

Key selected determinants of survival and growth of small and medium enterprises in rural places of KwaZulu-Natal, South Africa

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Received: 10th September 2021

Revised: 20th November 2021

Accepted: 15th February 2022

Abstract: In this paper, I have identified various determinants and examined how they influence the survival and growth of small and medium enterprises (SMEs) in rural areas. The outcome was dependent on the empirical data collected from 127 SME owners/managers operating in the rural southern region of the KwaZulu-Natal province of South Africa. A quota sampling method was used to determine the desired target population. A quantitative Likert scale questionnaire was designed and personally distributed to respondents, with seven days to complete the questionnaire. Data analysis was performed using SPSS (23.0). I found most of the identified variables have a significant and positive effect on the survival and growth of rural enterprises. These determinants include business characteristics of rural entrepreneurs, their personal attitudes, rural entrepreneurial orientation, growth of business, external/internal environment dynamics, as well as rural entrepreneurial resources. A conceptual growth model was developed and the main research findings tabled. The theoretical and practical implications of these findings are discussed.

Keywords: Small and Medium Enterprises; Survival and Growth; Determinants.

INTRODUCTION

Critical factors such as poor economic development, lack of employment opportunities, shortage of adequate food supply, as well as proper social safety, pose a threat to rural entrepreneurship growth. With increasingly more rural to urban migration because of insufficient employment opportunities and difficulties in managing their own enterprises, potential social unrest and various other problems are more real. Researchers in countries with large rural area populations should investigate this problem and provide possible solutions. Furthermore, almost two decades ago, Drodskie (2002) highlighted the serious challenges small enterprises face in South Africa (SA), particularly those located in townships and former black areas.

To compete locally and globally and be sustainably successful, rural businesses must excel in their growth, ensuring long-term survival (Hua, Kabia and Arkady, 2015). A review of literature from many countries indicates that although governments focus on developing policies and allocating financial resources for rural development, such as small business promotion, the reasons these enterprises cannot grow beyond survival stage are not understood. Furthermore, rural area geographical profiles are distinctive and unique and the environment differs from urban areas (Meyer, 2014).

Mbonyane and Ladzani, (2011): pp. 550-560, determined factors that hinder township SME growth in SA and state, "The slow growth rate can be attributed partly to the lack of support that small, medium and micro-enterprises (SMME) receive from support institutions, and partly to their own internal weaknesses". Without funding, legal knowledge, and general business acumen business growth is impeded. The established overlap in internal and external SME growth impediments are, however, perceived as similar in rural and urban, as well as township localities; which requires understanding the degrees of difference, including business characteristics, personal attitudes towards growth; entrepreneurial orientation (EO), intention, and skills and resources (Minai and Lucky, 2011).

Recent studies conducted in rural areas of the KwaZulu-Natal (KZN) province, SA, indicate a lack of cooperation among SMEs, possibly resulting from inadequate resources and business knowledge (Mason and Lekhanya, 2013). Rural KZNSMEs also face internal and external challenges, involving poor infrastructure, inadequate technology and communication infrastructure, insufficient human capital and financial support, as well as bad roads and transport, and lack of business networks and marketing strategies (Mason and Lekhanya, 2014).

Meyer (2014) stresses that in SA, approximately 70 percent of the poor population live in rural areas, with less than R20 per day to survive a reality for almost 3.64 of the 54 million population. Two prevalent problems in rural SA are lack of facilities for social and community use, and deployment of efficient policies and strategies, specifically entrepreneurial activities, to encourage rural development. Access to markets and finance, inadequate infrastructure, labour law, inefficient bureaucracy, skills shortages, and rampant crime mentioned as some of the challenges for SME landscape (SEDA, 2016). This study found that these problems result from inadequate knowledge/understanding of determinants affect in rural enterprise growth and survival, with specific reference to rural KZN, necessitating cause identification. Moreover, a growth model for SMEs operating in a turbulent environment and in under-developed areas, such as rural KZN, requires investigation.

RESEARCH PROBLEM

Most new, small-scale SA enterprises do not grow beyond survival stage (Chimucheka and Mandipaka, 2014), with entrepreneurship and SME creation lower in transition economies, such as SA, than in other developing countries (Estrin and Mickiewicz, 2011); despite more than 21 years of democracy in SA. Many small business growth challenges persist for SME owners/managers, including expansion, management and business practices (Martin, 2013), while high growth is often episodic and not sustained among SMEs (Roper and Hart, 2013). Without guidance, these problems will persist, requiring identification of determinants and development of a growth model for rural, urban and township SME growth and development.

Objectives

The overall aim of this paper is to report on an investigation and description of SME survival and growth determinants in rural KZN and suggested improvements. The secondary study objectives were to: identify any institutional environments that impact rural KZN SME survival and growth; examine the socio-cultural environment affecting their growth; ascertain their entrepreneurial characteristics; and establish those financial and infrastructural environments that affect rural KZN SME survival and growth; from which to propose a conceptual growth model.

LITERATURE REVIEW

In entrepreneurship literature, EO has become a highly researched and established theory (Wales, 2015), however, no studies explore rural KZN South Africans' motivation to start a business and entrepreneurial attitude.

Rural SME industry/sector

Key challenges confronting the rural SA SME industry that hamper rural economic development include poor infrastructure, unemployment, a lack of assistance and collateral, as well as an unfriendly business environment (Agbenyegah, 2013). The location factor in entrepreneurship development and small business performance is also vitally important (Minai and Lucky, 2011).

Small rural and agriculture-based enterprises face unique problems that affect their growth and effective contribution to economic development, ranging from lack of credit access and market information, inadequate managerial and technical skills, to low education levels, and an inhibitive regulatory environment (IFAD, 2012). Electricity, government policies and fraudulent practices are added critical factors severely impacting business survival and growth (Oginni and Adesanya, 2013).

The business environment and SME sector

Improved understanding of environmental characteristics offers the entrepreneur insight to identify and exploit business opportunities, and create a profitable firm that generates wealth. SME growth requires policy that stimulates new enterprise creation through public administration in all political ideologies and administrative levels (IFAD, 2012). Entrepreneurial attitudes of rural KZN South Africans and their motivations to start a business have, however, not been studied, indicating the need for a broad understanding of business environmental challenges confronting rural SME survival and development, particularly in KZN.

Environmental factors that influence SME growth and development include: new rural area activity growth (EU Rural Review 2011); the business, family, society and support system environments (Patel and Chavda, 2013); legal and regulatory environments (Ariel and Rocha, 2014); as well as rural development policy (UN General Assembly, 2014); and the socio-economic environment (Harpa, Moca and Rus, 2016). Environmental factors and performance of individual entrepreneurs have significance, with better business start-up and success prospects through matching specific requirements of entrepreneurs and environmental forces (Aruwa, 2013).

Internal/external environment and small, rural business growth

Internal and external factors were included in examining the environmental dynamism impact on rural KZN SME survival and growth. Described as the rate of change in an environment (Nuiami, Idris, Al-Ferokh and Joma, 2014), this dynamism includes customer preferences and services offered over time. Obtaining a broad understanding of how internal/external environmental dynamism impacts the EO, survival and growth of rural SMEs in KZN is thus important.

Internal factors impact SME performance/effectiveness significantly, including: sales growth, goal achievement, business entity size, and life cycle stages, as well as technology and product innovation,

organisational autonomy, centralisation and formalisation, and market roles and goal type/importance (Dragnić, 2014), with external factors that include the state of the economic sector and general economy, customer type, and life cycle stage. Internal and external environments that dynamically interact show the external environment predominantly impacts enterprise survival and growth, whereas external rather than internal factors direct entrepreneurs' business success (Amoah-Mensah, 2013).

The relationship between EO and business performance in small companies, and external environment moderating effects (Milovanovic and Wittine, 2014), dictate rural SME owners/managers more carefully use resources on innovation, pro-action, competition and autonomy (Mahrani and Cahyono, 2015), applicable to product development, proactive strategies, at market entry, or responding to competitor strategies, including responsible business decision-making. EO can be mediated by internal and external factors (Zehir, Can and Karaboga, 2015) as a correlation relationship exists between these factors, which may influence rural SME survival and growth. It was thus of interest to test these variables in the rural business environment.

Rural entrepreneurial orientation

EO origins in literature are on the strategy-making process, such as Mintzberg introduced in 1973. Foundational practices and policies for entrepreneurial actions and decisions (EO) are shown as entrepreneurial strategy-making processes by decision makers to deliver their organization's purpose, uphold its vision, and establish competitive advantage (Mintzberg, Raisinghani and Theoret, 1976). Another business survival and growth predictor is SME owner/manager EO (Rauch, Wiklund, Lumpkin and Frese, 2009), while some internal and external business resources are important strategic resources (Amoah-Mensah, 2013), therefore, investigating this aspect with those operating in the rural environment is evident.

Literature regarding EO show most studies adopted Miller's 1983 views on EO as a mixture of risk-taking, pro-activeness and innovativeness, comprising two conceptual theoretical concepts, a uni-dimensional and a multi-dimensional approach, with EO viewed as a unified, conceptual entity in the uni-dimensional approach (Miller, 2011). Covin and Lumpkin's (2011) theoretical construct of EO is the shared inconsistency among risk-taking, innovation, pro-action, competitive aggressiveness and autonomy, resulting in high growth (Muthee-Mwangi and Ngugi, 2014).

Encouraging entrepreneurship in rural areas would contribute to their transformation, addressing problems such as unemployment, poverty, economic disparity, poor utilisation of rural capacity, and low living standard levels (Saxena, 2012). EO is viewed as an entrepreneurial characteristic of innovative and growth-oriented entrepreneurs (Jyoti and Sharma, 2011); a concept requiring study on several levels, and possibly linked with environmental factors influencing SME survival and growth or development.

Rural entrepreneurial attitudes and rural small business growth

Entrepreneurship rates are not only determined by economic development factors, as entrepreneurial attitudes and perceptions are important to create an entrepreneurial culture. SA scored below average in 2010 on indicators of entrepreneurial attitudes and perception in efficiency-driven economies (GEM, 2010).

Literature shows a positive relationship between manager attitudes and actual SME growth outcomes (Anders, Vladimir and Peter, 2013), nevertheless, growth requires change and effective change management is essential to ensure business success. The lack of a conceptual framework regarding innovative performance, organisational capacity, market orientation and EO, prevents SMEs from achieving exceptional performance and sustainable growth (Jesselyn, 2012). Moreover, no data or any literature on these factors are available regarding rural SMEs, such as in the southern region of KZN.

Determinants of survival and growth of South African rural SMEs

The most important barriers to entrepreneurship generally comprise personal, physiological, cultural, social and economic factors (Sarani, Shahpasand and Savari, 2013). Business success determinant diversity complicates assigning small firm success/failure to a set of universal business success measurements, with some rural entrepreneurial success factors causally related to insufficient/ineffective bureaucracy, marketing opportunities, internal locus of control, innovation, and need for achievement (Zalkifli and Rosli, 2013). Combining internal and external factors, within which the small business operates, may achieve success.

The main rural SME survival and growth constraint dimensions in SA are lack of access to services, start-up funding, management capacity, and collateral; as well as liquidity stress; institutional support; access to tender; and costs associated with VAT and labour legislation compliance; along with inferior infrastructure; inadequate management; and poor record-keeping (Ngcobo and Sukdeo, 2015). Entrepreneur's age, management style, family background, owner's education are also determinants associated with the SMEs survival and growth (Chachar, De Vita, Parveen and Chachar, 2013). McPherson and Rous (2010) indicate access to credit is not a significant small firm growth determinant.

RESEARCH METHODOLOGY

The study used a quantitative approach, with primary data collected through a questionnaire, developed and pre-tested to obtain the required information through Likert-scaled, closed-ended questions, designed to obtain the most pertinent facts regarding rural KZN SME survival and growth determinants.

Target population

With 150 SME owners/managers identified as operating in the selected areas and to whom questionnaires were given, 127 responses were received. Some respondents were not interested in completing the questionnaire, while others expected payment and were thus not included, with 23 responses not returned.

Sampling

An accurate sampling frame could not be obtained to draw a probability sample of SMEs operating in rural KZN areas, owing to unstable numbers of SMEs registered in the selected areas. A quota sampling approach was used to select 30 respondents from five rural areas in the southern region of KZN, namely Harding (uMuziwabantu), Ixopo (uBuhlebezwe), Underberg (Sisonke), Zingolweni, and uMzimkhulu. Their inclusion is relative to their reasonably large rural populations, which allowed identification of more SME owners/managers in these areas. Only enterprises registered with the Department of Trade and Industry (DTI) were selected as respondents.

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Data collection and analysis

Research assistants were recruited from the selected areas, trained as fieldworkers, and administered the questionnaire at respondents' business premises during the week and on weekends. Information collected from 127 returned questionnaires of the targeted 150 SME owners/managers operating in rural Southern KZN, were categorised, and analysed according to the research questions and research objectives. Questions were grouped per objective and categorised to show patterns, allowing general conclusions to be drawn from the data, entered according to pre-determined question codes and analysed using the Statistical Package for Social Sciences (SPSS) version 23.0.

Table 1: Cronbach's alpha reliability test

Questions	Statement	Cronbach's Alpha
5a	The aspects of business characteristics in rural places	.634
5b	Entrepreneurial characteristics that have an impact on business survival and growth in rural areas	.839
5c	Measures of personal attitudes of rural entrepreneurs	.859
5d	Aspects contributing towards rural entrepreneurial orientation growth of business	.791
5e	External environmental factors are barriers hindering business growth	.886
5f	Internal environmental factors are hindering business growth	.895
5g	Institutional barriers hindering business growth	.857
5h	Financial barriers hindering business growth	.914
5i	Social barriers hindering business growth	.907
5j	Aspects which are indicators of rural entrepreneurial resources	.884
5k	Aspects of network resources for business in rural areas	.881

A reliability analysis (Table 1) was performed on all questions from the 5-point Likert scale questionnaire and questions categorised according to research themes. The statement "Aspects of business characteristics in rural areas" shows a Cronbach alpha of .0634, indicating no relationship associated as compared to other tested variables.

Research Findings

Key findings of this research are as follows:

- Business characteristics of respondent SMEs established that: local market size and poor infrastructure (63% each) affect rural SME survival and growth; most employees within rural SMEs are unskilled (65%); however,

the majority use modern facilities, including technology (66%), with lack of access to finance (72%) indicated as the main obstacle for rural SME survival and growth in KZN.

- Entrepreneurial characteristics agreed on by most respondents for survival and growth in rural KZNSMEs include willingness to grow through response capacity to uncertain situations, by adapting to new growth strategies (88%); to invest in calculated risk (70%); be results oriented (85%); and have the drive to meet business growth requirements (83%); and achievement of set goals (74%).
- Personal attitudes of most rural SME respondents included starting a business to create jobs for local communities (78%) and make money to support their family (73%). Different approaches are used to keep businesses going, including developing sales growth strategies (80%) and maintaining customer relationships (69%), however, some rural SMEs indicated they wanted to enhance their social status through starting a business (53%).
- The EO of many rural SMEs was found to comprise selling similar products (68%), with respondents indicating use of business plans to guide day-to-day business operations (69%), the ability to cope with environmental uncertainty (62%), and intention to grow market share through product improvement (59%).
- External environmental factors were agreed as high levels of domestic taxation (74%); weak domestic markets (62%); late payment from ordinary customers (62%), as well as from government (60%); and lack of sufficient and quick transportation (57%).
- Internal environmental factors as agreed by respondents are: poor quality equipment (65%); the lack of business supervision (57%); shortage of business space (54%); and family labour shortages (42%).

Barriers to SME start-up and continued success include institutional, financial and social challenges faced by rural SMEs in southern KZN:

- Institutional barriers were agreed to include: strict government policies (68%); tough government regulations and requirements to obtain a business licence (65%); bureaucracy (63%); and public procurement regulations (56%), as well as environmental regulation requirements (52%).
- Financially, rural SMEs struggle to obtain bank loans and respondents indicated challenges as: most banks have high collateral requirements and high bank charges (68% each); take too long to approve and pay out loans (67%); or simply ignore them (61%), with all factors impacting survival and growth.
- Social barriers were agreed to comprise inadequate support from associations and from business consultants (58% each), lacking trust in society, related to goods and services quality (57%), insufficient support from friends and family (42%), and lack of local community support (34%).
- Rural entrepreneurial and network resources investigated showed most rural KZN SMEs operating in the southern region use business networks with friends in their business circle to gain more ideas (72%), network with other formal professionals to source new business ideas (53%), in addition to using different social media forms to find business ideas (52%); employ individuals educated to tertiary degree level (48%), but not many retirees (37%).

Other tests relevant to the study included the One-Sample Kolmogorov-Smirnov and Kruskal-Wallis ANOVA tests, which indicated a high level of agreement concerning items relating to both business characteristics and social barriers, and a moderate level of agreement regarding items pertaining to internal environmental factors and rural entrepreneurial and network resources.

The Kruskal-Wallis test results reflect dimensions of personal attitudes of rural entrepreneurs, as well as external and internal environmental factors differ significantly between types of business at the 95% level of significance ($p < 0.05$). The mean ranks and scores show personal attitudes of rural entrepreneurs are highest amongst the community, social and personal services and the wholesale trade, as well as between commercial agents and allied services businesses. Further to this, external factors reflected the highest scores in the manufacturing, mining and quarrying areas.

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Scores regarding financial barriers are shown as highest in the manufacturing and agricultural businesses, whereas social barriers and entrepreneurial resources are highest in manufacturing, and mining and quarrying businesses. The results of the Kruskal-Wallis test further indicate the dimensions of financial barriers, social barriers and entrepreneurial resources differ significantly between types of business at the 95% level of significance ($p < 0.05$), as does the dimension of network resources, with the mean ranks and the mean scores indicating those scores are highest in the manufacturing and construction businesses.

No other dimensions tested significant at the 95% level of significance ($p > 0.05$).

Table 2: Tested hypotheses

Variables	Spearman's rho	P-Value	No of Respondents
Personal attitudes of rural entrepreneurs vs Rural entrepreneurial orientation growth of business	.578**	.000	127
Rural entrepreneurial orientation growth of business vs Entrepreneurial characteristics	.476**	.000	127
Rural entrepreneurial orientation growth of business vs External environmental factors	.501**	.000	127
External environmental factors vs Internal environmental factors	.821**	.000	127
Internal environmental factors vs Rural entrepreneurial orientation growth of business	.419**	.000	127
Entrepreneurial characteristics vs Personal attitudes of rural entrepreneurs	.450**	.000	127
Entrepreneurial characteristics vs External environmental factors	.295**	.001	127
Entrepreneurial characteristics vs Internal environmental factors	.291**	.001	127
Internal environmental factors vs External environmental factors	.821**	.000	127
Rural entrepreneurial orientation growth of business vs Indicators of rural entrepreneurial resources	.382	.000	127
Rural entrepreneurial orientation growth of business vs Network resources	.465**	.000	127
Indicators of rural entrepreneurial resources vs Network resources	.642**	.000	127
Rural entrepreneurial orientation growth of business vs Institutional barriers	.485**	.000	127
Rural entrepreneurial orientation growth of business vs Financial barriers	.421**	.000	127
Rural entrepreneurial orientation growth of business vs Social barriers	.388**	.000	127

A significantly positive though moderately strong relationship is found (Table 2) between the variables at the 95% level of significance ($p < 0.05$). The null hypothesis is therefore rejected and it can be concluded that personal attitudes of rural entrepreneurs, Entrepreneurial characteristics, and external/internal environment are related to rural EO growth of business. In addition, entrepreneurial

characteristics and personal attitudes of rural entrepreneurs are related, while the external/internal environment is related to entrepreneurial characteristics. The relationship of EO growth is further established between resources (human capital/ networking) and institutional, financial, and social barriers.

IMPLICATIONS OF THE STUDY

The study outcome includes implications for SME survival and growth theory and rural entrepreneurship growth. Some entrepreneurial theories and practices should be adjusted to reflect accurate insight based on research, for example, EO factors, entrepreneurial networking, innovation, as well as marketing promotional strategies, with specific reference to remote and under-developed rural places.

Survival and growth theory for rural SMEs

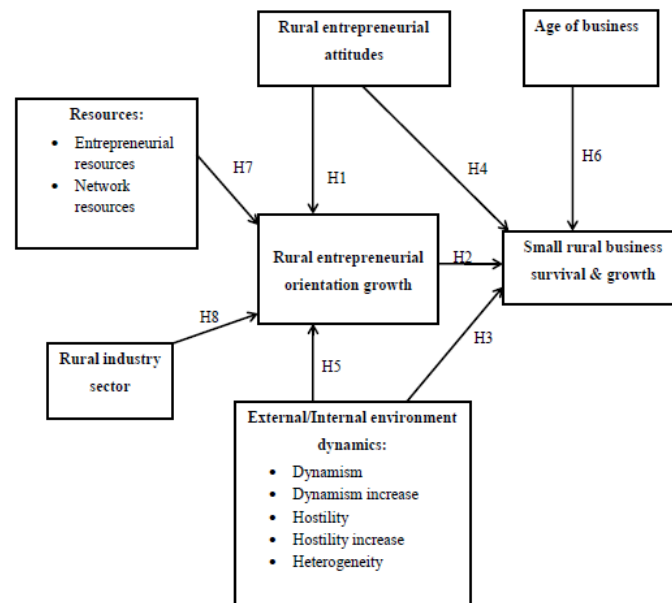
The empirical study findings show that improved rural economic developmental growth intervention strategies require SA and other nations to clearly understand relevant theories that can help solve turbulent and complex environment impacting rural communities and business stakeholders in rural areas. This study contributes new information and focuses on growth theories in rural entrepreneurship and new growth strategies proposed for implementation. Development of new models and theories in rural entrepreneurship should underline important components for rural area business growth practices; while rural SME owners/managers should be encouraged to implement new, suggested growth theories.

Rural SME practice

On the practical side, the study results showed rural SME inability to expand and modify products due to various challenges, including lack of financial support, small size of local market, and insufficiently qualified personnel. Deficient knowledge and expertise prevent modern growth strategy adoption and effective marketing promotional technique implementation. The practical study implications will benefit rural SME owners/managers, suggesting a new growth theory and model, focused on the rural entrepreneurship growth perspective, especially in rural KZN areas.

This conceptual model is recommended, based on the empirical study findings reported; with the suggested model premised on a systematic literature review to identify variables for inclusion in the primary data instrument (questionnaire). Consequently, collected data from the primary survey were analysed to confirm variable significance prior to recommending inclusion, with all variables included in the model tested and found relevant and influential to other variables,

The proposed model shows the business' age, rural EO growth, and external/internal environmental dynamics directly impact business survival and growth, as do rural entrepreneurial attitudes, whereas resources and the rural industrial sector have an indirect influence on the survival and growth of the business.



Proposed conceptual rural entrepreneurial growth model

Source: Adapted from Wiklund, Patzelt and Shepherd, (2009): pp. 351-374

Where SME practice is concerned, the study findings show SMEs unable to expand their local market share caused by difficult economic conditions in SA rural areas, with specific reference to KZN, as many local customers simply do not have money and live below the poverty line. SMEs also cannot improve on their innovation strategies because of turbulent environments, such as poor technology availability, no network or broadband signal in some areas. Furthermore, transport network systems in SA rural areas comprise places without tarred roads or where local villagers construct roads without formal engineering skills. This infrastructure lack has negative implications, affects in-time product distribution to the target market, and discourages potential new young entrepreneurs.

RECOMMENDATIONS

Government

Policy-makers at all levels of government (national, provincial and local) should review the rural development policy framework to include a rural SME monitoring policy, allowing government to implement monitoring and follow-up through local and regional municipalities in all provinces, with specific reference to KZN. The SA business policy should be reviewed to ease access to physical resources, such as communications, utilities, transportation and land or space, at a price that does not discriminate against SMEs, including those situated in rural areas. Furthermore, different SA government tiers should encourage commercial banks to introduce policy or collateral requirement needs specifically aimed at assisting SMEs in all provinces.

In addition, tax regimes and regulations should be reviewed and improved to create a suitable business climate for rural SME growth and prosperity. To attract business investors to establish and do business in rural areas, it is recommended the private sector and government improve rural economic conditions to balance economic development in rural districts and local municipalities, which will encourage young, educated people to stay and start businesses in their birth places. Government should also revisit the education policy to introduce entrepreneurship education and training into the primary and high school level curricula. Mentorship provision is, furthermore, recommended through cooperative partnerships with small, emerging businesses in rural and remote places, to assist with much needed skills and knowledge.

Human capital

It is recommended public institutions, such as universities and public training centres, should run a series of workshops and short courses for SME owners/managers, including entrepreneurial skills development and training. Rural SME owners/managers do not have funds to employ specialists in marketing, finance, human resource or as business managers, resulting in their inability to fully implement business plans. Product development and diversification also require special skills and knowledge, with further cost implications for rural SMEs.

In addition, SME owners/managers should form business forums or unions in their respective areas, facilitate workshops to help each other with skills and knowledge, and establish business clubs to build networks with other local business owners.

Strategic business partnerships

SMEs in rural areas need to form strategic business partnerships with private institutions of higher learning and Technical and Vocational Education and Training (TVET) colleges in SA to provide rural SMEs with better skills and training without major difficulties. To allow actions that lead to new business methods or promotional methods, such as social media and internet use, changes to cultural and social norms of SME owners/managers are recommended, potentially facilitated by business relationships with technology companies. With technology dominant in today's world market, SMEs should employ technology to gain access to local and international markets. Private companies should partner with young, educated people who want to start businesses in rural areas, to assist with the lack of start-up capital and financial support, and ameliorate problems with transportation, poor quality roads and infrastructural challenges confronting rural areas.

Business financial management support

Municipalities and district administrators should offer free workshops and short courses in financial and marketing management for local communities, particularly potential entrepreneurs. All SME owners/managers who have obtained financial support from financial agencies, should regularly be monitored by municipalities and local banks to correct any untoward situation at an early stage. The result should see well-established businesses provide cash/stock to emerging enterprises to kick-start their business, as a strategic partnership. Subsequently, established businesses, together with government, will make resources available from which all small businesses operating in these areas will benefit, as part of social responsibility.

Furthermore, SME owners/managers could generate funds for basic business needs by establishing financial organisations in their areas, to which all members contribute an agreed percentage from monthly profits over a pre-determined period. To assist with any financially related matters, including sourcing financial donations from NGOs, local and international donors, SMEs could form a financial regulating body in their areas and network with other business partners to obtain financial capacity skills and knowledge. To obtain loans from banks or business financial support agencies, SME owners/managers must be transparent regarding financial skills and financial record administration.

CONCLUSIONS

Where entrepreneurial characteristics of rural SMEs in KZN are concerned, it is concluded that a positive attitude exists among the respondents; reflected by the fact that they do set goals and have the drive and

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willingness to spend money, to achieve survival and growth of their businesses. It is further concluded that the respondents believe they have the capacity to respond positively in uncertain situations; however, they also believe the growth of their businesses requires them to be result-oriented to succeed.

As regards the external environment, for example institutional environments, which impact the survival and growth of rural SMEs in KZN, it is concluded that environmental regulation requirements remain a challenge for rural SME business growth, while strict government policies hamper expansion, along with public procurement regulations and requirements to obtain a licence. Where the socio-cultural environment is concerned, it is concluded that a lack of trust among society, related to quality of goods and services, has an impact on business growth, as does a lack of support from business associations, with insufficient support from business consultants and communities identified as additional major factors affecting business growth.

With regard to the financial and infrastructural environment, it is concluded that most banks ignore SMEs for bank loans, with high bank charges for those successful in securing/obtaining a bank loan, along with high collateral requirements, and protracted bank loan approval further contributing factors. A considerable number of respondents additionally indicated business plan preparation is too costly and affects enterprise growth and development.

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