



# Crucial for economic growth, nonetheless facing numerous challenges: Tourism SMMEs within uMsunduzi Local Municipality

Dumsile Cynthia Hlengwa\*  
Durban University of Technology  
dumisileh@dut.ac.za

and

Khethiwe Thusi  
Durban University of Technology  
khethiwe.phoswa@kznedtea.gov.za

Corresponding author\*

## Abstract

Travel and tourism is recognised worldwide as a significant driver of sustainable socio-economic development and growth, which despite numerous setbacks and threats such as terrorist attacks, political instability, health pandemics and natural disasters has remained somewhat resilient outpacing global economic growth with a robust future outlook. Travel and tourism is believed to have contributed US\$7.6 trillion to the global economy and supported 292 million jobs in 2016. Alongside Small Micro and Medium Enterprises (SMMEs) sector plays a key role in socio-economic development because of its ability to employ a wide array and echelons of skills, personalise service and cater for varied demands of travelers. The SMMEs are better positioned to supply services and goods demanded by billions of impact-sensitive travelers across the world because they tend to be located where the new breed of traveler wants to go. It is estimated that the sector provides more than 90% of employment and contributes over 60% to the Gross Domestic Product (GDP). This paper looked into the challenges faced by tourism SMMEs within uMsunduzi Local Municipality in KwaZulu Natal Province, South Africa, with the aim of finding possible solutions.

The research method used in this study is a mixture of both qualitative and quantitative methods. The study discovered that while it is known that most SMMEs, especially those who come from previously disadvantaged backgrounds, do not have a sufficient business track record or assets to provide as collateral, funding institutions were demanding them as part of loan application evaluation. While there were numerous SMEE funding and support institutions, the respondents felt that there was too much red-tape, officials had limited knowledge of their work, there was unfair competition from illegal operators and many other challenges. The evaluation of loan applications using exposure to risk based on profitability of the business was unjust and disadvantageous to them as their businesses marginal. The study suggests a model to strengthen linkages between tourism SMMEs and government agencies.

**Key words:** Tourism SMMEs, challenges, remedies, economic growth, South Africa

## Introduction

David Scowsill, The President and Chief Executive Officer of the World Travel and Tourism Council (WTTC) commends the tourism industry for fueling global job creation, driving exports, and generating greater prosperity across the world (Scowsill, 2017:1). Alhowsaish (2016:1) and Kapunda (2015:1) support the claim that the travel and tourism industry has emerged as a key for economic development throughout the world. This sector is applauded for directly contributing US\$2.3 trillion and 109 million jobs worldwide, and indirectly and by the inducement US\$7.6 trillion



and in supporting 292 million jobs in 2016. This contribution was equated to 10.2% of the world's GDP, and nearly 1 in 10 of global jobs. In support of this, Shakouri, Yazdi, Nategian and Shikhrezaei (2017:1) argue that while economic recovery from the last recession was slow, spending on international tourism was faster in Havana, Cuba, bearing witness to tourism being the major aspect in the group of international trade. Khan and Krishnamurthy (2016) deem tourism to be vital for the economic development in Oman because of its enormous employment creation potential and inherent entrepreneurial opportunities.

Seen alongside travel and tourism as growth sectors are small, medium and micro enterprises (SMMEs). Agholor, Smith, Akeem and Seriki (2015:37) and also Makakane (2014:01), argue that successful entrepreneurs play a crucial role in enhancing socio-economic development especially in developing countries, which calls for Local Governments coming up with strategies to sustain and grow tourism entrepreneurship as in the case of this study. According to various authors, such as Ribeiro-Siriano, (2017), Trounce, (2017) and the OECD (2017:2), small businesses drive global economic growth and Koens and Thomas, (2015:320) portray tourism SMMEs as an important contributor to tourism economies, because they employ a multiplicity of skills and entry into the industry is relatively easy to accomplish. Smith (2017) points out that SMMEs are 'feted to be the future of business' currently accounting for about 40% of all businesses in South Africa. Smith further states that in the 2016/2017 financial year SMMEs contributed more than a third (36%) to the economy of South Africa.

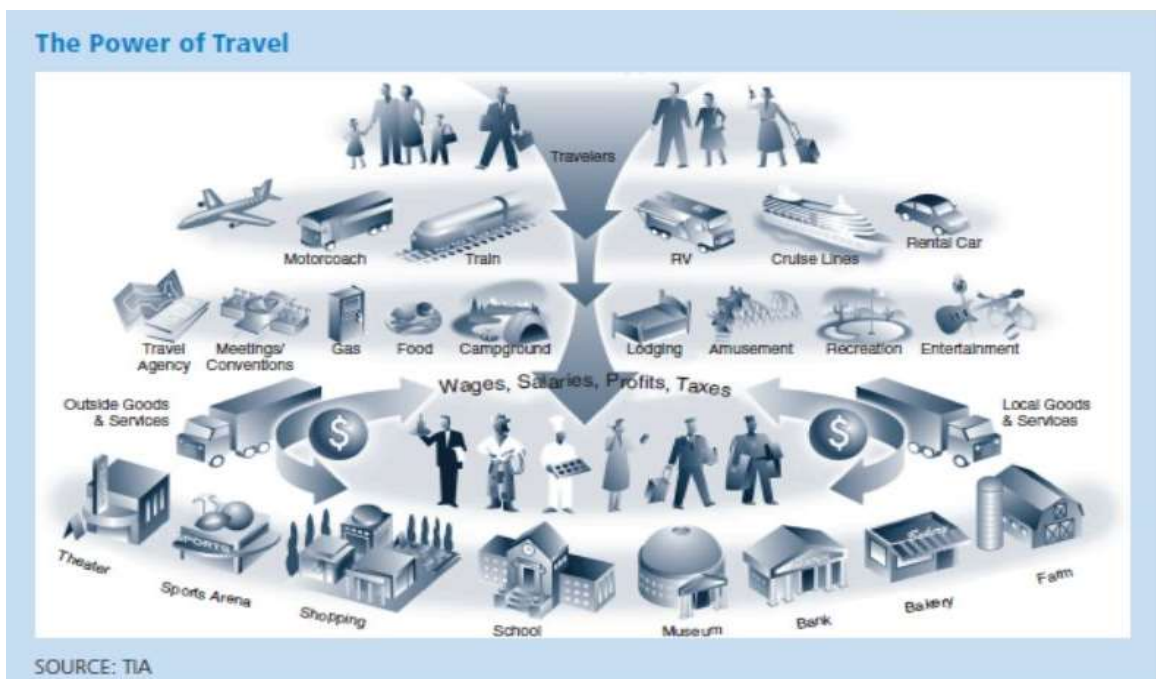
As both tourism and SMMEs are viewed as economic growth drivers, it was befitting to combine them in this study. In the National Development Plan's Vision 2030, the South African government focuses on SMME development among others, showing that it is serious about SMME growth to stimulate economic improvement. However, survival and sustainability remain crucial issues for SMMEs. The National Treasury Research on SMMEs (2008) South Africa estimated the number of SMMEs in the country to be about 2.8 million contributing 52%-57% to the GDP. This means that SMME's in South Africa employ more people than the private sector and government combined. Despite the significance of the sector in the economy, South Africa currently has one of the highest failure rates of new SMMEs in the world, at 75 percent. Moreover, the probability of a new SMME surviving beyond 42 months in South Africa is the lowest among all the countries sampled by the Global Entrepreneurship Monitor (GEM). Given this record, the challenges faced by SMMEs in South Africa have been well researched and documented (Small Enterprise Development Agency (SEDA) final report, 2012:43), but still persist. According to the Annual Review of Small Business in South Africa (2005-2007) South African SMMEs depict little vitality, with the majority of enterprises remaining in the nascent stage and 'baby business' phases longer than they should.

## Literature Review

Coldwell of The Guardian (February, 2017) and also Glusac of The New York Times (September, 2017), reported that tourism to America has been on the decline since President Donald Trump took office. The tourism industry is reported to have lost to the tune of \$185 million resulting from a steep 58.0% decline in travel to Tampa and Orlando from the UK, a 52.0% decline in travel to Miami, a 43.0% decline in travel to San Diego, a 36.0% drop in travel to Las Vegas and a further 32.0% drop in travel to Los Angeles. In the case of Africa, tourism is earmarked as an engine for transformative and inclusive growth as international travel is expected to reach an unprecedented 18.6 million by the end of 2017, a 7.0% growth from 2012 (Sunday Times, September, 2017). Robano, Leal and Karakousis of the UNWTO (2017:1) recorded that tourism arrivals worldwide

grew by 6.0% in January – April 2017 raising the expectations for sustainable growth in major tourist destinations. In South Africa, tourism contributed 3.0% to the national economy, which was still quite small compared to other economic sectors, but higher than agriculture (Stats SA, 2016). Even though the percentage contributed to the GDP is modest, the number of international tourist arrivals and departures in South Africa has shown steady growth from 18 551 000 in 2005 to 31 773 000 in 2010 and 39 573 000 in 2015 (Stats SA, 2015:3). The growth in the number of arrivals and departures is significant in a number of fronts as illustrated in Figure 1.

Athanasopoulou (2013:5) looked into the tourism value chain and how the industry benefits multiple stakeholders through its multiplier effect. As illustrated in Figure 1, tourism is the largest and most diverse and complex of the world's industries (Seghir, Mostefa, Abbes & Zakarya, 2015; Zaei & Zaei, 2013) engaging a wide assortment of skills to provide direct, indirect and induced earning opportunities. The tourism industry is a multifaceted and complex system that is connected indirectly and by inducement to all major functions, processes and procedures of international, national, regional and local planning, organising, implementation and evaluation. It is for this reason that many authors (Athanasopoulou, 2013; Shakouri, Yazdi, Nategian & Shikhrezaei, 2017; Alhowaish, 2016; WTTC, 2017; Statista, 2017; Statssa, 2017; Seghir, Mostefa, Abbes & Zakarya, 2015:1613) regard tourism as an important engine for global socio-economic activity and growth because of its redistribution effect.

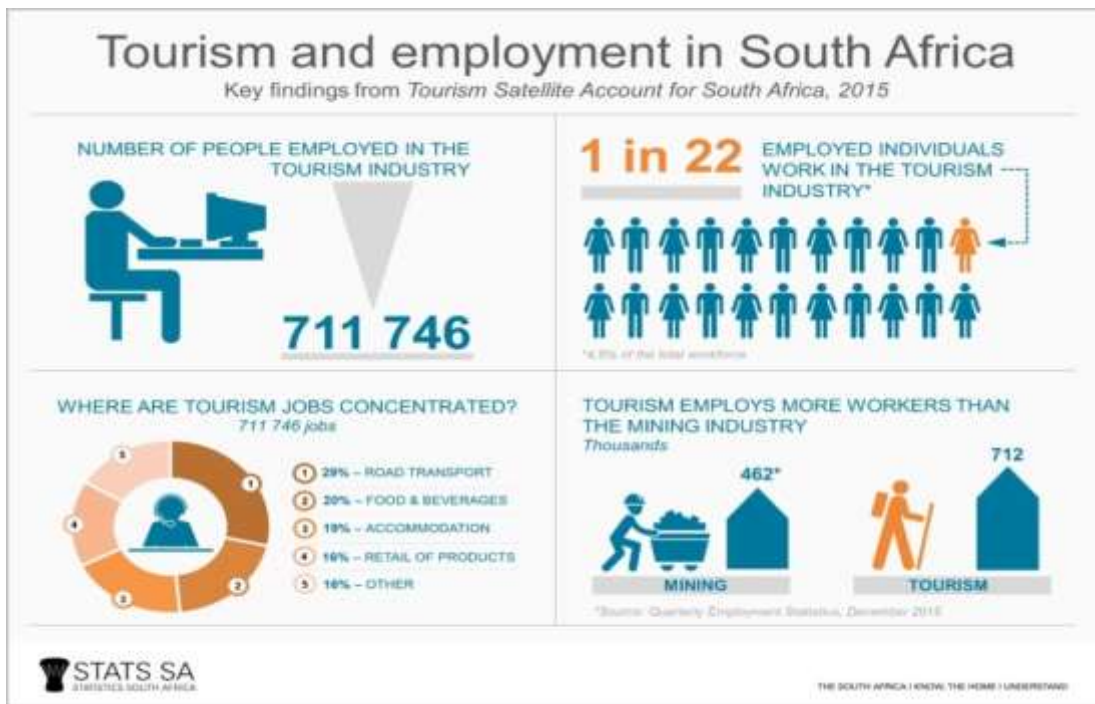


**Figure 1:** Tourism multiplier effect  
Source: Technology Innovation Agency, 2017

Shakouri, Yazdi, Nategian and Shikhrezaei (2017:1) further assert that there is a positive causal relationship from tourism towards economic growth. Tourism activities boost exports (as the world's fourth largest export after fuels, chemicals and food thus contributing significantly to foreign exchange reserves (Ohlan, 2017:9), improve the balance of payment, create jobs and household income, (Alhowaish,2016:1) create new businesses, lead to infrastructural development and refurbishment, provide a platform (Zaei & Zaei, 2013:15) 'in which streams of

different cultures could meet and mingle and create a new ethic-scope on which a fair, just, humane and enlightened order could be built for the entire human race'. They also promote environmental protection and according to Ohlan (2017:9) bring forth new technologies for production and thus promote industrial development while also stimulating investment in human capital to increase competitiveness and sustainability.

In India, like in many other developing countries, tourism is promoted for the primary purpose of earning foreign currency and its resultant employment creation capacity (Zaei & Zaei, 2013:15). Seghir, Mostefa, Abbes and Zakarya (2015:1614) posit that attempts at stimulating socio-economic development and growth through tourism development are regarded by many countries as 'a major economic development strategy', while Jaafar, Khoshkam, Rashid and Dahalan (2014) state that currently and in the near future, tourism will continue exerting a positive impact on the economic development of Malaysia. In remote northern Australia, tourism is regarded as an important economic growth strategy and a source of livelihood (Greiner, 2010:2198).



**Figure 2:** Tourism and employment in South Africa  
 Source: Stats SA (2016)

According to Rogerson (2017:69) in South Africa tourism development and growth has been an important item on the policy agenda of the post-apartheid government since 1994. A number of initiatives have been discussed, piloted and implemented to grow the country's international tourism economy and increase its slice of international tourism growing to 6 926 527 in 2015. In South Africa as it is the case throughout the world, SMMEs are regarded as the lifeblood of economic and tourism development in particular (Ramukumba, 2014:26). This supports the view of Mahembe (2011:7) that policy makers, economists, and business experts agree that small and medium enterprises (SMEs) are drivers of economic growth even though the United Nations Development Programme (UNDP) South Africa (2014:5) still expresses the notion that the level of entrepreneurial activity in South Africa is extremely low when compared with other developing markets such as Ghana, Zambia, Brazil and Chile, with South Africa ranking 35th out of 54 profiled countries in terms of total entrepreneurial activity in 2010. The NDP estimates SMME



contribution to GDP at 45.0%, one of the lowest in the world, and has set a target contribution of 90.0% by 2030. Figure 2, illustrates that in 2015 1 (711 746) of every 22 employed individuals in South Africa work in the tourism industry. The majority of these people (29.0%) were employed in road transport, 20.0% in food and beverage, 19.0% in accommodation, 16.6% in retail and 16.0% in other segments of the industry (Stats SA, 2016).

### *Importance of SMMEs within the tourism industry*

Jaafar, Khoshkam, Rashid and Dahalan (2014); Batta (2016:18) argue that expansion in the tourism industry relies on the existence and support of SMMEs in each region and that there is a reciprocal relationship between tourism and entrepreneurial activities as tourism depends on entrepreneurial development to fuel SMME development and growth. According to Vallabh, Radder and Venter (2015) in South Africa tourism is widely recognised as a 'strategic priority for achieving economic growth' and SMMEs are earmarked as legs for tourism growth to walk on. Ryan, Mottiar and Quinn, (2012) consider entrepreneurs as the cornerstone of tourism development that budding tourism economies can never develop without (Khan and Krishnamurthy, 2016). Butler and Rogerson (2016:266) speak about the three modes of Local Economic Development which include progressive LED where state organs, private sector and the local community cooperate to achieve objectives of sustainable economic growth, in which local entrepreneurship (SMMEs) play a vital role.

In South Africa just as in Zimbabwe, SMEs are utilised as business survival strategy aimed at curbing the social impacts of rapid economic meltdown (Chigora & Zvavahera, 2015:4). According to Siddo (2017:6) the number of SMMEs in South Africa has reached 2 251 821 (667 433 being formal and 1 497 860 being informal). SMME development and growth strategy was initially presented in the White Paper on SMME Development (Integrated Small Business Development Strategy – ISBDS) in 1995. The strategy was aimed at reducing regulatory constraints, increasing financial and non-financial support and creating demand for the products and services provided by SMMEs. Pillay (2017) and Singh (2012: 3) are of the view that SMMEs in tourism have proven to be drivers for economic growth through development of entrepreneurial skills and the provision of employment and has created a fertile environment for SMMEs. Tourism SMMEs contribute to socio-economic development of a nation by creating employment and can therefore play a vital role in achieving the vision 2030 of the National Development Plan (NDP) which is to reduce the unemployment to 6% through the creation of about 90% jobs in small and expanding firms (NPC, 2011). Small businesses within the tourism industry offer a great redistribution effect and help to restructure and empower society (Njiro, Mazwai & Urban, 2010), to succeed and prosper, SMMEs need to establish a sound business management habits (Agwa-Ejon & Mbohwa, 2015:520). SMMEs still face a number of challenges that hinder growth and sustainability.

### *Challenges facing tourism SMMEs*

The tourism industry is distinguished by the massive dominance by a myriad of small firms that provide for the needs and wants of tourists with different tastes, styles, and preferences. The tourism SMMEs are also subject to all the challenges facing tourism as a service industry such as seasonality (fluctuating demand and low dependability), variability (as services that impress customers are hard to duplicate), perishability (as services cannot be stored making them quite costly to produce), intangibility (they have no quality credence points), inseparability (service



cannot be separated from the person who is providing it), making skills development crucial, and simultaneity (consumed as they are being produced and hard to quality-assure prior to consumption) (Kandampully, 2006). The challenges facing small enterprise development in tourism represented a critical theme in contemporary international tourism scholarship as far back as 2007 (Ateljevic & Doorne, 2007) to date (Vallabh, Radder & Venter, 2015; Khan and Krishnamurthy, 2016). Khan and Krishnamurthy further argue that even though the challenges facing SMEs have been the focus of research for years, the root causes of the problem have not been addressed. Faced with numerous other challenges including access to finance, hand-to-mouth financial attitudes, lack of skills, racism and others, their servicescape tends to be unattractive for the affluent customers.

Vallabh, Radder and Venter (2015), however, point out that SMMEs are failing to live up to their expectations due to a number of challenges and constraints. The SMME sector is more vulnerable to all the fluctuations and insecurities of the economy than big businesses. Crime was cited as one of the key challenges in Khayelitsha, weak entrepreneurial culture, poor management skills, and high barriers to market entry. These all thus result in high rates of business failure, a shortage of role models, lack of proper training, unrealistic goal setting, perception of the tourism industry as inferior, servitude and not providing growth opportunities, and lack of planning skills and experience (NCR, 2011; NTSS, 2011:33; Khan and Krishnamurthy, 2016:82). The Provincial Growth and Development Plan 2030 (2013:40), points out that within KZN there is a low rate of start-ups of small enterprises and a low rate of success for start-ups. The 2010 Small Business Survey ranked lack of access to finance (8.7%) third after competition (12.6%) and lack of space to operate (16.2%) as key obstacles for the growth of SMMEs (FinScope, 2010; Agwa-Ejon & Mbohwa, 2015:523). Other challenges include lack of provincial offices, uneven distribution of information, high cost of searching for support services, lack of well-trained accredited service providers, poor access to markets, cumbersome administrative requirements and insufficient knowledge transfer between consultants and small businesses are also identified as challenges towards easy access of finance to SMMEs (NCR, 2011; Mago & Toro, 2013), lack of resources such as poor infrastructure, poor roads, inefficient transport system, and a lack of communication network (Matela, 2013:1).

#### *Possible remedies to challenges facing tourism SMMEs*

According to Small Enterprise Development Agency (SEDA) Final Report, 2012) with respect to the tourism sector, the support needs of SMMEs are shown to be most acute in the areas of: financial assistance, more access to markets, business mentoring support, capacity building training in basic business skills, assistance to register with professional bodies, support for networking and the development of partnerships, assistance to comply with grading requirements, support to lobby government to ring-fence procurement opportunities, assistance to understand and comply with industry regulatory standards, (Agwa-Ejon & Mbohwa, 2015:522) and sound financial management function. Developing awareness of support organizations (FinScope, 2010), assistance with marketing of their products and services (Mago & Toro, 2013) and assistance with start-up phase finance (NCR, 2011) are also considered crucial aspects. Better cooperation between the government and lending institutions in the form of government guarantees to facilitate the development and growth of SMEs (Yoshino & Taghizadeh-Hesary, 2016) is recommended.

#### **Methodology**

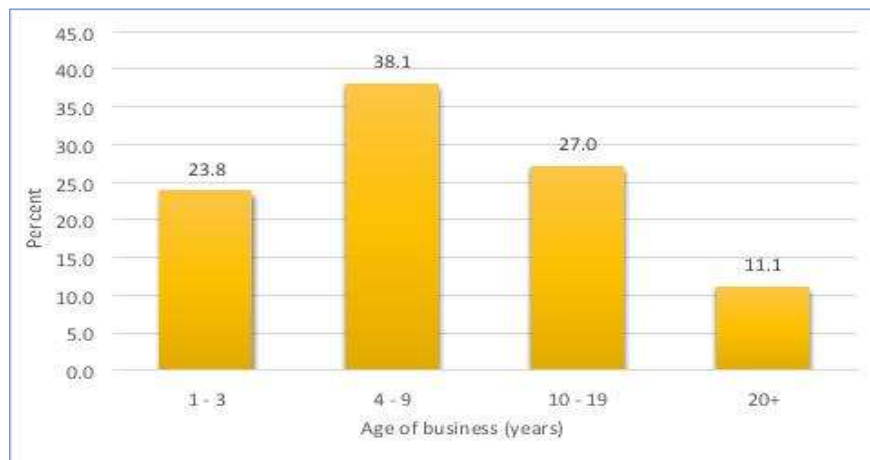


A mixed methodology using qualitative and quantitative approaches was used in this study. The population of the study was made of all tourism SMMEs within uMsinduzi Local Municipality in order to identify their distinct challenges and possible solutions thereof. The sample was compiled through a stratified random technique using a table of random numbers. The stratified random technique was used in order to ensure that all the categories earmarked for study were represented in the sample. Data was collected from 65 respondents using a structured questionnaire because the number was too big for conducting one-on-one interviews.

## Findings

The study found that the tourism SMME sector was still dominated by White South Africans at 55.0%, closely followed by Africans at 41.7% and lastly a quite insignificant proportion of Indians at 3.3%. It was disturbing to discover that 20 years into democracy and despite a number of policies aimed at levelling the tourism business landscape, this industry even at the SMME level was still dominated by the white minority. While unacceptable, this would be expected given better resources and education afforded them by apartheid.

The tourism segments represented were accommodation services (accommodation booking agents, B&B, guesthouse and self-catering services) at 43.1% and travel services (tour operators, travel agents and shuttle/taxi service) at 56.9%. It was important to establish the legal identities of these businesses as that affected them in a number of ways, including access to funding, access to markets and other aspects. Sole proprietorships made for 35.9% of the businesses, followed by private companies at 29.7%, close corporations at 20.3%, partnerships at 7.8% and other at 6.3%.



**Figure 3:** The age of the business (years)

Figure 3 shows that of the sampled businesses 38.1 (majority) had been in existence for a period between 4-9 years. This category was followed by 10-19 years at 27.0%, 1-3 years at 23.8% and finally over 20 years 11.1%. A significantly lower number of sampled businesses seemed to have survived over a long period of time (20+ years). This finding was in line with the literature claims that in South Africa the sustainability rate of SMMEs was low leading to a lot of start-up businesses that tended to remain at the nascent stage.

Table 1 indicates that funding was the major challenge facing the SMMEs within the tourism industry with a frequency of 45 and 69.2%. This was followed by marketing challenges with the frequency of 37 and 56.9% selection rate. These two were closely followed by competition with



the frequency of 33 making up 50.7%. Owners of registered enterprises complained about unfair competition from unregistered providers.

**Table 1:** Challenges and constrains facing tourism SMMEs

	Frequency	Percent
<b>Funding</b>	45	69.2
Affordable finance, Accessing grants, Start-up funds		
<b>Marketing</b>	37	56.9
Advertising costs, Market exposure		
<b>Compliance</b>	30	46.1
Illegal operators, Licensing, Licensing authorities are not efficient		
<b>Government</b>	28	43.07
Not getting sufficient business from government entities, Municipalities are poorly administered, High rates and taxes, Not much assistance is given to SMMEs by government		
<b>Capacity building</b>	23	35.3
Strategies for growth, Not making a profit, Can only handle a small number as guests, Staffing issues, Expansion opportunities, Training and development		
<b>Competition and access to market</b>	33	50.7
Cannot compete with corporates, Too many hotels in a particular area, Getting regular tours due to high number tour operators, Access to clients		
<b>Red tape</b>	16	24.6
Too much of red tape		
<b>Total</b>	65	100,0

Compliance issues, regulations and licensing came fourth with a frequency of 30 (46.1%). Compliance is crucial in the tourism industry because tourism SMMEs deal with international, regional and national visitors and their safety, facility cleanliness, and good knowledge and other aspects are also very important in upholding the South African brand image. The subsection on government included SMMEs not obtaining any business from government, municipalities being poorly administered, high rates and taxes and the amount of assistance given to SMMEs by government. This subsection acquired a frequency rate of 28 (43.07%). Capacity building had a selection frequency of 23 (35.3%).. This subsection was composed of strategic growth issues, profitability, capacity of the business, staffing issues, training and development and expansion opportunities. Red-tape came last as a challenge for tourism SMMEs (frequency=16, 24.6%). These challenges do not seem any different to those discussed in the literature, except for a noticeable inability to compete with big businesses, high rates and taxes for businesses that already face low turnovers and other challenges associated with tourism such as the issue of seasonality.

Most owner-managers (68.8%, n=44) indicated that they were unaware of any funding institutions existing within the tourism SMME sector, however about a third of them (31.3%, no=20) indicated that they were aware of the existing funding institutions. The respondents mentioned the following





funding institutions: SEFA, National Department of Tourism, Department of Trade and Industry, National Empowerment Fund, Umhlanga Tourism Board, Department of Economic Development, Tourism and Environmental Affairs, Industrial Development Corporation, Ikwezi Tourism Fund, Banks, Small Enterprise Finance Agency, TEP and South African Tourism as some of the funding institutions. This seemed like a big pool of possible funders, however, the majority of enterprises could not access funding because of a number of qualifying criteria such as the availability of collateral, risk factors, financial skills and profitability of a business. It was surprising that only 16.9% had applied for financial assistance and of this number only 17.4% were granted financial assistance. One then wonders why the government has so many agencies if the most required help still does not filter to the sector it was intended for.

**Table 2:** Reasons given for decline

Reasons	Frequency
Only applicable to certain groups	6
Government did not have funds	5
Financial institutions do not have assistance	3
SMMEs are high risk	1
Still waiting	1

The reasons for decline as reflected in Table 2 included: fund only applicable to certain groups (such as previously disadvantaged) (Frequency=6); government did not have funds (told to try the following year) (Frequency=5) and financial institutions could not assist (Frequency=3). One of the respondents was told that SMMEs were high risk.

**Table 3:** Internal problems

	Frequency	Percent
Staff development; Qualification, Recruiting of skilled employees	5	7.6
Better marketing and promotion	4	6.1
Finance; Transport; Taxes; Lack of input by TKZN and Durban Tourism, Financing vehicles	4	6.1
Labour laws are not user friendly, Meeting compliance; Too much of red tape	3	4.6
Financial, Cash flow; Rising costs, Downturn in the economy	3	4.6
Improve municipal infrastructure; Upgrade operator facilities, Our facilities cannot cater for large groups, Unreliable electricity supply	3	4.6
Improve time frames	2	3.1
Tourism officials are not personally involved and do not understand the sector; Trained and efficient officials	2	3.1
Annual renewal of licence;	1	1.5
Communication channels between authorities and other SMMEs	1	1.5
Lack of government assistance; Lack of knowledge	1	1.5
Only certain companies get awarded tenders	1	1.5



The respondents also indicated that they were facing numerous internal challenges as reflected in table 3. Most of the problems mentioned included: tourism officials are not personally involved and do not understand the sector; untrained and inefficient officials; unreliable electricity supply; slow improvement of municipal infrastructure; only certain companies get awarded tenders; meeting compliance; too much red tape; lack of government assistance; labour laws are not user friendly; the downturn in the economy; poor communication channels between authorities and other SMMEs; transport; taxes and lack of input by TKZN and Durban Tourism, were more external than internal. Internal problems and challenges included: better marketing and promotion; staff development; staff qualification; recruiting of skilled employees; facilities that cannot cater for large groups; improvement of time frames; lack of knowledge; annual renewal of license; cash flow problems; rising costs and financing vehicles.

The fact that some of them could not tell the difference between internal factors (that they have control over) and external factors (that they have no control over) is indicative of bigger problems associated with not understanding the business environment that well.

*Possible remedies*

Topping the list of possible remedies to existing challenges was the government and compliance theme with the frequency of 22 of the sample of 65. Their suggestions included: ease of compliance with tourism authorities, easier regulations, reduction of red tape, ease of access to documentation and offices, dealing with one department and reduction of paperwork. This group of possible remedies was followed by collaboration among SMMEs and between them and government departments with the frequency of 7 out of 35. Collaboration could be achieved through improved communication channels between SMMEs, department and other agencies and the Department of Tourism interacting more often with them to address concerns.

**Table 4:** Suggestions to solve problems and deal with challenges

Suggestions	Frequency
Easy Compliance with tourism authorities; Easier regulations; Reduce red tape, Easier access to documentation and offices; Deal with only one department, Too much paperwork	22
Collaboration could be achieved through improved communication channels between SMMEs, department and other agencies and the Department of Tourism interacting more often with them to address concerns	7
Authorities need to ensure that SMMEs get a fair share of the market, Mechanisms should be in place to allow SMMEs to advertise their products, Marketing workshop, More work should be allocated to SMMEs	5
Improve transport facilities, Municipal service delivery poor during peak season; Poor water and electricity supply during peak season	5
More cooperation between SMMEs; More meetings with the SMMEs who are in the sector, Transport facilities using hotel shuttles	4
Provide adequate training/workshops to SMMEs where businesses are located	4
Easier access to funding, SMMEs should be assisted with start-up grants; More grant	4
Curb illegal operators; Municipality and Government need to address illegal operators	3
SMMEs should be encouraged to grow within the sector, SMMEs treated as "in-service" centres	2
Incentive awards; Awarding licences; Easier access to permits	2
Information from controlling bodies must be accurate	1
Join an association that will take up the cause of SMMEs	1
People with relevant experience and qualifications should be involved in the sector	1
Working independent of government	1

These were closely followed by access to markets with the frequency of 5 out of 35 (Authorities need to ensure that SMMEs get a fair share of the market, mechanisms should be in place to



allow SMMEs to advertise their products, marketing workshop, more work allocated to SMMEs) and improvement of facilities also with the frequency of 5 out of 35 (improvement of transport facilities, improvement of municipal service delivery during peak season, improvement of water and electricity supply during peak season). Respondents also seemed to think that their challenges and problems could be addressed through collaboration amongst themselves (11.4%), training and development (11.4%) and access to funding (11.4%), curbing of illegal operations (8.6%), growing the sector (5.7%) and ease of access to permits to address the problem of illegal operators (5.7%). Quite a number of possible solutions suggested by the respondents seemed to indicate that the infancy stage of development of the industry was different to those reflected in the literature.

Training and capacity building would go a long way in addressing most of the challenges faced by the tourism SMME industry within uMsunduzi Local Municipality. The respondents identified their training needs as shown in table 5.

**Table 5:** Training requirements

	Frequency
Funding lobbying and negotiations skills	38
Business management; Micro management skills	36
Financial management	35
Marketing and sales	30
Recording keeping	25
Office operations skills; Computer skills and sophisticated software programmes	18
Communication and networking skills	17
Customer care	16
Tourist guiding (Nature and game reserves)	16
Cooking and house keeping	9
BEE compliance	5
Business plan drafting	3
Apprenticeship	2

Topping the list of tourism SMME training needs with the frequency of 38 out of 65 (58.5%) was funding lobbying and negotiations skills, followed closely by business management skills (55.4%) and financial management at 53.8%. Marketing and sales skills (46.2%), record keeping (38.5%), office operations (27.7%), communication and networking (26.2%), customer service (24.6%) and tour guiding (24.6%) were other quite significant training requirements.

## Conclusion

The study highlighted the common challenges faced by SMME in accessing assistance from funding institutions despite the long list of funders. It is a well-known fact that most SMMEs, especially those who come from previously disadvantaged backgrounds (41.7%), do not have sufficient track records or assets to provide them with collateral. It is therefore imprudent to make



such demands on them as prerequisites for loan approval. Some of the respondents felt that the evaluation of loan applications using exposure to risk based on profitability of the business was unjust and disadvantageous to them, as it kept their businesses marginal. The study suggests that a Credit Guarantee Scheme suggested for Japan small businesses (Yoshino & Taghizadeh-Hesary (2016:9) be adopted with some modifications to suit the South African and uMsunduzi Local Municipality tourism SMME needs in particular.

This model would contribute in alleviating the finance, collateral, and risk factors in evaluating loan applications. This model would also bring government agencies, funding institutions, mentors (private sector) and tourism SMMEs (mentees) closer together to improve sustainability and viability of these businesses which have been identified as engines of economic growth. The involvement of SMME representatives through bodies formed by themselves, would assist in supervision and monitoring. This study would help to ensure that SMME challenges and constraints are brought to the fore and that government initiatives are geared towards solving real problems that are faced. Skills development for both operators and government agents would talk to one of the remedies suggested by respondents of getting educated and skilled people in the tourism SMME sector. It would also address a host of other capacity challenges that they alluded to facing such as office operation, marketing, financial management and others. Supervision in this model would cascade down to the lowest level of signing loan contracts, and assisting to ensure that debtors understand the fine-print. As indicated by Yoshino and Taghizadeh-Hesary (2016:9), credit guarantees would make it less risky for financial institutions to offer start-ups, growth and other credit required by SMMEs, if credit guarantors offer to absorb part of the amount should the venture supported by private sector (mentors) fail.

The National Credit Regulator (2011) encourages the government to continue building on current programmes and establishing new ones if warranted, in order to improve the levels of managerial competence and skills of the SMME owners or managers. The respondents also suggested that a flexible eligibility criterion which is administratively friendly for SMME loans and proper amount allocations should be offered. Timm (2011) proposed that the government and the private sector must partner together when it comes to financing SMMEs, with the private sector ideally providing mentorship and government some tax-relief for both mentors and mentees.

## References

AFP Relaxnews. (2017). Whooping 18.6m tourists to visit Africa in 2017. *Sunday Times, September, 2017*. Available: <http://www.timeslive.co.za> [Retrieved on 13 November 2017].

Agholor, E.D., Smith, W., Akeem, A.O. & Seriki, I.I. (2015). Challenges faced by women entrepreneurs and strategies adopted by women entrepreneurs to ensure small business success in Nkonkobe Municipality, South Africa. *Journal of Economics*, 6(1): 37-49.

Agwu, M. O. & Emeti, C. I. (2014). Issues, Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria. *European Journal of Sustainable Development*, 3(1): 101-114

Alhowaish, A.K. (2016). Is tourism development a sustainable economic growth strategy in the long run? Evidence from GCC Countries. *Sustainability*, 8(7): 1-10.



Annual Review of Small Business in South Africa (2005-2007). Final Draft August 2008. Department of Trade and Industry. Available: [www.dti.gov.za](http://www.dti.gov.za) [Retrieved on 22 November 2017].

Ateljevic, I. & Doorne, S. (2007). Hopeful tourism: A new transformative perspective. *Journal of Sustainable Tourism*, 8(5): 378-392.

Athanasopoulou, A. (2013). Tourism as a driver of economic growth and development

Batta, R.N. (2016). SMEs and sustainable tourism: The case of an Indian Himalayan destination. *Science Target*. Available: <http://www.sciencetarget.com> [Retrieved on 13 November 2017].

Butler, G. & Rogerson, C.M. (2016). Inclusive local tourism development in South Africa: Evidence from Dullstroom. *Local Economy*, 31(1–2): 264–281.

Chigora, F. & Zvavahera, P. (2015). Be green and you are branded: Case of small to medium enterprises in Zimbabwe tourism sector. *Journal of Entrepreneurship and Business Innovation*, 2(1). Available: [www.macrothink.org/jebi](http://www.macrothink.org/jebi) [Retrieved on 03 February 2018].

Coldwell, W. (2017). US tourism experiences a 'Trump slump'. *The Guardian (February, 2017)*, Available: <http://www.theguardian.com> [Retrieved on 13 November 2017].

FinScope, (2010). Small business landscape in South Africa. Available: [www.cover.co.za](http://www.cover.co.za) [Retrieved on 03 February 2018].

Glusac, E. (2017). International tourism to U.S. declined in early 2017. *The New York Times (September, 2017)*, Available: <http://www.nytimes.com> [Retrieved on 13 November 2017].

Greiner, R. (2010). Improving the net benefits from tourism for people living in remote northern Australia. *Sustainability Open Access*, Available: [www.mdpi.com/journal/sustainability](http://www.mdpi.com/journal/sustainability) in the EU--27 and ASEAN regions. Research Brief, December 2013 Available: [www.eucentre.sg](http://www.eucentre.sg) [Retrieved on 17 April 2017].

Jaafar, M., Khoshkam, M., Rashid, M.M. & Dahalan, N. (2014). Tourism and SME business opportunity in Lenggong Valley World Archaeological Heritage Site Malaysia. *Journal of Hospitality and Tourism Management*, 26: 72-71.

Kandampully, J.A. (2006). *Services Management: The new paradigm in hospitality*. New Jersey: Pearson Prentice Hall.

Kapunda, S.M. (2015). Small and medium enterprises in Botswana: The case of tourism sector. *Journal of Social and Economic Policy*, 12(1): 1-7.

Khan, R. & Krishnamurthy, J. (2016). Future proofing of tourism entrepreneurship in Oman: challenges and prospects. *Journal of Work-Applied Management*, 8(1): 79-94.

Koens, K. & Thomas, R. (2015). Is small beautiful? Understanding the contribution of small businesses in township tourism economic development. *Development Southern Africa*, 32(3).



Mago, S. & Toro, B. (2013). South African government's support to small, medium, micro enterprises (SMMEs): The case of King Williamstown area. *Journal of Economics*, 4(1): 19-28.

Mahembe, E. (2011). Literature review on small and medium enterprises' access to credit and support in South Africa. National Credit Regulator. Pretoria: Underhill Corporate Solutions.

Makakane, M. (2014). Do SMMEs play a role in the South African economy? Available: <http://morongwamakakane.co.za/smmes-play-role-south-african-economy/> [Retrieved on 03 January, 2018].

Matela, L. (2013). Economic contribution of Small Medium and Micro Enterprises (SMMEs) towards the development of tourism in rural areas of Butha-Buthe in Lesotho. University of Cape Peninsula.

National Development Plan 2030. (2012). National Planning Commission. Department of Presidency. Pretoria. Available: <file:///C:/Users/phoswak/Downloads/NPC%20National%20Development%20Plan%20Vision%202030%20lo-res.pdf> [Retrieved on 03 February 2018].

National Tourism Sector Strategy (NTSS). (2011). National Department of Tourism. Pretoria. South Africa.

Njiro, E., Mazwai, T. & Urban, B. (2010). A situational analysis of small businesses and enterprises in the townships of the Gauteng Province of South Africa. *First International Conference, Centre for Small Business Development*, Soweto, 27028 January 2010.

OECD. (2017). OECD Economic Surveys: South Africa. Paris: Organisation for Economic Co-operation and Development.

Ohlan, R. (2017). The relationship between tourism, financial development and economic growth in India. *Future Business Journal*, 3(1).

Pillay, K. (2017). SA tourism plans to double growth of unique SMME tourism offering by 2018. Traveller24, Available: [www.traveller24.com](http://www.traveller24.com) [Retrieved on 05 January 2018].

Provincial Growth and Development Plan 2030. (2013). KZN Provincial Planning Commission. Available: <http://www.kznonline.gov.za/images/Downloads/Publications/12-05-21%20PGDS%20Final%20Printed%20Version.pdf> [Retrieved on 05 January 2018].

Ramukumba, T. (2014). Overcoming SMEs challenges through critical success factors: A case of SMEs in the Western Cape Province, South Africa. *Economic and Business Review*, 16(1): 19-38.

Ribeiro-Siriano, D. (2017). Small business and entrepreneurship: Their role in economic and social development. *Entrepreneurship & Regional Development*, 29(1-2): 1-3.

Robano, V., Leal, S. & Karakousis, V. (2017). United Nations World Tourism Organisation. Financing sustainable development in tourism SMEs. Sustainable Tourism Programme. Available: [cf.cdn.unwto.org/all/files/docpdf](http://cf.cdn.unwto.org/all/files/docpdf) [Retrieved on 15 January 2018].



- Rogerson, C.M. (2017). The economic geography of South Africa's international tourism industry. *Acta Universitatis Danubius*, 13(2): 66-80.
- Ryan, T., Mottiar, Z. & Quinn, B. (2012). The Dynamic Role of Entrepreneurs in Destination Development. *The Journal of Tourism Planning & Development*, 9(2): 1-22.
- Scowsill, D. (2017). Travel and tourism economic impact 2017. *The World Travel and Tourism Council*. Available: <http://www.wttc.org> [Retrieved on 15 January 2018].
- Seghir, G.M., Mostefa, B., Abbes, S.M. & Zakarya, G.Y. (2015). Tourism spending-economic growth causality in 49 countries: A dynamic panel data approach. *Procedia Economics and Finance* 23 (2015). Science Direct, Elsevier.
- Shakouri, B., Yazdi, S.K., Nategian, N. & Shikhrezaei, N. (2017). International tourism and economic growth and trade: Variance decomposition analysis. *Journal of Tourism & Hospitality*, 6(3).
- Siddo, S. (2017). Transforming the South African tourism industry through SMME development. SME Tradelinks. Presentation on 4 April 2017. Available: <http://www.sanparks.org> [Retrieved on 13 November 2017].
- Singh, R. (2012). Women entrepreneurship issues, challenges and empowerment through self-help groups: An overview of Himachal Pradesh, *International Journal of Democratic and Development Studies*.1(1): 45-58.
- Small Enterprise Development Agency (SEDA) final report, (2012/2013); Pretoria. Available: <http://www.seda.org.za/Publications/Publications/Seda%20Annual%20Report%202012-13.pdf>
- Smith, W. (2017). SMMEs contribute 36% to economy. Business Report, 20 March 2017. Available: [www.iol.co.za](http://www.iol.co.za) [Retrieved on 13 November 2017].
- Statista. (2017). The portal for statistics. Available: <https://www.statista.com/>
- Statistics South Africa. (2015). Annually Labour Force Survey. Pretoria. Available: <http://www.statssa.gov.za/> [Retrieved on 25 October 2017].
- Statistics South Africa. (2016). Annually Labour Force Survey. Pretoria. Available: <http://www.statssa.gov.za/> [Retrieved on 25 October 2017].
- Statistics South Africa. (2017). Annually Labour Force Survey. Pretoria. Available: <http://www.statssa.gov.za/> [Retrieved on 25 October 2017].
- Technology Innovation Agency, 2017. Available: [www.tia.org.za/.../201617%20TIA%20Economic%20Impact%20Assessment%20Repo...](http://www.tia.org.za/.../201617%20TIA%20Economic%20Impact%20Assessment%20Repo...) [Retrieved on 20 January 2018].
- Timm, S. (2011). How South Africa can boost support to small businesses: Lessons from Brazil and India. Trade & Industry Policy Strategies. Available: [www.tips.org.za/uploads/media/SB](http://www.tips.org.za/uploads/media/SB) [Retrieved on 27 July 2017].



Trounce, D. (2017). Small business – the backbone of our economy in 2017. *Business Enterprise*. Available: <http://born2invest.com>articles>amp> [Retrieved on 07 January 2018].

United Nations Development Programme (UNDP) South Africa (2014). Small business is big business – UNDP in South Africa. Available: [www.za.undp.org>Reports>publication](http://www.za.undp.org>Reports>publication) [Retrieved on 22 July 2017].

Vallabh, D., Radder, L. & Venter, D. (2015). Factors preceding CRM readiness in small-and medium-sized tourism enterprises. *ACTA COMMERCII*, 15(1).

Yoshino, N. & Taghizadeh-Hesary, F. (2016). Major challenges facing Small and Medium-sized Enterprises in Asia and solutions for mitigating them. *ADB Working Paper Series, No. 564 April 2016, Asian Development Bank Institute*. Available: [www.adbi.org](http://www.adbi.org) [Retrieved on 29 October 2017].

Zaei, M.E. & Zaei, M. E. (2013). The impacts of tourism industry on host community. *European Journal of Tourism Hospitality and Research*, 1 (2), September 2013.