

# Government Policy and Entrepreneurship Performance: The Case of Small, Medium and Micro Enterprises in Botswana

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**Abstract:** Botswana is fast developing country and has witnessed remarking progress in the areas of Agriculture and Industry since independence. The Eighth National Development Plan covering the 1997/98-2002/03 period has economic diversification as its central theme. Botswana's strong external position provides flexibility in achieving increased employment through industrial development. Every country aims at achieving self-sufficiency through producing what the country needs. Governments do encourage industries to enhance production to satisfy internal and external demands. Encouragement and incentives would be in the form of financial assistance, state protection etc. and through this the state aims at achieving considerable improvement in entrepreneurship performance. The government of Botswana is quite active in promoting Small, Medium and Micro Enterprises through its policies on industrial development. This paper looks at the government policy on SMME and the performance of these enterprises in relations to the policies and assistance. It also considers the contribution of SMME towards country's economic growth. The global market has changed considerably as also the activities of Small, medium and micro enterprises. Today, for businesses to survive, dynamism and entrepreneurship must exist in its fullest degree. The study has tried to measure the level of global sense and growth oriented mind of these enterprises, as they are considered essential to withstand global competition.

**Keywords:** Micro Enterprises, Small Enterprises, Medium sized Enterprises, Financial, Assistance Policy, Local Preference Scheme, SMME Promotion, SMME Policy, Micro Business Scheme

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## Introduction

The contribution of Small, Medium and Micro-enterprises is recognized in economies all over the world, irrespective of the level of development achieved in each country. The contribution of SMMEs towards growth, job creation and social progress is valued highly and small business enterprises are regarded as an important element in a formula for achievement of economic growth (Vosloo, 1994). The development and the performance of SMMEs have been of great interest to entrepreneurs, governments, venture capital firms, financial institutions and non-governmental organizations (Baker, 1992). Over the last two decades there is increased feeling that SMMEs should grow and increase their contributions, as in developing countries, SMMEs are believed to make substantial contribution towards employment, poverty alleviation and ownership of productive sectors (Duncan, 1993; Rondinelli *et al.*, 1993). Researchers are particularly interested in determining the level of contributions of SMMEs to economic development and in particular to job creation (Aley, 1993; Meeke, 1993 and Rondinelli *et al.*, 1993).

**Aim of the Study:** The aim of this paper is to look into Government initiatives to Small, Medium and Micro Enterprises development and to measure performance in terms of their contributions towards employment generation and in other areas of development up to October 1999.

**Small, Medium and Micro Businesses Defined:** The Small, Medium and Micro Enterprises Task Force (April, 1998), has developed definitions for the three categories of business enterprises.

**Micro-enterprises:** "A micro-enterprise is an enterprise which has less than six workers including the owner and an annual turnover of less than P60 000".

**Small Enterprises:** "Small enterprises employ less than

25 paid employees, and have an annual turnover of between P60 000 and P1 500 000.

A small business can be defined in various ways. Despite their differences, all the definitions agree on the common idea that small and micro businesses employ few persons and are characterized by small amount of capital and turnover. The characteristics identified by United States Committee for Economic Development for small business is worth noting. The CED states that:

"A small business will have at least two of the following characteristics:

- \* Managers are also owners
- \* Owners supplied capital
- \* Area of operation mainly local
- \* Small in size within the industry.

**Medium Sized Enterprises:** "Medium sized enterprises employ less than 100 paid employees and have an annual turnover of between P1 500 001 and P8 000 000" Government of Botswana has accepted the criteria proposed by the SMME Task Force for defining the three categories of enterprises which are based on annual turnover and number of persons employed with the exception of the upper limit for the turnover of Medium sized enterprises where it has opted for a lower of figure. of P5 million (instead of P8 million) (Policy on SMMEs in Botswana, Government Paper 1, 1999)

**Small, Medium and Micro Business in Botswana:** Small and micro enterprises in Botswana are relatively young. (Sunny & Babikanyasia, 1994). Although this is the case, the Government has long recognized the importance of developing the small business and all efforts are made to encourage them through various assistance programmes. Rapid economic growth, Economic independence, Sustained development and Social justice are the four important objectives that guide the government of Botswana in planning national

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development. SMMEs encourage rapid economic growth by increasing employment prospects (Government of Botswana, 1988 a); enable to achieve economic independence by reducing dependence on imports and consumer goods (Government of Botswana, 1988 b); contribute towards sustained development by upgrading citizen skills through on-the-job training and providing essential training for employees who will now have the knowledge to start other small businesses (Government of Botswana, 1988 a). SMME also promotes social justice by creating sustained employment for unskilled workers (Alexander, 1983). In Botswana the contribution of the small scale and medium scale enterprises to the overall GDP is measured between 30-45% (Newell, 1996).

**Table 1: Position of SMMEs in Botswana**

Enterprises	Micro	Small	Medium
Number	50000	6000	300
	(Approx)	(Approx)	(Approx)
Rural areas	70%	80%	-
Urban areas	30%	20%	-

Source: Small Medium and Micro Enterprises Task Force Report, April 1998, pages 9-10

It has been found that women mostly own the micro enterprises and the business are run for family maintenance. The Task Force also found that 65% of the micro business enterprises are engaged in trading and approximately 25% are involved in manufacturing. Among the small enterprises in Botswana, 40% of the businesses are in the service sector, 20% in manufacturing, 16% in retailing, 10% in transport/distribution, 6% in construction and 8% in agriculture. The medium sized organizations are mostly engaged in manufacturing, with a fewer number in the area of construction, wholesale and retail activities (Small Medium and Micro Enterprises Task Force Report, April 1998, 9-10).

**Government Initiatives towards SMME Development:** The Government of Botswana regards SMMEs as a fundamental element that plays a major role in the national development. In recognition of this, the Government has formulated a number of policies to support small business enterprises in Botswana. In addition, a number of other agencies also provide various forms of assistance or support for Botswana's small business community.

The following table shows the milestones in the history of Government Policy on SMMEs in Botswana:

1891	British assumed political sovereignty over the Bechuanaland Protectorate. Indigenous citizen were generally excluded from trading activities
1947	The Bechuanaland Administration made an important decision regarding trading rights in the Tati Native Reserve which accelerated the rate of African commercial interest throughout Botswana.
1964	Introduction of Co-operatives with the aim of stimulating greater participation by Botswana citizens in trading activities.
1965	The Brigade Movement was started in Serowe
1974	Botswana Enterprise Development Unit established.
1978	Local Preference Scheme was introduced.
1982	Financial Assistance Policy (FAP) introduced.

1986	Certain retail activities were reserved exclusively for citizens under the Trade and Liquor Act.
1987	Integrated Field Services (IFS) established
1988	Certain areas of manufacturing activities reserved to Botswana citizens
1995	Tax rate on manufacturing companies reduced to 15%.
1997	Appointment of Small, Medium, Micro Enterprises Task Force to address comprehensively SMME issues and to steer the development of a policy for this sector.
1998	Presentation of final report to Ministry of Commerce and Industry. Policy paper on Small Medium and Micro Enterprises, approved by the National Assembly on 15 December 1998.

(Sources: A, Briscoe, (1995), Small Business Support in Botswana, 7; Budget Speech, 1999)

**Department of Industrial Affairs and the Small Business Enterprises:** The department of industrial affairs in the Ministry of Commerce and Industry is charged with the responsibility of promoting the development of industry and the transfer of industrial technology through a variety of public policy instruments. The aim is to diversify the economy and to increase participation of citizens at all levels of the industry.

This Division of the Ministry of Commerce and Industry has two important functions to perform. The department consists of five divisions:

- 1 Departmental Management division
- 2 Policies and Programmes Co-ordination
- 3 Industrial Support Services
- 4 Licensing and Protection
- 5 Integrated Field Services.

The Departmental Management division is responsible for manpower development with a view to localising certain positions held by foreign citizens. It is also responsible for administering the financial resources of the department. The Policies and Programmes Unit of the Coordination division is responsible for reviewing and formulating all policies and programmes related to industrialisation in the country. The Project Research Unit is responsible for preparing and appraising industrial development projects. The Unit researches on new project ideas and prepares project profiles for interested investors.

**Industrial Support Services Division:** This division is responsible for all support offered to business enterprises in Botswana. It has two important incentive schemes to administer:

**Financial Assistance Policy:** This is a policy started by the Government in 1982, amended in 1989 and again in 1995, to assist productive businesses in Botswana. It therefore, aims at assisting business enterprises so that:

- 1 More employment is created in the country. The two challenges facing the country today are underemployment and unemployment and through the establishment of productive businesses in Botswana, more jobs can be created.
- 2 Presently, the country is trading mainly on cattle and mining and other products have to be imported from other neighbouring countries. It is, therefore, necessary to start other industries in the country so that the economy becomes stronger and reduce dependence on imports.

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The FAP is based on two important elements:

Firstly, Government funds should be used only to support those new ventures or expansion of existing ventures, which can reasonably expect to benefit to the country (in terms of new incomes and new jobs created). Secondly, the Government assistance will only be temporary. It will last for a maximum of five years for industrial projects and up to eight years for agricultural projects and the policy will provide a percentage of the fund required for the whole project.

The recipients of the assistance are the schemes that can be described as productive business ventures. These productive ventures are those that can produce or process goods, which can replace those, which are at present imported from other countries or can be exported from Botswana.

Industries that provide a marketing or collection function for the producing businesses may also receive assistance. They are called Linking Service Industries. Tourism is also eligible for financial assistance under the FAP.

Projects financed by the programme are divided into Small Scale businesses, Medium Scale Businesses and Large Scale Businesses. Small Scale projects are those ventures that are valued up to P75 000 in fixed investment in terms of machinery, buildings and equipment. This category of financial assistance is reserved for Botswana citizens and the type of small business enterprises include:

- 1 Industrial Sector: This includes projects such as sewing, knitting, brick moulding, welding carpentry, bakery pottery etc.
- 2 Agricultural Sector: Projects on small stock, piggery, poultry, dairy, horticulture etc.
- 3 Tourism Sector: Hotels, Motels, lodges, tourist apartments and camps etc.
- 4 Other Sectors: These include small-scale mining and borehole repair services.

Medium projects having fixed capital investment of between P75 000 and P2 million are eligible for assistance.

In addition a non-refundable grant is also awarded to medium and large scale expanding and new productive businesses. As the emphasis of FAP is on the job creation, labour intensive enterprises are favoured. The projects to qualify for the grant must also have a minimum economic rate of return of 6%. There are three types of grants available; Capital, Unskilled labour and Training. The capital grant is for the initial project investment through the purchase of fixed assets. The unskilled labour grant is for citizens who are earning wages close to the statutory minimum wage. The training grant of 50% for citizen's off-the-job training costs will be reimbursed during the first five years of the project. FAP grants are tax-free.

**Local Preference Scheme/Local Procurement Scheme:** The scheme was first introduced in 1978. The main objective of the Local Preference Scheme is to encourage the development of manufacturing industry in Botswana. It is an industrial incentive offered by the Government of Botswana to citizen manufacturers who face strong competition for Government tenders from the manufacturers of the neighbouring countries. The scheme was reviewed and modified in 1987 to make it more efficient as an incentive scheme as well as to provide greater encouragement for the use of local

resources in manufacturing. Some of the produce manufactured by the Local Preference Scheme Manufacturer's Certificate holders include office, school and domestic furniture, human medicines, veterinary medicines, educational and commercial stationery, uniform and protective clothing etc. A review exercise was carried out in 1994, to evaluate the effectiveness of the programme and the Government decided to gradually phase out the scheme and replace it with a new scheme known as Local Government Procurement Scheme from 1<sup>st</sup> April 1997. This scheme will supplement other incentive schemes being administered by the Government such as FAP, Reservation policy etc. Under this programme, up to 30% of Central Government purchases will be exclusively reserved for Local Manufacturing Companies that meet the eligibility criteria. These local companies can be both citizen or non-citizen companies and the production and entrepreneurship will be stimulated to the extent being internationally competitive. Local companies will also be allowed to tender for the remaining 70% along with international companies. This offers opportunity to local companies to win 100% of Government purchases. The local companies may also have to compete against each other for Government tenders and the ones, which offers the most competitive terms regarding price, quality, timely delivery service etc. will win the tenders.

The programme will be initially confined to Central Government purchases only. To qualify for this programme a company must achieve a minimum of 25% local base or content and meet any two of the following requirements:

- 1 The firm must reach an annual turnover of between P200 000 and P5 million and be licensed under the Industrial Development Act
- 2 The firm must employ between 10 to 200 people and
- 3 The firm must have a total investment in productive machinery ranging from P50 000 to P5 million.

**Integrated Field Services Division (IFS):** This is the largest division within the Department of Industrial Affairs constituting more than 75% of the department's staff complement. It consists of:

- 1 Business Management Development Services Section
- 2 Industrial Technology Support Services Section and
- 3 The Integrated Field Services Field Stations.

The main objective of this division is to support the development of small-scale indigenous enterprises mainly in the rural areas although the services have now been extended to urban areas. The division administers a package of assistance programmes in the form of finance to existing and establishing business enterprises, provides technical and business training, marketing assistance and advisory services in all types of business matters. The business management training section of the Division focuses on providing guidance on implementation of business management training activities. The marketing section provides small and medium enterprises assistance through seminars, workshops and market research so that these enterprises can achieve growth of their markets and improve profitability. The marketing section collaborates with other organizations, which are involved in local business promotion like SEPROT, Women's Finance House, UB Small Business Clinic and

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others.

### **Organizations for SMME Promotion in Botswana**

**Small Enterprise Promotion Trust (SEPROT):** The idea to form a network to share information, build alliances for effective co-operation in order to provide quality service to Botswana small scale business entrepreneurs was developed in 1992 and as a result of this a Small Enterprise Promotion Form (SEPROF) was structured. This forum was then renamed and registered as Small Enterprise Promotion Trust (SEPROT) in 1994. The main objectives of SEPROT include:

- 1 Provide a forum to build networks and alliances to share information on small business development
- 2 Undertake short studies to provide information on the range of services, organisations and programmes available to assist the development of small business in Botswana and SADC region.
- 3 To hold workshops and seminars for the members to gain knowledge on small business development
- 4 To organise Small Business Week to provide opportunities to members to discuss their problems and find solutions
- 5 To organize workshops and seminars for small and micro-entrepreneurs to discuss matters regarding financial constraints, business linkages and policies etc.

SEPROT operates like an umbrella body to assist members who have direct linkage with small and micro-business enterprises. The Trust has no direct dealing with small and micro entrepreneurs but has developed a mechanism that will assist member organizations to provide the required exposure to small and micro entrepreneurs to achieve success in their business. Training in various areas for small and micro business entrepreneurs are undertaken by the member organisations.

**Botswana Confederation of Commerce Industry & Manpower (BOCCIM):** The Botswana Confederation of Commerce Industry and Manpower is a private non-profit making organization registered under the trade Unions and Employers' Organization Act 1983. BOCCIM represents the interests of the Private Sector in total and is recognised by Government of Botswana as capable to fulfil the interest of the Private Sector. BOCCIM membership cuts across all sectors and all categories of the Private Sector and includes parastatal organisation. BOCCIM sponsors a number of training courses in all-important areas; offers industrial relations assistance; provides management counselling to member firms especially to small business enterprises and organises workshops and seminars.

### **The Training Courses Designed for its Members**

**Include:** Customer Service; Industrial Disputes, Professional Selling Skills; Taxation; Finance for non-financial Managers and Communication Skills. The majority of the courses are run in Gaborone and a few of them in Francistown and Selibe Phikwe. (BOCCIM Calendar, 1998)

### **Developments in Government Policy Towards SMMEs**

The Government of Botswana appointed in 1997 a Small, Medium, Micro Enterprises Task Force to address comprehensively SMME issues and to steer the development of a policy for this sector. In 1998, the Task Force submitted the final report to the Ministry of Commerce and Industry. The National Assembly approved the policy paper on 15 December 1998.

**Small Medium and Micro Enterprises Policy:** The underling principles of SMME policy are essentially to create an environment in which these enterprises will find themselves comfortable to flourish and grow; to provide an integrated and comprehensive move to the development of SMME which will ensure appropriate linkage between the various programmes designed for these enterprises; to discourage as much as possible dependence on the government for assistance and also to make sure that the new policy is effectively implemented with a provision for regular assessment of the performance. (Policy on Small, Medium and Micro-Enterprises in Botswana, Paper No: 1 of 1999, 10-11). The objectives of the SMME Policy have been well laid down in the White Paper No: 1 of 1999. It includes:

- \* The policy aims at achieving economic diversification, which is one of the main targets of National Development Plan 8.
- \* Fostering citizen entrepreneurship and empower them with the ability to run businesses, thereby increasing the degree of economic activity under the control of Botswana citizens.
- \* The policy also aims at encouraging exports by these enterprises. This would lead to the tapping of export potential of small and medium enterprises in the country.
- \* Creation of employment opportunities. This is one of the main objectives of SMME and it has been proved that these enterprises have played a major role in employment creation in the country. The new policy aims at creating sustained employment to all.
- \* Encourage the development of a competitive and sustainable Small, Medium and Micro Enterprises community.
- \* It also aims at encouraging a harmonious blending and establishment of linkage between SMME and primary industries in agriculture, mining and tourism.
- \* Improve the effectiveness and efficiency of the support or delivery services to business enterprises.

For the effective implementation of the objectives of the SMME policy, it is imperative to ensure that the correct institutional arrangements are made to monitor the implementation of the policy. In addition, it is also a requirement that the business entrepreneurs properly understand regulations, which set out rules of the market place. Small businessperson always finds it hard to assimilate the concept of laws and regulations. This calls for in house training and assistance from professionals. In the light of the above, the government feels the need for a Small Business Act that will enhance the role of SMME in the country. It will also provide suitable legal framework for any action by government to encourage the SMME in Botswana. Through the Act, a Small Business Council will also be established which will function as an advisory body. The Small Business Council will:

- \* Review regularly the impact of government regulations and policies on SMMEs
- \* Monitor the needs and problems faced by these enterprises
- \* Develop new projects that will result in the strengthening of SMMEs
- \* Oversee the monitoring of all support programmes. (Policy on Small, Medium and Micro- Enterprises in Botswana, Paper No: 1 of 1999, 18).

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The government has long realised the importance of education and training that play an important role in the development of entrepreneurial skill in the country. The new Industrial Development Policy (1998) has well addressed the issue of human resource development and planning. The revised National Policy on Education also emphasises the need for incorporation of practical skills in the country's educational system so that those who pass through the system are equipped with the skill to meet the industry requirements.

No business can be started without adequate finance. The government has recognised the immediate need to finance micro enterprises and introduced Micro Credit Scheme in June 1999. The credit scheme will concentrate on helping citizen entrepreneurs and characterised by:

- \* Loans of P500 to P20 000
- \* Short loans for a maximum period of 36 months
- \* Application of loans either made individually or collectively
- \* Loans given on personal guarantee
- \* All borrowers to attend in a one day training course before accessing the first loan
- \* An institution will run the scheme independent of Government.

It was also recommended by the Task Force that the government should provide the initial fund to establish a Credit Guarantee Scheme. The government has decided that the Credit Guarantee Fund will provide guarantee to the business enterprises, which are citizen owned as also to the loans taken by Botswana citizens up to the maximum of P250 000.

Information about market opportunities is very essential to achieve success in business. This is of great importance in Botswana where the population is small and also spread all over the country. The government in the new policy endorsed the recommendation of the Task Force that Local Authorities should provide market sites for micro and small entrepreneurs in appropriate places.

**Entrepreneurship Performance:** Although official statistics on SMMEs are lacking in Botswana, the Task Force for the Small, Medium and Micro enterprises have estimated that there are approximately 56 300 such business enterprises operating currently in Botswana employing almost 125 000 people which includes business entrepreneurs. (Policy on SMMEs in Botswana, 1999,3). A previous study also shows that SME sector's contribution towards Gross National Product range between 30-45%. (Nowell, 1996).

**SMMEs and Employment Generation:** One of the major contributions of SMMEs is in the area of generation of employment. Micro Enterprise sector plays an important role in addressing the issue of meeting the basic needs of the people. It provides employment to:

- \* Female heads of households
- \* Rural population who do not have access to urban facilities
- \* Young generation of Botswana who are unemployed
- \* Disabled population

Mzico enterprises provide the space to absorb the increasing labour supply in the country, which the formal industrial sector is unable to accommodate.

The following table shows details of loan applications received by the National Development Bank and Small Business Promotion Agency which co-ordinates the SMME credit scheme.

**Micro Business Status Report as at 29 October**

**1999**

**Table 2: Micro Business Finance**

Office	Applications received	Applications approved	Loan Disbursed
Gaborone	6900	1549	10 431 742
Kanye	2314	406	1 570 036
Maun	827	366	1 010 197
Francistown	2087	359	1 616 788
Serowe	3127	1632	3 771 196
<b>Total</b>	<b>15255</b>	<b>4312</b>	<b>18 399 959</b>

(Source: Joint Preparation by National Development Bank and Small Business Promotion Agency, October 1999)

The above figures also indicate the significant growth in SMMEs in the country. This has a direct impact on the generation of employment in the country. The above data also shows that 45% of the applications came from the capital Gaborone where most of the industries have a tendency to concentrate. Maun has the lowest applications of 5% of the total.

Small Business enterprises also have their contributions to achieve country's economic and social objectives. Compared to micro enterprises, small firms have:

- \* High labour absorption capacity
- \* Improved technological skill
- \* Better exposure to market opportunities.

The following table shows the number of small scale projects approved for financial assistance under Financial Assistance Policy (FAP) It shows the trend in the growth of small scale businesses in the country over the three year period and in turn indicates the role played by these enterprises in domestic production and more importantly the generation of employment.

**Table 3: Small Scale Projects Approved for FAP**

DISTRICT	1994/95	1995/96	1996/97
CHOBEN	13	12	19
KWENENG	31	51	N/A
NGWAKETSE II	5	5	12
NORTH EAST	14	11	30
SOUTH EAST	26	47	93
OKAVANGO	11	7	35
BOBIRWA	17	116	170
GANTSI	11	15	22
S-PHIKWE	7	N/A	28
KGATLENG	100	229	82
TUTUME	30	22	68
KGALAGADI	16	15	32
BOTETI	10	7	15
F-TOWN	14	22	53
GABORONE	62	109	368
NGWAKETSE I	64	57	109
SEROWE	35	79	133
NGAMILAND	26	18	114
MAHALAPE	14	N/A	59
<b>TOTAL</b>	<b>506</b>	<b>822</b>	<b>1442</b>

Source: Department of Industrial Affairs Annual Reports 1994/95, 1995/96, 1996/97

The above figures clearly indicate the growing trend in the starting of small business in the country. There has been significant increase in the small business enterprises approved in Ngamiland sub-district, Bobirwa

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sub-district, Serowe and in Gaborone. The total number of small business enterprises approved in 1995/96 was 822 as compared to 506 in 1994/95 (An increase of 63%) and 1 442 business firms were approved in 1996/97 (An increase of 75% over 1995/96 figures). This growth in small businesses is quite encouraging as it plays an important role in the development of the country.

Medium-sized enterprises in the country also contribute to employment generation by creating jobs to skilled and unskilled workers. The level of production of such enterprises allows them to enter the export market and compete internationally.

The Statistical Office at Gaborone, has in its publication has highlighted the steady increase in the number of micro, small and medium establishments.

Table 4: Number of Operating Establishments by Employment Size

Number of Employees	Dec-97	Dec-98
1-4	4708	5 477
5-29	4157	4 956
30-49	498	792
50-99	283	357

(Source: Statistical Bulletin, December 1998, Volume 23 No: 4, 122)

The above table also illustrates clearly the growth of micro, small and medium business enterprises in Botswana, which has a direct effect on growth in employment. Establishments employing 1 to 4 employees increased from 4 708 in December 1997 to 5 477 in December 1998, an increase of 16%. Those enterprises, which employ labour between 5-29, can well be categorized as small business enterprises. Their growth in the one-year period is also encouraging. These business enterprises registered an increase of 19% thereby offering employment to persons with entrepreneurial skill. Medium enterprises have greater capacity than small business firms in term of employment and turnover. Statistics show that those firms that employ persons between 30 to 49 increased from 498 to 792 and enterprises employing workers between 50 and 99 had a 26% increase in one year period.

It has been observed that in Botswana a large number of small and medium firms concentrate on manufacturing of garments and processing of leather. Based on this assumption data collected show that small and medium business enterprises have made their material contribution towards exports of these commodities. The following figures show exports of hides & skins and Textile items for three years 1996, 1997 and 1998

Table 5: Export of Leather and Textiles

Year	Hides and Skins P'000	Textiles P'000
1996	28 706	195 139
1997	31 973	248 392
1998	23 870	245 970

(Source: Statistical Bulletin, December 1998, 23: 4, 92)

The above figures show that export of Hides and skins increased by 11% in 1997 as compared to 1996, but fell almost by 25% in 1998. In the case of textile items the increase in exports was registered at 27% more in 1997 as compared to 1996 and the export level remained almost stagnant in 1998 as compared to the previous year. These figures give an indication that SMMEs had their participation in the economic development of Botswana.

It is worth noting at this stage that the performance of these firms have been hindered by a number of problems encountered by these enterprises. While all efforts are being made to alleviate them, some of them still continue to exist. The following major problems and constraints are identified by various studies:

**Inadequate Marketing Skills:** Many small business entrepreneurs experience great difficulty to compete with medium and large-scale enterprises as they are exposed to limited marketing skills. The marketing section of IFS runs seminars and workshops to educate the small and medium enterprises with marketing skills to facilitate the growth of their markets and improve profitability. It was, however, found that this exercise was not very effective as most of the seminars were not for basic marketing courses. The seminars concentrated on follow-ups of trained entrepreneurs. (Annual Report, 1996/97, Dept. of Industrial Affairs)

**Business Premises:** Most of the micro and small business enterprises experience problems due to not having adequate space to operate their business effectively. Daniels and Fisseha, (1992), study revealed that 70% of entrepreneurs had their operations from residential plots. The IFS conducted a survey in 1994 also confirmed this problem. It was found that 76% of those interviewed were conducting their business on residential plots.

**Start-up Business Problems:** It has been identified that SMMEs experience start-up problems and almost 80%-85% will disappear within five years of start-up. (Policy on SMMEs in Botswana, 1999, 4). A Briscoe, (1995), (Small Business Support in Botswana, p38), has identified six essential requirements for successful business start-up. They are motivation, viable business ideas, resources, sufficient confidence, necessary skills and acceptability of the project. The study by A Briscoe, (1995) revealed that 50% of those interviewed experienced a temporary loss of motivation at some stage during the start-up process; less than 20% had significantly modified their business idea during the period before starting to trade as they had not carried out any market research to see the viability of the idea; almost 60% had experienced problems with raising of finance; 80% reported that their confidence about their success fluctuated greatly; almost all entrepreneurs reported that they have a lot to learn in terms of entrepreneurial skills and regarding the acceptability of project and less than 8% had something that can be described as a business plan.

**Finance:** Lack of access to finance has been identified as the main problem confronted by most of the small and micro enterprises in Botswana (Policy on SMME in Botswana, 1999, p4). Morewagae *et al.*, (1995), reported that of a total of 1 140 micro firms surveyed in

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1992, 74% had experienced finance problem. Daniels and Fisseha, (1992), (The Gemini Study) revealed that almost 74% of the respondents had reported financial constraint. It is, however, encouraging to note that the Government has realised this problem and the new micro enterprises credit scheme introduced is receiving massive response. A news release from the National Development Bank in Gaborone stated that since the commencement of the scheme in June this year until September, applications for a value of P79 419 255 has been received by all NDB offices (Daily News, September 1999). Financial assistance under the FAP programme and also the FAP grants for medium and large-scale projects have been actively implemented by the Government to assist the business sector.

**General Problems:** The Department of Industrial Affairs of the Ministry of Commerce and Industry in its Annual Report (1996/97) has identified some general problems encountered by Small Business Entrepreneurs. They were detected from spot visits to some of the premises of these enterprises. The problems include:

- \* Lack of support from local buyers
- \* High local production costs
- \* Lack of skilled labour
- \* Lack of business management skills
- \* Non-availability of raw materials.

### Conclusion

Every country aims at achieving self-sufficiency through producing what the country needs. Governments do encourage industries to enhance production to satisfy internal and external demands and to achieve considerable improvement in entrepreneurship performance. Encouragement and incentives would be in the form of financial assistance, state protection etc. Botswana is fast developing country and has witnessed remarking progress in the areas of agriculture and industry since independence. The Eighth National Development Plan covering the 1997/98-2002/03 period has economic diversification as its central theme. Botswana's strong external position provides flexibility in achieving increased employment through industrial development. The government has been quite active in promoting SMMEs through its policies on industrial development. It has been found that as early as 1947, efforts were made to encourage local entrepreneurs to enter into business arena. These efforts were made in later years on progressive basis and today; the government has given great priority to SMME development through various assistance schemes and incentives. The new SMME policy is a clear indication that the future of SMME in Botswana is going to be bright. The government has in the policy document recognised the problems encountered by the small and micro enterprises. The establishment of Small Business Council, the new micro-credit scheme and other financial assistance schemes supported by appropriate and timely training programmes will definitely go a long way in not only solving the problems and constraints faced by SMMEs in the country, but also add momentum to the continued growth and success of these enterprises in Botswana.

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