ASSESSING FUNDING AVAILABILITY FOR SMALL AND MEDIUM ENTERPRISES FOR WOMEN ENTREPRENEURS IN NELSON MANDELA BAY METRO

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ASSESSING FUNDING AVAILABILITY FOR SMALL AND MEDIUM ENTERPRISES FOR WOMEN ENTREPRENEURS IN NELSON MANDELA BAY METRO

by

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DECLARATION:

In accordance with Rule G4.6.3., I hereby declare that the above-mentioned treatise/dissertation/thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

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DATE : __________________________
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ABSTRACT

The study focused on funding availability for small and medium enterprises for women entrepreneurs. In order to do a situational analysis the study was conducted in the Nelson Mandela Metro looking at the operations of Community Investment Fund (CIF) as a case study. The CIF was a partnership between a local non-governmental organization (NGO) operating in the Northern Areas of Port Elizabeth and one of the four big banks in the Republic of South Africa.

The study investigated the challenges that women as entrepreneurs face in particular. The qualitative approach was used as methodology and the sampling of five (5) of the seventeen (17) women beneficiaries and their businesses were conducted.

Given the fact that the Republic of South Africa has a high unemployment rate and the government’s strategy of providing support for small, medium and micro-enterprises (SMMEs), the study provided an opportunity to look at the realities that people with ideas are faced when starting what seemed to be a daunting task of starting a business.

The research findings provides conclusive evidence that starting a business in the current economic climate is a difficult task and it is more challenging if you are a woman with no financial securities. It is therefore of imperative importance that an approach to funding and supporting women entrepreneurs be implemented to create much needed jobs in the country and address the gap between the first and second economy.
CHAPTER ONE
INTRODUCTION AND CONTEXT

1.1 BACKGROUND AND CONTEXT

In South Africa women constitute the majority of the population, yet women remain in the minority in the first as well as the second economy. It is therefore important for the country as a whole that the participation of women is increased in the economic activities of the country.

The researcher investigated how the provision or access to funding increases the participation of women in the economy. As the investigation will focus on the small and medium enterprises, the impact will by and large be assessed on the second economy. The research will focus on the Port Elizabeth area which forms part of the Nelson Mandela Bay Metropolitan Municipality, in the province of the Eastern Cape.

Empowering women economically will significantly reduce the dependency of women on social grants and therefore the added pressure this puts on the financial resources of the country.

According to the organizers of the March 2010 African Women’s Economic Summit, “the development impact of harnessing the economic power of women can yield significant benefits for emerging economies. African countries must pursue inclusive financial sector policies, which are accessible and therefore enable the participation of greater numbers of women”.

South Africa is a patriarchal society and approaches too many issues in South African life including economics which are influenced by the way we have been socialized. Since the birth of democracy in the Republic of South Africa the government has provided the legislative framework to enhance the position of women in the country. The country has also ratified most of the protocols that the continent and the world have
been in place to ensure that the position of women is enhanced. Examples of these protocols are the:

- “Protocol to the Charter on Human and Peoples’ Rights of Women” referred to as “African Women’s Protocol”;
- The Convention on the Elimination of Discrimination Against Women (CEDAW) and most of the other protocols;
- The African Women’s Protocol is regarded as a potential force for changing the lives of African women for the better (Mukasa, 2008).

Important for the economic position of women, CEDAW, as an instrument, seeks to eliminate any distinction, exclusion, or restriction made on the basis of sex, which has the effect or purpose of impairing or nullifying the recognition, enjoyment, or exercise by women on a basis of equality with men of human rights and fundamental freedoms in the political, economic, social, cultural, civil or other fields (Mukasa, 2008).

The context of the study has as much therefore to do with economic issues as the state of politics and the location of power. Studies indicate that while women carry a heavier load in production and reproduction, they do not enjoy similar rights in terms of access to resources, which include land, credit, and they do not enjoy similar rights in decision-making processes.

In an attempt to address the position of women in society the researcher will investigate how improving the lives of women in society will have a “knock-on-effect” on the lives of their families. The researcher will further investigate how the importance of not only providing financial assistance but providing training that will take their businesses to higher, more organized ways, further assists women. Some funding agencies that provide financial assistance do not provide training and it can be argued that there is then an added burden of repaying a loan if seed funding is not provided.
On the economic front, women are still disproportionately likely to be poor and to this end global statistics is a clear testament for the work which has yet to be done. To support this fact a report of the United Nations Development Fund for Women (UNIFEM) indicated that women are still the poorest of the world’s poor, representing 70% of the 1.3 billion people who live in absolute poverty. Nearly 900 million women have income of less than $1 a day and the association between gender inequality and poverty remains a harrowing reality.

According to the United Nations Development Programme (UNDP), women in Africa represent 52% of the total population, contribute approximately 75% of agricultural work, and produce 60 to 80% of the food. Yet they earn 10% of African incomes and own 1% of the continents assets (McPherson & Chidzero, 2010).

In the words of a Chinese proverb “Women hold up half the sky,” yet their faces and voices in shaping the destiny of the African continent are neither seen nor heard (McPherson & Chidzero, 2010).

1.2 RESEARCH PROBLEM

The Nelson Mandela Bay Metro is known as the “automotive hub” of the Eastern Cape Province. This sector has however been shedding jobs at an alarming rate during the last twenty-four (24) months. Most of the factories that supply the parts have been closing down and some of the factories employed large number of women.

Women consequently have had to find alternatively ways of generating income. This study will look at the availability of funding for small and medium enterprises that are driven by women in a selected geographic area in the Nelson Mandela Metropolitan Municipality.

Research has shown that women do not enjoy the full benefits of participation in the financial sector both in emerging and developed markets. The level of access of women
to financial services is typically lower than for men, the report states (McPherson & Chidzero, 2010:3).

1.3 RESEARCH QUESTION

The researcher will investigate whether the current funding models of public and private sector institutions that do provide funding to women entrepreneurs assist the establishment of small and medium enterprises for women entrepreneurs in the Nelson Mandela Bay Metropolitan Municipality.

Key issues would include:

• How does the inability to provide collateral impact on women’s access to funding?
• Do societal relationships impact positively or negatively on the ability of women to access funding?
• If you do not have a track record of doing business does it become more difficult to access funding?

1.4 RESEARCH AIMS AND OBJECTIVES

The researcher will aim to investigate the following issues:

• How the impact of societal norms impacts women because it is widely viewed that women do experience more constraints than their male counterparts when applying for finance?
• How the CIF of one of the four (4) big banks in the Republic of South Africa makes it less bureaucratic and therefore easier for women entrepreneurs to access finance for businesses?
1.5 SCOPE AND SCALE OF RESEARCH

The research will be conducted in the Eastern Cape Province, specifically in the Nelson Mandela Metro and will focus on funding of women entrepreneurs who have applied or are recipients of loans from the Bethelsdorp Community Investment Fund (BCIF).

The BCIF is a social responsibility programme of one of four big banks which is being run in partnership with Bethelsdorp Development Trust (BDT). The researcher will investigate:

- How the approach can be changed to the benefit of society using the social responsibility programme of the bank in partnership with the BDT operating in the Northern Areas of Port Elizabeth, i.e. BDT Community Investment Fund as a case study;
- Determine the successes of other funding models.

1.6 RESEARCH OUTLINE

The research report has the following five chapters:

- **Chapter One** – provides a general background or context to the research, the problem statement, the research questions, aims and the objectives of the study and research outline.
- **Chapter Two** – contains literature review and provides the theoretical framework for the study.
- **Chapter Three** – outlines the research methodology and research methods including the research design and methods used for collecting data.
- **Chapter Four** – provides the findings of the research conducted.
- **Chapter Five** – concluding chapter which summarizes the context of the research, the research problem, aims and objectives. Recommendations will also be provided in this chapter.
CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION

Economies the world over are characterized by inequality and South Africa is no exception. With the dawn of democracy in 1994, the democratic government has initiated many programmes to address the issue of equity.

The country in spite of these efforts has experienced growth in poverty levels and the gap between the rich and the poor is increasing at unacceptable levels. This is exacerbated by the increase in unemployment levels.

Table 1: Unemployment rate in South Africa (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
<td>30</td>
</tr>
<tr>
<td>2000</td>
<td>30</td>
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<tr>
<td>2001</td>
<td>37</td>
</tr>
<tr>
<td>2003</td>
<td>37</td>
</tr>
<tr>
<td>2004</td>
<td>26.2</td>
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<tr>
<td>2005</td>
<td>26.6</td>
</tr>
<tr>
<td>2006</td>
<td>25.5</td>
</tr>
<tr>
<td>2007</td>
<td>24.3</td>
</tr>
<tr>
<td>2008</td>
<td>22.9</td>
</tr>
<tr>
<td>2009</td>
<td>24</td>
</tr>
<tr>
<td>2010</td>
<td>23.3</td>
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</tbody>
</table>

(Source: CIA World Fact Book)
Definition of unemployment rate: This entry contains the percent of the labour force that is without jobs. Substantial underemployment might be noted (Factbook, 2011).

South Africa is a patriarchal society and approaches to dealing many issues in the South African society including the economy are influenced by the way citizens have been socialized. It is well documented that when the position women in society is improved the quality of life of family members increases. The researcher investigated the value of not only providing financial assistance but support services as well, including business training, and how this will positively impact on the operations and consequently increase the effective utilization of resources by the entrepreneurs.

Empowering women economically will significantly reduce the dependency of women on social grants and therefore reduce the added pressure this puts on the financial resources of the country. In South Africa, women constitute the majority of the population yet women remain in the minority in the first as well as the second economy. It is therefore important and beneficial for the country as a whole that the participation of women is increased in the economic activities of the country.
According to Alana Abee (1996), the current stress on women and credit by development agencies comes as a result of increasing recognition that the benefits of development are most likely to have a positive effect on families when channeled through women: Women are major actors in the global economy, investing in low-income women entrepreneurs is a highly efficient means of achieving economic and social objectives. Women manage household finances in most of the developing world. As more cash and assets get into the hands of women, most of these earnings get into the mouths, medicine, and schoolbooks of their children (Women’s World Banking, 1994). Consequently, a growing number of women are creating their own jobs, and evidence indicates that the smaller the business the greater the chance of its being owned and operated by a woman. Credit is often, and increasingly, provided with the objectives of: supporting the growth of self-sustaining small businesses; improving access to opportunities for women, and supporting them in their role as producers; providing alternatives to exploitative indebtedness of the poor caused by local money-lenders.

The author argues that gender and development are closely interrelated at various levels of the economy. At the micro-level, women and men in households have different levels of savings and investments; this is mainly attributable to lower female incomes, and the fact that considerably less property is registered in women’s names. Therefore, women’s access to, and benefits from, lending and saving through credit institutions differ significantly from those of men. This affects their demand for financial services. On the supply side, the staff of banks and credit programmes often has different attitudes towards female and male borrowers, and can be less willing to supply women with financial services. In addition to banking systems often not being prepared to respond to women’s needs for finance, financial markets tend to ignore the role of women in the supply and demand of finance, and government financial policies often suffer from inherent gender biases. Finally, at the macro-level, these gender-based inequalities affect a country’s gross domestic product (GDP), its levels of investment, its interest rates, and even the stability of financial markets (Van Staveren, 2001).
The funding of small business in South Africa is done predominantly by banks (conventional financial intermediaries) through their microfinance processes. For example, FinScope (2009) finds that 27.6% of South Africans use credit products from banks and other formal credit institutions, 4.0% use credit products from the informal sector and 12.4% use credit products from friends/family. Financial intermediaries facilitate the pooling of funds, provide liquidity, allocate resources efficiently, reduce transaction costs, diversify risk and regularize information gathering and monitoring (Ojah & Mokoteli-Mokoaleli, 2010).

2.2  LEGISLATIVE FRAMEWORK

The government has therefore encouraged citizens to become self-employed and not remain job seekers because the market is unable to absorb all the unemployed in the country. To this extend the government is not only advocating for citizens to become entrepreneurs but has been creating a conducive environment to facilitate and encourage this process.

In the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa the government states that SMMEs represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that – with the appropriate enabling environment – SMMEs in this country can follow these examples and make an indelible mark on this economy. The stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes.

This White Paper represents government’s thinking about what it can contribute to the process of stimulating SMMEs. Governments’ believe is that the real engine of
sustainable and equitable growth in this country is the private sector. Government is committed to doing all that can be done to help create an environment in which businesses can get on with their job. We believe in the principle of working together with our partners in the private sector – big and small businesses – in realizing our hopes and aspirations for this economy. We are under no illusion that we have all the answers to the problems of growth and redistribution in this country. Indeed, we are bound to make errors of judgment in the next few years. But we hope that our commitment to ongoing and serious consultation with all the major stakeholders will ensure that we are guided in the right direction (Government SA, 1995).

2.3 HISTORY OF MICRO FINANCING

Porteous and Hazelhurst (2004) makes reference to the fact that the concept of micro-lending was started by Mohammed Yunus when he started the Grameen Bank, and as a result he is regarded as the pioneer of the concept because in 1976 in Bangladesh he promoted the notion that the poor could be creditworthy. According to the authors, two to three million people in Bangladesh in the self-employed market are generally unable to access credit.

2.4 CHALLENGES FACING ENTREPRENEURS

The situation of women is more difficult than those of men because traditionally women were excluded in formal employment by many companies because it is viewed that women take maternity leave to have children and take family responsibility leave to attend to family matters on a more regular basis than male counterparts. The reality during the past 16 years is that more women take primary responsibility for families as more families are headed by women. This implies that women are expected to perform duties traditionally associated with men like paying for family expenses, including schools fees and provision of basic household necessities.
In the book “Gender in Southern Africa” it is argued that the fundamental issue has not been fully addressed and satisfactorily analyzed by economies. There is a need to explore the consequences of changing economic needs for individuals within families. Economics therefore needs to be engendered and there is an appeal for the engenderisation of Economics as a discipline, which would involve injecting a gender perspective in the theoretical analysis of the discipline (Meena, 1992).

According to Porteous and Hazelhurst (2004), the Global Entrepreneurship Monitor found that South Africa’s actual entrepreneurial start-up rate is consistently lower than that of other developing countries. South Africans therefore need to consider whether South Africa is a nation of armchair entrepreneurs, or is it a lack of access to credit a major constraint on small-business development. *It is reported that 43% of respondents to the FinScope 2003 survey agree with the statement, “You think you would like to start your own business but you can’t get credit.”*

Table 2: Attitudes to starting a business in South Africa

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Total agreeing</th>
<th>Percentage of young</th>
<th>Percentage of black</th>
<th>Percentage of white</th>
<th>Percentage of full-time employed</th>
<th>Percentage of unemployed</th>
</tr>
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<tbody>
<tr>
<td>You often think you would like to start a business but can’t get credit</td>
<td>11,5 m (43%)</td>
<td>44%</td>
<td>47%</td>
<td>29%</td>
<td>42%</td>
<td>51%</td>
</tr>
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</table>

(Source: FinScope (Porteous & Hazelhurst, 2004:109))

The information contained in the table above confirms that as a country facilitating access to finance for those in the micro-finance enterprise is not a priority and therefore remains on the periphery.
It has been reported that access to finance and the cost of financing present entrepreneurs with major obstacles to start a business and therefore impact on the development of SMMEs in South Africa, as well as developed countries and other developing countries (Mahadea & MK, 2008).

Finance is regarded as one of the top five constraints to business development in Sub-Saharan Africa. The reason advanced for this it is said is partly because financial institutions view many small firms as high-risk ventures with poor collateral. Lending to such firms it says increases administrative costs in relation to the size of the loans. The majority of small ventures raise finance through friends and family, or through informal lenders (Oxford et al, 2003:36). However, many entrepreneurs with a good track record, leadership skills and business plans experience no problem in accessing loans for business formations or expansions from financial institutions.

2.5 CATEGORIES OF BUSINESSES

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa distinguishes between categories businesses as follows:

• Survivalist enterprises are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises. Support strategies should primarily help these people – a large percentage of whom are women to get out of this sector.

• Micro-enterprises are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack “formality” in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting
procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators.

- Small enterprises constitute the bulk of the established businesses, with employment ranging between five (5) and about fifty (50). The enterprises will usually be owner-managed or directly controlled by the owner-community.
- Medium enterprises constitute a category difficult to demarcate vis-a-vis the “small” and “big” business categories. It is still viewed as basically owner/manager-controlled, though the shareholding or community control base could be more complex. The employment of 200 and capital assets (excluding property) of about R5 million are often seen as the upper limit. In terms of this White Paper we are concerned with medium-sized enterprises which face obstacles and constraints which cannot be solved through normal market forces and private-sector action.

2.6 SITUATIONAL ANALYSIS

Susan Muter in a situational analysis for Oxfam indicated that at a formal level of the legislative framework, policies and statements, South Africa has demonstrated political will to implement its international and national commitments to promote gender equality but has fallen short of demonstrating the political will to ensure that this is implemented by effectively implementing intensions through the provision of adequate budget and a skills programme to address equity issues (Holland Muter, 2008).

SMMEs are such an important component of the national socio-economic context that they merit a well-considered and systemically coherent strategic framework.

In view of the generic requirements of SMMEs, it may be argued that the overriding concern should be to ensure that the policy and regulatory framework are right. Only then would the institutional set-up have meaning and significance. However, a policy of easing access to financial markets and services would only be fruitful if it takes place in an appropriate setting and is accompanied by suitable non-financial actions. Small
businesses, but particularly micro businesses, often do not meet the criteria to obtain the required amount of finance to expand their operations. Typical problems are the lack of appropriate collateral or surety, household debt and lack of business skills. For business people to obtain an unsecured loan solely on the strength of their character, requires a major leap of faith on the part of the creditor hence the case study.

2.7 INITIATIVES TO FINANCE THE ENTREPRENEURS

In a review of the book “The microfinance revolution: Sustainable finance for the poor”, the author argues that revolutionaries are not noted for the modesty of their aims, or their claims. The provision of very small loans and deposit services to predominantly poor, under-served, rural, mostly women borrowers and savers has captured the imagination of policy-makers, development practitioners, and researchers in ways that few other programmes have. Aid grants and financing have flowed to support microfinance programmes, NGOs have incorporated microfinance in their health or education or gender equity programmes, Bangladesh’s Grameen Bank is now almost as famous as the World Bank, and the United Nations General Assembly has declared 2005 as the International Year of Microcredit. This volume, the first in what is to be a three-volume series, tries to recount important parts of the story of that revolution (Robinson, 2001).

Porteous and Hazelhurst (2004) writes that in 2002, FinMark Trust supported the development of SMME lending scheme by one of the large banks, which was launched as a pilot in four selected branch areas. In 2003, the pilot was called off, since the take-up of credit facilities was much lower than expected and too low for viability. It is also stated that the plethora of state institutions are crowding the sector because the institutions providing support often have overlapping and confusing mandates, which consequently causes uncertainty.
2.7.1 Private-sector initiatives

According to Professor A. Schoombee of the University of Stellenbosh, there are four (4) conventional strategies used by banks to extend finance for micro enterprises in a sustainable way. These are:

- **First strategy** is the creation of a specialized micro-finance bank from scratch. This was the approach followed without success by Community Bank from 1994-1996;
- **Second strategy** is the creation of a specialized division within a bank. Standard Bank’s Community Banking Project was one of the first examples. Loans of between R1 000 and R6 000 were granted to micro entrepreneurs without conventional forms of collateral;
- **Third strategy** is for banks to form linkages with existing micro-finance organizations (MFOs);
- **Fourth strategy** when a MFO can evolve to become a registered bank, and therefore be allowed to take deposits. In South Africa, there are two examples from the past decade, namely CashBank that was formed in 1995 and the new African Bank.”

It is reported that the four (4) strategies have been tried but with limited or no success to date (Porteous & Hazelhurst, 2004:103-104).

The study is also intended to illustrate the fact that women as a group is not homogenous. The class differences of women as a group impacts on their ability to have access to traditional finance institutions and to be taken seriously. Most of the women are experiencing “triple oppression” like the women in the 1950s, i.e. they are black, poor and powerless. The case study will sought to provide evidence that an alternative approach and/or approaches needs to be considered when looking at methods to meet the needs of women.
Based on the study of literature a clear indication is that in order to support women entrepreneurs in particular those women who are not part of the middle class creative and less stringent, bureaucratic approaches are needed.

This phenomenon is not peculiar to developing countries. In a study conducted in Scotland it was found that from a survey of fifty-one (51) SMMEs that they experienced difficulty raising finance (Deakins, North, Baldock & Whittam, 2008).

The study undertaken in Scotland concluded the following challenges experienced by SMMEs:

**Table 3: Issues reported by SMMEs affecting applications for bank finance**

<table>
<thead>
<tr>
<th>Issue reported</th>
<th>Proportion of SMMEs reporting issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of sufficient security or issues in providing security</td>
<td>31%</td>
</tr>
<tr>
<td>Lack of trading record</td>
<td>30%</td>
</tr>
<tr>
<td>Lending process confusing or misleading</td>
<td>23%</td>
</tr>
<tr>
<td>Inadequate business plan</td>
<td>18%</td>
</tr>
</tbody>
</table>

(Source: SMMEs’ access to finance: Is there still a debt finance gap?)

In South Africa a great deal of taxpayers’ money has gone into initiatives. For 2008/9 alone, the adjusted appropriation for SEDA amounts to over R400 million, with an additional R38 million going to the Apex Fund and R70 million to Khula. Furthermore, government backed finance is provided to the small business sector by other agencies such as the Industrial Development Corporation, and the Umsobomvu Fund which was tasked with promoting entrepreneurship, job creation and skills development among young people (now absorbed into the newly established National Youth Development Fund). There are also sector-specific frameworks such as the mining industry’s Social and Labour Plan (SLP) that compels mining and production companies to develop
strategies and programmes that create economic opportunities for low-skilled and under-employed communities in their operating areas.

Despite this, South Africa lags behind other developing countries in promoting the growth and sustainability of small businesses. On start-ups, the Global Entrepreneurship Monitor (GEM) 2008 figures show that 8 in 100 adult South Africans own a business that is less than 3.5 years old – significantly behind other low to middle income countries, where on average 13 out of 100 adults are building new businesses. GEM also reports that only 2.3% of South Africans own businesses that have been established for over 3.5 years, indicating a high failure rate among start-ups – with South Africa ranking 41st out of 43 countries in the prevalence (survival) rate for established business owner manangers (Specialists, 2009).

“Some women do undoubtedly benefit substantially from some programmes, increasing their incomes and using this to raise their bargaining power in the household and their status in the community. It is impossible to say for how many women, or in which contexts, this is occurring; but success stories are found in programmes following all three approaches. Women in dynamic market contexts may increase their incomes without substantial support services. Women who are already less disadvantaged may use micro-finance to further their own interests in their families and communities, and often to improve the welfare of their families. Some programmes with an explicit gender strategy, particularly in India, but also in Sudan, had played a significant role as an entry point for mobilizing women around wider gender issues, and challenging domestic violence, alcoholism and dowry” (Mayoux, 1998).

With regard to issue of women accessing information is identified as one of the major difficulties in the research on women as entrepreneurs is male bias and there are several forms of male bias in the entrepreneurship literature. These range from total exclusion of women from investigations to interpretative biases of any data on women. The most extreme case of male bias in the literature is the actual exclusion of women from the research design. Earlier attempts to develop theories of entrepreneurship did
exclude women. McClelland’s (1961) often cited and well respected work on the relationship between need for achievement and entrepreneurial motivation focused specifically and solely on the males within the societies studied. While it is true that fewer women than men may have been involved in entrepreneurial activity at the time, it was assumed that such activity was a male activity and only men were studied. Collins and Moore (1970) even suggested that entrepreneurship was a way of demonstrating maleness (Wilkens, 1979). Other studies, while not designed to specifically study men, did not include female respondents even if the sample happened to select any women entrepreneurs. Hornaday and Aboud (1971), for example, received responses from 60 entrepreneurs in their study, 2 of whom happened to be black females and 2 white females. These researchers excluded these respondents from the survey results because inspection of the data indicated differences between the female and the male entrepreneurs and it could not be established that the sexes could be reasonably combined; therefore, only the male entrepreneurs were used in subsequent analysis (Stevenson, 1990).

2.8 CONCLUSION

According to The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, there are more than 800,000 SMMEs in the country, absorbing about a quarter of the labour force of 15 million people. This is in addition to about 3.5 million people involved in some or other type of survivalist enterprise activities.

According to Trevor Manuel, in his capacity as Minister of Finance, in his foreword, millions of South Africans have little or no access to financial services and this goes to the heart of what President Mbeki described as the divide between the first and second economy in South Africa (Porteous & Hazelhurst, 2004).

The authors of the book “Banking on change” wrote that the provision of finance should be informed by the demand from the clients. SMMEs need finance that does not necessarily need debt, as opposed to equity.
Entrepreneurs often identify lack of financial support as the main constraint facing small businesses in South Africa (Porteous & Hazelhurst, 2004:109).

The general presumption among small business and entrepreneurship practitioners are invariably that entrepreneurship is a “good thing” and it should be encouraged (Parker, 2005:37).

At the African Women’s Economic Summit, it was concluded that evidence is compelling that women are a powerful driver of economic development and require more innovative report from the financial sector. Therefore expanding women’s access to financial services would make business sense (McPherson & Chidzero, 2010).
CHAPTER THREE  
METHODOLOGY AND RESEARCH METHODS

3.1 INTRODUCTION

The chapter outlines key decisions that had to be made in terms of the research methods, sampling size and the general approach to the study. This fundamentally shaped the approach to the study. In this chapter, the various dimensions related to the study with regard to methodology are therefore outlined.

3.1.1 Scope and scale

The study was conducted in the Eastern Cape Province, specifically in Port Elizabeth, which forms part of the Nelson Mandela Bay Metro that has a population of 1,050,930 people with 276,881 households. There was a focus on funding of women entrepreneurs who have applied or are recipients of loans from the BCIF. The fund was a social responsibility programme of one of four big banks that launched a pilot project on 18 September 2007 and which were run in partnership with BDT. The researcher investigated:

• How the approach can be changed to the benefit of society using the social responsibility programme of the bank in partnership with BDT operating in the Northern Areas of Port Elizabeth, i.e. BDT Community Investment Fund as a case study;
• Determine the successes of other funding models.

3.2 RESEARCH DESIGN

Research design is the planning of any scientific research (Bless & Higson, 1995:63). It is designing a plan on how the research will be conducted. In a thesis, the student quotes Nachmias and Nachmais that sums up research design as follows: To address
the following problems, i.e. whom to study, what to observe, when will observations be made and how will data be collected. He reports that according to the authors, research design is the blueprint of research that enables the investigator to come up with solutions to these problems (Gwija, 2007:44).

3.2.1 Research questions

3.2.1.1 Designing research questionnaires

The authors of “Research Methodology” provide the following guidelines for developing a questionnaire that is relevant. The following will be considered and will also guide the researcher while developing the questionnaire for this study:

• In crafting the questions, the researcher should take into consideration the literacy and comprehension level of the respondents.
• The questionnaire should be as concise as possible and the logical progression of the questions is important.
• The questions should be culturally sensitive, age appropriate and have regards for values. It should avoid asking questions which could be construed as offensive. The questionnaire should be neutral but skilfully crafted to extract required information.
• The researcher should not been seen as prying into the respondent’s privacy or personal issues (Welman, Kruger & Mitchell, 2007).

Peterson (2000) provides the following framework for constructing effective questionnaires:
The researcher asked the participants open-end questions. The three common types of follow-up open-end questions were used, namely explanatory questions, probe questions and elaboration questions.
3.3 RESEARCH PROCESS

3.3.1 Research method

The qualitative approach used was used during the research process.

The reason why the qualitative approach is being used is summed by Gwija in his thesis when he writes that:

- The manner in which the data shall be collected and analyzed shall be less structured than is necessary for quantitative research;
- The approach to analysis shall be more descriptive in nature in contrast to the quantitative approach which utilizes statistical models as a basis for analysis (Gwija, 2007).

A combination of structured and unstructured questionnaires was used for interviewing beneficiaries and members of the panel respectively.

It is suggested that the most important limitation of unstructured questionnaires is the inability to broadly generalize the answers provided and therefore the more structured the questioning process, the more the answers obtained can be generalized. It is however argued that the more structured the questioning process, the more a researcher must know about, or be familiar with, the phenomena, issues or topics being investigated, as well as the individuals being studied, before constructing any research questions (Peterson, 2000).

The following methods were used to collect information regarding the research topic:

- A literature study on the topic was undertaken.
- Minutes of the meetings of the CIF were perused.
- Structured interviews with the various role-players, i.e. the Fund Manager of the CIF, the Chairperson of the panel and a sample of the women who received loans from the CIF.
This research topic is fundamentally not about numbers but on looking at best practices that will increase the number of players in the informal sector that has the potential to grow the economy and decrease the reliance on social grants.

Women often come under more pressure than men to repay their loans. This is sometimes referred to as a higher “enforcement cost”. This is an interesting point, in light of the fact that many lending institutions target women because they are such good at managing their loans. It is tempting to believe that this better rate of repayment is because women are more efficient in business, or more honest, than men. However, it may be due in part to women’s greater vulnerability to coercion. Case study material suggests that women are more likely to be put under pressure than men to pay back their loans. This pressure can come from men in their own households, who have an interest in the loans their wives or daughters obtain, or it may come from creditors, who threaten women who they believe will not be able to repay their loans (Van Staveren, 2001).

3.3.2 Selection of a case study

According to the authors of “Research at grassroots”, the advantages of a case study approach include that: it is appropriate when the researcher has no control over events within the proposed areas of study; it surfeits in a small scale study, primarily for, and mainly for academic purposes which aids to contribute to body of knowledge; it allows for variation in research methods by ensuring a representation of different units; and it enables detailed and particular focus on the subjects of the study as object for generalisation (De Vos, Strydom, Fouche & Delport, 2005).
CONCLUSION

As financial markets expanded, increasing amounts of money were transacted, and banks became more competitive, access to finance increased during the past decade. However, this has been the case far less for women than for men. In fact, financial markets suffer from “gender distortions” – distortions that disadvantage female borrowers as well as female savers, aside from the lack of collateral that limits women’s access to finance. In most developing country contexts, women have less information about financial products and services than men do. This can be explained partially by lower female literacy rates in most (but not all) developing countries, and the fact that women have less command over essential factors like transport to reach banking facilities than do men. It is also partly because financial information aimed at the household level tends to be controlled by men, through media, the marketing strategies of financial institutions, and government information channels. Thus, many women have less access than men to information about financial issues including investment opportunities, credit programmes, savings schemes, and market interest rates. It is more difficult for women to get loans or credit than it is for men because most savings and lending institutions prioritize the needs of male customers. This relative difficulty is sometimes referred to as a higher “negotiation cost”. Women and men often require different kinds of service from financial institutions. For example, women tend to want to save and borrow smaller amounts than men (Van Staveren, 2001).

The research is fundamentally about an attempt to ascertain whether the current approaches to providing finance is meeting the needs of those it is intended for and therefore it was not about “ticking the boxes” but listening to the different role-players sampled.
CHAPTER FOUR
RESEARCH FINDINGS

4.1 INTRODUCTION

This chapter contains the findings of a qualitative study that was conducted to investigate the impact of having access to funding has women entrepreneurs.

The researcher used the qualitative method because the outcome of the process is that it produces descriptive data, which involves people’s own written or spoken words. Qualitative research is described as entailing discovering novel or unanticipated findings and the possibility of altering research plans in response to accidental discoveries. It also said that it allows the researcher to know people personally and to see them as they are, to experience their challenges. The human being is therefore the object of study (Brynard & Hanekom, 1997).

The researcher used the BCIF as a case study. The CIF is a pilot project of one of four (4) major banks in the Republic of South Africa.

Interviews were conducted with four (4) women who were successful applicants, the chairperson of the CIF panel, two (2) of the panel members, one (1) who represented the interests of the youth on the panel as a representative of the Northern Areas Youth Congress and a representative of BDT Women’s Association, the Fund Manager appointed by the bank, and the chairperson of the BDT.

A literature study was also conducting supporting and corroborating information provided during the interview process.

The five (5) women interviewed were involved in different types of businesses, therefore offering different products and/or services, namely a seamstress (needlework), a fruit
and vegetable dealer, retail (buying and selling of clothing) and catering and hiring service and décor as well as a beautician.

In terms of process, the researcher made telephonic contact with all persons identified and outlined the purpose of the interviews.

The researcher was unfortunately not able to interview the secretary of the CIF, Judy Kramer, as she died of a heart attack on Friday, 19 August 2011. To assist with information that the secretary could have provided, the available minutes of meetings held were perused by the researcher.

The global poverty crisis and resulting human suffering, environmental degradation, civil unrest and many other societal ills, are hastening the search for scale-able anti-poverty approaches. These deplorable conditions are the source of the growing interest in microcredit and, more broadly, microfinance (Goldberg, 2005).

4.2 INTERVIEWS

In terms of process the researcher made telephonic contact with all persons identified and outlined the purpose of the interviews. Interviews were scheduled at the times that were convenient for those that the researcher needed to interview.

Interviews were conducted at the residences of the entrepreneurs, at the place of employment of the Fund Manager, the places of employment of panel members. Some interviews had to be conducted after business hours and on Saturdays. The interviews were recorded using a voice recorder and the researcher making notes as well. Prior to starting the interviews the researcher sought the permission of the interviewees to record the discussions and determined whether their names could be used in the research report or whether they would prefer to remain anonymous.
Table 4: Research: Interview Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Person</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, 09 November</td>
<td>11h30</td>
<td>Respondent A</td>
<td>2B Aspeling St., Chatty (at home)</td>
</tr>
<tr>
<td>Monday, 07 November</td>
<td>13h15</td>
<td>Respondent B</td>
<td>Salsoneville (at home)</td>
</tr>
<tr>
<td>Saturday, 05 November</td>
<td>15h00</td>
<td>Respondent C</td>
<td>Salt Lake (at home)</td>
</tr>
<tr>
<td>Saturday, 05 November</td>
<td>10h00</td>
<td>Respondent D</td>
<td>65 School St., Bethelsdorp (at home)</td>
</tr>
<tr>
<td>Friday, 04 November</td>
<td>08h30</td>
<td>Respondent E</td>
<td>Die Heuwel Primary School</td>
</tr>
<tr>
<td>Friday, 04 November</td>
<td>11h00</td>
<td>Respondent F</td>
<td>SBSA Reg Office, Pickering Street, Newton Park</td>
</tr>
<tr>
<td>Friday, 04 November</td>
<td>13h00</td>
<td>Respondent G</td>
<td>Woodlands</td>
</tr>
<tr>
<td>Wednesday, 02 November</td>
<td>17h00</td>
<td>Respondent H</td>
<td>78 Drakensberg Street, Booyens Park (at home)</td>
</tr>
<tr>
<td>Wednesday, 02 November</td>
<td>13h00</td>
<td>Respondent I</td>
<td>Tourism &amp; Heritage Centre, Bethelsdorp</td>
</tr>
<tr>
<td>Tuesday, 01 November</td>
<td>14h30</td>
<td>Respondent J</td>
<td>ANC Constituency office</td>
</tr>
</tbody>
</table>

4.2.1 Interview with the fund manager

Respondent indicated that the BCIF was in fact part of a pilot project of the bank where throughout the Republic of South Africa 8 pilots were launched for the period 2007 to 2009 and 9 pilots during the period 2009 to 2010. In total 17 community funds were launched between 2007 and 2010. The fund was part of the Corporate Social Investment/Responsibility programmed for the bank. The aim of the projects was to explore the potential success of lending supported by community structures that take the responsibility for the screening of potential borrowers and providing the necessary pressure to ensure effective repayments. An important objective was to ensure that the applicants that would not be in a position to access formal banking had access to funding as part of building the economy of the country. According to him, funds were
established in urban areas, peri-urban areas and rural areas in order to reach the marginalized members of society. Loan amounts varied between R3 000 and R50 000.

As the fund manager, he formed part of the panel but his role was to advise the panel, to act as the liaison person between the bank and the panel and to support with the monitoring of the beneficiaries. An example cited during the interview was where a person would apply for a loan that sells liquor and establishing whether the applicant is in fact in possession of a liquor license as it was important that only people that were operating legal businesses were approved.

It was also to ensure that by and large there was consistency in the 17 community funds that operated across the country. With regard to the distribution of beneficiaries, only 25% were females, representing an amount of R450,000 whilst males received 75% of funds distributed. Most of the women were involved in service industries and in his view was affected by the recession.

Table 5: Amounts distributed to beneficiaries

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts paid</td>
<td>R450 000</td>
<td>R1 255 000</td>
<td>R1 705 000</td>
</tr>
<tr>
<td>Percentage of amount paid out</td>
<td>26 %</td>
<td>74 %</td>
<td>100 %</td>
</tr>
<tr>
<td>Number of beneficiaries</td>
<td>17</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>Percentage of clients</td>
<td>29%</td>
<td>71 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

(Source: Fund Manager)

Table 6: Payments made in tranches to recipients of the CIF

<table>
<thead>
<tr>
<th></th>
<th>NOV 2007</th>
<th>MAR 2008</th>
<th>OCT 2008</th>
<th>AUG 2009</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>Male</td>
<td>7</td>
<td>11</td>
<td>13</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>14</td>
<td>19</td>
<td>13</td>
<td>59</td>
</tr>
</tbody>
</table>

(Source: Fund Manager)
In response to a question on why the distribution was unequal between male and female beneficiaries the fund manager indicated that more applications were received from males but did agree that pre-conceived ideas about the abilities of females vis-as-vis males could have been a contributing factor. A contributing factor could also have been that no advertising was done and those that applied basically heard from community members or other applicants.

In response to the question on whether applicants received business training the fund manager indicated that initially a decision was made not to provide training prior to assessment of applications because it might raise expectations. This was later reviewed as it became clear that while some entrepreneurs might have the idea or skill the majority lacked business skills. Three training providers, namely SEDA, COMSEC and KAGISO was later contracted to conduct the training.
He regarded highlights as seeing the growth in the business operations of successful applicants, being able to see how the quality of life of entrepreneurs improved, be it being able to purchase a new fridge or increase their levels of stock.

4.2.2 Interviews with entrepreneurs

Based on the above information that seventeen (17) females received loans the researcher decided to interview five (5) women. The researcher decided to sample the number of recipients.

According to Brynard and Hanekom (1997), a sample of a population is used to:

- Simplify the research – it is regarded as being easier to study a representative sample of a population than to study the entire population.
- Save time – studying an entire population could be time-consuming, especially if the population is very large or distributed over a large geographical area.
- Cut costs – observing, interviewing, or using questionnaires to collect data from every element of a population could be very costly if the population is large and geographically distributed over a large area.

Punch (2000) states that a qualitative sample size tends to be small, with no statistical grounds for guidance. He further argues that the sample size is usually a function of the purpose of the study in the light of its sampling frames and of practical constraints.

In determining the sample, the women selected individually were involved in different types of businesses. The ages of the women interviewed ranged between 40 and 58 years old.
The following women were interviewed:

Respondent H received a loan 2007 to start a fruit and vegetable business. She indicated that when she applied for the loan she had gained lots of experience because she worked in the fruit and vegetable section of a big grocery store that closed. In response to the question whether she had applied for a loan at a commercial bank she indicated that she was unable because she was unemployed and thought that the bank would not consider financing her business. Prior to receiving the loan she had attended a business programme run by an organization in Port Elizabeth that provides training for “small business owners”. It was at one of the workshops that she received information about the CIF. She had decided to start the business in Booysens Park where she stays because she had done “research” in the area where she stayed and determined that there is a gap in the market to start this type of business. Regarding the process followed by the Community Fund she found it “customer friendly”. The respondent had to suspend her business operations because she indicated that the unemployment rate has increased dramatically in Booysens Park where she operated her business and clients who she sold to on credit could not pay her.

Respondent D was running a business in Bethelsdorp as a seamstress when she applied for a loan. At the time when she applied she was employing one person and needed to purchase equipment to expand her business. She received a loan of R50,000 and purchased sewing machines and was able to employ two (2) more people. She provided schools and sport clubs with tracksuits and sports kits and to a lesser extend did sewing for individuals clients. In response to whether she had applied to a commercial bank she indicated that she did not have the surety needed to apply at a commercial bank. The respondent did not receive training prior to receiving the loan and felt that if that was done she “would have utilized the funds differently”. Women need to receive training in bookkeeping and she was of the opinion that it would assist to appoint a business mentor to assist women in business. She substantiates this with her example that with hindsight she thinks it was not necessary to buy an embroidery machine. In response to the question whether she is operating her business she
indicated that she had to scale down her business activities because the market is flooded with individuals rendering the type of service that she does.

Respondent C indicated that she would like to remain anonymous. At the time that she received the loan she was running a clothing retail business and therefore the loan made it possible for her to buy stock in greater quantities. Prior to receiving the loan she did not receive business training and felt that she had made a number of mistakes. An example cited is where stock was sold to a person worth R25,000 without a legal contract and she is subsequently struggling to recover the money. Although she is currently running her business that indicated that the material conditions have changed. Clients have less money to spend on clothing.

Respondent B indicated that she would like to remain anonymous. She received a loan of R50,000 to expand her hiring business. Her business involved hiring equipment to people for functions, draping and catering. She indicated that she did apply to a commercial bank prior to applying to the CIF but was unsuccessful. She felt that the approach of the CIF was to assist without requesting surety, three months bank statements and all the other formalities that banks require “client friendly”. The respondent indicated that should she have received training or assistance prior to receiving the money she would not have bought all the equipment that are currently being under-utilized. She realized later that she could have utilized less money and therefore her installments would be less.

Respondent A is a beautician that received a loan of R20,000 and utilized the money to purchase equipment. She did training as a beautician but prior to her receiving the loan she did not have business training. At the time when her loan was approved she was operating her business from home in Chatty but decided to move to a business premises hoping that more people will utilize her services. In response to the question whether she had applied to a commercial bank she replied no because of the “red tape”. After receiving the loan she attended training conducted by KAGISO and COMSEC and felt that the sessions on planning and purchasing was very informative but a case of “too
little too late”. In response to the question what should be done to assist other women she indicated that although women were enthusiastic they needed a mentor to guide them. The respondent valued the monthly visits by the secretary of the panel and the local fund manager. As a result of the increase in unemployment levels she had to move her business back to her home as this reduced her operational costs. She has also decided to diversify her business.

4.2.3 Interview with chairperson of the community investment panel

Respondent E indicated that he was not an employee of the bank, but was a member of the community, a member of the Ward 32 Committee and was elected to represent the ward on the panel. He was elected as chairperson by the fellow panel members and was not a member of the BDT. The panel was constituted by community members who were volunteers representing different interest groups namely the youth, women, veterans, disabled and certain ward committees and had six members. Members of the panel collectively considered the applicants and a working committee consisting of the secretary, who was a full-time employee of the BDT, fund manager, who was a full-time employee of the bank and two panel members were tasked with the responsibility to do site visits. The purpose of the site visits were to verify whether the information in respect of where applicants reside and where they were going to operate from, were verified. The process that was followed was that applicants would be interviewed and the panel would make a recommendation and the Johannesburg-based fund manager would make the decision whether to allocate the loan. In response to whether gender played a role, the respondent indicated that in his opinion it did not but what was key was whether the business proposal was sound. In fact he felt that female applicants were more “trustworthy” because they were honest and forthcoming in their responses to questions during the interviews. Challenges he identified included the fact that the panel was inexperienced, the statement made at the first workshop of the Investment Fund with community representatives that the fund is a Corporate Social Responsibility programme of the bank and therefore no legal action will be taken if beneficiaries
defaulted on their repayments. Highlights were the fact that people that were serious about their businesses were able to receive assistance.

**4.2.4 Interview with members of the community investment panel**

**4.2.4.1 Interview with female panel member: Respondent G**

The respondent indicated that she was nominated by the Women's Associated to serve on the panel. In her opinion there was not a balance in terms of number of males and females that were invited to be considered. Unlike men that heard about the fund from other men she felt that women were not informed about the fund. She indicated that women from Missionvale, where she resides, only heard about the fund because of her participation in panel. In response to the question whether the female applicants were able to articulate themselves her response was they had good business ideas and were able to passionately speak about it. In response to challenges in her opinion she alluded to the following, i.e. whilst the applicants might have possessed the skills, e.g. a seamstress, they needed to be given business training prior to receiving the money in bookkeeping, marketing and running a business. Most women were in service industries and these areas were limiting their ability to expand the business. To this extend, she felt women should consider industries like construction that will create opportunities to do business with government and put them in a position to create jobs.

**4.2.4.2 Interview with male panel member: Respondent I**

According to the respondent, he was nominated by the Northern Areas Youth Congress to represent the interests of young people on the panel. He outlined his role as a panel member to assist with identifying potential applicants and interviewing applicants to assess feasibility of the applicant as a beneficiary. He further formed part of the team with the secretary of the panel that conducted site visits to view the premises and verify information provided. In his view, there was a fair balance between the number of males and females interviewed. In response to the question whether female applicants
were able to articulate themselves he was of the view that some of the females were in his words “indecisive”. In a follow-up question to clarify his statement he said that they were not always convincing as to why the loan should be granted. Regarding the challenges he indicated were the lack of business skills, the fact that most of the women where in service industries, the high rate of people who defaulted. Positive points in his view is the fact that some women were able to create jobs and he cited the example of a seamstress that were able to employ three (3) women on a full-time basis and two (2) others on a part-time basis and some feedback received from beneficiaries felt that their quality of life had improved.

4.2.5 RESPONSES TO QUESTIONS BY CHAIRPERSON OF BETHELSDORP DEVELOPMENT TRUST

(Due to challenges around scheduling the interview questionnaire was emailed to the respondent.)

1. When was the BDT formed and what was the vision?
The vision of BDT is to create and enhance sustainable communities through the utilisation of natural (nature reserve) heritage (Mission Station) and human (local people) resources by being innovative and entrepreneurial.

   The response of the chairperson indicates that the organization had an interest in entrepreneurial development and therefore would be in a position through its programmes to contribute to the Local Economic Development.

2. How was your organization identified to partner with the bank concerned?
Being one of the first community-based organizations in the country engaging in pioneering work in sustainable community development initiated owned and driven by local community leaders. The second reason was as a result of a focussed strategy (programme) in local economic development.

3. Very briefly, how was the relationship structured?
It was structured on three levels; relationship and policy level in the form of the BDT nominated trustee and Standard Bank fund manager, operational
and management in the form of a working/steering committee consisting of nominated the BDT stakeholders and local fund manager and the actual disbursement of loans to compliant recipients.

4. **What was the role of the BDT in the CIF?**

The role of the BDT was to ensure that compliant recipients are sourced in the community and to ensure that recipients fulfil their loan agreement obligations.

5. **Did the Board of Trustees decide who should be the loan recipients?**

No, nor the BDT for that matter, however the BDT trustees mandated a loan committee (BDT stakeholders) who was responsible to recommend prospective recipients to the Standard Bank fund manager for considering approval.

- This indicates that the CIF panel was independent from the Mother body.

6. **Did the funding of business add value to the quality of life of people invited?**

In a minority of cases.

7. **What was the organizational value for the BDT in the CIF?**

Whilst it created the required operational machinery including technical capacity amongst nominated the BDT stakeholders, it however created a negative image due to the delays or non-allocation of approved loans and the increasing defaulters.

8. **What were the challenges in your opinion?**

The concept or the CIF for that matter was not clearly defined and the expected outcomes were not understood by the partner. The latter responded to the increasing social-economic challenges in the country by utilising their social-responsibility money through the establishment of the CIF. As a result it was a work-in progress decision but it also utilised personnel who lacked the required skills to ensure that the CIF developed the necessary traction. The fund was launched publicly without clearly defined mechanism and procedures which also led to the perception amongst prospective clients and recipients that the CIF will be very lenient on
repayment. In spite of the challenges, I still believe that a CIF is necessary within local communities but it must be underpinned by the following issues:

1. Decision-making or approval of loans must be done locally through a loan committee.
2. Training of prospective and existing clients is paramount. The training should also include the personnel involved in the CIF.
3. A separate fund including entity must be established to fulfil the mentoring, monitoring and training of clients.
4. Loans can be innovatively structured.
5. The trust fund must be a mixture of grant and locally induced savings from local communities.
6. A separate (from the BDT) and dedicated trust fund must be established.

Based on the responses from the chairperson it is clear that the vehicle is needed in the community to facilitate financing for entrepreneurs. He however outlined the challenges experienced during the pilot project.

4.3 CONCLUSION

The issues of access finance remain an issue that seems to be more difficult when you have little or no assets that can serve a surety or collateral. However the situation seems more challenging for women than for men because societal realities will impact on them not only accessing finance but first and foremost the relevant information.

The challenges of the increase in unemployment rates have the potential to “dim the light” of those with passion. Irrespective of the great ideas that potential entrepreneurs might have the environment must be conducive for them to turn those ideas into business entities.
5.1 SUMMARY

The previous chapter contains the findings of a study that the researcher conducted to investigate the impact of having access to funding has for women entrepreneurs.

As part of the study the researcher looked at approaches that are used in other developing countries as well as first world countries. The researcher used the BCIF as a case study which is a pilot project of one of four (4) major banks in the Republic of South Africa.

The study was fundamentally about an attempt to ascertain whether the current approaches to providing finance is meeting the needs of existing and potential entrepreneurs.

When looking at the issue under investigation it was important to understand the contextual factors that have a direct or indirect effect on financing.

Contextual factors include the position of women in society and how that precludes them from either being able to operate at an optimum level or exclude them totally from participating. The South African government has launched many initiatives to address the position of women but most of the initiatives have emancipated them politically but not economically. South Africa is part of the global society and to that extend is a signatory to many accords that seeks to track what is being done to advance the position of women. The Millennium Development Goals, being one of the measures, recognize the need to promote gender equality and empower women to participate in all facets of economic and social life with the aim of achieving sustainable development. Millennium Development Goal 3 therefore has as its goal the promotion of gender equality and the empowerment of women (Momsen, 2004). Women constitute more
than 50% of the population of the country and if the majority is being excluded it will be at the peril of the economy as this will limit the expansion of the economy. It is clear that it will be beneficial to the country if the government in partnership with the private sector set clear goals to facilitate a comprehensive Women’s Economic Empowerment Programme that will help in ensuring South Africa’s global competitiveness and economic growth. The reality is that the negative effect of gender inequality on economic growth has been lamented since the dawn of democracy. There are many economic challenges facing women as a result of the history of oppression on the basis of gender, race and class.

Gender equality is an issue that the whole world is grappling with because of an understanding that continued economic marginalization of women is not only socially unjust. The issue was raised as early as 1948 and consequently acknowledged in the “Universal Declaration of Human Rights”. It therefore does not make business sense as it limits the overall potential for economic growth of a nation.

According to Momsen (2004), the provision of microcredit has been seen as a way of helping women to set up small businesses and to be empowered. An example of the success quoted is the Grameen bank who has recorded lending money to 2,377 million borrowers by the year 2000. According to the author, microfinance should be seen as a component of poverty elimination but a more comprehensive approach is needed.

The response to the question, “whether access to finance for entrepreneurs impacts on their operations” based on the responses from the women interviewed is a resounding “yes”. The five (5) women who were interviewed indicated that prior to applying to the CIF they could not access the formal banking centre because of the “red tape” associated with financing sector. In terms of operating their business efficiently and effectively another dynamic came into play namely the lack of business skills. Based on the responses it is evident that women need basic bookkeeping skills, marketing skills and management skills in general. Some women would also benefit from having a mentor to guide them and help them navigate the untapped terrain.
It is hoped that in addition to the political freedom attained that women, who have been subjected to triple oppression, will benefit from attempts to ensure that economic freedom is attained. To this end, the provision of access to finance, development of entrepreneurial skills and access to markets is of imperative importance.

5.2 RECOMMENDATIONS

The following is recommended:

- That funding of SMMEs should be prioritized as one of the strategies to address the high employment rate in the Republic of South Africa and reduce the dependency on social grants.
- That private sector initiatives should take into account the material conditions of a particular area and develop products in partnership with the local community.
- That providing financial support should be complimented by providing relevant training to facilitate the sustainability of small businesses.
- That SMMEs be assisted by Local Economic Development Units of Municipalities to ensure that markets are accessible to start-ups.
- That a collaborative approach between Private Sector, Local Government institutions, Further Education and Training Institutions and Provincial governments be launched to ensure a sustainable and organized approach to building SMMEs.
REFERENCES LIST


APPENDIX 1:
QUESTIONS

Questions to the local fund manager who is employed by the bank:
1. Who appointed you to the position?
2. What is your role as the fund manager?
3. Is this model being used in any other part of the country?
4. How much money was been disbursed by the fund in Bethelsdorp during September 2007 to September 2010 and what percentage of the amount represent women entrepreneurs?
5. What is the process followed to advertise the availability of the loans?
6. What amounts could be loaned?
7. Did you work independently or were you part of the panel?
8. How many women were beneficiaries during the period September 2007 to September 2010?
9. What type of businesses received funding?
10. Did successful applicants receive business training?
11. What was the default rate of the fund in general and women in particular during September 2007 to September 2010?
12. What were the challenges in your opinion?

Questions to beneficiaries:
1. When you applied for the loan were you running a business or considering starting a business?
2. If you were running a business, what type of business were you running?
3. Did you apply to a commercial bank before applying for a loan at the CIF?
4. What was different in terms of the process when applying to the CIF and if it helped you, how it did help you?
5. Did you receive support from BDT to assist you in the business?
6. Did you receive any business training?
7. What do you think should be done to assist other women who have ideas but do not know where to start?

8. Are you currently operating your business? Has it grown or did you scale down?

Questions to the chairperson of the CIF:
1. Are you an employee of the bank concerned?
2. Are you a member of the Board of Trustees of Board of trustees?
3. How were you appointed?
4. What was the structure of the panel that considered the loan applications, i.e. how many members and what were their respective roles?
5. What was the process that was followed to decide whether an applicant should be granted a loan?
6. What was the default rate of loan beneficiaries?
7. What were the challenges in your opinion?

Questions to panel members:
1. How were you elected to serve as a panel member?
2. What was your role as a panel member?
3. In your opinion was there a balance in terms of number of male and female applicants that were considered?
4. In your opinion were the female applicants able to articulate themselves in a way that made an impact on the panel members?
5. What were the challenges in your opinion?

Questions to the chairperson of the BDT:
1. When BDT formed and what was the vision?
2. How was your organization identified to partner with the bank concerned?
3. Very briefly, how was the relationship structured?
4. What was the role of BDT in the CIF?
5. Did the Board of Trustees decide who should be the loan recipients?
6. Did the funding of business add value to the quality of life of people invited?
7. What was the organizational value for BDT in the CIF?
8. What were the challenges in your opinion?