usefulness of business information sources is largely dependent on the type of the industry and information characteristics. Wilson (2013) established common sources and places consulted by the SMMEs community for business information in the state of Arizona in USA. They are: internet, colleagues, professional associations, government agencies, books, library, research databases, consultants and librarians.
Bouthillier (2013) observes that most of SMMEs consult informal sources of information such as colleagues, suppliers and customers. Other sources accessed for business information included: internet (online journals and websites), electronic databases, libraries and documentation centres. In the same vein, Okello-Obura et al. (2008) shows that the SMMEs are less likely to access formal sources of information as they tend to rely largely on advice from family, friends and other business owners.

7. Awareness of the Value of Information to SMMEs

The utilisation of information resources is largely dictated by the level of awareness. There will be no information provision if entrepreneurs are not aware of the information services provided by government departments, libraries, independent information brokers, or SMME business service providers. A study conducted in Uganda by Okello-Obura et al. (2008) attributed the overwrought accessibility of business information by SMMEs in Uganda to the lack of proper information support systems, poor awareness of business information, its value, and where to obtain it as well as unfamiliarity of information professionals in business related matters. The study shows that the SMMEs depend, mostly, on informal institutions as they lack an awareness of important business information provision agencies or institutions.

Bank (2014) is of the opinion that small enterprises are unaware of government initiatives to support them. This is not a surprise because they might not know the procedures that they have to follow in order to access such support programmes. This may be as a result of lack of information. It is therefore necessary for information hubs and campaigns to be introduced in order to ensure that entrepreneurs have access to information.

Seeletse (2014) found that one of the key obstacles to the growth and development of SMMEs that are operated by indigenous South Africans in South African townships is the lack of awareness about support programmes that are provided to SMMEs by the South African National Department of Trade and Industry. Poor awareness of information resources available to the business community also featured in the study by Gichohi (2016), which indicates the awareness gap that needs to be addressed. The results of the study by Gichohi (2016) indicate that 30.1% of small-business enterprises are not aware of the public library as a place for business information while a high percentage (60.1%) said that they have never used a public library. Moreover, many small and medium-sized enterprise cases studied by Kinnell, Feather and Matthews (1994:17) were noted to be largely unaware of the existence of business information services.

8. Challenges on Information Access

Despite the aforementioned value of business information, the availability and accessibility of information is facing serious challenges. Illiteracy is a serious problem for most of the entrepreneurs in Limpopo. Mbuyisa and Leonard (2015) attest that the owners of SMMEs on average are less educated. As such, they lack information retrieval skills and cannot realise their information needs. Related to illiteracy are the challenges faced in accessing information in the electronic era. Mbuyisa and Leonard (2015) posit that the owners of SMMEs lack knowledge on how to use computers and applications that would be beneficial in running their businesses. The study by Anwar and Tuqan (2006:344) established the information literacy challenges affecting SMMEs in the electronic environment to mainly include: the accuracy and credibility of information, lack of knowhow, lack of confidentiality, difficulty in contacting concerned individuals, difficulties in getting the right information, inability to access some information, information overload, time economy issues, and lack of professionalism by information providers. Some entrepreneurs may also experience the lack of money to access internet cafes to use electronic sources.

Although libraries are expected to provide entrepreneurs with relevant information, Underwood (2009) found out that the levels of computer awareness were not high amongst the community and many librarians also lack training in the provision of business information and the use of computers to locate information. In addition to this, Underwood (2009) established a lack of books and other resources that are relevant to the needs of entrepreneurs and owners of SMMEs in libraries. In addition, Mamafha, Ngulube and Ndwandwe (2014:4) notes that small-scale business community users at public libraries are facing information access challenges ranging from distance, lack of knowledge on the use of ICT tools to retrieve information, and lack of relevant information sources
and services that are tailored to their information needs. Additionally, availability and accessibility of electronic information in libraries is facing challenges such as the licence agreement and the ownership versus the subscriptions dilemma, while other information is accessible only within the confines of a library (Rumsey & Spoiden, 2000:64). Asa, Casteel, Kraus and Whitten (2006:1867) voice their concern about crime that hampers small business development. These crimes include robbery, break-ins and vandalism which result in businesses losing ICT equipments which help them to access information such as computers are lost.

Many of small businesses in Limpopo Province are in the rural areas (Mbedzi, 2011:24), which might impact on a growth of small businesses. Business location may affect many businesses since they do not have access to information due to poor infrastructure. Ejembi and Ogiji (2007:7) have found that poor infrastructure hampers small business growth. Poor infrastructure includes bad roads, inadequate water supplies and erratic electricity supply. A lack of ICT poses a serious challenge to small businesses as they affect access to information. Chong (2008:469) explain that a lack of information and communication technology can lower customer satisfaction and seriously limit growth in small businesses.

South Africa has eleven official languages. It is a well-known that SMMEs managers are conversant in different languages. However, the business language is English of which many may not be proficient in. This poses a challenge not only to the consumer but also to the information providers as they are unsure as to which language to use when presenting information. The other biggest challenge has been on the issue of translating the language into indigenous language. The experience of library business corners from South Africa Western Cape, reported the lack of business-related materials in a range of indigenous language as a key hindrance to the provision and utilisation of business information sources (Gichohi, 2016). In relation to this, Mamafha, Ngulube and Ndwandwe (2014) have emphasised the need to provide information sources in vernacular languages to promote access and utilisation of business information by SMMEs.

9. Research Methods

The aim of the study was to explore the value of information resources in sustaining SMME projects in Limpopo Province. This paper is conceptual in nature and it seeks to explore the value of information resources in sustaining SMMEs. To reach this aim the following research questions were developed: What is the value of information on sustaining SMMEs? What is the level of awareness of the value of information on sustaining SMMEs? Does access to information has any value towards SMMEs? This study employed the literature review process to investigate the value of information resources in sustaining SMMEs in Limpopo Province.

10. Results and Discussions

This paper wanted to establish the following: What is the value of information on sustaining SMMEs? What is the level of awareness of the value of information on sustaining SMMEs? Does access to information has any value towards SMMEs? The results showed as follow:

10.1 The Value of Information on Sustaining SMMEs

An important finding from this study is that SMMEs contribute significantly to the economy of both the developing and the developed countries through the creation of employment and the innovation of the economy as a whole. But the finding of the study also shows that SMMEs have not seen the value of information in sustaining their businesses. Thus, the value of information on sustaining SMMEs cannot be overemphasised. A poor province such as Limpopo is in dire need of adequate and credible business information for high productivity of SMMEs and economic development. The finding also revealed that SMMEs in Limpopo Province need a wide range of both financial and non-financial business information. It emerged that information equips entrepreneurs with the ability to overcome inhibiting personal, economic and socio-cultural factors so as to alleviate poverty and crime.

10.2 To Identify the Awareness of the Value of Information in Sustaining SMMEs

The importance of the SMMEs is widely recognised and it is therefore essential that small businesses survive and prosper. For SMMEs to survive, entrepreneurs should be aware of the value of information which can help them to grow their businesses. The current study reveals that entrepreneurs lack
awareness of the value of information and this has negatively affected the growth and funding opportunities of the SMMEs. For example, a study by Orford et al. (2004) observed that a low level of SMME awareness of government support programmes constrained SMME access to finance. The findings of this study suggest that there are many information related challenges which still need to be addressed by Limpopo business communities and Limpopo government and all the affiliated stakeholders such as commercial banks. Therefore, the following recommendations would be helpful in dealing with identified problems.

• Improving accessibility of business information in the SMME sector by raising awareness of business information services for SMMEs.

• Training entrepreneurs to retrieve information using ICT

• Running more campaigns to raise awareness of existing business information services for SMMEs (Rufaro, Chiware & Dick, 2008:34).

• Enhance the ability of public libraries to offer business information. Public libraries were deemed to be better placed in addressing the numerous business information needs of SMMEs by compiling business profiles which would help to inform the nature of information sources to stock and the kind of information services to provide (Gichohi, 2016).

11. Conclusion

Despite South Africa's good legislative and policy frameworks regarding support of SMMEs, evidence gathered through literature review suggests that information resources do not form part of that support. Unarguably, as the entrepreneurial world evolves, it becomes critical for SMMEs to change and adapt so that they can be sustainable. Based on the literature surveyed in this paper, it was found that information plays a crucial role in sustaining SMMEs and that the lack of awareness about the value of information contributes to the high failure rate of SMMEs in Limpopo Province. The study also revealed that a lack of access to information has led to many SMMEs missing out on opportunities of government support and financial support. The study also confirmed that there is a need to educate and bring about awareness to the entrepreneurs in various information access skills. The paper argues that the most of the entrepreneurs do not understand the functions of information in sustaining their business and are therefore not geared to approach the financial institutions and other institutions that can help them even if there are huge opportunities available for them. This study can serve as a guide to government agencies to improve access to information to SMMEs, which will enable the SMMEs to play an increased role in the economic growth and job creation. The study concludes that amongst other challenges, the SMMEs in the Limpopo Province lacks access to information resources and thus hampering the sustainable development of SMMEs sector and aces to the necessary financial and human resource. The study recommends that government should make the necessary efforts to gather and organise the needed business information by SMMEs.

References


