

Awareness and usage of government incentives in the tourism industry: a case study of guest houses in the Eden District Municipality, Western Cape Province, South Africa.

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Abstract

The significant contribution of small, medium and micro enterprises (SMMEs) to local economic development in the locality of municipalities has been recognized and therefore the prioritization of small business support and development by local government has become a focal point of municipal Local Economic Development (LED) programs. The tourism industry has proved to be a good tool for job creation within South Africa. However, many of the opportunities in this sector are not being exploited in a way that includes communities in the tourism value and supply chain. Developing SMMEs that can supply goods and services to the industry will significantly enhance job creation opportunities, especially in rural areas. However these SMMEs are often subject to a myriad of challenges compared to larger established businesses that fall outside the classifications of SMMEs. These challenges thus make it impossible for SMMEs to compete with established businesses and to actively participate in the first economy. The main aim of this article is to determine the awareness and usage of government incentives in the tourism industry by guest houses in the EDM. All surveyed guest houses in this study fall within the definition of SMME according to the National Small Business Act, No. 102 of 1996.

Key words: SMMEs, tourism, Eden District Municipality, Western Cape Province, government incentives



Introduction

The National Small Business Act, No. 102 of 1996 (South Africa 1996b) defines Small Medium and Micro Enterprises (SMMEs) as “a separate and distinct business entity, including cooperative enterprises and non-governmental organizations managed by one owner or more individuals which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy which can be classified as a micro, very small, a small or a medium enterprise”. Small medium and micro enterprises are defined in terms of their employee criteria. Enterprises with less than five employees are as regarded as micro, enterprises with five to twenty employees as very small, enterprises with twenty to fifty employees as small, and enterprises with fifty to two hundred employees as medium (Department of Provincial and Local Government (DPLG) 2005: 21). The definition of Small, Medium and Micro Enterprises (SMMEs) according to the glossary of the Cape Gateway website of the Western Cape Government, as mentioned in Brand (2006: 5) is as follows: “businesses with less than five employees are classified as a micro business, businesses with five to ten employees as SMMEs, and businesses with ten to fifty employees as medium size businesses”. These definitions are the ones that have been adopted for this study.

Literature Review

This section provides reviewed literature on the tourism sector and SMMEs in South Africa, economic contributions of SMMEs, and challenges for tourism SMMEs in South Africa and since the SMMEs in question here are guest houses; an overview of guest houses facilities will be provided.

THE TOURISM SECTOR AND SMMEs IN SOUTH AFRICA

Tourism is identified as one of the key drivers of the South African economy. Its

economic benefits are such that it can be a significant catalyst for economic growth and employment, it is a source of foreign exchange earnings, and it provides supplementary income for individuals seeking part-time employment. The tourism sector also increases the demand for other non-tourism businesses, brings expenditure from external sources into the local market, and encourages the upgrading and re-use of dilapidated land and buildings (Department of Tourism, 2009b: 11).

As an industry, tourism has become one of the major contributors to job creation in the South African economy and it is reported that approximately 485060 individuals benefited from it through direct jobs in 2006 (Trade and Industry Chamber in Nieman, Visser and Van Wyk, 2008: 284). It is predicted that this figure would increase to 1.2 million job opportunities by 2014 (Altman in Nieman, Visser and Van Wyk, 2008:284).

In 2012 the Department of Trade and Industry reported that SMMEs contribute between 52% and 57% to the country's Growth Domestic Product (GDP) and provide 61% of total employment, (Department of Trade and Industry 2012). Given the potential of SMMEs to create jobs, especially within the tourism sector, the South African government invested in various support programs to enhance the ability of these businesses to become self-sustainable and to make a transition from the second to the first economy. Tourism has surpassed gold as the biggest foreign exchange earner and according to the Department of Trade and Industry in Nieman, Visser and Van Wyk (2008: 283), the foreign exchange proceeds from the tourism sector in South Africa contributed 7%, or R100 billion, to the GDP and exceeded receipts from gold which were 5% in 2004. The economic potential of this sector for the South African economy has made tourism development an imperative of national and provincial government programs over the past few years. The tourism industry holds considerable opportunities for SMMEs to tap into the supply side of tourism products and

services in the tourism value chain. However, within these opportunities available in this lucrative industry, lies a challenge for government at all spheres, namely to facilitate access to business and trade opportunities and potential markets for SMMEs. In addition, government is faced with the challenge of providing the required skills development interventions and support programs that facilitate accessibility to the aforementioned, which will potentially contribute to the sustainability of these businesses.

ECONOMIC CONTRIBUTION OF SMMES

Brand (2006: 1) describes the distribution of economic development in South Africa as the combination of two economies in one country: the first economy and the second economy. Die Burger in Brand (2006: 1) states that the first economy competes on a global level, as opposed to the localised level of the second economy. SMMEs are found to be actively competing in the second economy with limited participation in the first economy.

According to Le Roux in Brand (2006: 11), the composition of SMMEs in terms of their contribution to the economy is as follows: The 2 million SMMEs represent 98% of South Africa's total number of firms, employ 55% of the labour force, and contribute 42% of the country's wage bill. However, 87% of these SMMEs are survivalists and operate outside the formal economy. Recent statistics indicate a growth in the number of SMMEs in South Africa with 2.8 million SMMEs which contribute between 52% and 57% of the country's GDP and provide 61% employment (Department of Trade and Industry 2012). These statistics demonstrate the potential of SMMEs in terms of employment creation and the contribution of SMME's to the GDP.

Statistics from the Organisation for Economic Co-operation and Development, 1997: United National Conference on Trade and Development (2003), in Ladzani and Netswera (2009: 234),

indicate the following contributions of SMMEs to the GDP in other developing countries: in Brazil, 60.8% of GDP and 66.8% of employment; in Mexico, 40% of GDP and 80% of employment.

According to the Organisation of Islamic Cooperation (2011), SMMEs represent a large share of registered businesses that contribute between 35 to 45% to the global GDP, and also represent an estimated 40 to 60% of global employment. This source reports that the contribution of SMMEs to the GDP is as follows: in Malaysia – 56%; Egypt – 33%; and Saudi Arabia – 25%. These statistics substantiate the importance of SMMEs in the economy, especially in developing countries. However cognisance should be taken of the size of SMMEs in other countries compared to that of SMMEs of South Africa. As per the statistics on the contribution of SMMEs to the economy, it can be argued that these businesses make a significant contribution to the job market. The overall contribution of SMMEs to the economy may be regarded as small, but these enterprises make a significant contribution to employment creation as alluded to earlier. With this in mind it becomes important to assess if the policy responses that are put in place through specific interventions and support programmes are aligned to the needs of the beneficiaries of such programmes.

GOVERNMENT INCENTIVE PROGRAMMES IN THE TOURISM INDUSTRY

According to DEAT (2008: 1) the aim of the funding programmes for tourism businesses handbook is to provide information regarding the different types of incentives programmes aimed at assisting SMMEs within the tourism industry; the criteria for funding; the process for applications and the contact details of the relevant institutions. The handbook identified the following incentive programmes:

- **Small Medium Enterprise Development Programme (SMEDP)** - is a cash grant

incentive scheme, which offers assistance to tourism related enterprises within South Africa. Assistance is provided to either new or expansion projects.

- **The Development Bank Of Southern Africa (DBSA)** - contributes to development by providing finance and expertise to improve the quality of life of the people of southern Africa, mainly through the provision of infrastructure. The Bank aims to maximise its development impact, to be additional to other funding sources and to maintain good banking principles. The DBSA strives to promote sustainable tourism development. It focuses on priority tourism needs as negotiated with tourism role players from the public, private and civil society sectors.
- **Industrial Development Cooperation (IDC)** - The IDC's Tourism Business Unit finances capital expenditure in tourism businesses. This finance is focused towards businesses offering accommodation to bona fide tourist but also extends to other capital-intensive tourism projects with the potential to significantly impact on the growth of the tourism industry.
- **Khula Enterprise Finance** – The role of Khula Enterprise Finance in tourism growth is to facilitate access to finance by people who have not had the opportunity to accumulate sufficient wealth (such as fixed property or insurance policies) to provide as collateral security to the banks to obtain a loan for starting a new business.

CHALLENGES FOR SMALL TOURISM BUSINESSES IN SOUTH AFRICA

SMMEs have to compete with established large businesses that monopolise the South African economy (Brand 2006: 17). These established businesses have effective business operations, established

relationships and contracts, and have the business and information technology infrastructures that allow them access to market intelligence and business opportunities. SMMEs on the other hand do not have the same economies of scale and economic infrastructure, which makes it difficult for them to compete in the first economy and with larger enterprises in the same sector. Through the literature review it therefore becomes imperative to establish what challenges SMMEs experience which hinders their ability to compete with established businesses.

According to Balkenhol et al. in Brand (2006: 17) SMMEs experience challenges regarding the ability to take advantage of business opportunities, the registration of their businesses, and to penetrate highly competitive markets. These factors often become obstacles that hinder them from engaging in formal business interactions and the consolidation of business. Furthermore, a great amount of entrepreneurial drive is required to ensure the success of the business. A lack of entrepreneurial skills can thus become an obstacle because the success of the SB business depends on the ability of its owner to take the initiative and full responsibility for the growth of its business. Furthermore, according to Rogerson and Ntsika in Elliot and Boshoff (2007:16), SMMEs in the tourism sector cite the lack of access to markets as an obstacle to their growth; studies conducted in South Africa and internationally on market access identify market access as a critical factor for business growth. Hence, market access may therefore also be an inhibiting factor in the growth of local SMMEs in the EDM. Literature highlights the following as elements that impede access to growth for SMMEs: access to finance, marketing and information, a lack of market intelligence, of business skills and infrastructural challenges.

Access to finance

Access to finance is regarded as a critically important factor that determines the growth of SMMEs. Balkenhol *et al.* in Brand (2006: 14) report that the results

from an analysis of SMMEs in South Africa indicate that access to funds is a constraint that hinders them from either establishing or expanding their businesses. Statistics South Africa reports that 60% of non-VAT-registered businesses (approximately 1,4 million of a total of 2,3 million non-VAT registered businesses) requiring additional money to start their businesses, only 15,5% were successful in acquiring loans and of this percentage only 5,1% received loans from banks” (Brand 2006: 14).

This research also revealed that the SMMEs that did not obtain loans from commercial banks borrowed money from relatives, friends, and community savings arrangements (Brand 2006: 14).

Marketing resources

In 2003, a survey was conducted amongst tourism SMMEs in the Free State that focused on the profile of tourism entrepreneurs as well as issues that the tourism SMMEs were confronted with (Rogerson 2005: 632). The findings revealed that marketing was top of the issues identified by established entrepreneurs, with specific reference to the quality and volume of tourism marketing at national and provincial level (Rogerson 2005: 643). The concerns of the smaller entrepreneurs related more to the state of official marketing, and the costs involved should they embark on their own marketing, considered to be a very costly exercise. In a survey conducted amongst tour operators in Soweto in 2005, 50% of emerging tour operators identified access to finance sources, access to markets, and marketing support as major constraints to the growth of their enterprises (Nemasetoni and Rogerson 2005: 205).

Tour operators in Soweto revealed that the marketing of their businesses both individually and collectively as an area of concern (Rogerson 2009: 345). According to Rogerson (2009: 345) marketing refers to, amongst other features, knowledge and exposure to new market trends and how the tourism marketing process

evolves with particular reference to information technology and the internet.

Access to information

Access to information is one of the factors that contribute to accessing trade and economic opportunities. Research conducted by Rogerson (2005:633) highlights the frustrations of entrepreneurs to access support through national government led programmes, which are often attributed to a lack of access to information. This may be overcome through resources such as the internet, which, according to Bourgooin (2002: 197) provides access to a broad spectrum of sources of information, support networks and worldwide marketing channels, providing opportunities to conduct electronic commerce.

However, not all SMMEs have the business acumen and resources to conduct internet marketing as a medium to market their products or services. Elliot and Boshoff (2007: 16) suggest that the internet is becoming an effective tool for SMMEs to overcome their marketing challenges and to access new markets. He further argues that it enables them to compete at the same level as larger firms.

Lack of market intelligence

A lack of market intelligence, market trends and knowledge in terms of the needs and expectations of the market also becomes a constraint to trade and economic opportunities (Forstner, 2004: 501). It can be argued that this is a constraint to SMMEs, irrespective of whether they are situated in a rural or urban area. Kirsten and Rogerson (2002: 54) state that emerging entrepreneurs should be provided with support in terms of access to finance, information, and training in the absence of formalised business linkages. These authors further state that the research conducted indicates that the needs of the emerging entrepreneurs are not completely met by the support structures provided for small enterprise development.

Kirsten and Rogerson (2002: 54) suggest that opportunities for SMMEs in the

tourism sector are vested in cost reduction and from programmes driven by government intervention. They are of the opinion that in the absence of government intervention, we would not see the introduction of programmes that are beneficial to SMMEs. A success story in this regard is the affirmative procurement programme by Sun International, a resort hotel chain and casino destination in South Africa: it used its contractors to create opportunities for SMMEs.

Lack of business skills

According to Balkenhol *et al.* in Brand (2006: 14) a lack of experience in the management of a business impacts on the ability of an entrepreneur to manage their businesses successfully. This results in the failure of many emerging SMMEs, and also becomes a determining factor in their ability to tap into markets. According to Brand (2006: 15) business skills that are required include marketing, business management, financial management and personnel management.

Infrastructural challenges

The management of a successful service business necessitates that certain infrastructural elements are available to make it operationally functional in order to provide a service to clients and to attract potential clients. Brand (2006: 15) identifies these essential or general services as "electricity, telephone, water and sanitation. In the absence of communication media, for example, telephone lines, fax facilities, email and information technology (the internet), SMMEs will have difficulty in communicating with their suppliers and customers, and vice versa. This often results in ineffective business processes. These services are essential for the existence of SMMEs and its ability to effectively stay in touch with potential markets.

According to statistics provided by Statistics South Africa in 2002 in Brand (2006: 16) only 166 000 (7.3%) of non-VAT-registered business owners obtained any license to operate their businesses. Lehohla in Brand (2006: 16) contends this

is the reason why the majority of small and micro businesses are not registered with authorities, namely, municipalities or regional councils. The lack of adequate communication services is one of the reasons why SMMEs do not register their businesses and this in turn then becomes an obstacle for them to conduct business in the first economy. Infrastructure is an area of intervention where local government can provide considerable support given the fact that it is responsible for maintaining soft and hard infrastructure in terms of its tourism legislative mandate.

GUEST HOUSES FACILITIES

The guest house forms a sub-sector of tourism accommodation. It actually embraces different types of tourism operations with similar characteristics that offer beverage, food and accommodation in a small family style environment. These kinds of operations could offer relatively the same kind of service offered by small hotels although the guest house includes a more homely environment where tourists may share facilities and meals with the hosts. George (2012: 255) defines a guest house as an existing home, a renovated home or a building that has been specifically designed as a residential dwelling to provide overnight accommodation, together with public areas for the exclusive use of its guests. It must have more than three rooms. In this research, this definition was applied and therefore only guest houses that had three rooms and more were considered for inclusion in the study. Guest houses have a long tradition internationally. Inns, for example, are ubiquitous in the United States of America, with guest houses normally found in the upper-market area of a city or town, most often near tourist attractions and easily reachable by car, taxi or bus service (Page, 2009: 273). In Germany the *Gasthaus* is famous, while in the United Kingdom, small and family run properties with fewer than 12 rooms dominate the B & B /small hotel sector (Henning, 2004: 8).

In France, guest houses are known as "*hotels du charme*" or "boutique hotels",

while “*Gîtes*” provide self-catering accommodation in or near small villages (Lyons, 1993). The “*Gîte*” itself may be a small cottage, village house or a flat in the owner’s house. Over and above the presence of guest houses in New Zealand, another form of serviced accommodation found in that country is the so-called “home-stay” concept. Here the visitor stays in a house on a farm with a family who act as hosts and allow the visitor to experience the local way of living. This also enables rural farmers to supplement their income (Page, 2009: 273).

Initially in South Africa, the term guest house indicated that the establishment must consist of four or more bedrooms. Each bedroom must have an en suite bathroom or the guest house must have a private bathroom for the exclusive use of clients. Furthermore, the establishment must have public areas that are exclusively for the use of the clients (Henning, 2004: 43). However, it is in modern times acceptable for a guest house to only have one or two bedrooms.

Major international events such as conferences and sport tournaments depend on the standard of accommodation provided in the host country for its success, including guest houses. It is argued by Henning (2004: 8) that the guest house sector in South Africa “really started its rapid growth in 1995, boosted by the Rugby World Cup”.

Today, guest houses have become a preferred accommodation choice for many international and local travellers in South Africa. These guest houses provide high standards of service throughout the country and make a vital contribution to South Africa’s tourism industry, economy and international reputation. Internationally there are contrasts in the operation of this sub-sector. In the United Kingdom, B&B and guest house enterprise are not significantly different, although the former requires fewer controls or licences in order to operate.

Indeed, it is a sub-sector where many operators take guests on a seasonal or sporadic basis and, as a result, can offer a flexible accommodation resource to both metropolitan and non-metropolitan areas (Olsen, West, & Tse, 1998).

PROBLEM INVESTIGATED

The main aim of this article is to determine the awareness and usage of government incentives by guest houses in the EDM.

RESEARCH OBJECTIVES

The research objectives of this research were:

- To establish the awareness levels by the guest houses of government incentives in the tourism industry
- To establish the usage rate of the available government incentives by the guest houses
- To establish sources of funding when guest houses were started and
- To establish sources of information about the government incentives

RESEARCH METHODOLOGY

According to Altinay & Paraskevas (2008) surveys are a commonly used for collecting data as far as the SMMEs are concerned. For purposes of this research, a descriptive survey was conducted. According to Altinay & Paraskevas (2008), descriptive surveys are concerned with particular characteristics of a specific population and are predominantly used to gather information about what people do or think. In terms of this research this strategy proved the most useful to determine the level of awareness and usage of government incentives in the tourism industry by guest houses in the EDM. The data were captured and analysed by making use of the Statistica, version 12. Descriptive statistics were used to compile the demographic profile of the guest houses. Further analyses

included independent samples t-test, and cross-tabulations. An independent sample t-test is conducted to compare independent groups' mean scores. For a significant difference to exist between groups, the p-value of $p = \leq 0.05$ is a requisite (Pallant, 2010; Coolican, 2013). Cross-tabulations are often used by scholars in the social sciences to analyse categorical data and record the frequency of respondents that have the same specific characteristics. The Chi-Square statistic is used for testing the statistical significance of the categorical data between groups (Qualtrics.com, 2013: 3). To interpret the effect sizes in the cross-tabulations, Cramer's V guidelines have been used: small practical significant effect (0.1); medium practical significant effect (0.3); and large practical significant effect (0.5) (Ellis & Steyn, 2003: 51).

RESULTS

This section provides an in-depth analysis of the results from the primary data collection. It starts with the overall response from the respondents and then deals with the objectives outlined in section four above.

Table 1.1: Type of enterprise ownership

| | | Frequency | % | Valid % |
|---------|-------------------|-----------|-------|---------|
| Valid | Sole proprietor | 83 | 64.8 | 65.9 |
| | Partnerships | 18 | 14.1 | 14.3 |
| | Close corporation | 20 | 15.6 | 15.9 |
| | Company | 5 | 3.9 | 4.0 |
| | Total | 126 | 98.4 | 100.0 |
| Missing | System | 2 | 1.6 | |
| Total | | 128 | 100.0 | |

The results in table 1.1 shows that sole proprietors and close corporations made up the majority of the guest houses respectively closely followed by partnerships. This was expected since it is

Overall response

The results of the search of the number of guest houses in the Eden district region from the various sources outlined in the section above resulted in a total of 250 guest houses identified in the area. The questionnaire was e-mailed to all guest houses and there was a very low response rate and as a result of this, the researcher appointed five students to conduct a door to door visit to these guest houses in a second attempt to increase the response rate. Each student was assigned to a specific area and a list of all guest houses in the area with contact details and location were given to the students, together with the questionnaire. This data collection method yielded a better response rate as 128 questionnaires were returned. This response rate represents 51.2% of the total targeted research population.

Type of enterprise ownership

The first question asked for the category of business in which the guest houses are registered and the results are shown in table 1.1.

known that majority of guest houses fall within the category of SMMEs who normally trade as sole proprietors or close corporations (GEM, 2012: 43). The relationship between the numbers shown

in table 1.1 also reflects why ease of entry and exit is considered as a characteristic of the industry.

Formal forms of enterprise establishment, such as companies and trusts, make entry and exit to the industry more difficult than those of sole proprietors and close corporations.

Owners' involvement in the running of the business

The second question asked about the degree of involvement of the guest house owners in running the business. The degree of involvement by owners is reflected in table 1.2.

Table 1.2: Owners' involvement in the running of the business

| | | Frequency | % | Valid % |
|---------|-----------|-----------|-------|---------|
| Valid | Full-time | 100 | 78.1 | 78.7 |
| | Part-time | 27 | 21.1 | 21.3 |
| | Total | 127 | 99.2 | 100.0 |
| Missing | System | 1 | 0.8 | |
| Total | | 128 | 100.0 | |

The results shows that of the owners, more than three quarters were involved full-time in the business whilst less than a quarter were involved on a part-time basis. Once again, since guest houses are mainly SMMEs, it is not unusual to find small businesses being run by the owner because they are survivalists as well (GEM, 2012: 43). Owner involvement is typical of entrepreneurial organisations found in SMMEs.

Business experience before starting enterprise

The third question asked for the previous business experience of the guest house owners prior to them starting with their businesses. The number of respondents having prior business experience is shown in table 1.3 below.

Table 1.3: Business experience before starting the business

| | | Frequency | % | Valid % |
|---------|--------|-----------|-------|---------|
| Valid | None | 24 | 18.8 | 18.9 |
| | Little | 61 | 47.7 | 48.0 |
| | A lot | 42 | 32.8 | 33.1 |
| | Total | 127 | 99.2 | 100.0 |
| Missing | System | 1 | 0.8 | |
| Total | | 128 | 100.0 | |

The majority of respondents had business experience before embarking on their tourism business ventures. Very few respondents have entered the industry without prior business experience and this may be an indicative of the industry's characteristic of ease of entry. The combination of those with a lot and little experience (81%) in business before starting could contribute to a balanced

viewpoint being exhibited during the remainder of the data analysis.

Number of years of business's existence

The fourth question asked for the duration of the existence of the guest houses. The length of time that businesses have been in existence is shown in table 1.4.

Table 1.4: Number of years of business's existence

| | | Frequency | % | Valid % |
|-------|--------------------|-----------|-------|---------|
| Valid | More than 10 years | 61 | 47.7 | 47.7 |
| | 6 - <10 years | 41 | 32.0 | 32.0 |
| | 4 - <6 years | 14 | 10.9 | 10.9 |
| | 1 - <4 years | 12 | 9.4 | 9.4 |
| | Total | 128 | 100.0 | 100.0 |

Majority of the guest houses have been in business for more than 10 years followed by those who have been in existence for between six and 10 years. The least number of years of existence in business is for guest houses that have been in existence one and four years. The length of time in business is important for local economic development of the region as reported by the GEM (2012: 45) with regard to failures of start-up SMEs. GEM reported that South Africa has a relatively high rate of start-up failures.

Failure rates are obtained by determining the ratio of start-up firms to new firms, which in South Africa amounts to 2.4 to 1

compared to an average of 1.6 to 1 in developing countries (GEM, 2012: 45). A high failure rate among start-up firms would result in a low number of businesses being younger than four years old. The results of this study show that most of the guest houses in the EDM have passed the stage where many SMEs fail (four years) as many of them have existed for ten years and more as shown in table 1.4.

Original financing of businesses

The fifth question asked for the financing of the guest houses when they were established. The source of finance originally used to fund the establishment of the enterprise is analysed in table 1.5.

Table 1.5: Original financing of businesses

| | | Frequency | % | Valid % |
|-------|------------------|-----------|------|---------|
| Valid | Own contribution | 90 | 70.3 | 70.9 |
| | Bank loan | 33 | 25.8 | 26.0 |

| | | | | |
|---------|-------------------------|-----|-------|-------|
| | Loan from friend/family | 3 | 2.3 | 2.4 |
| | Other | 1 | 0.8 | 0.8 |
| | Total | 127 | 99.2 | 100.0 |
| Missing | System | 1 | 0.8 | |
| Total | | 128 | 100.0 | |

The majority of respondents financed their businesses by means of own contributions. Possible explanations for this phenomenon include the following according to National Tourism Sector Strategy (2013: 33):

- The amount of finance originally required to start the business was not very high.
- Most establishments were started by well-off entrepreneurs.
- Original entrepreneurs did not know of the existence of government financial support.
- Support from government was not available prior to identification of tourism as a growth industry by the government's Republic of South Africa (1996).

According to the National Tourism Sector Strategy (2013: 33) "Many South Africans want to start, or try to start, small tourism businesses, providing either accommodation (such as guest houses) or tourism services (such as tour operators and tour guides). However, there are various issues involved in starting and growing a tourism business, and, in many instances, a lack of access to finance is blamed as the sole reason for businesses not succeeding in this industry". This is not always the case, as the following issues also play a role according to National Tourism Sector Strategy (2013: 33):

- The quality of business concepts, which often lack proper planning and market analysis.
- Insufficient business experience of the entrepreneur, as well as a lack of support structures to assist him/her to succeed.

- Insufficient personal equity to fund the business, which becomes problematic, as many tourism businesses' revenues do not support large proportions of debt funding.

Further to the above mentioned issues, National Tourism Sector Strategy (2013: 33) indicates that the commercial banks regard the tourism sector as risky and unattractive due to the relatively small scale of business loans in this sector. The tourism industry also has no access to venture capital with an appetite for risk and that could be utilised to fund projects that are unattractive to banks. Incentives that have been put in place to encourage tourism investment are difficult to access, and have very complex application procedures.

Awareness of government incentives

The sixth question asked guest houses about their awareness of government incentives available to them. Table 1.6 shows that majority of the guest houses were not aware of government incentives with only 33% of them being aware of these government incentives. These results may be attributed to two factors, firstly, that government is not doing enough to create awareness of these incentive programs, and secondly, that guest house owners are not doing enough research to seek information to help them grow their businesses.

This conclusion is supported by the GEM (2012: 45) who report that both awareness and use of government support is extremely low in South Africa. The lack of

awareness of government incentives for SMME's was also highlighted in the study done by Finscope Small Business Report

in 2010 which showed that 75% of the small businesses in the survey were not aware of any support programmes.

Table 1.6: Awareness of government incentives

| | | Frequency | % | Valid % |
|---------|--------|-----------|-------|---------|
| Valid | Yes | 42 | 32.8 | 33.1 |
| | No | 85 | 66.4 | 66.9 |
| | Total | 127 | 99.2 | 100.0 |
| Missing | System | 1 | 0.8 | |
| Total | | 128 | 100.0 | |

Source of information about government incentives

The seventh question asked those who indicated that they are aware of

government incentives to indicate their source of awareness of the government incentives as shown in table 1.7 below.

Table 1.7: Source of information about government incentives

| | | Frequency | % | Valid % |
|---------|----------------------|-----------|-------|---------|
| Valid | Auditors | 1 | 0.8 | 2.4 |
| | Banks | 2 | 1.6 | 4.8 |
| | Financial advisor | 4 | 3.1 | 9.5 |
| | Press | 6 | 4.7 | 14.3 |
| | Government officials | 9 | 7.0 | 21.4 |
| | Other | 20 | 15.6 | 47.6 |
| | Total | 42 | 32.8 | 100.0 |
| Missing | System | 86 | 67.2 | |
| Total | | 128 | 100.0 | |

The source of information about government incentives for the guest houses varied with majority being other sources other than what seem to be the obvious sources. The obvious sources of information should be auditors, banks, financial advisors and government officials.

These findings seem strange since one would expect that this kind of knowledge would come from auditors, banks and financial advisors, who are normally regarded as experts in the fields of finances concerning the industry. Although

it is possible to interpret this as that the industry had no need of incentives, it seems rather to reflect the fact that guest houses are not aware that such incentives exist.

Usage of government incentives / subsidies by guest houses

The last question asked guest houses whether they had made use of government incentives programs. The results about the use of government incentives by guest house are showed in table 1.8.

Table 1.8: Usage of government incentives / subsidies by guest houses

| | | Frequency | % | Valid % |
|---------|--------|-----------|-------|---------|
| Valid | Yes | 6 | 4.7 | 4.7 |
| | No | 121 | 94.5 | 95.3 |
| | Total | 127 | 99.2 | 100.0 |
| Missing | System | 1 | 0.8 | |
| Total | | 128 | 100.0 | |

These results above show that the majority of guest house in the Eden district region have not used these government incentives. These results can be interpreted as a direct result of the lack of awareness of these government incentives by the guest houses in the area. This statement is supported by only 33% of the guest houses who indicated

that they are aware of the government incentives available for businesses in the tourism sector. Only a few guest houses have used these government incentives and again this is supported by the low number of those that are aware of these incentives provided by government. This

finding is supported by a survey done in the Free State Province in 2012, which showed that 40% of young entrepreneurs had not made use of a support programme because they were not aware of any (Turton et. al, 2012).

Correlation between awareness and usage of government incentives by guest houses

A test was done to determine the relationship between awareness of the government incentives schemes and their usage by the guest houses. This test was conducted to test whether those that were aware of the government incentive schemes have made use of them.

Table 1.9: Correlation between awareness and usage of government incentives by guest houses

| Awareness of the incentives schemes | Usage of the incentive schemes | | Row |
|-------------------------------------|--------------------------------|---------|----------|
| | Yes | No | Totals |
| Yes | 6 | 36 | 42 |
| Row % | 14.29% | 85.71% | |
| No | 0 | 85 | 85 |
| Row % | 0.00% | 100.00% | |
| Totals | 6 | 121 | 127 |
| Chi-square | 12.74 | df=1 | p=.00036 |
| Cramer's V | 0.32 | | |

The results in table 1.9 show that the results yielded a Chi-square value of 12.74 with degree of freedom of 1 as well as P- value of 0.00036 and this is less than the norm at 0.05. These results show a statistically significant relationship between the two variables concerned. The Cramer's V was at 0.32, show a medium practical significant relationship between

the two variables being tested. This finding suggests that once a guest house becomes aware of the government incentive schemes, such a guest house is most likely to make use of the incentives.

Conclusions

The findings of this research clearly indicate that the majority of guest houses are not aware of government incentives which can help them grow and sustain their businesses. Due to the unawareness of these government incentives, many guest houses have not used them. However the test that was done to test the relationship between those that were aware of the government incentives and the usage of these incentives indicated that it is highly likely that once a guest house becomes aware of the incentives, they are most likely to make use of them. Sources of information about the government incentives from those who were aware came from unlikely sources rather than the obvious sources such as bank, financial advisors, auditors and government officials. These findings infer that stakeholders in the tourism industry have a role to play in creating awareness about the support programs available for SMMEs. If SMMEs (guest houses) are to overcome the challenges they faced, that were discussed in the literature review section, and they need to have access to the different support programs available to them.

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