THE RELATIONSHIP BETWEEN GROWTH IN SMALL BUSINESSES AND CASHFLOW: A STUDY OF SMALL BUSINESSES IN TSHWANE

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ABSTRACT

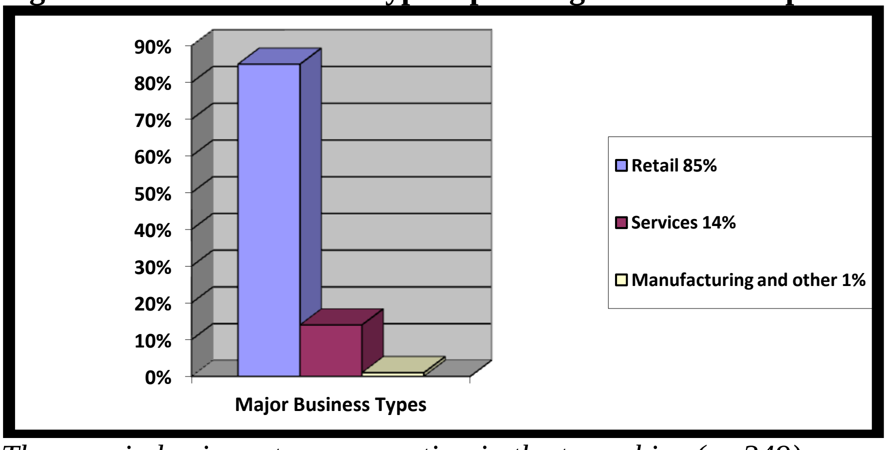
This article examines factors that affect the survival of SMMEs linked to cash flow management systems used by the Small Business in the informal economy. A 5yr longitudinal study was conducted by regularly collecting data to verify if there was proper financial management adherence to control cash flow. A sample of 349 SMMEs operating in and around the City of Tshwane was selected for the study. A 66.18% response of the 349 SMMEs interviewees was considered adequate. The result indicated that only 27.42% of the interviewees underwent financial literacy management training. Statistical Package for Social Sciences (SPSS) was used to analyze the data. Education and training is key to efficient cash flow management and long term survival of Small Business.

Keywords: Cash flow management, control systems, record keeping, entrepreneurship, education, training, survival.

INTRODUCTION

SMMEs in developing countries are said to establish their businesses out of necessity (Small Bone, 2010). The legal framework does not require them to compile financial statements regularly hence the reluctance to have financial and operations plans that are incorporated in their Business Plan for strategic planning. SMMEs provide a wide variety of affordable consumer goods at a convenient time and place using cash based model of money – goods exchange process of selling and acquisition of o goods and services. Convenience shopping is ideal for young shoppers as the consumption goods do not require a complex buying pattern that involves credit purchasing process. The owner does not require sophisticated structural equipment for storage and setting up. Consumer's disposable income and consumption patterns remained constant during the period of study (Stats SA, 2012).There are three dominant business types of businesses in a township environment, namely retail (about 85%), services (about14%), manufacturing and other (about 1%).

Fig 1. Three main business types operating in the townships



Three main business types operating in the townships (n=349)

ISSN 2056-5992

The City of Tshwane (COT, 2014) further classifies the typical or traditional township businesses as follows:

- Spaza shops and / or general dealers
- Hair and beauty saloons
- Bakeries and confectionaries
- Shebeens and "bottle stores"
- Restaurant and shisanyamas
- Brick building and bricklaying
- Light manufacturers in activities such as welding and shoe – making
- Auto body repairs and mechanics
- Mortuaries
- Dress makers and tailors
- Subsistence farming
- Hospitality – guest houses
- Crafts
- Tour guides and safety monitors
- Recyclers

Amongst other reasons, one of the main reasons for establishing a small business is income supplementing. This requires little capital outlay including basic technological applications, flexibility and rapid adaptability, easy setting up process as well minimum costs. The establishment of such small businesses requires little training, especially the basic human capital skills required for effective management of a small business enterprise. Post 1994 there was tremendous increase of home based small businesses and influx of foreign owned and a managed small businesses due the relaxation of trading bylaws by the City of Tshwane (Ligthelm, 2011). Majority are home based businesses where no complex infrastructural demands are high. Hence less sophisticated infrastructure, equipment, furniture and fittings is required for operating such a business. As the SMMEs, are usually located in the areas close to their customers, their modus operandi fits in well with the "concept of convenient shopping". The modern virtual shopping patterns were found to be non-existent in the township studied. This is a cash based local economy. Majority of goods sold and used in the manufacturing process includes non – branded goods from China and India though bought from local suppliers. Standards and Quality are often overlooked and business patronage is supported by strong customer relationship.

Initially DTI focussed on institutionalizing the SMME environment as there was no formal recognition and acknowledgement of SMME contribution the economy (DTI.2012). Socio / Political system, prior 1994, is one of the main reasons for the systematic blockage of institutionalizing a conducive environment for SMME development.

Majority SMMEs interviewed are not VAT registered (StasSA, 2012) hence they are not obliged to keep formal records and draw up Financial Statements as well as submit VAT returns every bi - monthly. Municipality by-laws do not enforce strict retail laws like a Monthly Turnover for computing a Tax Collection System. Only Department of Labour enforces the employee registration rules

Lack of skills and training has confided SMMEs to be at a subsistence level with little or no growth prospects (Xiaohong & Rentong, 2013). Financial records used for data collection during the 5yr period of the longitudinal studies were in a form of supplier receipts, debtors books and bank statements, eventhough about 28% had a bank account. The skills for financial management are gathered through trial and error, coping, simple cash collection and payment method of transacting. Bulk purchases are done on a cash basis. The effect of the Township Mall establishment and mushrooming in a township and rural settlements forced the small business to be of a survival nature as their management style is more of a reactionary than systematic order. This business operations model is widely used by SMMEs as it requires little or no Business Management training. Basic Management skills, for efficient operation and managing a business, in a professional way, are usually low.

The concept of survival linked to efficient cashflow management

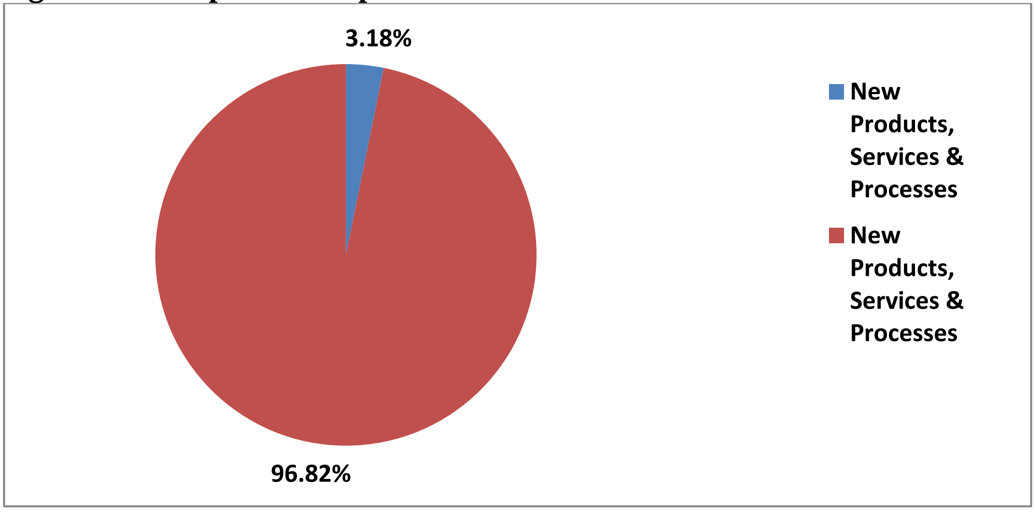
Entrepreneurship is important for the long term survival of the business. It plays an important role of introducing new products, services and practices that are supported by innovation. The following table compares how the different scholars viewed the term innovation that has made SMMEs to operate and survive over a long term.

Table 1. Comparative views of scholars about Entrepreneurship

Scholar	Quotation
Peter Drucker	♦ Innovation is the specific instrument of entrepreneurship – the act that endows resources with a new capacity to create wealth
Theodore Levitt	♦ Innovation is the vital spark of all human change, improvement and progress
Michael Porter	♦ Innovation is the central issue in economic prosperity

As long as Small Businesses employ poor financial operations policies, procedures, systems, amongst others, their businesses challenges for growth and long term survival will always prevail (Xiaohong & Rentong, 2013). During the 5yr study period the data collected never varied. SMMEs interviewed during the 5yr study never introduce new products, efficient operating systems and process that would enable their business to grow over a long term. See the figure depicting their innovation and entrepreneurial practices.

Figure 2. Entrepreneurship



Entrepreneurship (n=349)

ISSN 2056-5992

OECD (2003) Creativity, Innovation and Economic Growth in the 21st Century states that today, more than ever before, innovation, enterprise and intellectual assets drive economic growth and increase standards of living. Innovation is instrumental in creating new jobs, providing higher incomes, offering investment opportunities, solving social problems, curing disease, safeguarding the environment and protecting our security. To help achieve the objectives, governments must create appropriate incentives for continued growth in innovation and technology development and embrace sound policies for assuring broad social diffusion and access to key scientific and technological advances that enable us, as Newton first observed, "to stand on the shoulders of geniuses".

A basic management skill plays a crucial role in the survival of the small business irrespective of its sophistication level. Hence, the challenges linked to basic management skills that are needed for growth and survival of the small business are usually compromised. The skills analysis results of the survey conducted on Small Businesses' cashflow management is directly linked to its operation life span. Efficient cashflow management can be equated to the continuous supply of blood to an existing human being.

Cash flow management and Small Business Survival

Cash is an important resource for business operation. It is the blood of the business. Training on cash flow management plays a crucial role for the long term survival of small business. Traditional business operations methods used by the SMMEs did not require formal bookkeeping and recordkeeping system. The lack of controls, policies and systems affects the cash flow position of the small business. This lack of control leads to bankruptcy, hence the majority do not survive over a long term. The dynamic nature of the small business environment requires vigilance, adaptation, quick response and strong customer relationship management. Incremental knowledge management is important for small business survival. b increase of environmental management.

Ligthelm states that business survival and growth are of a descriptive nature while others are more quantitatively orientated in nature. Majority of Township operated retail and other types of business outlets falls in to this quantitative aspect of this theory.

Growth and survival of SMMEs has been articulated by scholars (Ligthelm,2009). Training and skills are some of the important factors for the organizational survival. External factors such as competition, Government support, access to finance and continuous skills upgrading, is important for sustaining the business over a long term.

The life span and survival of small business is linked to necessity entrepreneurship including sophistication level as opposed to opportunity driven that is linked to long term survival (ligthelm, Herrington & Kew, 2009). Herrington & Kew argue that economies dominated by opportunity driven entrepreneurs have a lower rate of business failure than countries with higher proportions of necessity-driven entrepreneurship.

The need to keep accurate records during the 5yrs longitudinal studies was based on the bookkeeping service information. The Bookkeepers often struggles to get information required to compile professional financial statements. Bookkeepers, who are also SMMEs interviewed and small business owners, experienced income stream growth challenges from their clientele that do not keep their books accurately. Their relationship with their clientele and income streams growth and survival are also dependent of the efficiency of cashflow management by the SMMEs. In turn this affects the industry and business survival.

SMMEs interviewed experienced challenges that could be linked to failure for business expansion and growth prospects. The following table 2 listed challenges (n=349)

Table 2. Small Business Establishment and Operation's Challenges

	Challenges	**% response**
1	Business set up too high	100
2	Stringent regulatory requirements	100
3	Vulnerable to theft	97.83
4	Vulnerable to robbery	100
5	Poor internal control systems	100
6	Lack of Basic Management Skills	54
7	Transport	67
8	HR	50
9	ICT	72
10	Capacity	100
11	Market access and business linkages	62
12	Access to information for business operations and strategic planning	66
13	VAT / TAX Computation	87
14	Ability to compile records / Basic Bookkeeping	97
15	Cost of Hiring a Bookkeeper and Business Advisory Specialist	55.07
16	Entrepreneurship skills	96
17	Bankruptcy history	58

Small Business Establishment and Operation's Challenges (n=349)

Despite challenges only 188 (53.86%) of the 349 interviewed survived during the 5yr study period. The 46.14% that were extinct cited cashflow to be the main reason for business closure. The Business skills Profile of the interviewees (n=349) is illustrated in the following table.3

Table 3. Business Skills Profile

	Business Skills	**% response**
1	Financial Management	23.13
2	Basic Record Management Skills	11.19
3	Basic Operations and Business Management Skills	14.73
3	Marketing	37.22
4	HR	21.80
5	ICT	27.83
6	TAX / VAT Computation and interpretation	1.93
7	Practical Tendering Skills	57.49
8	Quality Controls (QMS)	0.86
9	Strategic Management and Long term planning	0.95
10	Entrepreneurship (Introduction of new products & services, processes, procedures, policies, systems & controls)	3.18

Business Skills Profile (n=349)

ISSN 2056-5992

MATERIAL AND METHODS OF DATA COLLECTION

A Pilot research was conducted where 50 questionnaires were equally distributed in Atteridgeville, Mamelodi, Oilivenhoutbosch, Hammanskraal and Pta CBD during December 2006. Results indicated that an in-depth interviews and further research should be undertaken to further gather more information about cashflow management problems prevailing in the SMME sector that often leads to business closure.

Study Area

The area of study is the City of Tshwane (COT) in the Gauteng Province in South Africa. The regional areas were the townships and settlements in and around the COT. These were further divided into 4 areas, namely North – Hammanskraal, West – Atteridgeville, East – Mamelodi and South – Olievenhoutbosch including the CBD

Data sources

A sample size of 349 SMMEs were interviewed. A qualitative method was used to gather information through a focus group the consisted 4 groups of 8 interviewees totalling 32 participants. Quantitative data was collected through survey that also used a face to face interview, telephone, electronic and email.

Methods

A 5yr longitudinal study was conducted through regular data collection form a sample size of 349 SMMEs in the stratified areas. The data collection commenced January 2007 and was concluded in 31st December 2012.

Reliability of methods employed

The pre –test and post interview results were consistent. A measure is said to have a high reliability if it produces similar results under consistent conditions (Wikipedia, 2014) . At 95% confidence interval we are confident of the range of values we are discussing that they contain the population parameters. The wider the confidence interval, the more confident we can be that it will contain our (unknown) parameter. (Tustin etal, 2005:569). Variables for data collection, amongst others, included training and education, record keeping, management and efficient planning for sustainable operation that would lead to long term survival of the organization.

Research results

Bank Account for operating the Business

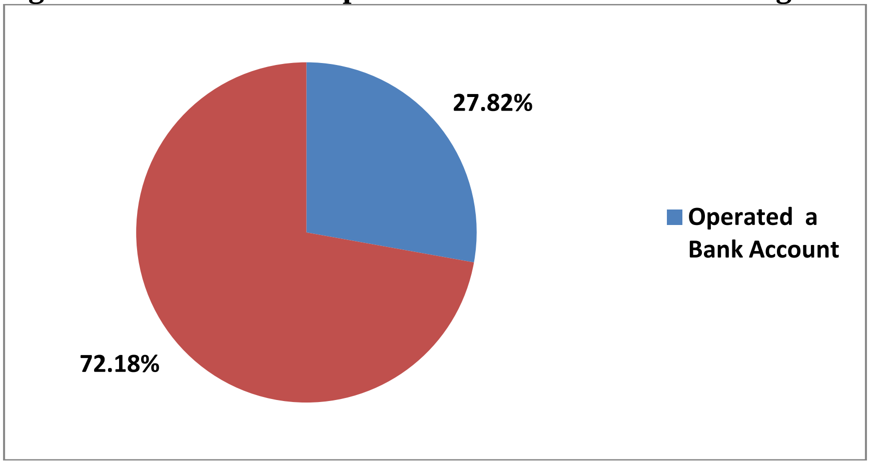
From the 349 interviewed only 27.82% had a bank account. Transacting was still traditionally based on the cash based model. The informal economy is largely a cash based economy. The following table 4 reflects how the bank accounts are used (n=349)

Table 4. Commercial Bank Products for operating Business

	Type of Bank Account	% response
1	No Bank Account	72.18
2	Savings / Transmission used for Business and Private	26.90
3	Cheque Account	0.92

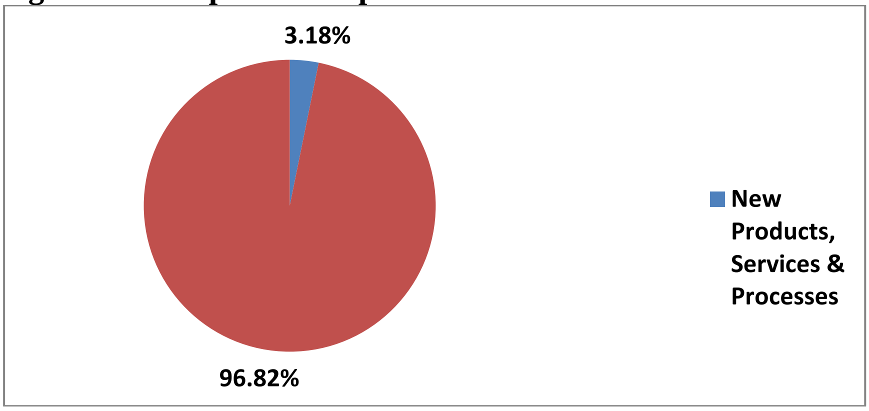
Commercial Bank Products for operating Business (n=349)

Figure 3. Bank account operation for business transacting



Bank account operation (n = 349)

Figure 4. Entrepreneurship Skills



Entrepreneurship skills (n=349)

Financial Management Training

The level of Financial Management skills possessed by viable businesses (23.13%) had training skills and 76.17% were not trained and did not have adequate skills

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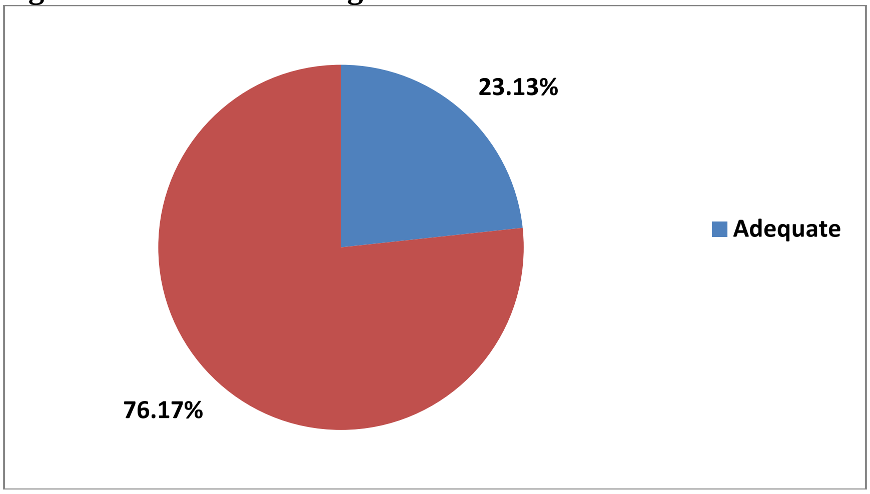
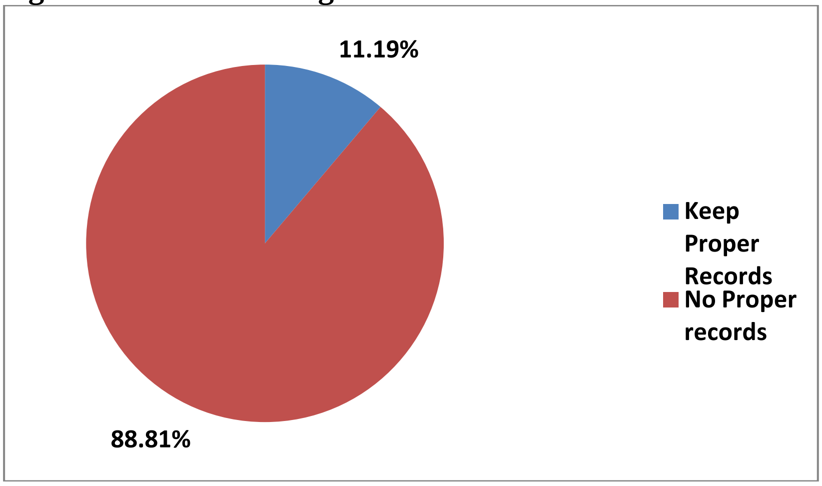
Figure 5. Financial Management Skills



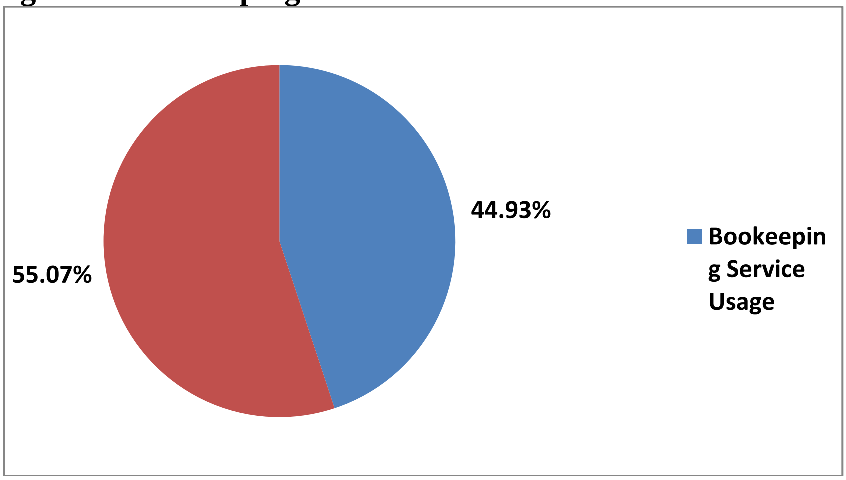
Financial Management Skills (n=349)

Figure 6. Record Management Skills



Record Management Skills (n=349)

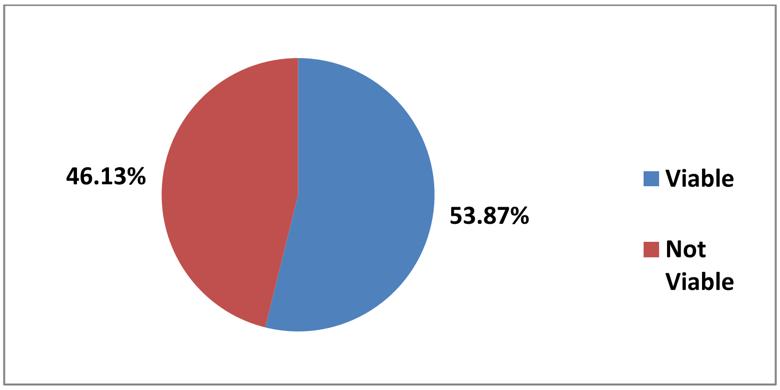
Figure 7. Bookkeeping services



Bookkeeping services usage (n=349)

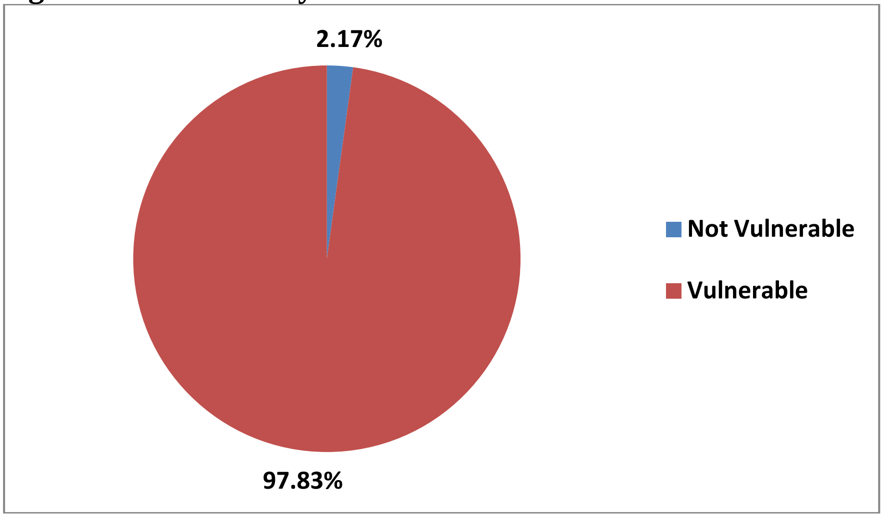
Viable business
At the end of the study in 31st December 2012, 188 of the 349 small businesses were not financially viable. Hence 53.87% were viable and 46.13% were not viable. Figure 8 depicts the situation of the small business viability.

Figure 8. Viable Business



Viable Business (n=349)

Figure 9. Vulnerability



Vulnerability (n=349)

Majority of the interviewees acquired financial management skills through a self taught methods that is based on a trial and error approach. Due to poor Financial Management Planning they regarded the services of a Bookkeeper to be expensive and not necessary as they were not obliged to compile Annual Financial Statement and a Business Plan. Hence the perception that they do not need to have controlling tools that includes policies, procedures and systems was not applicable to their business. Training was perceived as a way of eroding their comfortable management style.

RESULTS OF DATA ANALYSIS

Table 5 below shows the distribution of factors that affect the long-term survival of enterprises for viable and non-viable businesses. The table provides frequency proportions for 6 key predictors of viability and long-term survival for viable and non-viable businesses. In the 5-year study period, 188 of the 349 businesses in the study (54%) failed while the remaining 161 businesses (46%) managed to survive. The table shows that 68% of viable businesses possessed adequate entrepreneurial skills that incorporated financial management training whereas only 26% of non-viable businesses did the same. Viable businesses had access to formal training (51%). The corresponding figure for non-viable businesses was 27%. The level of vocational skills possessed by viable businesses (77%) was relatively higher than the level of vocational skills possessed by non-viable businesses (38%). Viable businesses were able to secure loans relatively easily (74%) in comparison with non-viable businesses (37%). Viable businesses were operated by managers with relatively higher levels of formal education (71%) in comparison with non-viable businesses (43%). Non-viable businesses were characterized by a past history of bankruptcy (58%). The corresponding figure for viable businesses was only 11%.

Table 5.: Group proportions with regards to the financial viability of small businesses based on training and entrepreneurship

Predictor variable	Viable (n=161)	Not viable (n=188)
Level of entrepreneurial skills	Adequate: 68% Inadequate: 32%	Adequate: 26% Inadequate: 74%
Financial Management Training and structured Government support system	Adequate: 51% Inadequate: 49%	Adequate: 27% Inadequate: 73%
Level of relevant vocational skills acquired by business operator	Adequate: 77% Inadequate: 33%	Adequate: 38% Inadequate: 62%
Ability to secure loan needed for operation with a Business Plan	Easy: 74% Difficult: 26%	Easy: 37% Difficult: 63%
Level of formal education acquired by business operator	College level or above: 71% Below college level: 29%	College level or above: 43% Below college level: 57%
Past history of bankruptcy	Yes: 11% No: 89%	Yes: 58% No: 42%

Group proportions with regards to the financial viability of small businesses based on training and entrepreneurship [Viable (n=161), Not viable (n =188)]

Table 6.: Average (n= 349[161+188]/2)

Predictor variable	Viable (n=161)	Not viable (n=188)	Average N=349[161+188] / 2
Level of entrepreneurial skills	Adequate: 68% Inadequate: 32%	Adequate: 26% Inadequate: 74%	47% 53%
Financial Management Training and structured Government support system	Adequate: 51% Inadequate: 49%	Adequate: 27% Inadequate: 73%	39% 61%

Level of relevant vocational skills acquired by business operator	Adequate: 77% Inadequate: 33%	Adequate: 38% Inadequate: 62%	57.5% 47.5%
Ability to secure loan needed for operation with a Business Plan	Easy: 74% Difficult: 26%	Easy: 37% Difficult: 63%	55.5% 44.5%
Level of formal education acquired by business operator	College level or above: 71% Below college level: 29%	College level or above: 43% Below college level: 57%	55% 43%
Past history of bankruptcy	Yes: 11% No: 89%	Yes: 58% No: 42%	34.5% 65.5%

Average (n= 349[161+188]/2)

Table 7, below, shows adjusted odds ratios estimated from binary logistic regression analysis in which the random effects model was used. It can be seen from the table that viability in small businesses is significantly influenced by 4 predictor variables. The 7 influential predictor variables are lack of entrepreneurial skills, access and affordability to training and support, inability to acquire relevant vocational skills, and low initial capital, in a decreasing order of strength. The most influential predictor variable affecting long-term viability and survival is lack of entrepreneurial skills.

Table.7: Adjusted odds ratios estimated from binary logistic regression analysis

Variable	*Adjusted Odds Ratio	P-value	95% C.I.
Lack of entrepreneurial skills	3.86	0.000	(1.43, 6.02)
Financial Management Training and structured Government support system	3.54	0.000	(1.71, 5.96)
Inability to acquire relevant vocational skills	3.27	0.000	(1.77, 5.81)
Low initial capital	2.03	0.004	(0.35, 3.42)

* Adjustment was done for geographical location, age of owner and gender.

The percentage of overall correct classification for the fitted logistic regression model was equal to 89.07%. The P-value for the Hosmer-Lemeshow goodness-of-fit test was equal to 0.1076 > 0.05, thereby indicating that the fitted logistic regression model was theoretically reliable.

Hazard ratios estimated from the Cox Proportional Hazards Model are shown below in Table 8. It can be seen from the table that viability in small businesses was significantly influenced by 3 factors. The 5.83 influential predictor variables are lack of entrepreneurial skills, access and affordability to training and support, and inability to acquire relevant vocational skills, in a decreasing order of strength. The most influential predictor variable affecting long-term viability and survival is lack of entrepreneurial skills.

Table 8: Adjusted hazard ratios from the Cox Proportional Hazards Model

Variable	***Adjusted Hazard Ratio**	**P-value**	**95% C.I.**
Lack of entrepreneurial skills	3.87	0.000	(1.44, 6.01)
Financial Management Training and structured Government support system	3.55	0.000	(1.72, 5.94)
Inability to acquire relevant vocational skills	3.29	0.000	(1.79, 5.83)

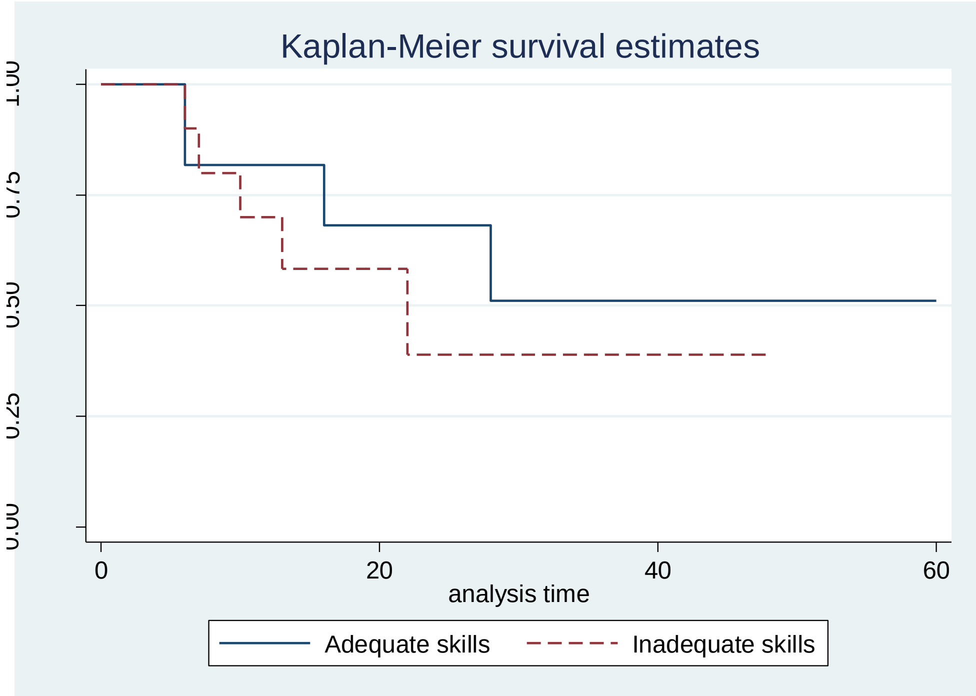
* Adjustment was done for geographical location, age of owner and gender.

It can be seen from Tables 7 and 8 that hazard ratios estimated from the Cox Proportional Hazards Model were fairly similar to odds ratios estimated from binary logistic regression analysis. In view of the fact that the design of the study is longitudinal, and not cross-sectional, hazard ratios estimated from the Cox Proportional Hazards Model carry more weight theoretically in comparison with odds ratios estimated from binary logistic regression model. As such, interpretation of results will be made based on hazard ratios.

The hazard ratio of the variable "**Lack of entrepreneurial skills**" is 3.87. This shows that businesses that are run by operators who do not have adequate entrepreneurial skills are 3.87 times more likely to fail in comparison with businesses that are run by operators who have adequate entrepreneurial skills. It can be seen from Table 6.1 that 68% of the 161 viable businesses in the study were run by operators who had adequate entrepreneurial skills, whereas only 26% of the 188 non-viable businesses in the study were run by operators who had adequate entrepreneurial skills. The hazard ratio of the variable "**Access and affordability to training and support**" is 3.55. This shows that newly established businesses that had inadequate supervisory support were 3.55 times as likely to fail in comparison with businesses that enjoyed adequate supervisory support. The hazard ratio of the variable "**Inability to acquire relevant vocational skills**" is 3.29. This shows that businesses that were run by operators with poor vocational skills were 3.29 times as likely to fail in comparison with businesses that were run by operators with adequate vocational skills. Adjustment was done for three potential confounding variables: geographical location of business in the city, age of owner and gender of owner. Unadjusted and adjusted hazard ratios did not differ much. This shows that none of the three variables used for adjustment was a confounding or effect modifying variable. The adequacy of the fitted Cox model was assessed using log-minus-log plots, the likelihood ratio test and the AIC (Akaike's Information Criterion) as diagnostic procedures. All log-minus-log plots were parallel, showing that the assumption of proportional hazards was satisfied. The P-value from the likelihood ratio test was small (0.0001 < 0.01), thereby showing that the 6 variables constituting the fitted Cox model were jointly efficient in explaining variability in long term survival at the 1% level of significance. The estimated value of the AIC statistic was also small (10.01), thereby showing that the discrepancy between the fitted and true models was insignificant (Verbeek, 2000).

Kaplan-Meier survival probability plots were used for comparing the survival probabilities of viable and non-viable businesses with regards to entrepreneurial skills as well as cashflow management. The plot shows that businesses that were run by operators with adequate entrepreneurial skills have a relatively larger probability of survival in comparison with businesses that were run by operators with inadequate entrepreneurial skills.

Figure 10. Kaplan-Meier survival probabilities by level of entrepreneurial skills and training



DISCUSSION OF RESULTS FROM QUANTITATIVE DATA ANALYSIS

The study found that out of 349 businesses that took part in the study 188 did not survive and they had not undergone formal business skills training on formal management. They never kept proper financial records. It was also found the 188 non-viable businesses in the study (74%) were characterized by low level of entrepreneurial skills, 73% have no formal Financial Management Training and structured Government support system, 62% business operator had inadequate level of relevant vocational skills, 63% failed to acquire loan with a Business Plan, 57% had a low level formal education below college level and 58% had a history of bankruptcy.

The study found that those businesses that were run by operators with adequate entrepreneurial skills had higher survival rate and are almost 4 times (Adjusted Hazard ratio of 3.87 at 95% CI)
Results obtained from Pearson's chi-square tests of associations (P < 0.05) showed that businesses fail due to lack of financial management training, lack of basic management skills, initial capital and failure to utilize finance in accordance with business plan, high labour cost,

ISSN 2056-5992

shortage of entrepreneurial skills that are needed for operating business, adverse market conditions. Cash shortages due to poor record keeping, wrong pricing accompanied by lack of financial systems and controls as well as lack of operations control procedures and policies led to bankruptcy. Wrong pricing methods affected the profits hence the bankruptcy and lack of financial muscle to compete with the organization that has good financial systems. Lack of financial management planning made these SMMEs believe that acquiring the services and advice from a Bookkeeper is expensive. In the long run the opposite is true.

They also experienced difficulty of servicing monthly operational financial requirements based on business operational requirements for efficient business management, for example - inability to pay fees that are required for renting business premises, inability to do bookkeeping. The key findings of this study are in agreement with results reported by Jiang & Peng (2011), Globerman, Peng & Shapiro (2011), Zoogah, Vora, Richard & Peng (2011), Peng, Rabi & Sea-Jin (2010) and (Daley-Harris, 2011).

The study has shown that the failure to utilize finance and financial management systems, policies, procedures and controls in accordance with business plan is detrimental for viability, and that non-viable businesses are characterized by a past history of bankruptcy. 58% were found to have a bankruptcy history. Social factors that affect the business survival are lack of cash controls, policies, procures and systems to record drawings in cash or in a form of stock from the business. Poor record systems is major contributor to small business bankruptcy. Similar findings have been reported in other Sub-Saharan African and South-East Asian countries in which it has been found that successful businesses are often run by operators with sound entrepreneurial skills and fiscal discipline (Kumar, Antony, Madu, Montgomery and Park (2008: 878).

Successful operators improve their managerial, vocational and technical skills incrementally. 77% operators whose business survived were found to have acquired adequate relevant vocational skills. Planning on management skills through drawing a formal annual training plan assisted in addressing skills shortages and has a long term financial plan to invest in incremental skills upgrading.

Managerial ability was assessed in terms of the ability of owners or operators to produce sound business plans, perform standard bookkeeping, auditing and record-keeping duties, introducing appropriate technologies and expertise, acquiring innovative business skills from rival enterprises, degree of motivation and commitment in sharing useful experience with employees, commitment in terms of empowering employees, investing in skills related training opportunities for employees, ability in resolving business related disputes amicably, etc. Successful businesses and enterprises were associated with managers who enjoyed what they were doing to see their training experiences are applicable to their businesses and they can actually relate to their business performance and improvement, whereas unsuccessful businesses and enterprises were associated with mangers with little or no motivation and commitment. Their businesses are usually not viable as well as not surviving over a long term.

Although there is an understanding that the SMME sector has the potential for contributing to the growth of the national economy, the sector needs to be supported, through a structured training, by the national Government. Skills development is important, especially financial management training that helps the cashflow management of the business. The study conducted by Kumar, Antony, Madu, Montgomery and Park (2008: 878) has shown that the sustained growth of the national economy depends on the sustained growth of the SMME sector. This is especially true in developing economies such as South Africa. Klotz, Horman, Bi and Bechtel (2008: 623) have found that all tender procedures that might benefit small businesses and enterprises must be administered with adequate transparency as a means of supporting the SMME sector. Dasanyaka and Sardana (2010: 50-702) have found that strategic partnerships between national and provincial Governments as well as academic institutions benefit the SMME sector in terms of producing workable plans of actions. Edwards, Sengupta and Tsai (2010: 543-565) have argued that mentorship are critically helpful for reducing failure rate in newly established small enterprises. Studies conducted by Dougherty (2009: 357-380) and Estebanez, Grande & Colomina (2010: 39-57) have found that support mechanisms and supervision are critically needed for reducing failure rates in newly established enterprises. Rumiler and Brache (2004: 2-3) have reported that business processes that aim to benefit small, micro and medium enterprises must be free from bureaucratic procedures and bottlenecks in order to enable small businesses to reach their full potential in the SMME sector of the economy. Black-owned enterprises conducting businesses in and around Pretoria need tangible formal training, support and mentorship in order to grow and make a sustainable contribution to job creation and the alleviation of poverty among the masses.

The strategic benefit of entrepreneurial and managerial skills for the long term survival of small and medium-sized enterprises has been pointed out by Rummler and Brache (2004: 2-3) and Smith and Fingar (2003: 12-19). Both authors have found that the lack of entrepreneurial and managerial skills constitutes a major obstacle to the development of SMMEs. These findings have been corroborated by Zhang (2010: 338-361), Wennberg & Lindqvist (2010: 221-241), Van Praag (2003) and Sun & Liu (2010: 433-444) in which it has been found that the acute shortage of entrepreneurial and technical skills has become one of the key reasons why newly established small and medium-sized enterprises fail to grow on a sustainable basis. The study conducted by Hicks, Culley, Mc Mahon & Powell (2010: 52-73) has found that newly established small enterprises cannot thrive in situations where infrastructure is poorly developed.

The constant shortage of entrepreneurial skills in small businesses is linked to lack of formal training. This skills shortage exacerbates the plight of emerging firms in and around Pretoria. The shortage of such skills is responsible for the high rate of failure of newly established companies and cash flow management. According to Clemens (2006: 494) and Watson (2003: 262-277), it is strategically important to have access to skills-based programmes of training if newly established companies are to bridge the skills gap in the SMME sector. Business programmes that are offered by South African universities are not relevant to the survival needs of small and medium-sized enterprises. The absence of accredited training programmes in this regard, usually offer generic training courses and this adds problems to the lack of basic management skills that addresses cash flow management.

Under financial constraints, small and small and medium-sized enterprises are likely to perform poorly on a contract or a business undertaking (Wagner, 2003). Based on findings reported by Dowla (2005: 23-38), Harris & Rae (2010: 4-12), Hadaya & Pellerin (2010: 477-504), Mc Adam, Moffett, Hazlett & Shelvlin (2010: 195-214) and Curran & Blackburn (2001: 78), the key reason why the majority of newly established firms go out of business in the first three years following establishment is their inability to raise the finance needed for the completion of projects.

ISSN 2056-5992

Though the DTI has established SEFA (Small Enterprise Finance Agency) SMMEs interviewed never used theses services. Their Financial Information was not in line with the requirements for a having a formal business plan. Although the commercial banks have adequate funds to lend, their lending policies are quite stringent, and are based on collateral. Lending criteria, amongst other factors is based on financial information that is on the Business Plan and includes the nature and history of the business, educational level of the owner manager, sector age, the skills of the manager - owner interpreted with The other microfinance institutions do not have adequate funds to satisfy the needs of newly established firms. Also, their lending rates are quite high, and are not affordable to small enterprises. Qian, Theodore, Peng & Zeming (2010: 1018-1030) have found that it is quite difficult and unaffordable for the majority of small enterprises to borrow money on unfavourable terms from financial institutions conducting business. Basically, these financial institutions have limited resources, and impose rather stringent repayment conditions on borrowers. This condition exacerbates the plight of newly established firms (Smedlund, 2008: 63-77). Newly established firms often lack the ability to utilize borrowed money wisely and according to plan. They have poor auditing, managerial and entrepreneurial skills. They do not report their progress at the workplace regularly to financial institutions that choose to lend them money. As a result, the majority of commercial banks and micro-lending financial institutions are often reluctant to lend monies to newly established small and medium-sized enterprises conducting business in the Pretoria region of Gauteng Province.

Entrepreneurship is an important component for the survival of the business. 30% Interviewed indicated that they have never introduced new products, processes, systems, business services as well as business processing during the period under review. Hence i*nnovativeness* in operating and managing business in order to address competition, new trends that can make them keep out-dated stock. Cash flow management is important Survival Concept was reviewed to look into factors that are consistent with organizational factors incorporate for long term survival, amongst other factors - geographical area and irrespective of the size, sector of operation and age of the business

CONCLUSIONS

Training on how to handle Cash and the management thereof is important for sustaining the business over a long term. Training on how to handle cash as a resource requires efficient controls for managing a business. This is important for the business survival. SMMEs are trapped in the old management style that does not keep formal records as they are not obliged to comply to VAT requirements. Their perceptions are such that they feel that this limits their free management style that is not subject to formal policies, controls, systems and procedures for control and efficient management of their businesses.

RECOMMENDATIONS

Training and education - is necessary to train small business owner- operator on financial management that includes budgeting, etc. Cashflow management is important in operating and managing the business over a long term. Entrepreneurship should be included in the curriculum form the elementary level of academic training.

Financial Management controls and systems- the small business should be trained on control system that is linked to their policies, procedures and management tools for efficient control of the cashflow. A Quality Management System (QMS) approached should provide guidance on efficient operations, controls and management systems.

Financial planning – the small business operator should be trained on how to prepare a Business plan and revise it annually. This will assist them to have a long term plan for operating their business efficiently. Their accumulated skills will enable them to understand and implement long term strategy for business sustenance.

Operations Management – the small business owner should be trained on general management with emphasis on finance, capital budgeting, strategic investment, etc

Sector Education Training Authority (SETA)– should design customized courses that are accredited in terms of Quality Council for Trade and Occupation (OCTO) on management for Small Business Operations that addresses the industry needs (DHET, 2012).

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