

**ACCESSING AND USING INFORMATION AND COMMUNICATION  
TECHNOLOGIES BY WOMEN-OWNED SMMEs IN PRETORIA, SOUTH  
AFRICA**

**by**

**FLORAH SEWELA MODIBA**

**STUDENT NUMBER: 33428212**

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## DECLARATION

I, Florah Sewela Modiba, declare that ACCESSING AND USING INFORMATION AND COMMUNICATION TECHNOLOGIES BY WOMEN-OWNED SMMEs IN PRETORIA is my own work and that all the sources that I have quoted have been indicated and acknowledged by means of complete references.

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Signature

(Ms FS Modiba)

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Date

## **ABSTRACT**

SMMEs contribute to socio-economic development, and play a critical role in reducing unemployment. Information and communication technology infrastructures (ICTs) impacts on the establishment, growth, and success of SMMEs and also on how enterprises manage their operational activities. This study was conducted in Pretoria, South Africa, in Gauteng province, with the objective to study SMMEs owned by women in order to identify the challenges they encounter in accessing and using ICT infrastructures. The researcher addressed issues related to ICTs in general, and then assessed the challenges preventing business owners from accessing and using ICT infrastructures in order to improve their operational capabilities. A qualitative research methodology which included explorative and descriptive approaches was used. The findings of the study revealed the following challenges which women experience in their businesses: entrepreneurial challenges, infrastructure, ICTs, family responsibilities, support from government and other relevant bodies, lack of mentoring, financial and gender inequality.

Keywords: SMMEs, Women, ICTs, Access, Usage, Pretoria, South Africa

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## LIST OF ACRONYMS

ICTs – Information and communication technologies

SMMEs – Small medium and micro enterprises

LEs – Large enterprises

FTEs – Full time employees

CIPRO – Companies and Intellectual Property Registration Office

GEP – Gauteng Entrepreneurial Propeller

COT – City of Tshwane

GDP – Gross Domestic Product

SARS – South African Revenue Services

VAT – Value added tax

FIs – Financial institutions

CD-Rom – Compact Disc –Read-Only Memory

OECD – Organisation for Economic Co-operation and Development

FTL – Fixed telephone line

SMS – Short messaging service

E-mail – Electronic mail

IT – Information technology

MS – Microsoft

CV – Curriculum vitae

NDA – National Development Agency

# CHAPTER 1

## INTRODUCTION AND OVERVIEW OF THE STUDY

### 1.1 INTRODUCTION

The importance of small, medium and micro enterprises (SMMEs) is cited in the literature, including government's policies, reports and guideline documents. SMMEs have been identified as businesses that can improve the socio-economic conditions of their countries. According to the United Nations (2009: 18), most women in developing countries have, for long, suffered the plight of working in jobs that are underpaying or in unpaid domestic jobs. It is said that SMMEs can assist in achieving parity in terms of economic redistribution and giving women a chance to contribute to economic growth (Lee 2004: 10; SEDA 2007: 35 & 36). There are, however, challenges that women face that limit their full participation in business and ICTs. There are socio-cultural factors that prescribe gender roles which only allow women to do household activities and discourage them from being technically oriented (Bridges.org 2005: 8; Fischer et al. 2006: 43). This limits women in experimenting with ICTs. Based on the social exclusions that exist, there is, therefore, a lack of use of new technologies in the sectors where women entrepreneurs are operating (Maas & Herrington 2006: 49).

This study explores the SMMEs owned by women in Pretoria. Since there are numerous challenges that are affecting SMMEs including those of finance, this study focuses specifically on access to information and communication technology. The aim is to understand the challenges that women encounter in accessing and using ICTs in their businesses. This was conducted by setting an objective that aimed at studying SMMEs owned by women in Pretoria, South Africa, in order to identify the challenges that they encounter in accessing and using ICT infrastructures.

This chapter will provide the background to the research problem which will be followed by the research problem of the study. Aims and objectives of the study will also be presented, followed by the description of the study's scope. Research methodology will be discussed, including limitations, and validity and reliability which will take us to the background to the research topic. This will be followed by the outline of chapters and the conclusion.

## **1.2 BACKGROUND TO RESEARCH PROBLEM**

SMMEs are playing a critical role, both locally and globally, in facilitating socio-economic growth by absorbing the labour force and penetrating niche markets. These enterprises are small ventures that perform their activities across various sectors such as services, construction, retail and so forth, and hence providing employment for themselves and fellow citizens. They are either formal (i.e. registered to operate, registered for tax and also with certain bodies in their sector) or informal (not registered at all) in nature. However, compliance of SMMEs, in most cases, is dependent on the type of sector in which they operate. For example, the financial services and construction sectors in South Africa are highly regulated, in comparison with manufacturing and other sectors. SMMEs are dynamic in nature because they vary in size, structure and level of formalisation.

South Africa, as an emerging economy, witnessed the birth of democracy in the face of economic inequality, i.e. unemployment and under-employment, limited participation of blacks in economic activities, and a neglected SMME sector (SA 1995: 18). In terms of addressing the redistribution of wealth and providing a sense of economic balance, the South African government regards SMMEs as a force with which to achieve their objectives. In 2007 SMME growth increased to more than 2, 8 million, and constituted 30 to 40 percent of the employment rate. Their growth has contributed between 27 and 34 percent to the GDP of the country (SEDA 2007: 12). This indicates a positive economic contribution by SMMEs.

Participation in SMME activities does not, however, mean that women entrepreneurs can initiate businesses at any time and flourish from the onset. Their prolonged participation can only be achieved if these SMMEs receive appropriate support for their operations. This sector has its own challenges. The main problem identified is that of accessing information about where and how to obtain specific resources (Juma 2003: 28). Access to information is the most important resource for an SMME as it enables the entrepreneur to access other resources such as finance, skills training and technological infrastructures. Some challenges will affect women differently as compared to their male counterparts. Women are not only struggling to be on par with men with regard to penetrating the SMME sector (Foxcroft et al. 2002: 30), but they are also on the edge of the digital divide. When looking at the level of access to ICTs, one should not overlook the trend that exists whereby already privileged people are able to acquire and use technology effectively, while the underprivileged are lagging behind (Bridges.org 2005: 8). Research further reveals that in some countries, women are still prevented from using technology as a result of socio-cultural mindsets that still exist (Bridges.org 2005: 8). It could also be as a result of this that they do not possess relevant skills to operate such technologies. One should also note that access to ICTs will affect developed countries and emerging economies (EEs) differently. According to Juma (2003: 16), developed countries do not generally have problems of physical access, in comparison to EEs. EEs will struggle with both physical access to ICT infrastructures and operational knowledge thereof.

Another challenge that women face is access to financial resources, which might hamper them from investing in ICT infrastructures. Most women were found to be relying on personal funding or money borrowed from family and friends rather than approaching financial institutions (Isakova et al. 2006: 34). It is in line with the aforementioned challenges that the researcher seeks to undertake this study in order to investigate the challenges that women, who own SMMEs in Pretoria, face in accessing and using ICT infrastructures.

### 1.3 RESEARCH PROBLEM

The contribution of SMMEs to economic development has been widely acknowledged. This calls for more participation by women in the sector so that they can play a role in socio-economic development and also increase their empowerment. Women's roles should not be restricted to the domestic sphere as prescribed by socio-cultural norms, but should expand to the economic sphere as well. However, in as much as both women and men face challenges in accessing resources, women's challenges are to a certain extent militated by socio-cultural conditions (Maas & Herrington 2006: 40). A variety of challenges are faced by women entrepreneurs in their business operations including legal accreditation, lack of financial assistance, and a lack of skills and access to ICT infrastructures (Lee 2004: 2 & 8; Maas & Herrington 2006: 15). The challenges of access to finance, information and ICT infrastructures will affect women differently than their male counterparts. This is reflected by Juma (2003: 15), who states that although women's usage of the Internet is increasing significantly, women and girls are using it less and in different ways than men. This limits their overall access to online information and other services. A lack of knowledge about how to operate these technologies and a lack of understanding about how they can improve their business performance (Bridges.org 2005: 6) is likely to be the reason why women are not using ICTs like men do. In this light, the researcher intends to identify the main problem of this research, which is:

What are the challenges faced by women-owned SMMEs in Pretoria in terms of accessing and using ICT infrastructures in their businesses?

Relating to the aforementioned problem are the following:

- What are the characteristics of SMMEs owned by Women?
- What are the challenges faced by SMMEs owned by women with regards to access and usage of ICT infrastructures?
- What are the challenges faced by women-owned SMMEs in Pretoria?

## **1.4 AIMS AND OBJECTIVES OF THE STUDY**

In order to address the research problem of this study the primary objective is to study SMMEs owned by women in Pretoria in order to identify the challenges that they encounter in accessing and using ICT infrastructures. In order to achieve the primary objective the following secondary objectives are set:

1. to provide theoretical framework for studying SMMEs within the development context and their general characteristics;
2. to identify characteristics of SMMEs owned by women;
3. to identify challenges that determine access to and usage of available ICT infrastructures by women-owned SMMEs in their businesses; and
4. to present a case study illustrating the challenges faced by women-owned SMMEs in Pretoria.

## **1.5 SCOPE OF THE DISSERTATION**

This study was conducted in Pretoria, South Africa, within the Gauteng province, and focused on SMMEs owned by women. The researcher addressed issues related to ICTs in general, and then assessed the challenges preventing business owners from accessing and using ICT infrastructures in order to improve their operational capabilities.

## **1.6 RESEARCH METHODOLOGY**

In order to address the research problem as set out in section 1.3 and to achieve the primary and secondary objectives of the study, a qualitative research methodology was followed. Explorative and descriptive approaches were followed in order to understand and discover the challenges faced by women-owned SMMEs. Qualitative research methods that were undertaken included a literature review and interviews with owners of SMMEs in Pretoria. A literature review refers to studying and analysing existing data

which has been gathered by other researchers. According to Babbie (2011: 95) (2011 edition already available in 2010), literature review assists in reviewing the designs of previous studies, what has been learned on the topic by past researchers, and identifying gaps and inconsistencies among existing findings.

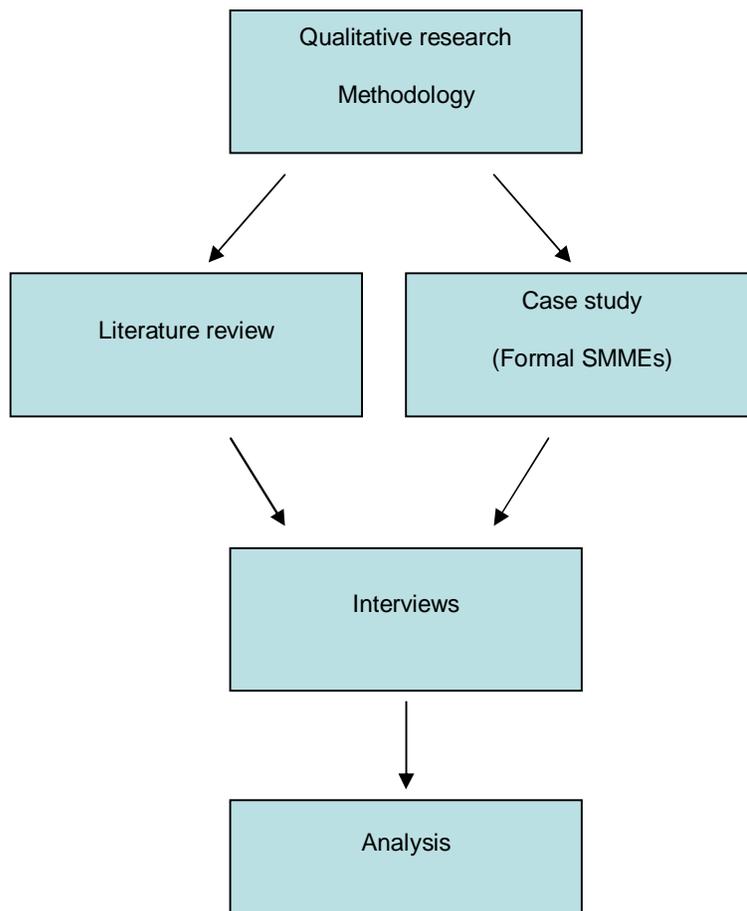
The research design illustrated in Figure 1.1 indicates how the research was conducted. The research was conducted by firstly reviewing the literature on the subject of SMMEs, women entrepreneurs and ICTs. Upon completion of the literature review, challenges were noted and were included in the questionnaire that was designed to conduct field research (see annexure A). A sample was selected which formed part of the case study of Pretoria. The qualitative research method helped in identifying and describing the challenges that women face and enabled the researcher to identify associations that existed among the variables selected (Cooper 2006: 151). This method also assisted in identifying and exploring other challenges that the participants experienced which were not mentioned in the reviewed literature.

The sampling procedure, data collection and other research related issues such as ethics and limitation are discussed in the subsections below.

### **1.6.1 Sampling**

This research focused on a case study of women who own SMMEs in Pretoria. The City of Tshwane Municipality was approached and they gave the researcher permission to use their SMME database. Non-probability sampling was used to select a sample. The sampling procedure was purposive in that the participants were selected based on their size and sector (Cooper 2006: 203). The 4 sectors that were ranked the highest in terms of their contribution to the GDP were identified. In the sectors that were covered, the manufacturing sector was represented by 6 participants, services sector had 10 participants, trade sector had 5 participants and transport sector also had 5 participants. A total of twenty six (26) women were selected from the Municipality's database. The intentions of the researcher were to interview ten (10) participants in each sector and

send questionnaires to additional 10 respondents in each sector (40 in total). However, challenges were experienced regarding time constraints and reaching the identified 40 participants. The main reason for this was the fact that participants were not willing to participate in the study because of time constraints. Due to this time constraint and unavailability of most entrepreneurs, it was decided to only do in-depth interviews with the 26 participants as explained above. Of the 10 participants identified in each sector to conduct interviews with, it was only the services sector that fully participated.



**Figure 1.1 Research Methodology design**  
(Own 2010)

### **1.6.2 Data collection**

Data was collected in the form of interviews using structured questionnaires with open ended questions. Cooper (2006: 207) advises that in interviews, one should use a guiding structured questionnaire in order to ensure that participants are asked similar questions. Moreover, the use of questionnaires also assists in maintaining the order of questions and the manner in which they should be asked. The researcher conducted individual in-depth interviews with participants. The decision to use this method was because with the interviews, the researcher is able to probe more questions. For example, if a participant is asked a question with a 'yes or no' answer, it is easier for the interviewer to immediately pose a follow-up question. This is not possible in self-administrated questionnaire. The interviews were recorded on digital recorder and notes were also taken. The field work was conducted from 3 December 2009 to February 2010. The data was transcribed and captured by the researcher in order to ensure that everything was written as presented on the notes taken and recordings. See annexure A for the questionnaire. The observation method was also used to record participants' reactions and the environments where their businesses operate. Babbie (2011: 287) contends that it is possible to go to the social phenomenon that is being studied to observe it in order to gain a deeper and fuller understanding of this subject. Moreover, direct observation enables the researcher to observe subtle communications and other events that might not be anticipated or measured otherwise (Babbie 2008: 326).

### **1.6.3 Ethics**

This study involves people and it was required that before the data collection phase started, the researcher had to comply with the ethics of the scientific research as proposed by Babbie (2008). According to Babbie (2008: 67), social research involves an intrusion into people's lives. Furthermore, it requires people to reveal personal information that might not be known by their friends and associates about themselves. The researcher, therefore, asked permission from the participants to conduct the research with them. An informed consent letter was given to the participants, and it was

signed by all parties (refer to annexure B). The letter explained that their participation is voluntary and that the information they give will be treated confidentially. It is important to protect the participants' identity (Babbie 2008: 69), hence names will be changed when presenting the data (see chapter 4).

#### **1.6.4 Validity and reliability**

In order for the results of this study to be rigorous, issues of validity and reliability were taken into consideration. During the data collection phase, the researcher conducted the interviews in order to ensure that all relevant questions are asked and all the responses documented. The notes were taken and the digital recorder was also used to enable the researcher to capture all the responses. This was also to assist in making sure that the results are valid. According to Babbie (2011: 320), being physically there with the participant is a powerful technique to gain more insight into your subject's affairs. Golafshani (2003: 606) states that there are threats to this method because the results cannot be generalised to a wider group. Moreover, this affects one of the common tests of validity in quantitative research. Although Babbie (2011: 321) points out that in-depth interviews are often personal and may lead the researcher to be biased, the structured questionnaire assisted in guiding the researcher to ask the participants similar questions. This limits the researcher's manipulation of the research situation and strengthens reliability. According to Golafshani (20003: 604), engaging in multiple methods such as observation, interviews and recordings leads to more valid, reliable, and diverse construction of realities.

#### **1.6.5 Data analysis and interpretation**

Maxwell (1988: 89) suggests that data analysis should be done immediately after conducting an interview, and the researcher should continue to analyse the data as he/she conducts the research. This helps to fast-track the editing process in which the researcher has the opportunity to replace symbols and abbreviations noted during the

interview (Cooper 2006: 442). Strategies such as categorisation, contextualisation and analytic tools, memos and displays were identified as being efficient in analysing data (Maxwell 1988: 89). The former entails coding in which data is broken into categories to facilitate comparison of elements in and between categories. It can also be used by the researcher to enable the participant to write short answers in open-ended questionnaires. This helps the process of analysis to be quick, and reduce the opportunity for error (Cooper 2006: 446).

Contextual analysis aims to understand data. This is achieved by identifying relationships among different elements of a text in various contexts. The latter aids in facilitating the researcher's thinking and visualising the relationship of one's data as well as making it retrievable (Maxwell 1988: 90). A detailed description of analytic tools and displays can be found in Cooper (2006: 471). Maxwell's description of data analysis can be summarised as a process that should categorise data by breaking it down in order to understand the relationships that exist among elements and depicting the similarities or differences in pictorial/graphic forms. Similarly, Mouton (2001: 108) suggests that data analysis "involves breaking up data into manageable themes, pattern trends and relationships". The same approaches were used to analyse data of this study. The interpretation of the data reported on whether the information gathered on the theoretical framework agrees or disagrees with primary findings. The results were analysed by reviewing notes and transcribing the recordings of the interviews. The transcription and capturing of the data was done after an interview was completed or a few days later in order to structure the analysis and group specific variables such as owner profile, business profile, challenges and so forth. Computer based tools were also applied to analyse data and capture illustrative graphs. Lime survey,<sup>1</sup> is the tool that was used to aggregate statistics and populate graphs.

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<sup>1</sup> Lime survey is an open source web application used to capture on-line and offline surveys. It can be used to develop, publish and collect responses. Visit [www.limesurvey.org](http://www.limesurvey.org) for more information.

## 1.7 LIMITATIONS

Initially the study was intended to use the database of Gauteng Entrepreneurial Propeller (GEP)<sup>2</sup>. However the manager that had given permission for this study resigned and the one that took over did not think it was appropriate for them to give the researcher access to their database, as they had to protect their clients (SMMEs). A second organisation, the City of Tshwane (COT) municipality, working closely with the SMME sector was approached. They had a database of SMMEs from most of the areas in Pretoria. The problem with the COT database was that it did not have any SMMEs that were in the communications industry. The SMMEs that had registered their names under the communications industry were all under the services sector and mostly doing catering. This was a challenge to the researcher as the communications industry is related to the study topic, and it could have given a valuable feedback in terms of ICT usage.

Another limitation is the fact that the research focused only on 26 participants, covering four different sectors. This sample is not representative enough to make any general conclusions of the result but rather gives an idea of what kind of challenges are there in the SMME sector. Babbie (2008: 207) contends that accuracy and representation of the population is limited when one uses non-probability sampling. The sample size also restricted the researcher in making cross sector comparisons in terms of business operations and challenges.

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<sup>2</sup> Gauteng Entrepreneurship Propeller (GEP) is a provincial government agency established by the Department of Economic Development to provide SMMEs in Gauteng with financial and non-financial support, as well as to co-ordinate stakeholders that can benefit SMMEs. For more information, visit: [www.gep.co.za/view](http://www.gep.co.za/view)

## **1.8 BACKGROUND TO RESEARCH TOPIC**

SMMEs in OECD<sup>3</sup> economies account for approximately 95 percent of enterprises, 60 - 70 percent of employment creation and 55 percent of GDP contributions (WBCSD 2008: 2). In South Africa their contribution is also significant as they are important in addressing the challenges of job creation, economic growth and equity (SA 1995: 15). The SMME sector allows all individuals to participate, regardless of race, gender and age (except for those who are under age). The following sections focus on the socio-cultural factors and challenges involved, as well as access to information, finance, skills and training, and ICT infrastructures.

### **1.8.1 Socio-cultural factors influencing women-owned enterprises**

When engaging in research that explores the livelihood of women, there is a need to understand the challenges that they deal with in their daily businesses. This research aims to understand the challenges that women experience in accessing and using ICT infrastructures. Liberal feminist theory states that women are disadvantaged relative to men due to overt discrimination and/or systematic factors that deprive them of vital resources such as business education and experience (Fischer et al. 2006: 43). The SMME sector is a fertile ground for business activities. However, this alone does not imply that all participants entering the field will flourish as participants are often exposed to factors that will limit their ability to compete and be sustainable. Quoting McElvee and Al-Riyami (2003), Swail et al. (2005: 89) state that in developing countries, a woman's

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<sup>3</sup> Organisation for Economic Co-operation and Development (OECD) is an international organisation that brings together governments from different countries to compare policy experiences, seek answers to common problems and co-ordinate domestic and international policies. In so doing, they provide sustainable economic growth, boost employment, raise living standards, maintain financial stability, assist other countries' economic development and contribute to growth in world trade. For more information about OECD activities, visit: <http://www.oecd.org>

primary roles are those of a wife and a mother. Traditional practices still restrict women to their maternal role and other family-bound tasks. Socio-cultural laws that have existed do not allow them to do whatever they want.

Birley (2006: 32) argues that according to norms of particular cultures, the roles of men and women have been quite different. Women have been said to be natural nurturers and domestic labourers, while men have been perceived to be natural leaders and decision-makers. These roles have been reinforced at home, at school and through the media. This restricts women's self-perceptions, disempowering their social and economic potential, and limiting their future possibilities (Dlamini-Zuma 2007: 1). Levent et al. (2003: 1132) further state that females are another kind of "minority", participating less in urban economic life, since the business world is often male-dominated. When entering the SMME landscape, these women have to compete with their male counterparts who, in most cases, have been conducting their businesses for a significant period of time. These men are familiar with the business world, and know the 'tricks and measures' to sustain their businesses. Their business skills are more effective than those of women.

### **1.8.2 SMME challenges**

In dealing with the challenges that women face, it is relevant to understand those particular challenges. A study conducted by Maas and Herrington (2006: 42) revealed that most women were involved in starting a business (the 0-3 months stage), and fewer were in the young business (3 months - 3.5 years) phase. There is no sign of growth among these businesses. In addition, they are confronted with a variety of challenges in developing and running a business, and many argue that significant barriers still exist for women who are establishing and growing their businesses (CAWTAR 2007: 38; McDade & Spring 2005: 25; von Broembsen 2008: 45; World Bank 2008: 15-17). Women's businesses generally experience sustainability and growth problems, which require special attention. This could be as a result of lacking information on how to

further develop their businesses. Brush and Hisrich (2006: 10) have observed that the success of both starting and sustaining a business usually results from prior experience. In view of this, it could be possible that women's previous work experience or entrepreneurial training of some sort impacts on SMME start-ups and the survival of women-owned SMMEs. Swail et al (2005: 3) attest to this when they reflect that women who have developed their organisations at an international level within a short period of time had previous international experience through work or studies.

### **1.8.3 Access to information**

Without access to information, women will not know about financial institutions and government bodies that can assist them with funds to start up and sustain their businesses. They might not even be aware of fellow women with whom they can form partnerships in order to strengthen their business. Orford et al. (2004: 4) are of the opinion that small enterprises are unaware of government initiatives to support them or, if they are aware of them, have not used them. This is not a surprise because they might not know the procedures that they have to follow in order to access such support programmes. It is therefore necessary for information hubs and campaigns to be introduced in order to ensure that women have access to information.

### **1.8.4 Access to skills and training**

Women will only know about relevant government bodies when they are well informed with regards to where and how to access them. If women have access to government bodies, they can easily contact them and seek assistance with their businesses. This will enable them to get information on where to go if they need financial assistance or any other support for their businesses. However, this might be difficult if women do not have business and communication skills.

The latter is the most important. If they do not have communication skills, it will be difficult for them to negotiate loans and/or secure deals with sponsors or customers. Although 72 percent of micro enterprises are owned by women, the success of their businesses is influenced by internal and external barriers, ranging from basic life skills such as self-confidence, assertiveness, self-motivation, achievement orientation, reliability and communication skills, as well as absence of mentorship opportunities, together with marketing and basic holistic management training (Nieman, et al. 2003 cited in Maas & Herrington 2006: 40). Most women are not as articulated as their male counterparts. This is something which in turn limits their participation in business. Research indicates that men network, whereas women do not know how to network (Bizassist 2008b: 1). For example, if two men sit at a table, they first talk about sport, and then quickly get to discuss business. Women, however, talk about family and relationships, and they do not quickly get to talk about business (Bizassist 2008b: 1). This further highlights the fact that although women's business start-up rates are high, until they learn to network successfully they will not do well in business. According to Juma (2003: 26), if they adopt ICTs they will increase their levels of networking and interacting, both locally and internationally, without having to travel.

Other studies indicate that the level of confidence will determine the success of entrepreneurs. In a study that was conducted on Turkish women entrepreneurs, results demonstrated strong performance and personality traits such as ambition and hard work, which according to Swail et al. (2005: 1155) can hardly be seen as typical female characteristics. Women's businesses might graduate to higher levels if they are skilled on how to run a business. This might include basic aspects such as having and maintaining a customer's database, managing finances, marketing their businesses, and being able to identify opportunities for growth. There is a need for training workshops where women can be helped in terms of how to communicate and manage their businesses effectively.

### **1.8.5 Access to finance**

In order for any business to succeed, there is a need for capital as well as maintaining the cash flow in that particular business. The lack of access to information will negatively affect the rate at which women can access funds. It is noted that women are overrepresented amongst the poorest people, which is something that will make access to information difficult and access to finance even harder (Genfinance 2009: 1; SAWEN 2005: 10). Another observation was that women have a tendency to spend their income solely on the households' welfare, which limits them when it comes to investing in economic activities (Mayoux 2006: 3).

Access to finance and access to skills and expertise are the critical resources that SMMEs require for both starting and running enterprises. Satisfaction with regard to such access is low, and has resulted in a decline in the overall level of competitiveness perceived by SMMEs themselves (SME Survey 2006: 85). This poses a serious problem for women-owned SMMEs as this might discourage them from seeking financial assistance from financial institutions (FIs) and/or government bodies. Should non-formal SMMEs come across such statements from the SME Survey, they might make misinformed generalisations that financing for SMMEs is problematic, without understanding the origin of such statements. When there is a lack of access to funding for women, it means that the chances of them sustaining and growing their businesses are slim.

The Department of Trade and Industry (DTI) started the Isivande Women's Fund (IWF) in response to the difficulties that women face in terms of accessing funds. In their study, which was conducted in 2006, they found that limited access to finance by women inhibits the establishment, growth, sustainability and profitability of women's enterprises (DTI 2008: 37). It further revealed that there is gender bias within existing financial institutions, and the study was, therefore, followed by a series of consultative workshops on access to finance for women entrepreneurs which confirmed the need for

an exclusive fund for women to be established. However, the bias is not fuelled by the gender element per se, but rather by the systematic factors.

In most instances, women do not obtain funding because they are less likely to amass significant or appropriate stocks of financial and human capital to use as collateral in order to strengthen loan applications (Marlow & Patton 2006: 68). In South Africa, where most women only have RDP houses (those built by government for residents) as assets, banks do not consider such houses as collateral (von Broembsen 2008: 13). Women need to be educated about different channels that they can use to obtain funding for their businesses. When they are aware of the funding options that exist, investigations can be conducted in order to determine whether approval and/or disapproval of financial requests are influenced by the entrepreneur's gender. According to the then DTI's minister, Mandisi Mphathwa, by responding directly to the needs of women, "we believe that the IWF initiative will show that it is indeed possible to improve and expand access to finance for women entrepreneurs, thereby expanding the quantity and quality of the categories of women entrepreneurs" (Bizassist 2008a: 1). Efforts should not only be made to create funding, but also to encourage established funding bodies to reach out to women.

#### **1.8.6 Access to ICTs**

Women, as entrepreneurs, need to experiment with technological infrastructures that might help in running their businesses. According to Abagi et al. (2009: 175), owing to socio-cultural influences women are not really interested in technical matters. Their limited ability to use technological infrastructures might not only be due to limited skills and finances, but also to the gendered nature of technology itself. This is affirmed by Juma (2003: 22), who states that very few women are producers of Internet content, programmes, designs and inventions or computer technicians. The establishment of most technological tools was aimed at male users, thus limiting opportunities for women. However, the issue of lacking appropriate education in the ICT arena cannot be

overlooked. Dlodlo and Khalala (2008: 16) ascertains that some schools' curriculum does not expose girls to ICTs at an early age. Although one cannot blame a lack of education on previous socio-cultural systems, it seems as if women who want to keep up with the technology train still experience difficulties. This is evident in Lee's research (Lee 2004: 8-9), which states that it is difficult for women to enrol for computer courses because of financial constraints. Moreover, those that manage to get training on how to use computers are limited in terms of accessing computers at their businesses due to the high cost of these machines and the high charges of Internet cafés. This is mainly as a result of the low representation of women in the production and design of ICTs by policy makers (Juma 2003: 23).

However, in some countries, where ICT policies consider the needs of women, this is not a problem. This is evident in Bangladesh where women can get access to communication infrastructures through the Grameen telecom by becoming phone operators. This enables them to run their own businesses in a sector of which they do not have experience on, and they get access to market related information (Ahmed et al. 2006: 2).

History describes the development of the first computers to have started during the Second World War. They were used to decipher enemy codes and calculate missile trajectories (Scott et al. 2001: 4). The linked network, now known as the Internet, is also described as having had its origins in the US military. It is believed that this world-changing technology has its origins in a male world with four roots: the military, the academy, engineering and industry (Scott et al. 2001: 5). As a result, some women ignore emerging technologies, thinking that these are only meant for men.

In most townships, women operate their businesses in a traditional way. They are reluctant to use any form of ICT available to them - which their male counterparts are using (Hafkin & Huyer 2007: 28). They are either unaware of the importance of such

technological products to their businesses, or they do not know how to use them. For example, a woman running a tuck shop business in a township might not know that having a personal computer with internet at home would assist her with doing her banking, placing orders, recording sales, and even typing and printing her marketing leaflets (Kew & Herrington 2009: 36). Instead of saving time she would end up wasting it on doing (manually) things she could have done in a few minutes, something that, in turn, will generally affect her business. Women-owned businesses, in most cases, are small, which means that the owner cannot even employ someone to take care of business when she goes to the city to place orders and bank the money.

In as much as technological developments can strengthen and improve the role of women in economic contribution, there are cultural implications involved. These cultural implications are in terms of the traditional roles of women in different communities. Research indicates that African women have the lowest participation rates in the world when it comes to science and technology education at all levels (Juma 2003: 23), and thus a limited use of ICTs. Women's gender roles, as assigned by these communities, have placed women in a position where they have been unable to participate in the business world. Now that they have an opportunity to do so, they have insufficient knowledge. Most of them are unaware of many of the technologies that are available and how to use them. This is an area where women are supposed to be participating in order for them to be actively involved in the economy of this country. It has been observed that most women work in the informal sector, home-based businesses and manufacturing, and are unlikely to access computers (Juma 2003: 26). It is, therefore, important to investigate how access to ICTs can be increased, and how this can empower women and make their entrepreneurial lives much easier.

## **1.9 OUTLINE OF CHAPTERS**

### **1.9.1 Introduction and overview of the study**

The purpose of the first chapter is to give an introduction to the study. The chapter starts by explaining the research problem in order to give motivation for the research to be undertaken. In support of the research problem, aims and objectives that would assist in directing the research are given. The scope of the research is also discussed to outline what the research will be addressing. The research methodology is discussed where topics like sampling, data collection, ethics, validity and reliability, and data analysis and interpretation are addressed. Limitations experienced throughout the research are also presented. This is followed by reviewing the literature through discussing issues such as socio-cultural factors influencing women-owned enterprises, SMME challenges, access to information, access to skills and training, access to finance, and access to ICTs.

### **1.9.2 Chapter 2: Theoretical framework: SMMEs**

Chapter 2 provides a theoretical framework for the study of the research topic. It starts by exploring SMMEs and development in order to understand the role and the importance of SMMEs in the economy, society and the lives of women. Definitions of SMMEs' are explored and characteristics of SMMEs are discussed by addressing issues of formality of SMMEs, infrastructure, business operations and the entrepreneur. This is followed by characteristics of women-owned SMMEs in South Africa. The characteristics are discussed in terms of the following:

### **1.9.3 Chapter 3: Challenges in women-owned SMMEs**

This chapter investigates the challenges that women encounter in their businesses, more specifically those that are ICT related. It starts by discussing ICTs and generic

challenges related to ICTs. Entrepreneurial challenges are discussed to understand the issues women-owned SMMEs experiences in their businesses. This is approached by focusing on topics like labour, regulations and quality control. Infrastructural challenges are discussed followed by family responsibilities in order to establish how they affect women's time in experimenting with ICTs. Finance is another challenge that is discussed, looking only at women-owned enterprises. The last section of chapter focuses on the following: access, knowledge, acceptance and usage of ICTs.

#### **1.9.4 Chapter 4: Data presentation and analysis**

In presenting and analysing the data, this chapter starts by focusing on the profile of the owners. The owners' profile consists of their age, marital status, their level of education, and the age of their business. This is followed by the characteristics of both the enterprise and the owner. The discussion focuses on the following issues: registration, motivation to start a business, funding, risk, skills and competition. Infrastructure is also discussed, followed by ICT infrastructure where mobile usage and perceptions on usage are observed. Family responsibilities are explored to establish whether the literature findings are consistent with the field research findings. These are followed by general challenges expressed by the participants.

#### **1.9.5 Chapter 5: Conclusions and recommendations**

Chapter 5 provides an overview of the study as well as a summary and conclusion.

### **1.10 CONCLUSION**

This chapter gave an introduction to the study. The research problem was presented to provide the motivation for the research. Primary and secondary objectives which will guide the study were identified. The study took a qualitative approach which used both the secondary literature analysis and the field research. The 26 women entrepreneurs

from Pretoria were interviewed. Limitations experienced included the following: change of management in the organisation that was supposed to provide a database of women-owned SMMEs in Pretoria; the sample which was too small and restrained the study to draw any general conclusions; and failure to find women-owned SMMEs in the communications sector. The literature was reviewed addressing issues such as socio-cultural factors influencing women-owned enterprises, SMME challenges, access to information, access to skills and training, access to finance, as well as access to ICTS. The chapter was concluded by giving an overview of the chapters of the study. The following chapter will discuss the theoretical framework of SMMEs including among others, SMMEs definitions and characteristics.

## **CHAPTER 2**

### **THEORETICAL FRAMEWORK: SMMEs**

#### **2.1 INTRODUCTION**

Each and every country relies on various business sectors in order to sustain its economic activities. Small, medium and micro enterprises (SMMEs) contribute to the Gross Domestic Product (GDP) of a country, and create employment opportunities. SMMEs are vital forces for poverty alleviation and have been widely acknowledged for their contribution towards economic and social upliftment of communities (Jain 2008: 5; Jeppeson 2005: 463; Kotelnikov 2007: 1; Pandey 2007: 3; SEDA 2007: 6; Storey 1994: 7). They assist national economies significantly by contributing to the GDP of countries. Within the framework of this study, it is important to study this useful sector in order to understand its ecosystem and to determine how its components operate. The SMME sector is, however, unique in that it has a considerable different structure as compared to Large Enterprises (LEs) in terms of size, type of business activities and compliance with regulation.

This chapter aims to describe SMMEs by providing a theoretical framework of their characteristics and business operations bearing in mind the different challenges that they face when they are in the establishment and growing phase. SMMEs will be defined and characterised. This will be followed by a discussion regarding the characteristics of women-owned SMMEs as well as a conclusion of the chapter.

#### **2.2 SMMEs AND DEVELOPMENT**

The majority of people in developing countries live under the threat of poverty. The poverty rate has increased from 16 percent in 2006 to 17 percent in 2008. In as much as it looks as if the increase is not quite dramatic for a two year period, it was estimated

that 55 million to 90 million people will be living in poverty in 2009 (UN 2009: 4). In South Africa, in 2006, there were some areas that had more than 80 percent of households that were living in poverty (Department of Agriculture 2006: 1). This demonstrates the continued dilemma that the developing countries encounter. Of these communities, women are the ones that endure more poverty due to their household duties and primary care-giving roles that they have which limits them from finding a paid job. Research indicates that poverty is one of the main challenges that women have to deal with (SAWEN 2005: 2; UN 2009: 4). The seriousness of poverty, especially amongst women, is reflected in the Millennium Development Goals (MDGs). One of the MDGs eight development goals is to halve extreme poverty by 2015 (UNDP 2002: 2). Moreover, it was estimated that approximately 1.2 billion people were living on less than a dollar (US dollar) per day, and only 43 countries were on track with regards to meeting the goal of decreasing poverty by 2015. The Beijing Plus 10 conference also stressed the importance of the strategies aimed at realising the MDGs to relief the continuing poverty amongst women (Molyneux & Razavi 2006: 14). Challenges in the economy also do not assist in meeting the MDGs. According to the World Bank's projections in 2009 (2009: 9), the recent economic crisis resulted in up to 46 million people living in poverty.

Households are generally described to be poor when they are living on an income that is below the poverty line (Karlan & Morduch 2009: 5). Kabeer (2005: 4710) asserts that poor people are the most vulnerable people in society and they face a wide range of risks due to lack of resources. Hence there is a need to find the means that can assist in reducing poverty. In South Africa it was found that 66 percent of families sometimes or regularly live without no cash income (SAWEN 2005: 3). This indicates the extreme levels of poverty that some people are exposed to. The causes of poverty are related to lack of employment, inequalities and uneven distribution of resources or opportunities.

## **Gender roles and poverty**

According to Chen et al. (2005: 37), labour insecurities contributes to poverty. Moreover these labour insecurities affect men and women equally although the burden borne by women in developing countries is more than that of men. Chen et al. call this concept, where women suffer extremely from poverty more than their male counterparts, feminisation of poverty. The suffering is not solely experienced by women but their children as well. This is due to the fact that the well being of women is not inseparable to that of children (UNICEF 2006: 12). There are a high number of female headed households which makes poverty more prevalent in women than men (Chen et al. 2005: 52; UNDP 2009: 12). The trend, however, varies among countries and the level of access to formal employment. It is further argued that poverty is related to structural issues of the given country where it manifests (Boros et al. 2002: 27). In most developing countries women and men are not equal owing to socio-cultural norms, and the risks of poverty will, therefore, differ for women in various countries.

The gender division of roles and duties is determined by these norms. Women have a social triple burden which is their reproductive roles, productive roles and community roles (Wassenaar 2006: 5). Women's reproductive role involves care and maintenance of the household and its members without any payment. This includes child bearing, food preparation and other household duties (Boros et al. 2002: 78; Chen et al. 2005: 9, 32; Molyneux & Razavi 2006: 8; Razavi & Miller 1995: 21). They are primary caregivers of children, the sick and the weak. Their productive role involves the production of goods and services for consumption and trade (Wassenaar 2006: 5). This is normally the work they are paid for. The community role involves the collective organisation of social events and services such as attendance of ceremonies and community related activities. This role, however, involves both women and men but in most cases men will take the leadership and decision making role of these activities whilst women will focus on the organising of events and food.

The severity of women's roles is seen in some instances where they are forced to leave their paid employment in order to go and take care of the sick relatives (Chen et al. 2005: 23). This is a task that most men will not do. According to Chen (2005: 32), in cases of people who are married, if it is the husband's parent that is sick, the husband will not take care of the parent. The wife is the one who will take care of the sick parent. With these triple roles, especially the reproductive role which is labour intensive (Wassenaar 2006: 5), women are less likely to participate more in the productive economy. If they do, there is a serious need to balance all their gender roles and income generating roles. According to UNICEF (2006: 9), cultural norms can perpetuate social exclusion and discrimination. Women and men have different responsibilities which determine whether they are involved in paid employment or not. It also depends on their geographical locations (Boros et al. 2002: 28).

Lack of access to employment means access to money will be limited for an individual or a household. Those that are employed must also earn sufficient income in order to cover the basic needs of the household. People will have different challenges in terms of escaping poverty depending on whether they are employed and earning sufficient income. Women are vulnerable to poverty because of lack of access to employment opportunities and when they are employed, the jobs are less rewarding which increases their risk to poverty (Chen et al. 2005: 50; UNDP 2009: 12). The other reason is that women are over-represented in employment that pays less (Chen & Jhabvala 2001: 16). Even with an increased entrance to the paid labour market, women's unemployment rates are still higher. Estimations for global unemployment for 2009 was expected to raise from 6.1 to 7.0 for men and 6.5 to 7.4 for women (UN 2009: 4) .

Research demonstrates that the informal sector is the carrier of most people that were retrenched from formal employment and those that cannot find formal employment (Chen & Jhabvala 2001: 4). Furthermore, those working in less paid formal employment take part in the informal market to supplement their lower earnings. This sector,

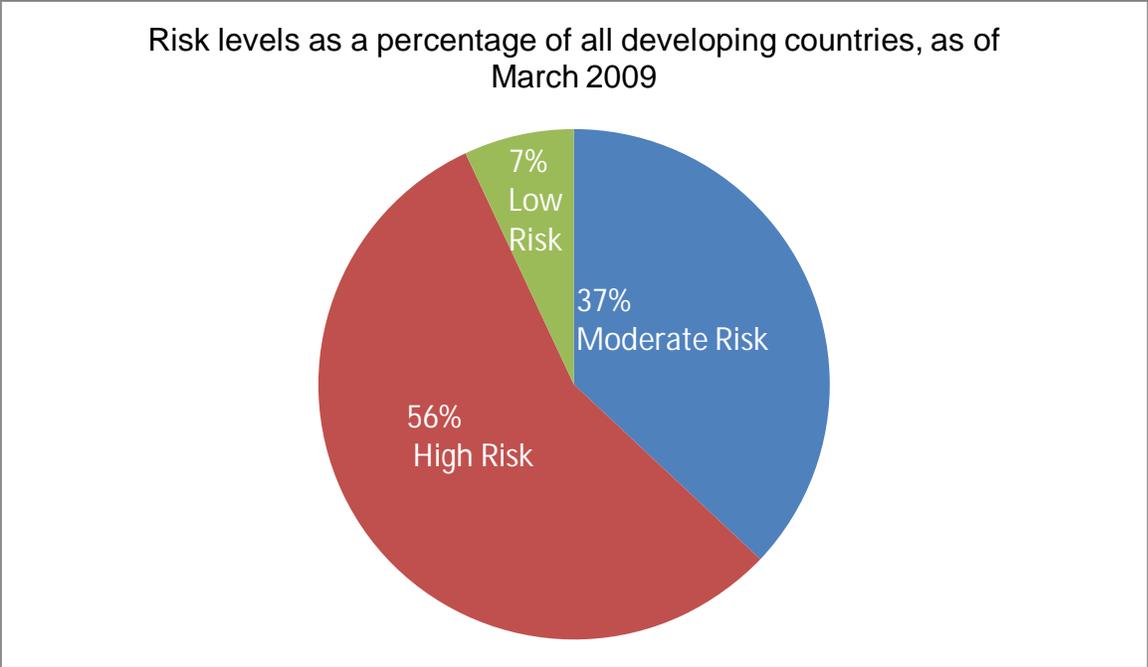
therefore, ends up serving for both the employed and unemployed, and thus explains why the sector is over-populated.

Informal sector refers to enterprises that are not registered, doing petty agricultural jobs, and domestic workers who are not registered (Chen et al. 2005: 38, 39). The informal sector is, however, the one that provides employment. Informal sector comprises more women than men. It has been established that in most developing countries the informal sector is the largest source of employment with 6 out of 10 women participating in this sector (Chen et al. 2005: 39; von Broembsen 2008: 12; World Bank 2008: 27). Additionally, it was found that poverty is the motivating factor amongst some women to be involved in the SMME sector (IFC 2008: 12). Women's over-representation in the informal sector could be related to the fact that their social status (being poor) leads to financial institutions not funding them for entrepreneurial endeavours. Jayamaha (2008: 2) argues that financial exclusion is a symptom of poverty. Unfortunately, poor people find it difficult to find any means of financial assistance to create employment for themselves as financial institutions sees them as being unreliable and risky (Kabeer 2005: 4710).

Poverty affects each household differently. It is determined by the type of employment that household members have (Chen et al. 2005: 53). As illustrated in table 2.1, in households where there is a regular income, the poverty risk will be low. For those who are self employed they will have a moderate risk to poverty. The ones with casual employment are likely to have the highest risk of being poor. The risk to poverty in developing countries is illustrated in Figure 2.1, and these were the World Bank's projections for the year 2009. There were 7 percent of the people that were at low risk, 37 percent on moderate risk and 56 percent that were at the high risk of poverty (UNDP 2009: 3). The high rate of poverty that still persists requires solutions that will not only relieve poverty for a short period but something that will prevent it even in future.

Type of employment	Risk levels
Regular wage employment	Low risk
Self employed	Moderate risk
Casual wage employment	Highest risk

**Table 2.1 Enacted Employment risk levels**  
**(Chen et al. 2005: 53)**



**Figure 2.1 Poverty risk levels**  
**(UNDP 2009: 3)**

South Africa can benefit from the SMME sector in addressing its high unemployment rate and poverty. The unemployment rate is at 25.3 percent and poverty at 52.9 percent (Chitiga et al. 2010: 7; STATSSA 2010: 2). This sector creates employment opportunities for both the rural and urban areas. It does this by focusing on business opportunities which emanate from the new and growing markets (Rogerson 2008: 72).

According to Von Broembson (2008: 19), the SMME sector assist in alleviating poverty by employing members of the community who cannot be employed by the corporate sector owing to, among other things, their lack of skills and illiteracy. Naidoo and Hilton's findings (2006: 12) reveal that poverty is more prevalent in black communities than other races. Moreover black African women are more vulnerable to poverty and a third of them are unable to meet their basic food needs (SAWEN 2005: 10; von Broembsen 2008: 6). Self employment is, therefore, considered as an option to combat poverty. The contributions of SMMEs to sustaining livelihoods is further indicated in von Broembsen's work where she mentions that SMMEs cater for the poor and are flexible enough to allow them to buy on credit (von Broembsen 2008: 12). SMMEs can assist in challenging and changing socio-cultural norms that places women in inferior positions and vulnerable to poverty. This sector plays a significant role in the growth, structural transformation and general development of the South African economy (Kotelnikov 2007: 3; SEDA 2007: 12). They further contribute between 27 and 34 to the GDP, with LEs contributing 40 to 50 percent. The small difference between SMMEs and LEs demonstrates the positive contribution that this small sector is currently making to the economy. This is also something that could be improved. Their contribution to employment is between 30 to 40 percent. According to Jain (2008: 8), SMMEs provide the majority of employment to people living in rural areas. Moreover, self-employment is sometimes the only source of income, and SMMEs, therefore, provide self-employment opportunities. This helps significantly in communities that are poor. This serves as a poverty relief for communities with limited opportunities for formal employment. The job opportunities that SMMEs provide help communities to find employment and increase household income to reduce poverty.

In cases where LEs are downsizing and restructuring, SMMEs play a major role as sub-contractors (Jain 2008: 6). When an enterprise is downsizing or restructuring, it will either have redundant workers or those who have to be retrenched. LEs can, therefore, sell these segments that are no longer central to their core business to SMMEs. In turn, SMMEs will absorb people that have been working in those segments and thereby

reduce the number of retrenchments. They are also effective in increasing competitiveness and curbing the monopolistic position of LEs.

### The importance of the SMME sector

SMMEs play an important role to address the problems of unemployment, job creation, innovation and long-term economic development (Baard & van den Berg 2004: 2; Molapo 2007: 1; SA 1995: 53; Storey 1994: 7). Their role is to provide jobs for the unemployed and entrepreneurial opportunities for individuals who want to venture into businesses. They are also essential for stimulating competition and penetrating niche markets that are not explored by LEs. The abundance of economic opportunities that exist in this sector is said to be playing a major role in attracting entrepreneurs to participate (Birley 2006: 35; DTI 2006: 12; IFC 2008: 4; Levent et al. 2003: 1131; Taylor & Newcomer 2005: 24). In emphasising the importance of this sector, Macqueen (2005: 3) distinguishes between the advantages and disadvantages of having SMMEs in our communities. The advantages address issues of social, economic and environmental importance. The table below groups these advantages as follows:

<b>Dimensions of Well-being</b>	<b>Economic</b>	<b>Social</b>	<b>Environmental</b>
<i>Basic survival</i>	Provide local outlets for inputs and outputs without externally imposed standards	Strengthen connectedness to and responsibility for sustainability of production	Negative environmental problems are local – more quickly spotted and dealt with
<i>Livelihood security</i>	Reduce external dependency, with greater local resilience in uncertain times	Provide flexible working hours, which is especially important for child caregivers	Multi-functionality, especially at a micro level, builds environmental resilience
<i>Affiliation and relationships</i>	Profits accrue locally, are often reinvested locally with local economic multipliers	Greater social equity, which humanises relationships in buying and selling – building community	Shorter travel distances to reduce pollution and human risk

<i>Creative endeavours</i>	Distribute economic opportunities and returns fairly across multiple owners	Use local knowledge and skills – with ownership over business outcomes	Increased options to use and consequent vested interest in conserving local resources
<i>Aesthetic awareness</i>	Exploit local niches and maintain diversity in available products	Understanding of local tastes fosters craftsmanship	Diverse enterprises at landscape level creates space for biodiversity
<i>Cultural identity</i>	Locally accountable with less power to capture and corrupt power and policies	Provision of culturally sensitive options to empower marginalised groups	Local product or service design strengthens cultural landscapes

**Table 2.2 Advantages of SMMEs  
(Macqueen 2005: 7)**

This is, however, not an exhaustive list. In contrast, there are not many disadvantages of SMMEs, although they are significant. The disadvantages identified by Macqueen (2005: 8) are as follows:

- lack of collateral in most cases makes them suffer from high input transaction and investment costs whereby they have to pay more for the funds loaned from a financial institution;
- transaction costs make engaging with SMMEs costly as they are in most cases geographically dispersed over many areas, and this makes it difficult for support providers to reach them;
- support for informal SMMEs risks strengthening production in the economy because the government revenues cannot be collected due to lack of records of their business activities;
- their diverse nature makes it impossible to create generalised policy prescriptions; and
- with their diversity, there can never be a 'one-size-fits-all' support for SMMEs as the priorities of a small enterprise will not be the same as those of a medium enterprise.

Although these are valuable points, one cannot disqualify SMMEs because of the mentioned disadvantages. Macqueen's disadvantages have more to do with the unique features of SMMEs. It is, therefore, important that policy makers and financial institutions consider the nature of SMMEs when designing appropriate products tailored for small businesses. Macqueen states that because of the complicated scales of SMMEs, support intended for them might end up in the hands of LEs. He mentions that "it is easy for the support aimed at SMMEs to end up favouring medium enterprises" (Macqueen 2005: 8). This does not, however, call for discrimination against small and micro enterprises. Support for SMMEs should be targeted at all scales of SMMEs. This means that even micro enterprises should be able to benefit. It is advisable to rather create a system that will ensure that deserving SMMEs receive resources. According to Molapo (2007: 1), if this sector is taken care of as a whole, it will further assist in the following:

- creating more jobs and reducing unemployment;
- increasing competition with LEs, which is good for lowering consumer prices;
- leading to innovation within our economy (introducing new ways of doing things effectively and efficiently); and
- freeing the public resources being spent on SMMEs to assist emerging ones and other needs within the economy.

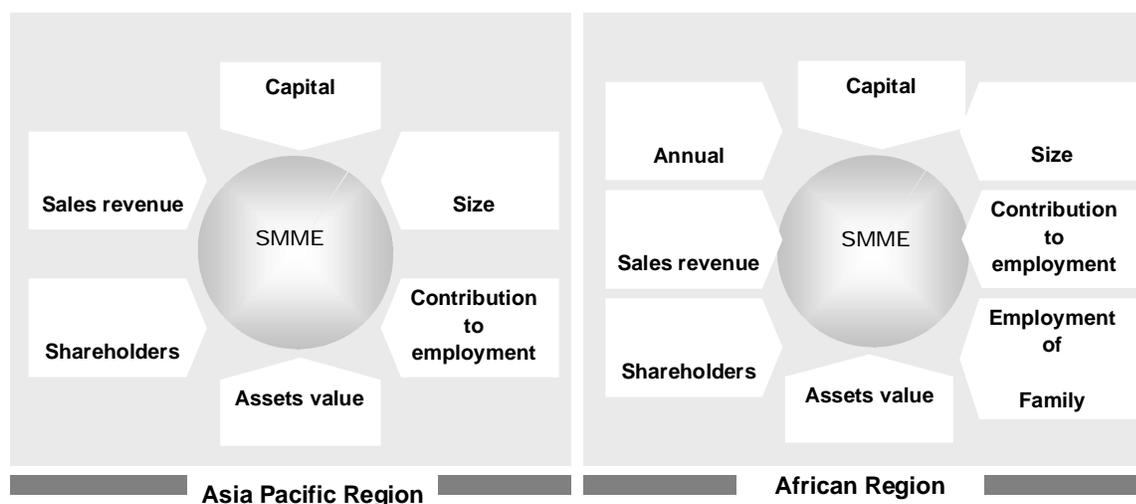
The growth of the SMME sector will not only improve socio-economic conditions, but will also ease resource and service providers' burden with regard to having to support SMMEs that do not prosper. For example, financial institutions and other SMME support agencies will not have to provide a particular SMME with both financial and non-financial support for a longer period, since if the SMME sees growth, it will be independent and start financing itself from the profit being made as it grows. This will, therefore, enable those supporting structures to focus on other SMMEs. Although they do not expand to become LEs, it still helps if these SMMEs can function on their own. The next section explains in detail what SMMEs are.

## **2.3 DEFINITION OF SMMEs**

SMMEs are complex enterprises that are flexible, and whose business processes are not as rigid as those of large enterprises (LEs). In this section, the objective is to define SMMEs in order to understand them since there is no single definition of an SMME (Storey 1994: 8). SMME definitions differ from country to country, and depending on the type of industry they are affiliated with (Esselaar et al. 2007: 88; RIA 2006: 5; STATSSA 2005: 4). An SMME in the construction industry will not be defined in the same way as an SMME in the services sector, for example. It has been observed that even within countries like Ghana, Rwanda and Nigeria it is difficult to find a common definition (Nsegiyumva 2006: 47; Frempong & Essegbey 2006: 25; Mowete 2006: 40). SMMEs can in general be defined as small businesses that have a small number of employees. The number of employees will also be determined by the category into which they fall, as prescribed by the SMME acronym itself.

The Asia-Pacific region distinguishes SMMEs according to the value of their assets, shareholders, sales revenue and the number of employees, which is limited to less than 300, especially in the manufacturing industry (Kotelnikov 2007: 2). The definition in the African context includes the number of full-time employees (FTE), assets, initial investment capital, location and size of the informal economy. In countries such as Zimbabwe, there is no distinction between formal and informal enterprises. In South Africa, the National Small Business Act (SA 1996) defines an SMME in terms of the number of FTE that an enterprise has, annual turnover and value of assets. An enterprise is considered to be an SMME if it has between 1 and 200 FTE, makes a turnover of less than R50 million, has assets worth R30 million and has a fixed address (ETU 2008: 1-2; SA 1996: 14). The distinguishing factor is FTE with a maximum of 50 employees for a small enterprise, 200 for a medium enterprise and 5 for a microenterprise.

Based on the abovementioned definitions, Figure 2.2 below illustrates the variables that are used to define SMMEs in the Asia Pacific and African regions. There are some variables that are common and others that are different in both regions. Although variables such as the value of assets and capital investments were used in definitions of most of the countries, the monetary figures that were used to differentiate a small enterprise from a medium or micro enterprise varied across industries. The number of FTE and assets were the primary variables that were common in most countries of the Asia Pacific and African regions. However, most of the countries in the African region included employed family members and annual turnover in their definitions, which was not considered in the Asia-Pacific region.



**Figure 2.2 SMME definition variables**

**(ETU 2008: 1- 2; Frempong & Essegbey 2006: 25; Kotelnikov 2007: 2; Mowete 2006: 40; Nsengiyumva 2006: 47; SA 1995: 14)**

For the purposes of this study, the South African context definition of SMMEs will be used. An SMME can be defined as an enterprise with a minimum of 1 FTE and not more than 200 FTEs, regardless of their industrial affiliations. They should have an annual turnover of less than R50m, and be legally registered with certain authorities.

## **2.4 CHARACTERISTICS OF SMMEs**

The previous section on SMME definitions revealed the complexity and diversity of this sector. This section explores features that provide a framework for understanding SMMEs in South Africa in terms of their characteristics. Such characteristics form the basis for identifying particular challenges that affect SMMEs owned by women. In the sub-sections that follow, the researcher briefly addresses the characteristics of SMMEs such as formality, infrastructures, business operations and the types of entrepreneurs running such businesses. The importance of SMMEs will also be addressed in order to highlight why it is necessary to research this sector.

### **2.4.1 Formality of SMMEs**

Participation of SMMEs in the economy is coupled with the support from various government agencies and private institutions. This support, however, whether it is financial or operational, can only be obtained if an enterprise is formal. An SMME is only formal if its name is recognised. It has to be legally registered with the Companies and Intellectual Property Registration Office (CIPRO), tax revenue, value added tax (VAT) and other bodies, depending on the type of industry within which an SMME operates. RIA (2006: 8) supports this by stating that the formality of an enterprise depends on its legal status. They further point out that issues such as the level of skills of employees in that enterprise influences the enterprise's formality. This could be based on the assumption that if an enterprise does not have skilled personnel, the service will not be professional, thus affecting the formality of the business. Other indicators of informality include aspects such as a lack of business license, VAT registration, formal business premises, operating permit and accounting procedure (STATSSA 2005: 7). However, it should be noted that registering with CIPRO, for example, does not necessarily mean that the enterprise can operate. Businesses that deal with construction are required to have other certifications from the regulating body. Failure to comply means that an enterprise is informal and cannot get support from government and private institutions.

Informal SMMEs are those that are not registered at all. Von Broembsen (2007: 11) defines informal SMMEs as unregistered and unregulated enterprises. The majority of informal SMMEs operate in a survivalist mode, which means that the entrepreneur engages in business in order to survive. These enterprises do not aspire to grow their business except to survive till the next day. Informal SMMEs are in most cases micro enterprises (Macqueen 2005: 2; SA 1995: 8). The owners of these SMMEs find the processes of company and tax registration to be expensive and difficult (CDE 2007: 6). The forms that they have to fill in when registering are regarded as being long and complicated. This could be related to the limited literacy skills of the owners of some of these SMMEs. The White Paper on Trade and Industry states that the owners of informal SMMEs have a limited capital base and rudimentary business skills, but some of them do grow and become formal (SA 1995: 8). According to Von Broembson (2007: 11), informal SMMEs comprise 57 percent women, of which 49 percent are black. Out of this, 55 percent are domestic workers and 26 percent own and manage their informal businesses. Moreover, the informal industry has been found to be contributing at least between 7 and 12 percent to the GDP of the country's economy. Although there is limited literature on SMMEs, especially those in South Africa, it has been noted that this sector is extremely complex in terms of size, structure and degree of formalisation (SEDA 2007: 6). The notion of size is predetermined by the acronym itself. Whether enterprises are small, medium, micro or very small, their business operations and formalisation will differ immensely and influence their formality.

All SMMEs fall under a specific industry which could be construction, services, agriculture or manufacturing. The type of industry with which an SMME is affiliated determines the differences, not only amongst themselves, but also in relation to LEs. An SMME that is involved in the trading business will not conduct its business in the same manner as LEs in the trading industry. Some industries are more regulated than others. Hence industries such as services have lower rates of informal SMMEs. In contrast, the trade sector which is not regulated has a high number of informal SMMEs (SEDA 2007:

20). When an industry is highly regulated, entrepreneurs in that industry have to register their businesses and comply with what the industry body requires from them before they can carry out any business activities. Industry affiliation, thus, influences SMMEs' formalisation and registration.

An informal SMME misses out on various opportunities such as securing funding, business support and participating in tendering contracts. If this sector is formalised, SMMEs will access the same benefits that formal SMMEs receive. This will in turn increase its contribution to GDP and employment significantly. Table 2.2 summarises the differences between formal and informal SMMEs:

<b>Informal SMMEs</b>	<b>Formal SMMEs</b>
Employ less than ten people	Employ 0- 50 people
No formal contracts with employees	Have formal contracts with employees
Do not pay taxes	Pay taxes
Are not registered with any authority	Are registered with relevant authorities
Use one account for business and personal finances	Have a business account that is separate from personal funds
No growth ambitions for the business	They envision growth of the business
No business address or contact details	Have a business address and contact details

**Table 2.3 Characteristics of formal and informal SMMEs**  
**(Macqueen 2005: 2; SA 1995: 8)**

The characteristics listed in Table 2.2 (above) pertaining to the informal business sector demonstrate that the conditions of the informal SMMEs need to be improved. The SMME sector could be further strengthened if the majority of informal enterprises were formalised, which would indeed leverage a range of economic indicators such as GDP, employment rate, and social upliftment. Formalisation of informal SMMEs would mean that they could offer more employment opportunities and contribute significantly to tax revenues. It would also assist them in accessing both financial and non-financial support from government and private institutions. However, some SMMEs might be disadvantaged by formalising their enterprises, as they would have to incur administrative costs as well as high transaction and investment cost due to their lack of collateral, as suggested by Macqueen (2005: 6 & 8).

#### **2.4.2 Infrastructure**

The activities of various businesses rely on available and relevant infrastructure in order to be successful. Infrastructure can be defined as basic facilities that an enterprise requires in order to carry out its daily operations (UN 2007: 3). These facilities could include buildings, roads, electric power supply and communication services (Moteff & Parfomak 2004: 2). The infrastructural needs may be internal or external. Internal infrastructures are those that are required by SMMEs to perform particular tasks, and these should be put in place by the owner. They may range from telecommunication devices, machines necessary for the particular business, office space and technological infrastructure. The unavailability of such infrastructure may negatively impact the operations of a business.

External infrastructure are those that a business requires in order to support its internal operations but which cannot be provided within the organisation. They are not controlled by the owner but by the environment in which a business operates. Infrastructures in this case will include electricity, roads, transport, telecommunication network coverage and office space availability (CDE 2007: 5; SA 1995: 64). Adequate access to

infrastructure has, however, been identified as a problem for developing countries such as South Africa (Lee 2004: 2; UNDP 2003: 14). For optimum performance and the ability to be competitive, SMMEs require both internal and external infrastructure for their business operations. This requires policy makers and government agencies to improve infrastructure development in order to enable SMMEs to gain access to such infrastructure.

It has been indicated in the literature that amongst non-VAT registration businesses, 55.1 percent of them in formal business had access to electricity, whilst 14.0 percent of those operating from mobile locations (those without a fixed business premise) did not have access (STATSSA 2005: 5). Non-VAT SMMEs are those that are formal, but do not qualify for VAT registration. Provision of external infrastructure is dependent on government and other supporting agencies, and the entrepreneur has no control over this. Thus, lack of external infrastructure is a problem that an SMME alone cannot solve. This can also affect the internal activities of a business. If a particular business does not have access to electricity, this then implies that the use of faxes and other devices that require electricity will not be possible.

### **2.4.3 Business operations**

SMMEs have a dynamic and diverse nature that does not only make them different, but that also determine their business operations. The operations of a business are dependent on the type of business that an SMME is operating. Business operations have particular functions that attend to issues such as marketing, human resources (HR), customer relations and so forth. The smooth operation of a business relies on various functions that are relevant to that enterprise. The management functions that are imperative for SMMEs include the following:

- inventory
- purchasing

- marketing
- human resources
- information management
- financial systems and accounting

It is of great concern that most of the SMMEs have a tendency to neglect the abovementioned functions (Perk & Mazibuko 2009: 3-5). Recording of stock is not conducted frequently, and these enterprises end up being faced with the risk of becoming short of stock. This in turn may affect the cost and time involved in their purchasing of business stock. Some SMMEs informally do their record-keeping, which is not always effective, as they may easily misplace their records. This is influenced by a lack of business planning. Perk and Mazibuko (2009: 18) further state that SMMEs do not differentiate their marketing from public relations. Handling labour and processes involved in hiring personnel was found to be another dilemma affecting SMMEs (IFC 2008: 22; Maier & Nair-Reichert 2007: 50). This is due to their inability to recruit skilled personnel and the fact that in cases where they manage to secure them, they find it hard to retain them. SMMEs need more employees when they have many business contracts coming through. This means that if they have more orders they will have to hire additional employees. However, the labour regulations do not allow them to dismiss the hired personnel, even if they cannot afford them anymore (World Bank 2008: 13). Issues of information management in the SMME context relate to knowing where to get information relevant for the business and the internal dissemination thereof. It was found that some SMMEs were not using bank accounts to manage their money, and they were, therefore, classified as “unbanked” (Finmark Trust 2006: 27). These unbanked SMMEs included those who were not separating their personal and business bank accounts. These unbanked SMMEs then faced difficulties when they wanted to apply for loans.

The management functions explained above require someone with knowledge or skills in order to make sure that they work effectively in a business. However, SMMEs do not

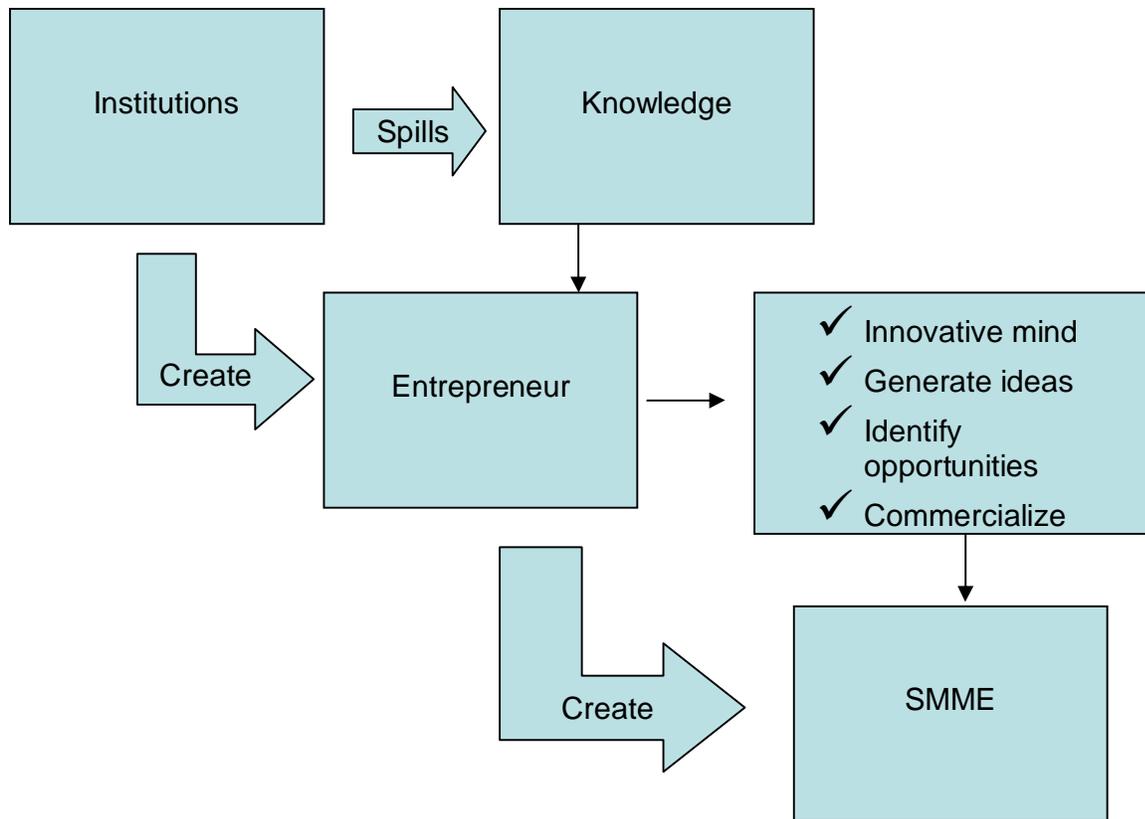
have a structured way of conducting businesses like LEs do. They are comprised of informal structures in which one person handles various tasks. The owners generally have insufficient managerial skills, which affects the overall business operation (Maas & Herrington 2006: 19; Rogerson 2008: 72). Their poor managerial skills often affect their planning of daily business activities. According to Jain (2008: 3) SMME owners have limited competencies in the areas of accounting, production management and business planning. This, however, does not impact on their unique ability to adapt to the SMME's rapidly changing and highly competitive business landscape (Jain 2008: 5; Macqueen 2005: 7).

SMMEs' markets tend to be opportunistic in that their business activities are influenced by products/services needed in their communities. In addition, SMMEs are in most cases embedded in the local culture, which works to their advantage when LEs are invading their markets. Knowledge of local markets helps them to compete better with LEs because they understand the market and have local networks (CDE 2007: 7). In a survey conducted by Ligthelm (2008: 46), it was found that newly established malls in townships were major competitors for SMMEs. SMMEs that are affected are those whose businesses are located in township areas that are not developed (Ligthelm 2008: 46). However, some entrepreneurs use this competition as an opportunity to strengthen their 'local networks' and compete with such LEs. According to CDE (2007: 7), one of their interviewed entrepreneurs, who was in the gardening services business, mentioned that he was not scared of competition as he has identified numerous gaps in the market which he could use to his advantage.

#### **2.4.4 The entrepreneur**

Now that one has an idea of what SMMEs are, before examining the characteristics of women-owned SMMEs, it is necessary to answer certain questions. The question that needs to be asked is: who runs these enterprises? The answer to this is really simple: entrepreneurs. For decades, authors have been defining entrepreneurship in various

ways. Acs et al. (2008: 17) have an interesting way of explaining the origins of an entrepreneur per se. According to them, entrepreneurs originate from institutions of learning, for example, tertiary institutions (Acs et al. 2008: 18). Furthermore, these institutions provide students with knowledge that will be used post-tertiary, either as employees or in creating their own enterprises. Students, through the knowledge that they have accumulated during their studies, are likely to be influenced to commercialise their ideas by starting a business (Acs et al. 2008: 18, 20). Moreover, the knowledge that they have obtained assists them in identifying business opportunities. The knowledge spill-over theory used by Acs et al. (2008: 17) states that entrepreneurial activities will be greater in contexts where new knowledge is relatively high, implying that individuals respond to opportunities created by new knowledge by starting an enterprise. They state that entrepreneurship is an endogenous response to the need to invest in knowledge gained. The figure below illustrates the entrepreneurship process, as explained by Acs et al (2008: 18-20).



**Figure 2.3 Entrepreneurial process**  
**(Own 2010)**

Their analysis is effective, but their theory is not wholly correct depending on the kind of entrepreneurs being characterised. Women entrepreneurs might be excluded in this analysis. The majority of women for instance, do not possess a tertiary qualification due to existing socio-cultural norms, demographic issues, socio-economic conditions and infrastructural problems (Dewar 2005: 12; Maas & Herrington 2006: 41, 44; Taylor & Newcomer 2005: 20; Velkoff 1998: 4). In India lack of access to schools were amongst the reasons why girls were not going to school. Another reason is that they had to spend long hours travelling to fetch water and this prevented them to attend school (Seneviratne 2007: 1). According to Velkoff (1998: 4), lack of finances to cover educational costs also affected girls' education as boys rather than girls were sent to school. It was not necessary for girls to be educated because they were going to get married and stay with their husband.

Although most women do not possess the necessary tertiary qualifications, they still partake in business activities. To provide another perspective, an entrepreneur is defined as someone who can discover, evaluate and exploit opportunities to introduce new goods and services (Shane 2003: 36 & 61). In theory, the two definitions are similar, except for the fact that Shane does not explain the primary source of their entrepreneurial ideas, but does provide some motivations that can encourage people to venture into business (Shane 2003: 63-94). In this study, an entrepreneur is defined as any individual who sees an opportunity by either coming up with new, innovative business ideas or identifying a niche market for an already existing business activity.

## **2.5 CHARACTERISTICS OF SMMEs OWNED BY WOMEN**

The previous sections (section 2.2 and 2.3) demonstrated how SMMEs differ in terms of size and how their formality influences the activities in which they are involved. This section augments the previous discussions by incorporating socio-cultural dimensions of SMMEs' characteristics, with an emphasis on gender. There are characteristics that distinguish women-owned SMMEs from men-owned. Characteristics which make women-owned SMMEs different to those owned by men are social issues such as personal background, race and proximity, motivation, family responsibilities, beliefs, area of trade and business operations which have an impact on their enterprises. In order to do this, there is a need to understand the reasons/motivations that lead women to become entrepreneurs in contrast to the characteristics discussed in the previous section. In addition, a good understanding of their motives will assist in understanding how they manage their businesses.

Globally, the majority of women who own small businesses are between the ages of 30 and 40, with a further 23.5 percent being older than 45 years (Taylor & Newcomer 2005: 20). Women entrepreneurs are in most cases either married and have few children (CAWTAR 2007: 35; Taylor & Newcomer 2005: 20). They are generally educated, with

the lowest qualification being secondary school. Maas and Herrington (2006: 27) report that in South Africa, more than 57 percent of entrepreneurs are below the age of 34 years. They further revealed that women in South Africa either have no schooling at all or they have not completed their primary education (Maas & Herrington 2006: 42). In contrast to Acs et al.'s (2008: 17) definition of an entrepreneur, most of these women operate businesses without any post-graduate qualification. However, it is possible that their businesses could be the "me too" enterprises, as suggested by Maas and Herrington's (2006: 49) study, as a result of limited innovation in terms of businesses in which they are involved. The "me too" enterprises are businesses in which all aspiring entrepreneurs engage in a business because most people are in that particular industry. For them, it is a tested market and they feel that it is not risky.

Some entrepreneurs do match Acs et al.'s (2008: 17) definition of an entrepreneur. These women entrepreneurs at least hold a university degree (Hisrich & Öztürk 1999: 119; Taylor & Newcomer 2005: 20). As a result the SMME sector comprises educated and less educated women. These women have the pressure of balancing their entrepreneurial activities and their reproductive and community roles as discussed in section 2.2 (CAWTAR 2007: 8; Taylor & Newcomer 2005: 22). Webb (2000: 59) is of the opinion that due to family responsibilities that they have to attend to, they might even put in extra hours in order to achieve a balance.

### **2.5.1 Race and proximity**

There are no limitations in terms of race and geographical location for female entrepreneurs. Globally, women are participating in small enterprise activities to earn a living. However, these women seem to have a need to define their own work environments and parameters (Taylor & Newcomer 2005: 27). This could be a means for these women to protect themselves against the "confined" environment which some have experienced in the corporate workplace (UN 2008: 8). As a result, they select business premises that are not too far from home. According to Merret and Gruidl

(2000: 431), they need a flexible working environment due to the family responsibilities that they have. This leads to the majority of their enterprises being based in the services industry. Their own environments might enable them to spend a lot of time close to home, as well as attending to other household demands.

Unlimited access to entrepreneurship by race is indicated in United States of America, where Taylor and Newcomer (2005: 22) report that there has been a diverse racial ownership of enterprises. They further state that the minority ownership of women expanded 4 times between 1997 and 2002. According to Maas and Herrington (2006: 43), in South Africa, all races are adequately represented in the SMME sector. It has been noted that black women constitute a majority of 71.6 percent, whites 14.9 percent, Indians 7.5 percent and Coloureds 6.0 percent (Maas & Herrington 2006: 73). It was further discovered that expanding businesses to global markets is an area less likely to be tapped by women, especially in South Africa. They are more concerned with developing their product ideas and taking advantage of niche markets locally (McClelland et al. 2005: 97). Nevertheless, generalisations should not be made based on statements like this, as it could be because of a lack of information on how to trade internationally. Numerous other reasons could indeed be attached to women's none or low trade experience in international markets. It was highlighted that in other countries, women that do go beyond their borders were likely to have had previous international work or education experience (McClelland et al. 2005: 98).

### **2.5.2 Motivation**

It is believed that different motivations for starting a business lead to different business outcomes, which in turn affect growth levels amongst enterprises (Orhan 2005: 3). The higher the ambitions of an entrepreneur, the higher the chances are for that business to grow and engage in various sectors. Orhan (2005: 4) has identified push and pull factors as the key drivers of motivation behind women-owned SMMEs. The 'push' factors are a no-choice case. An individual is forced by circumstances to venture into

business. Women are normally pushed into entrepreneurship when they are unhappy at work, dissatisfied with the salary they are earning, unemployed and, in some cases, it is due to the glass ceiling that prevents them from advancing to leadership positions (Goffee & Scase 1985: 40; Orhan 2005: 4). Furthermore, others want flexible hours so that they will be able to attend to their children (Goffee & Scase 1985: 41).

In contrast, ‘pull’ factors attract an individual to entrepreneurship (Orhan 2005: 4). Entrepreneurs will start a business because they see the potential and opportunity, thus making entrepreneurship a choice-driven motivation. The motivations are also driven by an individual’s need for self-fulfilment as well as a desire for power, independence and social status (Orhan 2005: 4). Table 2.4 summarises these ‘push’ and ‘pull’ factors.

<b>Push factors</b>	<b>Pull factors</b>
Dissatisfaction with previous employment	Interest in family business
Difficulties in finding a job	A need for achievement
Reluctance to look for a job	Innovative ideas
The need to balance family and professional life	Social mission
	Desire for independence

**Table 2.4 Push and pull factors**

**(Orhan 2005: 4)**

The independence motivation was, however, found to be prevalent in both female and male motivations for starting a business (Orhan 2005: 5). The need for recognition and social rewards seemed to be the strongest motivations behind female entrepreneurship. Other reasons noted by Orhan included the flexibility to be able to attend to family responsibilities. Furthermore, the need to contribute to economic activities was also

elementary to women's motivations. However, there are those who wanted something different - they wanted financial independence by doing something other than paid labour. This was conducted by making a decision to do something positive in order to show their abilities by engaging in entrepreneurship. With these factors in mind, Orhan further identified seven motivations for women's entrepreneurship. These Female Business Owners Motivations (FBOM) stem from the three gender theories which explains the antecedents of 'push' and 'pull' factors (Orhan 2005: 13). The three gender theories include the following important dimensions (Orhan 2005: 10):

1. Male domination which leads to the oppression of women as it requires them to be dependent on men. This is achieved by offering women low wages and denying them access to upper management positions and less marketable educational careers.
2. Evolution of women which refers to achievements of women in developing countries. This is where equality prevails and sex stereotypes diminish because of women's entrance into industries that have been mainly dominated by men.
3. Women's identity which refers to their independence from traditional social oppressions. They are, however, not using equality as a means to be recognised, but accept their roles as women and use other alternatives to obtain the same achievements as the "evolution woman".

Table 2.5 summarises these motivations. In this table, there is 'dynastic compliance', 'no other choice', 'entrepreneur by chance' and 'forced entrepreneurs', which are all 'push' factors. The remaining three, namely 'natural successor', 'informed entrepreneurs' and 'pure entrepreneurs', are 'pull' factors. These motivations will be used to examine the success of women-owned SMMEs and their level of ICT adoption. In addition to FBOM, it was found that in South Africa, other reasons included government policies that favoured women as they were previously disadvantaged (Maas & Herrington 2006: 51). Furthermore, the visibility of the female role in industry models and the need to compete with their male counterparts were motivations for women.

Type	Feature
1. Dynastic compliance	This is when a woman replaces a spouse in a family business until such time that the rightful successor takes over.
2. Had no other choice	These are those who lack educational and professional experience. They opt for entrepreneurship in order to earn a living.
3. Entrepreneur by chance	These are professional women who are pushed into business due to personal or family circumstances, but they do have a supportive environment.
4. Natural successor	These are women who inherit the business from the family, and are well prepared to take over the business.
5. Forced entrepreneurs	Professional women who decide to go into business because of the 'push' factors
6. Informed entrepreneurs	Professional women who have always had knowledge about entrepreneurship interests and family demands, but still decide to become entrepreneurs
7. Pure entrepreneurs	These are women with innovative ideas that they want to transform into reality.

**Table 2.5 Female Business Owners Motivations (FBOM)**

**(Orhan 2005: 13)**

### **2.5.3 Family responsibilities**

The gender division of labour has left women with the primary duty of taking care of their home and children (McDade & Spring 2005: 25; Pretorius & Villiers 2009: 182; Turner et al. 2000: 68; Webb 2000: 59). When they find a job, it adds to the domestic commitments that they already have. Corporate institutions have been seen to be preventing women from being absorbed into the labour force due to the fact that they do not have policies that enable women to balance their work life and family responsibilities (MDG 2008: 8). The need to balance them is also prevalent in the entrepreneurial world. In striving to balance their household and business responsibilities, most women end up running their business from home (CAWTAR 2007: 32; Maas & Herrington 2006: 52). Working from home assists them in managing both their business activities and household chores. It is, however, argued that in the long run this can affect their businesses as it limits their ability to travel in order to gather market-related information and access markets (Thomson 2007: 11).

It has been discovered that some women might not even consider doing business further away than their residential area due to household commitments, especially when they have children (Di Luca 2000: 67; Macueve et al. 2009: 30). Women have to fit family obligations into their business schedules. If there is no support from their husbands or significant others, the guilt that comes with neglecting family responsibilities pushes women out of business (Winn 2004: 148). In addition, their family structure has an effect on the commitment they have to their businesses. They either have to postpone their maternal and marriage plans or give up on business entirely to focus on household commitments. Household commitments, therefore, place women at a disadvantage as there are some duties that they cannot expect their domestic workers to do (Hassanin 2009: 59).

#### **2.5.4 Beliefs**

An enterprise will not exist if the entrepreneur does not have a belief that she is capable of running a business. The belief helps the entrepreneur to stay motivated in business. In this regard, Goffee and Scase (1985: 54) have identified social factors that will, in one way or another, influence women's participation in entrepreneurship. The first factor is based on how strong their entrepreneurial ideals are, followed by their belief in conventional roles as established by society (Goffee & Scase 1985:54). The latter refers to the acceptance of subordination by society and/or a preference to fully commit to domestic responsibilities (Kew & Herrington 2009: 13). Lack of confidence in their business abilities might affect levels of commitment. As a result, instead of maintaining a balance between business activities and family responsibilities, they will neglect the business. Entrepreneurial ideals are, however, commitment purely in terms of economic self-advancement (Goffee & Scase 1985: 54). What this entails is that while some women are focusing on doubling sales profits, others will close their business early and rush home to take care of domestic chores. This was evident in Egypt where craftswomen left their crafts unfinished to attend to household responsibilities (Hassanin 2009: 59).

Conventional ideals are, however, limiting women in a sense that they do not engage in businesses that they like, but those that will be accepted by society. It further views committing to domestic values as "morally and naturally correct," and this, therefore, affects their entrepreneurial commitment (Goffee & Scase 1985: 540). This qualifies Orhan's (2005: 4) point that the motivation behind any business dictates the success of that enterprise. Recent studies, however, point out that women should challenge those norms that seem to limit their entrepreneurial activities (Abagi et al. 2009: 179; Maier & Nair-Reichert 2007: 52; Mbambo-Thata et al. 2009: 75). The motivation of women participating in entrepreneurship has been related to theories that typify the distinctions that exist among women entrepreneurs. This gender approach to female entrepreneurship is illustrated in the following table:

Type	Entrepreneurial ideal level	Conventional gender role level
Conventional entrepreneur	High	High
Domestic entrepreneur	Low	High
Innovative entrepreneur	High	Low
Radical entrepreneur	Low	Low

**Table 2.6 Types of women entrepreneurs  
(Goffee & Scase 1985: 54)**

The first type of entrepreneur places a high value on both entrepreneurial and conventional gender roles. This type is said to be found, in most cases, in the service industry, where primary duties (domestic) are extended to business. For these women, being in business does not mean neglecting any of their primary duties, namely those of being a mother and a wife, in the process of running a business. Domestic entrepreneurs are more committed to their conventional roles than to entrepreneurship. They have a tendency to view entrepreneurship as secondary to their primary roles as mothers and wives (Goffee & Scase 1985: 56). As such, they do not place much value on economic self-fulfilment. Their business activities are more in the areas of traditional services such as arts and handicrafts, foods trading, beauty parlour, dressmaking and retail (Dewar 2005: 11; IFC 2008: 7; Levent et al. 2003: 1144).

Innovative entrepreneurs place a high value on entrepreneurial ideals and a low value on conventional gender roles. These women do not regard gender roles as being important, but instead focus on making their businesses succeed. It is said that they are motivated by the pursuit of profit (Taylor & Newcomer 2005: 26). Moreover, their areas of business are mainly in professions such as market research, advertising, public

relations and publishing. Lastly, there are radical entrepreneurs, who place low values on both entrepreneurial ideals and gender roles. This group strongly questions the gender roles prescribed by society. They see entrepreneurship as a tool that can be used to help women to escape from these prescribed roles. For them, business is not about profit, but is rather a means to accumulate funds in order to support the long-term interests of women (Goffee & Scase 1985: 56). Their diverse areas of business include publishing, printing, craft trades, retail, education and small-scale manufacturing (Kalleberg & Leicht 1991: 140; McClelland et al. 2005: 86).

The above typology demonstrates the heterogeneous nature of entrepreneurship amongst women. However, it is believed that some women entrepreneurs identify their goals and design roles regardless of any female or male stereotypes (Orhan 2005: 12). Goffee and Scase's typology, although validated by their empirical research, needs to be critically reviewed when dealing with entrepreneurs of today. It has been decades (1985) since their results were published; the fact that there have been many changes in terms of how women are viewed by society and how they conduct business should not be ignored. Therefore, there is the possibility of obtaining results with a large number of 'innovative' and 'radical' entrepreneurs. Understanding the types of entrepreneurs found in South Africa will also help in assessing the ways in which they adopt ICT. These levels of entrepreneurial motivation will assist in identifying the commitment and reluctance that might exist in terms of using ICTs for business operations.

### **2.5.5 Formality of business**

In order for an enterprise to be considered formal in South Africa, it needs to be registered for VAT. However, it has been observed that the majority of women's enterprises have a low turnover, which excludes them from VAT registration, because they fall below the VAT registration threshold (Forson 2006: 423). According to STATSSA (2005: 6), the majority of non-VAT business owners are black Africans

(approximately 91 percent), and a little more than half (54.6 percent) of non-vat registered business owners are female. Moreover, it was found that Gauteng had the largest number (430 000) of non-VAT registered business in the whole country.

### **2.5.6 Areas of trade**

The concentration of women in businesses is found more in the non-male dominated industries. Females are another kind of “minority” often participating less in urban economic life due to the fact that the business world is often male-dominated (Levent et al. 2003: 1132). Various authors have established that women-owned enterprises continue to grow in the traditional areas of retail and service industries (Taylor & Newcomer 2005: 17; Birley 2006: 35; Levent et al. 2003: 1136; Maas & Herrington 2006: 39). The same applies to South Africa where other categories include crafts, hawking and the retail sector (Maas & Herrington 2006: 39; SAWEN 2005: 12). Women tend to engage in local trading business activities (buying and selling of goods or services) that are least profitable, and they dominate in those industries. This leads to female entrepreneurs operating in sectors that are highly competitive because of the easy entrance into such businesses (Maas & Herrington 2006: 53). One of the reasons given for women’s concentration in the services industry was that it gave them flexibility to attend to other commitments such as household demands (Birley 2006: 35). In contrast, it could be that researchers are overlooking the possibility that these women are not exposed to other industries such as construction and financial services, for example. Merret and Gruidl (2000: 423) concur that women are unlikely to start businesses in agriculture, mining, manufacturing and construction. The possibility that women are more susceptible to segregation and discrimination in the business market than men should also not be overlooked.

### **2.5.7 Size and employment contribution**

Women-owned SMMEs have been found to be operating for at least 3.5 years with no evidence that they were graduating to higher levels (Hirsch & Öztürk 1999: 121; Maas & Herrington 2006: 42). Research indicates that women are less trusting, intolerant with regard to being imposed on by others, and have a greater need for control (Taylor & Newcomer 2005: 22). The majority of women were involved in sole proprietorship. This is something that might impact negatively on socio-economic transition as their enterprises might not contribute to reducing unemployment. According to Watson et al. (2006: 207), female entrepreneurs are less likely to employ staff. Storey (1994: 80) also stresses that their labour absorption is, in most cases, very low. In light of their poor contribution to employment and growth, as indicated in the literature, there should be a concern as to why these women-owned SMMEs are not successful. Involvement of policy makers and support structures are needed, including research, in order to examine current developments in this sphere.

### **2.5.8 Business background**

The decision to start a business is, for most women, more a 'life strategy' than a way to earn a living (Taylor & Newcomer 2005: 28). They enter the field without prior experience with regard to the businesses they are running (Storey 1994: 76). As a result, they find themselves isolated and experience some difficulties in managing the business on their own (Maas & Herrington 2006: 54). This is perhaps influenced by women's lack of formal business training (Isakova et al. 2006: 28). In a study conducted in Ukraine by Taylor and Newcomer (2005: 28), it was found that gender is not an issue when it comes to managing a business. It was, however, noted that women's abilities in the fields of production management, exporting, innovation, market development and growth for sales were rated low (Isakova et al. 2006: 33). Women tend to believe in being independent. Their independence was based on the fact that they are reluctant to seek advice from their male counterparts. However, they do seek support from external networks (Taylor & Newcomer 2005: 27). They were more comfortable obtaining

assistance from other women who had been in the business longer than them and who were not situated close to them. However, accessing these 'external networks' could be a challenge, as most small enterprises lack networking opportunities (Maas & Herrington 2006: 41). It was also noted that SMMEs have insufficient networks with LEs as well as with other SMMEs (SAWEN 2005: 9).

According to DTI (2003: 2), most women lack the necessary resources to start and develop/grow their businesses. However, availability of key resources such as land or finances does not necessarily mean that women will be successful. There are other resources that are essential in order for women to succeed in their entrepreneurial activities. Human capital has been identified as one of these resources, and it can only be obtained through some form of education and/or skills training (DTI 2003: 2). SMME owners are supposed to have the skills or at least employ someone in the business with the relevant skills. Possession of appropriate knowledge will, therefore, enable women to be successful in their businesses. The other challenge faced by women is the lack of and/or inadequate management skills (Maier & Nair-Reichert 2007: 49; Fairlie & Robb 2009: 385; Jain 2008: 9). Other challenges that were found to affect female entrepreneurs in the African context include (SAWEN 2005: 9):

- inadequate access to credit,
- vulnerability to adverse effects of trade reform,
- restraints with regard to land,
- lack of information to exploit opportunities, and
- poor mobilisation of women entrepreneurs.

These problems of inadequate finance and limited access to external trading, land and information seems to be common to most women in business globally (Dewar 2005: 14; DTI 2006: 8; Hassanin 2009: 57; IFC 2008: 20; McDade & Spring 2005: 25; World Bank 2008: 3). Other challenges are due to the unavailability of time. Herrington et al. (2008: 20) points out that in South Africa men are more active in entrepreneurship than

women. The ratio of men's entrepreneurial activity as compared to women is 1.6: 1. Given the patriarchal systems applicable to our society, women entrepreneurs are not usually relieved from their domestic responsibilities when they start their businesses (Aidis et al. 2007: 159). IFC (2008: 7) reports that women spend, on average 29.2 hours in their business per week, compared to men who spend 46.9 hours. This will directly or indirectly affect their businesses as they cannot pay full attention to their business operations.

### **2.5.9 Business finance**

The success and sustainability of SMMEs is highly depended on the availability of funds. SMMEs need access to financial products such as capital, credit and seed funding in order to operate. According to Jayamaha (2008: 1), access to finance refers to providing an environment that allows people in general to have access to formal financial services through the use of different financial products at affordable prices. Financial services further contribute to expanding people's choices and ability to respond to opportunities (Swain 2006: 7). It has been, however, pointed out that access to finance is currently inadequate. Lack of access to finance has been cited to be the main cause behind the unsustainable and failure of some SMMEs (Bosma et al. 2009: 23; Muravyev et al. 2007: 19). This is a threat to SMMEs that do not have multiple options of where they can borrow money. For example, the financial source for most SMMEs in South Africa is mainly coming from banks as compared to other developing countries where they also have access to Micro Finance Institutions (MFIs) (FNB 2009: 7). However, it is also reported that SMMEs are underserved by commercial banks hence they cannot meet their financial needs (Radebe 2009: 2).

The lack of support from commercial banks means that SMMEs will not have access to funds. The only option available to those that do not have access to MFIs could be to borrow from family and friends. Radebe (2009: 2) further argues that these commercial banks do not understand the SMME sector and when they do offer SMMEs financial

assistance, the banks end up with non-performing loans. The banks do not know how the SMMEs operate and they cannot offer them loans that will suit their level of operations. SMMEs are also discouraged to apply for loans from commercial banks. This is because the interest rate charged by the banks are very high (IFC 2008: 19). Although the MFIs charge even more than the commercial banks, some SMMEs still approach them for loans because the MFIs understands the SMME sector (IFC 2008: 21). In chapter 3 there is a detailed discussion of finance, particularly on the challenges that women face with regards to accessing financial resources.

## **2.6 CONCLUSION**

This chapter dealt with the complexity and uniqueness of SMMEs, which is evident in the varying definitions that exist across sectors and countries. When defining SMMEs, most African countries and Asia-Pacific regions use employment and value of assets as the main variables for defining SMMEs. In as small as they may seem, their great contributions to socio-economic growth are evident in various studies. The characteristics of SMMEs were introduced by looking at Macqueen's (2005: 7, 8) advantages and disadvantages of SMMEs. The latter served to indicate that policy makers and support structures need to understand this industry and provide resources that are appropriate to their diverse nature, rather than to opt for generalised solutions that might not reach their intended recipients. In characterising this industry, issues of formality, availability of infrastructures, business functions and what constitutes an entrepreneur were discussed. Acs et al. (2008: 18) use the knowledge spill-over theory to explain how entrepreneurs get their business ideas. Moreover, they indicate that entrepreneurship is an endogenous response from the knowledge gained in educational institutions with the intention to invest in that knowledge. In this regard, there can be no doubt that in order for an entrepreneur to exist, a business idea needs to be present.

Women-owned SMMEs were characterised according to their personal backgrounds which reflect their age and educational backgrounds. It is impressive that there are

entrepreneurs in South Africa who did not even complete their primary education, but are nevertheless contributing to economic growth. Racial differences are not an issue (greater participation of black women has been noted). Motivations for entrepreneurship revealed that women do not only start a business because they have a certain idea - there are motivations that support the ideas. Several motivations were discussed with reference to Orhan (2005: 13) who identified seven FBOM that were based on the 'push' and 'pull' factors, together with gender theories that look at male domination; evolution of women and women's identity. Goffee and Scase (1985: 54) also revealed that women do not just become entrepreneurs, but rather hold beliefs in conventional gender roles and entrepreneurial activities that will determine whether they will be domestic, conventional, innovative or radical entrepreneurs in terms of their business participation.

Women-owned SMMEs have a high rate of non-VAT registration, and were found to trade in sectors that are highly competitive and not very profitable. In their business operations, most women lack management skills and have poor networking skills for creating external networks as well as internal ones amongst SMMEs themselves. They are impacted by the lack of resources which includes inadequate access to credit, an unfavourable trading environment, lack of land and female role models. When they venture into business, they are not relieved of their domestic responsibilities, thus limiting the time that they spend on business activities. Women were found to be more reluctant to use institutional funding than their male counterparts. They depended on borrowing funds from family and friends. Women, especially in the African culture, are less likely to invest in their business because if they have extra money they have to support their extended families.

The next chapter explores the challenges that women-owned SMMEs face in their business operations. The challenges are further discussed by investigating the types of Information and Communication Technologies (ICTs) that they use in their businesses.

This will be conducted by also looking at the challenges that women face in accessing and using such ICT infrastructures.

## CHAPTER 3

### CHALLENGES IN WOMEN-OWNED SMMEs

#### 3.1 INTRODUCTION

Businesses operate under conditions that determine their survival, growth and sustainability. The well-being of these businesses is dependent on various resources. These resources include finance, business premises, infrastructure and sound management skills. The aforementioned resources are prescriptive because they determine whether or not enterprises will be successful. Failure to access and use the aforementioned resources will result in SMMEs experiencing challenges in operating their businesses. The challenges of inadequate access to financial assistance, lack of skills and poor infrastructure are not the only ones that are affecting SMMEs. Challenges related to the access to and usage of ICTs play a determining role in the success or failure of SMMEs. However, it is important to acknowledge that the challenges affect men and women-owned SMMEs differently. Trauth and Quesenberry (2006: 1760 & 1767) give the example of socio-cultural factors, such as domestic responsibilities and the gendered nature of the Information Technology (IT) related domain that have a negative effect on women's access and usage of ICTs.

Societal systems provide prescriptions regarding how certain things should be done and the gender division of labour is such one aspect regulated by these systems. As discussed in chapter (section 2.2), women's triple social roles place them in a disadvantageous position. Researchers such as Pretorius and de Villiers (2009: 182), and Winn (2004: 148) contend that the patriarchal systems are the main cause of the gender-related roles that exist. These roles left women with more household responsibilities and limited time to spend on businesses. Due to the socio-cultural prescriptions that have always existed, it cannot be assumed that equity in terms of access to ICTs prevails in all areas. The distribution of work, income, wealth, public

goods and services for women and men are also controlled by these systems (Thomson 2007: 5). It is in this regard that this study examines the challenges that women-owned SMMEs encounter in order to determine if the element of gender inequity exists in accessing and using resources.

This chapter looks at the challenges that women-owned enterprises encounter and how these challenges relate to their access to and usage of ICT infrastructures. The first section will discuss the generic challenges of SMMEs. Thereafter, ICT-related challenges will be discussed by looking at the level of access, usage, relevance of technology, as well as limitations and benefits of ICTs. The chapter will conclude by highlighting the key points discussed.

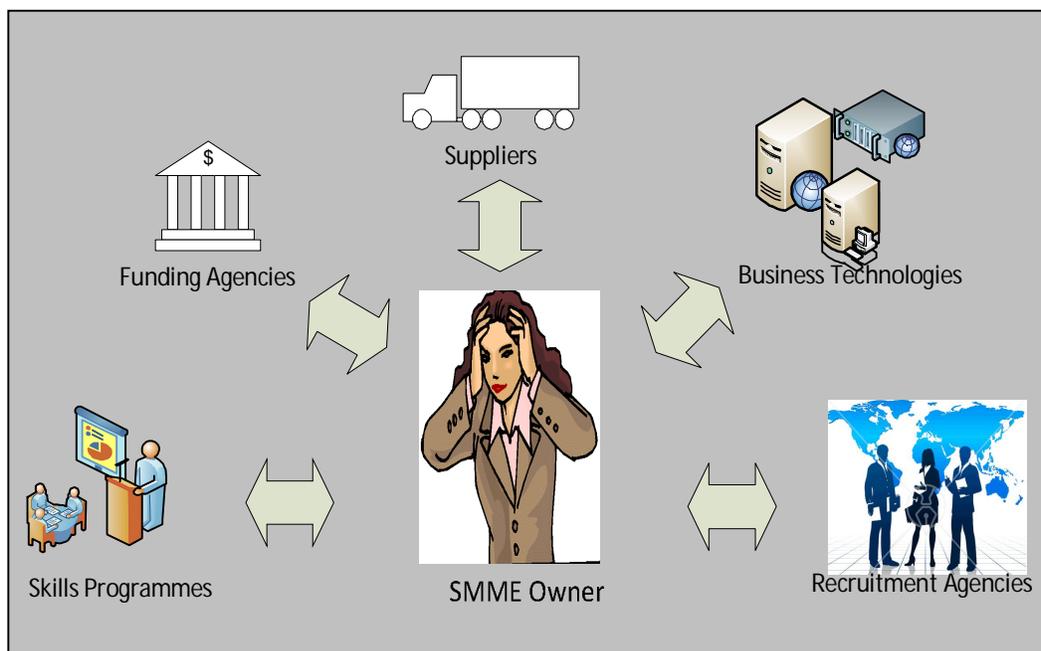
### **3.2 ICTs AND GENERIC CHALLENGES**

There are various challenges that SMMEs have to deal with from the early stages of the enterprise up to the final level of growth that the owner wants to reach. Despite various measures that the South African government is engaging in to assist this sector, it seems as if it is not reducing the problems. The DTI (2006: 1) however, acknowledged that the progress is insufficient as the majority of women are still located on the lower echelons of the economy. In its commitment to assisting women-owned SMMEs, it has vowed to provide support by ensuring that women in business are actively supported through incentives, information sharing, trade missions, improved access to finance and business support (DTI 2006: 1). In contrast, Radebe (2009: 2) maintains that SMMEs are still facing significant challenges in accessing business finance and non-financial support services. State agencies that have been established to offer support services are also failing in that they do not have direct contact with these SMMEs. Khula, a financial services agency whose mandate is to provide financial assistance to SMMEs, has third party agents that handle the financial distribution for them (Radebe 2009: 2). As a result, access cannot be guaranteed because the acquisition of funds is determined by these third party agents.

Radebe (2009: 2) further advice that SMMEs need training in business skills, technical advice, linkages to markets, and mentoring. According to Pandey (2007: 9), due to a lack of access to mentoring services in their early stages to assist them in coping in a business environment, SMMEs are prevented from realising their full potential. As a result of the aforementioned, some enterprises get extinguished in the process due to a failure to endure hardships occurring in the business environment. Some businesses remain stagnant and fail to grow as a result of some of the challenges. In most cases, women-owned enterprises are the ones that fail to grow (Maas & Herrington 2006: 56). They are faced with the challenges of finding suppliers with competitive prices, securing finance to support their internal development, and hiring skilled employees. Figure 3.1 (below) depicts some of the challenges that women-owned enterprises encounter. The majority of women have limited time due to their dual roles as household keepers and business women (Munyua 2009: 128; World Bank 2008: 37). Therefore, the responsibilities of contacting suppliers and financial institutions, hiring skilled personnel and deciding on the best technologies for their businesses make their entrepreneurial activities difficult. The time consumed by domestic demands exacerbates the problems that they face. Their limited time may not enable them to focus on other areas of business as required (as illustrated in Figure 3.1).

Women and men may have similar business experiences but are completely different when it comes to making business decisions that are risky. Brindley (2005: 152) is of the opinion that women's reluctance to taking such decisions impacts negatively on their business growth. The challenges that women face are not only based on external factors, but are inherent to their characteristics as well. Their reluctance to taking risks has also been discussed in the literature (Brindley 2005: 148, 150; Watson 2006: 45; Watson et al. 2009: 4). It was established that women are unlikely to take loans as they want to be in control of their businesses. This is done to secure their businesses and livelihood in case their businesses do not perform well which will result into failure to pay back the loaned money. This further shows the inherent differences between

women and men. McDade and Spring (2005: 37) attest to this when stating that the personal characteristics of an entrepreneur impact on all aspects of a firm's operations. This means that for all the changes that need to be made in an enterprise, the owners have the responsibility of taking a decision. In this sub-section, the challenges are discussed by grouping them into entrepreneurial, infrastructural, family responsibilities and financial challenges. By reviewing the challenges that women encounter, this will shed some light on why there is a high failure rate and lack of growth in women-owned SMMEs.



**Figure 3.1 SMMEs' General challenges**

**(Own 2010)**

### **3.3 ENTREPRENEURIAL CHALLENGES**

The optimum performance of a business can be realised when a business is equipped with the necessary resources. According to Ngassam et al. (2009: 2) SMMEs' inability to access resources prevents them from being productive. Resources refer to finance, business premises, ICT devices and other infrastructures relevant to that particular SMME. However, access to resources relies on the availability of information and the

necessary skills for an entrepreneur to utilise such information. Due to the lack of mentoring, managerial skills, exclusion from networking and male stereotyping that exists in the business environment, women's obstacles persist (DTI 2006: 6; Trauth & Quesenberry 2006: 1767; Winn 2004: 144). Pandey (2009: 9) is of the opinion that these challenges are also exacerbated by women's limited knowledge of markets and managing cash-flow. The challenges pointed out are attributed to management problems, indicating that there is a greater need for management skills among women. The need for training in cash management and financial skills was also reported by Brush and Hisrich (1991: 15). Sane and Traore (2009: 114) also stress that it is important for SMMEs to have accounting and financial management skills. This will enable them to keep and manage their sales records efficiently. It will also assist them when applying for financial assistance as the financing institutions will be able to establish whether or not their business has potential. Perk and Mazibuko (2009: 3-5) also report that management functions such as purchasing, financial and information management are the most neglected areas in SMMEs. This leaves the operation of a business not running in a uniform way as there is no structure in terms of how purchasing of products will be conducted and marketed.

The literacy levels of entrepreneurs, in some cases, affect the overall operations of such a business. This could also affect ways in which they will adopt and use ICT infrastructures. In one of the studies conducted by Comfort and Dada (2009: 51) it was found that women were aware that using the short message service (SMS) feature for communication was cheaper. However, because of their low literacy levels it was impossible for them to use this feature. Low literacy levels impact negatively on the language skills of women when conducting their businesses (Hassanin 2009: 56). Language skill is a problem for most women and English is, in most cases, the business language, hence women are left behind. This also limits women's participation in export markets as they cannot communicate with other parties. Other skill-related problems, as noted by Kew and Herrington (2009: 68), include the following:

- low levels of expertise in marketing, accounting, operational and human resource management;
- lack of knowledge on how to tender for government jobs, as this is the main money-making opportunity for a number of SMMEs in South Africa, and
- an inability to join value chains of LEs due to their invisibility in procurement activities.

Limited skills in marketing will affect business visibility in that the products or services being sold by that enterprise will not be known to the public. SMMEs will have a low customer base and this will affect its cash flow. According to Merret and Gruidl (2000: 430), higher educational levels assist in marketing and management capabilities. In order for an SMME to qualify for tender opportunities, there are application forms that need to be filled in. These forms require other accompanying documents to enable the applicant to be short-listed for the advertised tender. This means that an SMME applying for a particular tender should be knowledgeable enough to complete the tender document. The following is a brief explanation of labour, regulations and quality control as entrepreneurial challenges.

### **3.3.1 Labour**

According to Ngassam et al. (2009: 11) SMMEs have problems in attracting and maintaining suitable employees to meet their productivity demands. In addition to the difficulties involved, these SMMEs also have the business challenges of dealing with the unknown demand and supply of products/services, which also determines how long they should hire other employees. When employees with relevant skills have been secured, women experience problems in managing them (World Bank 2008: 18). The labour practices were found to be unfavourable in that they are only applied to formal businesses. These regulations are not designed to suit the dynamic nature of SMMEs. The concern is that regulations make it difficult to fire employees, even when the enterprise is not doing well (World Bank 2008: 13). According to Radebe (2009: 2) SMMEs would cope better if labour laws were flexible. One of the female entrepreneurs

in Senegal stated that there are periods during which they have many orders and need more personnel (World Bank 2008: 12). However, when the period is over she cannot 'lay them off' as this will cost the company more. At the same time, there is no flexibility in terms of hiring casual workers. The World Bank (2007: 19) states that the labour regulations are stricter in South Africa than in OECD economies as it is difficult to 'hire and fire' employees. The labour laws that exist are disadvantageous to formalised enterprises as informal enterprises are not affected by the law, thus creating unfair competition between them.

### **3.3.2 Regulations**

Regulations refer to how the business industry is regulated locally and internationally in terms of trade licences. It is argued that regulations maintain and enhance the conditions that enable the functioning of an advanced market economy (Kitching 2006: 4). Regulations can break the economy depending on how favourable they are. For example, lack of knowledge on how to conduct export businesses is one of the challenges that can restrict SMMEs from exporting and importing their products or services. The World Bank (2007: 13) states that barriers to entry were heightened by low exporting 'know-how'. For example, women in Egypt complained that they did not have information on what can be exported and imported (Hassanin 2009: 60). Furthermore, customs regulations were reported to be changing every year without the traders' knowledge (Hassanin 2009: 61). Most women in Africa complain about unfavourable import and export regulations. The administrative burdens, including cost and transaction requirements for exports, have been cited as problems (CAWTAR 2007: 50; Hassanin 2009: 59; IFC 2008: 18). An entrepreneur has to have knowledge regarding how to navigate the regulatory and legal aspects of the export trade (Hassanin 2009: 59). Custom laws were found to be discriminatory against women, especially in East Africa (Tanzania). Most women are less mobile than men and do not have enough time or contacts to deal with complex requirements. This makes them vulnerable to officials requesting facilitation payments to expedite bureaucratic procedures (World Bank 2008: 3 & 39).

Another regulation dilemma relates to the licences required for SMMEs to operate legally. Chandra (2001: 43), however, reports that SMMEs do not regard regulatory licences needed for their operations as a serious challenge although the time it takes to get them is not reasonable. Kitching (2006: 17) confirms that some owners spent 8.4 hours per person per month on regulations and paperwork. Another concern was that some South African departments were rated high on having cumbersome regulatory procedures (Chandra et al. 2001: 43). Although it is good to regulate the SMME sector so that their business are run in a legal way, some researchers warn that over-regulation might hinder growth and job creation provided by SMMEs (Christianson 2003: 11).

### **3.3.3 Quality control**

The quality of products/services is one of the issues that will keep the customers pleased. Quality is seen as something with the notion of distinctiveness, something special or high class (Kistan 1999: 126). Parri (2006: 107) on the other hand, sees quality as something, with multiple meanings, which leads people to view it differently. She, therefore, explains it as something that can fit one of these categories: as special or unique; something refined and flawless; goal compliant; and worth the price. The example of quality as refined and flawless is evident in a study that was conducted in Egypt by Hassanin (2009: 49). It was discovered that women had problems in delivering quality goods. She argues that the quality of goods was hampered by other domestic commitments that these women had (Hassanin 2009: 51). These craftswomen would leave their crafts without completing the finer details needed to make them neat and desirable as they had to go home to attend to their household duties. This demonstrates how important the element of refinement is in some products.

Another issue that affected the quality of women's products was related to the lack of knowledge which can be affected by the lack of "goal compliant". If women do not have

a goal of producing quality products this will affect their business. According to Pandey (2007: 10), some people view SMMEs products as being of a poor quality. This makes sense if quality measures are not taken into consideration by SMMEs. However, it does not mean that people can generalise that SMMEs products lack quality, like the comments made in CDE and Pandey's work (CDE 2007: 7; Pandey 2007: 10). Research has indicated that after women entrepreneurs had attended an entrepreneurial training course that taught them about the importance of customer relations and offering quality goods, they sold goods that were of a good quality (Bakesha et al. 2009: 145). In the case of women in Uganda, they knew the importance of selling goods that were neat and attractive. They experienced growth in sales immediately after practising what they had learnt and proving that their products were worth the price as Parri (2006: 108) says in her categories of quality. Quality can also be increased by having access to various suppliers, which gives an entrepreneur the choice to select the best supplier (CDE 2007: 12) This is, however, influenced by access to effective transport or ICT devices, which can enable a woman-owned SMME to access multiple suppliers.

### **3.4 INFRASTRUCTURAL CHALLENGES**

Infrastructural problems persist in areas that are underserved by government development initiatives. Lack of good and reliable infrastructure leaves SMMEs with burdens when running their business. The problem of infrastructure includes poor roads and transport systems. This limits the movements of entrepreneurs and customers as well as suppliers when they have to make their deliveries. One of the interviewees in the Centre for Development Enterprise study indicated that affordable and efficient transport facilities would help immensely in maximising her customer base (CDE 2007: 5). Effective transport facilities are necessary in allowing people to travel safely to their desired destination and conduct their business. It is imperative that infrastructural problems are attended to in order to enable SMMEs to access services. Women have limitations in terms of mobility and they, therefore, need reliable access to transport infrastructures that are essential for their business. Due to these limitations they end up

forcing themselves to combine various tasks into one trip to avoid having multiple trips (Turner et al. 2000: 68). According to Turner et al. (2000: 72) there is a demand for low-cost, flexible and responsive transport. This will also assist women in managing their domestic demands without having to 'squeeze' in a number of activities in one trip in order to save money. Thus, with affordable transport, they do not have to do everything at once.

Their gender requirements of having to attend to household activities also do not provide women with enough time to travel in search of the best suppliers. Their solution to other business requirements may lie in the hands of ICTs. The problem with these ICTs is that they rely heavily on other external support mechanisms such as energy. It has been reported that in developing countries there are problems of poor electricity supplies (Kew & Herrington 2009: 44; Macueve et al. 2009: 41; Sahlfeld 2007: 23; UNDP 2003: 14). To give an example, a community in Mozambique had welcomed mobile phones and saw the benefits in them. Their challenge was, however, that these women could not optimally utilise these devices because their batteries would not last. Due to the lack of electricity, it then became a problem for them to charge their mobile phones (Macueve et al. 2009: 40). Modiba et al. (2009: 161) argue that poor infrastructural development limits SMMEs' access to ICTs.

With inadequate infrastructure the benefits of ICTs will remain a dream for most entrepreneurs, especially in Africa. In areas where network frequencies of electronics are poor, connectivity becomes a problem (Comfort & Dada 2009: 49; Macueve et al. 2009: 40). In addition Kew and Herrington (2009: 24) argue that the problem of poor network coverage is compounded by unreliable existing networks. This leaves users without a network signal, which means that they cannot use their ICT devices. These ICTs become a burden to users as they have now invested in technologies that are inefficient. Comfort and Dada (2009: 48) attest that there are some areas in Nigeria where people had bought mobile phones but could not use them because network points were not yet installed. The demand for these technologies has exceeded the

supply. The aforementioned leaves users with the impression that technologies are not reliable (Comfort & Dada 2009: 48). When ICT devices are introduced to entrepreneurs it is imperative that they meet these entrepreneurs' needs at all times.

The importance and effectiveness of ICTs are highlighted in various studies and government policies (Esselaar & Gillwald 2007: 4; Kew & Herrington 2009: 10; Sahlfeld 2007: 22; UNDP 2003: 8 & 11). Labelle (2005: 2) further reports that ICTs are important in fighting poverty in our communities. It has been established that if SMMEs expect to maximise their profits, they need to consider tapping into ICT solutions to reach the markets (Sahlfeld 2007: 22). This will assist SMMEs in accessing information about the demand and supply of products and services and identify niche markets at a faster rate (Labelle 2005: 17). As a result, SMMEs are targeted by ICT industries as an emerging market that needs to invest in ICT solutions. Africa as a developing continent forms part of the pie that the ICT industry wants to grab. The adoption of ICTs is, however, dependent on the availability of infrastructures such as electricity, network connections and telecommunications lines. According to Muller (2009: 33), inadequate provision of basic infrastructure will hamper the adoption and deployment of ICTs. SMMEs will not be able to use ICTs when there is poor connectivity and inadequate supporting infrastructures for such ICTs to function. The UNDP (2003: 14) contends that the unavailability of electricity and telephone lines hampers ICT usage. Moreover, lack of energy services cuts off people in the developing world from some of the benefits of the modern world.

Through ICTs, SMMEs can market their services and products as well as identify new opportunities using websites and electronic mails (Miller et al. 2002: 68). Moreover, sales can also be performed online through electronic commerce with local and international clients. However, if SMMEs do not have access to sophisticated technologies, this could put them in a disadvantage situation because international competitors will use such technologies to invade their local markets (Kew & Herrington 2009: 14). Enterprises in developed countries have adopted ICTs and can reap the

benefits of ICTs. Developed countries will, therefore, access local markets through these technologies and benefit from local market whilst local entrepreneurs cannot access their competitors' markets. According to Miller (2002: 14), the usage of ICTs in developed countries continues to grow. Moreover, it rose from 35 to 62 percent between 1997 and 1999. In South Africa, the uptake of ICTs between 2005 and 2006 increased only from 57 to 58 percent (Goldstuck 2006: 27). The growth of 1 percent is not significant, especially taking into consideration the gap which has always been there between developed and developing countries. The high increase experienced in the 1990s by developed countries is significant compared to the one that South Africa experienced. The gap can, however, be linked to challenges that developing countries encounter when accessing ICTs.

### **3.5 FAMILY RESPONSIBILITIES**

The socio-cultural norms discussed in chapter 2 (section 2.2 and 2.5.3) may, to a certain extent, prevent women from using ICTs. These norms allocate responsibilities of men and women differently with women carrying the social triple role burden. Issues such as gender division of labour restrict women from using ICTs. Culture also plays a major role in doing the same. In section 3.7, the influence of culture is discussed. It is clear that individuals' adoption of ICTs is, in most cases, influenced by culture. In section 3.7, it was discovered that their students' career choice was influenced by social circumstances and culture. The same applies to making decisions in a business environment. For example, most African cultures have a strong oral culture where they prefer verbal communication (Comfort & Dada 2009: 51). When it comes to using communication tools like SMS, this becomes a barrier. Comfort and Dad (2009:51) relate this to Nigerian societies which are more comfortable in talking. Although they have adopted and accepted mobile phones, they have problems of making calls in that their conversations are forced to be shortened in order to reduce the cost. Even when making a business call this could be a problem because if the owner has to remind her client of an existing debt. Their culture does not allow them to immediately ask them about payments without first asking them how they are doing and making some sort of

conversation. The owner could be seen as being rude, and this might affect her client relations.

It has been found that women spend more of their money on family than business matters. According to Macueve (2009: 34) women tend to spend their surplus money on basic needs such as food or other household essentials rather than investing in ICT devices and personal needs like their male counterparts. Due to their domestic demands, some have limited time to contemplate using ICT devices for their business use. According to Comfort and Dada (2009: 54) women are more likely to give preference to their domestic roles and needs over their use of ICTs. This could be exacerbated by not realising how these technologies can assist them in their daily activities.

The next sub-section looks at the financial challenges faced by women and determines if there is money available to invest in ICTs as they try to balance their domestic and business demands. Pretorius and De Villiers (2009: 183) believes that by relaxing socially constructed norms, for example, sharing household responsibilities between women and men equally – will enable women to have sufficient time for business and ICT related activities.

### **3.7 FINANCE**

As discussed in chapter 2 (section 2.5.9), access to finance is inadequate due to a lack of multiple options where SMMEs can loan money. It was mentioned that commercial banks' lending options are not suitable for the SMME sector. However, the problem with access to finance persists in women due to inequalities, their household duties and limited knowledge that have left them unable to inherit or acquire land or property (Allen & Truman 1993: 23; World Bank 2008: 25). Furthermore, when they do use institutional funding, it is on a minimal basis. There is, therefore, a need to investigate the reluctance

of these SMMEs to apply for institutional funding. This trend of not using institutional funds occurs not only amongst women, but also amongst men. However, it is women who rely more on personal funding. This could be as a result of the fact that women have less personal savings in comparison to men (Isakova et al. 2006: 34). Moreover, the difference in personal savings was identified as being due to lower salaries that women used to receive when they were still employed. Lack of savings negatively impacts unemployed women who want to start a business. Statistics reveal that the unemployment rate amongst women, especially African women, is higher than that of their male counterparts (STATSSA 2007: 19). In South Africa it was recorded that the unemployment rate in Gauteng province was 17.4 percent in September 2007 - as being the highest, followed by the Western Cape province with 15.7 percent (STATSSA 2007: 18). When starting a business, women do not normally rely on institutional funding, but rather use personal savings or borrow money from family and friends (Isakova et al. 2006: 34; Rogerson 2008: 65; Storey 1994: 76).

Women are reluctant to take risks. This influences their decisions to apply for funding. Some are reluctant to borrow funds from FIs because they want to maintain a lower debt record (Isakova et al. 2006: 34; Muravyev et al. 2007: 7). Another reason that prevents them from seeking institutional funding is the lack of collateral (Allen & Truman 1993: 23). When they do not have collateral they are required to provide a surety. In Swaziland for example, banks still refuse women's applications if they are not accompanied by males' sureties. It has also been established that some venture capital lenders that are supposed to assist SMMEs do not relate well to businesswomen (Lee 2004: 10). Women tend to be treated harshly with respect to the processes that are in place to secure funding. It has been noted that even though financial institutions do not use gender as a determinant to offer a loan, the collateral requirements for women were too high (Greene et al. 2006: 68). The loan requirements that appear to be different for women and men are likely to create a financial appropriation gap amongst SMMEs.

Another point to be noted is that women were found to be less likely to invest their own money in the development of their business. When they have excess funds, they would rather use them for their personal needs than spend them on business-related items. According to IFC (2008: 8) men invest money more often on business than women. It was also found that current extended family ties existing among African women forced them to spend extra cash on their families, hence limiting investment in businesses (Allen & Truman 1993: 23). This also affects their track records when they have to approach financial institutions for loans. According to Watson et al. (2006: 46) there is a finance gap that exists between women-owned enterprises and those owned by men. Men can receive financial assistance due to their good track record, but women cannot due to their lack of a track record. Furthermore, the element of longevity affects their track record. Since most women-owned enterprises are young, they have not yet proved their financial viability. In other areas it has been found that although most women do seek external funding, they do not receive anything (CAWTAR 2007: 20). In contrast, Watson et al. (2009: 7) maintain that most women-owned SMMEs are not receiving any form of financial assistance because they do not approach financial institutions. Reluctance to request financial assistance was believed to be influenced by the fact that female entrepreneurs are risk averse and want to be in full control of their business (Watson 2006: 46; Watson et al. 2009: 9). External funding brings with it the likelihood that they may lose control over their businesses if they fail to pay back debts. Moreover, others did not apply at all for funding due to the fear that their applications would be rejected. Due to their lack of confidence, some women are less likely, than men, to take loans because the credit system structure is hierarchical, and from their perspective, this might look as if the banking industry is not user friendly. Furthermore, low income women tend to be less educated and not used to interact with official people (Boros et al. 2002: 24). As illustrated in Figure 3.2 they also view banks as very powerful institutions, and many women may not have enough confidence to approach them.

Women are viewed as lacking the credibility that men have as business owners (Goffee & Scase 1985: 49). Resource and service providers and customers do not view female

entrepreneurs with the same respect and as having as much competence as male entrepreneurs (Goffee & Scase 1985: 50). This leads to a situation in which women waste most of their valuable time trying to prove themselves rather than focusing on business operations. It was also observed that women do not know how to communicate with clients regarding the money owed to the business (Maas & Herrington 2006: 54). In instances where they have to collect debts from clients, women find it difficult to state their case.



**Figure 3.2 Women's perception of bankers**  
(Boros et al. 2002: 24)

Another concern about lending money from banks was their unreasonable terms and conditions, as well as the high interest rates (Watson et al. 2009: 10; World Bank 2008: 18; CAWTAR 2007: 20). However, the option of micro-financing is also viable, depending on the availability of such services. In India, it was found that 90 percent of

microfinance clients were women (Swain 2006: 13). Even with the promotion of affirmative action which stipulates that individuals should not be discriminated against on the basis of gender and race in South Africa, black women still experience difficulties in obtaining financial assistance. Only 38 percent of these women are using banks (banked), in comparison with 44 percent of black men; 91 percent of white women, and 94 percent of white men (World Bank 2008: 19). Tanzania also reported low levels of women who are banked - they were estimated at 5 percent in contrast to their male counterparts at 11 percent. This has a negative impact on applying for bank finance (World Bank 2008: 32).

The discrepancies arising from the above discussion demonstrates that the issue of access has not been properly resolved. It is, therefore, important that adequate finance becomes available to SMMEs. Women who do not have collateral to supplement their financial applications should at least have a lease agreement to enable them to secure funds. In Tanzania, for example, women entrepreneurs who do not have collateral receive funding through a leasing model (World Bank 2008: 32). With access to funding, women entrepreneurs will be able to invest in tools that will enhance the productivity of their businesses. Because of limited access, women use private funding such as that obtained from friends, family members and personal savings, as well as re-investment of business savings (CAWTAR 2007: 19). The availability of funds, whether they are borrowed or emanating from profits, also influences whether or not an SMME will invest in ICTs.

The next section will discuss the challenges that are associated with the adoption and acceptance of ICTs, as well as other related issues.

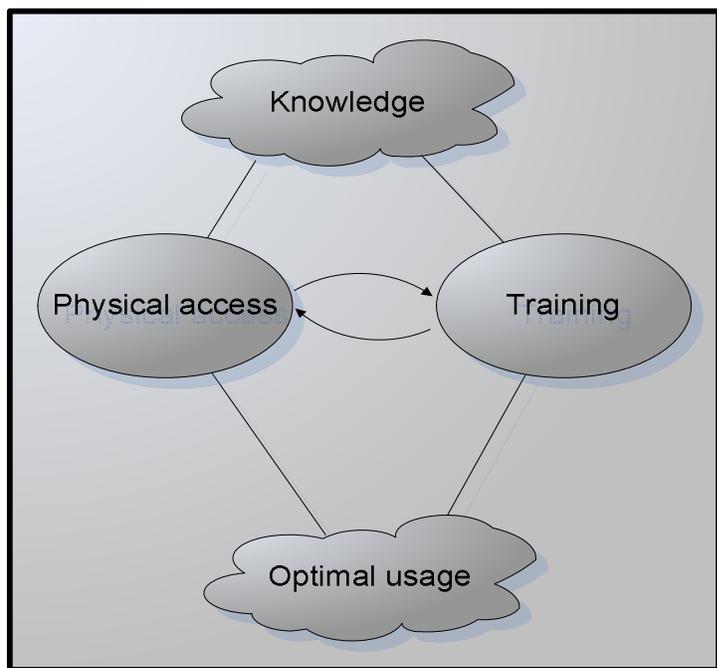
### **3.7 ACCESS, KNOWLEDGE, ACCEPTANCE AND USAGE OF ICTs**

Various authors have reported on the significance of ICTs in terms of how they can transform the business activities of SMMEs and facilitate their growth (Esselaar &

Gillwald 2007: 8; Meena & Rusimbi 2009: 198; Motjolo pane & Warden 2007: 3). The success of ICTs depends on issues such as physical access, knowledge and affordability.

### 3.7.1 Access and knowledge

Access to ICT devices relates to SMMEs' ability to know or understand what type of devices they require for their businesses. When they have acquired the knowledge, they should have physical access to these required devices. They can access them by either purchasing them or access them at community telecentres. Physical access does not, however, guarantee access (Munyua 2009: 128). The issue of access goes beyond the purchasing or finding other means of physically accessing these ICT devices. Figure 3.3 illustrates the access process method.



Access Process

**Figure 3.3 Access process**

**(Own 2010)**

As illustrated in Figure 3.3 an SMME has to have knowledge about the existing ICTs, and how they can improve the business operations and where to access or purchase such ICTs. Some form of training is required to enable users to use these devices. For example, an entrepreneur needs to be trained on how to use a computer. The user may either receive training before purchasing the device, or can purchase the device and then receive training. Upon completion of the training, entrepreneurs should be able to use such ICT devices for both professional and social purposes. If a person does not know what type of ICTs they can use, or do not know how use the ICT device it would mean that the user cannot optimally use the devices. In this case access is still limited. This is what Labelle (2005: 66) calls beneficial use of ICTs. A practical example of this could be that the entrepreneur did attend training on how to use computers and does have a computer at home, but does not know how to use it for business-related tasks. Instead of recording her clients on computer by maintaining a database, the entrepreneur would still use paper-based methods to record her customers. This computer is thus not being optimally used by the entrepreneur to meet her business needs.

The problem of access to ICTs is even noticeable in institutions of higher learning, which encourage students to enrol for ICT-related courses. One good example is the University of Zimbabwe which passed a policy that made it compulsory for students across all faculties to enrol for an ICT training course (Mbambo-Thata et al. 2009: 70). China and Britain had the same system whereby the Internet was used as a tool for learning (Li & Kirkup 2007: 302). Irrespective of the supporting policy that stated that access to the computer laboratories was on a “first come, first serve” basis, the policy did not wholly address individual access problems, especially gender-related ones. Female students were, therefore, bullied by their male counterparts, and some of them would end up not getting access to the computer labs. This is what Mbambo-Thata et al. (2009: 68) call a ‘blind policy’. The University of Zimbabwe had 51 percent enrolled female students and 49 percent males. Out of this only 13 percent of the women had access to computers, in comparison with 87 percent of men (Mbambo-Thata et al. 2009: 69). These women were happy with the “first come, first serve” policy, contending that it

was better than no access at all (Mbambo-Thata et al. 2009: 71). These women had to endure physical bullying from their male counterparts when queuing for access, and would in most cases stay away to avoid the pushing and shoving from the males. According to Mbambo-Thata et al. (2009: 72), the only alternative for accessing computers was internet cafés which had obvious cost implications. Indeed, access to computers was a challenge for these women who also had socio-cultural constraints that prevented them from visiting the laboratories later in the day due to household commitments and the negative implications of being on the streets late at night (Mbambo-Thata et al. 2009: 70).

Abagi et al. (2009: 175) suggest that for women to be able to participate in the ICT arena they need to be able to challenge existing stereotypes and discriminations. However, Pretorius and De Villiers (2009: 183) argue that changing socially constructed circumstances depends on the context in which women find themselves. This suggests that not all women will be able to challenge these inequalities. The UNDP (2002: 18) maintains that ICT policies should be innovative so that developing countries can ensure that ICTs will be adopted and accessed. Lessons learnt from this study indicate that not all policies will be sensitive to the issue of gender. Policies cannot be mainstreamed. They need to be tailored in such a way that all access will be equal, irrespective of gender.

The ability to use ICTs in the SMME sector depends on access, be it physical access to or usability of available ICTs. It should be mentioned that in order for ICTs to be adopted, issues to consider when incorporating technology into the SMME sector include information, procurement and financing of technology upgrades (Pandey 2007: 11). Physical access is based on two aspects - knowledge of existing ICTs and affordability of such devices. The first aspect, knowledge, refers to the ability of an SMME to know which ICTs exist and how they can be utilised in that particular business. An SMME should know where to purchase the required ICTs and also how to locate suppliers with competitive prices for those devices. When an SMME owner has a

computer, he or she should know how to use various applications for business purposes. In addition, basic applications of a computer such as Microsoft (MS) Excel should not be used to capture financial information if an SMME can afford to purchase financial software which can perform this function better than MS Excel. In this case, it would imply that an SMME does not have adequate information about existing financial systems that they can use (Kew & Herrington 2009: 5).

The second aspect of access is affordability. Existing ICT devices and software can only be appropriated for businesses if they are affordable. High prices of ICT devices and software needed for business operations will prevent SMMEs from realising the benefits of ICTs. Esselaar and Gilward (2007: 4) reflect that in South Africa, access to ICTs is low due to their lack of affordability. They further argue that policies that were aimed at increasing access did not meet their mandate due to the monopolised bodies of the government. Improvement in access to voice communication were only realised when pre-paid mobile services were introduced (Esselaar & Gillwald 2007: 11). In comparison to its neighbouring countries such as Botswana and Namibia, South Africa was found to have high costs for mobile calls. This prompted a recent call from ICASA for all major mobile service providers to reduce their costs for calls (ICASA 2009: 1).

ICT adoption by SMMEs could be difficult if these technologies are not well presented to women. Macueve (2009: 29) contends that the way in which these technologies are presented to women will determine their adoption. This is due to the fact that some women still have the perception that if they are illiterate, they are automatically excluded from using technologies (Macueve 2009: 28). There is also a danger that if these perceptions are not corrected, ICTs will only benefit a minority of women whereas others will be left out (Munyua 2009: 126). Perception emerges as a huge contributor to ICT adoption for both personal and business purposes. In a study conducted by Gras-Velazquez et al. (2009: 6 ,11 & 13) it was found that students who did ICT related courses were unlikely to pursue careers in ICT as it was believed that these careers were more suitable for men. Students' role models, who in most cases were cited as

parents and teachers, also believed that technological careers were not for women. The importance of role models was also evident in Uganda where it played a major role in influencing women to engage in ICTs. In Uganda, an “old illiterate lady of over 65 years” challenged the socio-cultural norms when she went to learn about the computer. This motivated people to select her to attend a conference in New York which showcased the role of ICTs in improving women’s livelihoods. She then became a role model in her community, especially for girls and women in Uganda. They all wanted to be like her, and to learn how to use a computer (Bakesha et al. 2009: 152).

It is stated that female students do not pursue careers in ICT because they want to do jobs that have to do with helping other people. Although it is argued that 100 percent of jobs in the field of ICTs have this element, there is a high level of discrepancy in terms of what the industry is saying and what women think – in Poland, only 65 percent of girls, 35 percent of parents and 45 percent of teachers believe this (Gras-Velazquez et al. 2009: 14). Figure 3.3 below illustrates different perceptions that female students have with regard to ICTs. According to Yitamben and Tchinda (2009: 136), sensitisation activities are needed when introducing ICTs to societies so that they have a general idea of what to do with various applications that come with such devices. Access is also determined by the cost of ICT devices as well as reasonable distances to telecentres for those who need to make use of public services (Bridges.org 2005: 6; Hafkin & Huyer 2007: 37; Macueve et al. 2009: 26). The latter has its disadvantages as entrepreneurs might end up wasting valuable business time queuing in order to access these facilities.

It is argued that the roll-out of telecentres as a means to increase access is, in most cases, failing dismally (Hulbert & Snyman 2007: 2 & 3). These telecentres are found to be ineffective in increasing access in that they are not available in areas where they are most needed. Esselaar and Gillward (2007: 25) state that in Gauteng province (South Africa) alone, 13 telecentres are supposed to serve over 2.5 million people within a radius of 5 kilometres. This creates problems as users have to stand in long queues waiting to use these telecentres. This does not only affect their business commitments,

but it also affects their availability to fulfil domestic activities that need their attention. Tlabela et al. (2007: 30) and Hulbert and Snyman (2007: 15) maintain that the problem is embedded in the developers' failure to thoroughly research these communities. As a result, they give communities solutions to problems that they do not know of and they do not consult with the intended consumers of these services. This is why in some instances one finds that these telecentres are not being optimally used (Esselaar & Gillwald 2007: 26). According to Labelle (2005: 4 & 16), introduction of ICTs can only be successful if the needs of that community are studied beforehand. With limited access, technology, therefore, becomes a hurdle in itself. A similar problem was noted by Muller (2009: 35), who found that when ICT related projects are launched in certain communities, they are not fully monitored by the people who launch them. This creates expectations for communities that are ultimately not met. Muller (2009: 35) gives an example of the Eastern Cape (South Africa) where the energy grid was 'dumped' in a community which only experienced its benefits for a short while as it was not maintained.

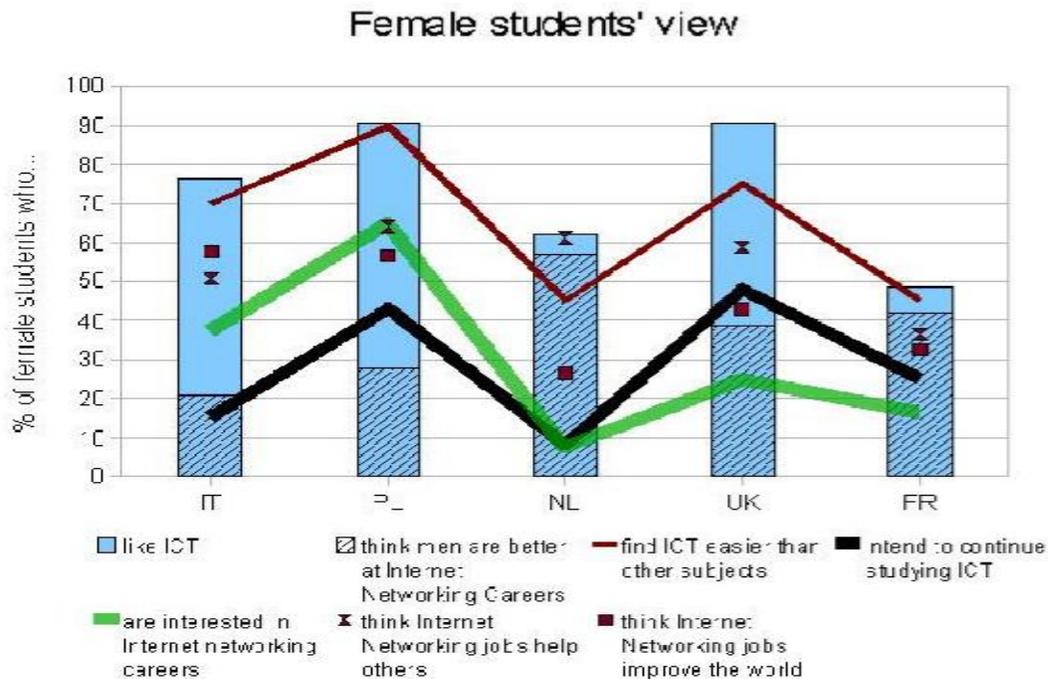
Other alternatives for accessing ICTs, which are commercialised, such as internet cafés exists. The disadvantage of internet cafés is that they might not be affordable due to their high access costs (Lee 2004: 9; Mbambo-Thata et al. 2009: 72). Even if SMMEs know how useful the internet is, they might be discouraged if it is expensive to access. Bridges.org (2005: 6-9) states that it can only be concluded that issues of access have been resolved when an entrepreneur:

- has the ability to use the network within a reasonable distance;
- gets ICTs at an affordable price;
- receives relevant information; and
- has access to devices with the necessary capacity.

All the above requirements are interrelated hence the unavailability of one of them will affect SMMEs' ICT access. Effective infrastructure is needed for network signals to reach everyone and for affordable devices to be able to operate at an acceptable

speed. For example, no one wants to use a computer that takes a long time to connect to Internet sites.

The next sub-section explores the acceptance of ICTs by SMMEs.



**Figure 3.4 Female students' views of ICTs**

(Gras-Velazquez et al. 2009: 15)

### 3.7.2 Acceptance level

According to Modiba et al. (2009: 167) most women-owned SMMEs with low levels of education might not be enjoying the benefits of ICTs as they might not be knowing how to incorporate them into their businesses. Therefore, it will be difficult for them to accept ICTs as they do not know how it will benefit them. This is where Tlabela et al.'s (2007: 2) social relevance of technology fits in. Lack of knowledge on the benefits will translate into non-acceptance. There could be various reasons for not using ICTs. This will also differ from one SMME to the next, especially if their business activities are not the same. In some studies it was mentioned that some women disapprove of ICTs because

it had caused family feuds for them (Comfort & Dada 2009: 49; Munyua 2009: 124). In one case, women disapproved ICTs because their husbands spent more money recharging their mobile phones with airtime than buying household essentials (Comfort & Dada 2009: 49). They saw it as something that will take their money. Whereas in the other cases it was found that women were complaining that their spouses would want to know details of conversations conducted on their mobile phones (Munyua 2009: 124). The other problem was that service providers would charge them for calls that did not go through due to poor network connections (Comfort & Dada 2009: 47). As a result this caused trust problems between these technologies and consumers.

Comfort and Dada (2009: 50) mention an example of Nigerians where a mobile phone was seen as a threat to family networks and bonds. Prior to the arrival of mobile phones, families would visit each other and engage in long conversations as a means to bond as a family. The emergence of mobile phones resulted in people calling each other and not visiting as they used to. The high tariffs of mobile phones meant that their conversations were forced to be shortened for affordability purposes. Therefore, the oral culture of this community suffered. Connectivity problems were also cited as one of the reasons that some ICTs were not accepted as they seemed to be unreliable (Comfort & Dada 2009: 49).

Other researchers argue that culture and the way children are raised will influence their ICT acceptance. Stereotypes from males can also increase lack of ICT acceptance amongst women. In some cultures ICTs are viewed to be things that should be operated by men, and the same applies with ICT related careers. For example, girls in the Netherlands had negative attitudes to ICT related jobs and believed that they were more suitable to boys (Gras-Velazquez et al. 2009: 3). The effect of culture on ICT adoption and acceptance can also be seen in the studies conducted by Li and Kirkup (2007: 304) and Gras-Venezquez et al. (2009: 6-14). The study of Li and Kirkup demonstrates how female and male students relate to ICTs and that their views and acceptance of ICTs were influenced by where they came from. Similarly, their parents and role models had

an influence on how they responded to ICTs. Men from Britain and China believed that they were better than women in terms of using computers and that computer science was a more suitable profession for men (Li & Kirkup 2007: 309). Chinese women affirmed their male counterparts' stereotypes by also believing that they cannot use ICT devices. Women from Britain had a contradicting attitude compared to women from China. They used ICTs and believed that they are as good as their male counterparts (Gras-Velazquez et al. 2009: 14). This demonstrates how cultural backgrounds and upbringing influence the attitude towards ICTs.

According to Gras-Velazquez et al. (2009: 7), lack of motivation from parents and role models limit students' interest in ICT usage and their career paths. It was found that parents in Italy were computer literate and often used ICTs, but believed that it was a man's domain. As such, their female children ended up not pursuing careers in ICT even though they liked computers. This is in contrast to boys in Italy who believed that ICTs are not only a man's domain. In the Netherlands, parents did not use ICTs a lot as they did not show any interest in them. The girls used them in their leisure time as much as in other countries but did not have any intention of pursuing a career in that field.

Women in the United Kingdom were competent in the use of ICTs and showed interest in them (Gras-Velazquez et al. 2009: 10). However, they had no interest in a career in an ICT-related field. In this case, the influence could be coming from their parents. Despite the fact that fathers believed that jobs such as software development were suitable for women, mothers and other female role models believed that ICT jobs were not suitable for them. In France, women were influenced by both male and female role models who believed that ICTs were not a good career for women. Women in this study had an interest in ICTs but did not want a career in this field. In Poland parents had no records of ICT usage, and some used them less at school. The female students, although they did not want to pursue a career in ICT, believed that they had the same abilities as their male counterparts when it came to using ICTs. These cases clearly indicate how cultural issues affect the adoption of ICTs, especially for women.

According to Bridges.org (2005: 8) it is important to address these issues so that they do not inhibit the usage of ICTs.

Language was also identified as a barrier to the acceptance of ICTs. Chinese students who visited English sites felt that the Internet was not effective for cross-cultural exchange because of its linguistic barriers (Li & Kirkup 2007: 309). There are few local languages in most websites. According to Sahlfeld (2007: 26), the WWW pages accounts for 72 percent of the English language with only 12 privileged languages accounting 98 percent of all these website pages. Language as a barrier, especially in developing countries, is also highlighted by Modiba et al. (2009: 167) who state that due to the low literacy levels in general and English specifically for some South Africans, Internet access will be a problem for SMMEs.

### **3.7.3 Forms and usage of ICTs**

The preceding sub-sections attempted to explain the difficulties that could exist in accessing and accepting ICTs. This section specifically looks at the usage of ICTs which are different for women and men (Juma 2003: 15; Li & Kirkup 2007: 307). The skills gap of ICTs amongst women is a global concern. According to Gras-Velazquez et al. (2009: 2) statistics of women working in the ICT sector are very low, and even those that have qualifications in IT do not pursue careers in this field. It was, however, noted by Dlodlo and Khalala (2008: 37) that women's reluctance to work in IT is influenced by the unfriendliness and unwelcoming culture of this field. They further explain that if a woman has an interest in the IT sector, she will be viewed as a 'tomboy' because of her interest in a discipline that is considered to be for men. It is also argued that male colleagues in the IT sector are not willing to share information with women (McAdam & Marlow 2009: 26; Trauth & Quesenberry 2006: 1765). This makes women's working conditions difficult as they are not empowered to learn and grow. With such feedback from those in the IT industry, how will a typical woman entrepreneur perceive and embrace ICTs?

The use of ICTs is seen as being vital in reducing communication costs and saving time spent on travelling (Meena & Rusimbi 2009: 198; Modiba et al. 2009: 165; Sane & Traore 2009: 113). The efficiency of ICTs is demonstrated in Table 3.1 below, where the tedious activities involved in traditional business operations are compared to the ICT mode of running a business. As discussed in Chapter 2 regarding the triple burden that women have, perhaps ICTs could assist in making some of their duties bearable. According to Munyua (2009: 128), some women use ICTs to complement the management of their dual roles. This is being conducted by integrating domestic and income-generating responsibilities. It was also found that they use ICTs to facilitate access to foreign markets (Yitamben & Tchinda 2009: 133). In addition, it is mentioned that the reduced cost of ICTs enables SMMEs to participate in international markets (Yitamben & Tchinda 2009: 134). Others use it for communication purposes to maintain a client database and to produce orders (Meena & Rusimbi 2009: 200). It was further established that ICTs provide women with business opportunities. Women are selling pre-paid airtime vouchers and the money helps them to sustain themselves and their families (Macueve et al. 2009: 26).

<b>Traditional businesses</b>	<b>ICT-supported businesses</b>
<ul style="list-style-type: none"> <li>• Need to travel to gather and disperse information</li> <li>• Manual collection of market-related information</li> <li>• Not easy to expand one's networks</li> </ul>	<ul style="list-style-type: none"> <li>• Gather and disperse information over the Internet</li> <li>• Market-related information is readily available on the Net</li> <li>• The more people connected to the Internet, the bigger the network becomes</li> </ul>

**Table 3.1 Traditional vs. modern businesses**

**(Modiba et al. 2009: 165)**

Some women felt that the mobile phone had improved their business performance in that it enables them to integrate family and business activities (Munyua 2009: 124). It was further indicated that features such as the 'calendar' and 'reminder' enable them to organise social meetings. It was stressed that this gives them a sense of control even if they are away from their business premises. It helps in strengthening networks with friends and clients, and it also allows them to transfer money. The acceptance and use of ICTs by women seems to rely primarily on how it can assist them in their lives. A mobile phone, for example, was accepted because it enabled some communities to communicate with distant relatives (Comfort & Dada 2009: 50). Moreover, mobile phone kiosks were highly valued by communities as it was used to redeem remittances received from relatives in the cities. For example, if a mother is in the city and wants to send money home where they do not have access to banks, the mobile phone kiosks are then used as banks. She would buy a voucher worth the amount that she wants to send home. The voucher code will then be sent to one of the family members through a mobile phone. This voucher code will be given to the mobile kiosk operator to redeem it for cash. Collecting debts has been made easier with the mobile phone as meetings can be easily rescheduled (Munyua 2009: 126). In Mozambique, women embraced mobile phones because they could assist them in contacting suppliers to request more stock (Macueve et al. 2009: 26). Prior to the advent of mobile phones, people used public phones to make and receive calls. Macueve et al. (2009: 26) suggest that the time that was wasted queuing at a telephone booth waiting to receive or make a call has been saved with the introduction of mobile phones.

The use of the Internet differs across countries. Some use it for more basic tasks such as sending electronic mail (e-mail) and browsing the Net, while others use it for more advanced tasks such as creating virtual retail outlets (Yitamben & Tchinda 2009: 137). Some women use the Internet for both professional and social reasons, although the majority use it more for social reasons (Hafkin & Huyer 2007: 32; Munyua 2009: 129; Yitamben & Tchinda 2009: 137). The Internet is being used as a source of information (especially market-related) and also for sharing information with foreign partners and colleagues (McDade & Spring 2005: 29). Moreover, even though in Egypt a

collaborative work that can be done through the Internet is not known to most of the women, they know that it can assist in stimulating their creativity and capacity to innovate. Women in manufacturing can surf the Internet and find new design ideas. According to Yitamben and Tchinda (2009: 137), they can use Internet as a virtual boutique. Customers can, therefore, log onto the website and experience the fashion that they have in their boutiques in real time. The Internet is also used for learning. According to Yitamben and Tchinda (2009: 140), learning through the Internet enhances their dynamic competence which enables women to acquire knowledge for themselves and their enterprises. There was a case of a young woman who was utilising e-commerce technology to market her business. It is believed that her sophisticated IT skills made it possible for her to utilise the Internet as a marketing tool (Hassanin 2009: 38). McDade and Spring (2005: 35) found that women use the Internet for educational and business purposes as they think that it will give them good business advice. Moreover, websites are used for promotional purposes. According to Merrett and Gruidl (2000: 434), Internet sites are being developed exclusively by women to provide samples of business plans, for advice on seeking start-up capital, market analysis, business leads, and as support networks.

Other uses of ICTs reveal how the CD-ROM project was used to empower women entrepreneurs. What the CD-ROM project did was to give women business information that they had to translate into personal economic enhancement (Bakesha et al. 2009: 148). These authors further explain that after women in Uganda had taken part in the CD-Rom project, they understood the importance of customer relations and providing customers with quality goods. Upon improving the quality of their products they saw an increase in their sales. In cases where they failed to use the skills learnt at the CD-ROM project, they found themselves engaging in activities that affected the productivity of their business. For example, they stated that as part of their lessons they were taught not to spend all the business funds on household essentials. Those who spent most of their cash flow on family welfare found their business to be in a stagnant state (Bakesha et al. 2009: 146). Experiences from Uganda's CD-Rom project revealed that when women were given the right information and opportunities to access and control

productive resources such as land, they could exploit their potential and improve their economic and social status (Bakesha et al. 2009: 150).

The importance of ICTs is also seen in the use of internet for marketing purposes. According to Labelle (2005: 17), websites assist in marketing products nationally and internationally and enabling easy contact between buyers and sellers. Egypt, with most of its female entrepreneurs being in the craft industry, would be more likely to benefit from ICTs for marketing their products internationally. Most of these craftswomen are ICT literate, but would rather opt for employment in the IT industry than utilise their ICT skills for their business (Hassanin 2009: 50). However, this constitutes a new set of limitations, inequities and barriers that are encountered by craftswomen in that country. The Internet's efficiency can assist in, among other things, removing trade barriers and the monopoly of intermediaries who are enriching themselves with the profits without the producers' knowledge (Hassanin 2009: 57). The Internet and mobile phones have rarely been used for marketing products. The culture of blending their business with ICTs is not common. Even those who have IT skills do not consider this. Hassanin (2009: 58), however, fail to demonstrate as to why or how highly educated women were not using ICTs, especially for their businesses. It could have been noteworthy to know why women that are ICT literate are not using ICTs for their business. This could provide a new area for research - to establish why educated women who are ICT competent are failing or reluctant to incorporate such technologies into their businesses.

### **3.9 CONCLUSION**

This chapter has highlighted the various challenges that SMMEs encounter. Entrepreneurial challenges focused on issues of labour, dealing with regulators and quality control of products and services. Infrastructural challenges were another hurdle where lack of access to reliable and affordable transport was mentioned. Lack of electricity and poor network connections were also identified as other challenges.

The benefits of ICTs rely heavily on infrastructural availability. Underserved communities are, therefore, in danger of not experiencing the benefits that come with ICTs. Access to competitive suppliers by SMMEs will not be realised if roads and transport facilities are poor. All these problems can be alleviated if network connections are installed and public transport is easily accessible and affordable. The usage of ICTs was examined by looking at how the issue of skills influences it. It was discovered that the nature of the IT industry is, in a way, an obstacle to usage since it is male dominated. The same thing could be a problem for SMMEs as women might not be getting adequate support from their male counterparts.

Women's involvement in family duties was highlighted as another issue that hampers access to and usage of ICTs, as they spend a considerable amount of their time fulfilling their social and household roles. Finance is a determinant in accessing ICTs as they involve money. Women's lack of credibility in the eyes of FIs is another setback to affording ICTs. However, for ICTs to be accessible to women, they need to know these ICT devices and how they can be used to enhance their business operations. They need to accept and utilise them efficiently.

ICTs may be of great significance, but they need to be explained to SMMEs so that they understand clearly how ICTs can assist them. The following chapter presents a case study of women-owned SMMEs in Pretoria, South Africa.

## **CHAPTER 4**

### **CASE STUDY: DATA PRESENTATION AND ANALYSIS**

#### **4.1 INTRODUCTION**

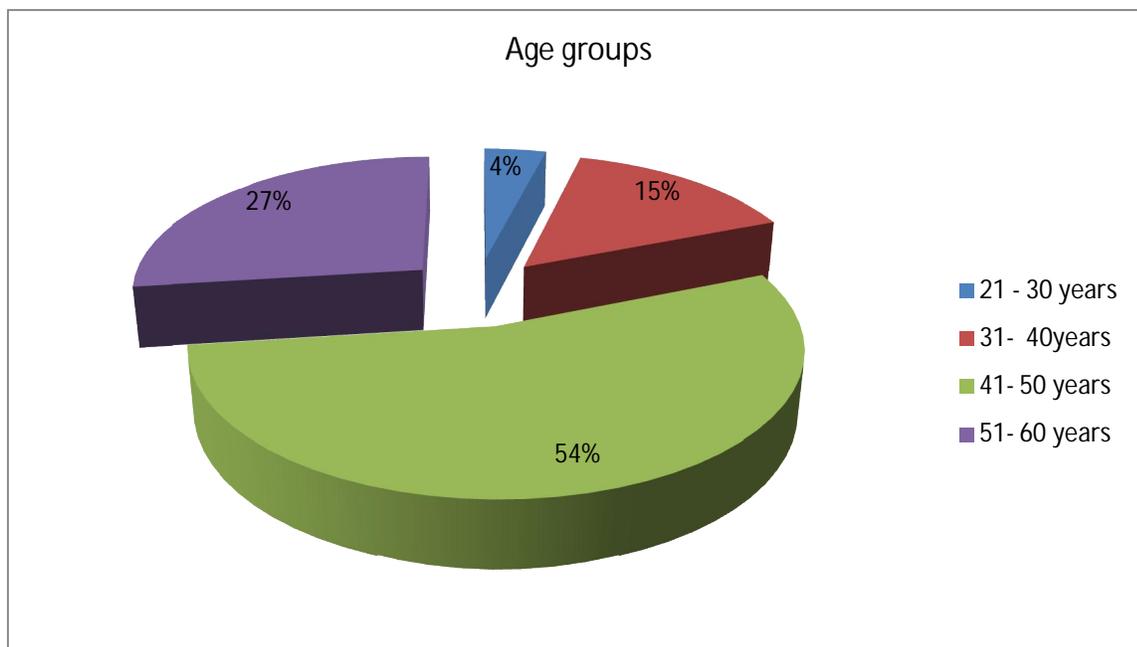
The previous chapters have explored the SMME sector in various ways. They looked at the SMME's definition, its role players and how it contributes to the economy. Challenges that characterises this sector were also discussed. This chapter presents a case study of SMMEs owned by women that were interviewed in Pretoria. The questionnaire as presented in annexure A was created based on the characteristics discussed in chapter 2 and the challenges discussed in chapter 3. The intention of the formulated questions was to confirm or contradict the characteristics and challenges as presented in the literature review. Research questions that were raised in chapter 1 were used as a guide in analysing the results from the field study. The analysis is conducted by referring back to the sections discussed in previous chapters to establish whether the findings concur or contradict the literature.

The data will be presented by looking at the profiles of the owners. This will be followed by the profile of the enterprise itself. Characteristics of women in Pretoria will also be presented by discussing issues of formalisation, their motivations to start a business, funding, risk, skills and competition. The data presentation will also include infrastructure, ICT infrastructure, growth, family responsibilities, and additional challenges. Discussion of results will be followed by conclusions.

#### **4.2 OWNER PROFILE**

The 26 women interviewed in this study come from different industries of the SMME sector. Their ages vary although in most cases a particular age group dominated. Figure 4.1 reflects the age profile of the participants. Contrary to what is indicated in

chapter 2 (section 2.5) that more than 57 percent of entrepreneurs in South Africa are below the age of 34, entrepreneurial activities of the women in this study are very high amongst the age group of over 40 years. This age group of 41-50 years had up to 56 percent of entrepreneurs followed by the age range of 51-60 years with 27 percent. The youth group was mainly in the categories of 21-30 and 31-40 years, with averages of 4 and 15 percent respectively. The participation of youth in this study was very low although it cannot be concluded that the youth is not actively involved in entrepreneurial activities. However, this is a call of concern. Table 4.1 below indicates the distribution of the owner per sector.



**Figure 4.1 Age profile**

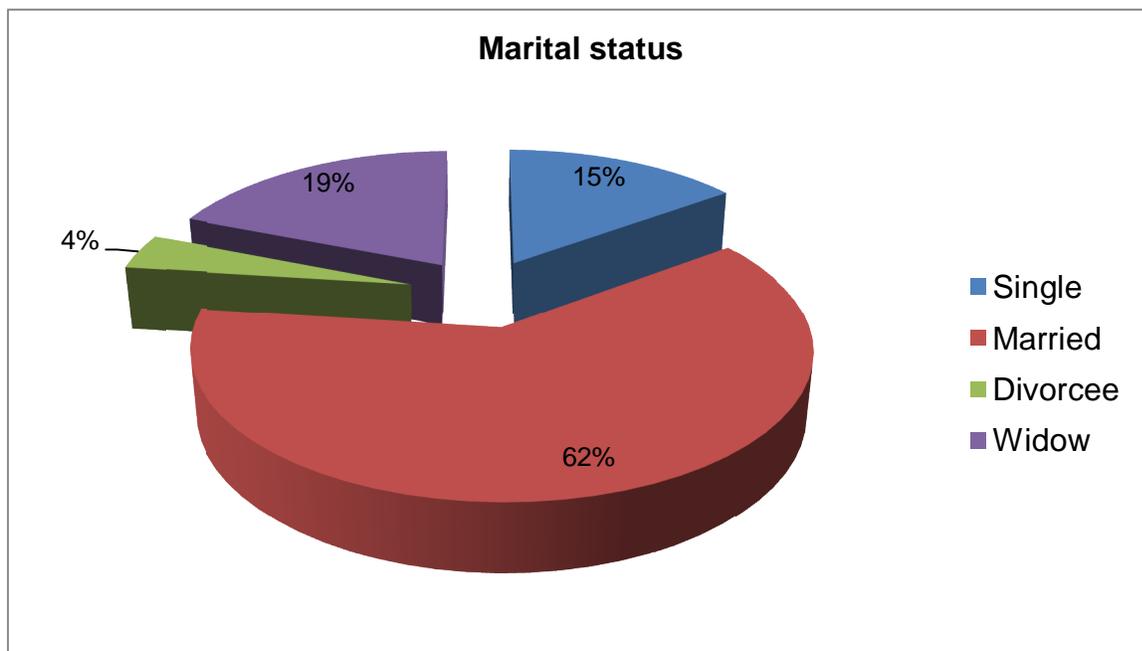
**(Own 2010)**

Age group (years)	Manufacturing	Trading	Services	Transport
21-30	1	0	0	0
31-40	0	0	2	1
41-50	4	3	6	2
51-60	1	2	2	2

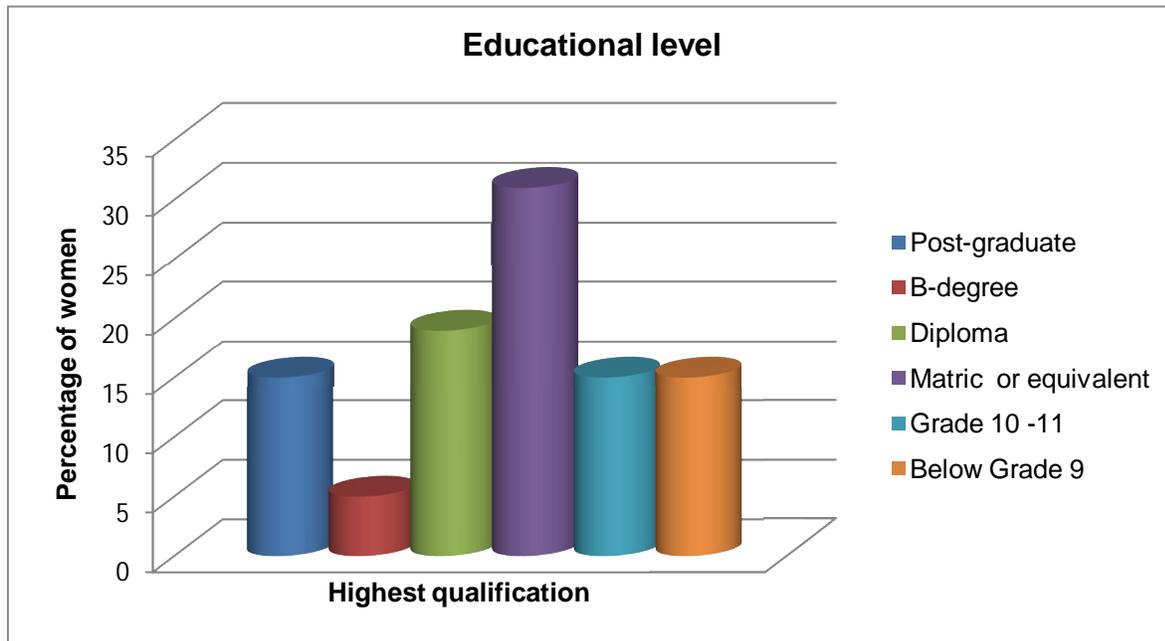
**Table 4.1 Sector distribution by age**

**(Own 2010)**

Literature findings on marital status state that most of the women entrepreneurs are married. This corresponds with the findings of this study (see section 2.5). Of the participants who provided information for this study, 15 percent of the women are single, 62 percent married, 4 percent divorced and 19 percent widowed (see Figure 4.2). Fifteen percent of the participants had a post-graduate qualification, 5 percent had a bachelor's degree and 19 percent had a diploma. Those with a matric qualification or its equivalent were at 31 percent. Those with the qualification of either Grade 10 or Grade 11 scored 15 percent. The last group which was at 15 percent as well had a qualification of below Grade 9. These findings contradict those presented in section 2.5, which states that most women entrepreneurs are not educated. They, however, affirms part of the global literature findings that the SMME sector comprises educated and less educated women as stated in section 2.5.



**Figure 4.2 Marital status**  
**(Own 2010)**



**Figure 4.3 Educational level**  
**(Own 2010)**

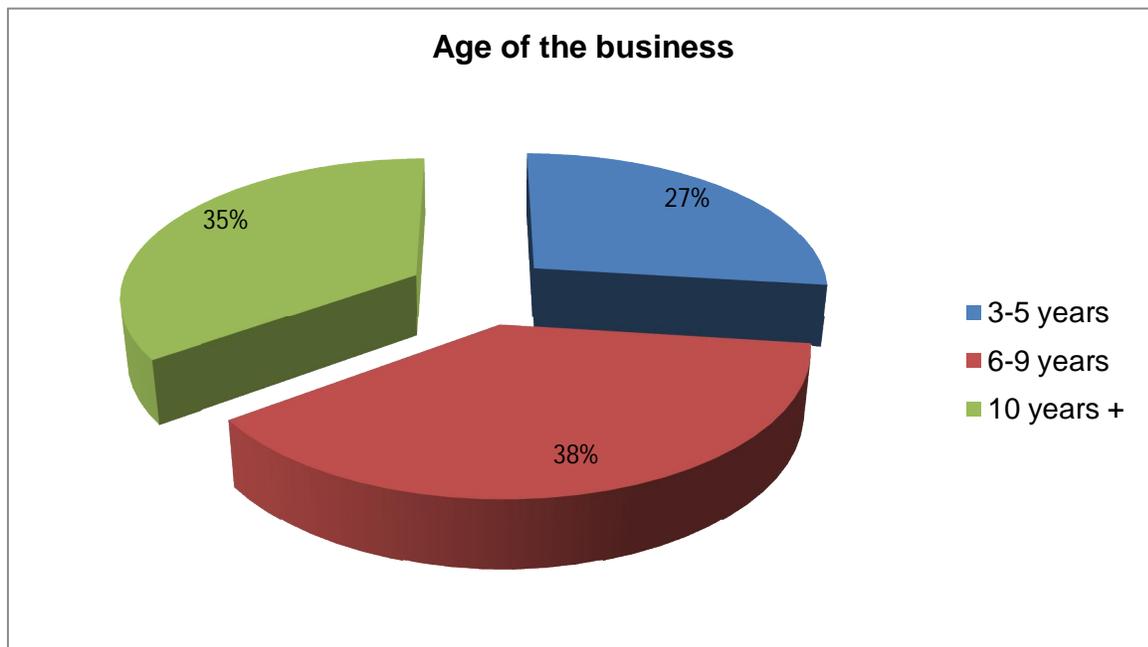
## 4.2 CHARACTERISTICS

Characteristics of women interviewed in this study were combined by extracting results of the questions asked in section 2 (business profile) and section 3 (operational) of the questionnaire (see annexure A). Forty percent of the identified SMMEs were in the services industry whilst manufacturing, trade and transport were each having 20 percent of women participating. However, 24 percent of women in the other industries had the services industry as an additional business. This also affirms the literature findings in section 2.5.6 that women are overrepresented in the services industry. It is evident that when industries such as trading, manufacturing and transport are not doing well the services industry has a way to survive. Hence some owners have it as a backup. One owner who had a trading and a services business indicated that she is in the process of giving up on her trading business to focus only on the services one as it is doing well. Catering was one type of a business that most women had as a backup in case their

main business is not effective. Most of their businesses that are not active are mainly dependent on getting government tenders.

All the women interviewed in this study reported that they collaborate. However, the collaboration was more vibrant in the manufacturing sector with 4 out of 5 owners collaborating with other people. Two in 5 of the women in manufacturing had also registered cooperatives with the people they were collaborating with. This initiative might have been influenced by the tendering system of the government, which tends to fund and/or award tenders to those that are working as a group. The initiative was also used as means for women to support each other on the various challenges that they encounter in business. Of the 5 women in the transport industry, 4 of them used the collaboration method to support each other financially. There were, however, those who felt that some women are not willing to collaborate. This is interesting in that various pieces of literature that were consulted in order to understand the SMME sector did not mention anything regarding the collaboration of women, and how it assists their businesses.

Enterprises owned by the participants have different stages of growth in terms of the operational years. SMMEs under the categories of 3-5 years are at 27 percent followed by the 3-9 years category at 38 percent and lastly the ones over 10 years of age with 35 percent (see Figure 4.3). When the question was asked about how much their monthly turnover was (see annexure A, section 2, number 7), it was difficult for the participants to give their monthly turn-over. The majority of them stated that they were more comfortable with giving out their annual turnover than monthly ones. They stated that some months are difficult as there might not be any money coming in as expected. Some women did not know their turnover at all. They indicated that the business is their main source of income, and they used the money for household essentials hence it becomes difficult for them to calculate the exact amount that they make. When the money comes in they spend it on the household without saving some of it. The money is being used on ad hoc needs basis and, therefore, making it difficult to record every transaction.



**Figure 4.4 Age of the business**  
**(Own 2010)**

SMME owners who did not know their turnover had to calculate whilst they were with the researcher to figure out how much they were making. The annual turnover as given by participants is reflected in Table 4.2. Figure 4.5 also displays the percentages of the participants who record their turnover, and those who do not. In the responses that participants gave in this question the answers were grouped as follows: yes; no; not really; and no answer. The answer of “not really” was for those that had no records of their monthly nor annual turnovers. This was used together with the characteristics of the business to establish whether the amount given could be closer to the actual amount. As discussed in chapter 1 (section 1.6.2), the observation method assists in gathering some information that the participant might not be able to provide. The observation method was used as follows: for instance if the participant knew that she makes a turnover amount of approximately R5000 a year, the researcher would inspect the equipments, business premises, and the area where the business is situated to see if the amount could be correct.

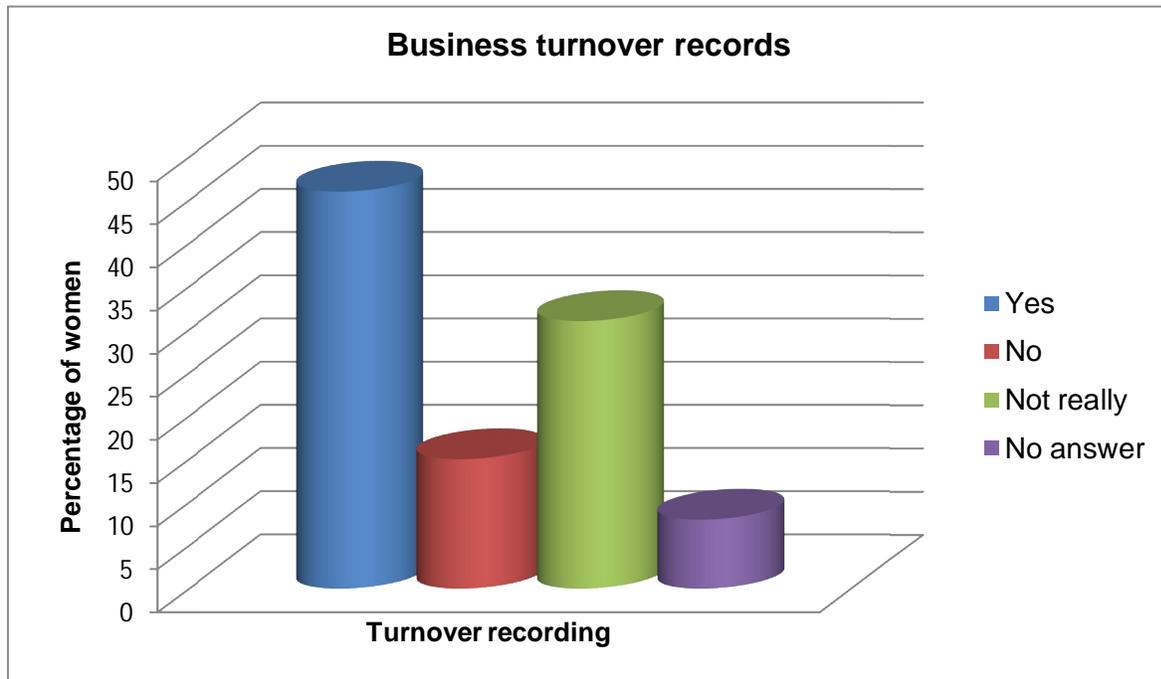
Nomhle<sup>4</sup>, for example, is running her business from a rented office and says that her turnover is R5000. She resides in Mamelodi and travels daily to her office. Her office is in a block of flats that is rented out as offices in the city centre. This means that she has to pay a monthly rental of this office, service the machines she is using, buy materials and travel home after the business. She does all of this without funding. The city centre is a busy area due to a lot of commercial activities that takes place. The monthly rent for her office is R1 500. Therefore, the amount of R5000 cannot be entirely correct for maintaining the office itself. As a result these could not be the correct reflection of exactly what Nomhle’s business is making. Forty six percent of women interviewed were recording their turnover, with an exception of the 15 percent who did not record their turnover at all. Those who were not sure of their actual turnover made 31 percent of the participants and those who could not reveal their turnover has 8 percent.

<b>Amount in rands</b>	<b>Number of participants</b>
0 -10 000	3
11 000 - 50 000	9
51 000 - 100 000	4
101 000 - 150 000	2
151 000 - 200 000	1
201 000 - 500 000	2
500 000 - 1,5 million	1
Unknown	4

**Table 4.2 Annual turnover  
(Own 2010)**

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<sup>4</sup> Names of the participants have been changed in order to protect their identity.



**Figure 4.5 Turnover records**

**(Own 2010)**

### **Formality of the business**

Questions 4 and 8 of section 2 (see annexure A) revealed that most of these women's businesses were operating even a few years before they were formally registered. This partly confirms what was discussed in sections 2.4.1 and 2.5.5 where it is mentioned that most women-owned SMMEs are not registered and it is a requirement to register with CIPRO. In other industries, however, they might be required to register with the industry's governing body in order for them to be formal. The tendency of not being able to register for VAT was also affirmed. It was mentioned that failure to register was due to either lack of information or limited finances to fully commit to the business and meet the requirements to qualify for VAT. These were the reasons supplied by those SMMEs that operated their businesses for a few years before registering it. One flaw that was encountered regarding the registration process is that the consultants at the registration offices were misleading the SMMEs when registering the business. Twenty four percent

of SMMEs from this study's sample were found to be registered in a name that did not suit their area of specialities. For instance, a business is found to be registered as Flora's Construction Projects cc whereas its speciality is in catering and the owner does not even have any interest in doing construction related activities in the near future. When they were asked as to why their businesses are registered with an incorrect industry, they revealed that they gave a name to the consultant who then attached the rest.

During registration process there is no clear explanation on how owners should register their businesses. However, when you try to find out from such owners as to what it is that they wanted to cover in their business, you can notice that they have all their specifications correct but they were not filled correctly when the registration was done. This then tells you that having registration consultants who are not well informed about their job leaves some SMMEs in an inconvenient situation of re-registering the enterprise. Some owners in the transport industry had one business registered in two different names. When they were asked why, they mentioned that they were struggling to incorporate them since they were not advised during the registration process.

For example, Rosina is in the transport industry. Her business is registered as a sole proprietary. She wanted to register this business as a closed corporation but did not know what to do because the taxi uses her names. Another example is of one owner who is registered as a non-profit organization. She said that this was because she was struggling to get machinery for her business. She was then advised that if she registers as a non-profit organisation she will have access to the department of social services which will assist in funding her business.

As discussed in section 2.4.1, accreditation to industry bodies was found to be difficult for women. Accreditation with relevant bodies, especially in the services sector, was a challenge for some women. They did not know what was needed from them to meet the

industry compliance requirements. Due to this lack of knowledge, their big projects were being put on hold because correct procedures were not followed. In the services industry, 6 in 10 women indicated that they were experiencing this challenge. The processes are lengthy and SMMEs do not have sufficient information on how to go about regulatory issues.

### **Motivations to start a business**

When the participants were asked what motivated them to start a business (see annexure A, section 3 question1) it was found that even though they were exposed to a business background when they were growing up and prior to starting their business, this was not seen as the motivation behind some of these women's businesses. They mentioned that to start a business was something that they always liked and wanted to do, that it came more as an impulse. Some had no business background at all but they had high interest in doing business. Push factors (as stated by Orhan (2005: 4) in chapter 2, section 2.5.5), which were indicated to be the most motivating factors behind women's businesses, did not prove to be correct in terms of the sample of this study. Only 2 out of 26 participants ventured into business due to push factors. The findings of this study only reflect pure interest of becoming entrepreneurs. Even amongst those that used to be fully employed ventured into business to satisfy a desire that has been in them for some time. When they left their full time employment it was not because of dissatisfaction from the employer but rather their calling to be in business.

Mandy is one example of the push factors although she also had interest in business from a young age. She left her formal employment because she felt she was not being valued. "I took leave to go to school to do a typing course so that I can be more efficient and when I returned they demoted me. I resigned to start my own business and I only started with R25," stated Mandy. When growing up, Mandy had entrepreneurial interest

as she would assist SMMEs in her neighbourhood with their businesses. Although she was employed at some stage she had business interests when she was growing up.

There was, however, another group (6 in 26 of the participants) that did not have business background from their families, but got exposed to the business environment after being married. The influence came from their husbands and the in-laws. Their partners' grooming and support assisted in making them excel in their business endeavours. The widows were the only ones falling under the category of "natural successors" as defined by Orhan (2005: 13) (see Table 2.5). Amongst those that were widowed are women who did not only take over the businesses that their partners left under their responsibility, but they started other businesses in different sectors signalling the growth that they have attained as business women.

There are also those that have always liked the idea of having their own business. Contrary to negative statements in 2.5.8 with regards to lack of exposure to business, 44 percent still felt that even without any exposure to a business environment they do not feel disadvantaged. This particular group has, to some extent, had a side business that they were doing whilst being formally employed. They said the business helped in earning them more money to take care of their families.

## **Funding**

Personal funding is preferred by most owners. This was found out when the owners were asked the question as to "how do they finance their business?" (see annexure A, section 3 question 17). They answered that they did not like bank financing but prefer loan funds from an institution that will not charge them high interest, institutions that understands their business sector. They also said that they prefer a financial institution that will be flexible enough to adapt to their business performance. Some businesses

have reached a stage where they are financing themselves. Concerns that were raised with regard to the FIs were the following:

- fear of losing their properties,
- high interest to be paid, and
- being scared that they might not see their profits due to repayments to the bank.

Five of the 26 women stated that it is their houses that the banks want them to attach as security, but they cannot take that risk. They mentioned that they do not want their children to be homeless when they cannot repay the bank. One woman in the manufacturing industry stated that in cases where she has a school project - where she has to supply uniforms, there is a retail outlet where she just produce a sample of a material of the school uniform and the owner will give her the material in credit and pay him back once she receives the money from the client. Four of the participants are involved in groups where, when someone is in need of money, they contribute towards the amount needed. Some businesses are financing themselves.

Those in manufacturing use deposits from the clients to finance their work. Another form of financing is the stokvel of which 4 of the women in transport services are involved in. A stokvel is a group of people that are involved in a scheme where the whole group pay an agreed amount of the money to an individual. This goes in turns on a monthly or bi-weekly basis, depending on the agreement. The payment goes on until the last person in the group is paid. When the last person is paid, they then start a new cycle.

Owners that used commercial banks for funding were mainly the ones in the transport industry, and only 1 from the services industry. Owners in the transport industry, however, expressed dissatisfaction from the service received. This is what Paula had to say about the service: "the banks are not treating us according to the way our business operates." According to Paula, her business has its peak and low moments in making

money. She, therefore, needs a bank that will understand the way her cash flow runs throughout the year and service her according to her business' performance. This affirms the findings in section 2.5.9 which states that commercial banks do not understand the SMME sector. This results in banks under servicing them. Exclusion to funding due to the issue of gender was only evident in one case. One owner in the trading sector mentioned that she was told by financial officers that if she had a husband they would be able to lend her money. This, to a certain extent, supports what the literature says in section 3.6, where it is noted that some banks refuses to give women loans if they are not accompanied by a male surety. The other concern was that they do not have other alternatives when they need funding for large sums of money except for banks. This demonstrates that some people are not aware of other funding institutions (like Khula and Umsobomvu) which they can utilise as SMMEs. However, the transport industry was exposed to a 'scrapping' system which was their means to finance their taxis. The scrapping system<sup>5</sup> is used by government where they would take the owner's old taxi and give him/her money. The money is aimed at helping the owner to buy a new taxi. Owners criticised this system, arguing that it is not good for them. They said that the money is used to pay a deposit for a new taxi and they are left with a big debt for that new taxi. They felt that the government indebted them as the money given for scrapped taxis was insufficient.

## **Taking risks**

When asked if they take risks in their business the owners said that the business itself is a risk. They mentioned that they sometimes price their products lower so that they can sell them easier, and this is risky for them as it might affect profits. They associate their business to risk. This could be as a result that they used their own money to start these businesses. For them this is risky because if the business fails they will lose the money invested into the business. This is the same money that they could have used for their

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<sup>5</sup> For more information about the scrapping system follow this link:  
[http://www.joburg.org.za/index.php?option=com\\_content&task=view&id=1325&Itemid=213](http://www.joburg.org.za/index.php?option=com_content&task=view&id=1325&Itemid=213)

personal needs, but instead they invested it in a business. The issue of disloyal employees was another concern as they might steal from the business. One owner in the transport industry mentioned that she is at risk because she gives her taxi to a driver who is a stranger. She then expects this driver to bring money at the end of the day. The other problem that owners saw as a risk was lack of cash flow. Businesses sometimes do not perform as expected by owners. This increases their risk propensity as employers have to pay the employees the expected monthly salary, even when the cash flow is not as expected.

When probed on the financial risk related to banks, 96 percent of them were not in favour of the idea. They had fears that they might not be able to pay back on time, and they also did not want to lose their properties. One owner mentioned that with the National Credit Regulator (NCR) they find it difficult to take financial risks. They also expressed that they would rather borrow money from government bodies instead of going to commercial banks. They thought these bodies might give them reasonable interest on lending.

## **Skills**

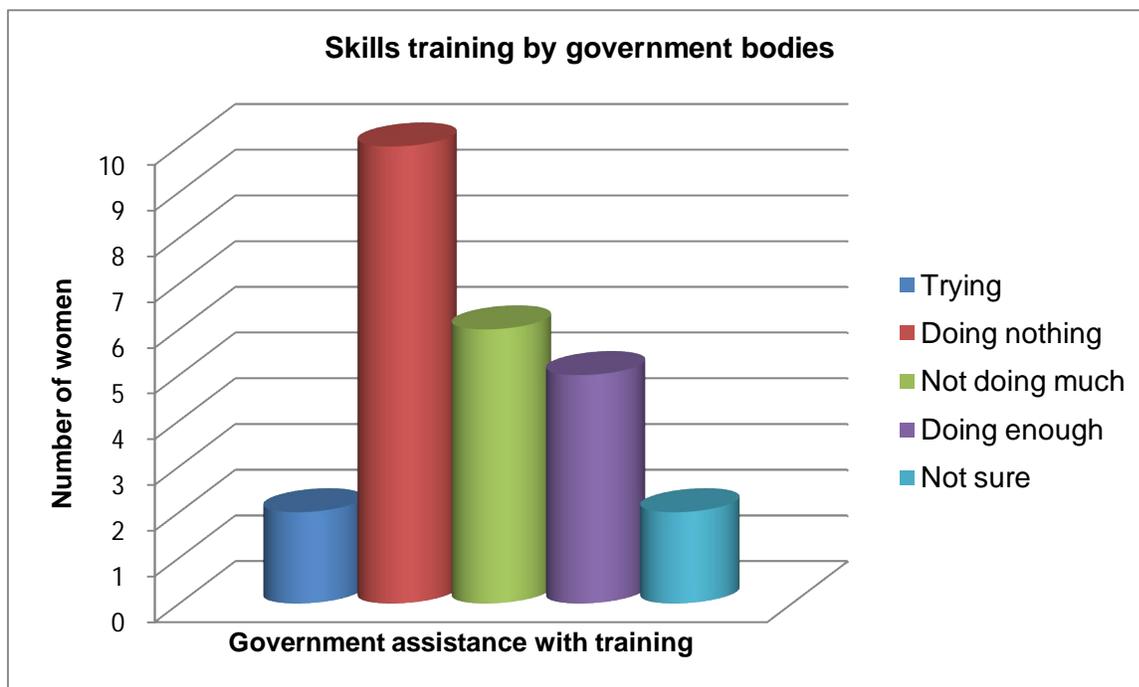
The importance of having skills in a business has been discussed in chapter 2 (section 2.5.8). This study has, however, discovered that educational qualifications do not necessarily mean that the owner of a business will have proper business skills. The findings in 2.4.3 states that lack of skills among SMMEs is a major problem, and this has been qualified by participants of this study. The results indicate that levels of skills differ across industries. Owners in the clothing manufacturing sector have formal skills of the work they are doing. They went to school to do designing courses. There are also some informal skills sharing that they are involved in. They stated that they do share and help each other on how to create and perfect new designs that are new in the market. However, lack of business skills such as recording stock, purchasing and marketing as indicated in 2.4.3 poses a challenge for them since the ones learnt in

school are not effective to keep them abreast in the business world. One owner said that they had no guidance on how to operate their business and that is why their growth is so slow. Anna's business has been registered for 8 years now and she runs it from an independent office where she is renting a room in a flat. She says that if they were guided, as women in business, they could have progressed. Women interviewed for this study were asked if they had formal managerial skills, and if they had experience regarding how to run a business. Eighty four percent of the participants said no. These owners learnt what they know about running a business whilst they were in their own businesses. They did not have formal managerial skills when they ventured into business.

It was also mentioned that the education system only taught them to finish their studies and look for jobs. It seems as if the entrepreneurial spirit was not encouraged in tertiary institutions. Upon finishing her design course, Nomhle immediately started a business. She said that her teacher was surprised of her bold move and thought that she was making a 'wrong move' about going into the clothing business. Most people she knew also feared that her business will fail. Her business is now 7 years old. Of the women interviewed, 16 percent admitted that they lacked financial management skills as most of the money generated from the business is being spent on household essentials instead of finding a balance of saving or reinvesting in the business. Lack of knowledge on how to manage finances was seen as a factor that can cause their businesses to fail. One owner indicated that they only know how to make money, but they lack knowledge on how to manage the business in general, and that they only plan for short term periods. They tend to ignore long term planning. Fifty six percent of these SMMEs mentioned that their marketing is normally conducted through word of mouth and referrals from existing customers. They, however, indicated that if they had enough money they would use other modes of marketing.

When asked about the government bodies' support in assisting SMMEs to obtain training for required skills (see annexure A, section 3 question 21) in their business, the

responses were mixed. Ten of the 26 participants felt that these government bodies are not doing anything to improve SMME's business required skills. One of the aforementioned 10 said that if these bodies wanted SMMEs to be successful in their businesses they would be concerned if they see an entrepreneur owning a Spaza shop for more than 10 years, as that shows lack of growth from that particular business. Only 2 women felt that the government bodies are trying, whilst 6 other women felt that there are a lot of improvements that these government bodies have to look at. The 5 women that did attend the skills and training workshops gave positive feedback about government bodies. However, 2 of the remaining women were not sure if these government bodies were doing anything at all for SMMEs. Such responses stress the problem of lack of information and not knowing where to access such non-financial assistance that can improve their skills, and the operation of their businesses.



**Figure 4.6 Perception on skills training by government bodies**

**(Own 2010)**

## Quality control

The participants were asked how they manage competition. They were also asked if they understand the importance of quality, and about the measures they follow to maintain quality. Similar to a discussion in 2.4.3, SMMEs' knowledge of their local markets assists them in competing with other businesses. The participants appeared to be handling competition effectively. In order to remain competitive, women-owned SMMEs build a strong customer basis, and they make sure that they keep their clients happy. They stressed the importance of producing quality work and working hard to achieve deadlines set with their customers. They also mentioned that in their collaboration network, especially women in manufacturing, they share tips on how to handle certain materials and how to ensure that the clothes they design are neat. This is what Pauline had to say about her work, "If I buy the material that is not right it will ruin the name of my company but if my client is happy about what I have sewed for them they will refer someone to me."

In annexure A, (section 3, question 9 and 10), SMMEs were asked about the quality of their products and service. In contrary to the findings in chapter 3 (section 3.3.3) where it is indicated that women lacked knowledge on the importance of creating quality goods, SMMEs interviewed in this study understand the importance of selling good quality goods to consumers. When SMMEs produce quality goods their products stand a good chance of marketing themselves. This also broadens their mode of marketing, as more people will notice the good product. Nomhle, a woman in clothes manufacturing, mentioned that she makes sure that she discusses quality with clients. "When my client comes to me with a design that will require expensive material which will affect the overall price of the product I tell them about other material that they can opt for or advise them of other designs that might fit what they have budgeted for." By discussing quality issues of the desired products helps to keep both the client and the designer pleased. Three of the owners in manufacturing mentioned that they advice clients on how to take care of the materials so that they can wear the product for as long

as they wish. They also believe that producing quality products assists in marketing the business itself. The use of trusted brands was another way of ensuring delivery of quality products. Women in the trading sector expressed that they use trusted brands so that their clients can be satisfied.

Women in the transport industry place stickers on the taxis with a number that the customers should call when they are not satisfied with the service. They also indicated that they talk to the drivers and rank marshals about the importance of treating customers well. One owner said that she frequently drives with the drivers to see how they handle customers. Since people cannot know everything, it was also mentioned that an entrepreneur should not show his/her weak points to the competitors. "You should try to hide your inabilities" says Tshepo.

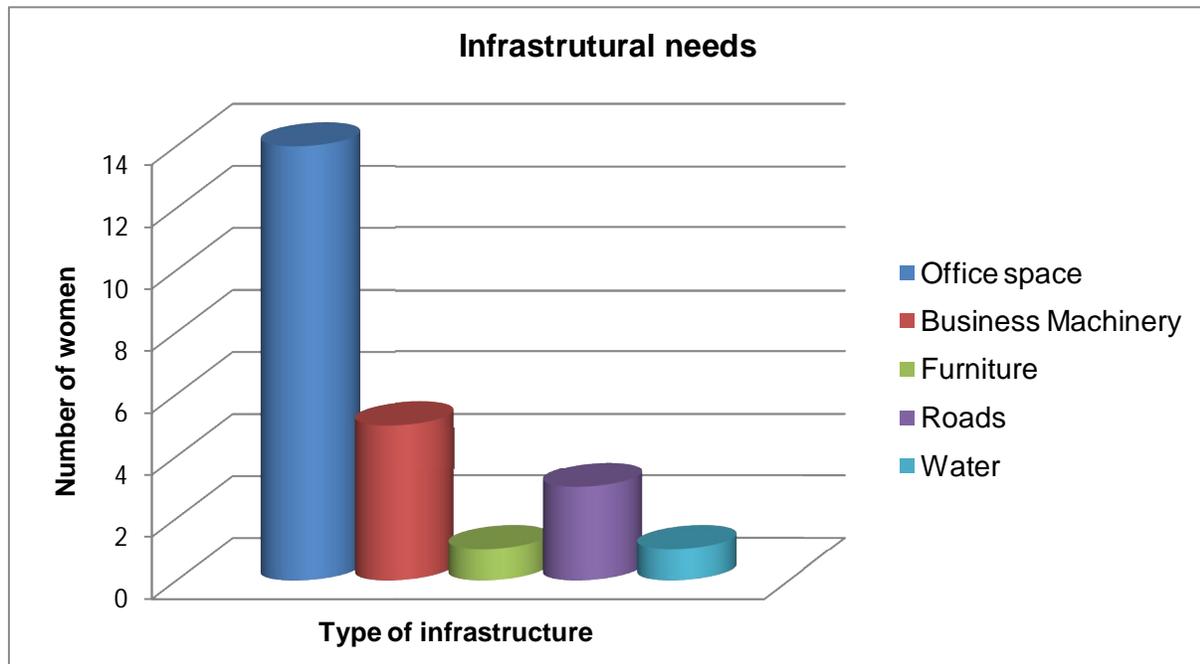
In the services industry some owners have a client report form where clients can rate the quality of service received and where it can be improved. Regular reporting was also another important form of making sure that they keep their clients satisfied. Those offering financial services indicated that they charge a reasonable interest and also advice clients to quickly finish paying the interest amount and repay the capital as soon as possible. Nurturing relationships with clients was raised as an important element to manage competition. This is ensured by being loyal to and communicating with clients. Some owners conduct research about their clients in order to know them well, offer them effective and fast services and sustain relationship with them. To maintain the standard of high quality services/products owners also make sure that employees are pleased and well cared for. In the services industry they are taken to training to be abreast with the skills required in the industry. They also ensure that they deliver on time to keep customers satisfied. Skilled people are also a priority when recruiting.

#### 4.4 INFRASTRUCTURE

Question 23 focused on the infrastructural challenges (see annexure A, section 3). Infrastructural challenges that women had were both internal and external. The internal ones which correspond to those raised in section 2.4.2 are business premises, telecommunication devices, machinery, and technological devices. The only external infrastructures that seemed to be a challenge for this particular group were roads and water. In section 2.4.2 and 3.4, electricity and transport were other challenges that were highlighted. These were not the case with the group of women interviewed in this study. Their infrastructural challenges ranged from a need for office space, especially for those that work from home and self-owned offices by those that were renting, to equipments and machinery. Due to the lack of infrastructure some end up outsourcing the work that they are able to do - which costs them more money compared to when they are doing it in-house. Lack of infrastructure inhibits a growth of their enterprises as other subsidiaries of the business are forced to stop if they cannot afford to fix damaged or broken equipments. One designer had a designing school where she trained students and later on hire some of them upon completion. However, she could not maintain the machines they were using due to lack of finance. Another designer also cited problems with machines which delay production. Their work required industrial machines, but owing to limited funds they cannot afford these. As a result domestic machines which cannot handle the level of work that requires industrial machines are, therefore, used to do the work. . This is why they would break down or stop functioning for a while.

Road infrastructure forms part of the list of the problems. Three women raised concerns about the roads. The problems with road infrastructure seemed not to affect all SMMEs, depending on the area where the business is based and operates. Those in the transport industry were satisfied with the roads, since the areas where their vehicles were travelling were well maintained areas. Only 1 owner from the transport industry, who was operating between Hammanskraal and Polokwane, had problems with roads. SMMEs in the services industry travel to various areas where some roads are good and others are bad. Elsie says "Roads are not good, we suffer from punctures". Grace, a

clothing designer from Hammanskraal, said they require water as access to such a necessity was a problem for their area. Roads and water were the main challenges for the Hammanskraal area. Figure 4.7 below illustrates infrastructural needs as indicated by the participants. Fourteen owners needed office premises where they can operate their business. Business machinery was required by 5 women, and 1 needed office furniture.



**Figure 4.7 Required infrastructures**  
(Own 2010)

#### 4.5 ICT INFRASTRUCTURES

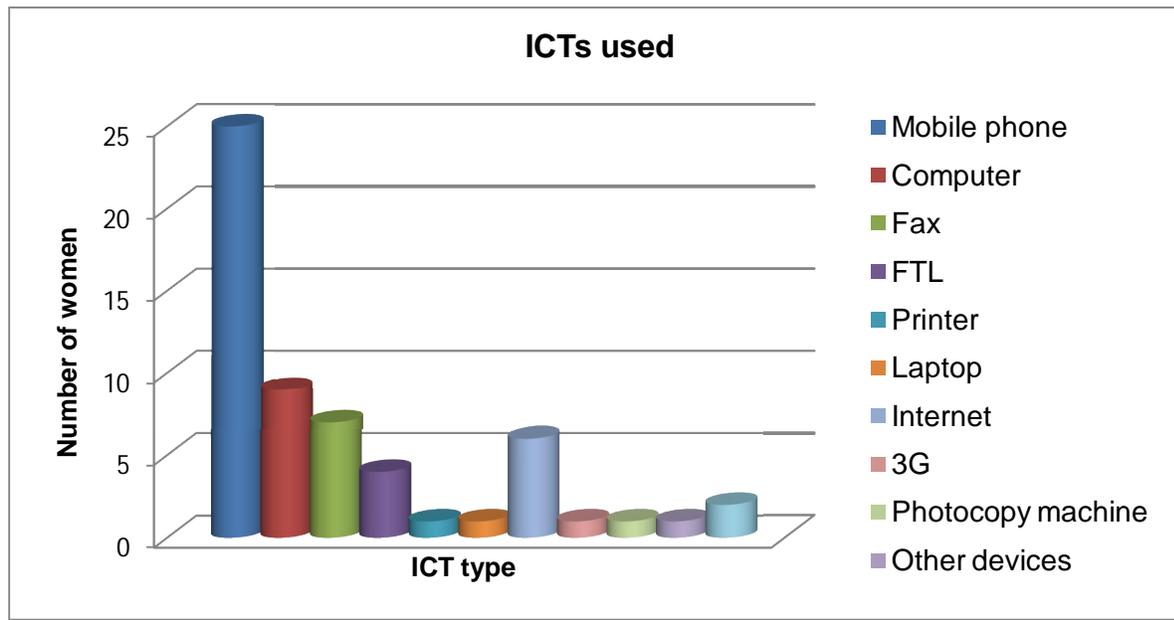
All women indicated an interest in using ICTs. As discussed in 3.4 these women also knew and understood how ICTs can support them. They, however, had constraints on accessing ICTs. Sixty percent of the owners cited finance as the main problem. Women in manufacturing stated that the computer is important to them as it can be used to design sketches that are prettier than the hand drawn ones. One owner said she heard of these functionalities from her children, and she wanted to experiment with them herself. Connie, an ICT device seller says that affordability is a problem because a

programme like Microsoft cannot run without a license, which she feels is expensive for her customers. She says she prefers Linux since it is free, but she cannot sell computers that are running Linux as most people find it difficult to use. "Microsoft is easy to use and the people love it but it is expensive," says Connie.

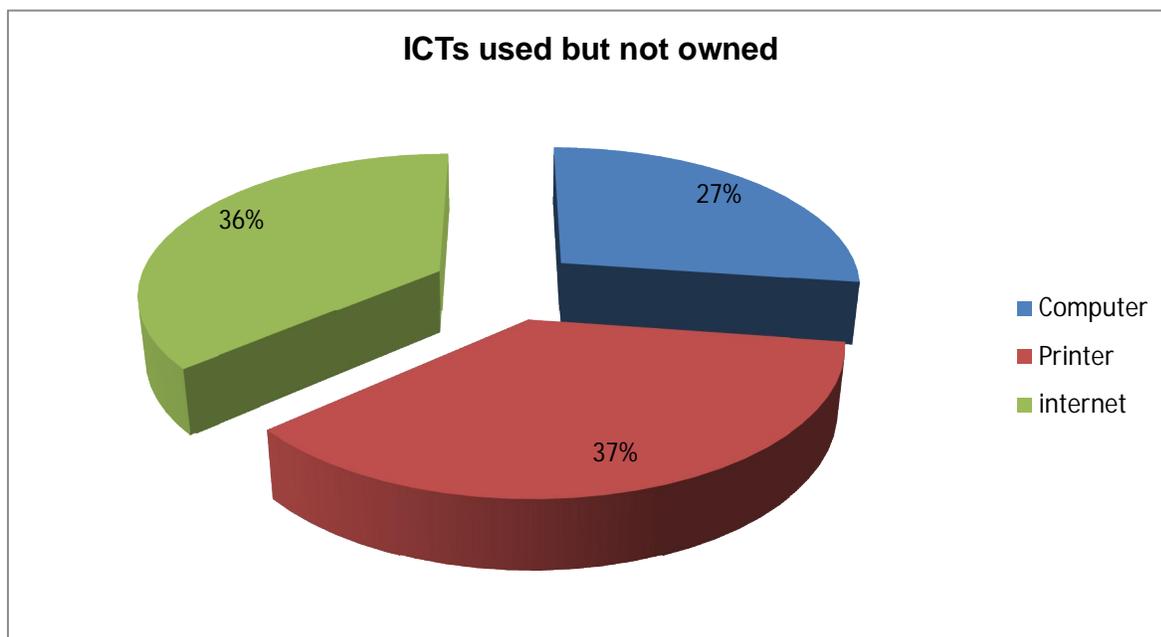
The cost of ICTs affects both the SMMEs and their clients. The high cost of mobile phone call charges was a concern for all women interviewed. One of the owners, a recruitment agent, is of the opinion that more service providers are needed to enable competitive prices. The mobile phone is an ICT device owned and used by all owners in the study. Moreover, Carol also stressed that most of her clients are still using paper. They are not yet used to using a computer to send copies of their curriculum vitae (CV) (also termed soft copies) to the hiring companies when applying for the job. Carol further explains that even if the clients were to fax the CV a copy to her e-mail, this method is expensive for clients. As a result it is difficult for her to receive some CVs, and this affects both the client and her business. Nine of the owners had access to computers, and 1 to a laptop. Of these 10 women, only 6 had access to the internet, and they were using it.

The reliability of network connections was also identified as a problem. According to the 2 women owners who were using the internet, connection to the internet is usually slow and affects speediness of the business on responding to clients. The other example that was given was related to e-mails that were not going through, and the owner said that she did not know what the problem was. For those who did not have ICT devices, they used internet cafés to access such devices. As stated in section 3.7 internet cafés are expensive. It was proven in this study that they are indeed costly. Internet cafés were also found to be expensive by those who did not have ICT devices available in their enterprises. Seven women wanted to use ICTs, and did not have access; specifically computers, printers, internet and e-mail. They indicated that they used internet café as their point of access. However, they complained that these internet cafés are expensive. Figure 4.8 indicates the ICTs that are owned by some women. Figure 4.9 indicates ICTs

that are used by some women although they do not own them. Owners also complained that some ICT devices are expensive. One owner gave an example of projectors, MS software, maintaining a website and linking e-mails from the website, as well as having an IT company to manage this task.



**Figure 4.8 ICTs owned**  
**(Own 2010)**



**Figure 4.9 ICTs used but not owned**  
**(Own 2010)**

Table 4.3 indicates the usage of general ICTs that the participants owned. The item listed at the bottom of the table is an ICT device used as a means to earn a living. This airtime machine is owned by Pretty who uses it to sell airtime and prepaid electricity to the community. This indicates how some women use ICTs to earn more money in their businesses.

### **Mobile phone usage**

The SMMEs appeared to be interested in the calling feature more than the others. When they were asked which feature they prefer between making a call and sending the SMS, making calls seemed to be more preferred over sending SMS. 73 percent opted for making calls (see Figure 4.10) saying that it allows them to receive a prompt response. Apparently customers do not always respond to the SMS, so it is better to call them. Five of the owners stressed that messages are passed quicker with voice call, than with SMS. SMSs were mainly used to remind customers of payments, fittings,

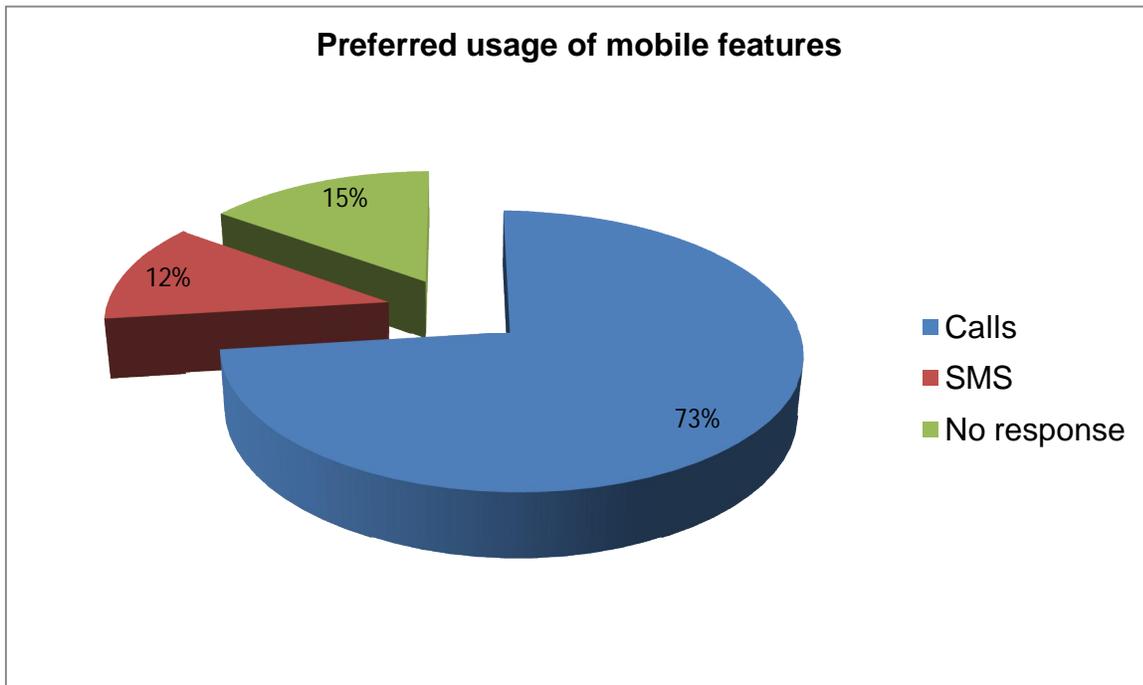
advertising and collection or delivery of products. According to Molly, “calls enable us to close deals urgently”. This stresses the delayed response that is associated with the SMS feature. Owners like Dora use an SMS to give a hint to the customer about what they have to discuss in order to counter the cost of making the call. “To lower costs I send an SMS first to explain so that when I call we can easily understand each other and not stay long on the call” says Dora.

Item	Usage
- Computer	Record sales, expenditure, stock recording, quotations, store information, financial recording
- Mobile phone	SMS for payment reminders and advertising, making and receiving calls, taking pictures, e-mail
- Fixed line	for faxes; tendering purposes; to allow e-mail connection
- Internet	Research, surfing the net, look for jobs
- Fax	send quotations
- E-mail	Advertising and communication
- Airtime machine	To sell airtime and electricity

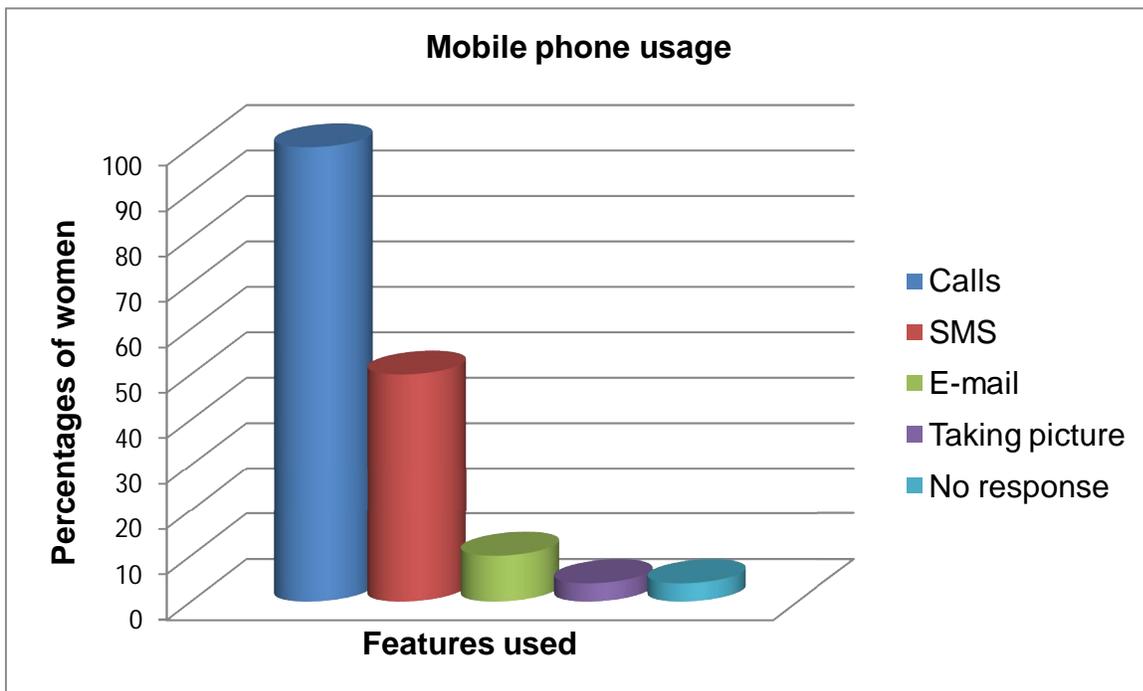
**Table 4.3 ICT usage**

**(Own 2010)**

Owners who used the SMS were doing that to avoid high costs associated with making a call. Of the 73 percent who preferred making calls, 1 owner did not know that SMS was cheaper than calling, but further stressed that calls are still better in that you get the required feedback quickly. Additional usages that were identified on mobile phones included sending and receiving of e-mails, as well as taking pictures with the mobile phone for business purposes (see Figure 4.11).



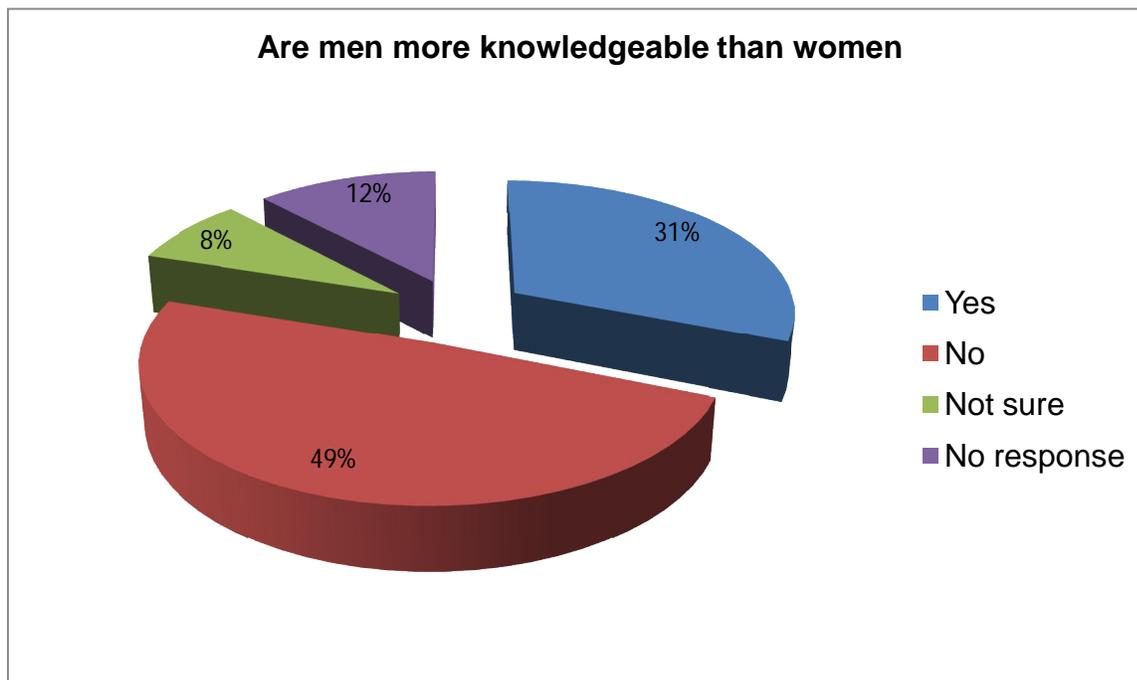
**Figure 4.10 Preferred usages of mobile phones**  
(Own 2010)



**Figure 4.11 Mobile phone usages**  
(Own 2010)

## Perceptions on usage

Women-owners were asked if they thought that their male counterparts had more knowledge about ICTs, and 49 percent said no. They were confident that they are as good as men and doing better than them. It was also mentioned that although they do not have access to most of the ICT devices, it does not mean that when they get access to such ICTs they will not be able to use them. There was, however, 31 percent that felt that men are better than them when coming to ICTs. Some of the reasons given were that men had more exposure to ICTs, and that as women they do not get relevant information about ICT infrastructures. They further stated that fellow women are not willing to impart knowledge on what they know, so they end up relying on men to teach them about ICTs. Eight percent were not sure if women knew better than men. The outstanding 12 percent did not answer the question. Results are summarised in Figure 4.12.



**Figure 4.12 Perception on knowledge about ICTs**  
(Own 2010)

## 4.6 GROWTH

In order to see if women were determined about their business and aspired to grow, they were asked if they thought their business would grow further in the next few years (see annexure A, section 3 question 12). They were also asked to describe the kind of growth that they envision about their business. It was evident that these women wanted their business to grow and do better than they were currently doing. For some, growth was more attached to the business itself, whilst for others it was attached to the well-being of their societies. They also had aspirations to trade globally. Table 4.4 indicates what the participants describe as growth for them.

### **Growth as defined by women-owned SMMEs**

- Selling in a ground floor setting where everyone can see my designs; sell in malls
- When I own an official accredited IT school and selling computers with their accessories; having an industrial office not far from home so that I will not have to travel far
- Having high customer base and bulk orders
- Doing the PET fibers
- Trading internationally
- Own a canteen with all logistic equipments belonging to me
- Having a boutique; her brand being known; open a design school
- Will have my own business premises; FTE with benefits; have a fleet of distribution vehicles and a depot
- Own office premises; leave a legacy for our children; grow the subsidiaries under the business
- Have trucks, buses and get projects
- A break even where I will be able to have more customers; enough cash flow and own a craft shop to sell collectables as well
- When each department is functioning independently with separate

accounts

- Own a big retail shop
- Sell properties abroad or appeal to foreign people so that they can buy properties in South Africa
- Have business premises where everyone can see it, with the name advertised
- Have my own industrial business premises. Have a confectionary
- Having all new taxis that are fully paid and money coming in every month. A fleet of taxis
- When I have a restaurant and supply external clients with food
- To be out of taxi ranking and do tourism related transport projects; have an office in industrial premises
- Have a centre for the abused and homeless
- Having at least 10 labourers and 8 that are good with machines; get weekly salary; have an industrial office
- Having my own office premises; have full time employees; to have branches in all 9 provinces
- Have four full time employees and a supermarket

#### **Table 4.4 Expected growth of women-owned SMMEs**

**(Own 2010)**

#### **4.7 FAMILY RESPONSIBILITIES**

The literature review (in sections 2.5.3 and 3.5) has cited family responsibilities as problematic for women entrepreneurs. To establish if the same concerns were affecting women in Pretoria a question was asked to find out if there were any challenges that they were facing that they felt were unique to women. The participants stated that they all had to pay attention to their gender prescribed roles. Whilst 65 percent of women had to do most of the household duties without any support from partners, 31 percent

expressed that they do get support from their partners. Of the 65 percent that had to attend to household duties without any support from their partners, 2 of them expressed that they are not comfortable with leaving all their household duties to their domestic workers. “Before going to business you must make sure that the children are fed, the house is clean and neat,” says Nitty.

The 31 percent with support from partners also had a domestic worker assisting with their household duties, except for one owner. Mahlogonolo says “I get my children and husband to assist with family chores; I also multitask a lot whereby when I am watching TV, I make sure that I am also peeling vegetables so that my household responsibilities do not become a burden.” Another 4 percent did not answer the question, see Figure 4.13.

Two women said that they have to neglect household duties due to business activities. One woman complained that she (sometimes) has to work long hours, and far away from home, which is not good for her family. Three women who were working from home did not like the setting. They expressed a need to have an industrial office somewhere far from home. Dora says “working from home does not give me enough time to rest as customers continue to come for my services even when I have knocked off; I do not have personal time.”

#### **4.8 ADDITIONAL CHALLENGES**

In order to understand challenges that might have not been asked in the questionnaire, SMMEs were asked if there was anything that was not addressed in the questionnaire. SMMEs expressed disappointments in the government and its supporting bodies that are supposed to look after their interests. They mentioned that the only time these bodies interact with them is when there is a workshop. They did not find these workshops helpful because the institutions which provide workshops to the SMMEs do

not organise follow ups to assess how these SMMEs are progressing. Another disturbing factor for SMMEs was that, in some cases, workshop facilitators who are sent by the supporting bodies cannot speak the language of the community that they are addressing. As a result SMMEs attend workshops without understanding the content, and the entire session becomes fruitless. The skills workshops that they normally present are not tailored for SMMEs. They do not class these SMMEs according to their size and industry so that they can address their challenges as per industry as well as SMMEs' level of growth. As a result most SMMEs do not see the importance of attending such meetings in future. There were SMMEs that have tried to seek assistance from these supporting bodies, especially financial assistance. They mentioned that when they raise concerns in workshops regarding the challenges they face when requesting for funds, their concerns are not taken into considerations. Dora said that "we were in a hall full of SMMEs and we requested that those that had been assisted by the government bodies should stand up so that they could see if some people were being assisted and there was no one to attest that they had received help from them." One owner also indicated that these government bodies are not using channels that can reach most SMMEs when advertising their services. Services are not published on TV and newspapers that are mostly read by these communities.

This is how Mary views the government bodies: "When you approach them for assistance they expect, from you, something in return. Some do not have a clue about what they do because you approach them looking for information but you find that they have no idea on what services their organisations offer. They always request for impossible documents or information and you end up giving up, they have a way of discouraging you."

One of the women who have used the services complained about the work being outsourced to private clients. The main concern was that if the service offered by the service provider, appointed by the supporting body, is not satisfactorily, the supporting body does not solve the issues raised. They do not even update the owner on how that

particular problem was solved. If government bodies contract service providers who are not doing a satisfactory job for SMMEs this will affect the relationship between SMMEs and government bodies. SMMEs will lose faith in these supporting bodies if they fail to put measures in place that will make sure that SMMEs receive effective service from the supporting bodies' service providers. This is what Dora had to say, "When you are not satisfied with the service that you received from their link and decide to approach them, they only tell you that they will handle that; but in the end it always turns out that you have just wasted your time and efforts by approaching them. I would like them to make follow-ups and monitor their service consultants."

Those that are involved in tendering had problems with unequal treatment they receive in tender briefings. "We are being intimidated by male colleagues who tell us that we would not get any tenders," says Molly. She also said that it becomes obvious that there is favouritism when the people who utter such statements of no confidence in women are the ones who are awarded the tenders. In addition, they think that as a woman she cannot manage construction work. Lack of support and encouragement from males can drive women away from businesses. It is required for women in those particular industries to support each other so that resilience can be built amongst women at the entry level. Two women indicated that they were once in a situation where officials in charge of granting tenders requested sexual favours from them. As a result they never won any tenders because they did not sleep with the officials who asked them for sex. One of the owners who managed to secure a tender complained that government takes time to pay them. As a result this affects the daily operation of the business as her employees do not receive their salaries in time.

Furthermore, compliance of SMMEs refers to their ability to pay their taxes to SARS. Some women had problems with this institution. One woman in the services industry was not impressed with SARS. This is Sandy's comment about SARS: "SARS needs to monitor their accountants as they cannot manage accounts effectively." She explained that SARS accountants have a tendency to send incorrect information, which is

misleading. Her other concern is that for SMMEs that cannot notice such flaws they might end up owing a significant amount of money to SARS due to the job that was not done properly by SARS employees. She further said that this creates more problems for SMMEs as they cannot access their tax clearance, and even worse, SARS officials are not even available for negotiating outstanding amounts that are not communicated to SMMEs.

Three women indicated that they need mentoring, which is one of the issues that they informed the government bodies about, but their call goes unheard. Kate has this to say about government bodies: “the door is open but there is a glass that you will hit and block you.” She has information about where to get funding and other business related support but states that those resources are not being disposable to SMMEs. Although supporting bodies state that they strive to offer financial and non-financial support to SMMEs, (DTI 2005: 4; DTI 2007: 12; SEDA 2007: 10) there are contradictions between SMMEs reports and their documents. Some of the SMMEs that had been to supporting bodies mentioned that the office bearers of these organisations do not offer them any assistance. Connie is a divorcee who, at one stage, went to one of the funding bodies, and she said that the consultant told her that she cannot obtain funds because she does not have a spouse. However, organisations such as the National Development Agency (NDA) do offer infrastructural support and mentoring to some women. Nomhle for example, was sponsored with industrial machines by the NDA. She is also receiving continued support from them and they have meetings with her regularly.

Customers themselves were found to be part of the challenges that women-owned SMMEs experienced. According to Connie, customers are also problematic because even if they can afford to pay cash they do not want to pay the full amount. Therefore, she introduced the lay-by system so that they could pay in instalments. To manage debts, Kate goes as far as faking lawyers’ letters to scare the customers as it is expensive to obtain real lawyers. They ended up paying after receiving the ‘attorney’s’ letter.

Three women owners operating in the townships stated that customers do not trust their products. They do not purchase the products which they sell in their local store. Instead, these customers travel to town to buy the same product. In Connie's experience this occurs especially if customers experience a 'hiccup' with one of the ICTs, for example when a printer is not working. They do not go to the seller to explain the problems they are having, but instead they make conclusions that the owner sells low quality products. Dora, a young woman, said that customers do not take her serious when she markets her products to them, and they seem to prefer someone older than her. They always think she is still new in business and she has no idea about what she is doing. However, when they see the clothes that she has designed their perceptions and attitudes change. She further states that she used to be 'soft' to the customers who were not paying deposits but now she has 'toughened up' and she gets her payments on time.

Also, crime is one of the most significant problems for women-owned SMMEs. They are scared of losing their hard earned money and other business properties. Molly reported that her laptop was stolen and now she has to save up to buy a new one. In other areas thieves attack customers, thus making the businesses in that area unprofitable as customers will be scared to go there.

A challenge of working with employees that were not registered was another concern. Lack of sufficient funds and resources were some of the problems that perpetuate problems like this. When the market is not doing well it is difficult for SMMEs to have goods which will enable a stable cash flow. Insufficient cash flow leads to SMMEs not having sufficient money to register their employees with the labour department. Some entrepreneurs cannot expand their customer base as exhibition centres closes down. This makes it difficult for craft traders like Mary to market their crafts. It was also mentioned that exhibitions that are still operating now do not suit their products and target market.

All of the 5 women in the transport industry felt that they are still marginalised as women, and men in the industry oppress them. Associations do not accommodate them in decision making, and they also do not give them equal opportunities. They mentioned that men were receiving tender opportunities whilst they were left out, especially with the recent FIFA 2010 projects. There is a feeling of not being accommodated by the transport industry.

#### **4.10 CONCLUSIONS**

This chapter presented results of the questions that were asked to women-owned SMMEs. The results indicated that the majority of women in this study were over the age of 40, contradicting the literature findings in section 2.5 which stated that most women entrepreneurs are under the age of 34. Their entrepreneurial activities were dominating in the services industry, confirming findings in section 2.5.6. These entrepreneurs either used it as a main business or a supporting one in case their main business is not functioning effectively. The age of the business did not in any way influence their level of growth. The influence of other issues such as background, education and age did not have a significant impact on how most of these women ran their business.

These SMMEs were different with regards to the issue of skills. The participants in the manufacturing industry had skills as they went to school for their profession. Business related skills were, however, a general problem except for those that had worked in the corporate sectors before starting their own businesses. Lack of knowledge on how to manage finances was also a problem that owners feared. They felt this could lead to their businesses failing.

The main infrastructural problems that they had were lack of business premises. There were concerns regarding road infrastructure. ICT infrastructure was a problem for those who did not have access at all. Some of the women who did not have some ICTs used internet cafes to access infrastructures they do not have. The mobile phone was the only devices that all participants owned and used mostly. However, lack of finance was cited as the main cause in not having all the ICT devices they required.

The participants were enthusiastic about their business and they gave various examples of how they see their business growth. They did not have problems with their gender roles of doing household duties. Some women did these duties with the support of their husbands and domestic workers, whilst the others did it on their own. Additional challenges that women had was lack of support from government supporting bodies and crime. The following chapter provides conclusions regarding the overall study and also the recommendations that will contribute to the sustainability of women-owned SMMEs.

## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This study focused on access to and usage of ICTs by women owned SMMEs. The research questions which guided the overall study were posed. A literature review was conducted in order to outline the characteristics of SMMEs and identify the challenges that inhibit women-owned SMMEs to use ICTs. Based on the results found in the literature a field study was conducted which attempted to establish the link between the literature results and what was transpiring in the enterprises of the women interviewed.

The primary objective of this study was to explore SMMEs owned by women in order to identify the challenges that they encounter in accessing and using ICT infrastructures. Secondary objectives included a literature study to provide theoretical framework for studying SMMEs within the development context and their general characteristics; identifying characteristics of SMMEs owned by women; identifying challenges that determine access to and usage of available ICT infrastructures by women-owned SMMEs in their businesses; and presenting a case study illustrating the challenges faced by women-owned SMMEs in Pretoria.

This chapter will provide an overview of the previous chapters and a summary of the findings resulting from the data analysis. This will be followed by a summary, conclusion, as well as recommendations.

#### **5.2 OVERVIEW OF THE CHAPTERS**

This section provides brief details of what was discussed in the chapters of this study.

### **5.2.1 Introduction and overview of the study**

Chapter 1 gave an introduction to, and overview of the research study. This was followed by an outline of the research problem as well as a statement of the primary and secondary objectives of the study. It also explained the research methodology applied to execute the study. The chapter was concluded with a brief theoretical background to introduce the topic.

### **5.2.2 Theoretical framework of the study**

Chapter 2 looked at SMMEs and their role in the country's economy, their characteristics and those of women in South Africa. SMMEs role was among other issues to assist in alleviating poverty. Developing countries were found to be suffering from poverty, compared to developed countries. Some areas in South Africa were also found to be stricken by poverty. Of those people faced with poverty, women were the mostly affected. By 2009 it was expected that 46 million people will be living in poverty due to the global economic crisis that took place in 2009. The gender role prescribed for women renders them vulnerable to poverty. Authors like Chen (2005: 37) call this concept 'feminisation of poverty' where women are extremely affected. Their roles do not grant them sufficient opportunities to be in the labour market. The state of poverty places people at a disadvantage. They cannot seek financial assistance to create their own business as FIs find these people risky. The SMME sector has, therefore, been identified as a sector that can employ poor people. It also assists in employing the people who are struggling to be absorbed into labour markets. Literature showed that 6 in 10 women participate in the informal sector of SMMEs. This indicates that if the informal SMMEs are legalised by registering with relevant authorities, the sector can make a difference in employment creation.

SMMEs are either defined based on variables such as a number of FTE, annual turnover, value of assets owned, capital investments, contribution to employment and so forth. Since SMMEs are defined differently in various countries. The definition used in this study has been derived from the Small Business Act of South Africa (SA 1995: 14) where it is defined as an enterprise with a minimum of 1 FTE and not more than 200 FTEs, regardless of their industrial affiliations. The turnover should be less than R50m and be legally registered with certain authorities, especially CIPRO. SMMEs are characterised by their formality, infrastructure, business operations, the owner, areas of trade, their size and employment contribution, business background and business. A mixture of all or some of the aforementioned elements characterises an SMME. Formality of SMMEs depends on whether they are registered or not. This will also determine if they are likely to receive financial assistance, when required. Non-formality, therefore, means that those SMMEs that are not registered have less chances of securing finance from FIs. The SMME sector has various industries which are regulated differently. Some SMMEs only require registration with CIPRO in order to be formal, whilst others have to register with other industry bodies. Industries such as services and transport are more regulated compared to industries like manufacturing.

Infrastructure is important in the SMME sector in that it influences their effectiveness. Availability of infrastructure enables the business operation of an SMME to operate effectively. Infrastructure in this chapter was defined into internal and external ones. The internal infrastructure refers to those that a particular enterprise requires internally, and the owner is the one responsible for securing them. The external refers to the ones required to support the internal operations and cannot be provided by the owner. They are controlled by the environment in which the business is located. Examples of internal infrastructure are business premises, machinery and technological devices. External infrastructures are roads, electricity, telecommunication coverage and so forth. In most cases internal infrastructure is dependent on external infrastructure for some of the infrastructure to work. Therefore, improvement and availability of external infrastructure is important to the sustainability of SMMEs.

It was discovered that what characterises SMMEs and LEs from each other is the business functions such as marketing, how they manage their human resources and finances. SMMEs do not have a structured way of operating a business. Functions such as human resources and marketing are, in most cases, taken care of by one person. Managerial skills were also found to be problematic for SMMEs. As a result their stock is not regularly recorded, which affects their sales and managing their finances. Attracting skilled personnel was also identified as a major challenge that SMMEs face. In some cases they found it difficult to retain the skilled workers due to limited funds. Access to information is critical for the success of SMMEs. However, research points out that SMMEs do not know where to access information required for their businesses. Some were not banking the money that they generated from their business. This in turn affected the way FIs view them. When SMMEs are not banked they are unlikely to receive funding from FIs since these institutions cannot access their financial records.

In attempting to describe an entrepreneur some researchers looked at where these entrepreneurs were coming from, what influenced them to venture into business and the influence education had on their businesses. Acs (2008: 17) believes that entrepreneurs are created at an institution level where students may decide to use the knowledge learned from institutions to either be employed in existing companies or create their own companies. This study, however, did not find the motivation to be wholly true since in most countries women were uneducated and they still participated in entrepreneurial activities. It was, therefore, concluded that for the basis of this research, entrepreneurs will be regarded as any individual that can identify a business opportunity, regardless of their education level.

The literature also indicated that in South Africa women-owned SMMEs were mostly owned by women less than 34 years old, with less education or no education at all. However, these women are involved in businesses that are overly populated as these

industries have been tested already. Reports show that women of all races are involved in entrepreneurship globally. Their motivation in doing business is, according to Orhan (2005: 4), based on pull and push factors. The pull factors are when someone sees an opportunity and personally decides to follow, whereas the push factors results from unpleasant circumstances from their current employer or not having formal employment. In addition to their entrepreneurial activities women also have family responsibilities to take care of. These responsibilities influenced their businesses in the roles they had to perform. Their responsibilities will either force them to conduct business whilst postponing other household and social responsibilities, or sacrifice their business. In as much as some people would hire a helper to assist with household duties, some women felt that this was not good enough. They needed to take lead in their maternal roles.

Whether an entrepreneur has conventional, domestic, innovative or radical beliefs or not, has an influence on the business. The conventional entrepreneur has high regard for both the entrepreneurial ideals and the gender roles. She will give equal commitment to both the business and roles required of her gender. The domestic entrepreneur will not give equal comment to gender roles and business. She will focus more on her gender roles than on the business. On the contrary, innovative entrepreneurs give more priority to the business than gender roles. The last group, which is radical entrepreneurs, has high regard on both gender and entrepreneurial activities. They question the roles dedicated to women and believe that businesses should be used to accumulate more money in order to advance the lives of marginalised women. Of the women owning enterprises in Pretoria it was found that a majority of them are not registered for VAT, which is another element of formality (see chapter 2, section 2.5.5). Their businesses were dominating in areas of service and trade industries. Their enterprises were mainly sole traders, and not contributing much to employment creation. It was also established that women do not have a solid business background. The lack of training on how to run a business raises challenges in managing their business. They, however, rely on women that started businesses before them to assist them when they face hurdles. The main challenge of sustaining and developing their business was said to be caused by lack of resources such as finance,

training, information and management skills. Challenges like these are the ones that result in women's participation being less than those of men. The ratio in South Africa for entrepreneurial activities by gender is 1.0 to 1.6, for women and men respectively.

Finance was identified as an important resource for SMMEs. With access to finance, people have the choice to respond to economic opportunities. Inadequacy of finance, therefore, leads to limited choices that impact negatively on socio-economic of women. There is a need for institutions like MFIs that can accommodate people without bank accounts or a financial track record. It was found that FIs do not cater for all SMMEs as their financial solutions do not fit the SMME sector. With a wider range of financial options some of the SMMEs problems can be solved.

### **5.2.3 Challenges in women-owned SMMEs**

Chapter 3 examined the challenges that women-owned SMMEs encounter, particularly with respect to technology. General challenges that were discussed included access to business finance and non-financial support services. Another challenge was the lack of marketing skills and securing reliable suppliers with competitive prices. Hiring skilled personnel was another challenge that affected SMME. Women's reluctance to apply for financial assistance was seen as another challenge which affected their business operations and growth.

Entrepreneurial challenges which included labour, regulations and quality control were identified. This was exacerbated by low literacy levels that most female entrepreneurs have. Their lack of education affects the way they manage their finances. The low literacy levels also affect these women's ability to market their businesses. The majority of them depend on governments' tenders, which requires knowledge on how to complete those tender documents. Failure to complete such a document and to attach relevant required accompanying documents correctly leads to the decline of tender

application. Furthermore, quality control of the services and products offered by SMMEs has an influence on the sustainability of these enterprises. From this chapter it was discovered that some women-owned SMMEs did not fully understand the importance of quality in their products and services. However, after training was given to some of the women regarding the importance of quality they did change their attitude and improved the quality of their products and services. This in turn increased their sales. Quality of services and products were also dependent on the availability of suppliers. This is something that can be improved with the availability of infrastructures such as roads and transport which allow entrepreneurs to choose from various suppliers. Unavailability of infrastructure may inhibit entrepreneurs from having different suppliers to choose from, as some may not be able to travel to the entrepreneurs' business premises if the roads are bad.

Infrastructural challenges that affect business operations of SMMEs may also affect SMMEs adoption and usage of ICTs. In this chapter it was identified that there are poor transport facilities and roads. Access to and use of ICTs is also reliant on the availability of electricity which is not well distributed in some areas in South Africa. Network points are another requirement for some ICT devices. Infrastructural development can, therefore, affect the way SMMEs respond to ICTs. The reports from the literature stated that unreliable network coverage is blamed for the telecommunication's breakdowns. These leads to users losing trust in these ICTs. The ICTs importance can, however, not be overlooked as they can assist in business operation of enterprises if they are working effectively. Access to ICTs, especially for the individual, further depends on the availability of social status, gender roles, and public services. The affluent, the poor and the middle class have different access levels and challenges. Gender also impacts on the level of access. The geographical area will determine the type of ICTs one has access to. The increase in the uptake in ICTs for the developing countries was found to be drastically lower than developed countries. This emerges as a result of infrastructural challenges experienced by developing countries.

The gender roles for some women require them to incorporate household and social responsibilities into their entrepreneurial activities. It was found that most of their money is spent on household necessities, therefore, making it difficult for them to invest in ICTs. The decision to incorporate ICTs into their businesses is also influenced by their culture. Culture requires women to conform to some behaviour or practices, which might not be good for business.

Access to finance will directly and indirectly affect access to and usage of ICTs. It has been discovered that women were more affected in terms of accessing finance. The reason is that they are in most cases reluctant to borrow funds from FIs. Women were not funded because they lacked a business track record. This is an important factor in banks providing loans. This emanated from the fact that most women's businesses were relatively new. The contradictions (on whether women do not get funding because of their household duties, limited knowledge, and inability to inherit or acquire land or property) that surfaced from the studies of Allen and Truman (1993: 23), the World Bank (2008: 25) and Watson (2006: 26) can only be clarified if literature on SMME financing is aggregated according to gender. The World Bank report states that women are not receiving financial assistance because funders cannot relate to women. In some instances they are dismissed if they do not bring a male partner for surety. Watson (2006:46) and Watson et al. (2009: 9), on the other hand, maintain that women do not apply for funding because they want to have full control over their businesses, which can be lost if they fail to repay their loans. Despite the reports that women are reliable borrowers, women prefer borrowing from family and friends.

ICTs are also depending on other infrastructures for them to be accessible. ICTs are reliant on the provision of electricity, telecommunications infrastructure, networks and so forth. The other challenge is physical access to ICT devices. The findings demonstrated that issues of access can be resolved when an SMME is able to use the applications of their devices for both social and business purposes. This was further discussed by looking at the introduction of ICT related courses for students at universities, and it was

found that policies need to be tailored in such a way that access will be equal irrespective of gender.

Access to ICT devices is dependent on two aspects, namely knowledge and affordability. A certain level of knowledge about which ICT devices exist and which functions they perform is essential. This should be translated into business activities. The second aspect is based on whether or not these devices will be affordable to SMMEs. These ICTs will, however, not be adopted if they are not well presented to SMMEs. SMMEs need to understand the relevance of such devices to their businesses, and how various applications can be used in this regard. It was noted that some women have perceptions that ICTs are not meant for them. As a result, this may hamper their adoption. Although telecentres provide an alternative access to SMMEs that cannot afford to acquire ICTs, they are not well distributed. They also have to serve more people than they could manage. As a result, women queued for this service, which has a negative impact on their already limited time.

It was emphasised that SMMEs will adopt ICTs only if they know how they can assist them in their businesses. Lack of knowledge on using ICTs has a huge impact. In areas where ICTs were not accepted it was because the communities viewed these devices as a threat rather than a tool that can assist them. Acceptance was also influenced by how children were raised. Children who had role models, parents or teachers who showed interest in ICTs were more like to have interest in ICTs too. Culture also played a role in the acceptance of ICTs. Children who were coming from backgrounds where ICTs were seen as male's domain were not interested in ICTs and careers in this field too. The use of English in websites was another factor that impacted negatively on acceptance of Internet in countries like China. The language barrier made it difficult for people to interact.

The commonly used ICT device is the mobile phone which is used to communicate with family and relatives. It also helps them to organise their social gatherings. The mobile phone calendar is used to set a reminder for meetings. Mobile phone kiosks are used as money transfer point where relatives send money from the cities and those that it is intended for then collect it with the voucher code from the kiosks. ICTs are also used because they reduce travelling costs and allow some SMMEs to reach foreign markets easily. The Internet is used by others for marketing their products.

#### **5.2.4 Data presentation and analysis**

Chapter 4 presented a case study of women-owned SMMEs in Pretoria by focusing on their profile, characteristics and family responsibilities. Attention was also paid to infrastructure, growth and general challenges.

Ninety five percent of this study's participants are educated and had at least a minimum of Grade 10 as their highest qualification. This discredits what is provided in the literature (section 2.5) where Maas and Herrington (2006: 42) states that the highest qualification that women have is an incomplete primary education. The services industry was popular in that most of the entrepreneurs who were in different industries had a services related business that they used as a backup when their preferred industries were not performing well. This indicates commitment to business activities by these women. Instead of looking for formal employment when their businesses are not doing well, they opt for making a living by getting involved in other SMME industries.

The decisions of the participants to venture into business were in most cases voluntarily. They wanted to be in business because they liked it and, they wanted to work for themselves. In chapter 2 (2.4.3) there are various reasons discussed that lead women to participate in businesses. Orhan's (2005: 4) push and pull factors are some of those motivations that prevailed in some of our participants. A pull factor is when an entrepreneur starts a business out of their own will. Most women in this study matches Orhan's pull factor category. There were only two incidences of the push factors where

one owner resigned from work due to unfair treatment, and the other started business due to unemployment. However, when looking at the profile of one of the owners you realise that she had business interests while growing up. As a child she used to volunteer to assist other business owners in her neighbourhood after school hours. When her first job did not work out well she did not look for another employment, instead she decided to start her own business. What was important about her previous job was that it gave her a 'push' into doing something that she liked since she was a child. She explained that the money that she started the business with was minimal but she managed to continue with the business which is still sustainable to date.

Interest in entrepreneurial activities dominated in this study. Although others grew up in families where there was exposure to business, with either their parents or close relatives owning some form of business, they were not influenced by these backgrounds. According to Barbie (2008: 416), patterns can assist in determining whether a particular behaviour is influenced by things such as background, age and education. The background, however, does not seem to have influenced this particular group. The only group that was to a certain extent influenced by the family background were those in the transport industry. They had been influenced by their husbands, and/or had to take over when their husbands died. Types of entrepreneurs as listed by Goffee and Scase (1985: 54) in chapter 2 (2.4.4) were also identified in the case study. Interestingly, all the women matched the conventional entrepreneur type. They accepted their gender roles as it was. They either had to do everything on their own, or have the domestic worker or family members assist them with their chores when business demands are high. The embracing of the gender roles could be as a result of their age group, as 81 percent of these women are over 40 years. With only 19 percent of the participants under the age of 40, it cannot be assumed that the younger generation is conventional.

The distribution by sector of the participants in this study was overrepresented in the services industry. The database that the researcher extracted the participants of the

case study from had all industries. However, the people contacted in other industries except the services and manufacturing, were either unavailable or were no longer in business. The researcher was, therefore, left with more people coming from the services industry. This is consistent with what was discussed in chapter 2, (section 2.5.6) that most women entrepreneurs are in the services industry. The services industry is seen as the industry that can still bring in income, even when the economic situation is poor. Some of the participants who were in the other industries felt that they were not doing quite well, and were thinking of doing a parallel business in the services industry in order to survive.

The age of an enterprise did not have any effect on the performance and growth of a business. There were businesses that were more than 10 years and made less turnover, compared to some that were younger than 5 years. The confidence of the owners with regards to the use of ICTs differed on a personal level. There were highly educated (above matric) participants who still maintained that men are better than women. One pattern that seemed to be influenced by educational level was the recording of turnover. Those with the highest educational level were found to be recording their turnover. Those with lower educational levels had no interest on recording their turnovers.

The element of risk is feared by the participants. They are not keen to approach financial institutions, particularly banks, to request finances for their business. They are more comfortable with the option of lending money from friends and relatives than to approach a bank. There is an interest in using government supporting bodies that could offer financial assistance at lower interest rates. Investment in ICTs is unachievable for those that do not have access, as they do not generate enough profits to cover extra needs. The economic downturn had a significant effect in their 2009 sales, and investment into ICTs was last on the list of things they have to do.

There are challenges which inhibit women's access to ICTs. In as much as the challenges that exist are not only affecting women, the participants expressed that their level of access is not equal to their male counterparts. Lack of access to ICT finance was pointed out in many instances as a significant inhibitor. What perpetuated the gap in access amongst women and men was the level of exposure. With the majority of women (49 percent) believing that men do not know ICTs better than them, there was a general consensus that men are more exposed compared to them. The reason for this was that women joined the business later than men, and started learning on their own, whilst these men had been in the business arena for a longer period. The type of prior employment also had an effect on their exposure to ICTs. Another point of concern is access to information. Finance in itself cannot be deemed as the main cause of lack of access to ICTs, as the majority of these women do not know where to go when they need information. SMMEs that were exposed to information on where and how to apply for grants that could assist them in acquiring equipments, for example, stand a better chance to spend their profits on buying ICT devices needed for their business. Lack of access to information about government bodies that could provide financial support and non-financial support leaves SMMEs with limited options to access ICTs. Non-financial support such as vouchers to buy equipment and marketing material and assistance on how to do costing may impact positively in the daily operations of SMMEs.

The results of this study reveal that the main challenge in accessing ICTs is caused by lack of finances. Lack of access to finance is, however, not unique to women as men can have the same challenges. The uniqueness is based on the way women's profits are spent. Women tend to spend their money on the household and family needs. Some of these women do not have time to visit institutions that can offer them information on how to get assistance in financing their businesses. Others have tried to visit these institutions but they could not be assisted as some of these supporting bodies were not willing to help them. In most responses it was mentioned that the supporting bodies discourage them. For those that were not married they were told that if they had a spouse they would qualify for lending, whilst those who were married were told to bring 10 percent of the loan money. Others required documents that SMMEs did not know

how to access. Generally, most of the government's supporting bodies were not willing to offer assistance to SMMEs.

### **5.3 SUMMARY AND CONCLUSIONS**

This study aimed at investigating the challenges faced by women-owned SMMEs in Pretoria in accessing and using information and communication technologies. It is clear from the study that the main challenges experienced by these women have to do with firstly; entrepreneurial challenges like the registration process, funding, skills, labour, regulations, and quality control; secondly, infrastructural challenges which include internal infrastructure like business premises, telecommunication and technological devices, machinery and external infrastructures like roads and water; and thirdly, ICT specific infrastructural challenges which impacted negatively on their access to and use of ICTs in managing, operating, sustaining and expanding their businesses. Additional challenges were also identified and they included lack of support from government and other relevant bodies as well as challenges experienced in tendering processes. The need for mentoring also surfaced as an important issue that should be addressed. However, two issues came to the front that can be regarded as the most important contributing factors to the challenges experienced by women-owned SMMEs in Pretoria; that is the lack of finances and gender inequality. Access to and availability of financial resources affects the access and usage of ICTs by women-owned SMMEs and plays a significant role in the establishment and growth of SMMEs by women. The triple role that women fulfil in their households and society also impact negatively on their business ventures and income generating activities. In light of the results of this study it is recommended that a study with a larger sample of women-owned SMMEs is executed in order to analyse the challenges experienced by women-owned SMMEs with specific emphasis on gender equality and the access and use of ICTs. The following aspects are also important and they justify further research on this topic:

1. In order to understand how the entrepreneurial and SMME landscape is changing in terms of abiding with gender roles, a study with a larger sample of

young entrepreneurs is required to examine the differences in light of the results of this study.

2. The nature of this study's sample is small because it only aimed to understand the challenges that women face. A follow up research is required that should be quantitative in nature, so that all the identified challenges can be explored to assess if they affect many women, especially across other provinces.
3. There is a need for policy workers to compile documents that would assist the government in auditing its supporting bodies that are tasked to assist SMMEs. This will improve the visibility of these supporting bodies, and SMMEs will be able to receive support so that their businesses can remain sustainable and grow.
4. Infrastructural support is also required from government to enable SMMEs to access ICTs that can improve their business operations.

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**ANNEXURE A: SURVEY QUESTIONNAIRE**

**Section 1: Demographic questions**

1. Age of the owner

16- 20 years	
21- 30 years	
31- 40 years	
41- 50 years	
51- 60 years	
Over 60 years	

2. Where is your business operating?

-----

3. What is your highest educational level?

-----

4. Marital status?

-----

5. Do you have children?

-----

**Section 2: Business Profile**

1. Name of Business

-----

2. The nature of the business (*what kind of service are you offering*)

-----

3. In which sector is your business (*e.g. construction, services and etc.*)

-----

4. How old is your business?

0- 2 years	
3- 5 years	
6- 9 years	
More than 10 years	

5. Fill in your business address (*if you run it form home, please specify*)

-----

-----  
-----  
-----

6. Your contact details

Cell: -----

Tell: -----

7. How much is your monthly turnover?

-----

8. Is your business registered? *(if not, go to question 11)*

-----

9. Where is your company registered?

CIPRO	
Labour authorities	
Tax authorities	

other	
-------	--

(If other, please specify) -----

10. What type of legal entity is it?

Sole proprietor	
Company	
Closed cooperation	
other	

(If other, please specify) -----

11. Why is your company not registered?

-----

-----

12. How many full time employees do you have?

-----

13. How many contract employees do you have?

-----

### Section 3: Operational

1. Did your parents or anyone in your relatives own a business?
2. Does that influence your business career?
3. Do you have formal managerial skills?
4. Did you have any experience in running a business prior to starting your own business?
5. Are there any SMMEs that inspire you to stay in business?
6. As a manager/owner do you transfer the business knowledge that you have to your staff members?
7. Do you share your knowledge with other SMMEs?
8. How do you manage competition?
9. Do you know how important is the quality of your service/product?
10. What measures do you take to maintain and produce quality service?
11. Do you see your business growing further than this?
12. In your personal opinion what is growth?
13. Do you think your business is contributing to the community, how?
14. Would you expand your business to cater for global markets?
15. How often do you take risks for your business?
16. Do you know of government funding organisations?
17. How do you finance your business?
18. Are you happy with the service you are receiving from the FIs?
19. Would you consider using the bank or other funding institutions in future?
20. Do you know where to go if you need non-financial support?
21. Do you think that supporting structures are doing enough in assisting you your improve skills?
22. Are there any specific infrastructure problems that you are having?
23. Which ICT infrastructures do have in your business?
24. Do you have information on what ICT infrastructures will improve your daily operations?

25. How often do you use them for business purposes?
26. Please explain which ICT do you for a specific purpose and why?
27. What are the ICT infrastructures that you do not have in your business and feel that it is important for you to have?
28. How do you access ICTs?
29. What are the challenges that you face when accessing ICTs?
30. Which ICTs are you not comfortable to use and why?
31. Do you think that your male competitors are more knowledgeable in ICT infrastructures as compared to you?
32. Why do you think so?
33. What are the other challenges that you are facing in business that are unique to you as a woman?
34. What are other challenges that you are facing in your business that have not been addressed in our discussion?
35. If your business were to fail or discontinue, what do you think would be the cause?

## **ANNEXURE B: INFORMED CONSENT LETTER**

I hereby confirm that I have been adequately informed by the researcher about the nature, conduct and benefits of the study. I have also received, read and understood the above written information. I am aware that the results of the study, including personal details regarding my age, business profile and educational level will be anonymously processed into a research report. I understand that my participation is voluntary and that I may, at any stage without prejudice, withdraw my consent and participation in the study. I had sufficient opportunity to ask questions and out of my free will, declare myself prepared to participate in the study.

Research participant's name: \_\_\_\_\_(please print)

Research participant's signature: \_\_\_\_\_

Date: \_\_\_\_\_

Researcher's name: \_\_\_\_\_(please print)

Research participant's signature: \_\_\_\_\_

Date: \_\_\_\_\_

**ACCESSING AND USING INFORMATION AND COMMUNICATION  
TECHNOLOGIES BY WOMEN-OWNED SMMEs IN PRETORIA, SOUTH  
AFRICA**

**by**

**FLORAH SEWELA MODIBA**

**STUDENT NUMBER: 33428212**

**Submitted in accordance with the requirements for the degree of**

**MASTER OF ARTS**

**in the subject**

**ENGLISH**

**at the**

**UNIVERSITY OF SOUTH AFRICA**

**SUPERVISOR: Dr DA KOTZE**

**November 2010**

## DECLARATION

I, Florah Sewela Modiba, declare that ACCESSING AND USING INFORMATION AND COMMUNICATION TECHNOLOGIES BY WOMEN-OWNED SMMEs IN PRETORIA is my own work and that all the sources that I have quoted have been indicated and acknowledged by means of complete references.

---

Signature

(Ms FS Modiba)

---

Date

## **ABSTRACT**

SMMEs contribute to socio-economic development, and play a critical role in reducing unemployment. Information and communication technology infrastructures (ICTs) impacts on the establishment, growth, and success of SMMEs and also on how enterprises manage their operational activities. This study was conducted in Pretoria, South Africa, in Gauteng province, with the objective to study SMMEs owned by women in order to identify the challenges they encounter in accessing and using ICT infrastructures. The researcher addressed issues related to ICTs in general, and then assessed the challenges preventing business owners from accessing and using ICT infrastructures in order to improve their operational capabilities. A qualitative research methodology which included explorative and descriptive approaches was used. The findings of the study revealed the following challenges which women experience in their businesses: entrepreneurial challenges, infrastructure, ICTs, family responsibilities, support from government and other relevant bodies, lack of mentoring, financial and gender inequality.

Keywords: SMMEs, Women, ICTs, Access, Usage, Pretoria, South Africa

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## LIST OF ACRONYMS

ICTs – Information and communication technologies

SMMEs – Small medium and micro enterprises

LEs – Large enterprises

FTEs – Full time employees

CIPRO – Companies and Intellectual Property Registration Office

GEP – Gauteng Entrepreneurial Propeller

COT – City of Tshwane

GDP – Gross Domestic Product

SARS – South African Revenue Services

VAT – Value added tax

FIs – Financial institutions

CD-Rom – Compact Disc –Read-Only Memory

OECD – Organisation for Economic Co-operation and Development

FTL – Fixed telephone line

SMS – Short messaging service

E-mail – Electronic mail

IT – Information technology

MS – Microsoft

CV – Curriculum vitae

# CHAPTER 1

## INTRODUCTION AND OVERVIEW OF THE STUDY

### 1.1 INTRODUCTION

The importance of small, medium and micro enterprises (SMMEs) is cited in the literature, including government's policies, reports and guideline documents. SMMEs have been identified as businesses that can improve the socio-economic conditions of their countries. According to the United Nations (2009: 18), most women in developing countries have, for long, suffered the plight of working in jobs that are underpaying or in unpaid domestic jobs. It is said that SMMEs can assist in achieving parity in terms of economic redistribution and giving women a chance to contribute to economic growth (Lee 2004: 10; SEDA 2007: 35 & 36). There are, however, challenges that women face that limit their full participation in business and ICTs. There are socio-cultural factors that prescribe gender roles which only allow women to do household activities and discourage them from being technically oriented (Bridges.org 2005: 8; Fischer et al. 2006: 43). This limits women in experimenting with ICTs. Based on the social exclusions that exist, there is, therefore, a lack of use of new technologies in the sectors where women entrepreneurs are operating (Maas & Herrington 2006: 49).

This study explores the SMMEs owned by women in Pretoria. Since there are numerous challenges that are affecting SMMEs including those of finance, this study focuses specifically on access to information and communication technology. The aim is to understand the challenges that women encounter in accessing and using ICTs in their businesses. This was conducted by setting an objective that aimed at studying SMMEs owned by women in Pretoria, South Africa, in order to identify the challenges that they encounter in accessing and using ICT infrastructures.

This chapter will provide the background to the research problem which will be followed by the research problem of the study. Aims and objectives of the study will also be presented, followed by the description of the study's scope. Research methodology will be discussed, including limitations, and validity and reliability which will take us to the background to the research topic. This will be followed by the outline of chapters and the conclusion.

## **1.2 BACKGROUND TO RESEARCH PROBLEM**

SMMEs are playing a critical role, both locally and globally, in facilitating socio-economic growth by absorbing the labour force and penetrating niche markets. These enterprises are small ventures that perform their activities across various sectors such as services, construction, retail and so forth, and hence providing employment for themselves and fellow citizens. They are either formal (i.e. registered to operate, registered for tax and also with certain bodies in their sector) or informal (not registered at all) in nature. However, compliance of SMMEs, in most cases, is dependent on the type of sector in which they operate. For example, the financial services and construction sectors in South Africa are highly regulated, in comparison with manufacturing and other sectors. SMMEs are dynamic in nature because they vary in size, structure and level of formalisation.

South Africa, as an emerging economy, witnessed the birth of democracy in the face of economic inequality, i.e. unemployment and under-employment, limited participation of blacks in economic activities, and a neglected SMME sector (SA 1995: 18). In terms of addressing the redistribution of wealth and providing a sense of economic balance, the South African government regards SMMEs as a force with which to achieve their objectives. In 2007 SMME growth increased to more than 2, 8 million, and constituted 30 to 40 percent of the employment rate. Their growth has contributed between 27 and 34 percent to the GDP of the country (SEDA 2007: 12). This indicates a positive economic contribution by SMMEs.

Participation in SMME activities does not, however, mean that women entrepreneurs can initiate businesses at any time and flourish from the onset. Their prolonged participation can only be achieved if these SMMEs receive appropriate support for their operations. This sector has its own challenges. The main problem identified is that of accessing information about where and how to obtain specific resources (Juma 2003: 28). Access to information is the most important resource for an SMME as it enables the entrepreneur to access other resources such as finance, skills training and technological infrastructures. Some challenges will affect women differently as compared to their male counterparts. Women are not only struggling to be on par with men with regard to penetrating the SMME sector (Foxcroft et al. 2002: 30), but they are also on the edge of the digital divide. When looking at the level of access to ICTs, one should not overlook the trend that exists whereby already privileged people are able to acquire and use technology effectively, while the underprivileged are lagging behind (Bridges.org 2005: 8). Research further reveals that in some countries, women are still prevented from using technology as a result of socio-cultural mindsets that still exist (Bridges.org 2005: 8). It could also be as a result of this that they do not possess relevant skills to operate such technologies. One should also note that access to ICTs will affect developed countries and emerging economies (EEs) differently. According to Juma (2003: 16), developed countries do not generally have problems of physical access, in comparison to EEs. EEs will struggle with both physical access to ICT infrastructures and operational knowledge thereof.

Another challenge that women face is access to financial resources, which might hamper them from investing in ICT infrastructures. Most women were found to be relying on personal funding or money borrowed from family and friends rather than approaching financial institutions (Isakova et al. 2006: 34). It is in line with the aforementioned challenges that the researcher seeks to undertake this study in order to investigate the challenges that women, who own SMMEs in Pretoria, face in accessing and using ICT infrastructures.

### 1.3 RESEARCH PROBLEM

The contribution of SMMEs to economic development has been widely acknowledged. This calls for more participation by women in the sector so that they can play a role in socio-economic development and also increase their empowerment. Women's roles should not be restricted to the domestic sphere as prescribed by socio-cultural norms, but should expand to the economic sphere as well. However, in as much as both women and men face challenges in accessing resources, women's challenges are to a certain extent militated by socio-cultural conditions (Maas & Herrington 2006: 40). A variety of challenges are faced by women entrepreneurs in their business operations including legal accreditation, lack of financial assistance, and a lack of skills and access to ICT infrastructures (Lee 2004: 2 & 8; Maas & Herrington 2006: 15). The challenges of access to finance, information and ICT infrastructures will affect women differently than their male counterparts. This is reflected by Juma (2003: 15), who states that although women's usage of the Internet is increasing significantly, women and girls are using it less and in different ways than men. This limits their overall access to online information and other services. A lack of knowledge about how to operate these technologies and a lack of understanding about how they can improve their business performance (Bridges.org 2005: 6) is likely to be the reason why women are not using ICTs like men do. In this light, the researcher intends to identify the main problem of this research, which is:

What are the challenges faced by women-owned SMMEs in Pretoria in terms of accessing and using ICT infrastructures in their businesses?

Relating to the aforementioned problem are the following:

- What are the characteristics of SMMEs owned by Women?
- What are the challenges faced by SMMEs owned by women with regards to access and usage of ICT infrastructures?
- What are the challenges faced by women-owned SMMEs in Pretoria?

## **1.4 AIMS AND OBJECTIVES OF THE STUDY**

In order to address the research problem of this study the primary objective is to study SMMEs owned by women in Pretoria in order to identify the challenges that they encounter in accessing and using ICT infrastructures. In order to achieve the primary objective the following secondary objectives are set:

1. to provide theoretical framework for studying SMMEs within the development context and their general characteristics;
2. to identify characteristics of SMMEs owned by women;
3. to identify challenges that determine access to and usage of available ICT infrastructures by women-owned SMMEs in their businesses; and
4. to present a case study illustrating the challenges faced by women-owned SMMEs in Pretoria.

## **1.5 SCOPE OF THE DISSERTATION**

This study was conducted in Pretoria, South Africa, within the Gauteng province, and focused on SMMEs owned by women. The researcher addressed issues related to ICTs in general, and then assessed the challenges preventing business owners from accessing and using ICT infrastructures in order to improve their operational capabilities.

## **1.6 RESEARCH METHODOLOGY**

In order to address the research problem as set out in section 1.3 and to achieve the primary and secondary objectives of the study, a qualitative research methodology was followed. Explorative and descriptive approaches were followed in order to understand and discover the challenges faced by women-owned SMMEs. Qualitative research methods that were undertaken included a literature review and interviews with owners of SMMEs in Pretoria. A literature review refers to studying and analysing existing data

which has been gathered by other researchers. According to Babbie (2011: 95) (2011 edition already available in 2010), literature review assists in reviewing the designs of previous studies, what has been learned on the topic by past researchers, and identifying gaps and inconsistencies among existing findings.

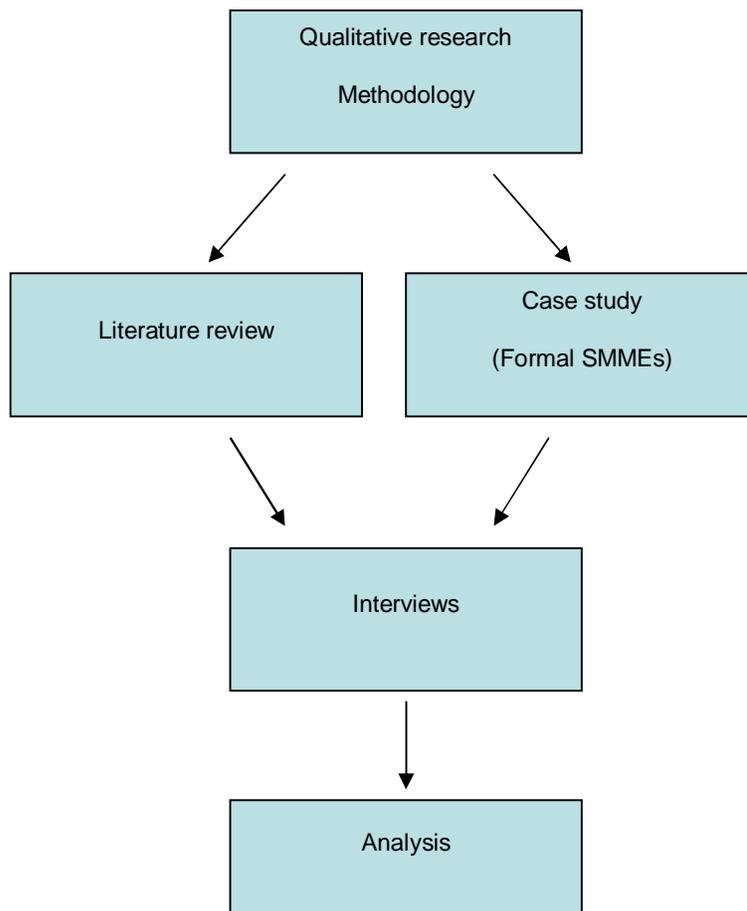
The research design illustrated in Figure 1.1 indicates how the research was conducted. The research was conducted by firstly reviewing the literature on the subject of SMMEs, women entrepreneurs and ICTs. Upon completion of the literature review, challenges were noted and were included in the questionnaire that was designed to conduct field research (see annexure A). A sample was selected which formed part of the case study of Pretoria. The qualitative research method helped in identifying and describing the challenges that women face and enabled the researcher to identify associations that existed among the variables selected (Cooper 2006: 151). This method also assisted in identifying and exploring other challenges that the participants experienced which were not mentioned in the reviewed literature.

The sampling procedure, data collection and other research related issues such as ethics and limitation are discussed in the subsections below.

### **1.6.1 Sampling**

This research focused on a case study of women who own SMMEs in Pretoria. The City of Tshwane Municipality was approached and they gave the researcher permission to use their SMME database. Non-probability sampling was used to select a sample. The sampling procedure was purposive in that the participants were selected based on their size and sector (Cooper 2006: 203). The 4 sectors that were ranked the highest in terms of their contribution to the GDP were identified. In the sectors that were covered, the manufacturing sector was represented by 6 participants, services sector had 10 participants, trade sector had 5 participants and transport sector also had 5 participants. A total of twenty six (26) women were selected from the Municipality's database. The intentions of the researcher were to interview ten (10) participants in each sector and

send questionnaires to additional 10 respondents in each sector (40 in total). However, challenges were experienced regarding time constraints and reaching the identified 40 participants. The main reason for this was the fact that participants were not willing to participate in the study because of time constraints. Due to this time constraint and unavailability of most entrepreneurs, it was decided to only do in-depth interviews with the 26 participants as explained above. Of the 10 participants identified in each sector to conduct interviews with, it was only the services sector that fully participated.



**Figure 1.1 Research Methodology design**  
(Own 2010)

### **1.6.2 Data collection**

Data was collected in the form of interviews using structured questionnaires with open ended questions. Cooper (2006: 207) advises that in interviews, one should use a guiding structured questionnaire in order to ensure that participants are asked similar questions. Moreover, the use of questionnaires also assists in maintaining the order of questions and the manner in which they should be asked. The researcher conducted individual in-depth interviews with participants. The decision to use this method was because with the interviews, the researcher is able to probe more questions. For example, if a participant is asked a question with a 'yes or no' answer, it is easier for the interviewer to immediately pose a follow-up question. This is not possible in self-administrated questionnaire. The interviews were recorded on digital recorder and notes were also taken. The field work was conducted from 3 December 2009 to February 2010. The data was transcribed and captured by the researcher in order to ensure that everything was written as presented on the notes taken and recordings. See annexure A for the questionnaire. The observation method was also used to record participants' reactions and the environments where their businesses operate. Babbie (2011: 287) contends that it is possible to go to the social phenomenon that is being studied to observe it in order to gain a deeper and fuller understanding of this subject. Moreover, direct observation enables the researcher to observe subtle communications and other events that might not be anticipated or measured otherwise (Babbie 2008: 326).

### **1.6.3 Ethics**

This study involves people and it was required that before the data collection phase started, the researcher had to comply with the ethics of the scientific research as proposed by Babbie (2008). According to Babbie (2008: 67), social research involves an intrusion into people's lives. Furthermore, it requires people to reveal personal information that might not be known by their friends and associates about themselves. The researcher, therefore, asked permission from the participants to conduct the research with them. An informed consent letter was given to the participants, and it was

signed by all parties (refer to annexure B). The letter explained that their participation is voluntary and that the information they give will be treated confidentially. It is important to protect the participants' identity (Babbie 2008: 69), hence names will be changed when presenting the data (see chapter 4).

#### **1.6.4 Validity and reliability**

In order for the results of this study to be rigorous, issues of validity and reliability were taken into consideration. During the data collection phase, the researcher conducted the interviews in order to ensure that all relevant questions are asked and all the responses documented. The notes were taken and the digital recorder was also used to enable the researcher to capture all the responses. This was also to assist in making sure that the results are valid. According to Babbie (2011: 320), being physically there with the participant is a powerful technique to gain more insight into your subject's affairs. Golafshani (2003: 606) states that there are threats to this method because the results cannot be generalised to a wider group. Moreover, this affects one of the common tests of validity in quantitative research. Although Babbie (2011: 321) points out that in-depth interviews are often personal and may lead the researcher to be biased, the structured questionnaire assisted in guiding the researcher to ask the participants similar questions. This limits the researcher's manipulation of the research situation and strengthens reliability. According to Golafshani (20003: 604), engaging in multiple methods such as observation, interviews and recordings leads to more valid, reliable, and diverse construction of realities.

#### **1.6.5 Data analysis and interpretation**

Maxwell (1988: 89) suggests that data analysis should be done immediately after conducting an interview, and the researcher should continue to analyse the data as he/she conducts the research. This helps to fast-track the editing process in which the researcher has the opportunity to replace symbols and abbreviations noted during the

interview (Cooper 2006: 442). Strategies such as categorisation, contextualisation and analytic tools, memos and displays were identified as being efficient in analysing data (Maxwell 1988: 89). The former entails coding in which data is broken into categories to facilitate comparison of elements in and between categories. It can also be used by the researcher to enable the participant to write short answers in open-ended questionnaires. This helps the process of analysis to be quick, and reduce the opportunity for error (Cooper 2006: 446).

Contextual analysis aims to understand data. This is achieved by identifying relationships among different elements of a text in various contexts. The latter aids in facilitating the researcher's thinking and visualising the relationship of one's data as well as making it retrievable (Maxwell 1988: 90). A detailed description of analytic tools and displays can be found in Cooper (2006: 471). Maxwell's description of data analysis can be summarised as a process that should categorise data by breaking it down in order to understand the relationships that exist among elements and depicting the similarities or differences in pictorial/graphic forms. Similarly, Mouton (2001: 108) suggests that data analysis "involves breaking up data into manageable themes, pattern trends and relationships". The same approaches were used to analyse data of this study. The interpretation of the data reported on whether the information gathered on the theoretical framework agrees or disagrees with primary findings. The results were analysed by reviewing notes and transcribing the recordings of the interviews. The transcription and capturing of the data was done after an interview was completed or a few days later in order to structure the analysis and group specific variables such as owner profile, business profile, challenges and so forth. Computer based tools were also applied to analyse data and capture illustrative graphs. Lime survey,<sup>1</sup> is the tool that was used to aggregate statistics and populate graphs.

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<sup>1</sup> Lime survey is an open source web application used to capture on-line and offline surveys. It can be used to develop, publish and collect responses. Visit [www.limesurvey.org](http://www.limesurvey.org) for more information.

## 1.7 LIMITATIONS

Initially the study was intended to use the database of Gauteng Entrepreneurial Propeller (GEP)<sup>2</sup>. However the manager that had given permission for this study resigned and the one that took over did not think it was appropriate for them to give the researcher access to their database, as they had to protect their clients (SMMEs). A second organisation, the City of Tshwane (COT) municipality, working closely with the SMME sector was approached. They had a database of SMMEs from most of the areas in Pretoria. The problem with the COT database was that it did not have any SMMEs that were in the communications industry. The SMMEs that had registered their names under the communications industry were all under the services sector and mostly doing catering. This was a challenge to the researcher as the communications industry is related to the study topic, and it could have given a valuable feedback in terms of ICT usage.

Another limitation is the fact that the research focused only on 26 participants, covering four different sectors. This sample is not representative enough to make any general conclusions of the result but rather gives an idea of what kind of challenges are there in the SMME sector. Babbie (2008: 207) contends that accuracy and representation of the population is limited when one uses non-probability sampling. The sample size also restricted the researcher in making cross sector comparisons in terms of business operations and challenges.

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<sup>2</sup> Gauteng Entrepreneurship Propeller (GEP) is a provincial government agency established by the Department of Economic Development to provide SMMEs in Gauteng with financial and non-financial support, as well as to co-ordinate stakeholders that can benefit SMMEs. For more information, visit: [www.gep.co.za/view](http://www.gep.co.za/view)

## **1.8 BACKGROUND TO RESEARCH TOPIC**

SMMEs in OECD<sup>3</sup> economies account for approximately 95 percent of enterprises, 60 - 70 percent of employment creation and 55 percent of GDP contributions (WBCSD 2008: 2). In South Africa their contribution is also significant as they are important in addressing the challenges of job creation, economic growth and equity (SA 1995: 15). The SMME sector allows all individuals to participate, regardless of race, gender and age (except for those who are under age). The following sections focus on the socio-cultural factors and challenges involved, as well as access to information, finance, skills and training, and ICT infrastructures.

### **1.8.1 Socio-cultural factors influencing women-owned enterprises**

When engaging in research that explores the livelihood of women, there is a need to understand the challenges that they deal with in their daily businesses. This research aims to understand the challenges that women experience in accessing and using ICT infrastructures. Liberal feminist theory states that women are disadvantaged relative to men due to overt discrimination and/or systematic factors that deprive them of vital resources such as business education and experience (Fischer et al. 2006: 43). The SMME sector is a fertile ground for business activities. However, this alone does not imply that all participants entering the field will flourish as participants are often exposed to factors that will limit their ability to compete and be sustainable. Quoting McElvee and Al-Riyami (2003), Swail et al. (2005: 89) state that in developing countries, a woman's

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<sup>3</sup> Organisation for Economic Co-operation and Development (OECD) is an international organisation that brings together governments from different countries to compare policy experiences, seek answers to common problems and co-ordinate domestic and international policies. In so doing, they provide sustainable economic growth, boost employment, raise living standards, maintain financial stability, assist other countries' economic development and contribute to growth in world trade. For more information about OECD activities, visit: <http://www.oecd.org>

primary roles are those of a wife and a mother. Traditional practices still restrict women to their maternal role and other family-bound tasks. Socio-cultural laws that have existed do not allow them to do whatever they want.

Birley (2006: 32) argues that according to norms of particular cultures, the roles of men and women have been quite different. Women have been said to be natural nurturers and domestic labourers, while men have been perceived to be natural leaders and decision-makers. These roles have been reinforced at home, at school and through the media. This restricts women's self-perceptions, disempowering their social and economic potential, and limiting their future possibilities (Dlamini-Zuma 2007: 1). Levent et al. (2003: 1132) further state that females are another kind of "minority", participating less in urban economic life, since the business world is often male-dominated. When entering the SMME landscape, these women have to compete with their male counterparts who, in most cases, have been conducting their businesses for a significant period of time. These men are familiar with the business world, and know the 'tricks and measures' to sustain their businesses. Their business skills are more effective than those of women.

### **1.8.2 SMME challenges**

In dealing with the challenges that women face, it is relevant to understand those particular challenges. A study conducted by Maas and Herrington (2006: 42) revealed that most women were involved in starting a business (the 0-3 months stage), and fewer were in the young business (3 months - 3.5 years) phase. There is no sign of growth among these businesses. In addition, they are confronted with a variety of challenges in developing and running a business, and many argue that significant barriers still exist for women who are establishing and growing their businesses (CAWTAR 2007: 38; McDade & Spring 2005: 25; von Broembsen 2008: 45; World Bank 2008: 15-17). Women's businesses generally experience sustainability and growth problems, which require special attention. This could be as a result of lacking information on how to

further develop their businesses. Brush and Hisrich (2006: 10) have observed that the success of both starting and sustaining a business usually results from prior experience. In view of this, it could be possible that women's previous work experience or entrepreneurial training of some sort impacts on SMME start-ups and the survival of women-owned SMMEs. Swail et al (2005: 3) attest to this when they reflect that women who have developed their organisations at an international level within a short period of time had previous international experience through work or studies.

### **1.8.3 Access to information**

Without access to information, women will not know about financial institutions and government bodies that can assist them with funds to start up and sustain their businesses. They might not even be aware of fellow women with whom they can form partnerships in order to strengthen their business. Orford et al. (2004: 4) are of the opinion that small enterprises are unaware of government initiatives to support them or, if they are aware of them, have not used them. This is not a surprise because they might not know the procedures that they have to follow in order to access such support programmes. It is therefore necessary for information hubs and campaigns to be introduced in order to ensure that women have access to information.

### **1.8.4 Access to skills and training**

Women will only know about relevant government bodies when they are well informed with regards to where and how to access them. If women have access to government bodies, they can easily contact them and seek assistance with their businesses. This will enable them to get information on where to go if they need financial assistance or any other support for their businesses. However, this might be difficult if women do not have business and communication skills.

The latter is the most important. If they do not have communication skills, it will be difficult for them to negotiate loans and/or secure deals with sponsors or customers. Although 72 percent of micro enterprises are owned by women, the success of their businesses is influenced by internal and external barriers, ranging from basic life skills such as self-confidence, assertiveness, self-motivation, achievement orientation, reliability and communication skills, as well as absence of mentorship opportunities, together with marketing and basic holistic management training (Nieman, et al. 2003 cited in Maas & Herrington 2006: 40). Most women are not as articulated as their male counterparts. This is something which in turn limits their participation in business. Research indicates that men network, whereas women do not know how to network (Bizassist 2008b: 1). For example, if two men sit at a table, they first talk about sport, and then quickly get to discuss business. Women, however, talk about family and relationships, and they do not quickly get to talk about business (Bizassist 2008b: 1). This further highlights the fact that although women's business start-up rates are high, until they learn to network successfully they will not do well in business. According to Juma (2003: 26), if they adopt ICTs they will increase their levels of networking and interacting, both locally and internationally, without having to travel.

Other studies indicate that the level of confidence will determine the success of entrepreneurs. In a study that was conducted on Turkish women entrepreneurs, results demonstrated strong performance and personality traits such as ambition and hard work, which according to Swail et al. (2005: 1155) can hardly be seen as typical female characteristics. Women's businesses might graduate to higher levels if they are skilled on how to run a business. This might include basic aspects such as having and maintaining a customer's database, managing finances, marketing their businesses, and being able to identify opportunities for growth. There is a need for training workshops where women can be helped in terms of how to communicate and manage their businesses effectively.

### **1.8.5 Access to finance**

In order for any business to succeed, there is a need for capital as well as maintaining the cash flow in that particular business. The lack of access to information will negatively affect the rate at which women can access funds. It is noted that women are overrepresented amongst the poorest people, which is something that will make access to information difficult and access to finance even harder (Genfinance 2009: 1; SAWEN 2005: 10). Another observation was that women have a tendency to spend their income solely on the households' welfare, which limits them when it comes to investing in economic activities (Mayoux 2006: 3).

Access to finance and access to skills and expertise are the critical resources that SMMEs require for both starting and running enterprises. Satisfaction with regard to such access is low, and has resulted in a decline in the overall level of competitiveness perceived by SMMEs themselves (SME Survey 2006: 85). This poses a serious problem for women-owned SMMEs as this might discourage them from seeking financial assistance from financial institutions (FIs) and/or government bodies. Should non-formal SMMEs come across such statements from the SME Survey, they might make misinformed generalisations that financing for SMMEs is problematic, without understanding the origin of such statements. When there is a lack of access to funding for women, it means that the chances of them sustaining and growing their businesses are slim.

The Department of Trade and Industry (DTI) started the Isivande Women's Fund (IWF) in response to the difficulties that women face in terms of accessing funds. In their study, which was conducted in 2006, they found that limited access to finance by women inhibits the establishment, growth, sustainability and profitability of women's enterprises (DTI 2008: 37). It further revealed that there is gender bias within existing financial institutions, and the study was, therefore, followed by a series of consultative workshops on access to finance for women entrepreneurs which confirmed the need for

an exclusive fund for women to be established. However, the bias is not fuelled by the gender element per se, but rather by the systematic factors.

In most instances, women do not obtain funding because they are less likely to amass significant or appropriate stocks of financial and human capital to use as collateral in order to strengthen loan applications (Marlow & Patton 2006: 68). In South Africa, where most women only have RDP houses (those built by government for residents) as assets, banks do not consider such houses as collateral (von Broembsen 2008: 13). Women need to be educated about different channels that they can use to obtain funding for their businesses. When they are aware of the funding options that exist, investigations can be conducted in order to determine whether approval and/or disapproval of financial requests are influenced by the entrepreneur's gender. According to the then DTI's minister, Mandisi Mphathwa, by responding directly to the needs of women, "we believe that the IWF initiative will show that it is indeed possible to improve and expand access to finance for women entrepreneurs, thereby expanding the quantity and quality of the categories of women entrepreneurs" (Bizassist 2008a: 1). Efforts should not only be made to create funding, but also to encourage established funding bodies to reach out to women.

#### **1.8.6 Access to ICTs**

Women, as entrepreneurs, need to experiment with technological infrastructures that might help in running their businesses. According to Abagi et al. (2009: 175), owing to socio-cultural influences women are not really interested in technical matters. Their limited ability to use technological infrastructures might not only be due to limited skills and finances, but also to the gendered nature of technology itself. This is affirmed by Juma (2003: 22), who states that very few women are producers of Internet content, programmes, designs and inventions or computer technicians. The establishment of most technological tools was aimed at male users, thus limiting opportunities for women. However, the issue of lacking appropriate education in the ICT arena cannot be

overlooked. Dlodlo and Khalala (2008: 16) ascertains that some schools' curriculum does not expose girls to ICTs at an early age. Although one cannot blame a lack of education on previous socio-cultural systems, it seems as if women who want to keep up with the technology train still experience difficulties. This is evident in Lee's research (Lee 2004: 8-9), which states that it is difficult for women to enrol for computer courses because of financial constraints. Moreover, those that manage to get training on how to use computers are limited in terms of accessing computers at their businesses due to the high cost of these machines and the high charges of Internet cafés. This is mainly as a result of the low representation of women in the production and design of ICTs by policy makers (Juma 2003: 23).

However, in some countries, where ICT policies consider the needs of women, this is not a problem. This is evident in Bangladesh where women can get access to communication infrastructures through the Grameen telecom by becoming phone operators. This enables them to run their own businesses in a sector of which they do not have experience on, and they get access to market related information (Ahmed et al. 2006: 2).

History describes the development of the first computers to have started during the Second World War. They were used to decipher enemy codes and calculate missile trajectories (Scott et al. 2001: 4). The linked network, now known as the Internet, is also described as having had its origins in the US military. It is believed that this world-changing technology has its origins in a male world with four roots: the military, the academy, engineering and industry (Scott et al. 2001: 5). As a result, some women ignore emerging technologies, thinking that these are only meant for men.

In most townships, women operate their businesses in a traditional way. They are reluctant to use any form of ICT available to them - which their male counterparts are using (Hafkin & Huyer 2007: 28). They are either unaware of the importance of such

technological products to their businesses, or they do not know how to use them. For example, a woman running a tuck shop business in a township might not know that having a personal computer with internet at home would assist her with doing her banking, placing orders, recording sales, and even typing and printing her marketing leaflets (Kew & Herrington 2009: 36). Instead of saving time she would end up wasting it on doing (manually) things she could have done in a few minutes, something that, in turn, will generally affect her business. Women-owned businesses, in most cases, are small, which means that the owner cannot even employ someone to take care of business when she goes to the city to place orders and bank the money.

In as much as technological developments can strengthen and improve the role of women in economic contribution, there are cultural implications involved. These cultural implications are in terms of the traditional roles of women in different communities. Research indicates that African women have the lowest participation rates in the world when it comes to science and technology education at all levels (Juma 2003: 23), and thus a limited use of ICTs. Women's gender roles, as assigned by these communities, have placed women in a position where they have been unable to participate in the business world. Now that they have an opportunity to do so, they have insufficient knowledge. Most of them are unaware of many of the technologies that are available and how to use them. This is an area where women are supposed to be participating in order for them to be actively involved in the economy of this country. It has been observed that most women work in the informal sector, home-based businesses and manufacturing, and are unlikely to access computers (Juma 2003: 26). It is, therefore, important to investigate how access to ICTs can be increased, and how this can empower women and make their entrepreneurial lives much easier.

## **1.9 OUTLINE OF CHAPTERS**

### **1.9.1 Introduction and overview of the study**

The purpose of the first chapter is to give an introduction to the study. The chapter starts by explaining the research problem in order to give motivation for the research to be undertaken. In support of the research problem, aims and objectives that would assist in directing the research are given. The scope of the research is also discussed to outline what the research will be addressing. The research methodology is discussed where topics like sampling, data collection, ethics, validity and reliability, and data analysis and interpretation are addressed. Limitations experienced throughout the research are also presented. This is followed by reviewing the literature through discussing issues such as socio-cultural factors influencing women-owned enterprises, SMME challenges, access to information, access to skills and training, access to finance, and access to ICTs.

### **1.9.2 Chapter 2: Theoretical framework: SMMEs**

Chapter 2 provides a theoretical framework for the study of the research topic. It starts by exploring SMMEs and development in order to understand the role and the importance of SMMEs in the economy, society and the lives of women. Definitions of SMMEs' are explored and characteristics of SMMEs are discussed by addressing issues of formality of SMMEs, infrastructure, business operations and the entrepreneur. This is followed by characteristics of women-owned SMMEs in South Africa. The characteristics are discussed in terms of the following:

### **1.9.3 Chapter 3: Challenges in women-owned SMMEs**

This chapter investigates the challenges that women encounter in their businesses, more specifically those that are ICT related. It starts by discussing ICTs and generic

challenges related to ICTs. Entrepreneurial challenges are discussed to understand the issues women-owned SMMEs experiences in their businesses. This is approached by focusing on topics like labour, regulations and quality control. Infrastructural challenges are discussed followed by family responsibilities in order to establish how they affect women's time in experimenting with ICTs. Finance is another challenge that is discussed, looking only at women-owned enterprises. The last section of chapter focuses on the following: access, knowledge, acceptance and usage of ICTs.

#### **1.9.4 Chapter 4: Data presentation and analysis**

In presenting and analysing the data, this chapter starts by focusing on the profile of the owners. The owners' profile consists of their age, marital status, their level of education, and the age of their business. This is followed by the characteristics of both the enterprise and the owner. The discussion focuses on the following issues: registration, motivation to start a business, funding, risk, skills and competition. Infrastructure is also discussed, followed by ICT infrastructure where mobile usage and perceptions on usage are observed. Family responsibilities are explored to establish whether the literature findings are consistent with the field research findings. These are followed by general challenges expressed by the participants.

#### **1.9.5 Chapter 5: Conclusions and recommendations**

Chapter 5 provides an overview of the study as well as a summary and conclusion.

### **1.10 CONCLUSION**

This chapter gave an introduction to the study. The research problem was presented to provide the motivation for the research. Primary and secondary objectives which will guide the study were identified. The study took a qualitative approach which used both the secondary literature analysis and the field research. The 26 women entrepreneurs

from Pretoria were interviewed. Limitations experienced included the following: change of management in the organisation that was supposed to provide a database of women-owned SMMEs in Pretoria; the sample which was too small and restrained the study to draw any general conclusions; and failure to find women-owned SMMEs in the communications sector. The literature was reviewed addressing issues such as socio-cultural factors influencing women-owned enterprises, SMME challenges, access to information, access to skills and training, access to finance, as well as access to ICTS. The chapter was concluded by giving an overview of the chapters of the study. The following chapter will discuss the theoretical framework of SMMEs including among others, SMMEs definitions and characteristics.

## **CHAPTER 2**

### **THEORETICAL FRAMEWORK: SMMEs**

#### **2.1 INTRODUCTION**

Each and every country relies on various business sectors in order to sustain its economic activities. Small, medium and micro enterprises (SMMEs) contribute to the Gross Domestic Product (GDP) of a country, and create employment opportunities. SMMEs are vital forces for poverty alleviation and have been widely acknowledged for their contribution towards economic and social upliftment of communities (Jain 2008: 5; Jeppeson 2005: 463; Kotelnikov 2007: 1; Pandey 2007: 3; SEDA 2007: 6; Storey 1994: 7). They assist national economies significantly by contributing to the GDP of countries. Within the framework of this study, it is important to study this useful sector in order to understand its ecosystem and to determine how its components operate. The SMME sector is, however, unique in that it has a considerable different structure as compared to Large Enterprises (LEs) in terms of size, type of business activities and compliance with regulation.

This chapter aims to describe SMMEs by providing a theoretical framework of their characteristics and business operations bearing in mind the different challenges that they face when they are in the establishment and growing phase. SMMEs will be defined and characterised. This will be followed by a discussion regarding the characteristics of women-owned SMMEs as well as a conclusion of the chapter.

#### **2.2 SMMEs AND DEVELOPMENT**

The majority of people in developing countries live under the threat of poverty. The poverty rate has increased from 16 percent in 2006 to 17 percent in 2008. In as much as it looks as if the increase is not quite dramatic for a two year period, it was estimated

that 55 million to 90 million people will be living in poverty in 2009 (UN 2009: 4). In South Africa, in 2006, there were some areas that had more than 80 percent of households that were living in poverty (Department of Agriculture 2006: 1). This demonstrates the continued dilemma that the developing countries encounter. Of these communities, women are the ones that endure more poverty due to their household duties and primary care-giving roles that they have which limits them from finding a paid job. Research indicates that poverty is one of the main challenges that women have to deal with (SAWEN 2005: 2; UN 2009: 4). The seriousness of poverty, especially amongst women, is reflected in the Millennium Development Goals (MDGs). One of the MDGs eight development goals is to halve extreme poverty by 2015 (UNDP 2002: 2). Moreover, it was estimated that approximately 1.2 billion people were living on less than a dollar (US dollar) per day, and only 43 countries were on track with regards to meeting the goal of decreasing poverty by 2015. The Beijing Plus 10 conference also stressed the importance of the strategies aimed at realising the MDGs to relief the continuing poverty amongst women (Molyneux & Razavi 2006: 14). Challenges in the economy also do not assist in meeting the MDGs. According to the World Bank's projections in 2009 (2009: 9), the recent economic crisis resulted in up to 46 million people living in poverty.

Households are generally described to be poor when they are living on an income that is below the poverty line (Karlan & Morduch 2009: 5). Kabeer (2005: 4710) asserts that poor people are the most vulnerable people in society and they face a wide range of risks due to lack of resources. Hence there is a need to find the means that can assist in reducing poverty. In South Africa it was found that 66 percent of families sometimes or regularly live without no cash income (SAWEN 2005: 3). This indicates the extreme levels of poverty that some people are exposed to. The causes of poverty are related to lack of employment, inequalities and uneven distribution of resources or opportunities.

## **Gender roles and poverty**

According to Chen et al. (2005: 37), labour insecurities contributes to poverty. Moreover these labour insecurities affect men and women equally although the burden borne by women in developing countries is more than that of men. Chen et al. call this concept, where women suffer extremely from poverty more than their male counterparts, feminisation of poverty. The suffering is not solely experienced by women but their children as well. This is due to the fact that the well being of women is not inseparable to that of children (UNICEF 2006: 12). There are a high number of female headed households which makes poverty more prevalent in women than men (Chen et al. 2005: 52; UNDP 2009: 12). The trend, however, varies among countries and the level of access to formal employment. It is further argued that poverty is related to structural issues of the given country where it manifests (Boros et al. 2002: 27). In most developing countries women and men are not equal owing to socio-cultural norms, and the risks of poverty will, therefore, differ for women in various countries.

The gender division of roles and duties is determined by these norms. Women have a social triple burden which is their reproductive roles, productive roles and community roles (Wassenaar 2006: 5). Women's reproductive role involves care and maintenance of the household and its members without any payment. This includes child bearing, food preparation and other household duties (Boros et al. 2002: 78; Chen et al. 2005: 9, 32; Molyneux & Razavi 2006: 8; Razavi & Miller 1995: 21). They are primary caregivers of children, the sick and the weak. Their productive role involves the production of goods and services for consumption and trade (Wassenaar 2006: 5). This is normally the work they are paid for. The community role involves the collective organisation of social events and services such as attendance of ceremonies and community related activities. This role, however, involves both women and men but in most cases men will take the leadership and decision making role of these activities whilst women will focus on the organising of events and food.

The severity of women's roles is seen in some instances where they are forced to leave their paid employment in order to go and take care of the sick relatives (Chen et al. 2005: 23). This is a task that most men will not do. According to Chen (2005: 32), in cases of people who are married, if it is the husband's parent that is sick, the husband will not take care of the parent. The wife is the one who will take care of the sick parent. With these triple roles, especially the reproductive role which is labour intensive (Wassenaar 2006: 5), women are less likely to participate more in the productive economy. If they do, there is a serious need to balance all their gender roles and income generating roles. According to UNICEF (2006: 9), cultural norms can perpetuate social exclusion and discrimination. Women and men have different responsibilities which determine whether they are involved in paid employment or not. It also depends on their geographical locations (Boros et al. 2002: 28).

Lack of access to employment means access to money will be limited for an individual or a household. Those that are employed must also earn sufficient income in order to cover the basic needs of the household. People will have different challenges in terms of escaping poverty depending on whether they are employed and earning sufficient income. Women are vulnerable to poverty because of lack of access to employment opportunities and when they are employed, the jobs are less rewarding which increases their risk to poverty (Chen et al. 2005: 50; UNDP 2009: 12). The other reason is that women are over-represented in employment that pays less (Chen & Jhabvala 2001: 16). Even with an increased entrance to the paid labour market, women's unemployment rates are still higher. Estimations for global unemployment for 2009 was expected to raise from 6.1 to 7.0 for men and 6.5 to 7.4 for women (UN 2009: 4) .

Research demonstrates that the informal sector is the carrier of most people that were retrenched from formal employment and those that cannot find formal employment (Chen & Jhabvala 2001: 4). Furthermore, those working in less paid formal employment take part in the informal market to supplement their lower earnings. This sector,

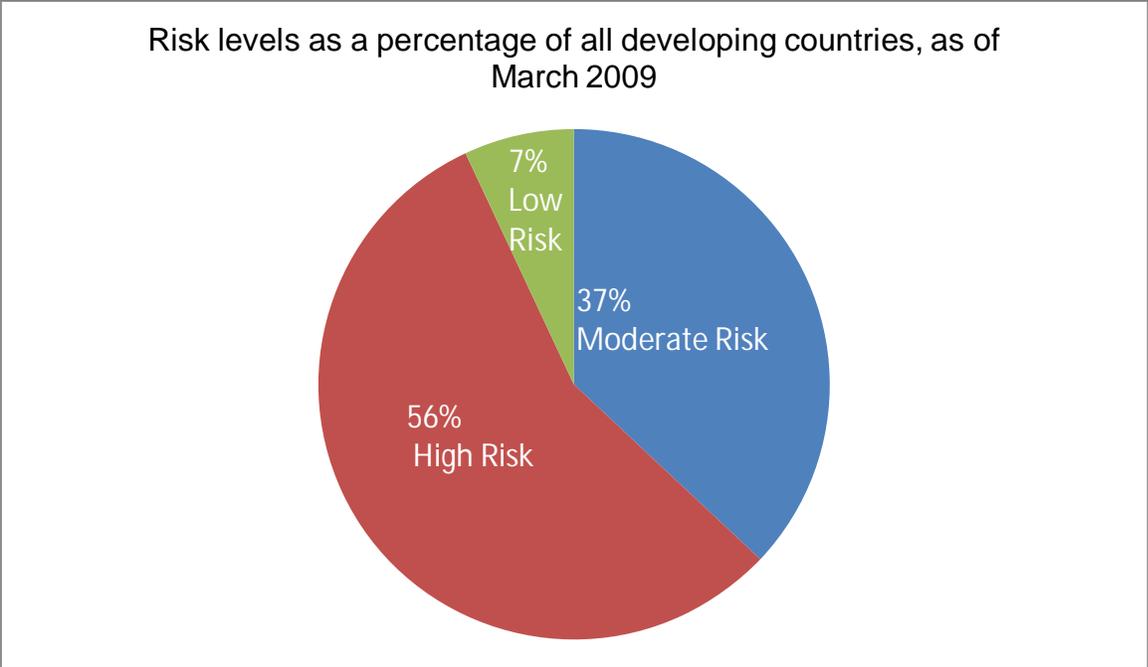
therefore, ends up serving for both the employed and unemployed, and thus explains why the sector is over-populated.

Informal sector refers to enterprises that are not registered, doing petty agricultural jobs, and domestic workers who are not registered (Chen et al. 2005: 38, 39). The informal sector is, however, the one that provides employment. Informal sector comprises more women than men. It has been established that in most developing countries the informal sector is the largest source of employment with 6 out of 10 women participating in this sector (Chen et al. 2005: 39; von Broembsen 2008: 12; World Bank 2008: 27). Additionally, it was found that poverty is the motivating factor amongst some women to be involved in the SMME sector (IFC 2008: 12). Women's over-representation in the informal sector could be related to the fact that their social status (being poor) leads to financial institutions not funding them for entrepreneurial endeavours. Jayamaha (2008: 2) argues that financial exclusion is a symptom of poverty. Unfortunately, poor people find it difficult to find any means of financial assistance to create employment for themselves as financial institutions see them as being unreliable and risky (Kabeer 2005: 4710).

Poverty affects each household differently. It is determined by the type of employment that household members have (Chen et al. 2005: 53). As illustrated in table 2.1, in households where there is a regular income, the poverty risk will be low. For those who are self employed they will have a moderate risk to poverty. The ones with casual employment are likely to have the highest risk of being poor. The risk to poverty in developing countries is illustrated in Figure 2.1, and these were the World Bank's projections for the year 2009. There were 7 percent of the people that were at low risk, 37 percent on moderate risk and 56 percent that were at the high risk of poverty (UNDP 2009: 3). The high rate of poverty that still persists requires solutions that will not only relieve poverty for a short period but something that will prevent it even in future.

Type of employment	Risk levels
Regular wage employment	Low risk
Self employed	Moderate risk
Casual wage employment	Highest risk

**Table 2.1 Enacted Employment risk levels**  
**(Chen et al. 2005: 53)**



**Figure 2.1 Poverty risk levels**  
**(UNDP 2009: 3)**

South Africa can benefit from the SMME sector in addressing its high unemployment rate and poverty. The unemployment rate is at 25.3 percent and poverty at 52.9 percent (Chitiga et al. 2010: 7; STATSSA 2010: 2). This sector creates employment opportunities for both the rural and urban areas. It does this by focusing on business opportunities which emanate from the new and growing markets (Rogerson 2008: 72).

According to Von Broembson (2008: 19), the SMME sector assist in alleviating poverty by employing members of the community who cannot be employed by the corporate sector owing to, among other things, their lack of skills and illiteracy. Naidoo and Hilton's findings (2006: 12) reveal that poverty is more prevalent in black communities than other races. Moreover black African women are more vulnerable to poverty and a third of them are unable to meet their basic food needs (SAWEN 2005: 10; von Broembsen 2008: 6). Self employment is, therefore, considered as an option to combat poverty. The contributions of SMMEs to sustaining livelihoods is further indicated in von Broembsen's work where she mentions that SMMEs cater for the poor and are flexible enough to allow them to buy on credit (von Broembsen 2008: 12). SMMEs can assist in challenging and changing socio-cultural norms that places women in inferior positions and vulnerable to poverty. This sector plays a significant role in the growth, structural transformation and general development of the South African economy (Kotelnikov 2007: 3; SEDA 2007: 12). They further contribute between 27 and 34 to the GDP, with LEs contributing 40 to 50 percent. The small difference between SMMEs and LEs demonstrates the positive contribution that this small sector is currently making to the economy. This is also something that could be improved. Their contribution to employment is between 30 to 40 percent. According to Jain (2008: 8), SMMEs provide the majority of employment to people living in rural areas. Moreover, self-employment is sometimes the only source of income, and SMMEs, therefore, provide self-employment opportunities. This helps significantly in communities that are poor. This serves as a poverty relief for communities with limited opportunities for formal employment. The job opportunities that SMMEs provide help communities to find employment and increase household income to reduce poverty.

In cases where LEs are downsizing and restructuring, SMMEs play a major role as sub-contractors (Jain 2008: 6). When an enterprise is downsizing or restructuring, it will either have redundant workers or those who have to be retrenched. LEs can, therefore, sell these segments that are no longer central to their core business to SMMEs. In turn, SMMEs will absorb people that have been working in those segments and thereby

reduce the number of retrenchments. They are also effective in increasing competitiveness and curbing the monopolistic position of LEs.

### The importance of the SMME sector

SMMEs play an important role to address the problems of unemployment, job creation, innovation and long-term economic development (Baard & van den Berg 2004: 2; Molapo 2007: 1; SA 1995: 53; Storey 1994: 7). Their role is to provide jobs for the unemployed and entrepreneurial opportunities for individuals who want to venture into businesses. They are also essential for stimulating competition and penetrating niche markets that are not explored by LEs. The abundance of economic opportunities that exist in this sector is said to be playing a major role in attracting entrepreneurs to participate (Birley 2006: 35; DTI 2006: 12; IFC 2008: 4; Levent et al. 2003: 1131; Taylor & Newcomer 2005: 24). In emphasising the importance of this sector, Macqueen (2005: 3) distinguishes between the advantages and disadvantages of having SMMEs in our communities. The advantages address issues of social, economic and environmental importance. The table below groups these advantages as follows:

<b>Dimensions of Well-being</b>	<b>Economic</b>	<b>Social</b>	<b>Environmental</b>
<i>Basic survival</i>	Provide local outlets for inputs and outputs without externally imposed standards	Strengthen connectedness to and responsibility for sustainability of production	Negative environmental problems are local – more quickly spotted and dealt with
<i>Livelihood security</i>	Reduce external dependency, with greater local resilience in uncertain times	Provide flexible working hours, which is especially important for child caregivers	Multi-functionality, especially at a micro level, builds environmental resilience
<i>Affiliation and relationships</i>	Profits accrue locally, are often reinvested locally with local economic multipliers	Greater social equity, which humanises relationships in buying and selling – building community	Shorter travel distances to reduce pollution and human risk

<i>Creative endeavours</i>	Distribute economic opportunities and returns fairly across multiple owners	Use local knowledge and skills – with ownership over business outcomes	Increased options to use and consequent vested interest in conserving local resources
<i>Aesthetic awareness</i>	Exploit local niches and maintain diversity in available products	Understanding of local tastes fosters craftsmanship	Diverse enterprises at landscape level creates space for biodiversity
<i>Cultural identity</i>	Locally accountable with less power to capture and corrupt power and policies	Provision of culturally sensitive options to empower marginalised groups	Local product or service design strengthens cultural landscapes

**Table 2.2 Advantages of SMMEs  
(Macqueen 2005: 7)**

This is, however, not an exhaustive list. In contrast, there are not many disadvantages of SMMEs, although they are significant. The disadvantages identified by Macqueen (2005: 8) are as follows:

- lack of collateral in most cases makes them suffer from high input transaction and investment costs whereby they have to pay more for the funds loaned from a financial institution;
- transaction costs make engaging with SMMEs costly as they are in most cases geographically dispersed over many areas, and this makes it difficult for support providers to reach them;
- support for informal SMMEs risks strengthening production in the economy because the government revenues cannot be collected due to lack of records of their business activities;
- their diverse nature makes it impossible to create generalised policy prescriptions; and
- with their diversity, there can never be a ‘one-size-fits-all’ support for SMMEs as the priorities of a small enterprise will not be the same as those of a medium enterprise.

Although these are valuable points, one cannot disqualify SMMEs because of the mentioned disadvantages. Macqueen's disadvantages have more to do with the unique features of SMMEs. It is, therefore, important that policy makers and financial institutions consider the nature of SMMEs when designing appropriate products tailored for small businesses. Macqueen states that because of the complicated scales of SMMEs, support intended for them might end up in the hands of LEs. He mentions that "it is easy for the support aimed at SMMEs to end up favouring medium enterprises" (Macqueen 2005: 8). This does not, however, call for discrimination against small and micro enterprises. Support for SMMEs should be targeted at all scales of SMMEs. This means that even micro enterprises should be able to benefit. It is advisable to rather create a system that will ensure that deserving SMMEs receive resources. According to Molapo (2007: 1), if this sector is taken care of as a whole, it will further assist in the following:

- creating more jobs and reducing unemployment;
- increasing competition with LEs, which is good for lowering consumer prices;
- leading to innovation within our economy (introducing new ways of doing things effectively and efficiently); and
- freeing the public resources being spent on SMMEs to assist emerging ones and other needs within the economy.

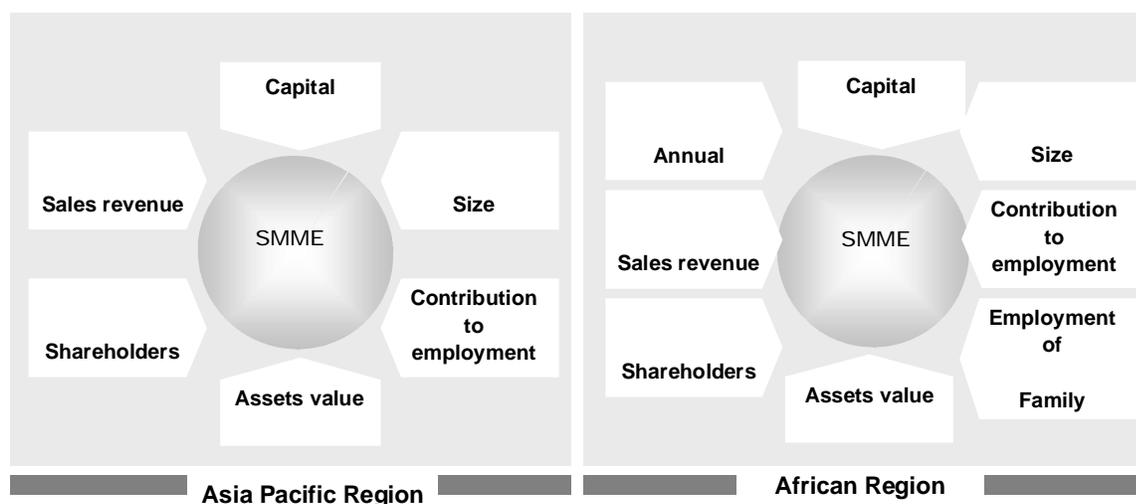
The growth of the SMME sector will not only improve socio-economic conditions, but will also ease resource and service providers' burden with regard to having to support SMMEs that do not prosper. For example, financial institutions and other SMME support agencies will not have to provide a particular SMME with both financial and non-financial support for a longer period, since if the SMME sees growth, it will be independent and start financing itself from the profit being made as it grows. This will, therefore, enable those supporting structures to focus on other SMMEs. Although they do not expand to become LEs, it still helps if these SMMEs can function on their own. The next section explains in detail what SMMEs are.

## **2.3 DEFINITION OF SMMEs**

SMMEs are complex enterprises that are flexible, and whose business processes are not as rigid as those of large enterprises (LEs). In this section, the objective is to define SMMEs in order to understand them since there is no single definition of an SMME (Storey 1994: 8). SMME definitions differ from country to country, and depending on the type of industry they are affiliated with (Esselaar et al. 2007: 88; RIA 2006: 5; STATSSA 2005: 4). An SMME in the construction industry will not be defined in the same way as an SMME in the services sector, for example. It has been observed that even within countries like Ghana, Rwanda and Nigeria it is difficult to find a common definition (Nsegiyumva 2006: 47; Frempong & Essegbey 2006: 25; Mowete 2006: 40). SMMEs can in general be defined as small businesses that have a small number of employees. The number of employees will also be determined by the category into which they fall, as prescribed by the SMME acronym itself.

The Asia-Pacific region distinguishes SMMEs according to the value of their assets, shareholders, sales revenue and the number of employees, which is limited to less than 300, especially in the manufacturing industry (Kotelnikov 2007: 2). The definition in the African context includes the number of full-time employees (FTE), assets, initial investment capital, location and size of the informal economy. In countries such as Zimbabwe, there is no distinction between formal and informal enterprises. In South Africa, the National Small Business Act (SA 1996) defines an SMME in terms of the number of FTE that an enterprise has, annual turnover and value of assets. An enterprise is considered to be an SMME if it has between 1 and 200 FTE, makes a turnover of less than R50 million, has assets worth R30 million and has a fixed address (ETU 2008: 1-2; SA 1996: 14). The distinguishing factor is FTE with a maximum of 50 employees for a small enterprise, 200 for a medium enterprise and 5 for a microenterprise.

Based on the abovementioned definitions, Figure 2.2 below illustrates the variables that are used to define SMMEs in the Asia Pacific and African regions. There are some variables that are common and others that are different in both regions. Although variables such as the value of assets and capital investments were used in definitions of most of the countries, the monetary figures that were used to differentiate a small enterprise from a medium or micro enterprise varied across industries. The number of FTE and assets were the primary variables that were common in most countries of the Asia Pacific and African regions. However, most of the countries in the African region included employed family members and annual turnover in their definitions, which was not considered in the Asia-Pacific region.



**Figure 2.2 SMME definition variables**

**(ETU 2008: 1- 2; Frempong & Essegbey 2006: 25; Kotelnikov 2007: 2; Mowete 2006: 40; Nsengiyumva 2006: 47; SA 1995: 14)**

For the purposes of this study, the South African context definition of SMMEs will be used. An SMME can be defined as an enterprise with a minimum of 1 FTE and not more than 200 FTEs, regardless of their industrial affiliations. They should have an annual turnover of less than R50m, and be legally registered with certain authorities.

## **2.4 CHARACTERISTICS OF SMMEs**

The previous section on SMME definitions revealed the complexity and diversity of this sector. This section explores features that provide a framework for understanding SMMEs in South Africa in terms of their characteristics. Such characteristics form the basis for identifying particular challenges that affect SMMEs owned by women. In the sub-sections that follow, the researcher briefly addresses the characteristics of SMMEs such as formality, infrastructures, business operations and the types of entrepreneurs running such businesses. The importance of SMMEs will also be addressed in order to highlight why it is necessary to research this sector.

### **2.4.1 Formality of SMMEs**

Participation of SMMEs in the economy is coupled with the support from various government agencies and private institutions. This support, however, whether it is financial or operational, can only be obtained if an enterprise is formal. An SMME is only formal if its name is recognised. It has to be legally registered with the Companies and Intellectual Property Registration Office (CIPRO), tax revenue, value added tax (VAT) and other bodies, depending on the type of industry within which an SMME operates. RIA (2006: 8) supports this by stating that the formality of an enterprise depends on its legal status. They further point out that issues such as the level of skills of employees in that enterprise influences the enterprise's formality. This could be based on the assumption that if an enterprise does not have skilled personnel, the service will not be professional, thus affecting the formality of the business. Other indicators of informality include aspects such as a lack of business license, VAT registration, formal business premises, operating permit and accounting procedure (STATSSA 2005: 7). However, it should be noted that registering with CIPRO, for example, does not necessarily mean that the enterprise can operate. Businesses that deal with construction are required to have other certifications from the regulating body. Failure to comply means that an enterprise is informal and cannot get support from government and private institutions.

Informal SMMEs are those that are not registered at all. Von Broembsen (2007: 11) defines informal SMMEs as unregistered and unregulated enterprises. The majority of informal SMMEs operate in a survivalist mode, which means that the entrepreneur engages in business in order to survive. These enterprises do not aspire to grow their business except to survive till the next day. Informal SMMEs are in most cases micro enterprises (Macqueen 2005: 2; SA 1995: 8). The owners of these SMMEs find the processes of company and tax registration to be expensive and difficult (CDE 2007: 6). The forms that they have to fill in when registering are regarded as being long and complicated. This could be related to the limited literacy skills of the owners of some of these SMMEs. The White Paper on Trade and Industry states that the owners of informal SMMEs have a limited capital base and rudimentary business skills, but some of them do grow and become formal (SA 1995: 8). According to Von Broembson (2007: 11), informal SMMEs comprise 57 percent women, of which 49 percent are black. Out of this, 55 percent are domestic workers and 26 percent own and manage their informal businesses. Moreover, the informal industry has been found to be contributing at least between 7 and 12 percent to the GDP of the country's economy. Although there is limited literature on SMMEs, especially those in South Africa, it has been noted that this sector is extremely complex in terms of size, structure and degree of formalisation (SEDA 2007: 6). The notion of size is predetermined by the acronym itself. Whether enterprises are small, medium, micro or very small, their business operations and formalisation will differ immensely and influence their formality.

All SMMEs fall under a specific industry which could be construction, services, agriculture or manufacturing. The type of industry with which an SMME is affiliated determines the differences, not only amongst themselves, but also in relation to LEs. An SMME that is involved in the trading business will not conduct its business in the same manner as LEs in the trading industry. Some industries are more regulated than others. Hence industries such as services have lower rates of informal SMMEs. In contrast, the trade sector which is not regulated has a high number of informal SMMEs (SEDA 2007:

20). When an industry is highly regulated, entrepreneurs in that industry have to register their businesses and comply with what the industry body requires from them before they can carry out any business activities. Industry affiliation, thus, influences SMMEs' formalisation and registration.

An informal SMME misses out on various opportunities such as securing funding, business support and participating in tendering contracts. If this sector is formalised, SMMEs will access the same benefits that formal SMMEs receive. This will in turn increase its contribution to GDP and employment significantly. Table 2.2 summarises the differences between formal and informal SMMEs:

<b>Informal SMMEs</b>	<b>Formal SMMEs</b>
Employ less than ten people	Employ 0- 50 people
No formal contracts with employees	Have formal contracts with employees
Do not pay taxes	Pay taxes
Are not registered with any authority	Are registered with relevant authorities
Use one account for business and personal finances	Have a business account that is separate from personal funds
No growth ambitions for the business	They envision growth of the business
No business address or contact details	Have a business address and contact details

**Table 2.3 Characteristics of formal and informal SMMEs**  
**(Macqueen 2005: 2; SA 1995: 8)**

The characteristics listed in Table 2.2 (above) pertaining to the informal business sector demonstrate that the conditions of the informal SMMEs need to be improved. The SMME sector could be further strengthened if the majority of informal enterprises were formalised, which would indeed leverage a range of economic indicators such as GDP, employment rate, and social upliftment. Formalisation of informal SMMEs would mean that they could offer more employment opportunities and contribute significantly to tax revenues. It would also assist them in accessing both financial and non-financial support from government and private institutions. However, some SMMEs might be disadvantaged by formalising their enterprises, as they would have to incur administrative costs as well as high transaction and investment cost due to their lack of collateral, as suggested by Macqueen (2005: 6 & 8).

#### **2.4.2 Infrastructure**

The activities of various businesses rely on available and relevant infrastructure in order to be successful. Infrastructure can be defined as basic facilities that an enterprise requires in order to carry out its daily operations (UN 2007: 3). These facilities could include buildings, roads, electric power supply and communication services (Moteff & Parfomak 2004: 2). The infrastructural needs may be internal or external. Internal infrastructures are those that are required by SMMEs to perform particular tasks, and these should be put in place by the owner. They may range from telecommunication devices, machines necessary for the particular business, office space and technological infrastructure. The unavailability of such infrastructure may negatively impact the operations of a business.

External infrastructure are those that a business requires in order to support its internal operations but which cannot be provided within the organisation. They are not controlled by the owner but by the environment in which a business operates. Infrastructures in this case will include electricity, roads, transport, telecommunication network coverage and office space availability (CDE 2007: 5; SA 1995: 64). Adequate access to

infrastructure has, however, been identified as a problem for developing countries such as South Africa (Lee 2004: 2; UNDP 2003: 14). For optimum performance and the ability to be competitive, SMMEs require both internal and external infrastructure for their business operations. This requires policy makers and government agencies to improve infrastructure development in order to enable SMMEs to gain access to such infrastructure.

It has been indicated in the literature that amongst non-VAT registration businesses, 55.1 percent of them in formal business had access to electricity, whilst 14.0 percent of those operating from mobile locations (those without a fixed business premise) did not have access (STATSSA 2005: 5). Non-VAT SMMEs are those that are formal, but do not qualify for VAT registration. Provision of external infrastructure is dependent on government and other supporting agencies, and the entrepreneur has no control over this. Thus, lack of external infrastructure is a problem that an SMME alone cannot solve. This can also affect the internal activities of a business. If a particular business does not have access to electricity, this then implies that the use of faxes and other devices that require electricity will not be possible.

### **2.4.3 Business operations**

SMMEs have a dynamic and diverse nature that does not only make them different, but that also determine their business operations. The operations of a business are dependent on the type of business that an SMME is operating. Business operations have particular functions that attend to issues such as marketing, human resources (HR), customer relations and so forth. The smooth operation of a business relies on various functions that are relevant to that enterprise. The management functions that are imperative for SMMEs include the following:

- inventory
- purchasing

- marketing
- human resources
- information management
- financial systems and accounting

It is of great concern that most of the SMMEs have a tendency to neglect the abovementioned functions (Perk & Mazibuko 2009: 3-5). Recording of stock is not conducted frequently, and these enterprises end up being faced with the risk of becoming short of stock. This in turn may affect the cost and time involved in their purchasing of business stock. Some SMMEs informally do their record-keeping, which is not always effective, as they may easily misplace their records. This is influenced by a lack of business planning. Perk and Mazibuko (2009: 18) further state that SMMEs do not differentiate their marketing from public relations. Handling labour and processes involved in hiring personnel was found to be another dilemma affecting SMMEs (IFC 2008: 22; Maier & Nair-Reichert 2007: 50). This is due to their inability to recruit skilled personnel and the fact that in cases where they manage to secure them, they find it hard to retain them. SMMEs need more employees when they have many business contracts coming through. This means that if they have more orders they will have to hire additional employees. However, the labour regulations do not allow them to dismiss the hired personnel, even if they cannot afford them anymore (World Bank 2008: 13). Issues of information management in the SMME context relate to knowing where to get information relevant for the business and the internal dissemination thereof. It was found that some SMMEs were not using bank accounts to manage their money, and they were, therefore, classified as “unbanked” (Finmark Trust 2006: 27). These unbanked SMMEs included those who were not separating their personal and business bank accounts. These unbanked SMMEs then faced difficulties when they wanted to apply for loans.

The management functions explained above require someone with knowledge or skills in order to make sure that they work effectively in a business. However, SMMEs do not

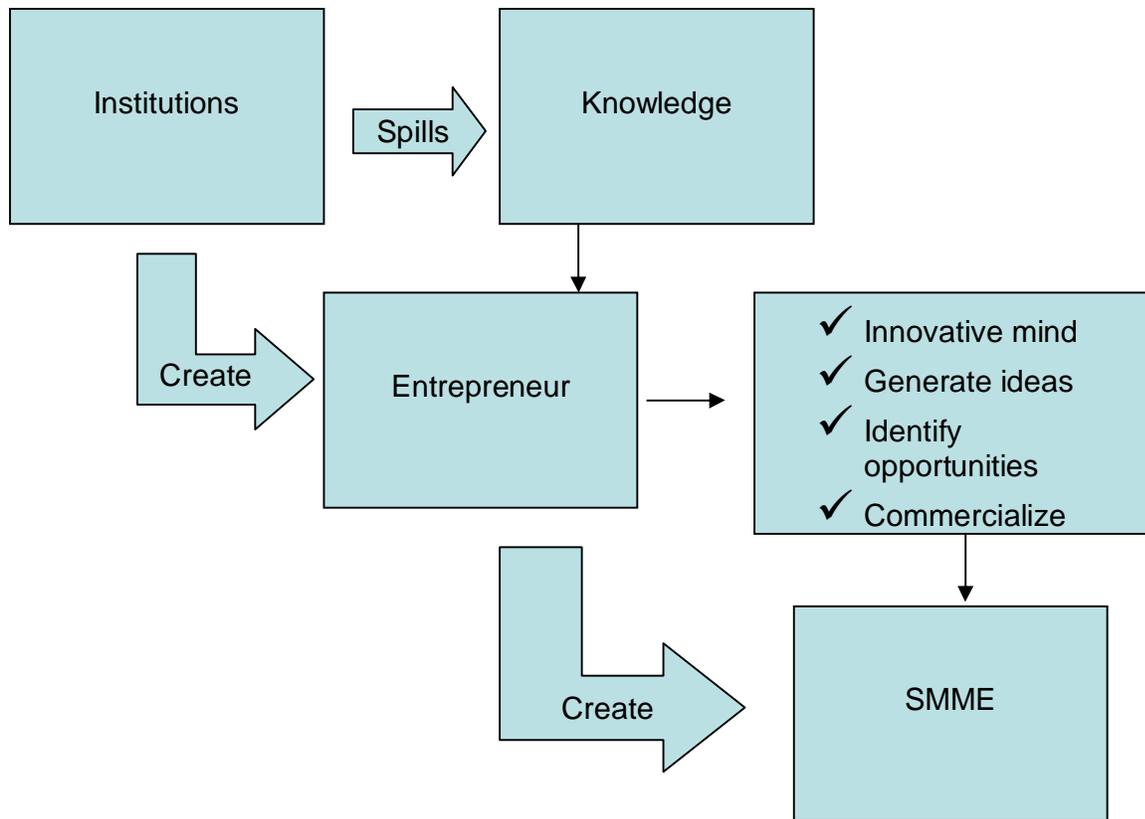
have a structured way of conducting businesses like LEs do. They are comprised of informal structures in which one person handles various tasks. The owners generally have insufficient managerial skills, which affects the overall business operation (Maas & Herrington 2006: 19; Rogerson 2008: 72). Their poor managerial skills often affect their planning of daily business activities. According to Jain (2008: 3) SMME owners have limited competencies in the areas of accounting, production management and business planning. This, however, does not impact on their unique ability to adapt to the SMME's rapidly changing and highly competitive business landscape (Jain 2008: 5; Macqueen 2005: 7).

SMMEs' markets tend to be opportunistic in that their business activities are influenced by products/services needed in their communities. In addition, SMMEs are in most cases embedded in the local culture, which works to their advantage when LEs are invading their markets. Knowledge of local markets helps them to compete better with LEs because they understand the market and have local networks (CDE 2007: 7). In a survey conducted by Ligthelm (2008: 46), it was found that newly established malls in townships were major competitors for SMMEs. SMMEs that are affected are those whose businesses are located in township areas that are not developed (Ligthelm 2008: 46). However, some entrepreneurs use this competition as an opportunity to strengthen their 'local networks' and compete with such LEs. According to CDE (2007: 7), one of their interviewed entrepreneurs, who was in the gardening services business, mentioned that he was not scared of competition as he has identified numerous gaps in the market which he could use to his advantage.

#### **2.4.4 The entrepreneur**

Now that one has an idea of what SMMEs are, before examining the characteristics of women-owned SMMEs, it is necessary to answer certain questions. The question that needs to be asked is: who runs these enterprises? The answer to this is really simple: entrepreneurs. For decades, authors have been defining entrepreneurship in various

ways. Acs et al. (2008: 17) have an interesting way of explaining the origins of an entrepreneur per se. According to them, entrepreneurs originate from institutions of learning, for example, tertiary institutions (Acs et al. 2008: 18). Furthermore, these institutions provide students with knowledge that will be used post-tertiary, either as employees or in creating their own enterprises. Students, through the knowledge that they have accumulated during their studies, are likely to be influenced to commercialise their ideas by starting a business (Acs et al. 2008: 18, 20). Moreover, the knowledge that they have obtained assists them in identifying business opportunities. The knowledge spill-over theory used by Acs et al. (2008: 17) states that entrepreneurial activities will be greater in contexts where new knowledge is relatively high, implying that individuals respond to opportunities created by new knowledge by starting an enterprise. They state that entrepreneurship is an endogenous response to the need to invest in knowledge gained. The figure below illustrates the entrepreneurship process, as explained by Acs et al (2008: 18-20).



**Figure 2.3 Entrepreneurial process**  
**(Own 2010)**

Their analysis is effective, but their theory is not wholly correct depending on the kind of entrepreneurs being characterised. Women entrepreneurs might be excluded in this analysis. The majority of women for instance, do not possess a tertiary qualification due to existing socio-cultural norms, demographic issues, socio-economic conditions and infrastructural problems (Dewar 2005: 12; Maas & Herrington 2006: 41, 44; Taylor & Newcomer 2005: 20; Velkoff 1998: 4). In India lack of access to schools were amongst the reasons why girls were not going to school. Another reason is that they had to spend long hours travelling to fetch water and this prevented them to attend school (Seneviratne 2007: 1). According to Velkoff (1998: 4), lack of finances to cover educational costs also affected girls' education as boys rather than girls were sent to school. It was not necessary for girls to be educated because they were going to get married and stay with their husband.

Although most women do not possess the necessary tertiary qualifications, they still partake in business activities. To provide another perspective, an entrepreneur is defined as someone who can discover, evaluate and exploit opportunities to introduce new goods and services (Shane 2003: 36 & 61). In theory, the two definitions are similar, except for the fact that Shane does not explain the primary source of their entrepreneurial ideas, but does provide some motivations that can encourage people to venture into business (Shane 2003: 63-94). In this study, an entrepreneur is defined as any individual who sees an opportunity by either coming up with new, innovative business ideas or identifying a niche market for an already existing business activity.

## **2.5 CHARACTERISTICS OF SMMEs OWNED BY WOMEN**

The previous sections (section 2.2 and 2.3) demonstrated how SMMEs differ in terms of size and how their formality influences the activities in which they are involved. This section augments the previous discussions by incorporating socio-cultural dimensions of SMMEs' characteristics, with an emphasis on gender. There are characteristics that distinguish women-owned SMMEs from men-owned. Characteristics which make women-owned SMMEs different to those owned by men are social issues such as personal background, race and proximity, motivation, family responsibilities, beliefs, area of trade and business operations which have an impact on their enterprises. In order to do this, there is a need to understand the reasons/motivations that lead women to become entrepreneurs in contrast to the characteristics discussed in the previous section. In addition, a good understanding of their motives will assist in understanding how they manage their businesses.

Globally, the majority of women who own small businesses are between the ages of 30 and 40, with a further 23.5 percent being older than 45 years (Taylor & Newcomer 2005: 20). Women entrepreneurs are in most cases either married and have few children (CAWTAR 2007: 35; Taylor & Newcomer 2005: 20). They are generally educated, with

the lowest qualification being secondary school. Maas and Herrington (2006: 27) report that in South Africa, more than 57 percent of entrepreneurs are below the age of 34 years. They further revealed that women in South Africa either have no schooling at all or they have not completed their primary education (Maas & Herrington 2006: 42). In contrast to Acs et al.'s (2008: 17) definition of an entrepreneur, most of these women operate businesses without any post-graduate qualification. However, it is possible that their businesses could be the "me too" enterprises, as suggested by Maas and Herrington's (2006: 49) study, as a result of limited innovation in terms of businesses in which they are involved. The "me too" enterprises are businesses in which all aspiring entrepreneurs engage in a business because most people are in that particular industry. For them, it is a tested market and they feel that it is not risky.

Some entrepreneurs do match Acs et al.'s (2008: 17) definition of an entrepreneur. These women entrepreneurs at least hold a university degree (Hisrich & Öztürk 1999: 119; Taylor & Newcomer 2005: 20). As a result the SMME sector comprises educated and less educated women. These women have the pressure of balancing their entrepreneurial activities and their reproductive and community roles as discussed in section 2.2 (CAWTAR 2007: 8; Taylor & Newcomer 2005: 22). Webb (2000: 59) is of the opinion that due to family responsibilities that they have to attend to, they might even put in extra hours in order to achieve a balance.

### **2.5.1 Race and proximity**

There are no limitations in terms of race and geographical location for female entrepreneurs. Globally, women are participating in small enterprise activities to earn a living. However, these women seem to have a need to define their own work environments and parameters (Taylor & Newcomer 2005: 27). This could be a means for these women to protect themselves against the "confined" environment which some have experienced in the corporate workplace (UN 2008: 8). As a result, they select business premises that are not too far from home. According to Merret and Gruidl

(2000: 431), they need a flexible working environment due to the family responsibilities that they have. This leads to the majority of their enterprises being based in the services industry. Their own environments might enable them to spend a lot of time close to home, as well as attending to other household demands.

Unlimited access to entrepreneurship by race is indicated in United States of America, where Taylor and Newcomer (2005: 22) report that there has been a diverse racial ownership of enterprises. They further state that the minority ownership of women expanded 4 times between 1997 and 2002. According to Maas and Herrington (2006: 43), in South Africa, all races are adequately represented in the SMME sector. It has been noted that black women constitute a majority of 71.6 percent, whites 14.9 percent, Indians 7.5 percent and Coloureds 6.0 percent (Maas & Herrington 2006: 73). It was further discovered that expanding businesses to global markets is an area less likely to be tapped by women, especially in South Africa. They are more concerned with developing their product ideas and taking advantage of niche markets locally (McClelland et al. 2005: 97). Nevertheless, generalisations should not be made based on statements like this, as it could be because of a lack of information on how to trade internationally. Numerous other reasons could indeed be attached to women's none or low trade experience in international markets. It was highlighted that in other countries, women that do go beyond their borders were likely to have had previous international work or education experience (McClelland et al. 2005: 98).

### **2.5.2 Motivation**

It is believed that different motivations for starting a business lead to different business outcomes, which in turn affect growth levels amongst enterprises (Orhan 2005: 3). The higher the ambitions of an entrepreneur, the higher the chances are for that business to grow and engage in various sectors. Orhan (2005: 4) has identified push and pull factors as the key drivers of motivation behind women-owned SMMEs. The 'push' factors are a no-choice case. An individual is forced by circumstances to venture into

business. Women are normally pushed into entrepreneurship when they are unhappy at work, dissatisfied with the salary they are earning, unemployed and, in some cases, it is due to the glass ceiling that prevents them from advancing to leadership positions (Goffee & Scase 1985: 40; Orhan 2005: 4). Furthermore, others want flexible hours so that they will be able to attend to their children (Goffee & Scase 1985: 41).

In contrast, ‘pull’ factors attract an individual to entrepreneurship (Orhan 2005: 4). Entrepreneurs will start a business because they see the potential and opportunity, thus making entrepreneurship a choice-driven motivation. The motivations are also driven by an individual’s need for self-fulfilment as well as a desire for power, independence and social status (Orhan 2005: 4). Table 2.4 summarises these ‘push’ and ‘pull’ factors.

<b>Push factors</b>	<b>Pull factors</b>
Dissatisfaction with previous employment	Interest in family business
Difficulties in finding a job	A need for achievement
Reluctance to look for a job	Innovative ideas
The need to balance family and professional life	Social mission
	Desire for independence

**Table 2.4 Push and pull factors  
(Orhan 2005: 4)**

The independence motivation was, however, found to be prevalent in both female and male motivations for starting a business (Orhan 2005: 5). The need for recognition and social rewards seemed to be the strongest motivations behind female entrepreneurship. Other reasons noted by Orhan included the flexibility to be able to attend to family responsibilities. Furthermore, the need to contribute to economic activities was also

elementary to women's motivations. However, there are those who wanted something different - they wanted financial independence by doing something other than paid labour. This was conducted by making a decision to do something positive in order to show their abilities by engaging in entrepreneurship. With these factors in mind, Orhan further identified seven motivations for women's entrepreneurship. These Female Business Owners Motivations (FBOM) stem from the three gender theories which explains the antecedents of 'push' and 'pull' factors (Orhan 2005: 13). The three gender theories include the following important dimensions (Orhan 2005: 10):

1. Male domination which leads to the oppression of women as it requires them to be dependent on men. This is achieved by offering women low wages and denying them access to upper management positions and less marketable educational careers.
2. Evolution of women which refers to achievements of women in developing countries. This is where equality prevails and sex stereotypes diminish because of women's entrance into industries that have been mainly dominated by men.
3. Women's identity which refers to their independence from traditional social oppressions. They are, however, not using equality as a means to be recognised, but accept their roles as women and use other alternatives to obtain the same achievements as the "evolution woman".

Table 2.5 summarises these motivations. In this table, there is 'dynastic compliance', 'no other choice', 'entrepreneur by chance' and 'forced entrepreneurs', which are all 'push' factors. The remaining three, namely 'natural successor', 'informed entrepreneurs' and 'pure entrepreneurs', are 'pull' factors. These motivations will be used to examine the success of women-owned SMMEs and their level of ICT adoption. In addition to FBOM, it was found that in South Africa, other reasons included government policies that favoured women as they were previously disadvantaged (Maas & Herrington 2006: 51). Furthermore, the visibility of the female role in industry models and the need to compete with their male counterparts were motivations for women.

Type	Feature
1. Dynastic compliance	This is when a woman replaces a spouse in a family business until such time that the rightful successor takes over.
2. Had no other choice	These are those who lack educational and professional experience. They opt for entrepreneurship in order to earn a living.
3. Entrepreneur by chance	These are professional women who are pushed into business due to personal or family circumstances, but they do have a supportive environment.
4. Natural successor	These are women who inherit the business from the family, and are well prepared to take over the business.
5. Forced entrepreneurs	Professional women who decide to go into business because of the 'push' factors
6. Informed entrepreneurs	Professional women who have always had knowledge about entrepreneurship interests and family demands, but still decide to become entrepreneurs
7. Pure entrepreneurs	These are women with innovative ideas that they want to transform into reality.

**Table 2.5 Female Business Owners Motivations (FBOM)**

**(Orhan 2005: 13)**

### **2.5.3 Family responsibilities**

The gender division of labour has left women with the primary duty of taking care of their home and children (McDade & Spring 2005: 25; Pretorius & Villiers 2009: 182; Turner et al. 2000: 68; Webb 2000: 59). When they find a job, it adds to the domestic commitments that they already have. Corporate institutions have been seen to be preventing women from being absorbed into the labour force due to the fact that they do not have policies that enable women to balance their work life and family responsibilities (MDG 2008: 8). The need to balance them is also prevalent in the entrepreneurial world. In striving to balance their household and business responsibilities, most women end up running their business from home (CAWTAR 2007: 32; Maas & Herrington 2006: 52). Working from home assists them in managing both their business activities and household chores. It is, however, argued that in the long run this can affect their businesses as it limits their ability to travel in order to gather market-related information and access markets (Thomson 2007: 11).

It has been discovered that some women might not even consider doing business further away than their residential area due to household commitments, especially when they have children (Di Luca 2000: 67; Macueve et al. 2009: 30). Women have to fit family obligations into their business schedules. If there is no support from their husbands or significant others, the guilt that comes with neglecting family responsibilities pushes women out of business (Winn 2004: 148). In addition, their family structure has an effect on the commitment they have to their businesses. They either have to postpone their maternal and marriage plans or give up on business entirely to focus on household commitments. Household commitments, therefore, place women at a disadvantage as there are some duties that they cannot expect their domestic workers to do (Hassanin 2009: 59).

#### **2.5.4 Beliefs**

An enterprise will not exist if the entrepreneur does not have a belief that she is capable of running a business. The belief helps the entrepreneur to stay motivated in business. In this regard, Goffee and Scase (1985: 54) have identified social factors that will, in one way or another, influence women's participation in entrepreneurship. The first factor is based on how strong their entrepreneurial ideals are, followed by their belief in conventional roles as established by society (Goffee & Scase 1985:54). The latter refers to the acceptance of subordination by society and/or a preference to fully commit to domestic responsibilities (Kew & Herrington 2009: 13). Lack of confidence in their business abilities might affect levels of commitment. As a result, instead of maintaining a balance between business activities and family responsibilities, they will neglect the business. Entrepreneurial ideals are, however, commitment purely in terms of economic self-advancement (Goffee & Scase 1985: 54). What this entails is that while some women are focusing on doubling sales profits, others will close their business early and rush home to take care of domestic chores. This was evident in Egypt where craftswomen left their crafts unfinished to attend to household responsibilities (Hassanin 2009: 59).

Conventional ideals are, however, limiting women in a sense that they do not engage in businesses that they like, but those that will be accepted by society. It further views committing to domestic values as "morally and naturally correct," and this, therefore, affects their entrepreneurial commitment (Goffee & Scase 1985: 540). This qualifies Orhan's (2005: 4) point that the motivation behind any business dictates the success of that enterprise. Recent studies, however, point out that women should challenge those norms that seem to limit their entrepreneurial activities (Abagi et al. 2009: 179; Maier & Nair-Reichert 2007: 52; Mbambo-Thata et al. 2009: 75). The motivation of women participating in entrepreneurship has been related to theories that typify the distinctions that exist among women entrepreneurs. This gender approach to female entrepreneurship is illustrated in the following table:

Type	Entrepreneurial ideal level	Conventional gender role level
Conventional entrepreneur	High	High
Domestic entrepreneur	Low	High
Innovative entrepreneur	High	Low
Radical entrepreneur	Low	Low

**Table 2.6 Types of women entrepreneurs  
(Goffee & Scase 1985: 54)**

The first type of entrepreneur places a high value on both entrepreneurial and conventional gender roles. This type is said to be found, in most cases, in the service industry, where primary duties (domestic) are extended to business. For these women, being in business does not mean neglecting any of their primary duties, namely those of being a mother and a wife, in the process of running a business. Domestic entrepreneurs are more committed to their conventional roles than to entrepreneurship. They have a tendency to view entrepreneurship as secondary to their primary roles as mothers and wives (Goffee & Scase 1985: 56). As such, they do not place much value on economic self-fulfilment. Their business activities are more in the areas of traditional services such as arts and handicrafts, foods trading, beauty parlour, dressmaking and retail (Dewar 2005: 11; IFC 2008: 7; Levent et al. 2003: 1144).

Innovative entrepreneurs place a high value on entrepreneurial ideals and a low value on conventional gender roles. These women do not regard gender roles as being important, but instead focus on making their businesses succeed. It is said that they are motivated by the pursuit of profit (Taylor & Newcomer 2005: 26). Moreover, their areas of business are mainly in professions such as market research, advertising, public

relations and publishing. Lastly, there are radical entrepreneurs, who place low values on both entrepreneurial ideals and gender roles. This group strongly questions the gender roles prescribed by society. They see entrepreneurship as a tool that can be used to help women to escape from these prescribed roles. For them, business is not about profit, but is rather a means to accumulate funds in order to support the long-term interests of women (Goffee & Scase 1985: 56). Their diverse areas of business include publishing, printing, craft trades, retail, education and small-scale manufacturing (Kalleberg & Leicht 1991: 140; McClelland et al. 2005: 86).

The above typology demonstrates the heterogeneous nature of entrepreneurship amongst women. However, it is believed that some women entrepreneurs identify their goals and design roles regardless of any female or male stereotypes (Orhan 2005: 12). Goffee and Scase's typology, although validated by their empirical research, needs to be critically reviewed when dealing with entrepreneurs of today. It has been decades (1985) since their results were published; the fact that there have been many changes in terms of how women are viewed by society and how they conduct business should not be ignored. Therefore, there is the possibility of obtaining results with a large number of 'innovative' and 'radical' entrepreneurs. Understanding the types of entrepreneurs found in South Africa will also help in assessing the ways in which they adopt ICT. These levels of entrepreneurial motivation will assist in identifying the commitment and reluctance that might exist in terms of using ICTs for business operations.

### **2.5.5 Formality of business**

In order for an enterprise to be considered formal in South Africa, it needs to be registered for VAT. However, it has been observed that the majority of women's enterprises have a low turnover, which excludes them from VAT registration, because they fall below the VAT registration threshold (Forson 2006: 423). According to STATSSA (2005: 6), the majority of non-VAT business owners are black Africans

(approximately 91 percent), and a little more than half (54.6 percent) of non-vat registered business owners are female. Moreover, it was found that Gauteng had the largest number (430 000) of non-VAT registered business in the whole country.

### **2.5.6 Areas of trade**

The concentration of women in businesses is found more in the non-male dominated industries. Females are another kind of “minority” often participating less in urban economic life due to the fact that the business world is often male-dominated (Levent et al. 2003: 1132). Various authors have established that women-owned enterprises continue to grow in the traditional areas of retail and service industries (Taylor & Newcomer 2005: 17; Birley 2006: 35; Levent et al. 2003: 1136; Maas & Herrington 2006: 39). The same applies to South Africa where other categories include crafts, hawking and the retail sector (Maas & Herrington 2006: 39; SAWEN 2005: 12). Women tend to engage in local trading business activities (buying and selling of goods or services) that are least profitable, and they dominate in those industries. This leads to female entrepreneurs operating in sectors that are highly competitive because of the easy entrance into such businesses (Maas & Herrington 2006: 53). One of the reasons given for women’s concentration in the services industry was that it gave them flexibility to attend to other commitments such as household demands (Birley 2006: 35). In contrast, it could be that researchers are overlooking the possibility that these women are not exposed to other industries such as construction and financial services, for example. Merret and Gruidl (2000: 423) concur that women are unlikely to start businesses in agriculture, mining, manufacturing and construction. The possibility that women are more susceptible to segregation and discrimination in the business market than men should also not be overlooked.

### **2.5.7 Size and employment contribution**

Women-owned SMMEs have been found to be operating for at least 3.5 years with no evidence that they were graduating to higher levels (Hirsch & Öztürk 1999: 121; Maas & Herrington 2006: 42). Research indicates that women are less trusting, intolerant with regard to being imposed on by others, and have a greater need for control (Taylor & Newcomer 2005: 22). The majority of women were involved in sole proprietorship. This is something that might impact negatively on socio-economic transition as their enterprises might not contribute to reducing unemployment. According to Watson et al. (2006: 207), female entrepreneurs are less likely to employ staff. Storey (1994: 80) also stresses that their labour absorption is, in most cases, very low. In light of their poor contribution to employment and growth, as indicated in the literature, there should be a concern as to why these women-owned SMMEs are not successful. Involvement of policy makers and support structures are needed, including research, in order to examine current developments in this sphere.

### **2.5.8 Business background**

The decision to start a business is, for most women, more a 'life strategy' than a way to earn a living (Taylor & Newcomer 2005: 28). They enter the field without prior experience with regard to the businesses they are running (Storey 1994: 76). As a result, they find themselves isolated and experience some difficulties in managing the business on their own (Maas & Herrington 2006: 54). This is perhaps influenced by women's lack of formal business training (Isakova et al. 2006: 28). In a study conducted in Ukraine by Taylor and Newcomer (2005: 28), it was found that gender is not an issue when it comes to managing a business. It was, however, noted that women's abilities in the fields of production management, exporting, innovation, market development and growth for sales were rated low (Isakova et al. 2006: 33). Women tend to believe in being independent. Their independence was based on the fact that they are reluctant to seek advice from their male counterparts. However, they do seek support from external networks (Taylor & Newcomer 2005: 27). They were more comfortable obtaining

assistance from other women who had been in the business longer than them and who were not situated close to them. However, accessing these 'external networks' could be a challenge, as most small enterprises lack networking opportunities (Maas & Herrington 2006: 41). It was also noted that SMMEs have insufficient networks with LEs as well as with other SMMEs (SAWEN 2005: 9).

According to DTI (2003: 2), most women lack the necessary resources to start and develop/grow their businesses. However, availability of key resources such as land or finances does not necessarily mean that women will be successful. There are other resources that are essential in order for women to succeed in their entrepreneurial activities. Human capital has been identified as one of these resources, and it can only be obtained through some form of education and/or skills training (DTI 2003: 2). SMME owners are supposed to have the skills or at least employ someone in the business with the relevant skills. Possession of appropriate knowledge will, therefore, enable women to be successful in their businesses. The other challenge faced by women is the lack of and/or inadequate management skills (Maier & Nair-Reichert 2007: 49; Fairlie & Robb 2009: 385; Jain 2008: 9). Other challenges that were found to affect female entrepreneurs in the African context include (SAWEN 2005: 9):

- inadequate access to credit,
- vulnerability to adverse effects of trade reform,
- restraints with regard to land,
- lack of information to exploit opportunities, and
- poor mobilisation of women entrepreneurs.

These problems of inadequate finance and limited access to external trading, land and information seems to be common to most women in business globally (Dewar 2005: 14; DTI 2006: 8; Hassanin 2009: 57; IFC 2008: 20; McDade & Spring 2005: 25; World Bank 2008: 3). Other challenges are due to the unavailability of time. Herrington et al. (2008: 20) points out that in South Africa men are more active in entrepreneurship than

women. The ratio of men's entrepreneurial activity as compared to women is 1.6: 1. Given the patriarchal systems applicable to our society, women entrepreneurs are not usually relieved from their domestic responsibilities when they start their businesses (Aidis et al. 2007: 159). IFC (2008: 7) reports that women spend, on average 29.2 hours in their business per week, compared to men who spend 46.9 hours. This will directly or indirectly affect their businesses as they cannot pay full attention to their business operations.

### **2.5.9 Business finance**

The success and sustainability of SMMEs is highly depended on the availability of funds. SMMEs need access to financial products such as capital, credit and seed funding in order to operate. According to Jayamaha (2008: 1), access to finance refers to providing an environment that allows people in general to have access to formal financial services through the use of different financial products at affordable prices. Financial services further contribute to expanding people's choices and ability to respond to opportunities (Swain 2006: 7). It has been, however, pointed out that access to finance is currently inadequate. Lack of access to finance has been cited to be the main cause behind the unsustainable and failure of some SMMEs (Bosma et al. 2009: 23; Muravyev et al. 2007: 19). This is a threat to SMMEs that do not have multiple options of where they can borrow money. For example, the financial source for most SMMEs in South Africa is mainly coming from banks as compared to other developing countries where they also have access to Micro Finance Institutions (MFIs) (FNB 2009: 7). However, it is also reported that SMMEs are underserved by commercial banks hence they cannot meet their financial needs (Radebe 2009: 2).

The lack of support from commercial banks means that SMMEs will not have access to funds. The only option available to those that do not have access to MFIs could be to borrow from family and friends. Radebe (2009: 2) further argues that these commercial banks do not understand the SMME sector and when they do offer SMMEs financial

assistance, the banks end up with non-performing loans. The banks do not know how the SMMEs operate and they cannot offer them loans that will suit their level of operations. SMMEs are also discouraged to apply for loans from commercial banks. This is because the interest rate charged by the banks are very high (IFC 2008: 19). Although the MFIs charge even more than the commercial banks, some SMMEs still approach them for loans because the MFIs understands the SMME sector (IFC 2008: 21). In chapter 3 there is a detailed discussion of finance, particularly on the challenges that women face with regards to accessing financial resources.

## **2.6 CONCLUSION**

This chapter dealt with the complexity and uniqueness of SMMEs, which is evident in the varying definitions that exist across sectors and countries. When defining SMMEs, most African countries and Asia-Pacific regions use employment and value of assets as the main variables for defining SMMEs. In as small as they may seem, their great contributions to socio-economic growth are evident in various studies. The characteristics of SMMEs were introduced by looking at Macqueen's (2005: 7, 8) advantages and disadvantages of SMMEs. The latter served to indicate that policy makers and support structures need to understand this industry and provide resources that are appropriate to their diverse nature, rather than to opt for generalised solutions that might not reach their intended recipients. In characterising this industry, issues of formality, availability of infrastructures, business functions and what constitutes an entrepreneur were discussed. Acs et al. (2008: 18) use the knowledge spill-over theory to explain how entrepreneurs get their business ideas. Moreover, they indicate that entrepreneurship is an endogenous response from the knowledge gained in educational institutions with the intention to invest in that knowledge. In this regard, there can be no doubt that in order for an entrepreneur to exist, a business idea needs to be present.

Women-owned SMMEs were characterised according to their personal backgrounds which reflect their age and educational backgrounds. It is impressive that there are

entrepreneurs in South Africa who did not even complete their primary education, but are nevertheless contributing to economic growth. Racial differences are not an issue (greater participation of black women has been noted). Motivations for entrepreneurship revealed that women do not only start a business because they have a certain idea - there are motivations that support the ideas. Several motivations were discussed with reference to Orhan (2005: 13) who identified seven FBOM that were based on the 'push' and 'pull' factors, together with gender theories that look at male domination; evolution of women and women's identity. Goffee and Scase (1985: 54) also revealed that women do not just become entrepreneurs, but rather hold beliefs in conventional gender roles and entrepreneurial activities that will determine whether they will be domestic, conventional, innovative or radical entrepreneurs in terms of their business participation.

Women-owned SMMEs have a high rate of non-VAT registration, and were found to trade in sectors that are highly competitive and not very profitable. In their business operations, most women lack management skills and have poor networking skills for creating external networks as well as internal ones amongst SMMEs themselves. They are impacted by the lack of resources which includes inadequate access to credit, an unfavourable trading environment, lack of land and female role models. When they venture into business, they are not relieved of their domestic responsibilities, thus limiting the time that they spend on business activities. Women were found to be more reluctant to use institutional funding than their male counterparts. They depended on borrowing funds from family and friends. Women, especially in the African culture, are less likely to invest in their business because if they have extra money they have to support their extended families.

The next chapter explores the challenges that women-owned SMMEs face in their business operations. The challenges are further discussed by investigating the types of Information and Communication Technologies (ICTs) that they use in their businesses.

This will be conducted by also looking at the challenges that women face in accessing and using such ICT infrastructures.

## CHAPTER 3

### CHALLENGES IN WOMEN-OWNED SMMEs

#### 3.1 INTRODUCTION

Businesses operate under conditions that determine their survival, growth and sustainability. The well-being of these businesses is dependent on various resources. These resources include finance, business premises, infrastructure and sound management skills. The aforementioned resources are prescriptive because they determine whether or not enterprises will be successful. Failure to access and use the aforementioned resources will result in SMMEs experiencing challenges in operating their businesses. The challenges of inadequate access to financial assistance, lack of skills and poor infrastructure are not the only ones that are affecting SMMEs. Challenges related to the access to and usage of ICTs play a determining role in the success or failure of SMMEs. However, it is important to acknowledge that the challenges affect men and women-owned SMMEs differently. Trauth and Quesenberry (2006: 1760 & 1767) give the example of socio-cultural factors, such as domestic responsibilities and the gendered nature of the Information Technology (IT) related domain that have a negative effect on women's access and usage of ICTs.

Societal systems provide prescriptions regarding how certain things should be done and the gender division of labour is such one aspect regulated by these systems. As discussed in chapter (section 2.2), women's triple social roles place them in a disadvantageous position. Researchers such as Pretorius and de Villiers (2009: 182), and Winn (2004: 148) contend that the patriarchal systems are the main cause of the gender-related roles that exist. These roles left women with more household responsibilities and limited time to spend on businesses. Due to the socio-cultural prescriptions that have always existed, it cannot be assumed that equity in terms of access to ICTs prevails in all areas. The distribution of work, income, wealth, public

goods and services for women and men are also controlled by these systems (Thomson 2007: 5). It is in this regard that this study examines the challenges that women-owned SMMEs encounter in order to determine if the element of gender inequity exists in accessing and using resources.

This chapter looks at the challenges that women-owned enterprises encounter and how these challenges relate to their access to and usage of ICT infrastructures. The first section will discuss the generic challenges of SMMEs. Thereafter, ICT-related challenges will be discussed by looking at the level of access, usage, relevance of technology, as well as limitations and benefits of ICTs. The chapter will conclude by highlighting the key points discussed.

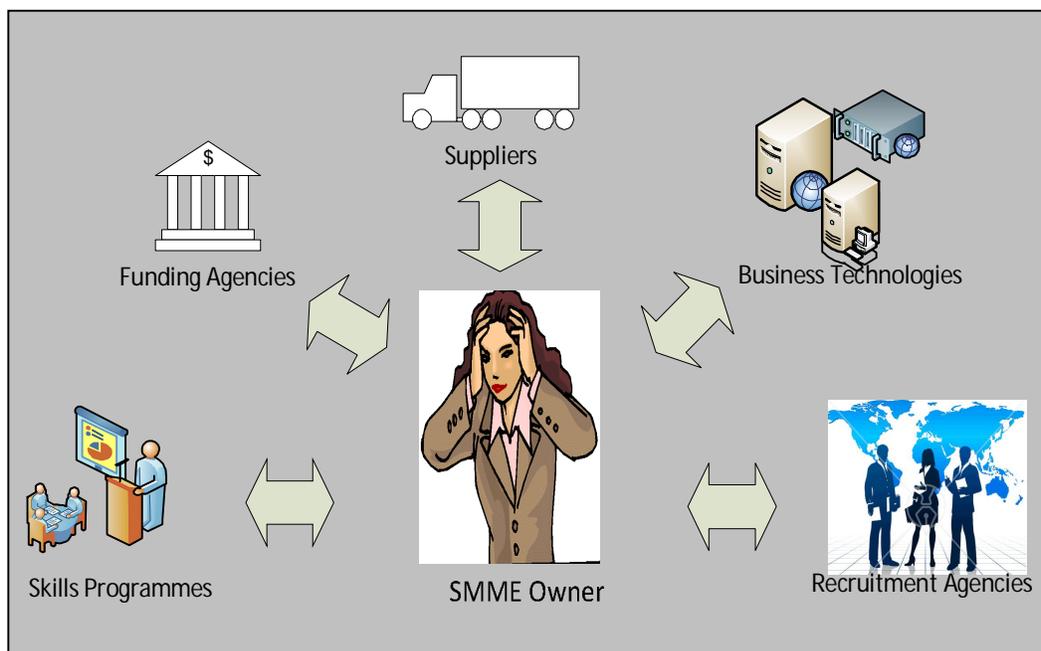
### **3.2 ICTs AND GENERIC CHALLENGES**

There are various challenges that SMMEs have to deal with from the early stages of the enterprise up to the final level of growth that the owner wants to reach. Despite various measures that the South African government is engaging in to assist this sector, it seems as if it is not reducing the problems. The DTI (2006: 1) however, acknowledged that the progress is insufficient as the majority of women are still located on the lower echelons of the economy. In its commitment to assisting women-owned SMMEs, it has vowed to provide support by ensuring that women in business are actively supported through incentives, information sharing, trade missions, improved access to finance and business support (DTI 2006: 1). In contrast, Radebe (2009: 2) maintains that SMMEs are still facing significant challenges in accessing business finance and non-financial support services. State agencies that have been established to offer support services are also failing in that they do not have direct contact with these SMMEs. Khula, a financial services agency whose mandate is to provide financial assistance to SMMEs, has third party agents that handle the financial distribution for them (Radebe 2009: 2). As a result, access cannot be guaranteed because the acquisition of funds is determined by these third party agents.

Radebe (2009: 2) further advice that SMMEs need training in business skills, technical advice, linkages to markets, and mentoring. According to Pandey (2007: 9), due to a lack of access to mentoring services in their early stages to assist them in coping in a business environment, SMMEs are prevented from realising their full potential. As a result of the aforementioned, some enterprises get extinguished in the process due to a failure to endure hardships occurring in the business environment. Some businesses remain stagnant and fail to grow as a result of some of the challenges. In most cases, women-owned enterprises are the ones that fail to grow (Maas & Herrington 2006: 56). They are faced with the challenges of finding suppliers with competitive prices, securing finance to support their internal development, and hiring skilled employees. Figure 3.1 (below) depicts some of the challenges that women-owned enterprises encounter. The majority of women have limited time due to their dual roles as household keepers and business women (Munyua 2009: 128; World Bank 2008: 37). Therefore, the responsibilities of contacting suppliers and financial institutions, hiring skilled personnel and deciding on the best technologies for their businesses make their entrepreneurial activities difficult. The time consumed by domestic demands exacerbates the problems that they face. Their limited time may not enable them to focus on other areas of business as required (as illustrated in Figure 3.1).

Women and men may have similar business experiences but are completely different when it comes to making business decisions that are risky. Brindley (2005: 152) is of the opinion that women's reluctance to taking such decisions impacts negatively on their business growth. The challenges that women face are not only based on external factors, but are inherent to their characteristics as well. Their reluctance to taking risks has also been discussed in the literature (Brindley 2005: 148, 150; Watson 2006: 45; Watson et al. 2009: 4). It was established that women are unlikely to take loans as they want to be in control of their businesses. This is done to secure their businesses and livelihood in case their businesses do not perform well which will result into failure to pay back the loaned money. This further shows the inherent differences between

women and men. McDade and Spring (2005: 37) attest to this when stating that the personal characteristics of an entrepreneur impact on all aspects of a firm's operations. This means that for all the changes that need to be made in an enterprise, the owners have the responsibility of taking a decision. In this sub-section, the challenges are discussed by grouping them into entrepreneurial, infrastructural, family responsibilities and financial challenges. By reviewing the challenges that women encounter, this will shed some light on why there is a high failure rate and lack of growth in women-owned SMMEs.



**Figure 3.1 SMMEs' General challenges**

**(Own 2010)**

### **3.3 ENTREPRENEURIAL CHALLENGES**

The optimum performance of a business can be realised when a business is equipped with the necessary resources. According to Ngassam et al. (2009: 2) SMMEs' inability to access resources prevents them from being productive. Resources refer to finance, business premises, ICT devices and other infrastructures relevant to that particular SMME. However, access to resources relies on the availability of information and the

necessary skills for an entrepreneur to utilise such information. Due to the lack of mentoring, managerial skills, exclusion from networking and male stereotyping that exists in the business environment, women's obstacles persist (DTI 2006: 6; Trauth & Quesenberry 2006: 1767; Winn 2004: 144). Pandey (2009: 9) is of the opinion that these challenges are also exacerbated by women's limited knowledge of markets and managing cash-flow. The challenges pointed out are attributed to management problems, indicating that there is a greater need for management skills among women. The need for training in cash management and financial skills was also reported by Brush and Hisrich (1991: 15). Sane and Traore (2009: 114) also stress that it is important for SMMEs to have accounting and financial management skills. This will enable them to keep and manage their sales records efficiently. It will also assist them when applying for financial assistance as the financing institutions will be able to establish whether or not their business has potential. Perk and Mazibuko (2009: 3-5) also report that management functions such as purchasing, financial and information management are the most neglected areas in SMMEs. This leaves the operation of a business not running in a uniform way as there is no structure in terms of how purchasing of products will be conducted and marketed.

The literacy levels of entrepreneurs, in some cases, affect the overall operations of such a business. This could also affect ways in which they will adopt and use ICT infrastructures. In one of the studies conducted by Comfort and Dada (2009: 51) it was found that women were aware that using the short message service (SMS) feature for communication was cheaper. However, because of their low literacy levels it was impossible for them to use this feature. Low literacy levels impact negatively on the language skills of women when conducting their businesses (Hassanin 2009: 56). Language skill is a problem for most women and English is, in most cases, the business language, hence women are left behind. This also limits women's participation in export markets as they cannot communicate with other parties. Other skill-related problems, as noted by Kew and Herrington (2009: 68), include the following:

- low levels of expertise in marketing, accounting, operational and human resource management;
- lack of knowledge on how to tender for government jobs, as this is the main money-making opportunity for a number of SMMEs in South Africa, and
- an inability to join value chains of LEs due to their invisibility in procurement activities.

Limited skills in marketing will affect business visibility in that the products or services being sold by that enterprise will not be known to the public. SMMEs will have a low customer base and this will affect its cash flow. According to Merret and Gruidl (2000: 430), higher educational levels assist in marketing and management capabilities. In order for an SMME to qualify for tender opportunities, there are application forms that need to be filled in. These forms require other accompanying documents to enable the applicant to be short-listed for the advertised tender. This means that an SMME applying for a particular tender should be knowledgeable enough to complete the tender document. The following is a brief explanation of labour, regulations and quality control as entrepreneurial challenges.

### **3.3.1 Labour**

According to Ngassam et al. (2009: 11) SMMEs have problems in attracting and maintaining suitable employees to meet their productivity demands. In addition to the difficulties involved, these SMMEs also have the business challenges of dealing with the unknown demand and supply of products/services, which also determines how long they should hire other employees. When employees with relevant skills have been secured, women experience problems in managing them (World Bank 2008: 18). The labour practices were found to be unfavourable in that they are only applied to formal businesses. These regulations are not designed to suit the dynamic nature of SMMEs. The concern is that regulations make it difficult to fire employees, even when the enterprise is not doing well (World Bank 2008: 13). According to Radebe (2009: 2) SMMEs would cope better if labour laws were flexible. One of the female entrepreneurs

in Senegal stated that there are periods during which they have many orders and need more personnel (World Bank 2008: 12). However, when the period is over she cannot 'lay them off' as this will cost the company more. At the same time, there is no flexibility in terms of hiring casual workers. The World Bank (2007: 19) states that the labour regulations are stricter in South Africa than in OECD economies as it is difficult to 'hire and fire' employees. The labour laws that exist are disadvantageous to formalised enterprises as informal enterprises are not affected by the law, thus creating unfair competition between them.

### **3.3.2 Regulations**

Regulations refer to how the business industry is regulated locally and internationally in terms of trade licences. It is argued that regulations maintain and enhance the conditions that enable the functioning of an advanced market economy (Kitching 2006: 4). Regulations can break the economy depending on how favourable they are. For example, lack of knowledge on how to conduct export businesses is one of the challenges that can restrict SMMEs from exporting and importing their products or services. The World Bank (2007: 13) states that barriers to entry were heightened by low exporting 'know-how'. For example, women in Egypt complained that they did not have information on what can be exported and imported (Hassanin 2009: 60). Furthermore, customs regulations were reported to be changing every year without the traders' knowledge (Hassanin 2009: 61). Most women in Africa complain about unfavourable import and export regulations. The administrative burdens, including cost and transaction requirements for exports, have been cited as problems (CAWTAR 2007: 50; Hassanin 2009: 59; IFC 2008: 18). An entrepreneur has to have knowledge regarding how to navigate the regulatory and legal aspects of the export trade (Hassanin 2009: 59). Custom laws were found to be discriminatory against women, especially in East Africa (Tanzania). Most women are less mobile than men and do not have enough time or contacts to deal with complex requirements. This makes them vulnerable to officials requesting facilitation payments to expedite bureaucratic procedures (World Bank 2008: 3 & 39).

Another regulation dilemma relates to the licences required for SMMEs to operate legally. Chandra (2001: 43), however, reports that SMMEs do not regard regulatory licences needed for their operations as a serious challenge although the time it takes to get them is not reasonable. Kitching (2006: 17) confirms that some owners spent 8.4 hours per person per month on regulations and paperwork. Another concern was that some South African departments were rated high on having cumbersome regulatory procedures (Chandra et al. 2001: 43). Although it is good to regulate the SMME sector so that their business are run in a legal way, some researchers warn that over-regulation might hinder growth and job creation provided by SMMEs (Christianson 2003: 11).

### **3.3.3 Quality control**

The quality of products/services is one of the issues that will keep the customers pleased. Quality is seen as something with the notion of distinctiveness, something special or high class (Kistan 1999: 126). Parri (2006: 107) on the other hand, sees quality as something, with multiple meanings, which leads people to view it differently. She, therefore, explains it as something that can fit one of these categories: as special or unique; something refined and flawless; goal compliant; and worth the price. The example of quality as refined and flawless is evident in a study that was conducted in Egypt by Hassanin (2009: 49). It was discovered that women had problems in delivering quality goods. She argues that the quality of goods was hampered by other domestic commitments that these women had (Hassanin 2009: 51). These craftswomen would leave their crafts without completing the finer details needed to make them neat and desirable as they had to go home to attend to their household duties. This demonstrates how important the element of refinement is in some products.

Another issue that affected the quality of women's products was related to the lack of knowledge which can be affected by the lack of "goal compliant". If women do not have

a goal of producing quality products this will affect their business. According to Pandey (2007: 10), some people view SMMEs products as being of a poor quality. This makes sense if quality measures are not taken into consideration by SMMEs. However, it does not mean that people can generalise that SMMEs products lack quality, like the comments made in CDE and Pandey's work (CDE 2007: 7; Pandey 2007: 10). Research has indicated that after women entrepreneurs had attended an entrepreneurial training course that taught them about the importance of customer relations and offering quality goods, they sold goods that were of a good quality (Bakesha et al. 2009: 145). In the case of women in Uganda, they knew the importance of selling goods that were neat and attractive. They experienced growth in sales immediately after practising what they had learnt and proving that their products were worth the price as Parri (2006: 108) says in her categories of quality. Quality can also be increased by having access to various suppliers, which gives an entrepreneur the choice to select the best supplier (CDE 2007: 12) This is, however, influenced by access to effective transport or ICT devices, which can enable a woman-owned SMME to access multiple suppliers.

### **3.4 INFRASTRUCTURAL CHALLENGES**

Infrastructural problems persist in areas that are underserved by government development initiatives. Lack of good and reliable infrastructure leaves SMMEs with burdens when running their business. The problem of infrastructure includes poor roads and transport systems. This limits the movements of entrepreneurs and customers as well as suppliers when they have to make their deliveries. One of the interviewees in the Centre for Development Enterprise study indicated that affordable and efficient transport facilities would help immensely in maximising her customer base (CDE 2007: 5). Effective transport facilities are necessary in allowing people to travel safely to their desired destination and conduct their business. It is imperative that infrastructural problems are attended to in order to enable SMMEs to access services. Women have limitations in terms of mobility and they, therefore, need reliable access to transport infrastructures that are essential for their business. Due to these limitations they end up

forcing themselves to combine various tasks into one trip to avoid having multiple trips (Turner et al. 2000: 68). According to Turner et al. (2000: 72) there is a demand for low-cost, flexible and responsive transport. This will also assist women in managing their domestic demands without having to 'squeeze' in a number of activities in one trip in order to save money. Thus, with affordable transport, they do not have to do everything at once.

Their gender requirements of having to attend to household activities also do not provide women with enough time to travel in search of the best suppliers. Their solution to other business requirements may lie in the hands of ICTs. The problem with these ICTs is that they rely heavily on other external support mechanisms such as energy. It has been reported that in developing countries there are problems of poor electricity supplies (Kew & Herrington 2009: 44; Macueve et al. 2009: 41; Sahlfeld 2007: 23; UNDP 2003: 14). To give an example, a community in Mozambique had welcomed mobile phones and saw the benefits in them. Their challenge was, however, that these women could not optimally utilise these devices because their batteries would not last. Due to the lack of electricity, it then became a problem for them to charge their mobile phones (Macueve et al. 2009: 40). Modiba et al. (2009: 161) argue that poor infrastructural development limits SMMEs' access to ICTs.

With inadequate infrastructure the benefits of ICTs will remain a dream for most entrepreneurs, especially in Africa. In areas where network frequencies of electronics are poor, connectivity becomes a problem (Comfort & Dada 2009: 49; Macueve et al. 2009: 40). In addition Kew and Herrington (2009: 24) argue that the problem of poor network coverage is compounded by unreliable existing networks. This leaves users without a network signal, which means that they cannot use their ICT devices. These ICTs become a burden to users as they have now invested in technologies that are inefficient. Comfort and Dada (2009: 48) attest that there are some areas in Nigeria where people had bought mobile phones but could not use them because network points were not yet installed. The demand for these technologies has exceeded the

supply. The aforementioned leaves users with the impression that technologies are not reliable (Comfort & Dada 2009: 48). When ICT devices are introduced to entrepreneurs it is imperative that they meet these entrepreneurs' needs at all times.

The importance and effectiveness of ICTs are highlighted in various studies and government policies (Esselaar & Gillwald 2007: 4; Kew & Herrington 2009: 10; Sahlfeld 2007: 22; UNDP 2003: 8 & 11). Labelle (2005: 2) further reports that ICTs are important in fighting poverty in our communities. It has been established that if SMMEs expect to maximise their profits, they need to consider tapping into ICT solutions to reach the markets (Sahlfeld 2007: 22). This will assist SMMEs in accessing information about the demand and supply of products and services and identify niche markets at a faster rate (Labelle 2005: 17). As a result, SMMEs are targeted by ICT industries as an emerging market that needs to invest in ICT solutions. Africa as a developing continent forms part of the pie that the ICT industry wants to grab. The adoption of ICTs is, however, dependent on the availability of infrastructures such as electricity, network connections and telecommunications lines. According to Muller (2009: 33), inadequate provision of basic infrastructure will hamper the adoption and deployment of ICTs. SMMEs will not be able to use ICTs when there is poor connectivity and inadequate supporting infrastructures for such ICTs to function. The UNDP (2003: 14) contends that the unavailability of electricity and telephone lines hampers ICT usage. Moreover, lack of energy services cuts off people in the developing world from some of the benefits of the modern world.

Through ICTs, SMMEs can market their services and products as well as identify new opportunities using websites and electronic mails (Miller et al. 2002: 68). Moreover, sales can also be performed online through electronic commerce with local and international clients. However, if SMMEs do not have access to sophisticated technologies, this could put them in a disadvantage situation because international competitors will use such technologies to invade their local markets (Kew & Herrington 2009: 14). Enterprises in developed countries have adopted ICTs and can reap the

benefits of ICTs. Developed countries will, therefore, access local markets through these technologies and benefit from local market whilst local entrepreneurs cannot access their competitors' markets. According to Miller (2002: 14), the usage of ICTs in developed countries continues to grow. Moreover, it rose from 35 to 62 percent between 1997 and 1999. In South Africa, the uptake of ICTs between 2005 and 2006 increased only from 57 to 58 percent (Goldstuck 2006: 27). The growth of 1 percent is not significant, especially taking into consideration the gap which has always been there between developed and developing countries. The high increase experienced in the 1990s by developed countries is significant compared to the one that South Africa experienced. The gap can, however, be linked to challenges that developing countries encounter when accessing ICTs.

### **3.5 FAMILY RESPONSIBILITIES**

The socio-cultural norms discussed in chapter 2 (section 2.2 and 2.5.3) may, to a certain extent, prevent women from using ICTs. These norms allocate responsibilities of men and women differently with women carrying the social triple role burden. Issues such as gender division of labour restrict women from using ICTs. Culture also plays a major role in doing the same. In section 3.7, the influence of culture is discussed. It is clear that individuals' adoption of ICTs is, in most cases, influenced by culture. In section 3.7, it was discovered that their students' career choice was influenced by social circumstances and culture. The same applies to making decisions in a business environment. For example, most African cultures have a strong oral culture where they prefer verbal communication (Comfort & Dada 2009: 51). When it comes to using communication tools like SMS, this becomes a barrier. Comfort and Dad (2009:51) relate this to Nigerian societies which are more comfortable in talking. Although they have adopted and accepted mobile phones, they have problems of making calls in that their conversations are forced to be shortened in order to reduce the cost. Even when making a business call this could be a problem because if the owner has to remind her client of an existing debt. Their culture does not allow them to immediately ask them about payments without first asking them how they are doing and making some sort of

conversation. The owner could be seen as being rude, and this might affect her client relations.

It has been found that women spend more of their money on family than business matters. According to Macueve (2009: 34) women tend to spend their surplus money on basic needs such as food or other household essentials rather than investing in ICT devices and personal needs like their male counterparts. Due to their domestic demands, some have limited time to contemplate using ICT devices for their business use. According to Comfort and Dada (2009: 54) women are more likely to give preference to their domestic roles and needs over their use of ICTs. This could be exacerbated by not realising how these technologies can assist them in their daily activities.

The next sub-section looks at the financial challenges faced by women and determines if there is money available to invest in ICTs as they try to balance their domestic and business demands. Pretorius and De Villiers (2009: 183) believes that by relaxing socially constructed norms, for example, sharing household responsibilities between women and men equally – will enable women to have sufficient time for business and ICT related activities.

### **3.7 FINANCE**

As discussed in chapter 2 (section 2.5.9), access to finance is inadequate due to a lack of multiple options where SMMEs can loan money. It was mentioned that commercial banks' lending options are not suitable for the SMME sector. However, the problem with access to finance persists in women due to inequalities, their household duties and limited knowledge that have left them unable to inherit or acquire land or property (Allen & Truman 1993: 23; World Bank 2008: 25). Furthermore, when they do use institutional funding, it is on a minimal basis. There is, therefore, a need to investigate the reluctance

of these SMMEs to apply for institutional funding. This trend of not using institutional funds occurs not only amongst women, but also amongst men. However, it is women who rely more on personal funding. This could be as a result of the fact that women have less personal savings in comparison to men (Isakova et al. 2006: 34). Moreover, the difference in personal savings was identified as being due to lower salaries that women used to receive when they were still employed. Lack of savings negatively impacts unemployed women who want to start a business. Statistics reveal that the unemployment rate amongst women, especially African women, is higher than that of their male counterparts (STATSSA 2007: 19). In South Africa it was recorded that the unemployment rate in Gauteng province was 17.4 percent in September 2007 - as being the highest, followed by the Western Cape province with 15.7 percent (STATSSA 2007: 18). When starting a business, women do not normally rely on institutional funding, but rather use personal savings or borrow money from family and friends (Isakova et al. 2006: 34; Rogerson 2008: 65; Storey 1994: 76).

Women are reluctant to take risks. This influences their decisions to apply for funding. Some are reluctant to borrow funds from FIs because they want to maintain a lower debt record (Isakova et al. 2006: 34; Muravyev et al. 2007: 7). Another reason that prevents them from seeking institutional funding is the lack of collateral (Allen & Truman 1993: 23). When they do not have collateral they are required to provide a surety. In Swaziland for example, banks still refuse women's applications if they are not accompanied by males' sureties. It has also been established that some venture capital lenders that are supposed to assist SMMEs do not relate well to businesswomen (Lee 2004: 10). Women tend to be treated harshly with respect to the processes that are in place to secure funding. It has been noted that even though financial institutions do not use gender as a determinant to offer a loan, the collateral requirements for women were too high (Greene et al. 2006: 68). The loan requirements that appear to be different for women and men are likely to create a financial appropriation gap amongst SMMEs.

Another point to be noted is that women were found to be less likely to invest their own money in the development of their business. When they have excess funds, they would rather use them for their personal needs than spend them on business-related items. According to IFC (2008: 8) men invest money more often on business than women. It was also found that current extended family ties existing among African women forced them to spend extra cash on their families, hence limiting investment in businesses (Allen & Truman 1993: 23). This also affects their track records when they have to approach financial institutions for loans. According to Watson et al. (2006: 46) there is a finance gap that exists between women-owned enterprises and those owned by men. Men can receive financial assistance due to their good track record, but women cannot due to their lack of a track record. Furthermore, the element of longevity affects their track record. Since most women-owned enterprises are young, they have not yet proved their financial viability. In other areas it has been found that although most women do seek external funding, they do not receive anything (CAWTAR 2007: 20). In contrast, Watson et al. (2009: 7) maintain that most women-owned SMMEs are not receiving any form of financial assistance because they do not approach financial institutions. Reluctance to request financial assistance was believed to be influenced by the fact that female entrepreneurs are risk averse and want to be in full control of their business (Watson 2006: 46; Watson et al. 2009: 9). External funding brings with it the likelihood that they may lose control over their businesses if they fail to pay back debts. Moreover, others did not apply at all for funding due to the fear that their applications would be rejected. Due to their lack of confidence, some women are less likely, than men, to take loans because the credit system structure is hierarchical, and from their perspective, this might look as if the banking industry is not user friendly. Furthermore, low income women tend to be less educated and not used to interact with official people (Boros et al. 2002: 24). As illustrated in Figure 3.2 they also view banks as very powerful institutions, and many women may not have enough confidence to approach them.

Women are viewed as lacking the credibility that men have as business owners (Goffee & Scase 1985: 49). Resource and service providers and customers do not view female

entrepreneurs with the same respect and as having as much competence as male entrepreneurs (Goffee & Scase 1985: 50). This leads to a situation in which women waste most of their valuable time trying to prove themselves rather than focusing on business operations. It was also observed that women do not know how to communicate with clients regarding the money owed to the business (Maas & Herrington 2006: 54). In instances where they have to collect debts from clients, women find it difficult to state their case.



**Figure 3.2 Women's perception of bankers**  
(Boros et al. 2002: 24)

Another concern about lending money from banks was their unreasonable terms and conditions, as well as the high interest rates (Watson et al. 2009: 10; World Bank 2008: 18; CAWTAR 2007: 20). However, the option of micro-financing is also viable, depending on the availability of such services. In India, it was found that 90 percent of

microfinance clients were women (Swain 2006: 13). Even with the promotion of affirmative action which stipulates that individuals should not be discriminated against on the basis of gender and race in South Africa, black women still experience difficulties in obtaining financial assistance. Only 38 percent of these women are using banks (banked), in comparison with 44 percent of black men; 91 percent of white women, and 94 percent of white men (World Bank 2008: 19). Tanzania also reported low levels of women who are banked - they were estimated at 5 percent in contrast to their male counterparts at 11 percent. This has a negative impact on applying for bank finance (World Bank 2008: 32).

The discrepancies arising from the above discussion demonstrates that the issue of access has not been properly resolved. It is, therefore, important that adequate finance becomes available to SMMEs. Women who do not have collateral to supplement their financial applications should at least have a lease agreement to enable them to secure funds. In Tanzania, for example, women entrepreneurs who do not have collateral receive funding through a leasing model (World Bank 2008: 32). With access to funding, women entrepreneurs will be able to invest in tools that will enhance the productivity of their businesses. Because of limited access, women use private funding such as that obtained from friends, family members and personal savings, as well as re-investment of business savings (CAWTAR 2007: 19). The availability of funds, whether they are borrowed or emanating from profits, also influences whether or not an SMME will invest in ICTs.

The next section will discuss the challenges that are associated with the adoption and acceptance of ICTs, as well as other related issues.

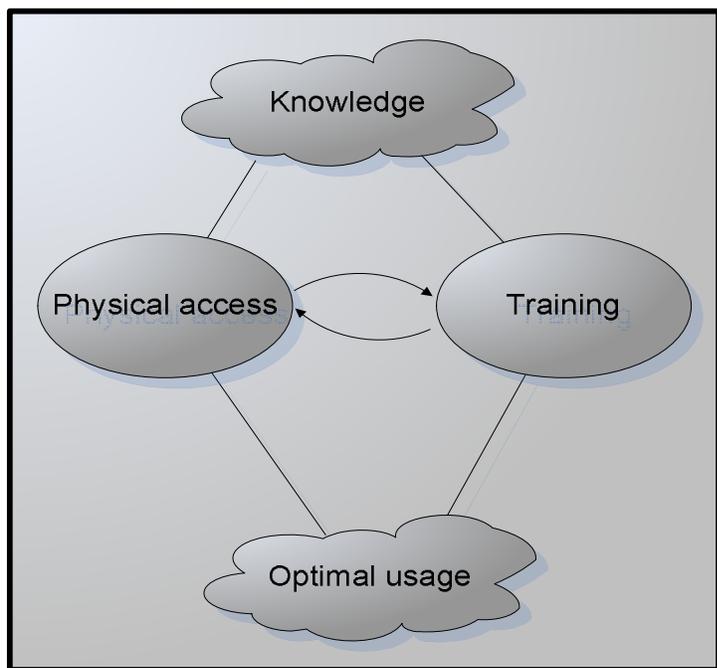
### **3.7 ACCESS, KNOWLEDGE, ACCEPTANCE AND USAGE OF ICTs**

Various authors have reported on the significance of ICTs in terms of how they can transform the business activities of SMMEs and facilitate their growth (Esselaar &

Gillwald 2007: 8; Meena & Rusimbi 2009: 198; Motjolo pane & Warden 2007: 3). The success of ICTs depends on issues such as physical access, knowledge and affordability.

### 3.7.1 Access and knowledge

Access to ICT devices relates to SMMEs' ability to know or understand what type of devices they require for their businesses. When they have acquired the knowledge, they should have physical access to these required devices. They can access them by either purchasing them or access them at community telecentres. Physical access does not, however, guarantee access (Munyua 2009: 128). The issue of access goes beyond the purchasing or finding other means of physically accessing these ICT devices. Figure 3.3 illustrates the access process method.



Access Process

**Figure 3.3 Access process**

**(Own 2010)**

As illustrated in Figure 3.3 an SMME has to have knowledge about the existing ICTs, and how they can improve the business operations and where to access or purchase such ICTs. Some form of training is required to enable users to use these devices. For example, an entrepreneur needs to be trained on how to use a computer. The user may either receive training before purchasing the device, or can purchase the device and then receive training. Upon completion of the training, entrepreneurs should be able to use such ICT devices for both professional and social purposes. If a person does not know what type of ICTs they can use, or do not know how use the ICT device it would mean that the user cannot optimally use the devices. In this case access is still limited. This is what Labelle (2005: 66) calls beneficial use of ICTs. A practical example of this could be that the entrepreneur did attend training on how to use computers and does have a computer at home, but does not know how to use it for business-related tasks. Instead of recording her clients on computer by maintaining a database, the entrepreneur would still use paper-based methods to record her customers. This computer is thus not being optimally used by the entrepreneur to meet her business needs.

The problem of access to ICTs is even noticeable in institutions of higher learning, which encourage students to enrol for ICT-related courses. One good example is the University of Zimbabwe which passed a policy that made it compulsory for students across all faculties to enrol for an ICT training course (Mbambo-Thata et al. 2009: 70). China and Britain had the same system whereby the Internet was used as a tool for learning (Li & Kirkup 2007: 302). Irrespective of the supporting policy that stated that access to the computer laboratories was on a “first come, first serve” basis, the policy did not wholly address individual access problems, especially gender-related ones. Female students were, therefore, bullied by their male counterparts, and some of them would end up not getting access to the computer labs. This is what Mbambo-Thata et al. (2009: 68) call a ‘blind policy’. The University of Zimbabwe had 51 percent enrolled female students and 49 percent males. Out of this only 13 percent of the women had access to computers, in comparison with 87 percent of men (Mbambo-Thata et al. 2009: 69). These women were happy with the “first come, first serve” policy, contending that it

was better than no access at all (Mbambo-Thata et al. 2009: 71). These women had to endure physical bullying from their male counterparts when queuing for access, and would in most cases stay away to avoid the pushing and shoving from the males. According to Mbambo-Thata et al. (2009: 72), the only alternative for accessing computers was internet cafés which had obvious cost implications. Indeed, access to computers was a challenge for these women who also had socio-cultural constraints that prevented them from visiting the laboratories later in the day due to household commitments and the negative implications of being on the streets late at night (Mbambo-Thata et al. 2009: 70).

Abagi et al. (2009: 175) suggest that for women to be able to participate in the ICT arena they need to be able to challenge existing stereotypes and discriminations. However, Pretorius and De Villiers (2009: 183) argue that changing socially constructed circumstances depends on the context in which women find themselves. This suggests that not all women will be able to challenge these inequalities. The UNDP (2002: 18) maintains that ICT policies should be innovative so that developing countries can ensure that ICTs will be adopted and accessed. Lessons learnt from this study indicate that not all policies will be sensitive to the issue of gender. Policies cannot be mainstreamed. They need to be tailored in such a way that all access will be equal, irrespective of gender.

The ability to use ICTs in the SMME sector depends on access, be it physical access to or usability of available ICTs. It should be mentioned that in order for ICTs to be adopted, issues to consider when incorporating technology into the SMME sector include information, procurement and financing of technology upgrades (Pandey 2007: 11). Physical access is based on two aspects - knowledge of existing ICTs and affordability of such devices. The first aspect, knowledge, refers to the ability of an SMME to know which ICTs exist and how they can be utilised in that particular business. An SMME should know where to purchase the required ICTs and also how to locate suppliers with competitive prices for those devices. When an SMME owner has a

computer, he or she should know how to use various applications for business purposes. In addition, basic applications of a computer such as Microsoft (MS) Excel should not be used to capture financial information if an SMME can afford to purchase financial software which can perform this function better than MS Excel. In this case, it would imply that an SMME does not have adequate information about existing financial systems that they can use (Kew & Herrington 2009: 5).

The second aspect of access is affordability. Existing ICT devices and software can only be appropriated for businesses if they are affordable. High prices of ICT devices and software needed for business operations will prevent SMMEs from realising the benefits of ICTs. Esselaar and Gilward (2007: 4) reflect that in South Africa, access to ICTs is low due to their lack of affordability. They further argue that policies that were aimed at increasing access did not meet their mandate due to the monopolised bodies of the government. Improvement in access to voice communication were only realised when pre-paid mobile services were introduced (Esselaar & Gillwald 2007: 11). In comparison to its neighbouring countries such as Botswana and Namibia, South Africa was found to have high costs for mobile calls. This prompted a recent call from ICASA for all major mobile service providers to reduce their costs for calls (ICASA 2009: 1).

ICT adoption by SMMEs could be difficult if these technologies are not well presented to women. Macueve (2009: 29) contends that the way in which these technologies are presented to women will determine their adoption. This is due to the fact that some women still have the perception that if they are illiterate, they are automatically excluded from using technologies (Macueve 2009: 28). There is also a danger that if these perceptions are not corrected, ICTs will only benefit a minority of women whereas others will be left out (Munyua 2009: 126). Perception emerges as a huge contributor to ICT adoption for both personal and business purposes. In a study conducted by Gras-Velazquez et al. (2009: 6, 11 & 13) it was found that students who did ICT related courses were unlikely to pursue careers in ICT as it was believed that these careers were more suitable for men. Students' role models, who in most cases were cited as

parents and teachers, also believed that technological careers were not for women. The importance of role models was also evident in Uganda where it played a major role in influencing women to engage in ICTs. In Uganda, an “old illiterate lady of over 65 years” challenged the socio-cultural norms when she went to learn about the computer. This motivated people to select her to attend a conference in New York which showcased the role of ICTs in improving women’s livelihoods. She then became a role model in her community, especially for girls and women in Uganda. They all wanted to be like her, and to learn how to use a computer (Bakesha et al. 2009: 152).

It is stated that female students do not pursue careers in ICT because they want to do jobs that have to do with helping other people. Although it is argued that 100 percent of jobs in the field of ICTs have this element, there is a high level of discrepancy in terms of what the industry is saying and what women think – in Poland, only 65 percent of girls, 35 percent of parents and 45 percent of teachers believe this (Gras-Velazquez et al. 2009: 14). Figure 3.3 below illustrates different perceptions that female students have with regard to ICTs. According to Yitamben and Tchinda (2009: 136), sensitisation activities are needed when introducing ICTs to societies so that they have a general idea of what to do with various applications that come with such devices. Access is also determined by the cost of ICT devices as well as reasonable distances to telecentres for those who need to make use of public services (Bridges.org 2005: 6; Hafkin & Huyer 2007: 37; Macueve et al. 2009: 26). The latter has its disadvantages as entrepreneurs might end up wasting valuable business time queuing in order to access these facilities.

It is argued that the roll-out of telecentres as a means to increase access is, in most cases, failing dismally (Hulbert & Snyman 2007: 2 & 3). These telecentres are found to be ineffective in increasing access in that they are not available in areas where they are most needed. Esselaar and Gillward (2007: 25) state that in Gauteng province (South Africa) alone, 13 telecentres are supposed to serve over 2.5 million people within a radius of 5 kilometres. This creates problems as users have to stand in long queues waiting to use these telecentres. This does not only affect their business commitments,

but it also affects their availability to fulfil domestic activities that need their attention. Tlabela et al. (2007: 30) and Hulbert and Snyman (2007: 15) maintain that the problem is embedded in the developers' failure to thoroughly research these communities. As a result, they give communities solutions to problems that they do not know of and they do not consult with the intended consumers of these services. This is why in some instances one finds that these telecentres are not being optimally used (Esselaar & Gillwald 2007: 26). According to Labelle (2005: 4 & 16), introduction of ICTs can only be successful if the needs of that community are studied beforehand. With limited access, technology, therefore, becomes a hurdle in itself. A similar problem was noted by Muller (2009: 35), who found that when ICT related projects are launched in certain communities, they are not fully monitored by the people who launch them. This creates expectations for communities that are ultimately not met. Muller (2009: 35) gives an example of the Eastern Cape (South Africa) where the energy grid was 'dumped' in a community which only experienced its benefits for a short while as it was not maintained.

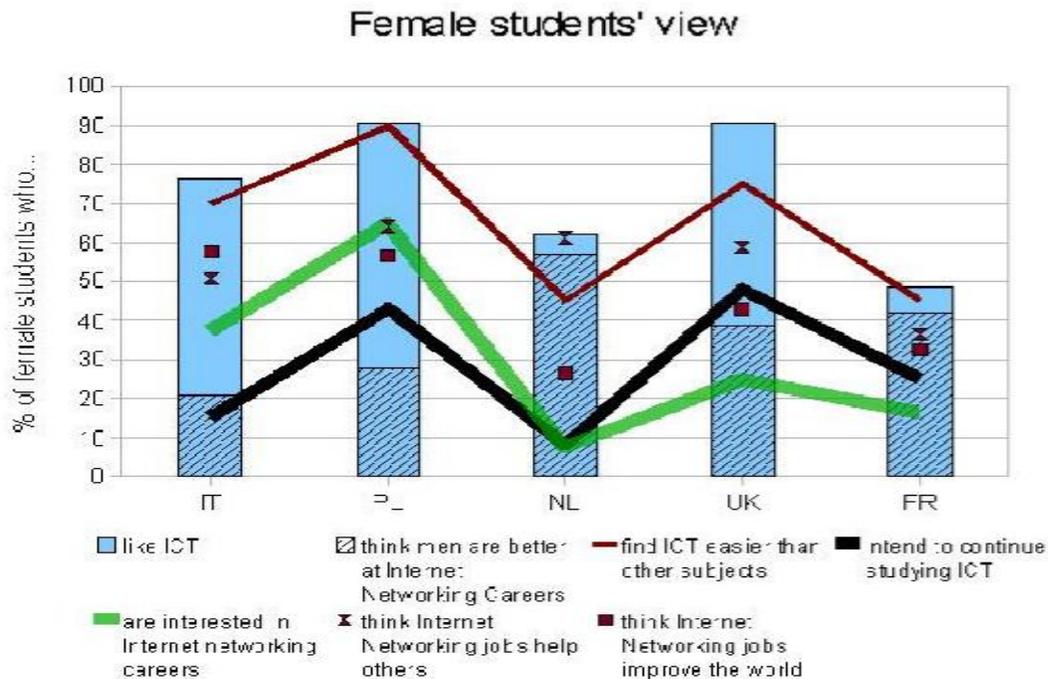
Other alternatives for accessing ICTs, which are commercialised, such as internet cafés exists. The disadvantage of internet cafés is that they might not be affordable due to their high access costs (Lee 2004: 9; Mbambo-Thata et al. 2009: 72). Even if SMMEs know how useful the internet is, they might be discouraged if it is expensive to access. Bridges.org (2005: 6-9) states that it can only be concluded that issues of access have been resolved when an entrepreneur:

- has the ability to use the network within a reasonable distance;
- gets ICTs at an affordable price;
- receives relevant information; and
- has access to devices with the necessary capacity.

All the above requirements are interrelated hence the unavailability of one of them will affect SMMEs' ICT access. Effective infrastructure is needed for network signals to reach everyone and for affordable devices to be able to operate at an acceptable

speed. For example, no one wants to use a computer that takes a long time to connect to Internet sites.

The next sub-section explores the acceptance of ICTs by SMMEs.



**Figure 3.4 Female students' views of ICTs**

(Gras-Velazquez et al. 2009: 15)

### 3.7.2 Acceptance level

According to Modiba et al. (2009: 167) most women-owned SMMEs with low levels of education might not be enjoying the benefits of ICTs as they might not be knowing how to incorporate them into their businesses. Therefore, it will be difficult for them to accept ICTs as they do not know how it will benefit them. This is where Tlabela et al.'s (2007: 2) social relevance of technology fits in. Lack of knowledge on the benefits will translate into non-acceptance. There could be various reasons for not using ICTs. This will also differ from one SMME to the next, especially if their business activities are not the same. In some studies it was mentioned that some women disapprove of ICTs because

it had caused family feuds for them (Comfort & Dada 2009: 49; Munyua 2009: 124). In one case, women disapproved ICTs because their husbands spent more money recharging their mobile phones with airtime than buying household essentials (Comfort & Dada 2009: 49). They saw it as something that will take their money. Whereas in the other cases it was found that women were complaining that their spouses would want to know details of conversations conducted on their mobile phones (Munyua 2009: 124). The other problem was that service providers would charge them for calls that did not go through due to poor network connections (Comfort & Dada 2009: 47). As a result this caused trust problems between these technologies and consumers.

Comfort and Dada (2009: 50) mention an example of Nigerians where a mobile phone was seen as a threat to family networks and bonds. Prior to the arrival of mobile phones, families would visit each other and engage in long conversations as a means to bond as a family. The emergence of mobile phones resulted in people calling each other and not visiting as they used to. The high tariffs of mobile phones meant that their conversations were forced to be shortened for affordability purposes. Therefore, the oral culture of this community suffered. Connectivity problems were also cited as one of the reasons that some ICTs were not accepted as they seemed to be unreliable (Comfort & Dada 2009: 49).

Other researchers argue that culture and the way children are raised will influence their ICT acceptance. Stereotypes from males can also increase lack of ICT acceptance amongst women. In some cultures ICTs are viewed to be things that should be operated by men, and the same applies with ICT related careers. For example, girls in the Netherlands had negative attitudes to ICT related jobs and believed that they were more suitable to boys (Gras-Velazquez et al. 2009: 3). The effect of culture on ICT adoption and acceptance can also be seen in the studies conducted by Li and Kirkup (2007: 304) and Gras-Venezquez et al. (2009: 6-14). The study of Li and Kirkup demonstrates how female and male students relate to ICTs and that their views and acceptance of ICTs were influenced by where they came from. Similarly, their parents and role models had

an influence on how they responded to ICTs. Men from Britain and China believed that they were better than women in terms of using computers and that computer science was a more suitable profession for men (Li & Kirkup 2007: 309). Chinese women affirmed their male counterparts' stereotypes by also believing that they cannot use ICT devices. Women from Britain had a contradicting attitude compared to women from China. They used ICTs and believed that they are as good as their male counterparts (Gras-Velazquez et al. 2009: 14). This demonstrates how cultural backgrounds and upbringing influence the attitude towards ICTs.

According to Gras-Velazquez et al. (2009: 7), lack of motivation from parents and role models limit students' interest in ICT usage and their career paths. It was found that parents in Italy were computer literate and often used ICTs, but believed that it was a man's domain. As such, their female children ended up not pursuing careers in ICT even though they liked computers. This is in contrast to boys in Italy who believed that ICTs are not only a man's domain. In the Netherlands, parents did not use ICTs a lot as they did not show any interest in them. The girls used them in their leisure time as much as in other countries but did not have any intention of pursuing a career in that field.

Women in the United Kingdom were competent in the use of ICTs and showed interest in them (Gras-Velazquez et al. 2009: 10). However, they had no interest in a career in an ICT-related field. In this case, the influence could be coming from their parents. Despite the fact that fathers believed that jobs such as software development were suitable for women, mothers and other female role models believed that ICT jobs were not suitable for them. In France, women were influenced by both male and female role models who believed that ICTs were not a good career for women. Women in this study had an interest in ICTs but did not want a career in this field. In Poland parents had no records of ICT usage, and some used them less at school. The female students, although they did not want to pursue a career in ICT, believed that they had the same abilities as their male counterparts when it came to using ICTs. These cases clearly indicate how cultural issues affect the adoption of ICTs, especially for women.

According to Bridges.org (2005: 8) it is important to address these issues so that they do not inhibit the usage of ICTs.

Language was also identified as a barrier to the acceptance of ICTs. Chinese students who visited English sites felt that the Internet was not effective for cross-cultural exchange because of its linguistic barriers (Li & Kirkup 2007: 309). There are few local languages in most websites. According to Sahlfeld (2007: 26), the WWW pages accounts for 72 percent of the English language with only 12 privileged languages accounting 98 percent of all these website pages. Language as a barrier, especially in developing countries, is also highlighted by Modiba et al. (2009: 167) who state that due to the low literacy levels in general and English specifically for some South Africans, Internet access will be a problem for SMMEs.

### **3.7.3 Forms and usage of ICTs**

The preceding sub-sections attempted to explain the difficulties that could exist in accessing and accepting ICTs. This section specifically looks at the usage of ICTs which are different for women and men (Juma 2003: 15; Li & Kirkup 2007: 307). The skills gap of ICTs amongst women is a global concern. According to Gras-Velazquez et al. (2009: 2) statistics of women working in the ICT sector are very low, and even those that have qualifications in IT do not pursue careers in this field. It was, however, noted by Dlodlo and Khalala (2008: 37) that women's reluctance to work in IT is influenced by the unfriendliness and unwelcoming culture of this field. They further explain that if a woman has an interest in the IT sector, she will be viewed as a 'tomboy' because of her interest in a discipline that is considered to be for men. It is also argued that male colleagues in the IT sector are not willing to share information with women (McAdam & Marlow 2009: 26; Trauth & Quesenberry 2006: 1765). This makes women's working conditions difficult as they are not empowered to learn and grow. With such feedback from those in the IT industry, how will a typical woman entrepreneur perceive and embrace ICTs?

The use of ICTs is seen as being vital in reducing communication costs and saving time spent on travelling (Meena & Rusimbi 2009: 198; Modiba et al. 2009: 165; Sane & Traore 2009: 113). The efficiency of ICTs is demonstrated in Table 3.1 below, where the tedious activities involved in traditional business operations are compared to the ICT mode of running a business. As discussed in Chapter 2 regarding the triple burden that women have, perhaps ICTs could assist in making some of their duties bearable. According to Munyua (2009: 128), some women use ICTs to complement the management of their dual roles. This is being conducted by integrating domestic and income-generating responsibilities. It was also found that they use ICTs to facilitate access to foreign markets (Yitamben & Tchinda 2009: 133). In addition, it is mentioned that the reduced cost of ICTs enables SMMEs to participate in international markets (Yitamben & Tchinda 2009: 134). Others use it for communication purposes to maintain a client database and to produce orders (Meena & Rusimbi 2009: 200). It was further established that ICTs provide women with business opportunities. Women are selling pre-paid airtime vouchers and the money helps them to sustain themselves and their families (Macueve et al. 2009: 26).

<b>Traditional businesses</b>	<b>ICT-supported businesses</b>
<ul style="list-style-type: none"> <li>• Need to travel to gather and disperse information</li> <li>• Manual collection of market-related information</li> <li>• Not easy to expand one's networks</li> </ul>	<ul style="list-style-type: none"> <li>• Gather and disperse information over the Internet</li> <li>• Market-related information is readily available on the Net</li> <li>• The more people connected to the Internet, the bigger the network becomes</li> </ul>

**Table 3.1 Traditional vs. modern businesses**

**(Modiba et al. 2009: 165)**

Some women felt that the mobile phone had improved their business performance in that it enables them to integrate family and business activities (Munyua 2009: 124). It was further indicated that features such as the 'calendar' and 'reminder' enable them to organise social meetings. It was stressed that this gives them a sense of control even if they are away from their business premises. It helps in strengthening networks with friends and clients, and it also allows them to transfer money. The acceptance and use of ICTs by women seems to rely primarily on how it can assist them in their lives. A mobile phone, for example, was accepted because it enabled some communities to communicate with distant relatives (Comfort & Dada 2009: 50). Moreover, mobile phone kiosks were highly valued by communities as it was used to redeem remittances received from relatives in the cities. For example, if a mother is in the city and wants to send money home where they do not have access to banks, the mobile phone kiosks are then used as banks. She would buy a voucher worth the amount that she wants to send home. The voucher code will then be sent to one of the family members through a mobile phone. This voucher code will be given to the mobile kiosk operator to redeem it for cash. Collecting debts has been made easier with the mobile phone as meetings can be easily rescheduled (Munyua 2009: 126). In Mozambique, women embraced mobile phones because they could assist them in contacting suppliers to request more stock (Macueve et al. 2009: 26). Prior to the advent of mobile phones, people used public phones to make and receive calls. Macueve et al. (2009: 26) suggest that the time that was wasted queuing at a telephone booth waiting to receive or make a call has been saved with the introduction of mobile phones.

The use of the Internet differs across countries. Some use it for more basic tasks such as sending electronic mail (e-mail) and browsing the Net, while others use it for more advanced tasks such as creating virtual retail outlets (Yitamben & Tchinda 2009: 137). Some women use the Internet for both professional and social reasons, although the majority use it more for social reasons (Hafkin & Huyer 2007: 32; Munyua 2009: 129; Yitamben & Tchinda 2009: 137). The Internet is being used as a source of information (especially market-related) and also for sharing information with foreign partners and colleagues (McDade & Spring 2005: 29). Moreover, even though in Egypt a

collaborative work that can be done through the Internet is not known to most of the women, they know that it can assist in stimulating their creativity and capacity to innovate. Women in manufacturing can surf the Internet and find new design ideas. According to Yitamben and Tchinda (2009: 137), they can use Internet as a virtual boutique. Customers can, therefore, log onto the website and experience the fashion that they have in their boutiques in real time. The Internet is also used for learning. According to Yitamben and Tchinda (2009: 140), learning through the Internet enhances their dynamic competence which enables women to acquire knowledge for themselves and their enterprises. There was a case of a young woman who was utilising e-commerce technology to market her business. It is believed that her sophisticated IT skills made it possible for her to utilise the Internet as a marketing tool (Hassanin 2009: 38). McDade and Spring (2005: 35) found that women use the Internet for educational and business purposes as they think that it will give them good business advice. Moreover, websites are used for promotional purposes. According to Merrett and Gruidl (2000: 434), Internet sites are being developed exclusively by women to provide samples of business plans, for advice on seeking start-up capital, market analysis, business leads, and as support networks.

Other uses of ICTs reveal how the CD-ROM project was used to empower women entrepreneurs. What the CD-ROM project did was to give women business information that they had to translate into personal economic enhancement (Bakesha et al. 2009: 148). These authors further explain that after women in Uganda had taken part in the CD-Rom project, they understood the importance of customer relations and providing customers with quality goods. Upon improving the quality of their products they saw an increase in their sales. In cases where they failed to use the skills learnt at the CD-ROM project, they found themselves engaging in activities that affected the productivity of their business. For example, they stated that as part of their lessons they were taught not to spend all the business funds on household essentials. Those who spent most of their cash flow on family welfare found their business to be in a stagnant state (Bakesha et al. 2009: 146). Experiences from Uganda's CD-Rom project revealed that when women were given the right information and opportunities to access and control

productive resources such as land, they could exploit their potential and improve their economic and social status (Bakesha et al. 2009: 150).

The importance of ICTs is also seen in the use of internet for marketing purposes. According to Labelle (2005: 17), websites assist in marketing products nationally and internationally and enabling easy contact between buyers and sellers. Egypt, with most of its female entrepreneurs being in the craft industry, would be more likely to benefit from ICTs for marketing their products internationally. Most of these craftswomen are ICT literate, but would rather opt for employment in the IT industry than utilise their ICT skills for their business (Hassanin 2009: 50). However, this constitutes a new set of limitations, inequities and barriers that are encountered by craftswomen in that country. The Internet's efficiency can assist in, among other things, removing trade barriers and the monopoly of intermediaries who are enriching themselves with the profits without the producers' knowledge (Hassanin 2009: 57). The Internet and mobile phones have rarely been used for marketing products. The culture of blending their business with ICTs is not common. Even those who have IT skills do not consider this. Hassanin (2009: 58), however, fail to demonstrate as to why or how highly educated women were not using ICTs, especially for their businesses. It could have been noteworthy to know why women that are ICT literate are not using ICTs for their business. This could provide a new area for research - to establish why educated women who are ICT competent are failing or reluctant to incorporate such technologies into their businesses.

### **3.9 CONCLUSION**

This chapter has highlighted the various challenges that SMMEs encounter. Entrepreneurial challenges focused on issues of labour, dealing with regulators and quality control of products and services. Infrastructural challenges were another hurdle where lack of access to reliable and affordable transport was mentioned. Lack of electricity and poor network connections were also identified as other challenges.

The benefits of ICTs rely heavily on infrastructural availability. Underserved communities are, therefore, in danger of not experiencing the benefits that come with ICTs. Access to competitive suppliers by SMMEs will not be realised if roads and transport facilities are poor. All these problems can be alleviated if network connections are installed and public transport is easily accessible and affordable. The usage of ICTs was examined by looking at how the issue of skills influences it. It was discovered that the nature of the IT industry is, in a way, an obstacle to usage since it is male dominated. The same thing could be a problem for SMMEs as women might not be getting adequate support from their male counterparts.

Women's involvement in family duties was highlighted as another issue that hampers access to and usage of ICTs, as they spend a considerable amount of their time fulfilling their social and household roles. Finance is a determinant in accessing ICTs as they involve money. Women's lack of credibility in the eyes of FIs is another setback to affording ICTs. However, for ICTs to be accessible to women, they need to know these ICT devices and how they can be used to enhance their business operations. They need to accept and utilise them efficiently.

ICTs may be of great significance, but they need to be explained to SMMEs so that they understand clearly how ICTs can assist them. The following chapter presents a case study of women-owned SMMEs in Pretoria, South Africa.

## **CHAPTER 4**

### **CASE STUDY: DATA PRESENTATION AND ANALYSIS**

#### **4.1 INTRODUCTION**

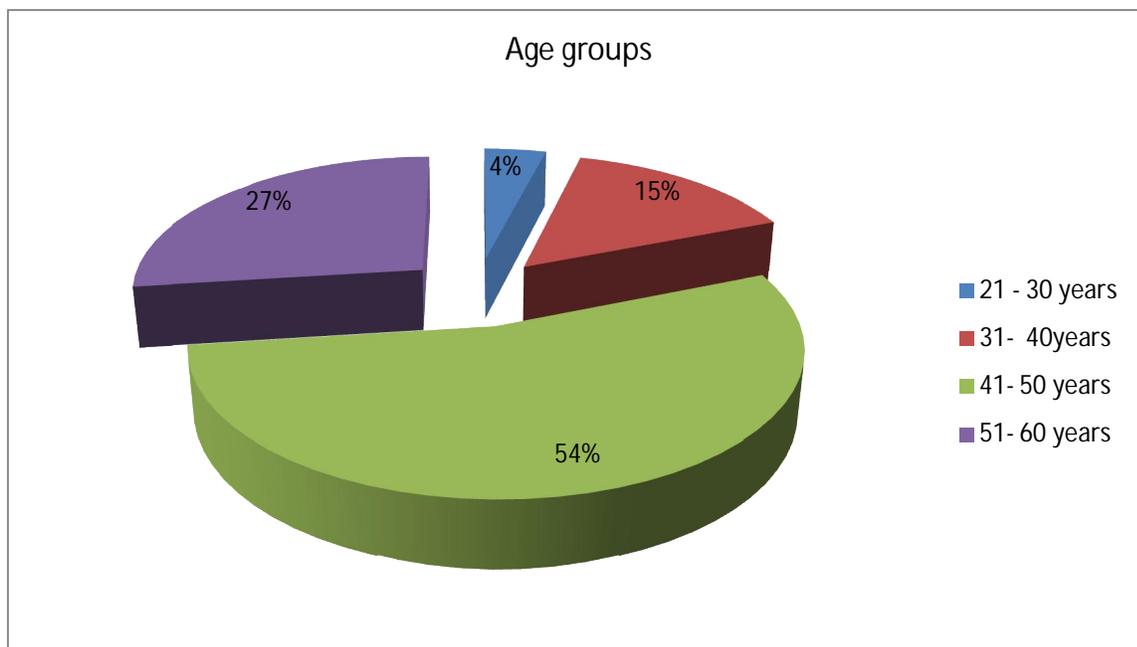
The previous chapters have explored the SMME sector in various ways. They looked at the SMME's definition, its role players and how it contributes to the economy. Challenges that characterises this sector were also discussed. This chapter presents a case study of SMMEs owned by women that were interviewed in Pretoria. The questionnaire as presented in annexure A was created based on the characteristics discussed in chapter 2 and the challenges discussed in chapter 3. The intention of the formulated questions was to confirm or contradict the characteristics and challenges as presented in the literature review. Research questions that were raised in chapter 1 were used as a guide in analysing the results from the field study. The analysis is conducted by referring back to the sections discussed in previous chapters to establish whether the findings concur or contradict the literature.

The data will be presented by looking at the profiles of the owners. This will be followed by the profile of the enterprise itself. Characteristics of women in Pretoria will also be presented by discussing issues of formalisation, their motivations to start a business, funding, risk, skills and competition. The data presentation will also include infrastructure, ICT infrastructure, growth, family responsibilities, and additional challenges. Discussion of results will be followed by conclusions.

#### **4.2 OWNER PROFILE**

The 26 women interviewed in this study come from different industries of the SMME sector. Their ages vary although in most cases a particular age group dominated. Figure 4.1 reflects the age profile of the participants. Contrary to what is indicated in

chapter 2 (section 2.5) that more than 57 percent of entrepreneurs in South Africa are below the age of 34, entrepreneurial activities of the women in this study are very high amongst the age group of over 40 years. This age group of 41-50 years had up to 56 percent of entrepreneurs followed by the age range of 51-60 years with 27 percent. The youth group was mainly in the categories of 21-30 and 31-40 years, with averages of 4 and 15 percent respectively. The participation of youth in this study was very low although it cannot be concluded that the youth is not actively involved in entrepreneurial activities. However, this is a call of concern. Table 4.1 below indicates the distribution of the owner per sector.



**Figure 4.1 Age profile**

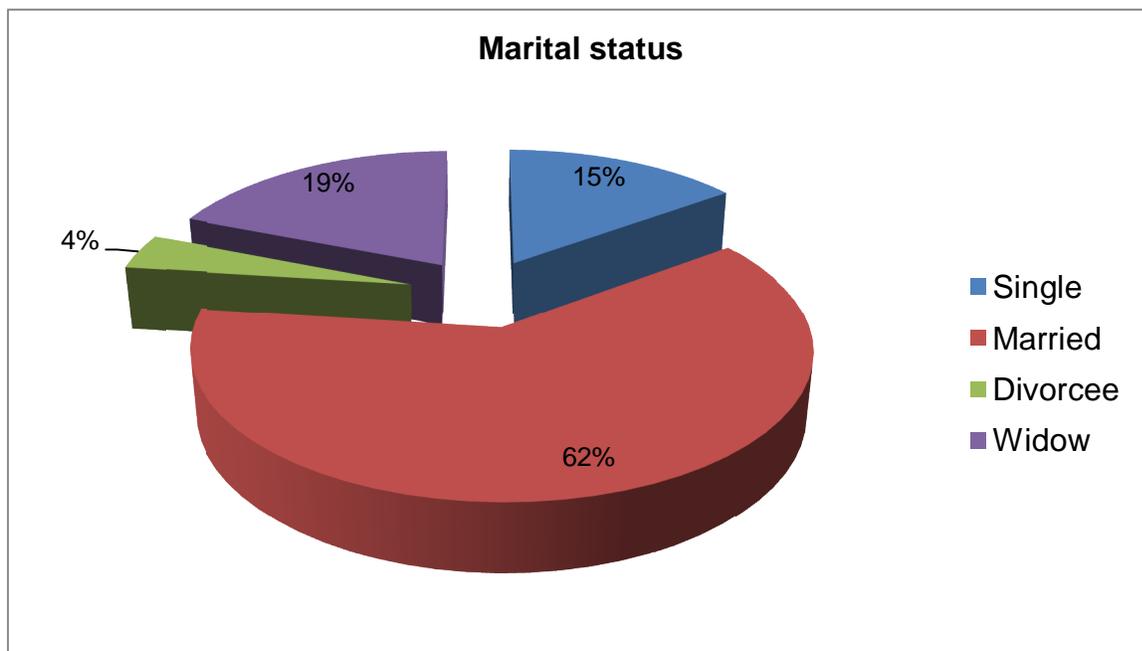
**(Own 2010)**

Age group (years)	Manufacturing	Trading	Services	Transport
21-30	1	0	0	0
31-40	0	0	2	1
41-50	4	3	6	2
51-60	1	2	2	2

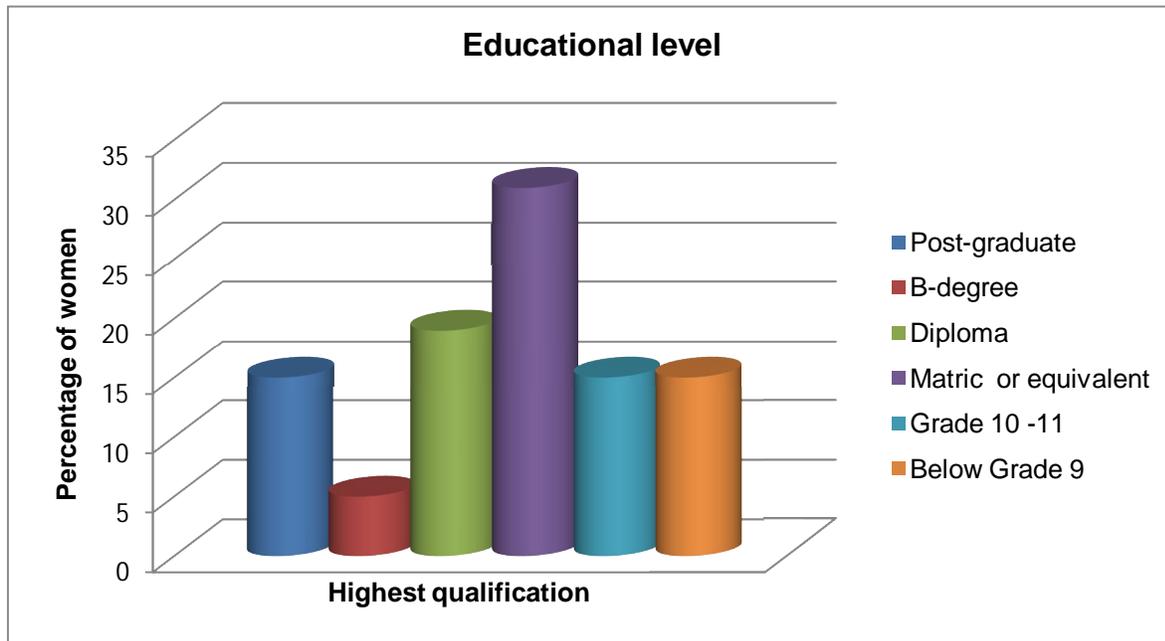
**Table 4.1 Sector distribution by age**

**(Own 2010)**

Literature findings on marital status state that most of the women entrepreneurs are married. This corresponds with the findings of this study (see section 2.5). Of the participants who provided information for this study, 15 percent of the women are single, 62 percent married, 4 percent divorced and 19 percent widowed (see Figure 4.2). Fifteen percent of the participants had a post-graduate qualification, 5 percent had a bachelor's degree and 19 percent had a diploma. Those with a matric qualification or its equivalent were at 31 percent. Those with the qualification of either Grade 10 or Grade 11 scored 15 percent. The last group which was at 15 percent as well had a qualification of below Grade 9. These findings contradict those presented in section 2.5, which states that most women entrepreneurs are not educated. They, however, affirms part of the global literature findings that the SMME sector comprises educated and less educated women as stated in section 2.5.



**Figure 4.2 Marital status**  
**(Own 2010)**



**Figure 4.3 Educational level**  
(Own 2010)

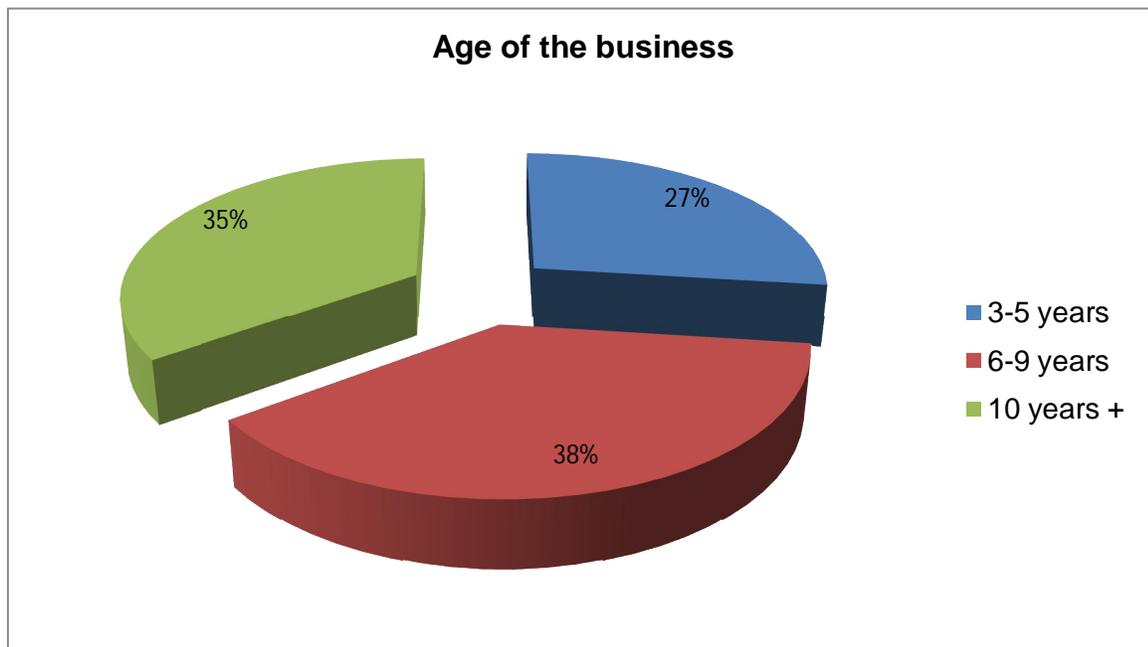
## 4.2 CHARACTERISTICS

Characteristics of women interviewed in this study were combined by extracting results of the questions asked in section 2 (business profile) and section 3 (operational) of the questionnaire (see annexure A). Forty percent of the identified SMMEs were in the services industry whilst manufacturing, trade and transport were each having 20 percent of women participating. However, 24 percent of women in the other industries had the services industry as an additional business. This also affirms the literature findings in section 2.5.6 that women are overrepresented in the services industry. It is evident that when industries such as trading, manufacturing and transport are not doing well the services industry has a way to survive. Hence some owners have it as a backup. One owner who had a trading and a services business indicated that she is in the process of giving up on her trading business to focus only on the services one as it is doing well. Catering was one type of a business that most women had as a backup in case their

main business is not effective. Most of their businesses that are not active are mainly dependent on getting government tenders.

All the women interviewed in this study reported that they collaborate. However, the collaboration was more vibrant in the manufacturing sector with 4 out of 5 owners collaborating with other people. Two in 5 of the women in manufacturing had also registered cooperatives with the people they were collaborating with. This initiative might have been influenced by the tendering system of the government, which tends to fund and/or award tenders to those that are working as a group. The initiative was also used as means for women to support each other on the various challenges that they encounter in business. Of the 5 women in the transport industry, 4 of them used the collaboration method to support each other financially. There were, however, those who felt that some women are not willing to collaborate. This is interesting in that various pieces of literature that were consulted in order to understand the SMME sector did not mention anything regarding the collaboration of women, and how it assists their businesses.

Enterprises owned by the participants have different stages of growth in terms of the operational years. SMMEs under the categories of 3-5 years are at 27 percent followed by the 3-9 years category at 38 percent and lastly the ones over 10 years of age with 35 percent (see Figure 4.3). When the question was asked about how much their monthly turnover was (see annexure A, section 2, number 7), it was difficult for the participants to give their monthly turn-over. The majority of them stated that they were more comfortable with giving out their annual turnover than monthly ones. They stated that some months are difficult as there might not be any money coming in as expected. Some women did not know their turnover at all. They indicated that the business is their main source of income, and they used the money for household essentials hence it becomes difficult for them to calculate the exact amount that they make. When the money comes in they spend it on the household without saving some of it. The money is being used on ad hoc needs basis and, therefore, making it difficult to record every transaction.



**Figure 4.4 Age of the business**  
**(Own 2010)**

SMME owners who did not know their turnover had to calculate whilst they were with the researcher to figure out how much they were making. The annual turnover as given by participants is reflected in Table 4.2. Figure 4.5 also displays the percentages of the participants who record their turnover, and those who do not. In the responses that participants gave in this question the answers were grouped as follows: yes; no; not really; and no answer. The answer of “not really” was for those that had no records of their monthly nor annual turnovers. This was used together with the characteristics of the business to establish whether the amount given could be closer to the actual amount. As discussed in chapter 1 (section 1.6.2), the observation method assists in gathering some information that the participant might not be able to provide. The observation method was used as follows: for instance if the participant knew that she makes a turnover amount of approximately R5000 a year, the researcher would inspect the equipments, business premises, and the area where the business is situated to see if the amount could be correct.

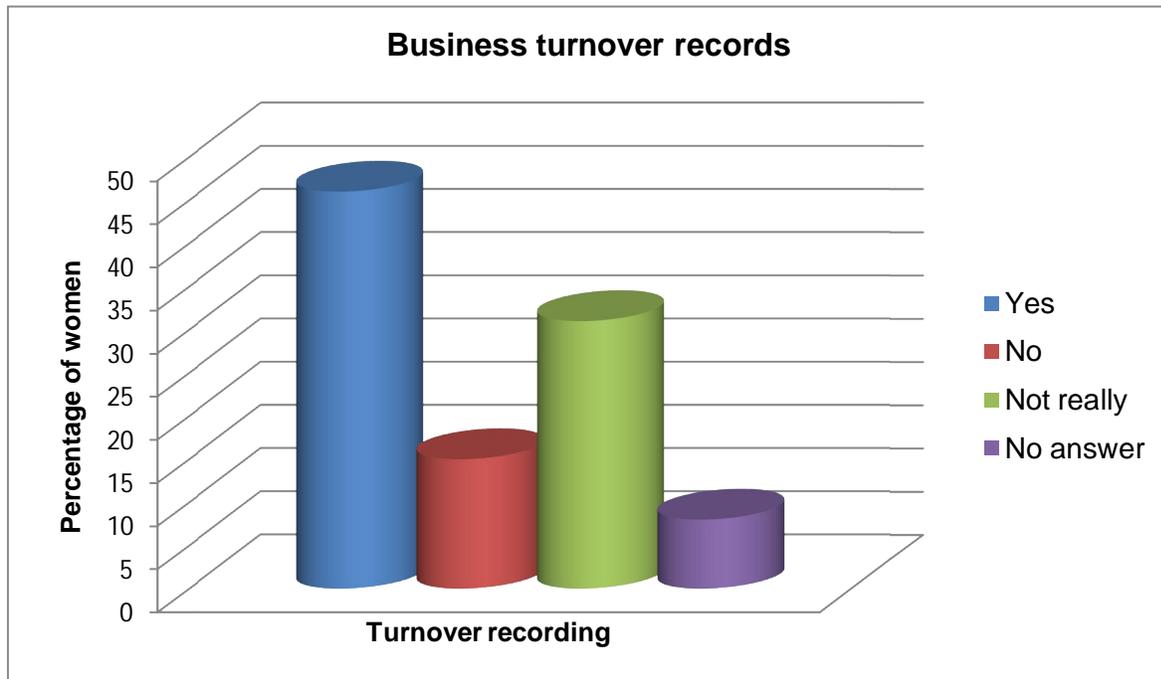
Nomhle<sup>4</sup>, for example, is running her business from a rented office and says that her turnover is R5000. She resides in Mamelodi and travels daily to her office. Her office is in a block of flats that is rented out as offices in the city centre. This means that she has to pay a monthly rental of this office, service the machines she is using, buy materials and travel home after the business. She does all of this without funding. The city centre is a busy area due to a lot of commercial activities that takes place. The monthly rent for her office is R1 500. Therefore, the amount of R5000 cannot be entirely correct for maintaining the office itself. As a result these could not be the correct reflection of exactly what Nomhle’s business is making. Forty six percent of women interviewed were recording their turnover, with an exception of the 15 percent who did not record their turnover at all. Those who were not sure of their actual turnover made 31 percent of the participants and those who could not reveal their turnover has 8 percent.

<b>Amount in rands</b>	<b>Number of participants</b>
0 -10 000	3
11 000 - 50 000	9
51 000 - 100 000	4
101 000 - 150 000	2
151 000 - 200 000	1
201 000 - 500 000	2
500 000 - 1,5 million	1
Unknown	4

**Table 4.2 Annual turnover  
(Own 2010)**

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<sup>4</sup> Names of the participants have been changed in order to protect their identity.



**Figure 4.5 Turnover records**

**(Own 2010)**

### **Formality of the business**

Questions 4 and 8 of section 2 (see annexure A) revealed that most of these women's businesses were operating even a few years before they were formally registered. This partly confirms what was discussed in sections 2.4.1 and 2.5.5 where it is mentioned that most women-owned SMMEs are not registered and it is a requirement to register with CIPRO. In other industries, however, they might be required to register with the industry's governing body in order for them to be formal. The tendency of not being able to register for VAT was also affirmed. It was mentioned that failure to register was due to either lack of information or limited finances to fully commit to the business and meet the requirements to qualify for VAT. These were the reasons supplied by those SMMEs that operated their businesses for a few years before registering it. One flaw that was encountered regarding the registration process is that the consultants at the registration offices were misleading the SMMEs when registering the business. Twenty four percent

of SMMEs from this study's sample were found to be registered in a name that did not suit their area of specialities. For instance, a business is found to be registered as Flora's Construction Projects cc whereas its speciality is in catering and the owner does not even have any interest in doing construction related activities in the near future. When they were asked as to why their businesses are registered with an incorrect industry, they revealed that they gave a name to the consultant who then attached the rest.

During registration process there is no clear explanation on how owners should register their businesses. However, when you try to find out from such owners as to what it is that they wanted to cover in their business, you can notice that they have all their specifications correct but they were not filled correctly when the registration was done. This then tells you that having registration consultants who are not well informed about their job leaves some SMMEs in an inconvenient situation of re-registering the enterprise. Some owners in the transport industry had one business registered in two different names. When they were asked why, they mentioned that they were struggling to incorporate them since they were not advised during the registration process.

For example, Rosina is in the transport industry. Her business is registered as a sole proprietary. She wanted to register this business as a closed corporation but did not know what to do because the taxi uses her names. Another example is of one owner who is registered as a non-profit organization. She said that this was because she was struggling to get machinery for her business. She was then advised that if she registers as a non-profit organisation she will have access to the department of social services which will assist in funding her business.

As discussed in section 2.4.1, accreditation to industry bodies was found to be difficult for women. Accreditation with relevant bodies, especially in the services sector, was a challenge for some women. They did not know what was needed from them to meet the

industry compliance requirements. Due to this lack of knowledge, their big projects were being put on hold because correct procedures were not followed. In the services industry, 6 in 10 women indicated that they were experiencing this challenge. The processes are lengthy and SMMEs do not have sufficient information on how to go about regulatory issues.

### **Motivations to start a business**

When the participants were asked what motivated them to start a business (see annexure A, section 3 question1) it was found that even though they were exposed to a business background when they were growing up and prior to starting their business, this was not seen as the motivation behind some of these women's businesses. They mentioned that to start a business was something that they always liked and wanted to do, that it came more as an impulse. Some had no business background at all but they had high interest in doing business. Push factors (as stated by Orhan (2005: 4) in chapter 2, section 2.5.5), which were indicated to be the most motivating factors behind women's businesses, did not prove to be correct in terms of the sample of this study. Only 2 out of 26 participants ventured into business due to push factors. The findings of this study only reflect pure interest of becoming entrepreneurs. Even amongst those that used to be fully employed ventured into business to satisfy a desire that has been in them for some time. When they left their full time employment it was not because of dissatisfaction from the employer but rather their calling to be in business.

Mandy is one example of the push factors although she also had interest in business from a young age. She left her formal employment because she felt she was not being valued. "I took leave to go to school to do a typing course so that I can be more efficient and when I returned they demoted me. I resigned to start my own business and I only started with R25," stated Mandy. When growing up, Mandy had entrepreneurial interest

as she would assist SMMEs in her neighbourhood with their businesses. Although she was employed at some stage she had business interests when she was growing up.

There was, however, another group (6 in 26 of the participants) that did not have business background from their families, but got exposed to the business environment after being married. The influence came from their husbands and the in-laws. Their partners' grooming and support assisted in making them excel in their business endeavours. The widows were the only ones falling under the category of "natural successors" as defined by Orhan (2005: 13) (see Table 2.5). Amongst those that were widowed are women who did not only take over the businesses that their partners left under their responsibility, but they started other businesses in different sectors signalling the growth that they have attained as business women.

There are also those that have always liked the idea of having their own business. Contrary to negative statements in 2.5.8 with regards to lack of exposure to business, 44 percent still felt that even without any exposure to a business environment they do not feel disadvantaged. This particular group has, to some extent, had a side business that they were doing whilst being formally employed. They said the business helped in earning them more money to take care of their families.

## **Funding**

Personal funding is preferred by most owners. This was found out when the owners were asked the question as to "how do they finance their business?" (see annexure A, section 3 question 17). They answered that they did not like bank financing but prefer loan funds from an institution that will not charge them high interest, institutions that understands their business sector. They also said that they prefer a financial institution that will be flexible enough to adapt to their business performance. Some businesses

have reached a stage where they are financing themselves. Concerns that were raised with regard to the FIs were the following:

- fear of losing their properties,
- high interest to be paid, and
- being scared that they might not see their profits due to repayments to the bank.

Five of the 26 women stated that it is their houses that the banks want them to attach as security, but they cannot take that risk. They mentioned that they do not want their children to be homeless when they cannot repay the bank. One woman in the manufacturing industry stated that in cases where she has a school project - where she has to supply uniforms, there is a retail outlet where she just produce a sample of a material of the school uniform and the owner will give her the material in credit and pay him back once she receives the money from the client. Four of the participants are involved in groups where, when someone is in need of money, they contribute towards the amount needed. Some businesses are financing themselves.

Those in manufacturing use deposits from the clients to finance their work. Another form of financing is the stokvel of which 4 of the women in transport services are involved in. A stokvel is a group of people that are involved in a scheme where the whole group pay an agreed amount of the money to an individual. This goes in turns on a monthly or bi-weekly basis, depending on the agreement. The payment goes on until the last person in the group is paid. When the last person is paid, they then start a new cycle.

Owners that used commercial banks for funding were mainly the ones in the transport industry, and only 1 from the services industry. Owners in the transport industry, however, expressed dissatisfaction from the service received. This is what Paula had to say about the service: "the banks are not treating us according to the way our business operates." According to Paula, her business has its peak and low moments in making

money. She, therefore, needs a bank that will understand the way her cash flow runs throughout the year and service her according to her business' performance. This affirms the findings in section 2.5.9 which states that commercial banks do not understand the SMME sector. This results in banks under servicing them. Exclusion to funding due to the issue of gender was only evident in one case. One owner in the trading sector mentioned that she was told by financial officers that if she had a husband they would be able to lend her money. This, to a certain extent, supports what the literature says in section 3.6, where it is noted that some banks refuses to give women loans if they are not accompanied by a male surety. The other concern was that they do not have other alternatives when they need funding for large sums of money except for banks. This demonstrates that some people are not aware of other funding institutions (like Khula and Umsobomvu) which they can utilise as SMMEs. However, the transport industry was exposed to a 'scrapping' system which was their means to finance their taxis. The scrapping system<sup>5</sup> is used by government where they would take the owner's old taxi and give him/her money. The money is aimed at helping the owner to buy a new taxi. Owners criticised this system, arguing that it is not good for them. They said that the money is used to pay a deposit for a new taxi and they are left with a big debt for that new taxi. They felt that the government indebted them as the money given for scrapped taxis was insufficient.

## **Taking risks**

When asked if they take risks in their business the owners said that the business itself is a risk. They mentioned that they sometimes price their products lower so that they can sell them easier, and this is risky for them as it might affect profits. They associate their business to risk. This could be as a result that they used their own money to start these businesses. For them this is risky because if the business fails they will lose the money invested into the business. This is the same money that they could have used for their

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<sup>5</sup> For more information about the scrapping system follow this link:  
[http://www.joburg.org.za/index.php?option=com\\_content&task=view&id=1325&Itemid=213](http://www.joburg.org.za/index.php?option=com_content&task=view&id=1325&Itemid=213)

personal needs, but instead they invested it in a business. The issue of disloyal employees was another concern as they might steal from the business. One owner in the transport industry mentioned that she is at risk because she gives her taxi to a driver who is a stranger. She then expects this driver to bring money at the end of the day. The other problem that owners saw as a risk was lack of cash flow. Businesses sometimes do not perform as expected by owners. This increases their risk propensity as employers have to pay the employees the expected monthly salary, even when the cash flow is not as expected.

When probed on the financial risk related to banks, 96 percent of them were not in favour of the idea. They had fears that they might not be able to pay back on time, and they also did not want to lose their properties. One owner mentioned that with the National Credit Regulator (NCR) they find it difficult to take financial risks. They also expressed that they would rather borrow money from government bodies instead of going to commercial banks. They thought these bodies might give them reasonable interest on lending.

## **Skills**

The importance of having skills in a business has been discussed in chapter 2 (section 2.5.8). This study has, however, discovered that educational qualifications do not necessarily mean that the owner of a business will have proper business skills. The findings in 2.4.3 states that lack of skills among SMMEs is a major problem, and this has been qualified by participants of this study. The results indicate that levels of skills differ across industries. Owners in the clothing manufacturing sector have formal skills of the work they are doing. They went to school to do designing courses. There are also some informal skills sharing that they are involved in. They stated that they do share and help each other on how to create and perfect new designs that are new in the market. However, lack of business skills such as recording stock, purchasing and marketing as indicated in 2.4.3 poses a challenge for them since the ones learnt in

school are not effective to keep them abreast in the business world. One owner said that they had no guidance on how to operate their business and that is why their growth is so slow. Anna's business has been registered for 8 years now and she runs it from an independent office where she is renting a room in a flat. She says that if they were guided, as women in business, they could have progressed. Women interviewed for this study were asked if they had formal managerial skills, and if they had experience regarding how to run a business. Eighty four percent of the participants said no. These owners learnt what they know about running a business whilst they were in their own businesses. They did not have formal managerial skills when they ventured into business.

It was also mentioned that the education system only taught them to finish their studies and look for jobs. It seems as if the entrepreneurial spirit was not encouraged in tertiary institutions. Upon finishing her design course, Nomhle immediately started a business. She said that her teacher was surprised of her bold move and thought that she was making a 'wrong move' about going into the clothing business. Most people she knew also feared that her business will fail. Her business is now 7 years old. Of the women interviewed, 16 percent admitted that they lacked financial management skills as most of the money generated from the business is being spent on household essentials instead of finding a balance of saving or reinvesting in the business. Lack of knowledge on how to manage finances was seen as a factor that can cause their businesses to fail. One owner indicated that they only know how to make money, but they lack knowledge on how to manage the business in general, and that they only plan for short term periods. They tend to ignore long term planning. Fifty six percent of these SMMEs mentioned that their marketing is normally conducted through word of mouth and referrals from existing customers. They, however, indicated that if they had enough money they would use other modes of marketing.

When asked about the government bodies' support in assisting SMMEs to obtain training for required skills (see annexure A, section 3 question 21) in their business, the

responses were mixed. Ten of the 26 participants felt that these government bodies are not doing anything to improve SMME's business required skills. One of the aforementioned 10 said that if these bodies wanted SMMEs to be successful in their businesses they would be concerned if they see an entrepreneur owning a Spaza shop for more than 10 years, as that shows lack of growth from that particular business. Only 2 women felt that the government bodies are trying, whilst 6 other women felt that there are a lot of improvements that these government bodies have to look at. The 5 women that did attend the skills and training workshops gave positive feedback about government bodies. However, 2 of the remaining women were not sure if these government bodies were doing anything at all for SMMEs. Such responses stress the problem of lack of information and not knowing where to access such non-financial assistance that can improve their skills, and the operation of their businesses.



**Figure 4.6 Perception on skills training by government bodies**

**(Own 2010)**

## Quality control

The participants were asked how they manage competition. They were also asked if they understand the importance of quality, and about the measures they follow to maintain quality. Similar to a discussion in 2.4.3, SMMEs' knowledge of their local markets assists them in competing with other businesses. The participants appeared to be handling competition effectively. In order to remain competitive, women-owned SMMEs build a strong customer basis, and they make sure that they keep their clients happy. They stressed the importance of producing quality work and working hard to achieve deadlines set with their customers. They also mentioned that in their collaboration network, especially women in manufacturing, they share tips on how to handle certain materials and how to ensure that the clothes they design are neat. This is what Pauline had to say about her work, "If I buy the material that is not right it will ruin the name of my company but if my client is happy about what I have sewed for them they will refer someone to me."

In annexure A, (section 3, question 9 and 10), SMMEs were asked about the quality of their products and service. In contrary to the findings in chapter 3 (section 3.3.3) where it is indicated that women lacked knowledge on the importance of creating quality goods, SMMEs interviewed in this study understand the importance of selling good quality goods to consumers. When SMMEs produce quality goods their products stand a good chance of marketing themselves. This also broadens their mode of marketing, as more people will notice the good product. Nomhle, a woman in clothes manufacturing, mentioned that she makes sure that she discusses quality with clients. "When my client comes to me with a design that will require expensive material which will affect the overall price of the product I tell them about other material that they can opt for or advise them of other designs that might fit what they have budgeted for." By discussing quality issues of the desired products helps to keep both the client and the designer pleased. Three of the owners in manufacturing mentioned that they advice clients on how to take care of the materials so that they can wear the product for as long

as they wish. They also believe that producing quality products assists in marketing the business itself. The use of trusted brands was another way of ensuring delivery of quality products. Women in the trading sector expressed that they use trusted brands so that their clients can be satisfied.

Women in the transport industry place stickers on the taxis with a number that the customers should call when they are not satisfied with the service. They also indicated that they talk to the drivers and rank marshals about the importance of treating customers well. One owner said that she frequently drives with the drivers to see how they handle customers. Since people cannot know everything, it was also mentioned that an entrepreneur should not show his/her weak points to the competitors. "You should try to hide your inabilities" says Tshepo.

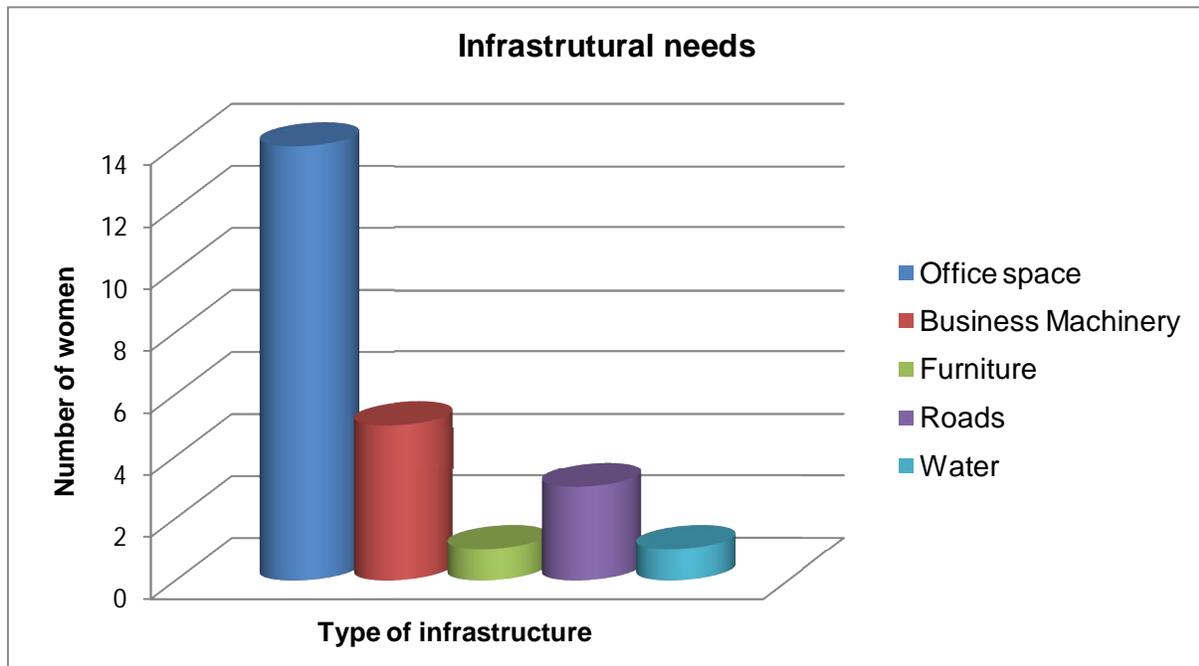
In the services industry some owners have a client report form where clients can rate the quality of service received and where it can be improved. Regular reporting was also another important form of making sure that they keep their clients satisfied. Those offering financial services indicated that they charge a reasonable interest and also advice clients to quickly finish paying the interest amount and repay the capital as soon as possible. Nurturing relationships with clients was raised as an important element to manage competition. This is ensured by being loyal to and communicating with clients. Some owners conduct research about their clients in order to know them well, offer them effective and fast services and sustain relationship with them. To maintain the standard of high quality services/products owners also make sure that employees are pleased and well cared for. In the services industry they are taken to training to be abreast with the skills required in the industry. They also ensure that they deliver on time to keep customers satisfied. Skilled people are also a priority when recruiting.

#### 4.4 INFRASTRUCTURE

Question 23 focused on the infrastructural challenges (see annexure A, section3). Infrastructural challenges that women had were both internal and external. The internal ones which correspond to those raised in section 2.4.2 are business premises, telecommunication devices, machinery, and technological devices. The only external infrastructures that seemed to be a challenge for this particular group were roads and water. In section 2.4.2 and 3.4, electricity and transport were other challenges that were highlighted. These were not the case with the group of women interviewed in this study. Their infrastructural challenges ranged from a need for office space, especially for those that work from home and self-owned offices by those that were renting, to equipments and machinery. Due to the lack of infrastructure some end up outsourcing the work that they are able to do - which costs them more money compared to when they are doing it in-house. Lack of infrastructure inhibits a growth of their enterprises as other subsidiaries of the business are forced to stop if they cannot afford to fix damaged or broken equipments. One designer had a designing school where she trained students and later on hire some of them upon completion. However, she could not maintain the machines they were using due to lack of finance. Another designer also cited problems with machines which delay production. Their work required industrial machines, but owing to limited funds they cannot afford these. As a result domestic machines which cannot handle the level of work that requires industrial machines are, therefore, used to do the work. . This is why they would break down or stop functioning for a while.

Road infrastructure forms part of the list of the problems. Three women raised concerns about the roads. The problems with road infrastructure seemed not to affect all SMMEs, depending on the area where the business is based and operates. Those in the transport industry were satisfied with the roads, since the areas where their vehicles were travelling were well maintained areas. Only 1 owner from the transport industry, who was operating between Hammanskraal and Polokwane, had problems with roads. SMMEs in the services industry travel to various areas where some roads are good and others are bad. Elsie says “Roads are not good, we suffer from punctures”. Grace, a

clothing designer from Hammanskraal, said they require water as access to such a necessity was a problem for their area. Roads and water were the main challenges for the Hammanskraal area. Figure 4.7 below illustrates infrastructural needs as indicated by the participants. Fourteen owners needed office premises where they can operate their business. Business machinery was required by 5 women, and 1 needed office furniture.



**Figure 4.7 Required infrastructures**  
(Own 2010)

#### 4.5 ICT INFRASTRUCTURES

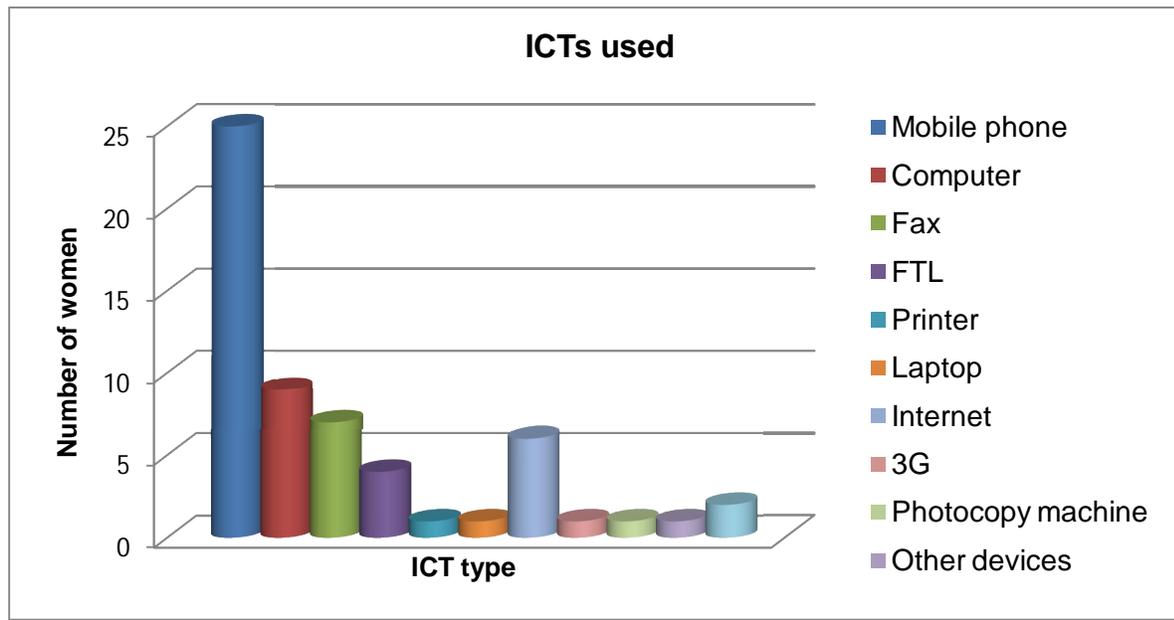
All women indicated an interest in using ICTs. As discussed in 3.4 these women also knew and understood how ICTs can support them. They, however, had constraints on accessing ICTs. Sixty percent of the owners cited finance as the main problem. Women in manufacturing stated that the computer is important to them as it can be used to design sketches that are prettier than the hand drawn ones. One owner said she heard of these functionalities from her children, and she wanted to experiment with them herself. Connie, an ICT device seller says that affordability is a problem because a

programme like Microsoft cannot run without a license, which she feels is expensive for her customers. She says she prefers Linux since it is free, but she cannot sell computers that are running Linux as most people find it difficult to use. "Microsoft is easy to use and the people love it but it is expensive," says Connie.

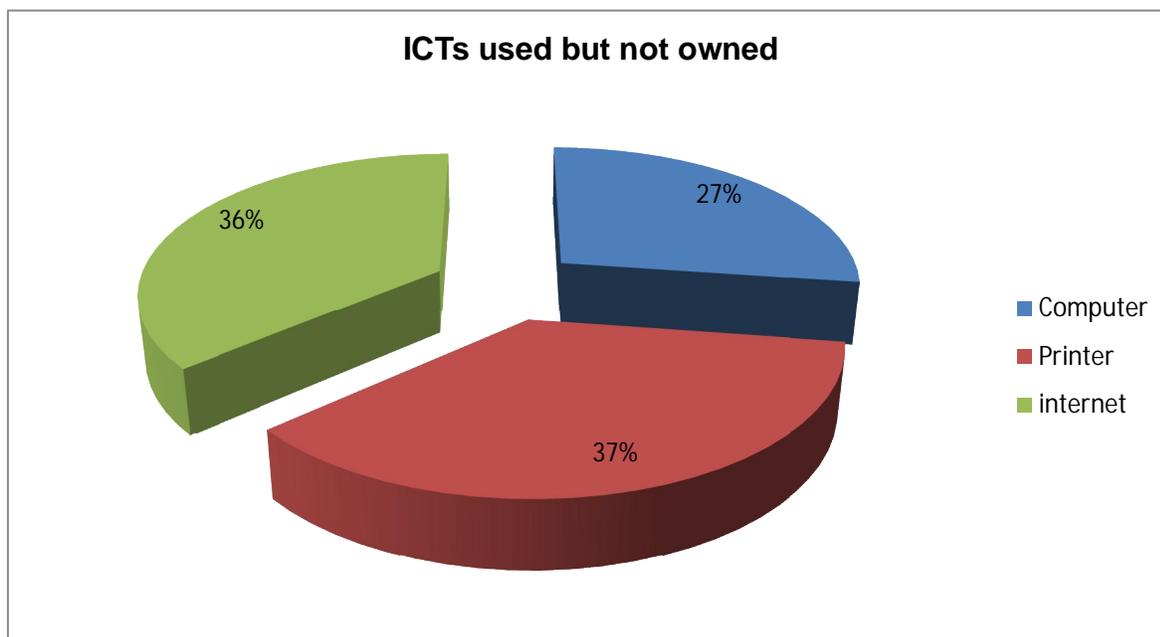
The cost of ICTs affects both the SMMEs and their clients. The high cost of mobile phone call charges was a concern for all women interviewed. One of the owners, a recruitment agent, is of the opinion that more service providers are needed to enable competitive prices. The mobile phone is an ICT device owned and used by all owners in the study. Moreover, Carol also stressed that most of her clients are still using paper. They are not yet used to using a computer to send copies of their curriculum vitae (CV) (also termed soft copies) to the hiring companies when applying for the job. Carol further explains that even if the clients were to fax the CV a copy to her e-mail, this method is expensive for clients. As a result it is difficult for her to receive some CVs, and this affects both the client and her business. Nine of the owners had access to computers, and 1 to a laptop. Of these 10 women, only 6 had access to the internet, and they were using it.

The reliability of network connections was also identified as a problem. According to the 2 women owners who were using the internet, connection to the internet is usually slow and affects speediness of the business on responding to clients. The other example that was given was related to e-mails that were not going through, and the owner said that she did not know what the problem was. For those who did not have ICT devices, they used internet cafés to access such devices. As stated in section 3.7 internet cafés are expensive. It was proven in this study that they are indeed costly. Internet cafés were also found to be expensive by those who did not have ICT devices available in their enterprises. Seven women wanted to use ICTs, and did not have access; specifically computers, printers, internet and e-mail. They indicated that they used internet café as their point of access. However, they complained that these internet cafés are expensive. Figure 4.8 indicates the ICTs that are owned by some women. Figure 4.9 indicates ICTs

that are used by some women although they do not own them. Owners also complained that some ICT devices are expensive. One owner gave an example of projectors, MS software, maintaining a website and linking e-mails from the website, as well as having an IT company to manage this task.



**Figure 4.8 ICTs owned**  
**(Own 2010)**



**Figure 4.9 ICTs used but not owned**  
(Own 2010)

Table 4.3 indicates the usage of general ICTs that the participants owned. The item listed at the bottom of the table is an ICT device used as a means to earn a living. This airtime machine is owned by Pretty who uses it to sell airtime and prepaid electricity to the community. This indicates how some women use ICTs to earn more money in their businesses.

### **Mobile phone usage**

The SMMEs appeared to be interested in the calling feature more than the others. When they were asked which feature they prefer between making a call and sending the SMS, making calls seemed to be more preferred over sending SMS. 73 percent opted for making calls (see Figure 4.10) saying that it allows them to receive a prompt response. Apparently customers do not always respond to the SMS, so it is better to call them. Five of the owners stressed that messages are passed quicker with voice call, than with SMS. SMSs were mainly used to remind customers of payments, fittings,

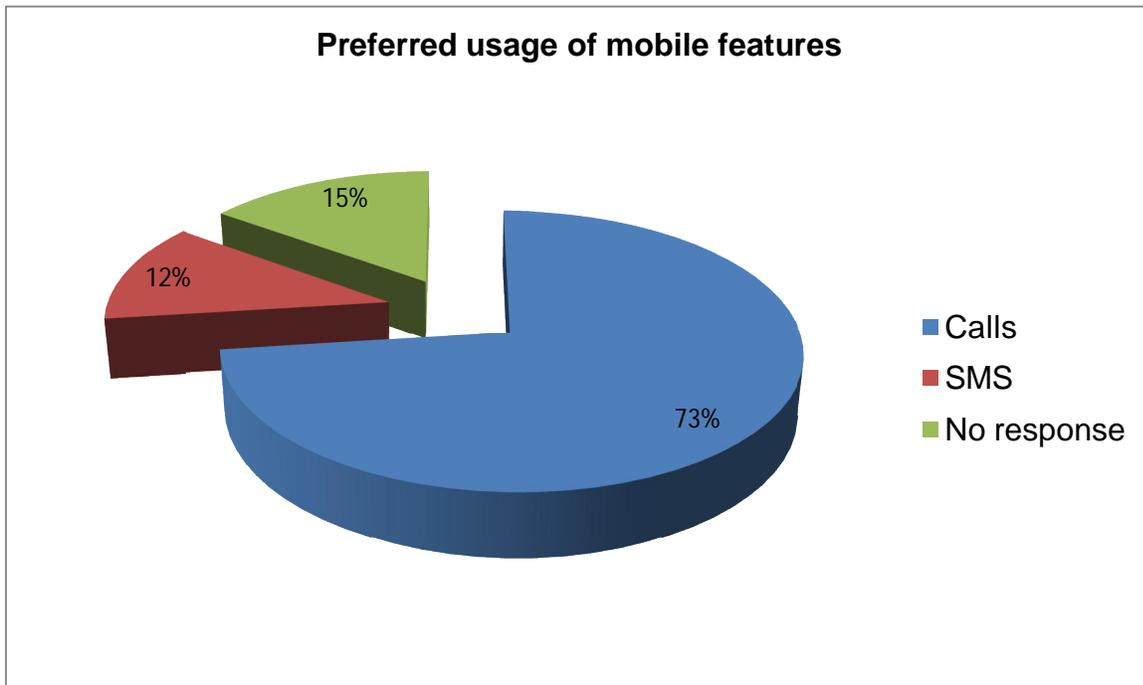
advertising and collection or delivery of products. According to Molly, “calls enable us to close deals urgently”. This stresses the delayed response that is associated with the SMS feature. Owners like Dora use an SMS to give a hint to the customer about what they have to discuss in order to counter the cost of making the call. “To lower costs I send an SMS first to explain so that when I call we can easily understand each other and not stay long on the call” says Dora.

Item	Usage
- Computer	Record sales, expenditure, stock recording, quotations, store information, financial recording
- Mobile phone	SMS for payment reminders and advertising, making and receiving calls, taking pictures, e-mail
- Fixed line	for faxes; tendering purposes; to allow e-mail connection
- Internet	Research, surfing the net, look for jobs
- Fax	send quotations
- E-mail	Advertising and communication
- Airtime machine	To sell airtime and electricity

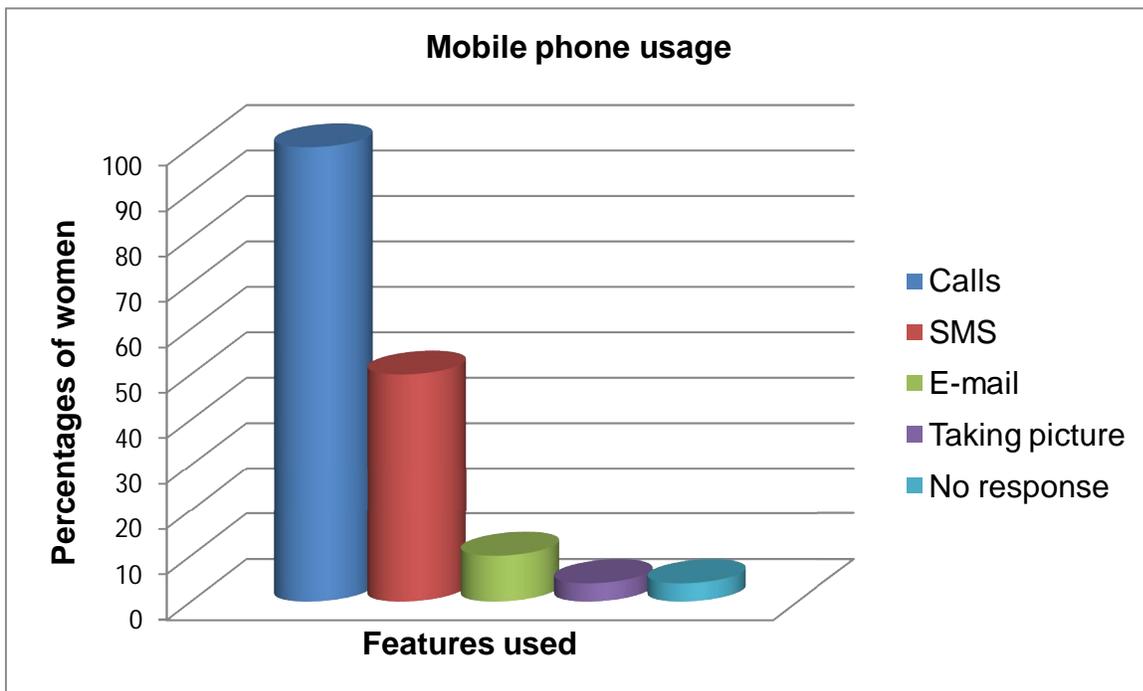
**Table 4.3 ICT usage**

**(Own 2010)**

Owners who used the SMS were doing that to avoid high costs associated with making a call. Of the 73 percent who preferred making calls, 1 owner did not know that SMS was cheaper than calling, but further stressed that calls are still better in that you get the required feedback quickly. Additional usages that were identified on mobile phones included sending and receiving of e-mails, as well as taking pictures with the mobile phone for business purposes (see Figure 4.11).



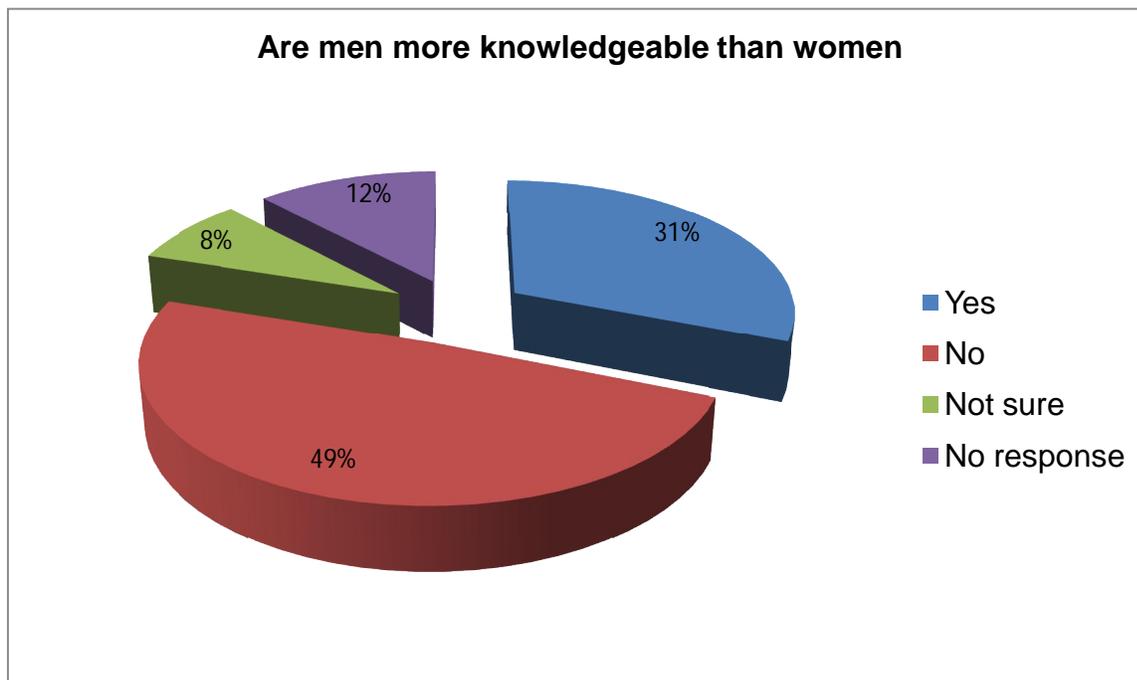
**Figure 4.10 Preferred usages of mobile phones**  
(Own 2010)



**Figure 4.11 Mobile phone usages**  
(Own 2010)

## Perceptions on usage

Women-owners were asked if they thought that their male counterparts had more knowledge about ICTs, and 49 percent said no. They were confident that they are as good as men and doing better than them. It was also mentioned that although they do not have access to most of the ICT devices, it does not mean that when they get access to such ICTs they will not be able to use them. There was, however, 31 percent that felt that men are better than them when coming to ICTs. Some of the reasons given were that men had more exposure to ICTs, and that as women they do not get relevant information about ICT infrastructures. They further stated that fellow women are not willing to impart knowledge on what they know, so they end up relying on men to teach them about ICTs. Eight percent were not sure if women knew better than men. The outstanding 12 percent did not answer the question. Results are summarised in Figure 4.12.



**Figure 4.12 Perception on knowledge about ICTs**  
(Own 2010)

## 4.6 GROWTH

In order to see if women were determined about their business and aspired to grow, they were asked if they thought their business would grow further in the next few years (see annexure A, section 3 question 12). They were also asked to describe the kind of growth that they envision about their business. It was evident that these women wanted their business to grow and do better than they were currently doing. For some, growth was more attached to the business itself, whilst for others it was attached to the well-being of their societies. They also had aspirations to trade globally. Table 4.4 indicates what the participants describe as growth for them.

### **Growth as defined by women-owned SMMEs**

- Selling in a ground floor setting where everyone can see my designs; sell in malls
- When I own an official accredited IT school and selling computers with their accessories; having an industrial office not far from home so that I will not have to travel far
- Having high customer base and bulk orders
- Doing the PET fibers
- Trading internationally
- Own a canteen with all logistic equipments belonging to me
- Having a boutique; her brand being known; open a design school
- Will have my own business premises; FTE with benefits; have a fleet of distribution vehicles and a depot
- Own office premises; leave a legacy for our children; grow the subsidiaries under the business
- Have trucks, buses and get projects
- A break even where I will be able to have more customers; enough cash flow and own a craft shop to sell collectables as well
- When each department is functioning independently with separate

accounts

- Own a big retail shop
- Sell properties abroad or appeal to foreign people so that they can buy properties in South Africa
- Have business premises where everyone can see it, with the name advertised
- Have my own industrial business premises. Have a confectionary
- Having all new taxis that are fully paid and money coming in every month. A fleet of taxis
- When I have a restaurant and supply external clients with food
- To be out of taxi ranking and do tourism related transport projects; have an office in industrial premises
- Have a centre for the abused and homeless
- Having at least 10 labourers and 8 that are good with machines; get weekly salary; have an industrial office
- Having my own office premises; have full time employees; to have branches in all 9 provinces
- Have four full time employees and a supermarket

#### **Table 4.4 Expected growth of women-owned SMMEs**

**(Own 2010)**

#### **4.7 FAMILY RESPONSIBILITIES**

The literature review (in sections 2.5.3 and 3.5) has cited family responsibilities as problematic for women entrepreneurs. To establish if the same concerns were affecting women in Pretoria a question was asked to find out if there were any challenges that they were facing that they felt were unique to women. The participants stated that they all had to pay attention to their gender prescribed roles. Whilst 65 percent of women had to do most of the household duties without any support from partners, 31 percent

expressed that they do get support from their partners. Of the 65 percent that had to attend to household duties without any support from their partners, 2 of them expressed that they are not comfortable with leaving all their household duties to their domestic workers. “Before going to business you must make sure that the children are fed, the house is clean and neat,” says Nitty.

The 31 percent with support from partners also had a domestic worker assisting with their household duties, except for one owner. Mahlogonolo says “I get my children and husband to assist with family chores; I also multitask a lot whereby when I am watching TV, I make sure that I am also peeling vegetables so that my household responsibilities do not become a burden.” Another 4 percent did not answer the question, see Figure 4.13.

Two women said that they have to neglect household duties due to business activities. One woman complained that she (sometimes) has to work long hours, and far away from home, which is not good for her family. Three women who were working from home did not like the setting. They expressed a need to have an industrial office somewhere far from home. Dora says “working from home does not give me enough time to rest as customers continue to come for my services even when I have knocked off; I do not have personal time.”

#### **4.8 ADDITIONAL CHALLENGES**

In order to understand challenges that might have not been asked in the questionnaire, SMMEs were asked if there was anything that was not addressed in the questionnaire. SMMEs expressed disappointments in the government and its supporting bodies that are supposed to look after their interests. They mentioned that the only time these bodies interact with them is when there is a workshop. They did not find these workshops helpful because the institutions which provide workshops to the SMMEs do

not organise follow ups to assess how these SMMEs are progressing. Another disturbing factor for SMMEs was that, in some cases, workshop facilitators who are sent by the supporting bodies cannot speak the language of the community that they are addressing. As a result SMMEs attend workshops without understanding the content, and the entire session becomes fruitless. The skills workshops that they normally present are not tailored for SMMEs. They do not class these SMMEs according to their size and industry so that they can address their challenges as per industry as well as SMMEs' level of growth. As a result most SMMEs do not see the importance of attending such meetings in future. There were SMMEs that have tried to seek assistance from these supporting bodies, especially financial assistance. They mentioned that when they raise concerns in workshops regarding the challenges they face when requesting for funds, their concerns are not taken into considerations. Dora said that "we were in a hall full of SMMEs and we requested that those that had been assisted by the government bodies should stand up so that they could see if some people were being assisted and there was no one to attest that they had received help from them." One owner also indicated that these government bodies are not using channels that can reach most SMMEs when advertising their services. Services are not published on TV and newspapers that are mostly read by these communities.

This is how Mary views the government bodies: "When you approach them for assistance they expect, from you, something in return. Some do not have a clue about what they do because you approach them looking for information but you find that they have no idea on what services their organisations offer. They always request for impossible documents or information and you end up giving up, they have a way of discouraging you."

One of the women who have used the services complained about the work being outsourced to private clients. The main concern was that if the service offered by the service provider, appointed by the supporting body, is not satisfactorily, the supporting body does not solve the issues raised. They do not even update the owner on how that

particular problem was solved. If government bodies contract service providers who are not doing a satisfactory job for SMMEs this will affect the relationship between SMMEs and government bodies. SMMEs will lose faith in these supporting bodies if they fail to put measures in place that will make sure that SMMEs receive effective service from the supporting bodies' service providers. This is what Dora had to say, "When you are not satisfied with the service that you received from their link and decide to approach them, they only tell you that they will handle that; but in the end it always turns out that you have just wasted your time and efforts by approaching them. I would like them to make follow-ups and monitor their service consultants."

Those that are involved in tendering had problems with unequal treatment they receive in tender briefings. "We are being intimidated by male colleagues who tell us that we would not get any tenders," says Molly. She also said that it becomes obvious that there is favouritism when the people who utter such statements of no confidence in women are the ones who are awarded the tenders. In addition, they think that as a woman she cannot manage construction work. Lack of support and encouragement from males can drive women away from businesses. It is required for women in those particular industries to support each other so that resilience can be built amongst women at the entry level. Two women indicated that they were once in a situation where officials in charge of granting tenders requested sexual favours from them. As a result they never won any tenders because they did not sleep with the officials who asked them for sex. One of the owners who managed to secure a tender complained that government takes time to pay them. As a result this affects the daily operation of the business as her employees do not receive their salaries in time.

Furthermore, compliance of SMMEs refers to their ability to pay their taxes to SARS. Some women had problems with this institution. One woman in the services industry was not impressed with SARS. This is Sandy's comment about SARS: "SARS needs to monitor their accountants as they cannot manage accounts effectively." She explained that SARS accountants have a tendency to send incorrect information, which is

misleading. Her other concern is that for SMMEs that cannot notice such flaws they might end up owing a significant amount of money to SARS due to the job that was not done properly by SARS employees. She further said that this creates more problems for SMMEs as they cannot access their tax clearance, and even worse, SARS officials are not even available for negotiating outstanding amounts that are not communicated to SMMEs.

Three women indicated that they need mentoring, which is one of the issues that they informed the government bodies about, but their call goes unheard. Kate has this to say about government bodies: “the door is open but there is a glass that you will hit and block you.” She has information about where to get funding and other business related support but states that those resources are not being disposable to SMMEs. Although supporting bodies state that they strive to offer financial and non-financial support to SMMEs, (DTI 2005: 4; DTI 2007: 12; SEDA 2007: 10) there are contradictions between SMMEs reports and their documents. Some of the SMMEs that had been to supporting bodies mentioned that the office bearers of these organisations do not offer them any assistance. Connie is a divorcee who, at one stage, went to one of the funding bodies, and she said that the consultant told her that she cannot obtain funds because she does not have a spouse. However, organisations such as the National Development Agency (NDA) do offer infrastructural support and mentoring to some women. Nomhle for example, was sponsored with industrial machines by the NDA. She is also receiving continued support from them and they have meetings with her regularly.

Customers themselves were found to be part of the challenges that women-owned SMMEs experienced. According to Connie, customers are also problematic because even if they can afford to pay cash they do not want to pay the full amount. Therefore, she introduced the lay-by system so that they could pay in instalments. To manage debts, Kate goes as far as faking lawyers’ letters to scare the customers as it is expensive to obtain real lawyers. They ended up paying after receiving the ‘attorney’s’ letter.

Three women owners operating in the townships stated that customers do not trust their products. They do not purchase the products which they sell in their local store. Instead, these customers travel to town to buy the same product. In Connie's experience this occurs especially if customers experience a 'hiccup' with one of the ICTs, for example when a printer is not working. They do not go to the seller to explain the problems they are having, but instead they make conclusions that the owner sells low quality products. Dora, a young woman, said that customers do not take her serious when she markets her products to them, and they seem to prefer someone older than her. They always think she is still new in business and she has no idea about what she is doing. However, when they see the clothes that she has designed their perceptions and attitudes change. She further states that she used to be 'soft' to the customers who were not paying deposits but now she has 'toughened up' and she gets her payments on time.

Also, crime is one of the most significant problems for women-owned SMMEs. They are scared of losing their hard earned money and other business properties. Molly reported that her laptop was stolen and now she has to save up to buy a new one. In other areas thieves attack customers, thus making the businesses in that area unprofitable as customers will be scared to go there.

A challenge of working with employees that were not registered was another concern. Lack of sufficient funds and resources were some of the problems that perpetuate problems like this. When the market is not doing well it is difficult for SMMEs to have goods which will enable a stable cash flow. Insufficient cash flow leads to SMMEs not having sufficient money to register their employees with the labour department. Some entrepreneurs cannot expand their customer base as exhibition centres closes down. This makes it difficult for craft traders like Mary to market their crafts. It was also mentioned that exhibitions that are still operating now do not suit their products and target market.

All of the 5 women in the transport industry felt that they are still marginalised as women, and men in the industry oppress them. Associations do not accommodate them in decision making, and they also do not give them equal opportunities. They mentioned that men were receiving tender opportunities whilst they were left out, especially with the recent FIFA 2010 projects. There is a feeling of not being accommodated by the transport industry.

#### **4.10 CONCLUSIONS**

This chapter presented results of the questions that were asked to women-owned SMMEs. The results indicated that the majority of women in this study were over the age of 40, contradicting the literature findings in section 2.5 which stated that most women entrepreneurs are under the age of 34. Their entrepreneurial activities were dominating in the services industry, confirming findings in section 2.5.6. These entrepreneurs either used it as a main business or a supporting one in case their main business is not functioning effectively. The age of the business did not in any way influence their level of growth. The influence of other issues such as background, education and age did not have a significant impact on how most of these women ran their business.

These SMMEs were different with regards to the issue of skills. The participants in the manufacturing industry had skills as they went to school for their profession. Business related skills were, however, a general problem except for those that had worked in the corporate sectors before starting their own businesses. Lack of knowledge on how to manage finances was also a problem that owners feared. They felt this could lead to their businesses failing.

The main infrastructural problems that they had were lack of business premises. There were concerns regarding road infrastructure. ICT infrastructure was a problem for those who did not have access at all. Some of the women who did not have some ICTs used internet cafes to access infrastructures they do not have. The mobile phone was the only devices that all participants owned and used mostly. However, lack of finance was cited as the main cause in not having all the ICT devices they required.

The participants were enthusiastic about their business and they gave various examples of how they see their business growth. They did not have problems with their gender roles of doing household duties. Some women did these duties with the support of their husbands and domestic workers, whilst the others did it on their own. Additional challenges that women had was lack of support from government supporting bodies and crime. The following chapter provides conclusions regarding the overall study and also the recommendations that will contribute to the sustainability of women-owned SMMEs.

## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This study focused on access to and usage of ICTs by women owned SMMEs. The research questions which guided the overall study were posed. A literature review was conducted in order to outline the characteristics of SMMEs and identify the challenges that inhibit women-owned SMMEs to use ICTs. Based on the results found in the literature a field study was conducted which attempted to establish the link between the literature results and what was transpiring in the enterprises of the women interviewed.

The primary objective of this study was to explore SMMEs owned by women in order to identify the challenges that they encounter in accessing and using ICT infrastructures. Secondary objectives included a literature study to provide theoretical framework for studying SMMEs within the development context and their general characteristics; identifying characteristics of SMMEs owned by women; identifying challenges that determine access to and usage of available ICT infrastructures by women-owned SMMEs in their businesses; and presenting a case study illustrating the challenges faced by women-owned SMMEs in Pretoria.

This chapter will provide an overview of the previous chapters and a summary of the findings resulting from the data analysis. This will be followed by a summary, conclusion, as well as recommendations.

#### **5.2 OVERVIEW OF THE CHAPTERS**

This section provides brief details of what was discussed in the chapters of this study.

### **5.2.1 Introduction and overview of the study**

Chapter 1 gave an introduction to, and overview of the research study. This was followed by an outline of the research problem as well as a statement of the primary and secondary objectives of the study. It also explained the research methodology applied to execute the study. The chapter was concluded with a brief theoretical background to introduce the topic.

### **5.2.2 Theoretical framework of the study**

Chapter 2 looked at SMMEs and their role in the country's economy, their characteristics and those of women in South Africa. SMMEs role was among other issues to assist in alleviating poverty. Developing countries were found to be suffering from poverty, compared to developed countries. Some areas in South Africa were also found to be stricken by poverty. Of those people faced with poverty, women were the mostly affected. By 2009 it was expected that 46 million people will be living in poverty due to the global economic crisis that took place in 2009. The gender role prescribed for women renders them vulnerable to poverty. Authors like Chen (2005: 37) call this concept 'feminisation of poverty' where women are extremely affected. Their roles do not grant them sufficient opportunities to be in the labour market. The state of poverty places people at a disadvantage. They cannot seek financial assistance to create their own business as FIs find these people risky. The SMME sector has, therefore, been identified as a sector that can employ poor people. It also assists in employing the people who are struggling to be absorbed into labour markets. Literature showed that 6 in 10 women participate in the informal sector of SMMEs. This indicates that if the informal SMMEs are legalised by registering with relevant authorities, the sector can make a difference in employment creation.

SMMEs are either defined based on variables such as a number of FTE, annual turnover, value of assets owned, capital investments, contribution to employment and so forth. Since SMMEs are defined differently in various countries. The definition used in this study has been derived from the Small Business Act of South Africa (SA 1995: 14) where it is defined as an enterprise with a minimum of 1 FTE and not more than 200 FTEs, regardless of their industrial affiliations. The turnover should be less than R50m and be legally registered with certain authorities, especially CIPRO. SMMEs are characterised by their formality, infrastructure, business operations, the owner, areas of trade, their size and employment contribution, business background and business. A mixture of all or some of the aforementioned elements characterises an SMME. Formality of SMMEs depends on whether they are registered or not. This will also determine if they are likely to receive financial assistance, when required. Non-formality, therefore, means that those SMMEs that are not registered have less chances of securing finance from FIs. The SMME sector has various industries which are regulated differently. Some SMMEs only require registration with CIPRO in order to be formal, whilst others have to register with other industry bodies. Industries such as services and transport are more regulated compared to industries like manufacturing.

Infrastructure is important in the SMME sector in that it influences their effectiveness. Availability of infrastructure enables the business operation of an SMME to operate effectively. Infrastructure in this chapter was defined into internal and external ones. The internal infrastructure refers to those that a particular enterprise requires internally, and the owner is the one responsible for securing them. The external refers to the ones required to support the internal operations and cannot be provided by the owner. They are controlled by the environment in which the business is located. Examples of internal infrastructure are business premises, machinery and technological devices. External infrastructures are roads, electricity, telecommunication coverage and so forth. In most cases internal infrastructure is dependent on external infrastructure for some of the infrastructure to work. Therefore, improvement and availability of external infrastructure is important to the sustainability of SMMEs.

It was discovered that what characterises SMMEs and LEs from each other is the business functions such as marketing, how they manage their human resources and finances. SMMEs do not have a structured way of operating a business. Functions such as human resources and marketing are, in most cases, taken care of by one person. Managerial skills were also found to be problematic for SMMEs. As a result their stock is not regularly recorded, which affects their sales and managing their finances. Attracting skilled personnel was also identified as a major challenge that SMMEs face. In some cases they found it difficult to retain the skilled workers due to limited funds. Access to information is critical for the success of SMMEs. However, research points out that SMMEs do not know where to access information required for their businesses. Some were not banking the money that they generated from their business. This in turn affected the way FIs view them. When SMMEs are not banked they are unlikely to receive funding from FIs since these institutions cannot access their financial records.

In attempting to describe an entrepreneur some researchers looked at where these entrepreneurs were coming from, what influenced them to venture into business and the influence education had on their businesses. Acs (2008: 17) believes that entrepreneurs are created at an institution level where students may decide to use the knowledge learned from institutions to either be employed in existing companies or create their own companies. This study, however, did not find the motivation to be wholly true since in most countries women were uneducated and they still participated in entrepreneurial activities. It was, therefore, concluded that for the basis of this research, entrepreneurs will be regarded as any individual that can identify a business opportunity, regardless of their education level.

The literature also indicated that in South Africa women-owned SMMEs were mostly owned by women less than 34 years old, with less education or no education at all. However, these women are involved in businesses that are overly populated as these

industries have been tested already. Reports show that women of all races are involved in entrepreneurship globally. Their motivation in doing business is, according to Orhan (2005: 4), based on pull and push factors. The pull factors are when someone sees an opportunity and personally decides to follow, whereas the push factors results from unpleasant circumstances from their current employer or not having formal employment. In addition to their entrepreneurial activities women also have family responsibilities to take care of. These responsibilities influenced their businesses in the roles they had to perform. Their responsibilities will either force them to conduct business whilst postponing other household and social responsibilities, or sacrifice their business. In as much as some people would hire a helper to assist with household duties, some women felt that this was not good enough. They needed to take lead in their maternal roles.

Whether an entrepreneur has conventional, domestic, innovative or radical beliefs or not, has an influence on the business. The conventional entrepreneur has high regard for both the entrepreneurial ideals and the gender roles. She will give equal commitment to both the business and roles required of her gender. The domestic entrepreneur will not give equal comment to gender roles and business. She will focus more on her gender roles than on the business. On the contrary, innovative entrepreneurs give more priority to the business than gender roles. The last group, which is radical entrepreneurs, has high regard on both gender and entrepreneurial activities. They question the roles dedicated to women and believe that businesses should be used to accumulate more money in order to advance the lives of marginalised women. Of the women owning enterprises in Pretoria it was found that a majority of them are not registered for VAT, which is another element of formality (see chapter 2, section 2.5.5). Their businesses were dominating in areas of service and trade industries. Their enterprises were mainly sole traders, and not contributing much to employment creation. It was also established that women do not have a solid business background. The lack of training on how to run a business raises challenges in managing their business. They, however, rely on women that started businesses before them to assist them when they face hurdles. The main challenge of sustaining and developing their business was said to be caused by lack of resources such as finance,

training, information and management skills. Challenges like these are the ones that result in women's participation being less than those of men. The ratio in South Africa for entrepreneurial activities by gender is 1.0 to 1.6, for women and men respectively.

Finance was identified as an important resource for SMMEs. With access to finance, people have the choice to respond to economic opportunities. Inadequacy of finance, therefore, leads to limited choices that impact negatively on socio-economic of women. There is a need for institutions like MFIs that can accommodate people without bank accounts or a financial track record. It was found that FIs do not cater for all SMMEs as their financial solutions do not fit the SMME sector. With a wider range of financial options some of the SMMEs problems can be solved.

### **5.2.3 Challenges in women-owned SMMEs**

Chapter 3 examined the challenges that women-owned SMMEs encounter, particularly with respect to technology. General challenges that were discussed included access to business finance and non-financial support services. Another challenge was the lack of marketing skills and securing reliable suppliers with competitive prices. Hiring skilled personnel was another challenge that affected SMME. Women's reluctance to apply for financial assistance was seen as another challenge which affected their business operations and growth.

Entrepreneurial challenges which included labour, regulations and quality control were identified. This was exacerbated by low literacy levels that most female entrepreneurs have. Their lack of education affects the way they manage their finances. The low literacy levels also affect these women's ability to market their businesses. The majority of them depend on governments' tenders, which requires knowledge on how to complete those tender documents. Failure to complete such a document and to attach relevant required accompanying documents correctly leads to the decline of tender

application. Furthermore, quality control of the services and products offered by SMMEs has an influence on the sustainability of these enterprises. From this chapter it was discovered that some women-owned SMMEs did not fully understand the importance of quality in their products and services. However, after training was given to some of the women regarding the importance of quality they did change their attitude and improved the quality of their products and services. This in turn increased their sales. Quality of services and products were also dependent on the availability of suppliers. This is something that can be improved with the availability of infrastructures such as roads and transport which allow entrepreneurs to choose from various suppliers. Unavailability of infrastructure may inhibit entrepreneurs from having different suppliers to choose from, as some may not be able to travel to the entrepreneurs' business premises if the roads are bad.

Infrastructural challenges that affect business operations of SMMEs may also affect SMMEs adoption and usage of ICTs. In this chapter it was identified that there are poor transport facilities and roads. Access to and use of ICTs is also reliant on the availability of electricity which is not well distributed in some areas in South Africa. Network points are another requirement for some ICT devices. Infrastructural development can, therefore, affect the way SMMEs respond to ICTs. The reports from the literature stated that unreliable network coverage is blamed for the telecommunication's breakdowns. These leads to users losing trust in these ICTs. The ICTs importance can, however, not be overlooked as they can assist in business operation of enterprises if they are working effectively. Access to ICTs, especially for the individual, further depends on the availability of social status, gender roles, and public services. The affluent, the poor and the middle class have different access levels and challenges. Gender also impacts on the level of access. The geographical area will determine the type of ICTs one has access to. The increase in the uptake in ICTs for the developing countries was found to be drastically lower than developed countries. This emerges as a result of infrastructural challenges experienced by developing countries.

The gender roles for some women require them to incorporate household and social responsibilities into their entrepreneurial activities. It was found that most of their money is spent on household necessities, therefore, making it difficult for them to invest in ICTs. The decision to incorporate ICTs into their businesses is also influenced by their culture. Culture requires women to conform to some behaviour or practices, which might not be good for business.

Access to finance will directly and indirectly affect access to and usage of ICTs. It has been discovered that women were more affected in terms of accessing finance. The reason is that they are in most cases reluctant to borrow funds from FIs. Women were not funded because they lacked a business track record. This is an important factor in banks providing loans. This emanated from the fact that most women's businesses were relatively new. The contradictions (on whether women do not get funding because of their household duties, limited knowledge, and inability to inherit or acquire land or property) that surfaced from the studies of Allen and Truman (1993: 23), the World Bank (2008: 25) and Watson (2006: 26) can only be clarified if literature on SMME financing is aggregated according to gender. The World Bank report states that women are not receiving financial assistance because funders cannot relate to women. In some instances they are dismissed if they do not bring a male partner for surety. Watson (2006:46) and Watson et al. (2009: 9), on the other hand, maintain that women do not apply for funding because they want to have full control over their businesses, which can be lost if they fail to repay their loans. Despite the reports that women are reliable borrowers, women prefer borrowing from family and friends.

ICTs are also depending on other infrastructures for them to be accessible. ICTs are reliant on the provision of electricity, telecommunications infrastructure, networks and so forth. The other challenge is physical access to ICT devices. The findings demonstrated that issues of access can be resolved when an SMME is able to use the applications of their devices for both social and business purposes. This was further discussed by looking at the introduction of ICT related courses for students at universities, and it was

found that policies need to be tailored in such a way that access will be equal irrespective of gender.

Access to ICT devices is dependent on two aspects, namely knowledge and affordability. A certain level of knowledge about which ICT devices exist and which functions they perform is essential. This should be translated into business activities. The second aspect is based on whether or not these devices will be affordable to SMMEs. These ICTs will, however, not be adopted if they are not well presented to SMMEs. SMMEs need to understand the relevance of such devices to their businesses, and how various applications can be used in this regard. It was noted that some women have perceptions that ICTs are not meant for them. As a result, this may hamper their adoption. Although telecentres provide an alternative access to SMMEs that cannot afford to acquire ICTs, they are not well distributed. They also have to serve more people than they could manage. As a result, women queued for this service, which has a negative impact on their already limited time.

It was emphasised that SMMEs will adopt ICTs only if they know how they can assist them in their businesses. Lack of knowledge on using ICTs has a huge impact. In areas where ICTs were not accepted it was because the communities viewed these devices as a threat rather than a tool that can assist them. Acceptance was also influenced by how children were raised. Children who had role models, parents or teachers who showed interest in ICTs were more like to have interest in ICTs too. Culture also played a role in the acceptance of ICTs. Children who were coming from backgrounds where ICTs were seen as male's domain were not interested in ICTs and careers in this field too. The use of English in websites was another factor that impacted negatively on acceptance of Internet in countries like China. The language barrier made it difficult for people to interact.

The commonly used ICT device is the mobile phone which is used to communicate with family and relatives. It also helps them to organise their social gatherings. The mobile phone calendar is used to set a reminder for meetings. Mobile phone kiosks are used as money transfer point where relatives send money from the cities and those that it is intended for then collect it with the voucher code from the kiosks. ICTs are also used because they reduce travelling costs and allow some SMMEs to reach foreign markets easily. The Internet is used by others for marketing their products.

#### **5.2.4 Data presentation and analysis**

Chapter 4 presented a case study of women-owned SMMEs in Pretoria by focusing on their profile, characteristics and family responsibilities. Attention was also paid to infrastructure, growth and general challenges.

Ninety five percent of this study's participants are educated and had at least a minimum of Grade 10 as their highest qualification. This discredits what is provided in the literature (section 2.5) where Maas and Herrington (2006: 42) states that the highest qualification that women have is an incomplete primary education. The services industry was popular in that most of the entrepreneurs who were in different industries had a services related business that they used as a backup when their preferred industries were not performing well. This indicates commitment to business activities by these women. Instead of looking for formal employment when their businesses are not doing well, they opt for making a living by getting involved in other SMME industries.

The decisions of the participants to venture into business were in most cases voluntarily. They wanted to be in business because they liked it and, they wanted to work for themselves. In chapter 2 (2.4.3) there are various reasons discussed that lead women to participate in businesses. Orhan's (2005: 4) push and pull factors are some of those motivations that prevailed in some of our participants. A pull factor is when an entrepreneur starts a business out of their own will. Most women in this study matches Orhan's pull factor category. There were only two incidences of the push factors where

one owner resigned from work due to unfair treatment, and the other started business due to unemployment. However, when looking at the profile of one of the owners you realise that she had business interests while growing up. As a child she used to volunteer to assist other business owners in her neighbourhood after school hours. When her first job did not work out well she did not look for another employment, instead she decided to start her own business. What was important about her previous job was that it gave her a 'push' into doing something that she liked since she was a child. She explained that the money that she started the business with was minimal but she managed to continue with the business which is still sustainable to date.

Interest in entrepreneurial activities dominated in this study. Although others grew up in families where there was exposure to business, with either their parents or close relatives owning some form of business, they were not influenced by these backgrounds. According to Barbie (2008: 416), patterns can assist in determining whether a particular behaviour is influenced by things such as background, age and education. The background, however, does not seem to have influenced this particular group. The only group that was to a certain extent influenced by the family background were those in the transport industry. They had been influenced by their husbands, and/or had to take over when their husbands died. Types of entrepreneurs as listed by Goffee and Scase (1985: 54) in chapter 2 (2.4.4) were also identified in the case study. Interestingly, all the women matched the conventional entrepreneur type. They accepted their gender roles as it was. They either had to do everything on their own, or have the domestic worker or family members assist them with their chores when business demands are high. The embracing of the gender roles could be as a result of their age group, as 81 percent of these women are over 40 years. With only 19 percent of the participants under the age of 40, it cannot be assumed that the younger generation is conventional.

The distribution by sector of the participants in this study was overrepresented in the services industry. The database that the researcher extracted the participants of the

case study from had all industries. However, the people contacted in other industries except the services and manufacturing, were either unavailable or were no longer in business. The researcher was, therefore, left with more people coming from the services industry. This is consistent with what was discussed in chapter 2, (section 2.5.6) that most women entrepreneurs are in the services industry. The services industry is seen as the industry that can still bring in income, even when the economic situation is poor. Some of the participants who were in the other industries felt that they were not doing quite well, and were thinking of doing a parallel business in the services industry in order to survive.

The age of an enterprise did not have any effect on the performance and growth of a business. There were businesses that were more than 10 years and made less turnover, compared to some that were younger than 5 years. The confidence of the owners with regards to the use of ICTs differed on a personal level. There were highly educated (above matric) participants who still maintained that men are better than women. One pattern that seemed to be influenced by educational level was the recording of turnover. Those with the highest educational level were found to be recording their turnover. Those with lower educational levels had no interest on recording their turnovers.

The element of risk is feared by the participants. They are not keen to approach financial institutions, particularly banks, to request finances for their business. They are more comfortable with the option of lending money from friends and relatives than to approach a bank. There is an interest in using government supporting bodies that could offer financial assistance at lower interest rates. Investment in ICTs is unachievable for those that do not have access, as they do not generate enough profits to cover extra needs. The economic downturn had a significant effect in their 2009 sales, and investment into ICTs was last on the list of things they have to do.

There are challenges which inhibit women's access to ICTs. In as much as the challenges that exist are not only affecting women, the participants expressed that their level of access is not equal to their male counterparts. Lack of access to ICT finance was pointed out in many instances as a significant inhibitor. What perpetuated the gap in access amongst women and men was the level of exposure. With the majority of women (49 percent) believing that men do not know ICTs better than them, there was a general consensus that men are more exposed compared to them. The reason for this was that women joined the business later than men, and started learning on their own, whilst these men had been in the business arena for a longer period. The type of prior employment also had an effect on their exposure to ICTs. Another point of concern is access to information. Finance in itself cannot be deemed as the main cause of lack of access to ICTs, as the majority of these women do not know where to go when they need information. SMMEs that were exposed to information on where and how to apply for grants that could assist them in acquiring equipments, for example, stand a better chance to spend their profits on buying ICT devices needed for their business. Lack of access to information about government bodies that could provide financial support and non-financial support leaves SMMEs with limited options to access ICTs. Non-financial support such as vouchers to buy equipment and marketing material and assistance on how to do costing may impact positively in the daily operations of SMMEs.

The results of this study reveal that the main challenge in accessing ICTs is caused by lack of finances. Lack of access to finance is, however, not unique to women as men can have the same challenges. The uniqueness is based on the way women's profits are spent. Women tend to spend their money on the household and family needs. Some of these women do not have time to visit institutions that can offer them information on how to get assistance in financing their businesses. Others have tried to visit these institutions but they could not be assisted as some of these supporting bodies were not willing to help them. In most responses it was mentioned that the supporting bodies discourage them. For those that were not married they were told that if they had a spouse they would qualify for lending, whilst those who were married were told to bring 10 percent of the loan money. Others required documents that SMMEs did not know

how to access. Generally, most of the government's supporting bodies were not willing to offer assistance to SMMEs.

### **5.3 SUMMARY AND CONCLUSIONS**

This study aimed at investigating the challenges faced by women-owned SMMEs in Pretoria in accessing and using information and communication technologies. It is clear from the study that the main challenges experienced by these women have to do with firstly; entrepreneurial challenges like the registration process, funding, skills, labour, regulations, and quality control; secondly, infrastructural challenges which include internal infrastructure like business premises, telecommunication and technological devices, machinery and external infrastructures like roads and water; and thirdly, ICT specific infrastructural challenges which impacted negatively on their access to and use of ICTs in managing, operating, sustaining and expanding their businesses. Additional challenges were also identified and they included lack of support from government and other relevant bodies as well as challenges experienced in tendering processes. The need for mentoring also surfaced as an important issue that should be addressed. However, two issues came to the front that can be regarded as the most important contributing factors to the challenges experienced by women-owned SMMEs in Pretoria; that is the lack of finances and gender inequality. Access to and availability of financial resources affects the access and usage of ICTs by women-owned SMMEs and plays a significant role in the establishment and growth of SMMEs by women. The triple role that women fulfil in their households and society also impact negatively on their business ventures and income generating activities. In light of the results of this study it is recommended that a study with a larger sample of women-owned SMMEs is executed in order to analyse the challenges experienced by women-owned SMMEs with specific emphasis on gender equality and the access and use of ICTs. The following aspects are also important and they justify further research on this topic:

1. In order to understand how the entrepreneurial and SMME landscape is changing in terms of abiding with gender roles, a study with a larger sample of

young entrepreneurs is required to examine the differences in light of the results of this study.

2. The nature of this study's sample is small because it only aimed to understand the challenges that women face. A follow up research is required that should be quantitative in nature, so that all the identified challenges can be explored to assess if they affect many women, especially across other provinces.
3. There is a need for policy workers to compile documents that would assist the government in auditing its supporting bodies that are tasked to assist SMMEs. This will improve the visibility of these supporting bodies, and SMMEs will be able to receive support so that their businesses can remain sustainable and grow.
4. Infrastructural support is also required from government to enable SMMEs to access ICTs that can improve their business operations.

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**ANNEXURE A: SURVEY QUESTIONNAIRE**

**Section 1: Demographic questions**

1. Age of the owner

16- 20 years	
21- 30 years	
31- 40 years	
41- 50 years	
51- 60 years	
Over 60 years	

2. Where is your business operating?

-----

3. What is your highest educational level?

-----

4. Marital status?

-----

5. Do you have children?

-----

**Section 2: Business Profile**

1. Name of Business

-----

2. The nature of the business (*what kind of service are you offering*)

-----

3. In which sector is your business (*e.g. construction, services and etc.*)

-----

4. How old is your business?

0- 2 years	
3- 5 years	
6- 9 years	
More than 10 years	

5. Fill in your business address (*if you run it form home, please specify*)

-----

-----

-----

-----

6. Your contact details

Cell: -----

Tell: -----

7. How much is your monthly turnover?

-----

8. Is your business registered? *(if not, go to question 11)*

-----

9. Where is your company registered?

CIPRO	
Labour authorities	
Tax authorities	

other	
-------	--

(If other, please specify) -----

10. What type of legal entity is it?

Sole proprietor	
Company	
Closed cooperation	
other	

(If other, please specify) -----

11. Why is your company not registered?

-----

-----

12. How many full time employees do you have?

-----

13. How many contract employees do you have?

-----

### Section 3: Operational

1. Did your parents or anyone in your relatives own a business?
2. Does that influence your business career?
3. Do you have formal managerial skills?
4. Did you have any experience in running a business prior to starting your own business?
5. Are there any SMMEs that inspire you to stay in business?
6. As a manager/owner do you transfer the business knowledge that you have to your staff members?
7. Do you share your knowledge with other SMMEs?
8. How do you manage competition?
9. Do you know how important is the quality of your service/product?
10. What measures do you take to maintain and produce quality service?
11. Do you see your business growing further than this?
12. In your personal opinion what is growth?
13. Do you think your business is contributing to the community, how?
14. Would you expand your business to cater for global markets?
15. How often do you take risks for your business?
16. Do you know of government funding organisations?
17. How do you finance your business?
18. Are you happy with the service you are receiving from the FIs?
19. Would you consider using the bank or other funding institutions in future?
20. Do you know where to go if you need non-financial support?
21. Do you think that supporting structures are doing enough in assisting you your improve skills?
22. Are there any specific infrastructure problems that you are having?
23. Which ICT infrastructures do have in your business?
24. Do you have information on what ICT infrastructures will improve your daily operations?

25. How often do you use them for business purposes?
26. Please explain which ICT do you for a specific purpose and why?
27. What are the ICT infrastructures that you do not have in your business and feel that it is important for you to have?
28. How do you access ICTs?
29. What are the challenges that you face when accessing ICTs?
30. Which ICTs are you not comfortable to use and why?
31. Do you think that your male competitors are more knowledgeable in ICT infrastructures as compared to you?
32. Why do you think so?
33. What are the other challenges that you are facing in business that are unique to you as a woman?
34. What are other challenges that you are facing in your business that have not been addressed in our discussion?
35. If your business were to fail or discontinue, what do you think would be the cause?

## **ANNEXURE B: INFORMED CONSENT LETTER**

I hereby confirm that I have been adequately informed by the researcher about the nature, conduct and benefits of the study. I have also received, read and understood the above written information. I am aware that the results of the study, including personal details regarding my age, business profile and educational level will be anonymously processed into a research report. I understand that my participation is voluntary and that I may, at any stage without prejudice, withdraw my consent and participation in the study. I had sufficient opportunity to ask questions and out of my free will, declare myself prepared to participate in the study.

Research participant's name: \_\_\_\_\_(please print)

Research participant's signature: \_\_\_\_\_

Date: \_\_\_\_\_

Researcher's name: \_\_\_\_\_(please print)

Research participant's signature: \_\_\_\_\_

Date: \_\_\_\_\_