

***SITUATIONAL ANALYSIS OF AGRICULTURAL BUSINESSES WITHIN
AGANANG MUNICIPALITY***

by

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DECLARATION

I, MAISHIBE JOHANNA MABELEBELE, declare that the dissertation hereby submitted to the University of Limpopo, for the Degree of Master of Business Administration (MBA) has not been previously submitted by me for a degree at this or any other university, that it is my work in design and in execution, and all material contained herein has been duly acknowledged.

Signed _____

Date _____

DEDICATION

I dedicate this study to my late mother, Raisibe Koloki Florah Mosena. To my loving husband, Monty, to my beautiful daughters , Maropeng and Itumeleng, my son Kgaugelo John, my granddaughter, Katlego Koloki thanks for being there for me during hard times. You are all my inspiration. Thank you for your support and encouragement.

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ABSTRACT

The South African economic system is reliant to a greater extent on the availability of resources within this economy. Agricultural business opportunities should be properly explored to contribute significantly towards LED and the S.A economy at large. The aim of this study is to determine the situation of agricultural businesses, analyse the situation and give recommendations as input to the strategy that will assist to effectively improve the performance of agricultural businesses in Aganang municipality and their contribution to economic growth of the municipality.

A general census of all these agricultural businesses within Aganang municipality as registered in the municipal LED database was considered for the research. Two different questionnaires were distributed to the two categories in the population, one for the officials and the other for business owners/managers. The results indicated that agricultural businesses in Aganang municipality are not aware of agricultural business opportunities and support programmes offered by government. They therefore do not participate in such programmes, remain survivalist and thus do not contribute to the economic growth of the municipality.

The study recommends that:

- The younger generation should be involved in the agricultural sector.
- An active learning and entrepreneurship skill development programme at secondary school level should be considered.
- More farmers should be encouraged to engage in goat and cattle farming as the climate and soil structure dictates.
- There should be coordination of SMME including agricultural business development activities, within the municipality.

LIST OF ABBREVIATIONS

DTI	-	Department of Trade and Industry
IDP	-	Integrated Development Plan.
LED	-	Local Economic Development
CDM	-	Capricorn District Municipality
GDP	-	Gross Domestic Product
LIMDEV	-	Limpopo Economic Development Enterprises
SMME	-	Small Medium and Micro Enterprises
LIBSA	-	Limpopo Business Support Agency
KHULA	-	Khula Enterprises Finance Scheme
NTSIKA	-	Ntsika Enterprise Development Agency
NAMAC	-	National Manufacturing Advisory Centre
SEDA	-	Small Business Development Agency
SABS	-	South African Bureau of Standards
DBSA	-	Development Bank of Southern Africa
LDA	-	Limpopo Department of Agriculture
LEGDP	-	Limpopo Employment, Growth and Development Plan
SALGA	-	South African Local Government Association
CSIR	-	Council for Scientific and Industrial Research
IDC	-	Industrial Development Corporation
SETA	-	Sectoral Education and Training Authority
BRICS	-	Brazil, India, China and South Africa

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CHAPTER ONE

BACKGROUND AND CONTEXTUALISATION OF THE STUDY

1.1. INTRODUCTION

Limpopo is one of the provinces with abundant horticulture and other agricultural resources in South Africa. The Limpopo Growth and Development Strategy (LGDS, 2005) puts emphasis on agriculture as a pillar of the economic development in the province. Aganang Municipality is one of the municipalities under Capricorn District Municipality. It has a Local Economic Development (LED) strategy that has identified three agricultural clusters for the development of people of this municipality: namely poultry, red meat and crop clusters.

This strategy is also aimed at economic development in the rural areas. One of the strategies to improve the situation is to have more people engaged in agricultural businesses as a strategy to improve economic growth of the municipality, the province and the country at large. Agricultural business is defined as a group of industries concerned with agricultural produce and services (Kavanagh, 2002:22).

According to King, Boehlje, Cook and Sonka (2010:554), agribusiness is the sum total of all operations involved in the manufacturing and distribution of farm supplies, production operation on the farm and storage, processing, and distribution of farm commodities and items made from them. Thus agribusiness essentially encompasses today the functions which the term agriculture denoted 150 years ago (King *et al.*, 2010:554).

Agricultural business is a generic term that refers to the industry concerned with the production and sale of farm produce (Horn, 2000:23). The term has two distinctly different connotations depending on the context. For the purpose of this research, agricultural business shall concentrate

on or cover crop and stock farming, food production as well as marketing and retailing of these agricultural produce.

The Aganang LED Strategy (2007:3) identifies agriculture and tourism as the key economic drivers of the municipality. These areas are further in line with key economic drivers of the economy of Limpopo province as identified by the Limpopo Employment, Growth and Development Plan (LEGDP: 2008). However, a lot of work still needs to be done to take both agriculture and tourism to another level.

The Aganang Integrated Development Plan (IDP 2010: 23) has a number of community based projects initiatives that are running within the municipality. These range from poultry farming (both broilers and egg production), goat farming, cattle projects and vegetables production.

Assumptions by Callaghan and Zolin (2010:114) indicate that food security remains a primary objective of all government. Land, a rare factor of production should not be used for bringing about a solution to our country's energy problems. The economic development of the Brazil, Russia, India, China and South Africa (BRICS) trade agreement, translates itself by an overall increasing imbalance between world supply of and demand for agricultural and energy products (Callaghan and Zolin 2010: 115). Agricultural business is seen to be one of the major drivers of the economy especially in rural areas and it is therefore important to nurture it.

This research will therefore focus on the above activities with more emphasis on crop production, poultry (both broilers and egg layers) and red meat production (goat and cattle). The challenge is that most people in the municipality practice subsistence farming as a way of providing food (livelihood) to their families. These can be turned into agricultural businesses that can then contribute towards poverty alleviation and economic growth of the municipality and the province.

1.2. Problem statement

Aganang Municipality is one of the five municipalities within the Capricorn District Municipality. There are limited economic activities within the municipality as such most of the income is from government employment like health, education and social and development departments. According to the Aganang Municipality LED strategy (2007:2), the total value of economic production in Aganang Municipality for 2005 was estimated at R440 million. This is only 3% of the Capricorn District Gross Domestic Product (GDP). The largest sector in the local economy by far is government services, with a contribution of 40,3% (Aganang 2007:2).

This is represented mostly by salaries for government officials. The second biggest contribution is from finance, real estate and business services with a contribution of 16%. Trade and catering is in the third position with a contribution of 11%. According to the LED strategy, this poses a problem or challenge that economic development agents are faced with. It should be noted that agriculture only contributes 1% to the municipality's economy. This is really low especially in an area that appears to have considerable agricultural potential. It could be that yields from subsistence agriculture are very low or under-recorded, or both. According to Aganang LED strategy (2007:3), participation in farming and productivity levels were very low. There are few agricultural activities within the municipality which can be supported and increased to boost economic growth within the municipality. Therefore, it is important to look into the challenges faced by farmers in this area as a way of checking how they can be assisted to be economically viable (Aganang 2007:3).

1.3. The significance of the study

The justification and significance of the study are concerned with three major questions identified by Creswell (1994:111): How is the study going to add to scholarly research and to the literature in the field? How will the study improve practice? Why will the study improve policy? i.e. What prompted the researcher to conduct the study?

The aim of this study is to determine the situation of agricultural businesses, analyse the situation and give recommendations as input to the strategy that will assist to effectively improve the performance of agricultural businesses in Aganang Municipality. This will enhance economic growth of the municipality. The study will ensure there is information on the situation of agricultural businesses within Aganang Municipality. It is expected that there will be improvement in the operation of agricultural businesses. The situational analysis report will be given to the municipality as an input to review their LED strategy.

The study could benefit the Aganang Municipality and other municipalities by offering them a situational analysis of agricultural business, to derive and effectively implement agricultural business strategy in improving economic growth and development. The analysis will also help in identifying factors that make it difficult for these businesses to thrive and thus help the economy of the area. Therefore, the agricultural businesses will know what to avoid in future in order to thrive. On the other hand, the study may identify critical success factors which some have experienced and which have helped them to thrive and grow. These will be documented to help others who are currently in agricultural business as well as those who aspire to enter this type of business. Thus, the main impact the study envisages is helping agricultural businesses to become economically viable and uplifting the economy of the area.

1.4. Research questions

The main questions guiding this research are:

1.4.1. What is the situation of the agricultural businesses in Aganang municipality?

1.4.2. Can these businesses assist in improving the economy of this area?

Sub-questions are:

- a) Are agricultural businesses in Aganang effective in conducting their affairs, i.e. in the way businesses should ideally be conducted?

- b) Do they have business skills (i.e. marketing, finance / bookkeeping), to run their businesses?
- c) What factors contribute to their success / sustainability or failure?
- d) Do they contribute to improving the economy of the municipality?
- e) Are subsistence farmers within the Aganang Municipality aware of government support initiatives?

1.5. The aim and objectives of the study

1.5.1. The aim of the study

The aim of this study is to have a situational analysis of agricultural business in Aganang Municipality and assess their contribution to economic growth of the municipality.

1.5.2. Objectives of the study

The objectives of this study are:

- (a) To determine the situation of agricultural businesses in Aganang Municipality.
- (b) To identify factors that contribute towards their success / sustainability or failure.
- (c) To identify support programmes available to assist the agricultural businesses within Aganang municipality.
- (d) To evaluate whether subsistence farmers are aware of agricultural business opportunities offered by government and private sector.
- (e) To find out if these farmers utilise the available opportunities
- (f) If they do, find out if they found such services useful or not
- (g) If they do not, find out reasons for not utilising those services.

1.6. Assumptions

The study assumes that agricultural businesses in Aganang municipality are not sustainable due to the fact that they:

- Do not conduct their businesses effectively.
- Do not keep financial records for their entities.
- Do not use effective marketing methods for their products.
- Are not innovative, creative and not prepared to take risks to enable them to manage their entities and put down adequate capital needed for the establishment and growth of their businesses.
- Are not able to perform the general management functions.

1.7. Research methodology

The study will focus on agricultural businesses in Aganang Municipality within the jurisdiction of the Capricorn District of the Limpopo Province. All agricultural businesses including crop production, poultry (both broilers and egg layers) and red meat production (goat and cattle) will be included in the study.

1.7.1. Research design

A research design can be defined as a plan according to which we obtain research participants (subjects) and collect information from them (Welman, Kruger and Mitchell 2005:52). This is a mostly quantitative study that will survey the situation of the farmers in Aganang municipality.

1.7.2. Study area

The study will be focused on agricultural businesses within Aganang Municipality. According to the Integrated Development Plan (IDP: 2011 - 2012), the municipality is situated 45 kilometres west of Polokwane. It is comprised of 105 villages and it is divided into 19 Wards. It covers an area of about 185.222 km². It is a rural municipality and has four Traditional Authorities namely Moletši, Matlala, Maraba and Mashashane. It is the fourth densely populated municipality within Capricorn District and has a population of 142.861 and total of 33.214 households (Aganang IDP

2011-2012:7). The research will therefore focus on the agricultural activities with emphasis on crop production, poultry (both broilers and egg layers) and red meat production (goat and cattle).

1.7.3. Target population

The target population consists of the thirty two (32) agricultural businesses within Aganang Municipal area. These include those that are still operational and those that used to operate but for one reason or the other were closed down. Those that are not operational were included to determine various reasons for their failure. This is done to assist the municipality to come up with approaches to ensure they are resuscitated or to help those that are operational or aspire to get into business.

1.7.4. Sampling

The aim is to take a census of all agricultural business in Aganang municipality as per the list provided by the municipality.

1.7.5. Method of collecting data

Questionnaires were designed and then distributed to be completed by the owner / managers of all identified agricultural businesses in Aganang. The LED officers and officers from the Department of Agriculture distributed and then collected the completed questionnaires again. There are two officers in the area. The questionnaires were explained to them so that they were able to help the respondents where they did not understand something.

1.7.6. Data analysis

Descriptive statistical methods were used (with the help of a statistician) to analyse the data collected. Analysis was done with the use of the Statistical Package for Social Science (SPSS).

1.8. Ethical consideration

- 1) Permission was requested and obtained from the Aganang Municipal Management prior to conducting the study.
- 2) The purpose of the study was explained, the questionnaire was sent to respondents in advance to obtain informed consent.
- 3) No names or identifying information were recorded in order to maintain anonymity and confidentiality.
- 4) All respondents were treated with respect and integrity.
- 5) The results of the study will be made available and accessible to interested stakeholders.

1.9. The outline of the study

The chapters of the study will be as follows:

- Chapter 1: Background and contextualisation of the study.

Chapter one gives background information to the problem, research questions, how the study has been conducted and ethical consideration.

- Chapter 2: Literature review.

Chapter two provides a theoretical framework within which this study will be based. It explains what agricultural farming is, presents research on its contribution to economic development in other countries and challenges faced by agricultural businesses. It introduces the different support programmes such as capacity building programmes that assist municipalities in effective implementation of agricultural business strategy as well as various provisions of legislation adopted by government in order to improve small businesses and their growth in South Africa.

- Chapter 3: Research methodology.

Chapter three will outline the selected research design and data collection procedures in order to reveal the situation of agricultural businesses within Aganang Municipality.

- Chapter 4: Results.

Chapter four will give a report on the findings from the research, and give graphical presentation of the research results.

- Chapter 5: Discussion, conclusion and recommendations.

The research findings will be discussed and linked to the literature review. Conclusions will also be drawn out from the research findings. The recommendations will be made as solutions to the problems identified.

1.10. Summary

This chapter has explained the background to the study, defined the problem and motivated the research, and explained the significance of the study. The research aims and objectives were also highlighted including a brief explanation of how the data will be collected. The next chapter reviews the literature.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The previous chapter gave an introduction and background to agricultural business as a strategy to alleviate poverty and increase the economic growth in the Aganang Municipality, identified the problem, aims and objectives of the study. This chapter provides a theoretical framework within which this study will be based. It explains what agricultural farming is, research on its contribution to economic development in other countries, challenges faced by agricultural business, the different support programmes such as capacity building programmes that assist municipalities in effective implementation of agricultural business strategy, and highlights different provisions of legislation adopted by government in order to improve small businesses and their growth in South Africa.

According to the Limpopo Employment, Growth and Development Plan (LEGDP, 2009 – 2014) Limpopo Province's contribution to the national GDP increased from 5.6% in 1996 to 6.8% in 2006 registering the highest percentage increase contribution over the period at 1.2%. This marked the province as the fifth biggest contributor to the national GDP. Besides the Western Cape, it is the only province which has increased its contribution to the national economy. This trend, which needs to be accelerated, will surely boost Limpopo's vision to be a major contributor to the national economy by 2030 (LEGDP, 2008: 36).

In 2008, the sectors that contributed the most to Aganang's economy were Community Services (46.9%), Finance (13.4%) and Transport (11.7%). It is a matter of concern that the largest sector, Community Services which consists of government services, is driving the economy by contributing output to the value of R56 billion. The three sectors that contributed the least to the

economy were Agriculture (0.7%), Mining (1.0%), and Electricity (3.0%) (See figure 2.1 underneath).

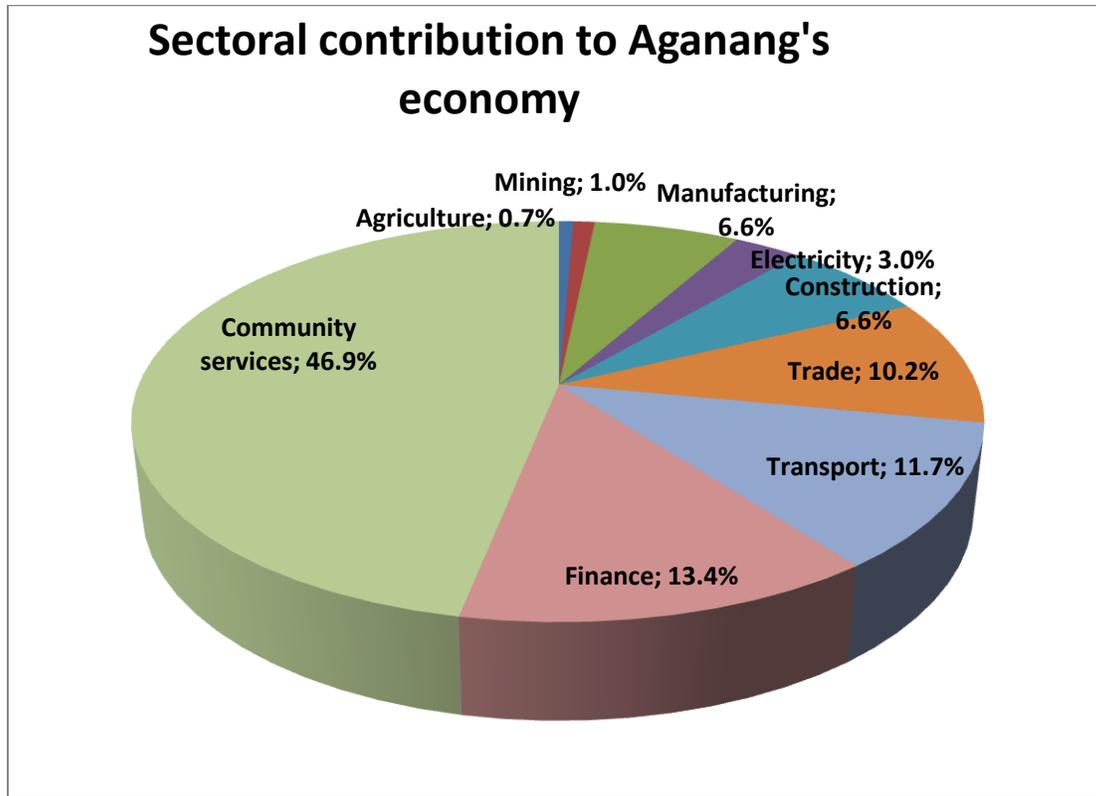


Figure 2.1. Sectoral contribution to Aganang municipality's economy.

Aganang Municipality, as any other sphere of government, has a responsibility to ensure economic growth through sustainable agricultural business as indicated in its LED strategy and in the Integrated Development Plan (IDP) (Aganang IDP, 2010: 9). Activities that could ensure growth of the agricultural sector at the municipality will be discussed in the section underneath.

High poverty levels undermine income generation by Aganang Municipality. Assisting the poor to organize themselves and provide them with the necessary skills and knowledge enables them to take charge of their own lives. Hence it is important to address hunger and starvation amongst the poor by promoting self-help subsistence and livelihood methods. This should be coupled with

facilitation of economic access and participation for the poor through co-operatives development, to improve quality of life (Aganang Local Municipality Economic Profile, 2010:23)

2.2. The concept of agricultural business

Agriculture is defined as the science and practice of farming, including the rearing of crops and animals while agricultural business is defined as the group of industries concerned with agricultural produce and services (Kavanagh, 2002: 23). Van Herren (1998), defines agriculture as the industry engaged in the production of plants and animals for food and fibre, the provision of agricultural supplies and services and the processing, sorting and distribution of agricultural produce. He further defines beef as the meat from cattle, usually to the meat of an animal over the age of one year (Van Herren, 1998: 465). His definition entails that for agricultural businesses, we have to put emphasis on both crop and stock production and processing. The sales of calves that are less than one year old will be excluded to the definition of beef or cattle farming.

The National Small Business Act 102 of 1996 defines Small, Medium and Micro Enterprises (SMMEs) based on the annual turnover that such businesses are able to achieve, the total gross asset value and the total number of full time employees that the business is able to employ and pay an amount equal to a minimum living wage. The amendment thereof, i.e. the National Small Business Act 29 of 2004 defines Small, Medium and Micro Enterprises (SMMEs) as a separate and distinct business entity, together with its branches or subsidiaries if any, including a cooperative enterprise and non-governmental organisations, managed by one owner or more predominantly carried in any sector or sub-sector of the economy.

Agricultural business, like any other business, falls within the definition of SMMEs and should thus follow all business management activities including planning. According to Maree and Casey (2003), production economics comprise of rules which will ensure that the choice or decision will achieve the maximum profit. They emphasise that these rules are normally applied

according to three steps namely: collecting physical and biological data and processing it into usable information, collecting price data and processing it into usable information, and applying the rules relevant to economic decision making in order to maximise profit.

Success in a farm is not incidental. Although good prices and timely rains contribute to success, profitable and growing business is the result of meaningful and thorough planning. Detailed planning is important, because farming is subject to numerous risks and uncertainty. Such risks and uncertainty stem directly from production and marketing circumstances peculiar to agriculture. Production is subject to climatic conditions that are neither predictable nor controllable, while marketing of agricultural produce is subject to fluctuations in demand and price. The risks and uncertainty related to production and to fluctuations in demand and price, make planning that more difficult, yet these very factors necessitate meaningful planning (Maree and Casey, 2003: 385).

Financiers consider four main factors when evaluating credit applications. One factor is not necessarily more important than the others, and all should be met before credit is granted. If any doubts exist concerning any of these factors, it is usually reflected by a higher interest rate on the borrowed funds. The following information is the minimum which will be required from the borrower in future:

- ◆ The financial achievement of the past: This information consists mainly of an income statement of the previous year's farming activities, balance sheet of previous years and ratio analysis that indicates changes in critical ratios.
- ◆ The current financial position as indicated by the current balance sheet and changes in the most important ratios.
- ◆ The future financial requirements as given by current budgets and the debt repayment ability.
- ◆ Security position as indicated by the valuation of land and other assets (Maree and Casey, 2003:394 -395).

2.3. Contribution of agricultural business to economic development

King *et al.* (2010) indicated that agricultural businesses contribute largely towards growth in the economy. This is evident from the study undertaken by the Howard Business School (King *et al.*, 2010:554).

According to Adams and Periton (2007), in its strictest sense, economic growth, is taken as meaning the growth of productive potential for the economy. However the usual definition of economic growth is an increase in real Gross National Product (GDP) (Adams and Periton, 2007:220).

A well functioning small business sector contributes to the economic and social growth of a country. It exerts a positive influence on the economies of all countries, particularly in the fast changing and increasingly competitive global market. SMMEs are recognised as playing a fundamental role in the advancement of prosperity in our communities. To ensure this economic prosperity in our country, the number of entrepreneurs who successfully establish and develop SMMEs needs to increase significantly (Nieman *et al.*, 2007: 28). The SA government recognises the importance of developing a strong Small, Medium and Micro Enterprises sector. Today it is internationally accepted and acknowledged that the SMME sector is an essential factor in promoting and achieving economic growth and development, and in the widespread creation of wealth and employment. To further this, a National Small Business Act was promulgated in 1996 (RSA 1996).

According to Okpara and Kabongo (2009:8), developing and developed countries alike have recognized the role and importance of Small, Medium and Micro Enterprises in generating employment, stimulating growth and creating social cohesion. Moreover, interest in SMMEs also seems to have been further revived in the face of globalization, which is increasingly becoming an influential force in the world economy. Because of their flexibility and quick adaptability to change, SMMEs are viewed as instruments capable of responding to globalization and poverty

alleviation in Africa. Although it is true that globalization creates opportunities for SMMEs in Africa to be effectively involved in the global economy, they must overcome the barriers constraining their development and survival. SMMEs' flexibility and adaptability promise their success in both domestic and global trade. Many SMMEs in African countries operate in an unfriendly policy and regulatory environment, have difficulties in accessing credit, lack sufficient markets for their products, use outdated technology, lack adequate working places, and have no sufficient training facilities that are designed to meet their specific needs. If SMMEs are to play any meaningful role in local, regional, and global markets, they have to be put on a footing comparable to their competitors. Yet to put them on such footing requires nurturing them and providing support in strategic areas. SMMEs are considered the engine for national economic growth and competitiveness. Specifically, the interest among policy makers and academics in the development of (SMMEs) stems from their capacity for wealth creation as well as sustainable employment (Okpara and Kabongo, 2009:8).

According to Mureithi (2002:63-64) a survey conducted in Kenya indicated that Small, Medium and Micro Enterprises (SMMEs) play a crucial role in the economy. The survey estimated that small business accounted for 12 - 14% of the GDP. They also created up to 250.000 new jobs annually but due to the vagaries of the economy and internal weakness, the rate of collapse among them was high. He indicated that 150.000 jobs were lost due to closures of small businesses, leaving a net of 100.000 jobs annually. The small businesses contributed significantly in poverty alleviation for households that would otherwise be desperately poor. He also noted the following challenges among the small business in Kenya:

- The incomes among various SMMEs varied widely. Those in urban areas had more income than rural based businesses. Gender disparity was significant as is the level of education - women led businesses had less income than those led by men.
- Lack of capital;
- Access to markets hampers expansion of SMMEs.

Mureithi argues that information is cited as a major constraint to growth. It is information regarding markets and the difficulty in gathering it. Furthermore it includes cost of access, awareness and required skills. Whilst the issue of rural communications have been addressed through tele-centres, access to technology and information are crucial to effective operation of SMMEs.

According to Ndabeni(2008), Small Medium and Micro Enterprises (SMMEs) are increasingly becoming a major feature of economic development policy in both developed and developing countries because of their labour-absorptive capacity and their contribution to poverty alleviation and employment creation. While SMMEs are acknowledged for their contribution to addressing poverty and employment creation, particularly in times of a shrinking public sector and big business, the conditions facing entrepreneurs, particularly in Africa, 'make simply surviving a miracle'. Indeed, SMMEs are described as pioneers of development that have flourished under supportive policy regimes but have managed to survive even in hostile environments. According to the United Nations Industrial Development Organization (UNIDO, 1997), small enterprises have flourished – due more perhaps to their inherent characteristics than to the government programmes to promote them. A first step towards achieving SMME growth is to accept that SMME entrepreneurs can be agents of change and growth, albeit that they cannot achieve this objective alone.

Indeed, South Africa's SMMEs are acknowledged as having a significant role to play in achieving a variety of objectives: social (poverty alleviation), economic (employment creation, increased incomes, and economic growth), and political (black economic empowerment). However, in both the developed and developing countries, many new ventures fail and only few survive and grow. A key challenge, therefore, is to transform the traditional ways of supporting small enterprises in order to increase their competitiveness and efficiency (Ndabeni, 2008:2).

Local economic development (LED) offers local government, the private and not-for-profit sectors, and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. LED encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance (World Bank Report, 2000:5).

The practice of local economic development can be undertaken at different geographic scales. A local government pursues LED strategies for the benefit of its jurisdiction, and individual communities and areas within a local government's jurisdiction can also pursue LED strategies to improve their economic competitiveness. Such approaches are most successful if pursued in partnership with local government strategies. LED is thus about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes. Local communities respond to their LED needs in many ways, and a variety of approaches can be taken that include:

- Ensuring that the local investment climate is functional for local businesses;
- Supporting small and medium sized enterprises;
- Encouraging the formation of new enterprises;
- Attracting external investment (nationally and internationally);
- Investing in physical (hard) infrastructure;
- Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
- Supporting the growth of particular clusters of businesses;
- Targeting particular parts of the city for regeneration or growth (areas based initiatives);
- Supporting informal and newly emerging businesses;
- Targeting certain disadvantaged groups.

The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation (World Bank Report, 2000:5-6).

Local Economic Development (LED) represents an approach to economic development which encourages local people to work together to achieve sustainable economic benefits and improved quality of life for all the residents in a local municipal area. The LED programme is intended to maximize the economic potential of all municipal areas around the country and to enhance the macro-economic growth through increased local growth, employment creation and development initiatives within the context of sustainable development. The implementation of LED programmes often requires broad-based, comprehensive initiatives through public / private sector partnerships that are strongly driven or led by the local municipalities. The private sector is often keen to manage initiatives aimed at improving vitality and viability of town centres, or to become involved in business development initiatives. Community groups may seek to lead initiatives to improve health, housing and economic conditions of the target group of disadvantaged individuals (World Bank Report, 2000:8).

The above mentioned literature indicates that the development of SMMEs, including agricultural businesses can contribute to the economic growth of the area where such businesses operate.

2.4. Challenges faced by Small-, Medium- and Micro-Enterprises (SMMEs).

Okpara and Kabongo (2009:10) indicated that while the contributions of small businesses to development are generally acknowledged, entrepreneurs are faced with many obstacles that limit their growth and survival. Research on small business development has shown that the rate of failure in developing countries is higher than in the developed world. It is also essential to understand the problems facing small business development in Africa because they are significantly different and unique from those being faced in developed countries. Problems facing the growth and survival of SMMEs in Africa can be generally classified into four broad

categories: (1) administrative, (2) operating, (3) strategic, and (4) exogenous problems. Okpara and Kabongo (2009) indicated that to date, very little research has been conducted on the factors constraining the growth and survival of small businesses in Nigeria in general, and none in particular on this specific topic. Thus, gaps exist with respect to understanding the problems facing small business owners in Nigeria.

Okpara and Kabongo (2009) found that management problems, including accounting, finance, personnel, and management issues, have been cited as a major cause of business failure for small businesses. The findings of a study by Tushabomwe-Kazooba (2006) as cited by Okpara and Kabongo (2009), revealed that poor record keeping and a lack of basic business management skills are major contributors to small business failure in Africa. The lack of management experience often makes it difficult for business owners to succeed. Researchers have also identified other factors hindering the success of small businesses, such as poor bookkeeping, inexperience in the field of business and the lack of technical knowledge, poor managerial skills, lack of planning, and lack of market research (Okpara and Kabongo, 2009:11).

In South Africa an unacceptable and disappointingly high number of SMMEs fail during their early years of operation. They face challenges. According to Nieman *et al.*, (2007:32), the largest percentage of SMMEs fails during the first two years of their existence due to cash flow problems that arise because they could not manage growth. Taking into account the high failure rate of new small enterprises and their importance to the national economy, it is critical to look at how challenges facing SMMEs could be overcome. These challenges include:

- Access to start-up and expansion finance
- Access to markets
- Access to appropriate technology
- Access to resources (including human resources)

2.4.1. Access to Start-up and Expansion Finance

According to Nieman *et al.* (2007: 33), access to appropriate finance is a major constraint on the successful development of SMMEs in SA. Too many creative ideas are not developed into viable new ventures due to lack of finance. The reasons for this lack of access to finance include:

- Risk aversion of the banking sector towards SMMEs
- There is a decline in strong alternative financial institutions
- Inadequate funding proposals and business plans

Nieman *et al.* (2007: 33) indicate that the above challenges could be overcome by:

- Business success: The business success and profitability of SMMEs need to be improved.
- Financial products: Financial institutions and Micro-Finance Institutions (MFIs) should provide SMMEs with appropriate financial products
- Training: SMMEs need to be trained and coached in conducting research on and presenting funding proposals, feasibility studies and business plans
- Financial guidance: financial institutions must provide guidance and direction to SMMEs that were denied finance as well as give them viable reasons why their loans were rejected.

2.4.2. Access to markets

The other challenge facing SMMEs is the lack of sustainable markets for their products or services. They tend to produce and offer services that do not have a ready market. The above challenge could be addressed by the following:

- Commitment to marketing training
- Commitment to the market
- Market-oriented products
- Networking

2.4.3. Access to appropriate technology

The lack of technology is another constraint facing SMMEs. The use of appropriate technology is one of the most important factors behind a successful SMME's competitive advantage. The use of up-to-date and new technology leads to:

- Better and more competitive products and services
- Improved efficiency
- Reduced operational and production costs
- Improved quality of product and services (Nieman *et al.* 2007: 32-34).

2.5. Challenges faced by agricultural businesses

Agricultural businesses, as with any other small businesses, are also faced by the same challenges. According to Van Rensburg (2009: 34) in his study on the viability of the socio-economic sustainability of underdeveloped farmers in the Driefontein Area in the North West Province, agricultural businesses, in particular encounter several challenges for development. The following were highlighted in the study:

2.5.1. Farming systems

Van Rensburg (2009:34) indicated that the only farming system which is easily distinguished from the rest is the commercial farming enterprise. There are numerous definitions to describe the systems from the non-commercial environment. Names like subsistence farmers, small scale farmers, emerging farmers, resource poor farmers, developing farmers or communal farmers are used. Thus there are no clear definitions of farming systems.

There are mainly three categories into which underdeveloped farmers can be divided. The first group, subsistence farmers, are those who lack the necessary resources to implement a proper commercial production system, and cannot support their own families. Small scale farmers are described as farmers with small enterprises with little or no means to make use of applicable

suppliers of farming materials. Emerging farmers are described as farmers with low output production systems, uncertain property rights, uneconomical farms, lack of support and they have restrictions to participate in agricultural markets. The character of underdeveloped farmers does not agree with the applied autocratic perception of role-players in the agricultural sector.

2.5.2. Climatic conditions

According to Van Rensburg (2009:35), there are big differences between the maximum daily average of 28.6°C in summer, and the daily minimum of 1.3°C in winter. The low winter temperatures cause low soil temperatures, and the low soil temperatures are not conducive to the start of the production season and also suppress seed germination. Thus extreme temperatures affect farming negatively.

2.5.3. Insufficient financial resources

According to Okpara and Kabongo (2009: 10), one of the barriers hindering growth in small and micro-sized enterprises is the lack of or inadequate finance. They indicate that previous studies have shown that a number of factors hamper the growth of small businesses, including lack of capital or financial resources. However, the degree to which limited financial resources alone are a major obstacle to business development is still controversial. For example, findings show that additional capital is often not required to carry out a successful business activity and that lack of capital can be compensated through creativity and initiative. In addition, the amount of capital needed to start a business is significantly high when related to the rate of growth for the business. He also found that access to commercial credit did not contribute to entrepreneurial success in any significant way, and if it did, the relationship would be negative.

On the other hand, some researchers have argued that small businesses are under-capitalized. Many entrepreneurs tend to depend upon their own or their family's savings to start and operate a business; this means of capitalization is limited. Thus, access to capital remains a challenge. For example, 65.6% of the firms studied depend upon personal savings as their sole source of capital, 10.9% have access to family savings, 9.4% use commercial banks, and 7.8% draw

resources from partners and shareholders and other sources. In Zambia, a lack of starting capital is a common problem for entrepreneurs, as only 24% of entrepreneurs received a loan to start their businesses. Another study by Koop, de Reu, and Frese as cited by Okpara and Kabongo (2009: 10), found that the amount of starting capital is positively related to business success.

Research on the role of capital in determining the success or failure of small businesses in Africa is contradictory and therefore remains unclear. Overall, most small businesses cannot meet the requirements for commercial loans because they lack any collateral, and those who do meet the requirements still find them prohibitively expensive in terms of repayment terms

The Capricorn LED Strategy (2010) emphasised that although accessible across the district, most of the financiers have more offices in Polokwane than anywhere else in the district. Entrepreneurs in Lepelle-Nkumpi and Polokwane have highlighted access to capital as a major challenge. This is even more so in the rural areas of the district. It is evident from the above that businesses in Aganang municipality may find it difficult to access these financiers or even access their services. Lack of collaterals can also be one of the limiting factors. Those that have collaterals might find such finances expensive to repay.

2.5.4. Economic reasons

In the environmental conditions for SMME development in a South African province, Mahadea (2008:433) indicated that as external factors change, it is expected that the alert entrepreneur would be pro-active in adapting to changes with suitable strategies so as not to miss out on business opportunities. However, not all entrepreneurs are sufficiently alert; some are content simply to operate a business as a going entity, as long as it generates a comfortable income. This can be a self-limiting choice for individuals with little ambition or motivation for onwards and upwards business development.

Their firms are unlikely to experience rapid development, even when the external conditions are favourable, with an expanding GDP, increasing economic growth rates and a low rate of inflation or interest rate. It is usually firms whose entrepreneurs are high in need achievement, internal

locus of control, risk-taking propensities, innovative tendencies, leadership and organisational abilities as well as managerial skills that tend to grow and develop fast in a world of changing environmental conditions (Mahadea, 2008:433).

These are internal driving factors brought to the firm mainly by the entrepreneur through his conduct of business. It is imperative for business development that individuals should have, or develop, the entrepreneurial attributes and management competencies against a background of changing environmental conditions.

2.5.5. Skills and expertise

Van Rensburg (2009:46) indicates that one of the challenges is the lack of management skills by some farmers and therefore commercial production is unsustainable. Regarding the economic commercial sustainability, it is clear that the infrastructures, accountancy literacy and support systems the farmers have at their disposal are insufficient to maintain sustainable agribusiness. The production units per farmer are too small to justify a sustainable crop production system according to commercial criteria. The condition of the infrastructures adds to the unsustainability of the farmers' production units. Attempts to develop the underdeveloped farmers into commercial crop farmers are not possible in the extensive areas where they are situated. They will stay bound to Low External Input Agriculture (LEIA) which restricts any possible progress. These farmers however, will only be able to sustain a livelihood of their choice and support their families.

Lack of skills is a common factor for all underdeveloped areas. This can be attributed to the disparities of the past and the education system. Aganang agricultural businesses cannot as a result be excluded from the challenges as mentioned above.

2.5.6. Procurement opportunities

Vermeulen, Kirsten and Sartorius (2008: 198), indicate that with the increasing commercialisation of agricultural and food systems worldwide, the food industry is increasingly

being dominated by supermarkets and agro-industries, whilst the influence of the farmer, small traders and neighbourhood stores is declining. This trend is fuelled by the increasing urbanisation of the world population, large-scale innovation in biological and information technologies and a strong consumer demand for high-quality food products. This is not only a trend in the industrialised nations of the world but is also happening in those middle- to low-income developing countries that are strongly integrated in the world economy, such as South Africa, Brazil, Chile, Thailand, China and India. Small farmers, in particular, may have difficulties making the transition to a more commercialised food system because they may struggle to meet the private quality and safety standards set by large retailers, wholesale buyers and exporters. At the same time they are constrained by limited support services provided by governments due to policy reforms, market liberalisation and fiscal and governance problems.

This combination of forces presents the real danger that a majority of small farmers in developing countries could be excluded from commercial supply chains, resulting in serious questions being posed about the 'future of small farms' in the developing world. Because of these changes in agricultural and food systems and the dominant role played by large agribusiness firms in agricultural and food systems, it is important to find ways and means to effectively engage them in the important task of promoting market access for small-scale farmers. Agribusiness firms should therefore be considered partners in the challenge of establishing ways and means of strengthening their linkages with small farmers.

Since South African agribusiness firms (including food manufacturers and food retailers) source large quantities of agricultural commodities, they certainly represent the major market for any farmer. The question, however, is: how do these firms source their raw material from farmers? What are the changes in procurement practices, and to what extent do they use spot markets or direct purchases from farmers? Are South African agribusiness firms following the trend in the US and Europe where an increasing share of agricultural commodity output is bypassing the traditional spot markets (Vermeulen, Kirsten and Sartorius, 2008:198)?

According to Vermeulen *et al.*, the procurement of meat, poultry and eggs appears to favour vertical integration (and in some cases own production), medium- to long-term contracts and long-term “informal” supply arrangements with selected groups of farmers. Details for the different commodities are provided below:

(a) Beef

Since deregulation of the controlled marketing system in 1997, the South African beef supply chain has become increasingly vertically integrated, with the abattoir sector fulfilling an integrated wholesale function by sourcing animals on the hoof and directly selling carcasses and meat cuts to the retail sector. Almost 60% of cattle in South Africa are finished for slaughter in feedlots. The other 40% of South African cattle are raised on natural pastureland. Feedlots normally buy weaner calves with a live mass of 230 kg from extensive cattle farmers and add 105 kg carcasses mass through intensive feeding for about 100 days, eventually slaughtering an animal at 215 kg carcass mass. The main feedlots (Karan Beef, Kolosus, Sparta Beef, SIS, Beefcor, EAC, Crafcor, Chalmar Beef and Beefmaster) account for 70% to 80% of the cattle in the feedlot industry. All have teams of buyers that visit breeders and farmers and carefully select weaner calves for purchase according to strict criteria applied by the feedlot or meat company.

Many of the larger meat companies have a vertically integrated process of feedlot, slaughter, packaging and distribution. There is usually a long-term relationship between the feedlot and the breeder / farmer, with the farmers freed of the inconvenience and cost of transporting their cattle to auction and having to pay auctioneers' commissions. Although the beef supply chain largely ignores contract farming as an option, it mostly bypasses classical open market purchasing because animals are procured from own feedlots and the balance from long-term spot purchasing arrangements with selected farmers only.

The spot purchase arrangement appears to be offered by the companies to selected farmers on a specific day for a specific volume of beef. In other instances, food manufacturers (prepared food)

that are linked by long-term contracts to retailers prefer to employ a long-term contract with a single supplier of beef, who guarantees the consistency of quality. In this relationship the retailer (sometimes) exercises managed control over the selection of beef suppliers to the manufacturer, because of the need to ensure the quality and safety of its products. All these preferred suppliers arrangements make it difficult for small emerging farmers to enter the market.

(b) Pork

According to the South African Pork Producers' Organisation, the South African pig industry boasts a national breeding herd of 125.000 sows and 7.000 boars owned by 600 pig farmers. The larger pig producers have their own breeding studs, artificial insemination units and feed mills. Their marketing channels include production contracts with meat processing companies, spot transactions, shareholdings in abattoirs, and contract slaughtering by abattoirs combined with collective marketing actions. They usually do not secure their entire production for contracting, so that they are able to utilise unexpected market opportunities when applicable. They emphasise that fresh pork destined for the retail market is derived from pigs with a carcass mass of 65 kg to 80 kg (usually porkers, cutters and small baconers). Pigs destined for the processed products market usually have a carcass mass of 65 kg and higher (usually larger baconers, heavy baconers and sausagers). According to a representative of the Premier Pork Producers (the largest provincial pork association in the country, representing close to 60% of the sows in the country), about 60% to 65% of all pork produced in South Africa is processed, while the balance is sold as "fresh" pork by retailers and traditional butcheries.

All carcasses sold in the retail market are bought directly from the abattoirs and there are, therefore, no wholesalers involved. The percentages of "fresh" pork sold by retailers and traditional butcheries are unknown.

In the processed pork market, six companies (Enterprise, Eskort, Bullbrand, Debsteer, Vereeniging Meat Packers and RTV) account for up to 70% of the value adding activities.

Vertical integration and / or contract procurement are common practices amongst these large pork meat processing companies. A number of companies, such as RTV and Seemans, process for the niche market which supplies mainly German butcheries. The large abattoirs procure pigs through a combination of contracts with farmers and spot buying (usually about 75% and 25% respectively). Large processors like Enterprise and Eskort engage with a small number of contracted farmers (usually three to five farmers), for a number of reasons. In order to produce consistent processed pork products (in terms of product characteristics, quality and food safety associated with the specific brands of these companies), very stringent specifications are imposed on contracted farmers. These specifications lead to high entry barriers to pig farmers. Furthermore, these processors prefer to engage in long-term relationships with farmers supplying them with pigs.

(c) Poultry and eggs

There are three large broiler companies that operate fully integrated broiler production systems, which breed and rear their own poultry. They process the chickens and market fresh, frozen, value-added and further processed chickens nationally and internationally. These companies also have contracted growers who supply chickens reared according to specifications set out by the large companies in a three-year production contract. These firms often supply the chicks, feed and other inputs (like veterinary inputs) to the 'outgrowers', with the costs eventually being deducted from the farmer's gross receipts. These costs are estimated at about R7 per bird. Only established poultry farmers are usually selected as suppliers, since it is required that the contracted farmers should have the necessary infrastructure in place for the poultry rearing activities required in terms of the contract. High levels of control by the processor ensure that contracted farmers comply with the necessary conditions of supply, including the type of birdhouse and equipment that is employed. Furthermore, the processor undertakes performance evaluation of the contracted farmers, who could pay a penalty or be paid a bonus. The price paid for poultry is usually set for a one-year period and depends on the bird's age and weight. These farmers supply a total of 40% to 50% of the total number of birds processed by the processing companies. If one considers the vertically integrated production processing and the contract

rearing jointly in the commercial sector, they represent around 81% of total poultry sales in the country, while SMMEs contribute about 2% of total poultry sales in the country. The rest of the market is based on spot sales at local markets, which take place mainly in rural areas and in smaller urban settlements, where sales of live chickens are still popular among members of the black community.

In a similar fashion to poultry, the procurement of eggs is managed by a combination of own production on large company estates and production contracts with egg-producing poultry farmers. According to a representative from the poultry industry, these farmers supply about 25% of the total number of eggs procured by these companies. The incorporation of emerging farmers is usually done through the distribution of empowerment shares to farm workers in the egg industry. The time period relevant to these contracts varies from seven years to contracts with an open duration. These contracts specify volumes to be supplied, price ranges, as well as quality and delivery dates.

One important fact established here is that the procurement of poultry and eggs completely excludes the open market and is largely procured by vertical integration or long-term production contracts. The spot market is only relevant in the informal and niche markets (*Vermeulen et al.*, 2008: 214 -217).

2.6. Support initiatives for agricultural businesses

There are different types of support services and programmes that the government and hence the municipality has come up with to stimulate small business (including agricultural business) development, which among others include:

- Financial support
- Development and adoption of proper legislative framework

- Government support programmes to agricultural businesses
- Capacity building programmes
- Market linkages
- Provision of physical infrastructure

2.6.1. Financial support

Financial support implies the supply of grants and loans to small business for the sake of their sustainability, growth and financial independence. It is believed that most enterprises fail within their first three years of existence because of lack of adequate financial resources. The granting of loans, seed funding and grants to enterprises would assist in their growth and development (Nieman *et al.*, 2007: 33).

Aganang IDP (2010: 43) indicates seed funding programmes for the LED projects. Apart from that, there are a number of government entities established with the mandate of offering financial support to agricultural business which includes among others, the South African Micro-Finance Apex Fund (SAMAF), Khula Enterprise Finance, the National Empowerment Fund, the Land Bank, and the Industrial Development Corporation (IDC).

a. Industrial Development Corporation (IDC)

The IDC was established in 1940 with the aim of developing the South African industry through the Industrial Development Corporation Act (No. 22 of 1940). The vision of the IDC is to be the primary source of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of the African continent.

The IDC is a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the

economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles

b. The Land Bank

The Land Bank is a specialist agricultural bank guided by a government mandate to provide financial services to the commercial farming sector and to agri-business and to make available new, appropriately designed financial products that would facilitate access to finance by new entrants to agriculture from historically disadvantaged backgrounds. Today, the bank is a true South African development finance institution that serves all farmers equally. The mission of the Land Bank is:

- To develop and provide appropriate products for commercial and developmental clients.
- To leverage private sector investment into the agricultural sector.
- To develop partnerships with intermediaries for on-lending.
- To develop techniques for financing high-risk agriculture and new business areas.
- To support programmes of the Ministry of Land Affairs and Agriculture by aligning the bank's products with these programmes.
- To contribute to rural development by linking up with government structures and activities.

The government structures that the Land Bank needs to link with include the Land Redistribution for Agricultural Development (LRAD), the Agricultural Sector Plan and the government's Integrated Sustainable Rural Development Strategy (ISRDS). The Land Bank is in the business of lending money to clients. As a development finance institution, the bank is also constantly looking at ways of supporting the farmer and contributing to development, without focusing on profit as the only motive.

c. The South African Micro Apex Fund (SAMAF)

The South African Micro-Apex Fund (SAMAF) is a wholesale funding institution established in April 2006. It is a trading entity and is governed by the Public Finance Management Act (PFMA) of 1999.

SAMAF is tasked to facilitate the provision of affordable access to finance by micro-, small and survivalist business for the purpose of growing their own income and asset base. The primary purpose of SAMAF is to reduce poverty and unemployment and also to extend financial services to reach deeper and broader into the rural and peri-urban areas. Further to this, SAMAF wants to build a network of self-sufficient and sustainable micro-finance institutions.

The mandate is to contribute to government's poverty reduction goals by acting as a catalyst for the development of an effective micro-finance sector through:

- support for the establishment of sustainable micro-finance institutions that can reach deeper and broader to the enterprising poor;
- facilitating the establishment of an enabling environment for effective financial intermediation and creation of working markets for the enterprising poor; and
- building a strong, effective and efficient apex fund (SAMAF, 2010: 13).

d. Khula Enterprise Finance (KHULA)

Khula Enterprise Finance (KHULA) is an institution established by the department of Trade and Industry to provide finance, mentorship services and small business premises to SMMEs through a network of partnerships and to encourage the sustainable development of SMMEs whilst ensuring that KHULA remains financially viable (KHULA, 2011: 1).

KHULA also has a programme to assist agricultural business. The Khula Land Reform Empowerment Facility (LREF) is a Black Economic Empowerment Fund capitalised by the

Department of Rural Development and Land Reform and supported by the European Union. The fund is housed in and administered by Khula. The LREF is a wholesale financing facility through which Khula lends money to commercial banks and other reputable agricultural lenders for on-lending to Land Reform beneficiaries. The aim of the LREF therefore is to broaden the control, management and ownership by Black South African citizens in land-based high-value income generating assets in the agricultural sector.

To increase the commercial success of LREF-funded projects, LREF via Khula Mentorship scheme, assists these projects with training and skills development intervention through a training grant (Khula, 2011:2).

Small business access to financial resources has become a general subject of discussion. It is prioritised in a large number of developing countries. According to the Integrated Small Business Development Strategy in South Africa (2004 – 2014) governments in the developing countries are strongly convinced that the promotion of small businesses is a viable solution for the high unemployment rate. It leads to job creation, the building of a country's economy and the promotion of socio-political and economic stability.

Access to finance and the cost of financing are major obstacles to business start ups and successful development of agricultural businesses in South Africa as well as in developed and developing countries (Mahadea and Pillay, 2008: 433). According to the above study, this is partly because financial institutions view small firms as high risk venture with a poor collateral. Lending to such firms means high administrative costs in relation to the size of the loans.

The NTSIKA Report (2000: 5) states that the situation in South Africa became unique and serious because of many years of apartheid government and concentration of power in the hands of few individual families through their big conglomerates. The new democratic government has

since 1994 regarded small business development not only as a stimulator of economic growth but also as a vehicle for black economic empowerment. The new government recognises the need to use the promotion of small business as a means to redress past inequalities, create jobs, upgrade skills, redistribute income, democratise the economy, reduce poverty, and ensure economic growth. Small businesses therefore have a major role to play in the South African Economy.

The South African government has since 1994 adopted more acts in the promotion and the development of the small business sector. Government legislation is now being geared towards the promotion of small business development and the creation of an environment conducive for small business to thrive. Small businesses in South Africa (including agricultural business) are expected to create jobs and alleviate poverty.

2.6.2. Development and adoption of supportive legislative infrastructure

Mahadea and Pillay (2008) reveal that committed to promoting SMMEs, the government in South Africa has put in place various measures and strategies, such as the Small Enterprise Development Agency (SEDA), Khula, NTSIKA, the National Empowerment Fund, the Umsombovu Youth Fund and the Accelerated and Shared Growth Initiative for South Africa (ASGISA) to fast-track the empowerment of formerly disadvantaged individuals into business entrepreneurship. Apart from financial assistance and training through various Sector Education and Training Authorities (SETAs), numerous fiscal incentives have been offered in the last few annual budgets with a view to augmenting the supply of effective entrepreneurship at the SMME level. Despite all these commendable efforts, the total early stage entrepreneurial activity (TEA), as also reflected by the recent Global Entrepreneurship Monitor (GEM) reports, is rather low in South Africa in relation to that of other countries at a similar level of development. South Africa's TEA rate actually decreased from 9,43 in 2001 to 5,29 in 2006, while, simultaneously, its ranking decreased from 14th (out of 28 countries) to 30th (out of 42 countries) over the same period. The TEA is a measure of the percentage of individuals between the ages of 18-64 years who are involved in starting or operating a new business up to 3,5 years. As fewer people (5,29 out 100) went into business in 2006, relative to 2001, when the figure was about 9,4, it seems

that the level of entrepreneurial activity is not high enough to sustain South Africa's growth expectations and provide employment for an increasing number of school leavers (Mahadea and Pillay, 2008:432).

In their publication, "A neoclassical Economic and Strategic Management Approach to Evaluating Global Agribusiness Competitiveness", Harrison and Kennedy (1997), indicate that there are a number of external factors that influence the competitiveness of agribusiness firms and industries. A variety of government policies can affect an industry's competitiveness in both domestic and international markets. These factors have a direct impact on the cost and demand structures of agribusiness firms.

Government policies also affect agribusiness firms' ability to obtain world market share. For example, government export subsidies decrease the world price at which domestic industries are willing to sell various quantities of their product. As a result of the subsidy, exporters can sell their products at a discounted price on the world market while maintaining, or increasing, their effective price per unit. Although, individual firms have little influence on the exchange rate, they benefit from increased profits and market shares. Thus, government policies and other factors beyond the firms' control impact on agribusiness competitiveness (Harrison and Kennedy, 1997: 21).

There is a number of legislations adopted to improve small business growth in South Africa, as indicated by Mahadea and Pillay (2008), which includes but is not limited to the following:

(a) The National Small Business Act no 29 of 2004

The main objectives of this act is to amend the National Small Business Act of 1996 so as to:

- Promote small enterprise development
- Repeal all provisions pertaining to the Ntsika Enterprise Promotion Agency (NTSIKA)
- Provide for the establishment of the Small Enterprise Development Agency (SEDA)

- Make provision for the incorporation of NTSIKA, the National Manufacturing Advisory Centre (NAMAC) and any other designated institution into the SEDA.
- Provide for the necessary transitional arrangements to this effect

Prior to the adoption of this Act, NTSIKA, as established through the Small Business Act of 1996, was providing capacity to enterprises through its local business services centres. On the other hand the Department of Trade and Industry (DTI) established NAMAC to provide developmental support service to enterprises in the manufacturing sector only.

This Act assists business development in that there is now a proper coordination of business development services to enterprises in this country that is monitored through the National Small Business Advisory Council.

The National Small Business Advisory Council will advocate on issues of importance to the small business sector and will advise the government on relevant issues. It will consider the impact of small business development in relation to the national economy, and will consider the impact of effectiveness of small development programmes (Department of Trade and Industry, 2003: 46)

The Small Business Advisory Council will assist small emerging agricultural businesses in the following ways:

- Strategies to address identified market failures affecting the small business sector.
Most small businesses fail as a result of lack of adequate market for their products. The small business owner in most cases lacks the resources to conduct a viability study before the establishment of the business and therefore relies on own observation about the market trends

that are prevailing. The council will assist in identifying market failures that affect the sector and come up with suggested solutions to address such.

- The impact of current and new legislation on small business.
As stated in previous sections, the South African government adopted a number of legislations on small business development. The Council will assist in making an analysis of the impact of the legislation on the development of small businesses.
- National standards pertaining to small business infrastructure.
There are standards that must be adhered to for proper monitoring of small business development by the South African Government. The Council will therefore assist in the monitoring of such standards.
- Skills development in the small business Sector.
The development and support of small business will be incomplete if emphasis is not put on the development of the management skills and the technical skills of all employees in the businesses.
- Steps to be taken to create access for small business into value chains, beneficiation and value adding devices are essential for small business development if the economy is to create enough job opportunities to alleviate poverty and ensure that all people live above the poverty lines. The council will assist in coming up with up with opportunities for small businesses to develop a value chain for their production process (Department of Trade and Industry, 2003: 46)

(b) The Cooperative Development Act 14 of 2005

The purpose of this Act is to:

- Promote the development of sustainable cooperatives that comply with cooperative principles thereby increasing the number and variety of economic enterprises operating in the formal economy

- Encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises to register cooperatives in terms of this act
- Enable such cooperative enterprises to register and acquire a legal status separate from their members
- Promote equity and greater participation by black persons especially those in rural areas, women, disabled and youth in the formation and management of cooperatives
- Establish a legislative framework that preserves a cooperative as a distinct legal entity
- Facilitate the provision of support programmes that target emerging cooperatives specifically those consisting of black persons, women, youth, the disabled, or persons in rural areas and that promote equity and greater participation by its members
- Ensure the design and implementation of the cooperative support programmes by all the agencies of the National Departments including but not limited to KHULA, SEDA, SABS, DBSA, SALGA, CSIR, IDC and SETAs and compliance with uniform norms and standards prescribed by this act
- Ensure the design and implementation of the cooperative support measures across all spheres of government including delivery agencies and adherence to a uniform framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness
- Facilitate the effective coordination and reporting mechanism across all spheres of government through the Department (Cooperative Act, 2005:12)

The above purpose clearly specifies the use of the act and why the Department of Trade and Industry (DTI) specifically came up with an act to regulate cooperatives in South Africa.

Initially cooperatives were registered in terms of the Social Development Act and as such not regarded as profitable entities. Since the development of the act, the cooperative has assumed its legal status as a business entity and thus could engage in profit making endeavours like any other business entity. However, it is worth mentioning at this point that cooperatives have their own

unique organisational problems that compel agencies dealing with them to specifically devise programmes to assist cooperatives. Agriculture is a field that needs masses of labour for performance. As a result the cooperative concept can work wonders in agricultural businesses.

(c) Broad Base Black Economic Empowerment Act no 53 of 2003

This act deals specifically with matters pertaining to Broad Base Black Economic Empowerment in South Africa. The focus in this document will be on the Black Economic Empowerment Advisory Council. The objectives of this Act are:

- to facilitate broad-based black economic empowerment by promoting economic transformation in order to enable meaningful participation of black people in the economy
- achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises
- increasing the extent *to* which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training
- increasing the extent to which black women own and manage existing and new enterprises, and increasing their economic activities, infrastructure and skills training
- promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity
- empowering rural and local communities by enabling access to economic activities. land, infrastructure, ownership and skills; and
- promoting access to finance for black economic empowerment.(South Africa, 2003:6).

Section 5 of the Act states the functions of the council as to:

- Advise government on black economic empowerment
- Review progress in achieving black economic empowerment

- Advise on draft code of good practice, which the Minister intends publishing for comment in terms of section 9 (5)
- Advise on the development, amendment or replacement of the black economic empowerment strategy
- If requested to do so, advise on draft transformation charters
- Facilitate partnership between organs of state and the private sector that will advance the objectives of the Act.

It is evident from the above that the South African government is serious about addressing the inequalities of the past by promoting and encouraging small business development (South Africa, 2003: 7)

(d) The Integrated Small Business Strategy in South Africa 2004 - 2014

The South African government adopted an Integrated Small Business Strategy in October 2003. The main objective of this strategy is the promotion of small business in the country. As one of the main foci the strategy deals with the establishment of the National Small Business Advisory Council. The National Small Business Advisory Council will be a statutory agency that advises the Minister on the following:

- Strategies to address identified market failures affecting the small business sector
- The impact of current and new legislation on small business
- National standards pertaining to small business infrastructure
- Skills development in the small business sector
- Steps to be taken to create access for small business into value chains
- Constraints affecting the viability of the small business sector
- Methods to liaise with the small business sector and to identify its needs
- Methods to monitor and influence the provision of support services to the small business sector

According to the Integrated Small Business Development Strategy in South Africa (2003: 22), a resolution taken by many governments to the development of small businesses has been to provide financial and business development services, either directly through their own agencies, or through intermediary agencies that may be closer to their target market. There are three common roles that describe the relationship government has with agricultural businesses which are:

- Government as regulator that designs and implements laws and regulations that govern the activities of agricultural businesses
- Government as a facilitator to provide an environment that is conducive to business promotion and to bring key stakeholders together in the initiation and support of agricultural businesses development efforts, by mobilising civic, private and public sector resources
- Government as a promoter that intervenes directly in small enterprise development projects and processes and makes them explicit programmes of government.

2.6.3. Government support programmes to agricultural business.

The Department of Economic Development, Environment and Tourism in the Limpopo Province has put in place institutions to provide programmes directly to agricultural businesses catering for both financial and non-financial resource requirements which include the following:

(a) Limpopo Business Support Agency (LIBSA)

LIBSA is a Section 21 company that was established in 1999 by the Provincial Department of Economic Development, Environment and Tourism to ensure viability of Small, Medium and Micro-enterprises. LIBSA's mandate is to provide non-financial support services to the agricultural businesses in the Limpopo Province. Its core functions are crucial to reduce poverty and create employment opportunities in the Limpopo Province (Limpopo SMME Strategy, 2006: 68).

The formation of the Limpopo Business Support Agency (LIBSA) is a resultant of the Northern Province Executive Committee (EXCO) Lekgotla (1998), which focused on exploiting

opportunities in all economic sectors for business development and promotion amongst existing and aspiring entrepreneurs in the whole Limpopo Province. Although the mandate of LIBSA is to focus mainly on the growth sectors, the scope of services to the business community is far beyond the scope given the dynamic environment within which LIBSA operates. With an evolution of the strategies on an ongoing basis, LIBSA provides business support services to the broader business minded population by stimulating the spirit of entrepreneurship amongst women, the disabled and the youth. The contribution of this institution in Limpopo Province could best be summarised as:

- Reducing poverty
- Stimulating economic growth
- Creating wealth and
- Entrenching entrepreneurial concepts and practices in rural and economically disadvantaged communities.

LIBSA provides easy access to essential business development services, including education, market access and promotion to entrepreneurs who need support to realise their business dreams. Incubatees are placed into the incubator at an infant stage and assisted with different support programmes until they are well matured and sustainable according to sustainability criteria as set out by LIBSA. Different researchers refer to all this endeavours as capacity building programmes (LIBSA Report 2005/6: 7).

(b) The Small Enterprise Development Agency (SEDA)

The Small Enterprise Development Agency (SEDA)'s mandate is to: "improve the competitiveness and growth of South Africa's small and medium sized manufacturing firms. Its clients are small and medium-sized manufacturing enterprises within the region" (Limpopo SMME Strategy, 2006: 68). The organisation assists its clients to have ready access to high quality business and technical support services to improve their productivity and enhance their competitiveness. The organisation addresses the following SMME needs:

- Helps in diagnosing the SMME problems

- Increases their productivity and competitiveness
- Improves access to technologies
- Access to better business management practices
- Access to markets and better marketing techniques
- Better human skills development of their workforce
- Improves access to finance and
- Increases awareness of available assistance resources (Limpopo SMME Strategy, 2006: 68).

(c) The Limpopo Economic Development Enterprise (LimDev)

LimDev is a social and economic development enterprise, operating within the Limpopo province. LimDev delivers key services such as enterprise development, housing finance and assistance, and investment projects (Limpopo Business, 2008: 126). LimDev is a juristic person established in terms of the Northern Transvaal Development Corporation Act No. 5 of 1994 and operates as a Provincial Government Business Enterprise, entitled to make profit, as listed in schedule 3D of the Public Finance Management Act, Act No. 1 of 1999 (as amended by Act No. 29 of 1999).

LimDev is mandated to provide development finance to SMMEs to stimulate the growth and development of the Limpopo economy. Its vision is to be a pre-eminent catalyst and partner in economic growth and empowerment in Limpopo. It is on a mission of establishing and advancing a sustainable SMME sector through the provision and facilitation of business and investment opportunities, by providing finance to our subsidiaries to facilitate:

- Industrial and economic development
- Employment creation
- Accelerated BBBEE (Broad Based Black Economic Empowerment) (Limpopo Business: 2008: 126).

2.6.4. Other available support programmes

According to Mahadea and Pillay (2008: 434), in today's competitive and challenging business environment, it is not enough to have just the technical understanding of how to start a venture. The skills needed for initiating a business are different from those needed in managing it to a successful market growth stage. An entrepreneur who successfully starts a business may not necessarily be a good manager. The performance of agricultural businesses, and in effect any other organisation, is related inter alia, to the education, training, management skills and experience of their entrepreneurs and managers as well as the quality of their labour.

2.6.5. Local Government support to agricultural businesses

The municipal SMME programmes are often encapsulated in their Integrated Development Programmes (IDPs). Most municipalities focus on Local Economic Development Programmes. The municipalities are aware of their mandate to develop and implement SMME programmes, but the common problem amongst most municipalities is capacity and access to funding.

Provincial governments are ideally placed to fulfil a co-ordinating, gap filling and bridge building role in the supply of support services. However, their funding resources are extremely limited. They must play a critical role in the establishment and seed funding of provincial development agencies or corporations which are active in the SMME support sphere. Sector support in certain departments like the Department of Roads and Transport, Agriculture and Health and Social Development were noted. However, many intervention strategies used are not formalised or structured.

All sector departments do not have a budget and do not procure to an extent which they can visibly promote SMME development or BEE procurement. The department of agriculture provides support to agricultural businesses through the Extended Public Works Programme (EPWP) projects activities in the municipality since 2005. The problem is that there is no clear

policy on what percentage of projects done in Aganang municipality should be tendered by agricultural businesses from the local municipality. The department trains them on farming and awards them plots to practise their acquired skills.

2.6.6. Capacity building programmes

According to Dale (2004:187), capacity building may mean to augment people's resources and other abilities to improve their own life situation. The resources and abilities to be augmented may be varied: from money, land and other production assets to health, vocational skills, understanding (of any issue relating to the persons living environment) or negotiating power.

In the development sphere, capacity building in this sense will normally apply to disadvantaged people i.e. people who do not have capacities they need to ensure reasonable welfare for themselves and their dependents.

Second development agents may seek to augment capacity of individuals not for their benefit or not primarily so, but for the benefit of others. An example might be the training of entrepreneurs, for the sake of increasing production and employment in an area, intended to benefit people who live there (Dale, 2004:187).

Authors like Timmons and Spinelli (2003:228) have put more emphasis on training and development especially for franchise enterprises. Formal franchiser training programmes transfer knowledge of the service delivery system (SDS) to the franchisees, both managers and line workers. It is important before the launch and on an ongoing basis.

Through an interview with entrepreneurs who have during the past five to ten years, started firms who are now profitable, one can gain insight into an entrepreneur's reasons, strategies, approaches, and motivations for starting and owning a business. Timmons and Spinelli (2003:21) emphasise a point here of knowledge cross pollination by encouraging entrepreneurs to visit each

other and also ask one another about better ways of making profit and of running successful ventures.

External and internal pressures mandate that the entrepreneur be a manager as the venture grows beyond being founder driven and dominated by the need for survival. The entrepreneurial manager's development of competencies is critical. Acquired skills and relevant experience position entrepreneurs to see opportunities that others do not see or cannot grasp and these acquired skills and experience are key to achieving longer term sustained growth and eventual harvest (Timmons 2000: 43).

The LIBSA Annual Report (2008) indicates that ongoing training and development is essential for business growth. The view that managers can be developed and are not born as such also adds to the value of regular training and development programmes for small business entrepreneurs. Capacity building activities given to small businesses include the following:

(a) **Business skills training**

This entails programmes that are geared towards certain businesses that display management gaps in their day-to-day operations. Several training programmes are to such enterprises to ensure improved capacity

(b) **Learnerships**

These are internships established according to the Skills Development Act 97 of 1998 where graduates and school leavers are given opportunities to undergo practical training through being placed with "Host Employers". These employers assist the programme by giving learners practical exposure.

(c) **Exposure trips**

Networking is a popular term in the business world. In simple terms, networking involves keeping in touch with people in your community and your field of business. It is all about

building your business through ongoing communications. Professional isolation can be a problem for small business.

Exposure trips are trips organised for small business owners to view their counterparts at other corners of the world. These type of trips will include visits by different enterprises to other businesses that provide more or less the same products and services and participation in seminars and conferences (LIBSA, 2005/6: 7).

(d) Management of staff

In a small business, every member of staff is in contact with customers. The quality of the contact determines how customers view the business. It is thus essential for small business owners to take serious consideration of contact with customers. A small business support service is thus not complete until the issue of staff management is given priority.

(e) Mentorship and aftercare programmes

The ABSA website indicates that small business entrepreneurs who enrol for the mentorship and aftercare programmes will be introduced to the accredited ABSA mentoring services. As part of the initial relationship contract with ABSA, the mentoring services can provide guidance throughout the various stages of the businesses growth. Mentorship programs are designed to provide guidance and skills transfer to SME entrepreneurs in a supportive and developing environment. This is achieved through:

- ◆ Skills transfer
- ◆ Sourcing the required information
- ◆ Completing the application for business finance for the bank
- ◆ A supportive and developing environment
- ◆ ABSA offers SME's the service of accredited business crisis managers.

The team is able to address and provide solutions for managing crisis situations within a business. The cost of this service is related to the complexity of the situation. Upon funding, monthly visits are carried out by the appointed New Enterprise Banker or Mentor who will

monitor the progress of the business against the business plan and provide guidance where necessary.

ABSA on their mentorship programme ensures that businesses under their programme and services are given the necessary advice and support that they require for their development. This is a very important programme whereby the bank assists in the development of the economy of South Africa (ABSA .2011: 1)

(f) Market linkages

Market linkage activities will, among others, include the following to enhance markets for small businesses

- Financing the compilation of marketing collaterals
- Market research
- Participation in shows and exhibitions
- Marketing skills development (ABSA .2011: 1)

(g) Provision of infrastructure

The provision of physical infrastructure includes, but is not limited to the following:

- Manufacturing sites and plants

Small businesses could be provided with sites on which they could operate or be given manufacturing space or plants at a nominal fee. Limpopo Economic Development Corporation (LimDev) has sites to rent to businesses.

- Office space

To enable them to operate effectively, small businesses could be given an opportunity to operate in an “ideal” office for proper management of their businesses.

- Equipment, machinery and furniture

Availability of the production and office equipment is essential for proper functioning and productivity of any business. The provision of such for use by small businesses will ensure their sustainability.

- Transport facilities

The provision of reliable transport facilities and infrastructure will assist in both the production and marketing processes for small businesses (ABSA, .2011: 2)

2.7. Summary

This chapter has provided a theoretical review within which the research is based. It also examined the different support programmes that are in place such as capacity building programmes that assist municipalities in effective implementation of agricultural businesses strategy, highlighted different provisions of legislation adopted by government in order to improve small businesses and their growth in South Africa. It explained SMMEs and agricultural businesses within that context as well as challenges faced by SMMEs in general and agricultural businesses in particular. Chapter three will outline the selected research design, data collection procedures, and data analysis.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The previous chapter provided a literature review on which the research will be based. It has defined agricultural businesses, given a historical background of agricultural businesses, and highlighted different support services and programmes that the government has come up with in order to support growth in small businesses in South Africa. It has also outlined the relevant policies and legislation in relation to the promotion of small businesses and capacity programmes aimed at enhancing business performance.

This chapter will present the methodology used to collect data for this study. Methodology is the theory of how research should be undertaken. According to Babbie and Mouton (2001:104), methods are techniques sufficiently general to be common to all sciences or to a significant part of them. Thus, methods include such procedures as forming part concepts and hypotheses, making observations and measurements, performing experiments, building models and theories, providing explanations, and making predictions. The aim of the methodology, then, is to describe and analyze these methods, throwing light on their limitations and resources, clarifying their presuppositions and consequences. Chapter three will outline the selected research design, data collection procedures and data analysis.

3.2. Research design

A research design can be defined as a plan according to which we obtain research participants (subjects) and collect information from them (Welman, Kruger and Michell, 2005:52). In the research design, therefore we have to specify the number of groups that should be used and whether the groups are to be drawn randomly from the population involved and whether they should be assigned randomly to groups.

Babbie and Mouton (2001:104) define research design as a plan that will assist the researcher to conduct the research in order to solve the research problem. Research methodology refers to the methods, techniques, and procedures that are employed in the process of implementing the research design or research plan. It can be defined as the study of the logic underlying the implementation of the scientific approach to the study of reality.

According to Gerber and Alberts (1984:11), the objectives of an investigation, the available funds and time, the type of measuring instruments used for data collection and the extent and nature of the sample will largely determine the research design. This study is a survey that will be descriptive in nature. Data will mostly be quantitative.

Quantitative research is a form of conclusive research involving large representative samples and fairly structured data collection procedures. Quantitative research tends to measure constructs through the use of questionnaires and / or some form of structured observation. The effectiveness of agricultural businesses strategy in improving the economic growth within the Aganang municipality will be measured through a quantitative method; the questionnaire as research instrument will be used in this study.

3.3. Target population

Welman *et al.* (2005: 52) define a population as the study object and it consists of individuals, groups, organisations, human products and events, or conditions to which they are exposed. A research problem relates to a specific population and the population encompasses the total collection of all units of analysis about which the researcher wishes to make specific conclusions. The population for this research includes all the owners / managers of agricultural businesses (farmers) in crop, poultry production (both broilers and egg layers) and red meat production (goat and cattle). It also includes the Department of Agriculture's extension officers

and local economic development (LED) officials within the Aganang municipality. The extension officers are officials employed by the Department of Agriculture to provide technical support to agricultural businesses in the province. Each municipality has an office where they operate from. Local economic development (LED) officers are officials employed by Aganang municipality to coordinate and regulate local economic development of the municipality. The officers are included in the population to add a professional feel to the responses. They all deal with agricultural businesses on a daily basis and will have a general perspective of their successes and failures. Business owners may not be able to give a holistic view of the challenges they face. The total population is illustrated in table 2.1. underneath. The total size of the population is forty (40), thirty two (32) agricultural business owners and eight (8) officials.

Table 3.1: The total population for the research

Agricultural businesses		Officials	
Category	Number of businesses	Designation	Number of positions
Crop	11	LED officers	2
Poultry	10	Senior LED officer	1
Cattle	8	Extension officers	4
Goat	3	LIBSA development officer	1
Totals	32		8

3.4. Selection of the sample

According to Welman *et al.* (2005:55), sampling is “the process of selecting a sufficient number of elements from the population, so that a study of the sample and an understanding of its properties or characteristics would make it possible for us to generalize such properties or characteristics to the population elements”. The total population will be surveyed for this study. Thus the total sample consists of subjects from three categories of farmers: crop farmers; poultry farmers and red meat farmers.

The total number is forty (40), consisting of thirty two (32) business owners / managers and eight (8) officers. A general census of all these agricultural businesses within Aganang municipality as registered in the municipal LED database is considered for the research.

Bless and Higson-Smith (1995:89) state that the first means of ensuring a representative sample is the use of a complete and correct sampling frame, which is the list of all units from which the sample is to be drawn. The advantage of the census method is that it is representative of the population in the sense that it does not favour one unit of analysis over another. Representativity of the targeted population will thus be ensured. Data will be collected using researcher administered questionnaires, and analysed using descriptive methods, i.e. tables, graphs, and statistical methods.

3.5. Research instrument

In this research, a questionnaire will be used as an instrument for data collection. De Vos (1998:152) defines a questionnaire as a set of questions in a form to be completed by respondents in respect of a research project.

Dessler (in Leedy, 2005) indicates the following in terms of using a questionnaire as a method of collecting data:

- It is a quick and efficient way to obtain information from a large number of individuals;
- It is less costly than interviewing a vast number of people, and
- Questionnaires secure participants' anonymity.

The aim of this instrument is to measure the perceptions of farmers, municipality LED officers and the Department of Agriculture's extension officers about the situation of agricultural businesses within the Aganang municipality (Leedy, 2005:15).

Two different questionnaires were distributed to the two categories in the population, one for the officials and the other for business owners / managers. Both questionnaires comprised of four sections. The first section (section A) of the questionnaire requested biographical data from the respondents, the second section (section B) of the questionnaire, using Likert-type five point scales, focused on the factors contributing to business performance, the third section (section C) dealt with the respondents' views about the Aganang LED strategy and the fourth and final section (section D) focused on the economic status and their experience regarding the practice of the agricultural businesses as a strategy used to improve economic growth and development in the municipality (see annexure A and B attached).

The questionnaires consist of items that test whether subsistence farmers are aware of agricultural businesses opportunities, whether they have the capacity to engage in the program, whether the municipality has programmes in place to capacitate them to effectively participate in the programme and on how best the programme can be implemented to increase the economic growth.

3.6. Pilot study

The pilot survey was conducted to test the questionnaire empirically. A total sample of six (6) respondents consisting of four (4) farmers, one from each category of farming, one (1) LED officer and one (1) Department of Agriculture's extension officer completed the questionnaire. They were requested to indicate whether they understand the questionnaire's instructions, the meaning of the questions, and the meaning of any words in the questionnaire. Their comments and suggestions were then incorporated into the final questionnaire.

3.7. Method of data collection

At first, a letter asking for permission was drafted and hand delivered to the Aganang municipality management. The researcher then started collecting data from officers and farmers

after receiving permission. The three categories of farmers identified for the purpose of this study are: crop farmers; poultry farmers and red meat farmers who participated in the research project, Department of Agriculture's extension officers and the LED staff.

Prior to collection of data, the respondents received a letter that explained the nature of the study, and an indemnification clause assuring respondents of the confidentiality of any information they provided as well as a sample questionnaire. Respondents were also provided with detailed information of what the study entails as well as instructions as to how the questionnaires would be administered, completed and returned. The rationale behind providing clear instructions and assuring confidentiality of information was based on the fact that this significantly reduces the likelihood of obtaining biased responses and obtaining informed consent (Serekan, 1992:109).

3.7.1. Administration of questionnaires

Thirty two (32) questionnaires were distributed to the three categories of agricultural businesses and eight (8) to LED officers and Department of Agriculture's extension officers. The researcher hand-delivered them to the respondents. The questionnaires were administered by the researcher to ensure the explanation of each question (questions to be asked in English and Sepedi depending on the literacy levels of respondents), clarity seeking and correct response by respondents.

3.7.2. Collection of questionnaires

Appointments were made and questionnaires distributed to the respondents two days prior to administration. The researcher completed the questionnaire as respondents answered the questions as per the questionnaires presented. Completed questionnaires were discussed with the respondents to insure mutual understanding and respect. The entire process of distribution and collection and analysis took two weeks, after the approval from the municipality to engage the staff and collect data was granted.

3.8. Data analysis

Data collected by means of structured questionnaires was analysed using the Statistical Package for Social Sciences (SPSS). Excel was also used to augment data analysis. The data analysed include descriptive and inferential statistics. Serekan (in Leedy, 2005) asserts that inferential statistics allows the researcher to infer from the data through analysing the relationship between two variables; differences in a variable among different subgroups and how several independent variables might explain the variance in a dependent variable.

Descriptive statistics in the form of arithmetic means, mode, kurtosis, median and standard deviations were computed for the various dimensions of the questionnaire. In the end the researcher was able to produce charts and tables from which summaries were drawn. In addition, the findings of the open ended questions of the questionnaires were matched against data collected in a quantitative manner, coded and common themes looked at.

3.9. Methods to ensure validity and reliability

The researcher obtained data from questionnaires that were personally hand-delivered and collected without positive identification to ensure anonymity of respondents to all sampled respondents. Bless and Higson-Smith (1995:130) state that reliability is concerned with the consistency of the measure and contend that an instrument which produces accurate scores every time it is used to measure an unchanging value, has high reliability. A pilot study was also conducted in an attempt to ensure that the study measures what it intends to measure.

Concerning validity of the content, De Vos (2002:167) states that it is concerned with the representativity or sampling of the content of the instrument. Therefore, the items on the questionnaire come from the literature overview.

3.10. Limitations of the study

According to Serekan (1992), in the management and behavioural areas, it is not always possible to conduct investigations that are 100 percent scientific. He asserts that we are likely to encounter problems in the measurement and collection of data in the subjective areas of feelings, emotions, attitudes and perception. The other problem that he identified was that, we might also encounter difficulties in obtaining a representative sample, which would restrict generalization of the findings.

The following limitations are anticipated in this study:

- Since the study primarily focused on the experiences and perceptions of human beings, this poses a threat of bias and giving responses that the subjects think are expected of them.
- The study was conducted in only one municipal area, which means that the results cannot be generalised to other areas.

3.11. Summary

This chapter presented the methodology that was used in the collection and analysis of data in order to arrive at the conclusions. It outlined the manner in which the sample for the study was derived and the population from which the sample was drawn. It also indicated the way in which data was collected and the questionnaire used for the collection of data.

The next chapter will indicate the analysis and interpretation of the data collected for the study. The analysed data will be presented in the form of tables, graphs and charts.

CHAPTER 4

RESULTS

4.1. Introduction

In this chapter the data collected on agricultural businesses in Aganang local municipality will be presented. The chapter will indicate the status of agricultural businesses in the Aganang local municipality that are involved in crop, poultry, goat and cattle production and registered on the municipal database of businesses. The chapter will also check whether these agricultural businesses are aware of government initiatives available to support and improve them. The study will also find out whether these agricultural businesses are using those available initiatives to their advantage or not and if not why they are not using them. Data were analysed using the Statistical Package for Social Sciences and presented in frequency tables. There are also a few themes derived from the few open-ended questions in the questionnaire.

4.2. Results from the current study

4.2.1 Demographic information

During the current study thirty two (32) agricultural businesses as listed on the Aganang municipality local economic development (LED) database were involved. The 32 businesses who were identified were all approached to participate in the study, i.e. a census was taken. However, only 30 agricultural businesses responded to the questionnaires. The two outstanding were not at their farms when the researcher visited them for the completion of the questionnaire. A response rate of 94% was thus recorded.

(a) Study area

There are four tribal offices in the Aganang municipality. Of the businesses who responded, 40% reside in the Matlala area, 27% in the Mashashane and 20% and 13% respectively in the Moletši and Maraba areas. An indication that people in the Matlala area take advantage of the land available for them to exercise agricultural activities while those at Maraba are at a disadvantage as a result of lack of arable land. All land available is used for residential and other uses and only a small portion for agriculture.

(b) Position of respondents

The following table and figure indicate the position of the respondents (who participated in the study) in the businesses.

Table 4.1: Respondents according to their position in the business

Position	Frequency	Percentage
Chairperson	7	23%
Director	4	13%
Owner	18	60%
Worker (employee)	1	3%
Total	30	100%

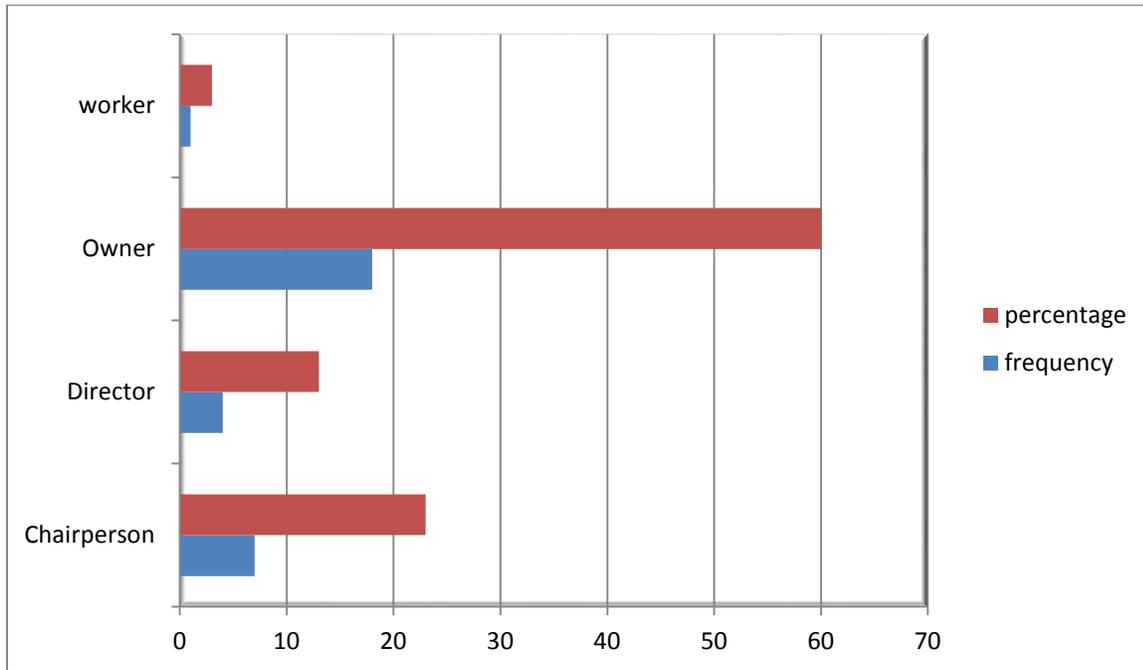


Figure 4.1. Representation of respondents according to position in the business

Table 4.1 above indicates that 60% of the respondents are the owners of the business. This may be an indication that agricultural business owners will prefer to deal with outsiders than appoint a spokesperson to deal with them. Perhaps most of these respondents prefer to be hands-on in the day-to-day running of their businesses or there may be an element of mistrust among business owners.

(c) Gender

The following table 4.2 indicates the gender of the respondents in the current study.

Table 4.2: Respondents according to their Gender

	Frequency	Percentage
Female	18	60%
Male	12	40%
Total	30	100%

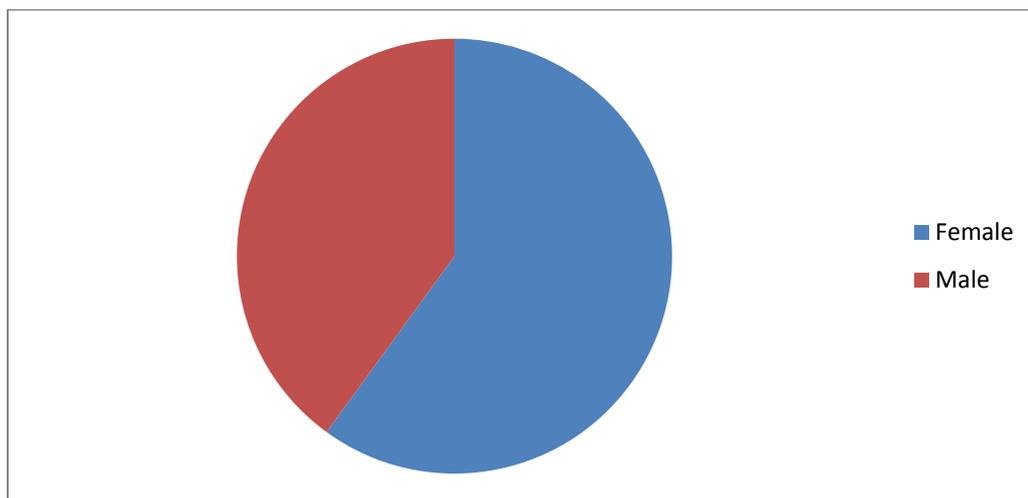


Figure 4.2: Representation of respondents according to their gender

Table 4.2 above indicates that 60% of the respondents are female while only 40% of the respondents are male. An indication that although agriculture is a tough activity that often means long hours of work, women in Aganang municipality find themselves having to be in the sector perhaps for the sake of putting food on the table. This can also be due to the fact that the Department of Agriculture annually runs programmes and competitions to encourage women participation in the sector. The respondents indicated that males are not taking advantage of the

support services available for business development and promotion programmes and prefer to loafer at home if unemployed while women will always find a way out.

(d) Age

The following table 4.3 indicates the age group of respondents in the study.

Table 4.3: The age group of respondents

	Age range	Number of respondents	Percentage
Youths	18 -35	4	13%
Adults	36 - 60	11	37%
Pensioners	61+	15	50%
Total		30	100%

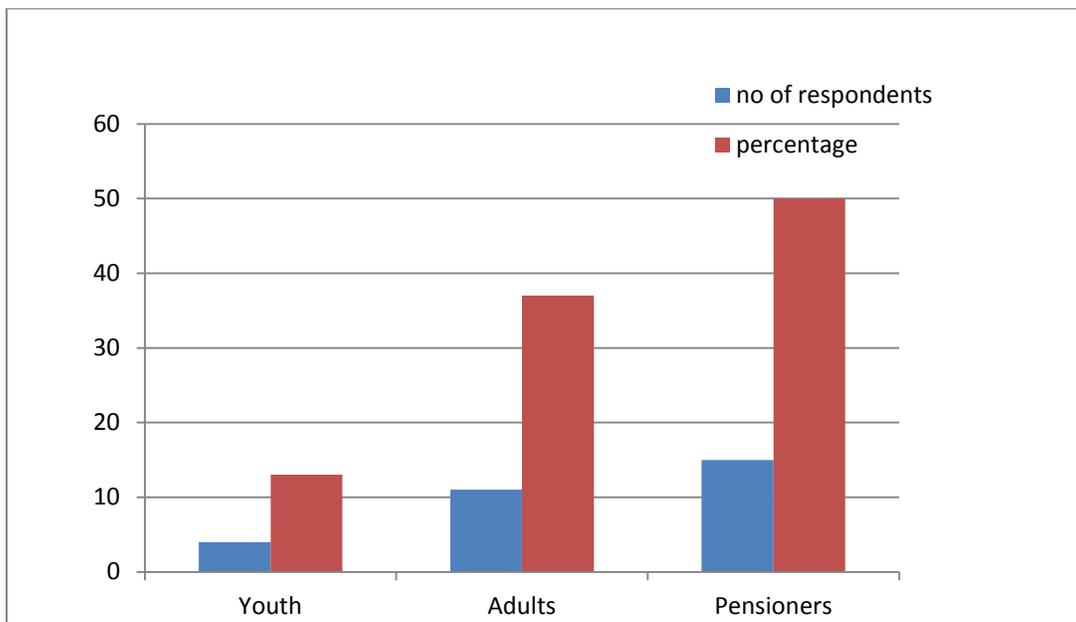


Figure 4.3. Respondents according to age

Table 4.3 indicates that only 13% of the respondents are youths and 37% are adults while 50% are pensioners. An indication that the majority of agricultural businesses in Aganang local municipally are operated by pensioners who are above 60 years followed by adults between 36 to 60 years of age. Youth are in small percentage as agriculture is viewed as an activity for older persons while youth seek employment elsewhere. Pensioners often use their time to participate in agricultural activities, to keep themselves busy and to supplement their pension incomes.

(e) Educational qualifications

Table 4.4 indicates the results obtained from the respondents concerning their educational qualifications.

Table 4.4: Presentation of the respondents according to their educational qualification

Level of Education	Frequency	Percentage
Below Matric	5	17%
Matric	12	40%
Certificate	7	23%
Diploma	4	13%
Degree	2	7%
Total	30	100%

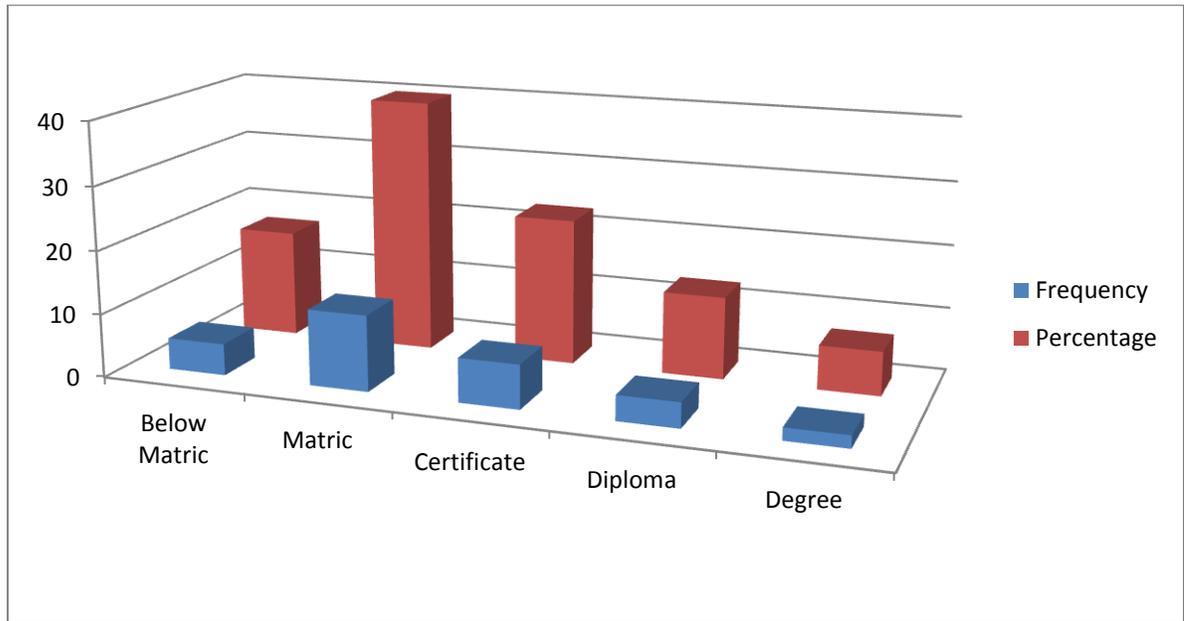


Figure 4.4: Respondents according to their educational qualification

Table 4.4 indicates that a large percentage of respondents (57%) have only matriculation certificate and lower. The worrying factor is that 17% of the respondents have no matriculation, which may mean low educational level and thus a higher possibility of not understanding policies relating to agricultural businesses as well as how financial institutions and government bodies operate.

(f) Type of business

The following table indicates the type of businesses that respondents are in.

Table 4.5. Analysis of respondents according to type of business

Type of business	Frequency	Percentage
Sole Proprietor	7	20%
Partnership	1	3%
Company	2	7%
Cooperative	21	70%
Total	30	100%

The research indicates that a considerable number (70%) of agricultural businesses in Aganang municipality who responded to the questionnaire are cooperatives, an indication that groups are preferred as a means to advance business activities. This might be highly influenced by the government initiatives to boost economic growth through cooperative initiatives and financial and other support systems available for cooperatives.

(g) Agricultural sector

The following table 4.6 indicates the agricultural sector the respondents were involved in.

Table 4.6: Respondents according Types of Businesses they are involved in

Business Sector	Frequency	Percentage
Crop	9	30%
Poultry	10	33%
Cattle	8	27%
Goat	3	10%
Total	30	100%

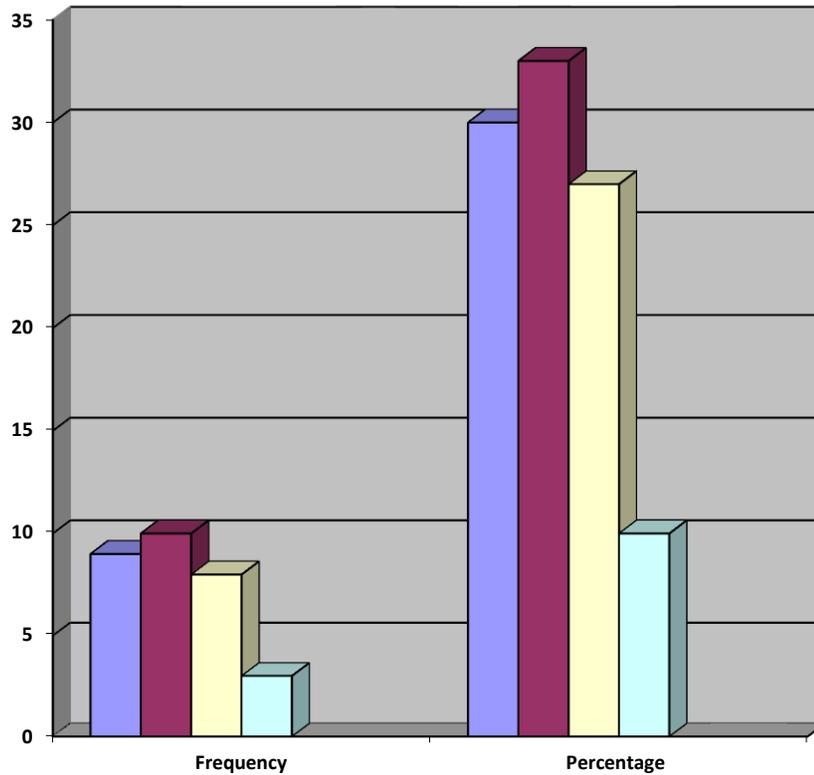


Figure 4.5: Respondents according types of businesses they are involved in

The above figure 4.5 indicates that 33% of the respondents are involved in poultry projects, 30% in crop production, and 27% in cattle farming while only 3% do goat farming. However, according to the agricultural extension officers’ responses, the climate and the type of soil is conducive to goat and cattle farming. As a result they felt that farmers should be encouraged to farm in goats and / or cattle as there is grazing available for communal use.

4.2.3 Reasons for starting a business

The table 4.7 and figure 4.7 that follow show different reasons cited by the respondents for starting an agricultural business. It must be clarified that most respondents could identify at least two reasons for starting the business.

Table 4.7: Reasons for Starting the Businesses

Reason	Percentage
Was unemployed	70%
Was retrenched	56%
Was interested in agriculture	24%
Had prior experience in agriculture	16%

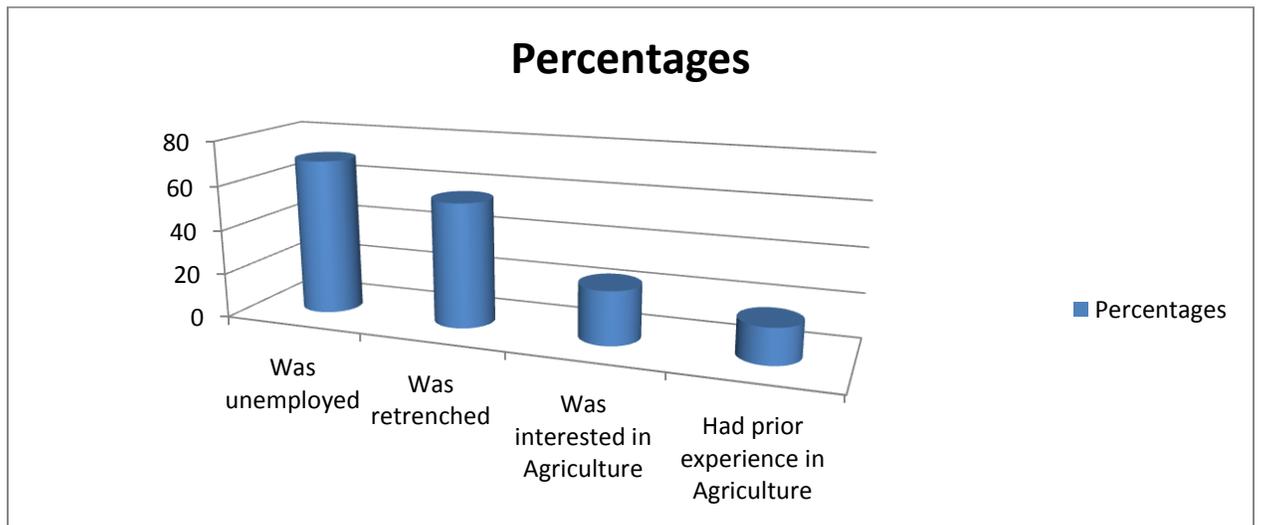


Figure 4.6: Reasons for starting a business

About 70% of the respondents indicated that they started their agricultural business mainly because they were unemployed and 56% cited the reason of being retrenched. This means basically that the majority started their agricultural businesses because they were not employed. Only 10% of the respondents had prior experience in agriculture before they established their agricultural businesses. Few (only 24%) respondents indicated they had interest in agriculture.

Respondents started their businesses based on reasons such as, being retrenched from whatever work someone was doing does not mean that the person will be a good business person.

4.2.4 Training received before starting an agricultural business

The following table illustrates the training received by respondents before starting their businesses, institutions involved and the skills programmes received.

Table 4.8. Training received by respondents

TYPE OF SKILL	LIBSA (%)	SEDA (%)	SETAs (%)	Dept of Agric (%)	Dept of Labour (%)
Business Management	63	56	0	18	57
Bookkeeping	60	35	0	26	46
Crop production	0	12	25	65	28
Stock farming	0	0	5	46	0
Poultry management	0	0	38	68	0

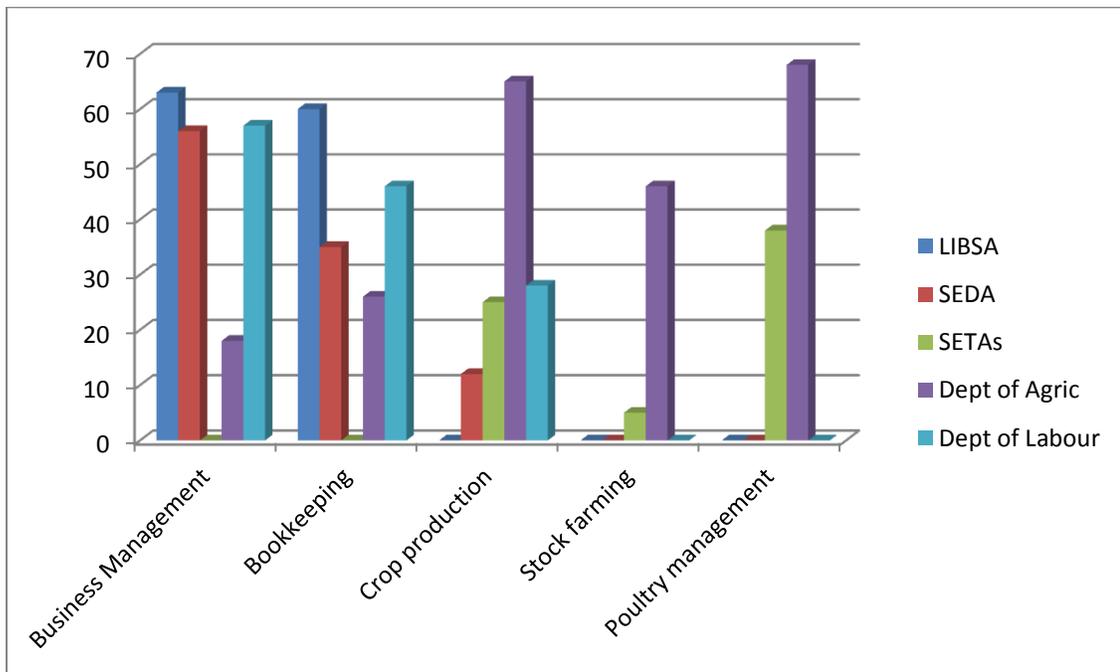


Figure 4.7: Training received by respondents.

About 70% of the respondents indicated that they received training before embarking on their journey as business owners or co-operators. About 67% of the training was on poultry management and was offered by the Department of Agriculture.

The study reveals that the Sectoral Education and Training Authorities (SETAs) have not been offering sufficient training within the Aganang municipality. The Department of Agriculture extension officers have revealed that at some stage they had to appoint service providers to offer training programmes that could have been offered by the SETAs.

Respondents indicated that the training programmes received have assisted them with the much needed skills to be able to run their businesses. However, they indicated that more training should be offered on bookkeeping skills as they still are unable to keep proper business books.

4.2.5 Keeping financial records

Table 4.9: Number of respondents who keep financial records

Financial Records	Frequency	Percentage
No financial records	4	13%
Adequately	17	57%
Unaudited financial statements	8	27%
Audited financial statements	1	3%
TOTALS	30	100

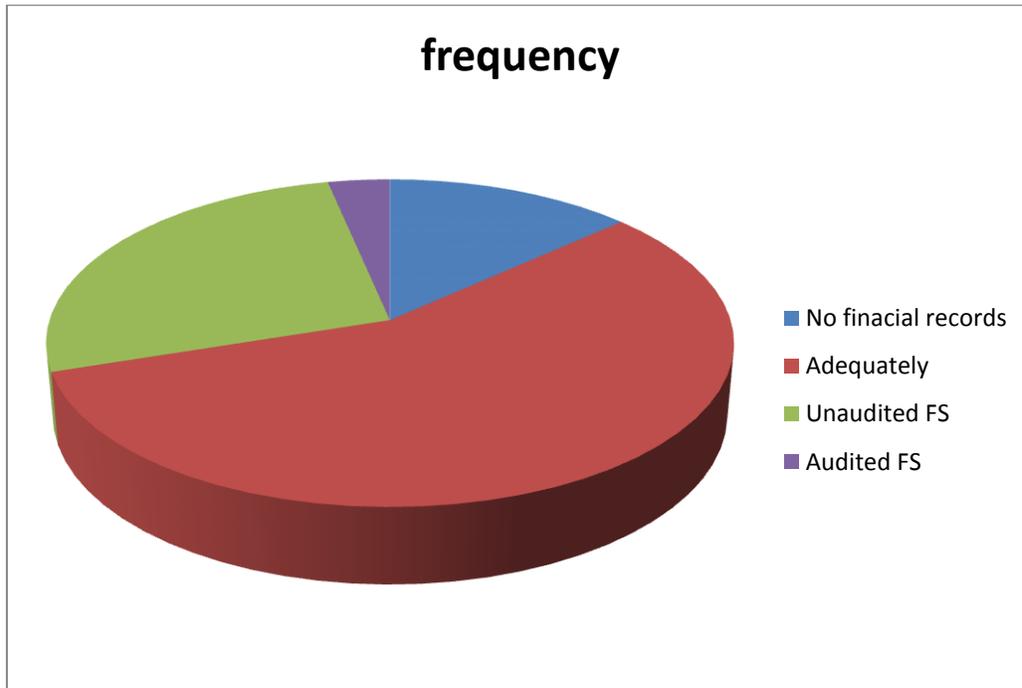


Figure 4.8: Number of respondents who keep financial records

Only 3% of the respondents explained that they keep audited financial statements. The majority of the respondents keep some record although it is not professionally done and audited financial statements. 13% indicated they do not keep any form of financial records, an indication that they have no way of monitoring whether they are operating at a profit or loss. Financial statements are also needed by institutions that offer financial assistance to businesses. The only agricultural business that had their financial statements audited obtained a disclaimer, a proof that financial records were not kept according to the generally accepted accounting practices (GAAP). Corporate governance issues are not performed according to the King II Report and its recommendations. These agricultural businesses cannot keep abreast with the market factors. Changes in market factors cannot be regulated or observed.

4.2.6 Marketing of products

The table below indicates how respondents market their products.

Table 4.10: Analysis of methods used by respondents to market their products

Method	Frequency	Percentage
Pamphlets	2	7%
Word of Mouth	6	20%
Door to Door	8	27%
Radio and / or television	0	0%
Business cards	3	10%
Bill boards	10	33%
Newspapers and magazines	1	3%
Total	30	100 %

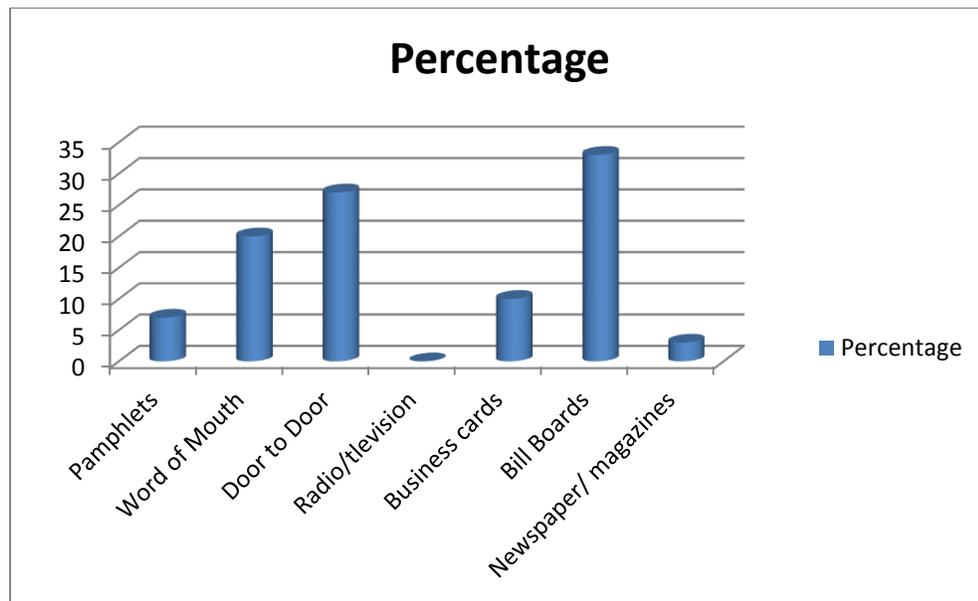


Figure 4. 9: Analysis of methods of marketing products used by respondents

About 33% of the respondents indicated they have billboards that indicate directional signs to their businesses or farms. None of the businesses use contemporary methods like the radio or television. They therefore rely solely on accessibility of their market. About 27% and 20%

indicated they sell from door to door and word of mouth respectively. This will limit their access to markets.

4.2.7 Transporting goods to the market

The following table indicates how respondents transport their products to their markets.

Table 4. 11: Transporting produce / goods to the market

Mode of transport	Frequency	Percentage
Own transport	3	10%
Hired transport	9	30%
No transport needed	13	43%
Public transport	5	17%
Total	30	100%

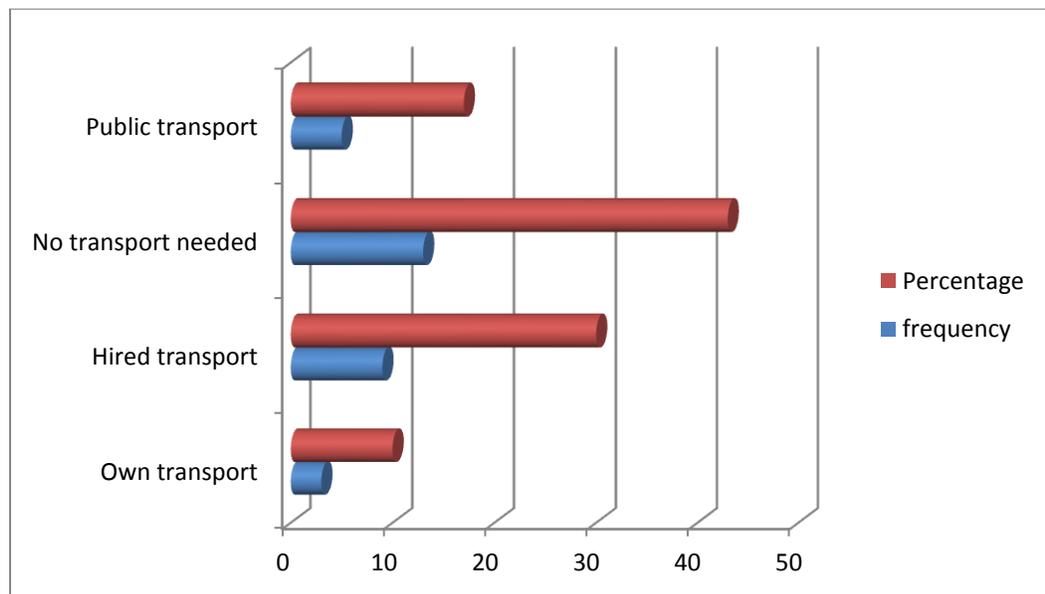


Figure 4.10: Transporting produce / goods to the market

The above figure illustrates that about 30% of respondents hire transport to transport their goods to the market. This further increases their cost of production. About 43% of the respondents indicated that they do not need any transport to convey their goods to the market, while only 10% use their own transport.

4.2.8 Business planning

About 80% of the respondents indicated that they have a business plan to run their businesses. They further indicated they were assisted by business development officers and agricultural extension officers to draft their own business plans. Their business plans, however, do not have any financial projections and are thus only an indication of what they wish to do or where they want to go as a business.

4.2.9 Awareness of the Aganang Local Economic Development (LED) Strategy and Integrated Development Planning (IDP) Process

About 73% of the respondents indicated that they have knowledge of the existence of the Aganang municipality LED and IDP strategies and plans. 40 % of those, however, indicated that the strategies and plans are not understandable and not inclusive to the residents of the municipality. About 83% of the respondents indicated that although they are invited to the planning processes, they do not participate in both the LED and IDP processes as they are not relevant to their sector.

The resources and emphasis applied by the municipality in the development of agricultural businesses are considered by 80% of the respondents as not reflecting the true potential of the sector. It further appeared that the role of agricultural businesses is underrated from a number of perspectives. This is in terms of the potential economic value and in terms of the fulfilment of the objective of the municipality and the national government to improve the quality of life of all its citizens by creating economic activity and employment.

According to the current study, there appears to be a perception that the value to be added to the municipality by the agricultural businesses seems not to be seen or appreciated by various constituents in the municipality. This perception results in a lower priority being given to agricultural business issues in addition to inadequate resources applied to the development and growth of this sector. Lack of coordination and interaction of the various agricultural business related activities in the municipality is one of the perceived critical barriers limiting the development of agricultural businesses.

According to the respondents in this study the municipality does not coordinate and mobilise the public about the value of the agricultural businesses and as a result, the agricultural sector is viewed as the employer of last choice by the youth and entrants to the job market. In addition, the economic value of agricultural businesses is not well understood. Many of the potential entrants to the sector are turned away because of its negative image. This will also restrict a number of people engaged in this sector and reduce the number of high calibre innovative people that want to join this sector.

4.2.10 Number of employees

The following table 4.12 indicates the results obtained from the respondents concerning the number of employees employed by the agricultural businesses during the data collection process of the study.

Table 4.12: Number of employees per agricultural businesses

Number of employees	Frequency	Percentage
Less than 5	2	7%
5 – 10	18	60%
11 -16	1	3%
17 – 22	6	20%
Above 22	3	10%
TOTAL	30	100%

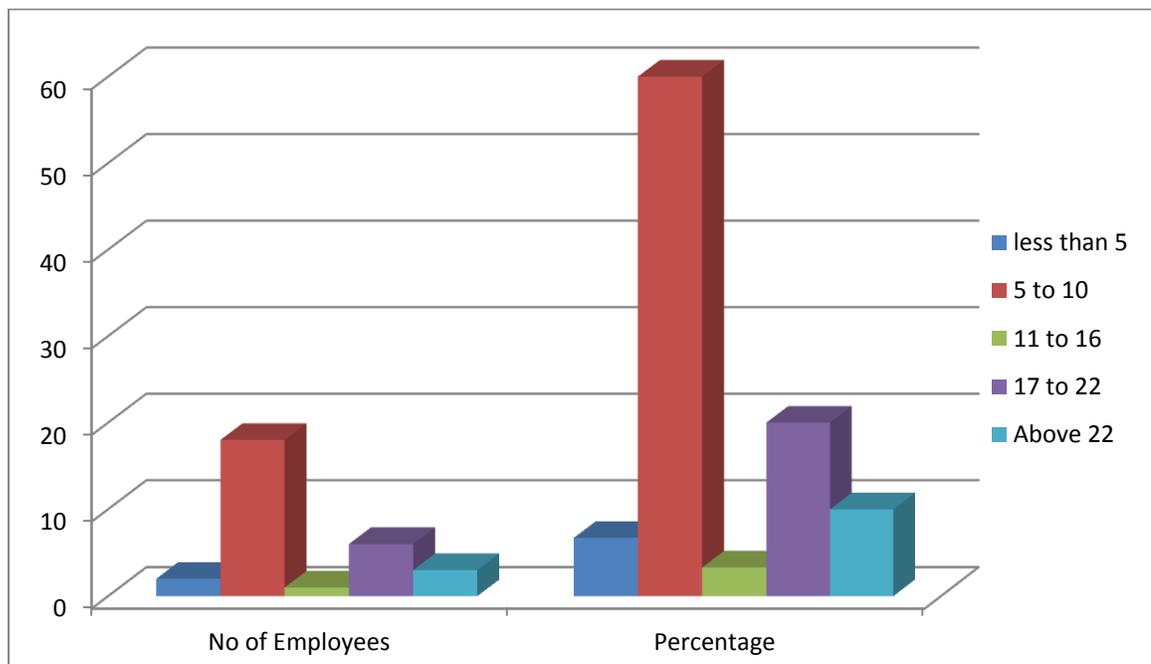


Figure 4.11: Number of Employees per Agricultural Businesses.

The above table and figure indicate that 67% (7% + 60%) of the respondents are micro enterprises with employees ranging from zero to ten employees. Further analysis of their

responses indicated that about 75% of the 67% do not have any permanent employees but only appoint some when they acquire a service to render on an ad-hoc basis. According to this study 33% of the respondents are classified as small enterprises on the basis that they have 11 to 50 employees on their payroll every month. According to the respondents there are no businesses that can be classified as medium-sized enterprises or commercial agricultural businesses within Aganang municipality.

This is an indication that agricultural businesses in Aganang show very little potential for growth as the majority of them have few employees on their monthly payroll. In addition, agricultural businesses in Aganang do not contribute much to development and economic growth as they have very few people in their employ. The study further suggests that, the growth of agricultural businesses is very slow. When agricultural businesses are not growing they create fewer opportunities for new agricultural businesses to enter the market. This potentially results in fewer individuals being able to participate in the sector and a greater chance of these individuals being unemployed and thus impoverished.

4.2.11 Annual turnover

The following table 4.13 indicates the results obtained from the respondents concerning the annual turnover of their agricultural businesses.

Table 4.13: Analysis of the Respondents on their Annual Turnover

Annual Turnover	Frequency	Percentage
Below R5.000	1	3%
R5.001 – R20.000	5	17%
R20.001 - R40.000	7	23%

R40.001 – R60.000	14	47%
Above R60.000	3	10%
Total	30	100%

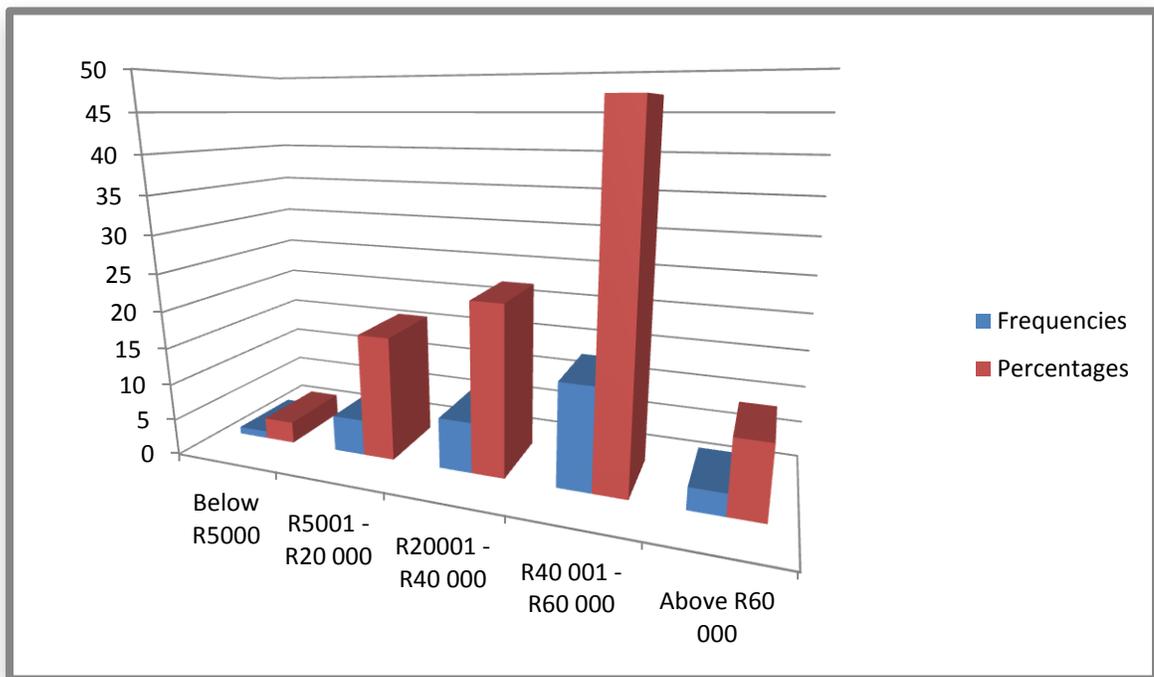


Figure 4.12: Analysis of the respondents on their annual turnover

The above table 4.13 and figure 4.12 indicate that 90% of respondents are still micro and survivalist as they record an annual turnover of less than R60.000. As a result of the small annual turnover agricultural businesses are not able to contribute much towards the economic growth. Only 10% of the respondents indicated their turnover to be more than R60.000 and therefore are regarded as medium enterprises. This may be an indication that agricultural businesses in Aganang are not farming commercially, but keep their businesses as a form of survival.

4.2.12 Business funding

About 90% of the respondents revealed that they have never received any financial assistance from any financial institution. The concern raised was that access to finance is one of the largest barriers for entry to SMMEs and to these agricultural businesses. The key reasons identified by the respondents were the following.

- Limited or no collateral or assets
- Unrealistic cash flows
- High cost of finance charges.
- Poor credit rating
- Lack of track record.
- Poor perception of the SMME market by funding institutions
- The unavailability of financial information

The restriction of access to finances is a primary barrier to entry for the establishment and growth of SMMEs. This barrier also stops people from seeking employment in this sector leading to limited access to this sector. Engagement of the micro-finance industry in the various SMME initiatives appears to be low to non-existent.

4.2.13 Awareness of Government Support Programmes

The study revealed that although more than 75% of the respondents are knowledgeable about available government programmes, 60% do not participate in such programmes as according to them they are often not easily accessible, not relevant to the sector, and are thus not viewed as useful to their survival. They view such initiatives as a waste of time and resources and would prefer support from experts in the field to enhance their performance and to sustain their businesses.

4.2.14 Training received while operational

About 63% of the respondents indicated that they did not receive any training since they started operating their businesses, and there is dire need for the following skills to ensure proper management of their business.

(a) Financial and bookkeeping skills

Around 90% of the respondents indicated that they are not in possession of any skill in terms of financial management and bookkeeping. They do not have the expertise to run their day to day finances. As a result, they cannot come up with financial records which can motivate the financial institutions to offer them assistance. The 10% who indicated that they do have bookkeepers with some skill to keep their financial records and balance their books also indicated that they never managed to secure a loan from financial institutions for their businesses due to their credit ratings. According to this study, most of the agricultural businesses lack skill to manage the day to day operations of their businesses. They especially lack financial skills to run the finances of their businesses. Poor management practices like poor stock control, cash flow budgeting, and buying habits contribute to unsustainable business practices. A common trend noted is the inability of agricultural businesses to properly understand finances and cash flows which often results in the agricultural businesses overestimating or underestimating the funds required from funding institutions or even to run their businesses on a day-to-day basis.

(b) Business management skills

About 60% of the respondents indicated that they lack business management skills. It was evident that they are not able to draw up their production plan in a way that they can make an inventory control and be able to draw their bill of quantity which will assist them in making estimates for their budget needs. Business management skills are regarded as the point of departure for any business to survive. The issue of them not being able to manage their

businesses properly further complicates their ability to present themselves to potential clients as well as potential creditors / investors.

(c) Marketing management skills

About 80% of the respondents revealed that they do not have any marketing expertise and that they are not able to identify markets available for their own products. They do not advertise or promote their own products and mostly rely on word of mouth. As they do not have some skill they are not able to brand their products to be unique from those of the competitors. They also cannot do market research to see which markets need their services.

(d) Crop production, stock farming and poultry management skills

Respondents indicated that although they are in crop production, stock farming and poultry management they are not confident in running their farms efficiently as they still need to rely on Department of Agricultural extension officers to identify challenges with their crops and how to combat diseases. Agricultural business in cattle and poultry farmers also emphasised the point that they keep their stock as a result of lack of sufficient market for their produce.

4.2.15 Awareness of services offered by government institutions and participation in the programmes

According to the current study, 70% of the agricultural businesses are not aware of policies and regulations regulating the promotion of agricultural businesses. The 30% who are aware of the policies are not able to utilise them as they have a problem of understanding them as they say that they are written in a language they struggle to understand. They also reported that they do not know of any formal structure that can help them to understand those policies. About 80% of the respondents also stated that tendering documents are also written in English, which they have

difficulty understanding. This may be linked with the number of respondents in the study who have no Matric. It makes it difficult for them to complete forms and they end up being compelled to hire professionals or others who are too expensive to assist them.

According to this study, it is quite evident that while extensive National, Provincial and Local Government policies for SMME development and support exist, their level of implementation and thus utilisation is still a problem. The sample / respondents interviewed for the current study showed that the agricultural sector participants are not aware of and / or cannot utilise these policies. The benefit of having a thriving sector which includes job creation and economic development will not be achieved if the implementation of policy related to agricultural businesses are not defined or acted upon effectively. The officers interviewed from the government department indicated that the ignorance is on the part of the agricultural businesses themselves as the government departments are doing everything possible to make them (the policies) accessible.

From the current study, ensuring compliance to various laws and regulations such as taxation is an extremely lengthy, unclear and onerous task for these emerging agricultural businesses. Although they do not understand these laws and regulations non compliance to laws and regulations will result in punitive measures being placed on them. This punishment will negatively affect their business operations and ultimately affect their sustainability.

The government must facilitate joint action by key stakeholders in the delivery of financial and business development services and review policies and laws to ensure that they are responsive to agricultural business experiences, making compliance easier and more beneficial for agricultural businesses.

4.2.16 Contribution of agricultural businesses to economic development

The study reveals that the turnover for the agricultural businesses that were included in the current study in Aganang is too low. Only 10% of the respondents indicated a turnover of R60.000 and more. This is an indication that agricultural businesses in Aganang do not contribute much to the Gross Domestic Product (GDP) and economic growth of the municipality.

It was indicated that agricultural business contributes largely towards growth in economies. This is evident from the study undertaken by the Havard business school (King *et al.* 2010:554). According to Adams and Periton (2007:220), in its strictest sense, economic growth is taken to mean the growth of productive potential for the economy. However, the usual definition of economic growth is an increase in real Goss National Product (GNP).

The study revealed that more than 90% of respondents have annual turnovers of less than R50.000, a clear indication that they are not yet competitive and will still depend on grants for survival. This also suggests that they contribute very little to the economy and poverty alleviation of the area.

4.3 Summary of the results

The chapter discussed the findings based on the current study. It is evident that the agricultural businesses in the Aganang local municipality are experiencing challenges of not being able to access finances from the financial institutions. The agricultural businesses in Aganang are not in possession of the necessary business management skills to run their daily business activities. They lack the financial management skills to be able to account for their financial records and to monitor cash flow and lack marketing skills. Despite the government initiatives to assist agricultural businesses in the country the agricultural businesses in Aganang still find it difficult

to access and utilise those services. These businesses unfortunately contribute very little to uplifting the local economy.

The next chapter will make conclusions on the study and come up with recommendations to assist the agricultural businesses in the Aganang Local Municipality in order for them to be able to remain sustainable as well as to help more people who may be aspiring to enter the industry.

CHAPTER 5

DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter discusses the conclusions deduced from the results based on data collected in the current study. Recommendations for future research and further agricultural business development are also presented as well as limitations of the study. From the research findings one could deduce that agricultural businesses in Aganang Municipality in the Limpopo Province are not stable, sustainable or rather viable. There are no systems put in place to ensure that the agricultural businesses in the municipality continue to operate and remain stable. The government has come up with a number of initiatives to develop agricultural businesses globally but the problem stays with the ways of implementing those initiatives. The local government must play a critical role to ensure that the strategies aimed at SMME development and promotion are taken into consideration to realise the government's goal of having sustainable agricultural businesses which contribute towards economic growth and create employment.

5.2 Discussion of research findings

5.2.1 Demographic information

There are four tribal offices in the Aganang municipality. Of the businesses who responded 40% reside in the Matlala area, 27% in the Mashashane and 20% and 13% respectively in the Moletši and Maraba area. An indication that people in the Matlala area take advantage of the land available for them to exercise agricultural activities while those at Maraba are at a disadvantage as a result of lack of arable land. All land available is used for residential and other uses and only a small portion for agriculture.

About 60% of the respondents are the owners of the businesses while only 3% (only 1) of the respondents are employees.

The study revealed that 60% of the respondents are female while only 40% of the respondents are male. Another revelation is that only 13% of the respondents are youths and 37% are adults while 50% are pensioners. An indication that the majority of agricultural businesses in Aganang local municipality are pensioners who are above 60 years followed by adults between 36 to 60 years of age. Youth are in small percentages as agriculture is viewed as an activity for older persons while youth seek employment elsewhere. Pensioners often use their time to participate in agricultural activities and to supplement their pensions.

The study indicates that a large percentage of respondents (57%) only have a Matric certificate and lower. The worrying factor is that 17% of the respondents have no Matric, which may mean low educational level and thus a higher possibility of not understanding policies relating to agricultural businesses as well as how financial institutions and government bodies operate. This low literacy level, may result in low understanding of business management issues and low business acumen.

The study indicates that 33% of the respondents are involved in poultry projects, 30% in crop production, 27% in cattle farming while only 3% do goat farming. According to this study 33% of the respondents are classified as small enterprises on the basis that they have 11 to 50 employees on their payroll every month. According to the respondents there are no businesses that can be classified as medium-sized enterprises or commercial agricultural businesses within Aganang municipality. This is an indication that agricultural businesses in Aganang show very little potential for growth as the majority of them have few employees on their monthly payroll. In addition, agricultural businesses in Aganang do not contribute much to development and economic growth as they have very few people in their employ.

The study revealed that 90% of respondents are still micro and survivalist as they record an annual turnover of less than R60.000. As a result of the small annual turnover agricultural businesses are not able to contribute much towards the economic growth. Only 10% of the respondents indicated their turnover to be more than R60.000 and therefore regarded as medium enterprises. This may be an indication that agricultural businesses in Aganang are not farming commercially, but keep their businesses as a form of survival.

From the current study, the majority of people who engage in agricultural businesses are pensioners. It would be better to have more youth involved with the hope that they will grow with these businesses.

5.2.2 Challenges faced by agricultural businesses

According to Van Rensburg (2009: 34) in his study on the viability of the socio-economic sustainability of underdeveloped farmers in the Driefontein Area in the North-West Province, agricultural businesses encounter several challenges for development. The following were highlighted in the current study:

(a) Farming systems

The study revealed that agricultural businesses within Aganang municipality still lack the systems and procedures to ensure they develop into commercial farming enterprises. There are numerous definitions to describe the systems from the non-commercial environment. Names like subsistence farmers, small scale farmers, emerging farmers, resource poor farmers, developing farmers or communal farmers are still used.

(b) Climatic conditions

According to the Capricorn District LED strategy (2008:27), one of the challenges for economic growth of the agricultural sector in the area is unfavourable climatic conditions. Management of the environment and monitoring of climatic conditions is essential. The respondents in this study

also indicated that they are still challenged by not knowing how to cope with adverse climatic conditions.

(c) Insufficient financial resources

Van Rensburg (2009: 35) argued that small businesses are under-capitalized. Many entrepreneurs tend to depend upon their own or their family's savings to start and operate a business; this means of capitalization is limited. Thus, access to capital remains a challenge. Research on the role of capital in determining the success or failure of small businesses in Africa is contradictory and therefore remains unclear. Overall, most small businesses cannot meet the requirements for commercial loans because they lack any collateral, and those who meet the requirements still find them prohibitively expensive in terms of repayment terms (Van Rensburg (2009: 35).

In the current study, a conclusion is made that the agricultural businesses in Aganang are not able to access finances from the financial institutions because of the lack of financial skills to draw up their budget. These skills would help them to indicate their cash flows, which would motivate the financial institutions to fund their businesses. They also have a problem of accessing finance due to the fact that they cannot draw up their business plans that are usually used when approaching financial institutions. The respondents also do not have a collateral when applying for finance. Those that have collaterals might find such finances expensive as identified by respondents in this study. Not having finance to run their own business also means that their chances of growing are much slimmer. The study revealed that agricultural businesses in Aganang municipality cannot access these financiers or even access their services.

(d) Skills and expertise

Van Rensburg (2009:46) indicated that one of the challenges is the fact that management skills of the farmers are low and therefore commercial production is unsustainable. Lack of skills is a common factor for all underdeveloped areas within the country. This can be attributed to the disparities of the past and the education system. Aganang agricultural businesses cannot, as a

result, be excluded from the challenges as mentioned above. Respondents in this study indicated that they have challenges with the following skills:

- **Financial and bookkeeping skills**

The present study indicated that the agricultural businesses in the Aganang municipality do not have the necessary skills to keep their books to an extent that they can have certified financial statements for their businesses. The government support services to provide the necessary skills are available but simply because of poor coordination from the government they are not able to access them.

- **Business management skills**

The agricultural businesses in Aganang local municipality lack the basic business management skills in that they are not able to draw their own business plans. They are not able to draw their own budget and as such it is difficult for them to approach assistance even if they are aware of it. They also do not keep permanent employees, something that may make it difficult for them to improve as they will need to train employees all the time.

- **Marketing management skills**

According to this study agricultural businesses in the municipality face a challenge of not being able to look out for markets for their own goods and services. They are not able to brand their products and as such being labelled as delivering goods and services of a poor quality. The stigma of delivering poor quality products tarnishes their image to an extent that they are not given tenders by the government.

(e) Infrastructure

According to 60% of the respondents, the Department of Agriculture in the province often provides farming infrastructure through the Capital Accumulation and Support Programme (CASP). This has been verified with the Department of Agriculture extension officers who

indicated that 75% of the agricultural businesses have been provided with financial support for fencing, warehouses, chicken and pack houses. However according to this study, 80% of the respondents complained about the difficulty and long procedure they undergo when acquiring land to establish their businesses. They further argued that there are no proper structures or forums responsible to facilitate their application to access land and infrastructure.

5.2.3 Awareness of policies and regulations that support small business

Policies and regulations are put in place by the government to create a conducive environment for agricultural businesses to function effectively. The local government has got three roles to play in order to implement the policies and strategies aimed at developing and promoting agricultural businesses in the country. The government must act as a regulator regarding the regulations for agricultural businesses and as a facilitator for the available strategies available for SMME development and promotion. The government must monitor the implementation of the initiatives initiated by them.

According to this study policies and regulations are not well understood by the respondents. They perceive them as poorly administered and rather poorly coordinated which leaves agricultural businesses being frustrated and not having ways on how they can be assisted. The majority of agricultural businesses are not VAT registered and the only compliance is in taxation because in order for them to be able to register in the government databases they should have tax clearance certificates.

According to the current study, the issue of policy co-ordination, which is policy creation and policy enforcement, do not appear to be working together. This problem creates ineffective implementation of laws, regulations and policies as agricultural businesses are not aware of them. For purposes of proper planning, implementation, reporting, monitoring and review of the

impact of the development programmes of Government, there is a definite need for up-to-date information on business activities, trends and progress made.

5.2.4 Awareness of government support initiatives

According to the Limpopo SMME Strategy (2006: 68), the Department of Economic Development Environment and Tourism in Limpopo Province has put in place institutions to provide programmes directly related to SMME development and promotion. These cater for both financial and non-financial resource requirements.

In this study, 90% of the respondents indicated that they are not aware of opportunities available from government to promote and support them. It can then be concluded that the agricultural businesses in Aganang municipality are not aware of initiatives the government has initiated for SMME development. Those who are aware of the available initiatives are not able to access them and utilise them for their own advantage because of illiteracy. The fact that from the list of institutions listed in chapter four (4) of this study, it is only LIBSA that is known well by these respondents as it has branch offices within the municipal premises, made the respondents not to be aware or utilise government support programmes.

5.2.5. Contribution to the local economy

The result of the above study indicates very low annual turnover for most of the small agricultural businesses surveyed. In addition, they tend to employ very few people in their businesses. Most of those employees are on an ad hoc, part time basis. Thus, these businesses are mostly survivalists and contribute very little to poverty alleviation and the economy in their area.

5.3 Recommendations

5.3.1. Involvement of the younger generation

It is recommended that agriculture be emphasised as a school subject and that youth be encouraged to study the field up to a degree level. Those that studied agriculture should also be encouraged and supported to establish their own businesses and not leave the municipality in search of employment opportunities elsewhere. The local municipality should consider the implementation of an active learning and entrepreneurship skill development programme at secondary school level which will facilitate the generation of new business ideas. The creation of the learning youth programme at high schools could also facilitate this approach in the long term and will attempt to manage the problem at the entry point as opposed to the exit. The current institutions like technical colleges and universities curricula should be geared to develop individuals that would be able to operate in the agricultural SMME environment.

5.3.2. Type of business

According to agricultural extension officers, the climate and type of soil in the Aganang municipal area is conducive to goats. Furthermore, land is available for cattle grazing. Thus more farmers should be encouraged to engage in goat and / or cattle farming.

5.3.3. Education and training

The study reveals that Sectoral Education and Training Authorities (SETAs) have not been offering sufficient training within Aganang municipality. The Department of Agriculture extension officers have revealed that they have appointed service providers to offer training programmes that could have been offered by the SETAs.

The LED unit should improve skill levels of agricultural businesses. This should be done through evaluating the existing skills development initiatives that can be provided by the municipality, sector departments and external organisations. This would involve that all the relevant

stakeholders that are engaged in this field be fully understood and well documented with their responsibilities with those of their agencies. A gap analysis has to be performed. The identified gaps should be addressed in terms of intervention strategies. The development of a detailed compliance monitoring program together with periodic compliance visits would allow for meaningful measurement of the levels of skills.

Respondents indicated that the training programmes received have assisted them with the much needed skills to run their businesses. However, they indicated that more training should be offered on bookkeeping skills as they still are unable to keep proper business books. Thus, either the respondents or the department, through the help of extension officers, should arrange training in:

- Keeping financial records and bookkeeping skills.
- Marketing of products as well as doing market research.
- Business management skills, together with drawing up business plans.

5.3.4. Entrepreneurial spirit

From their profile an inference was made that agricultural businesses in Aganang are not entrepreneurial based on the characteristics of an entrepreneurship. They do not have the entrepreneurial skills, they do not take risks and they do not seem to be innovative. Initiatives should be taken to ensure that on making an application to register a business, applicants are guided on how to become an entrepreneur. Therefore, it is recommended that these subjects be encouraged to put up an office structure which has become one of the qualifications to become registered in the government departments' databases. This will help them to enhance their image, especially in the eyes of their potential customers. There must be a better coordination of SMME activities to encourage women and youth to take advantage of the available opportunities for SMME development and promotion.

5.3.5. Innovation and creativity

Agricultural businesses entering the market should be guided to look for innovation by evaluating their existing product and service offerings. They should be stimulated to grow via the use of incentives and awards which will popularise the existence of the SMME Desk and increase trade in other less traded sectors. Innovation, creativity as well as differentiating themselves should be emphasised to make them more attractive to potential customers.

5.3.6. Policy coordination and support centre

There should be proper coordination of the existing policies together with the benefits of policy implementation. This needs to be done by all stakeholders including departments which are engaged in the implementation of various policies and regulations for SMME operations and development. The coordination will assist agricultural businesses to meet regulatory requirements. Accountability for policy creation and implementation should reside with the LED unit. Compliance based tools should be developed to ensure that existing policies are adequately implemented. The monitoring role should be ongoing and could also form part of the internal audit process. The internal audit should come up with statistics with regard to non-compliance to laws and regulations by agricultural businesses.

The LED unit should support businesses across the spectrum from survivalist to the well established agricultural businesses. Queries made to the unit should be tracked and monitored to ensure that effective follow up is executed. Urgent focus needs to be given to the better provision of support services to agricultural businesses in order to assist them to comply with various laws and regulations which should include:

- Increasing the awareness of the available support structures and programs
- Coordinating the activities of various organisations that are involved in agricultural business support to improve their effectiveness.

- Improving communication between various organisations involved in agricultural business support. Consideration should be given to engaging the various agricultural business stakeholders at a broad based forum.

A well coordinated support centre would be the foundation in improving and increasing service delivery support to agricultural businesses. The municipality should also review the resource allocation to agricultural businesses. By reviewing the resource allocation the municipality will assist agricultural businesses in selling healthy products to the community and also create a healthy environment and positive image of agricultural businesses. Policy coordination needs to be reviewed to increase transparency and to allow for management and enforcement to be working together in implementing policies and meeting its objectives.

5.3.7. Coordination of SMME including agricultural business development activities

There is an ever increasing need to co-ordinate and integrate LED programmes in the municipality. Through the LED office, a framework for integrated enterprise development support must be developed which will ensure that all LED programmes including agricultural programmes are coordinated.

The level of agricultural business and BEE participation in the sector departments should be reviewed and evaluated. The review should include the formalisation of strategies in implementing preferential procurement processes. The strategy should have a detailed action plan with possible targets to be met regarding locality, disability, women and youth. Agricultural businesses with existing or potential capacity should be identified by the LED unit which must be rated with their capacity to deliver and cater for developments needs. Mentorship and business development programmes should be jointly identified and undertaken to increase the capacity of the identified agricultural businesses.

The LED unit should facilitate the context of understanding the value added by agricultural businesses to both communities and the economic base sector. Knowledge on key performance indicators and strategies should be shared. Workshops should be facilitated. The unit should investigate the central coordination of all agricultural business development activities. The central coordination will allow agricultural businesses to lobby with one loud voice around legislative issues that hinder their growth and development taking consideration of the educational level of agricultural businesses owners / managers. Agricultural business participation in procurement should be improved. The procurement procedure should be aimed at providing support to agricultural business development. The weighting allocated to pricing should be reviewed and more points given to locality. Consideration should be given to the conversion of tender documents and BEE procurement documents into more official languages or perhaps into simpler plain English and non-technical language.

The LED unit should undertake a proactive approach in order to market the SMME sector through:

- Building a unique SMME and agricultural business brand.
- Advertising the roles and responsibilities of the various organisations participating in agricultural businesses.
- Promoting SMME opportunities and benefits using a medium that is understandable by all in the sector.
- Continuous use of role models from the community that have successfully evolved of the agricultural business sector.

There are several institutions involved in business development programmes or activities within the Limpopo province. Their goals, objectives and activities are all geared towards improving and increasing the constitution of small businesses in the provincial economy. All these government departments, parastatals or institutions have common clients or beneficiaries. The activities and programmes of these institutions reflect that they are never engaged or do not

interact with communities on SMME programmes. Integrating small business development strategies will ensure streamlining of activities, maximising impact of resources allocated to small business development and eliminating duplication of services and resources allocation (Limpopo Growth and Development Strategy - January 2005).

There are programs and government initiatives put in place to assist and promote the development of agricultural businesses. The question remaining is through whom all these programs and initiatives should be communicated to the relevant stakeholders. More importantly is whether they are co-ordinated, integrated and controlled. The availability of SMME data-base would assist emerging business owners including agricultural business owners in numerous ways: for example, information on various sources of funding, capacity building and training programmes, procedures on how to start a business, markets, marketing and overall access to agricultural businesses (nationally and internationally).

Accessibility of information on funding organisations, local and international organisations, and individuals within and outside the province by agricultural businesses is crucial. The areas of intervention for needs such as entrepreneurship development and funding can be easily addressed if an SMME data-base is established and regularly updated by experienced and professional employees (Limpopo Growth and Development Strategy - January 2005). There is a need to have evaluation mechanisms to look at support programmes impact on businesses. Business organisation must have a role in making an input to development programmes and updating of the growth levels of businesses.

5.3.8. Allocation of resources to boost SMMEs and more specifically agricultural businesses

The local municipality must facilitate the issue of allocating business sites to agricultural businesses. A zero based approach to the allocation of resources should be applied with an effort

to develop agricultural businesses. The LED unit should assess the allocation of resources to this sector. In addition to the allocation of additional resources for the development of agricultural businesses, the unit must also ensure that all stakeholders in the municipality are fully aware of its mandate and role. The LED unit should also look at the provision of reduced rentals for agricultural businesses via the utilisation of the existing unutilised municipality buildings in the local municipality.

5.3.9. Research programmes

To enable proper planning for business development support, it is critical that there is appropriate research on the impact of small business in the economy of the province. Research should start by identifying the information needs, research programmes available and then commissioning research. Once research is done, there is a need to develop a plan on the establishment and implementation of a sound business information and management system. The LED unit in Aganang should develop the appropriate communication strategies to communicate information to assist planning and increase awareness. A comprehensive reporting mechanism will ensure that there is proper monitoring of the impact of small businesses on the economy of the local municipality.

According to the Limpopo Employment, Growth and Development Plan (2008:68), integration of service delivery institutions will also ensure that there is synergy in strategic movement, that the gaps realised when integration is done are closed and it will benefit entrepreneurs and accelerate service delivery.

5.3.10. Final recommendation

It is therefore highly recommended that Aganang Local Municipality should ensure that government institutions that have a mandate to develop agricultural businesses should establish

offices which will serve as an incubator for the new registering and existing agricultural businesses in the municipality. The roles and responsibilities of such institutions should be well defined and distinguished and be understandable by all agricultural businesses. The business database should be updated and the growth of each and every agricultural business should be monitored. The gaps should be identified and ways on how to close those gaps to the advantage of the agricultural businesses should be available. Review of the Aganang LED Strategy is critical at this juncture, to chart forward a development path that addresses the socio-economic and service delivery challenges in Aganang.

5.4. Limitations of the study

- The study was conducted only in one local municipal area, which means that the results may not necessarily be easily generalised.
- The data collection method used was a researcher administered questionnaire. This may influence the result as the researcher may have own interpretation of answers to the questions and there may be some bias involved. All these may have some effect on the kind of responses and eventually on the results.

5.5. Summary

The current study aimed at investigating the situation of agricultural businesses in Aganang municipality and whether they contribute to the local economy or not. According to the study it was evident that the agricultural businesses in Aganang are not stable as they are faced with challenges of not being able to access the available initiatives by the government to assist them. They are faced with challenges of not being able to access finances due to the lack of financial management skills. They do not possess the general business management skills which will enable them to run their day to day business activities. They also lack the necessary marketing skills to take their perishable produce to the market.

Furthermore, the agricultural businesses in Aganang municipality have a problem of coming up with new ideas and creative minds to come up with new products or services which are not available in the municipality. They are not entrepreneurial as they depend mostly on government grants and procurement and are not able to produce and manufacture their own products. According to responses there has been quite a low level of innovation. New entrants into the sector see agricultural business as a last resort and do not come up with creative ideas to start new products but follow the existing models. This will impact negatively on the sector as it will force a large number of these businesses into a marginal existence as there will be too many of them doing the same thing.

According to the study agricultural businesses in Aganang are growing at a very low rate as their annual turnover on registration and the current ones do not show any improvement at all. It is only three percent of the agricultural businesses which shows a potential for growth. As a result of the saturated turnover they are not able to employ permanent employees on their payroll and the money they get is only meant to support their families, i.e. they are survivalist. Due to the little turnover they do not contribute much to the economic growth and are also not able to create employment for the community. There is a high unemployment rate in the municipal area and agricultural business can be one of the vehicles that can be utilised to improve the economy of this area.

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ANNEXURE A:

Questionnaire for agricultural businesses

MASTER OF BUSINESS ADMINISTRATION (MBA)

RESEARCH QUESTIONNAIRE

***Topic: SITUATIONAL ANALYSIS OF AGRICULTURAL BUSINESSES WITHIN
AGANANG MUNICIPALITY***

STUDENT NAME: MAISHIBE JOHANNA MABELEBELE

INSTITUTION: University of Limpopo Turfloop Graduate School of Leadership (TGSL)

P O Box 643

SESHEGO

0742

Dear respondent

The purpose of this survey is to solicit information from agricultural businesses in Aganang Municipality within the Capricorn district of the Limpopo province. The information provided will assist in obtaining the situation of your business and assist the authorities in identifying challenges and potential contributions of these businesses to local economic development.

The questionnaire will only take a few minutes to complete. In this questionnaire, you are requested to indicate what is true for you, so there is no right or wrong answer to any question. You are at liberty to give comments on any issue discussed. The answers provided will be treated as confidential.

Thank you for participating

Signed _____

Maishibe Mabelebele

SECTION A: DEMOGRAPHICAL INFORMATION**1. Area of operation**

Moletši	1
Matlala	2
Maraba	3
Mashashane	4

2. Position in the business

Chairperson	1
Director	2
Owner	3
Worker	4

3. Gender

Male	1
Female	2

4. Age

Youth 18 – 35	1
Adult 36 – 60	2
Pensioners Above 60	3

5. Highest Qualifications

Below Matric	1
Matric	2
Certificate	3
Diploma	4
Degree	5

6. Type of business

Sole Proprietor	1
Partnership	2
Company	3
Cooperative	4

7. Agricultural sector

Crop	1
Poultry	2
Cattle	3
Goat	4
Other (Specify) _____	5

8. Is the business operational?

Yes	1
No	2

SECTION B: FACTORS CONTRIBUTING TO BUSINESS PERFORMANCE

9. Why did you start your business?

Was unemployed	1
Was retrenched	2
Was interested in agriculture	3
Had prior experience in agriculture	4
Other (Specify) _____	5

10. Have you received any training on business management prior to starting your business

Yes	1
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No	2
-----------	----------

11. If yes, which institution trained you?

Limpopo Business Support Agency (LIBSA)	1
Small Enterprise Development Agency (SEDA)	2
Sectoral Training Authorities (SETAs)	3
Dept of Agriculture	4
Dept of Labour	5
Other (Specify) _____	6

12. What skills were you trained in?

Business management	1
Bookkeeping	2
Crop production	3
Stock farming	4
Poultry management	5
Other (Specify) _____	6

13. What value did this training add to the day to day operation of your business?

14. Do you keep financial records?

No financial records	1
Adequately	2
Unaudited financial statements	3
Audited financial statements	4

15. If your answer to question 14 above is 4, what are the results?

Disclaimer	1
Unqualified	2
Qualified	3

16. How do you market your products?

Pamphlets	1
Word of mouth	2
Radio and/or television	3
Business cards	4
Bill boards	5
Newspaper and magazines	6
Door to door	7
Other (specify) _____	8

17. How do you transport your goods to the market?

Own transport	1
Hired Transport	2
No transport needed	3
Public transport (taxi, bus)	4
Other (specify) _____	5

18. Do you have a business plan for your business?

Yes	1
No	2

SECTION C: AGANANG LED STRATEGY

19. Do you know the Aganang Local Economic Development (LED) strategy?

Yes	1
No	2

20. If yes, does the strategy address your developmental needs?

Strategy not understandable	1
Strategy not accessible	2
Strategy not inclusive	3
Other (Specify) _____	4

21. Do you participate in the Aganang Integrated Development Plan (IDP) / LED planning process?

Yes	1
No	2

22. If yes, what are the benefits?

Inclusion of my projects in the LED strategy and / or IDP	1
Business funding	2
Networking sessions	3
Other (specify) _____	4

23. If no, what are the reasons?

Not accessible	1
Not useful	2
Waste of time	3
Not relevant to the sector	4
Excluded	5
Other (Specify) _____	6

SECTION D: ECONOMIC STATUS

24. No of employees (including Owner)

Less than 5	1
5 – 10	2
11 – 16	3
17 – 22	4
23 and above	5

25. Annual turnover

Below R5.000	1
R5.001 –R 20.000	2
R20.001 –R 40.000	3
R40.001 – R60.000	4
Above R60.000	5

26. How were you funded?

Own funds	1
Loans	2
Grant from Government	3
Other (Specify) _____	4

27. Do you know any support programmes offered by government?

Financial support	1
Business training	2
Marketing skills	3
Marketing collaterals	4
Operational site	5
Other (Specify) _____	6

28. Since starting your business, did you receive any training from the following institutions ?

Small Enterprise Development Agency (SEDA)	1
Limpopo Business Support Agency (LIBSA)	2
Dept of Labour	3
Dept of Agriculture	4
Sectoral Education and Training Authorities (SETAs)	5
Other (specify) _____	6

29. Do you know the services offered by the following institutions?

INSTITUTION	YES	NO
LIBSA	1	2
SEDA	1	2
Dept of Agriculture	1	2
AgriSeta	1	2
Department of Labour	1	2

30. Do you participate in any of the above programmes?

Yes	1
No	2

31. If yes, how did you benefit?

32. If no, why did not you participate?

Not accessible	1
Not useful	2
Waste of time	3
Not relevant to the sector	4
Excluded	5

33. What influences the performance of your business?

34. Overall what contributed towards the performance or sustainability of your business?

ANNEXURE B

Questionnaire for officials

MASTER OF BUSINESS ADMINISTRATION (MBA)

***Topic: SITUATIONAL ANALYSIS OF AGRICULTURAL BUSINESSES WITHIN
AGANANG MUNICIPALITY***

STUDENT NAME: MAISHIBE JOHANNA MABELEBELE

INSTITUTION: University of Limpopo, Turfloop Graduate School of Leadership (TGSL)

P O Box 643

SESHEGO

0742

Dear respondent

The purpose of this survey is to solicit information from agricultural businesses in Aganang Municipality within the Capricorn district of the Limpopo province. The information and ratings provided will assist in obtaining the situation of your business and assist the authorities in identifying challenges and potential contributions of these businesses to local economic development.

The questionnaire will only take a few minutes to complete. In this questionnaire, you are requested to indicate what is true for you, so there is no right or wrong answers to any question. You are at liberty to give comments on any issue discussed. The answers provided will be treated as confidential.

Thank you for participating

Signed _____

Maishibe Mabelebele.

SECTION A: DEMOGRAPHICAL INFORMATION**1. Area of operation**

Moletši	1
Matlala	2
Maraba	3
Mashashane	4
Aganang	5

2. Institution

Department of Agriculture	1
Aganang Municipality	2
Limpopo Business Support Agency	3

3. Gender

Male	1
Female	2

4. No of years experience in the agricultural field

Less than 1 year	1
2 – 4	2
5 – 7	3
8 – 11	4
Above 11 years	5

5. Highest Qualifications

Below Matric	1
Matric	2
Certificate	3
Diploma	4
Degree	5

6. Agricultural sector specialisation.

Crop	1
Poultry	2
Cattle	3
Goat	4
Other (Specify) _____	5

SECTION B: FACTORS CONTRIBUTING TO BUSINESS PERFORMANCE

7. Do you offer training to agricultural businesses or refer businesses to training?

Yes	1
No	2

8. If yes, which institution offer training in the area?

Limpopo Business Support Agency (LIBSA)	1
Small Enterprise Development Agency (SEDA)	2
Sectoral Training Authorities (SETAs)	3
Dept of Agriculture	4
Dept of Labour	5
Other (Specify) _____	6

9. What skills are the agricultural businesses trained in?

Business management	1
Bookkeeping	2
Crop production	3
Stock farming	4
Poultry management	5
Other (Specify) _____	6

10. What value did this training add to the day to day operation of agricultural businesses?

11. Do the agricultural businesses in your area keep financial records?

No financial records	1
Adequately	2
Unaudited financial statements	3
Audited financial statements	4

12. How do agricultural businesses generally market their products?

Pamphlets	1
Word of mouth	2
Door to door	3
Radio and/or television	4
Business cards	5
Bill boards	6
Newspaper and magazines	7
Other (specify) _____	8

13. Which method is more effective to the target market?

Pamphlets	1
Word of mouth	2
Door to door	3
Radio and/or television	4
Business cards	5
Bill boards	6
Newspaper and magazines	7
Other (specify) _____	8

14. How do businesses transport goods to the market?

Own transport	1
Hired Transport	2
No transport needed	3
Public transport (taxi, bus)	4
Other (specify)_____	5

15. Do agricultural businesses have business plans?

Yes	1
No	2

16. How are business plans compiled?

Owners compile own business plans	1
Owner are assisted to compile business plans	2
Professional compile business plans for businesses	3

17. Comment on the use and compilation of business plans

SECTION C: AGANANG LED STRATEGY

18. Do agricultural businesses participate in the compilation of the Aganang Local Economic Development (LED) strategy?

Yes	1
No	2

19. Does the strategy address their developmental needs?

Strategy not understandable	1
Strategy not accessible	2
Strategy not inclusive	3

Other (Specify) _____	4
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**20. Do you participate in the Aganang Integrated Development Plan (IDP)/
LED planning process?**

Yes	1
No	2

21. If yes, what are the benefits?

Inclusion of projects in the LED strategy and /or IDP	1
Business funding	2
Networking sessions	3
Other (specify) _____	4

22. If no, what are the reasons?

Not accessible	1
Not useful	2
Waste of time	3
Not relevant to the sector	4
Excluded	5
Other (Specify) _____	6

SECTION D: ECONOMIC STATUS

23. Annual Turnover of most agricultural businesses

Below R5.000	1
R5.001 –R 20.000	2
R20.001 –R 40.000	3
R40.001 – R60.000	4
Above R60.000	5

24. How are most agricultural businesses funded?

Own Funds	1
Loans	2
Grant from Government	3
Other (Specify) _____	4

25. Do agricultural businesses utilise the services offered by the following institutions?

INSTITUTION	YES	NO
LIBSA	1	2
SEDA	1	2
Dept of Agriculture	1	2
AgriSeta	1	2
Department of Labour	1	2

26. If yes, how do they benefit?

27. If no, why do they not utilise the services?

Not accessible	1
Not useful	2
Waste of time	3
Not relevant to the sector	4
Excluded	5
Other (Specify) _____	6

28. What influences the performance of agricultural businesses in Aganang municipality?

29. Overall what contributed towards the performance or sustainability of Agricultural businesses?

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22 Feb 2012

TO WHOM IT MAY CONCERN

This is to confirm, that I, Dr Lutz Ackermann, have read the Research Dissertation entitled

**“SITUATIONAL ANALYSIS OF AGRICULTURAL BUSINESSES
WITHIN AGANANG MUNICIPALITY”**

by Mrs **MAISHIBE JOHANNA MABELEBELE**

and that I am satisfied with the quality of work she has produced in terms of structuring the document, in terms of style, grammar and spelling. Suggestions for suitable corrections and improvements have been made to the candidate.



(Revd Dr Lutz Ackermann, Turfloop Campus)