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Development support for small and medium enterprises in the financially constrained north-eastern regions of Namibia

C.M. Mukata & E. Swanepoel

ABSTRACT

SMEs in Namibia suffer from a high failure rate as the rate of business discontinuation is four times higher than the rate of established business activity, as defined by the Global Entrepreneurship Monitor. The purpose of this paper is to identify the type of support that is necessary to develop the small and medium enterprises (SMEs) in the poorest areas in Namibia and to determine if a significant difference exists in terms of level of support required by SMEs between the two major towns in the north-eastern region of Namibia, Katima Mulilo (in Zambezi) and Rundu (in Kavango East) and between owners and managers. No databases of businesses existed in these two towns. Subsequently, a census of all the businesses (972) was conducted, from which a random sample of 176 businesses was drawn. The Mann Whitney, Goodman and Kruskal's tau and Kendall's tau-b tests were used to test for differences in type of support needed between the two towns. Overall the most 'necessary' types of support are provision of skills/vocational training, access to market information, a common facility centre, technical advice and assistance with the business plan development (mainly to obtain loans). Significant differences were found between the two towns with regard to type of support needed. In Katima Mulilo, 'skills/vocational training' 'mentoring' and 'advice on the organisation of the business' are the most essential types of support needed, while in Rundu it is 'market information', 'technical advice' and 'subcontracting'. This is the first paper which explores development support for SMEs in the remote regions of Namibia.

Dr C.M. Mukata is a doctoral student and Prof. E. Swanepoel is a professor in the Department of Business Management, University of South Africa. E-mail: calvinmukata@hotmail.com

Key words: small and medium enterprises (SMEs), Namibia, Zambezi and Kavango west and Kavango east regions, Type of support needed, owners versus managers, age of business, training

Introduction

Small and medium enterprises (SMEs) are a major source of employment, poverty alleviation, revenue generation, innovation and technological advancement in both developed and developing economies (Kongolo 2010: 2289). The creation and sustainability of new SMEs are vital to the economic prosperity of a country (Olawale & Garwe 2010: 731).

In Namibia, SMEs are classified into two different sectors. In the manufacturing sector an SME is defined as a business that employs fewer than ten employees, its turnover is less than 1 million Namibian dollars and the capital employed is less than half a million Namibian dollars. In the service sector, on the other hand, an SME is a business that employs fewer than five people, its turnover is less than N$250 000, and the capital employed is less than N$100 000 (Ministry of Trade and Industry 1997: 3). The SME contribution to the gross domestic product (GDP) and employment seems to be lower in Namibia than in the rest of sub-Saharan Africa. However, the lack of up-to-date statistics makes an accurate assessment difficult. Arnold, Grossmann, Mwatotele, Stork and Tobias (2005) estimated that SMEs are responsible for 20% of employment and 12% of GDP in Namibia. In South Africa small, medium and micro enterprises (SMMEs) form 97% of all businesses, generating 35% of the GDP and employ 55% of all formal private sector employees (Chimucheka 2014: 784). Despite the noted contributions of SMEs to the Namibian economy, SMEs in Namibia suffer from a high failure rate.

According to the Global Entrepreneurship Monitor (GEM) 2012 Global report (Xavier, Kelley, Kew, Herrington & Vorderwülbecke 2013: 24), Namibia's early-stage Total Entrepreneurial Activity (TEA) index (the percentage of individuals between the ages of 18 and 64 that are involved in starting a new business) was 18%[1]. According to the GEM report, Namibia's established business activity rate (businesses that have been in existence for more than three and a half years) was 3%. This rate is the third lowest among the 69 countries that participated in the GEM 2012 Global report and it is only higher than that of Russia (2%) and South Africa (2.3%). The established rate for Namibia is significantly below the average for efficiency-driven countries at 8% and sub-Saharan countries at 16%. Regarding youth-established business activity, the GEM 2012 South Africa Report (Turton & Herrington 2013: 72) stated

that Namibia had the lowest rate (1%), which is substantially below the average of 8% for the eight sub-Saharan countries included, namely Angola, Botswana, Ethiopia, Ghana, Malawi, Namibia, Nigeria, South Africa, Uganda and Zambia.

Namibia's rate of business discontinuation at 12% is four times its rate of established business activity. The economic implications of these findings are dire since the average number of jobs created by established businesses is 3.2% higher (Herrington, Kew, Simrie & Turton 2012: 26). Given the high unemployment rate (27.4%) in Namibia, together with the low activity rate for established businesses, it paints a bleak picture of the potential of the SME sector to contribute meaningfully to job creation, economic growth and a more equal income distribution (Herrington et al. 2012: 26).

The value of SMEs to the economy of Namibia

Despite the fact that the total GDP, as well as per capita income, has almost doubled since independence in 1990, Namibia still has one of the most unequal distributions of income and wealth in the world. Its Gini coefficient (a measure of overall income inequality within an economy) at 0.58, is higher than both South Africa and Botswana at 0.53 and 0.52, respectively (Namibia Statistics Agency 2012: 14; Leigh, Flores, Garcia-Verdu, Basdevant, Benicio & Yakhshilikov 2012: 15). According to the 2012 National Labour Force Survey (Namibia Statistics Agency 2013: 70), there has been a general increase in the unemployment rate of the country. In 2012, the overall unemployment rate (according to the broad definition) stood at 27.4%, but increased to 29.6% in 2013.

The major challenge facing Namibia today is overcoming poverty and inequality. Poverty is related to unemployment and, therefore, an employment-oriented growth path is necessary (Republic of Namibia 2012: 62). Owing to the fact that the most significant sectors of mining, fisheries and agriculture have reached the limits of their expansion, it would seem that most of the jobs in future will have to be created within the small and medium business sector of Namibia in the manufacturing industry. The Namibian government has identified SMEs as playing a vital role in creating jobs to address the high rate of unemployment in the country, Vision 2030 – Namibia's major development plan – states that 'the government regards the development of small businesses as holding the key to employment and the economic empowerment of a large section of the population' (Republic of Namibia 2004: 58).

Factors constraining the development of SMEs in Namibia

SMEs face a plethora of challenges that inhibit their growth and development beyond mere survivalist modes of activity. Problems encountered by small businesses are numerous and can be described as being mainly environmental, financial or managerial in nature (Brink, Cant & Ligthelm 2003:1).

According to Kambwale, Chisoro and Karodia (2015), there are various factors constraining the development of SMEs in Namibia, as revealed by various surveys commissioned by the Ministry of Trade and Industry (1997; 1998; 1999) since independence[2] These factors include the following: lack of finance, lack of access to appropriate technology, lack of marketing information, lack of information on cheaper sources of goods, regulations and rules that impede the development of the sector and lack of management skills and training. However, with regard to the north-eastern part of Namibia, Mukata and Swanepoel (2015: 87) found that the five major business problems encountered in developing an own business in both Katima Mulilo and Rundu are a lack of technical training, a lack of management training, a lack of credit for working capital, a lack of markets or stalls from which to trade and a lack of start-up capital. The extent to which these problems were experienced differed between the two towns. Amadhila and Ikhide (2016) investigated the causes of financing constraints for agricultural SMEs in Namibia. Their findings revealed that lack of collateral, the provision of insufficient capital and bureaucracy are the biggest constraints preventing agricultural SMEs from accessing finance from formal financial institutions.

Furthermore, access to and cost of finance remains the greatest concern for most SMEs in Namibia (Ministry of Trade and Industry 1999: 41). This is in line with the GEM South Africa 2011 Report, which found that a lack of profitability and problems with securing finance account for more than half of the business discontinuances in factor- and efficiency-driven economies (Herrington et al. 2012: 21). The reasons for lack of finance may stem from the inability to afford the high interest rates and a lack of security or collateral (Ministry of Trade and Industry 1998:10; Amadhila & Ikhide 2016). In addition to the mentioned reasons, it may also be attributed to the fact that the owners/managers of SMEs are not capable of presenting feasible business plans. In other words, a low level of education or a lack of training may constitute a major constraint in terms of the lack of access to finance (Preisendörfer, Bitz & Bezuidenhout 2012: 15). Mensah and Benedict (2010: 1160) suggested that hand-out measures will result in frustration and destructive protests, unless they are used as conditions for promoting training and skill acquisition – especially entrepreneurship training. In their attempt to answer the research question of why there is a lack of black entrepreneurship in South Africa, researchers (Preisendörfer et al. 2012:

16) have concluded that the inadequate level of skills is the most serious obstacle to increased participation by black people in entrepreneurship activities. Given the high business failure rate, it becomes vital to research the factors required to enable SMEs to survive and grow, especially in the north-eastern regions of Namibia.

The north-eastern regions of Namibia, namely Caprivi, now known as Zambezi, and Kavango, now divided into the Kavango-East and Kavango-West regions of Namibia, were used by the South African army during the apartheid era in the 1970s and 80s as a base from which to attack Swapo positions in Angola. Since their withdrawal, up to 1999, the regional economy recovered slowly owing to a growing tourism sector which later collapsed as a result of secessionist attacks in the Zambezi region and the spill-over of the Angolan conflict from 1999 to 2002 into these regions (Zeller 2000: 18). According to Namibia Statistics Agency (2012: 156), the highest incidence of poverty is found in the Kavango-East and Kavango-West regions, where 43% of households are poor and 24% are severely poor. This is followed by the Zambezi region, where 42% of the households are poor and 26% are severely poor. The rate of unemployment in the north-eastern regions of Namibia, with Zambezi at 71.7% and Kavango-East at 70%, is much higher than the national average of 51.2% (Republic of Namibia 2009: 39). The question arose as to what type of support is needed to stimulate SME development in each of the Zambezi and Kavango-East and Kavango-West regions. This study expanded upon the study "Business problems encountered when developing an own business in a financially constrained environment: The north-east regions of Namibia". The latter examined the macro business environment that either stimulates or constrains SME establishment and identified the problems experienced in developing an own business in Caprivi and Kavango (Mukata and Swanepoel 2015).

The objectives of this study are:

- To identify the type of support required in developing an own business in the Zambezi, Kavango-East and Kavango-West regions in Namibia.
- To determine if a significant difference exists in terms of level of support required by SMEs between the two major towns in the north-eastern region of Namibia, Katima Mulilo (in Zambezi) and Rundu (in Kavango).
- To test if a significant difference exists between owners and managers with regard to level of support required.
- To determine if there is a significant relationship between the number of years in business and the type of support needed.

Identifying the type and extent of support needed to develop own businesses in the north-eastern region of Namibia could assist regional governments, educators,

trainers, financiers, consultants and other SME stakeholders to provide appropriate support and incentives for SMEs to enhance their entrepreneurial capacity. This, in turn, could boost enterprising individuals to survive and grow their businesses, which would ultimately contribute to the economic growth of the region and the country.

The paper proceeds as follows: The support provided to SMEs in Namibia and the theoretical background is discussed first. This is followed by the methodology, findings and discussion of the findings. The paper concludes with recommendations that are based on the empirical evidence.

Support provided to develop SMEs in Namibia

In recognising the indispensable role of SMEs in both general and economic development and in diversification in particular, the government of the Republic of Namibia has put in place policies and programmes designed to promote the development of SMEs (Ministry of Trade and Industry 1997). These programmes are aimed at increasing the participation of both emerging and existing businesses, with the focus being on value addition, employment creation, income generation, technology transfers and the acquisition of franchises. Accordingly, the intention of the Ministry of Industrialisation, Trade and SME Development is to intervene by providing managerial and entrepreneurial skills development, feasibility studies, business plan development, the facilitation of business links, the procurement of productive equipment and machinery, and the provision of direct financial assistance.

The National Development Plan Four of the Republic of Namibia, which forms part of Vision 2030 and 'provides direction for high level national priorities, desired outcomes and strategic initiatives' for the period 2012–2017, state that government plans to improve issues such as the ease of doing business, access to finance, access to skills, labour flexibility and productivity and public and private sector cooperation (Republic of Namibia 2012: 40).

Swanepoel, Strydom and Nieuwenhuizen (2010: 75) concluded that SMEs in a developing economy not only need training in entrepreneurship and business management, but also need funding and mentoring, preferably over an extended period, to support them in their efforts to convert dreams, ideas and visions into functioning and profitable businesses.

In the light of policies and programmes designed to promote the development of SMEs in Namibia, it would seem reasonable to expect that SMEs would grow and flourish. However, the effectiveness of these programmes remains unclear and

the rate of business failure continues to increase, with the concomitant high rate of unemployment.

Theoretical background

Factors affecting the business success of SMEs

Scholars have used different approaches to identify the factors affecting the growth of SMEs. There is, however, considerable variation in the results of previous researches. According to Bouazza, Ardjouman and Abada, 2015: 103), there is no specific theory or empirical evidence that would help researchers reach a consensus on the factors that affect small firms' growth. Rather, the evidence points towards a complex set of interrelated factors that affect small business growth and these factors are either contradictory or inclusive.

Lundström and Stevenson (2005: 46) stated that the optimal business environment for small business success, both in terms of increasing start-up rates and firm survival and growth rates, would be characterised by high motivation, high opportunity and high skills. It is conjectured that being motivated to achieve growth may help small business owners to achieve growth; however, they still need opportunities to enact that motivation. The opposite appears to be the case: Opportunities to grow will be of no use if a business owner does not have the motivation to act on these opportunities. Further, if people are highly motivated to start businesses, but have limited skills, their businesses are unlikely to grow beyond the fledgling stage unless the environment is very supportive and nurturing.

In 34 studies published since the mid-1990s, Dobbs and Hamilton (2006: 300) identified more than 30 independent growth variables. They classified variables into four categories, namely management strategies, characteristics of the entrepreneur, environmental/industry-specific factors, and the characteristics of the firm. Other empirical studies of factors affecting SME success can be roughly divided into two groups, depending on whether they focus on a quite limited set of variables or try to capture more holistic profiles of successful SMEs (Mathew 2010: 6); or whether they focus on internal factors of the firm or external factors that are beyond the control of SMEs (Bouazza, Ardjouman & Abada 2015: 103, Hove & Tarisai 2013: 66).

Skills

Skills refer to education, employment or industry experience, and other types of experiences that prepare the entrepreneur for the challenges of business ownership

(Coleman 2006: 304). With regard to the link between skills and improved performance, the evidence is inconclusive. Some studies have failed to establish a strong link between training and improved performance (Storey & Westhead 1996; Matley 2004: 512; Moremong-Nganunu, Cunningham, & Hindle 2008; Mafela 2009), while other studies have found evidence to support the view that training may indeed improve business performance indicators (Van Vuuren & Botha 2010: 623; Asah, Fatoki & Rungani 2015: 315).

Motivation

Verheul, Thurik, Hessels and Van der Zwan (2010) defined motivation as the process that accounts for an individual's intensity, direction and persistence of effort towards attaining a goal while Shepherd and Wiklund (2005: 12) defined motivation as a reason or a goal to start up a small business. Both Shepherd and Wiklund (2005: 16) and Asah, Fatoki and Rungani (2015: 315) found a direct positive relationship between small business managers/owners with higher growth aspirations and small business growth.

Opportunity

Van Praag (2005: 37) defined opportunity as "the possibility to become an entrepreneur if one wants". Opportunity depends on economic growth, barriers to entry, profit and concentration (Lundstrőm & Stevenson 2005: 45). Smit and Watkins (2012: 6326) observed that SMEs' success is largely linked to the prevailing local economic conditions, and if there is an economic downturn, SMEs will usually experience difficulty; the opposite is also true.

SME success factors in different countries

From studies in developing countries endeavouring to identify factors that contribute to SME success, it emerged that differences exist. An Indonesian study by Indarti and Langenberg (2004: 12) which analysed the business success of SMEs identified capital access, marketing and technology as the important key components while legality emerged as a burden to business success. In Thailand, Chittithaworn, Islam, Keawchana and Yusuf (2011: 184) identified the following as the most significant determinants of SME business success: SME characteristics, customer and market, the way of doing business and cooperation, resources and finance, and external environment. While in Bangladesh, Phillip's (2011: 124) study revealed

that products and services, management know-how, the way of doing business and cooperation, and the external environment have significantly positive effects on the business success of SMEs while SME characteristics, resources and finance were found to have no significant effect on the business success of SMEs in Bangladesh.

In Pakistan, Jasra, Khan, Hunjra, Rehman and Azam (2011: 279) found that financial resources, technological resources, government support, marketing strategies and entrepreneurial skills all have a positive and significant impact on business success. The authors found that financial resources were the most important factor that affects the SMEs' success. In Algeria, Bouazza et al. (2015: 108) identified both external and internal factors that affect the growth of SMEs. The external factors include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities.

In South Africa, in the Alice Communal Area, Hove and Tarisai (2013: 66) identified five internal factors affecting the successful growth and survival of small and micro agribusiness firms: business plan; strengths, weaknesses, opportunities and threats (SWOT) analysis; marketing strategy; finance and mission/vision. An investigation by Stanislous and Mornay (2012: 9433) on the influence of human investment on the performance of SMEs in the manufacturing sector of Harare, Zimbabwe revealed that customer care, marketing knowledge and skills, planning skills and financial management skills are the most essential management functions that affect the performance of SMEs.

In summary, the issues that emerged most frequently for the countries investigated are: financial management skills, marketing skills, management skills, entrepreneurial skills and technological capacity. Since the internal and external factors vary between countries (Arinaitwe 2006: 168), it is essential to study the support needed to develop SMEs in Namibia.

Research methodology

To overcome the lack of up-to-date records of businesses in Rundu and Katima Mulilo, the researcher used a questionnaire to conduct a census of businesses in these towns. The researcher, together with a trained team physically visited each and every business in each one of the two towns and recorded the demographic details of each business. In Katima Mulilo, a total of 573 businesses were found and 399 in Rundu. These two towns represent the largest number of SMEs in the two north-eastern regions. With this database as a sampling frame, a random sample of 176 businesses was drawn, with 83 from Katima Mulilo and 93 from Rundu. The

fieldwork for the research study was carried out in the two towns of Katima Mulilo and Rundu in June and July 2009.

A survey was conducted, using a structured questionnaire during face-to-face interviews to determine the type of support SMEs would need in order to grow their businesses. The captured data was analysed using the Statistical Package for Social Sciences (SPSS) for Windows version 16 (SPSS). The Mann-Whitney, Goodman and Kruskal's tau and Kendall's tau-b tests, which are measures of association, were used to determine whether the differences observed were significant.

Results

Demographic profile of sample

This section presents the demographic information of the SME sample (status of respondents, age and education level) and the period that the business had been in operation (table 1) in Rundu and Katima Mulilo. It is the same sample as used by Mukata and Swanepoel (2015) for the first stage of the analysis.

Table 1: Demographic profile of respondents

Demographics			**Rundu (%)**	**Katima Mulilo (%)**	**Total (%)**
Status of respondents	Owners		42.7	55.6	48.8
	Managers		57.3	34.6	46.5
	Others		0	9.9	4.7
Age distribution of the respondents	Owners	21–30 years	35.3	27.3	30.8
		31–40 years	44.1	56.8	51.
		41–50 years	14.7	15.9	15.4
		50 >	5.9	0	2.6
Highest level of education	Highest educational level of respondents	None	4.5	0	4.5
		Some primary education	10.7	0	5.7
		Junior secondary	18.3	14.4	16.5
		Senior secondary	12.9	45.8	28.4
		Vocational training certificate or diploma	43.0	32.5	38.1
		Degree	6.4	7.2	6.8

Demographics			Rundu (%)	Katima Mulilo (%)	Total (%)
Years in operation	0–1 years	16			9.1
	2–5 years	98			55.7
	6–10 years	52			29.5
	11+ years	10			5.7

Although the aim was to interview only the business owners, it was impossible as owners were repeatedly not available for scheduled meetings. Only after repeated attempts to meet with owners, were interviews conducted with the most senior managers. Nearly half of the 176 respondents were owners (48.8%), while the remainder comprised managers (46.5%) and other members (4.7%). In Katima Mulilo more than half of the respondents were business owners (55.6%), while in Rundu 42.7% were business owners.

From the age distribution of business owners, half were in the 31-40-year age bracket (51%), followed by 21-30 years (30.8%) and 41-50 (15.4%) with only 2.6% being 50 years or older.

In terms of highest level of education of respondents, 4.5% had not attended school, 5.7% had primary school education, 16.5% had completed their junior education (Grade 8-10) while 28.5% had completed secondary school. Of the 176 respondents, 38.1% claimed to have a vocational training certificate/diploma, while 6.8% claimed to have an undergraduate degree; none of the respondents had a masters or doctoral degree.

In terms of the level of education according to town, it appears that all those respondents without an education (8.6%) and 'some primary education' (10.7%) were from Rundu. In addition, Rundu had the highest percentage of respondents with vocational qualifications (43.0%) when compared to Katima Mulilo (32.5%), while most of the respondents who had attended senior secondary school were from Katima Mulilo (45.8%) with Rundu at 12.9%.

Owing to a large number of the respondents being managers (46.5%), the highest educational level of the owners and managers were compared. Of the owners, about one third (34.9%) had a vocational training certificate or diploma, followed by those with a senior secondary certificate (22.9%) and a junior secondary education (20.5%). Just less than 10.8% had some primary education, while 9.6% had no education and only 1.2% had an undergraduate degree. Of the business managers, 43% had a vocational training certificate, 31.6% had some senior secondary education and 12.7% had an undergraduate degree, followed by 11.4% and 1.3% who had some

junior secondary education and some primary education respectively. It follows that most of the business managers had higher qualifications than the business owners.

Respondents were requested to indicate at predetermined intervals the number of years their businesses had been in operation. Of the 176 respondents, more than half (55.7 %) indicated that their business had been in operation for between two and five years, 29.5% per cent for more than six years, and 5.7% for longer than ten years. Only 9.1% had been in operation for less than one year. Since the majority of the businesses (65%) are younger than five years, the need for assistance or support to ensure business sustainability may be pressing.

With regard to industries, approximately half (47.2%) of the businesses operating in the towns of Katima Mulilo and Rundu tend to fall into the retail, hotel and restaurant industry classification followed by 28.2% in agriculture, forestry, hunting and fishing, 7% in customer services and wholesale and 6% in motor vehicle sales and repairs. Transport and communication utilities, business services and mining and construction are the industries with the lowest representation with 0.5, 1.1 and 1.3%, respectively. These findings are similar to those of Stork et al. (2003:20), who found that, in Namibia, small businesses tend to be concentrated in activities involving food and drink, with this sector having nearly twice as many businesses as any other sector.

Type of support required

The respondents were asked to indicate (from a list of 12 items) the type of support they would need in order to grow their businesses, selecting one of three options: not needed, may be of help or necessary (ratings in table 2).

Of the 12 predetermined types of support, 'skills/vocational training' emerged as the most 'necessary' type of support, cited by the largest percentage (52%) of the respondents. This was followed by a need for 'market information' (47.9%), 'a common facility centre' (47.4%), technical advice (44.4%) and assistance with the business plan to obtain loans. When the scores of 'may be of help' were combined with 'necessary' for each type of support, the following results emerged as the most needed type of support required to grow the business: mentoring (89.3%), technical advice (85.9%) marketing information (80%), legal assistance (77.2%) and skills/vocational training (75.1%).

Table 2: Type of support needed by SMEs in north-eastern Namibia

Type of support	Level of necessity of the support		
	Not needed (%)	May be of help (%)	Necessary (%)
Skills/vocational training	24.9	23.1	52.0
Market information	20	32.1	47.9
Common facility centre	38.7	13.9	47.4
Technical advice	14.1	41.8	44.1
Assistance with business plans to obtain loans	47.4	9.4	43.3
Subcontracting (doing part of the business)	50.9	7.1	42.0
Mentoring	10.7	47.3	42.0
Legal assistance	22.2	36.5	40.7
Advice on the organisation of businesses	34.3	26.6	39.1
Assistance with labour relations	30.7	36.1	33.1
Product ideas	45.1	29.3	25.6
Electricity	65.1	11.4	23.5

In terms of towns (table 3), in Katima Mulilo, 90.2% of the respondents cited 'skills/vocational training' as the most essential type of support needed, followed by 'mentoring' (87.2%), 'advice on the organisation of the business' (80.0%) and 'product ideas' (71.8%). In Rundu, 'market information' was cited by 53.8% as necessary, followed by 52.7% who required 'technical advice' and 51.6% who needed subcontracting.

Table 3: Type of support needed by SMEs by town: Katima Mulilo and Rundu

Type of support	Level of necessity of support					
	Not needed (%)		Could help (%)		Necessary (%)	
	Rundu	Katima Mulilo	Rundu	Katima Mulilo	Rundu	Katima Mulilo
Skills/vocational training	69.2	4.9	22.0	4.9	8.8	90.2
Mentoring	89.0	6.4	7.7	6.4	3.3	87.2
Advice on the organisation of businesses	84.6	5.0	4.4	15.0	11.0	80.0
Product ideas	14.3	6.4	69.2	21.8	16.5	71.8
Assistance with business plans in order to obtain loans	31.9	17.1	31.9	13.4	36.3	69.5

Electricity	57.1	7.7	28.6	24.4	14.3	67.9
Assistance with labour relations	12.1	16.5	52.7	29.1	35.2	54.4
Legal assistance	87.9	37.3	7.7	16.0	4.4	46.7
Market information	17.6	23.0	28.6	36.5	53.8	40.5
Subcontracting (doing part of the business)	4,4	43.4	44.0	27.6	51.6	27.6
Common facility centre	54.9	32.9	24.2	35.6	20.9	25.6
Technical advice	4.4	62.7	42.9	28.0	52.7	9.3

In order to determine whether there is a significant difference between the two towns, Katima Mulilo and Rundu, with regard to the level of support required, the following hypothesis was formulated:

Hypothesis 1

$H_{10:}$ No differences exist between the two towns in terms of the level of support required.

$H_{11:}$ Differences exist between the two towns in terms of the level of support required**.**

The Mann-Whitney test was used to test the above hypothesis. The Mann Whitney U test is a non-parametric test for assessing whether two samples of observations come from the same distribution. The test can be used as the assumptions, stated below, are met:

- Random samples from populations were drawn.
- Independence within samples and mutual independence between samples exist.
- The measurement scale is at least ordinal.

A significance level of 5% is used. The results appear in table 4. If the p-value is less than the significance level, then the null hypothesis is rejected. Only significant factors as they appeared in the questionnaire are shown; there was no ranking.

Table 4: Differences between Katima Mulilo (Town 2) and Rundu (Town 1) in terms of level of support required

Type of support	Mean rank	p-value	Statistical significance
Skills/vocational training	Town 1 = 52.66 Town 2 = 125.11	0.0000	Significant at a 5% level of significance
Assistance with business plans in order to obtain loans	Town 1 = 73.85 Town 2 = 101.60	0.0001	Significant at a 5% level of significance
Common facility centre	Town 1 = 74.38 Town 2 = 92.62	0.0086	Significant at a 5% level of significance
Electricity	Town 1 = 59.50 Town 2 = 114.75	0.0000	Significant at a 5% level of significance
Legal assistance	Town 1 = 53.41 Town 2 = 123.07	0.0000	Significant at a 5% level of significance
Market information	Town 1 = 63.45 Town 2 = 107.83	0.0000	Significant at a 5% level of significance
Mentoring	Town 1 = 50.25 Town 2 = 125.54	0.0000	Significant at a 5% level of significance
Product ideas	Town 1 = 63.95 Town 2 = 109.56	0.0000	Significant at a 5% level of significance
Subcontracting (doing part of the business)	Town 1 = 99.16 Town 2 = 65.85	0.0000	Significant at a 5% level of significance
Technical advice	Town 1 = 109.39 Town 2 = 52.09	0.0000	Significant at a 5% level of significance

From table 4, except for the support types 'Advice on the organisation of business' and 'Assistance with labour relations', the two towns differ significantly (at the 5% level of significance) in terms of the level of support required for the remaining ten items listed. From the mean rank level, for the first eight types of support, more businesses in Katima Mulilo (Town 2) required support than in Rundu (Town 1). For the first ten statements listed in table 4, the null hypothesis, $H_{10,}$ is rejected in favour of the alternative hypothesis, which states that differences exist between the two towns in terms of the level of support required.

Possible differences between owners and managers regarding type of support needed

Owing to possible differences between owners' views and managers' perceptions, it was hypothesised that, with regard to support, these two groups may differ. The following hypothesis was formulated and tested using the Mann-Whitney test (results in table 5):

Hypothesis 2

$H_{20:}$ No difference exists between owners' and managers' perceptions in terms of the level of support required.

H_{21}: A difference exists between owners (Group 1) and managers (Group 2) in terms of the level of support required. Only significant factors as they appeared in the questionnaire are presented.

Table 5: Differences between owners and managers with regard to level of support required

Type of support	Mean rank	p-value	Statistical significance
Skills/vocational training	Group 1 = 86.74 Group 2 = 73.00	0.0399	Significant at a 5% level of significance
Legal assistance	Group 1 = 87.57 Group 2 = 69.87	0.0068	Significant at a 5% level of significance
Mentoring	Group 1 = 84.8 Group 2 = 72.03	0.0464	Significant at a 5% level of significance

From table 5, the two groups only differed significantly (at the 5% level of significance) with regard to three types of support: skills vocational training, legal assistance and mentoring. Although on the other nine types of support no significant differences exist, the null hypothesis, $H_{20,}$ which states that no difference exists between the owners and the managers in terms of the level of support required, cannot be rejected.

From the mean rank levels it appears that the owners (Group 1) perceived a greater need for these three types of support. In terms of legal assistance, owners (Group 1) (87.57%) perceived this type of support more necessary than managers (Group 2) (69.87%). This difference may be as a result of the owners' legal accountability for their businesses, and consequent greater need for legal assistance.

Type of support needed dependent on years in business

A further test was done to determine whether there is a significant relationship between the number of years in business and the type of support needed, and the following hypothesis was formulated:

Hypothesis 3

H_{30}: No relationship exists between the number of years in business and the level of support required.

H_{31}: A relationship exists between the number of years in business and the level of support required.

The Kendal tau statistic, a measure of association between two ordinal-level variables, was used to test Hypothesis 3. Kendall's tau-b is a measure of association often used with, but not limited to, 2-by-2 tables. It is computed as the excess of concordant over discordant pairs (C – D), divided by a term representing the geometric mean between the number of pairs not tied on X (X_0) and the number not tied on Y (Y_0): $Tau\text{-}b = (C–D)/ \text{SQRT } [(C + D + Y_0)(C + D + Y_0)]$.

Table 6: Relationship between the number of years in business and level of support required

Type of support	Kendall's tau-b value	Approximate significance (p-value)	Statistical significance
Electricity	0.20233	0.00418	Significant at the 5% level of significance

The statistical results indicate that only one type of support, electricity, is affected by how long a business has been in existence. The value of the Kendal tau-b (table 6) indicates a positive relationship which means that, as the number of years a business has been in operation increases, electricity required increases. This could be attributed to the fact that more sophisticated equipment that uses electricity is acquired by the business as the number of years in business increases.

However, with regard to 11 of the items of support, no relationship was found between the number of years in business and the level of support required. Hence, the null hypothesis statement, H_{30}, which states that no relationship exists between the number of years in business and the level of support required cannot be rejected.

Most needed type of support

When asked in an open-ended question to identify the one most-needed type of support, 25.4% responded 'mentoring', followed by 19.4% who indicated 'marketing information', while 'assistance with business plans in order to obtain loans', 'advice on business organisation' and 'a common facility centre' were mentioned by 18.4% respondents each as the type of support they needed most.

A cross-tabulation according to status of respondents (table 7) revealed some differences between business owners and managers. A higher percentage of owners cited mentoring (29.8%) and assistance with business plans in order to obtain loans

(24.5%) as the most needed support than managers (19.6% and 11.7%, respectively); while a higher percentage of managers cited advice on the organisation of businesses (25.4%) and market information (23.5%) as the most needed support compared to owners (15.7% and 12.2%, respectively).

Table 7: Most needed support according to status of the respondents

The most needed type of support	Status of respondent							
	Owner		Manager		Other		Total	
	Count	%	Count	%	Count	%	Count	%
Mentoring	17	29.82	10	19.6	2	33.3	29	25.4
Market information	9	15.8	12	23.5	1	16.6	22	19.3
Assistance with the business plans in order to obtain loans	14	24.56	6	11.7	1	16.6	21	18.4
Advice on the organisation of the business	3	12.3	13	25.5	1	16.6	21	18.4
Common facility centre	10	17.5	10	19.6	1	16.6	21	18.4
Total	83	100.0	78	100.0	8	100.0	169	100.0

Payment for support

When the respondents were asked whether they would be prepared to pay for the support they needed, 65% indicated that they would be willing to pay while 35% stated an unwillingness to pay. From a cross-tabulation in terms of status of the respondents, it was found that a higher percentage of managers (71.7%) were willing to pay for the support needed when compared to business owners (59.7%). The reasons why the business owners would be willing to pay for support included:

- "It will help me expand or boost my business."
- "It will enable me to generate enough revenue."
- "Yes, if I can afford it and if it is not very high."

The owners who indicated that they would not be willing to pay cited the following reason: "There is no money to pay for the services."

Discussions

The findings of this study are mostly in line with the literature reviews that focused on the factors essential for predicting the future success of SMEs (Indarti & Langenberg 2004: 12; Phillip (2011: 124); Jasra, et al. (2011: 279); Stanislous & Mornay 2012: 9433; Bouazza et al. (2015: 108). The need for skills and vocational

training, technical advice, mentoring and marketing information, assistance with business plans in order to obtain loans, advice on the organisation of the business and a common facility centre is relevant when taking into account the five major problems experienced by these SMEs in Katima Mulilo and Rundu (Mukata & Swanepoel 2015: 87), namely low demand/lack of customers; lack of technical training; lack of start-up capital; lack of markets or stalls from which to sell; and lack of management training facing the respondents in developing an own business. The need for marketing is supported by Stork et al. (2004: 50) who found that marketing and finance were cited as the type of support most needed by SMEs in all sectors of Namibia. Since 'finance' would be an obvious need in the north-eastern regions of Namibia, it was not included in the predetermined list of support types, and thereby elicits other business growth needs.

Similar to findings of the study conducted by the Ministry of Trade and Industry (1998:10) in the northern regions of Namibia, marketing information is scored among the top three most-needed support items. However, in the study by the Ministry of Trade and Industry, it emerged that the most vital types of support needed are assistance with business planning and advice on business plans. This study found assistance with business plans to obtain loans as the third most-needed type of support.

Given the low start-up capital and considering the low level of education of the owners of businesses in Katima Mulilo and Rundu and the information required by financial institutions in the business plan, it would have been expected that the respondents would score the need for assistance with business plans among the top three.

In view of the limited access to external funds, the need for a common facility centre makes sense because such a facility would house relatively expensive equipment with which to carry out testing, certification, measurement and quality and safety certification, as well as certain key processes that are too expensive to be justified by a small manufacturer, but which would be viable if shared by several businesses. Such a facility could supply services to resident SMEs at a reasonable fee.

Recommendations

The Namibian Chamber of Commerce and Industry or Ministry of Industrialisation, Trade and SME Development in Namibia should provide professional skills development through mentoring to new and growth-oriented entrepreneurs in the two regions in order to guide them to develop their businesses successfully and to respond effectively to the challenges facing their businesses.

To provide the type of support needed by the SMEs, the regional representatives of the Ministry of Industrialisation, Trade and SME Development in both Zambezi and Kavango East and West should assess the possibility of providing such types of support.

Since SMEs are not required to register with a local authority, they probably could be enticed to do so if access to free management and technical courses are provided.

The study highlighted the type of support required for survival, growth and development of SMEs in the north-eastern regions of Namibia. Providing such support should enable the SMEs to improve performance and ultimately lead to the achievement of economic objectives.

Conclusions

The results from this survey that had as its goal to identify the type of support needed to establish and grow SMEs in north-eastern Namibia, reveal that the most 'necessary' types of support are: skills/vocational training, market information, a common facility centre, technical advice and assistance with the business plan to obtain loans. However, differences were found between the two major towns surveyed. In Katima Mulilo, 'skills/vocational training' 'mentoring' and 'advice on the organisation of the business' are the most essential types of support needed, while in Rundu 'market information', 'technical advice' and 'subcontracting' were found to be the most essential types of support needed. This confirms that it cannot be assumed that factors that were identified in prior research in other countries would apply to Namibia and not even research found in one town in Namibia would apply to other towns.

However, when respondents were asked to identify the single most needed support, the priority seemed to change and the following were identified: 'mentoring', 'marketing information', 'assistance with business plans in order to obtain loans', 'advice on business organisation' and 'a common facility centre'. This anomaly might be attributed to the differentiation between 'necessary' and 'most needed'. Nevertheless, it broadened the understanding of the type of support required.

On the possible differences between owners' views and managers' perceptions, this study found that the two groups only differed significantly with regard to three types of support 'necessary': skills/vocational training, legal assistance and mentoring. In terms of legal assistance, owners perceived this type of support more necessary than managers. With the exception of the need for electricity, there was no significant relationship between the number of years in business and the type of support needed.

Endnotes

1. After an extensive search, the researcher could not find a more recent GEM study for Namibia than the 2012 one, hence the use of the old reference. In 2013, 70 economies participated in the GEM cycle. However, the results from Turkey, Namibia and some Caribbean states were not included in the first release due to technical problems uncovered in the inspection by GEM's central data team (Amorós & Bosma 2014:24).
2. No study has been conducted by the Namibian Ministry of Trade and Industry since 1999 and Namibia Statistics Agency, hence the use of the old references.

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