

## 2000 MTI Small Business Survey



### **MINISTRY OF TRADE AND INDUSTRY**

## The 2000 SMALL BUSINESS BASELINE SURVEY

**REPORT (SUBJECT TO ENGLISH EDITING)**

**Khomas**

## Foreword

### **This is a suggested draft on behalf of MTI.**

In 1997, the Government of the Republic of Namibia launched the Policy and Programme for Small Business Development. The Ministry of Trade and Industry (MTI) was given the role of overall co-ordination and monitoring of this policy and programme. Programmes were planned and implemented with the support of all SME support agencies in Namibia. We need to know, in fact, from the beginning, that we are designing our programmes according to the actual needs of our clients, the small entrepreneurs.

So far, the values of goods and services, which have been produced and rendered by small enterprises in Namibia, have not been recorded properly. The efforts of nearly 100, 000 people have not been reflected in our national accounts, the GDP.

This is now the third survey carried out in the attempt to improve the data basis on SMEs in Namibia. It covers the Khomas region, which can be defined as a city, Windhoek, with farms around. It is a baseline survey, which provides first and reliable data as to the nature and size of the businesses as well as some information on the people behind it, their educational background, their specific knowledge and their needs in terms of support. For this it gives MTI an outstanding basis for monitoring the impact of our programmes in the future.

Similar surveys were carried out in the four [North-Central regions of Namibia, \(Ohangwena, Omusati, Oshana and Oshikoto\)](#) and in the Erongo and Otjozondjupa regions. With the current survey more than 70% of the country population is now covered by baseline surveys. We sincerely hope that this exercise can be repeated in the remaining regions in order to have a complete picture of the SME sector for the whole country.

We owe special thanks to the German Agency for Technical Co-operation (GTZ) for its generous and substantial co-financing and technical advice.

We are, furthermore, strongly indebted to the Namibian Economic Policy Research Unit (NEPRU) for designing the questionnaire, organising and undertaking the surveys, analysing the data and writing the report. Dr. Bruno Venditto has been the project leader while Hoster Bebi, Nino Frodema constituted the rest of the NEPRU team. Dr. Dirk Hansohm provided advice and comments.

We trust that the findings of the survey will serve as a useful source of information for all those interested in the development of the SME sector in Namibia and let us take it as tool for measuring our collective efforts for the small entrepreneurs of our country.

Hon. Hidipo Hamutenya Minister for Trade and Industry.

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## **Executive summary**

The **aim** of the Baseline Survey was to generate information on the characteristics of entrepreneurs and enterprises in the Khomas region. It is necessary to stress, that Khomas region is very different from the other regions where the survey was previously conducted since it is an urbanised region with 90% of its constituency falling within the Windhoek city boundaries. The only other main centre being that of Dordabis, which, however does not have the status of a local authority

For this reason the census was conducted mainly in the capital city. Information were collected in order to:

- Establish the number and types of small and micro businesses;
- Illustrate the characteristics of small and micro businesses;
- Develop a database for measuring the impact of the SME policy and programmes;
- Compare the results in Khomas with results obtained in Erongo and Otjozondjupa and in the four northern regions.

The **methodology** applied was based on three questionnaires:

- The first was presented to the local authority town clerk, it concerned to their policies towards SMEs.
- The second was the census form for all businesses in a town.
- The third was the survey questionnaire used for interviewing a sample of those businesses. A stratified random sample was drawn.

The Namibian Economic Policy Research Unit undertook the surveys and analysed the data.

### **The main findings of the Baseline survey can be summarised as follows:**

The **local authority** had a list of registered businesses by type. However, data on businesses was very limited and the majority of businesses in the location area were not registered.

- The local authority still did not have an annual plan for the SME sector, although several activities were planned to support SME's.
- Direct outsourcing activities to local firms were minimal (refuse removal), however a tender policy in order to favor local SME was in action.
- Local authorities appeared to act in an enabling way towards SME's.
- Very few Chambers of Commerce members were in the SME category.

In the **census** a total of 5 359 small and micro businesses engaged in the following sectors were identified:

Manufacturing	408	businesses (incl. beer and liquor brewers)
Trade	3984	businesses (Incl. cuca shops)
Service	873	businesses
Other sectors	94	businesses

The total sample size was 503 businesses; sample size and structure for the **survey** were determined upon completion of the census of the businesses. The sample was stratified on an industry and location basis.

### **General characteristics of the enterprises in the sample**

- The sample was dominated both in terms of average monthly sales and number of employees by micro enterprises. 42% of the enterprises had monthly turnovers below N\$ 1 000, and 75% had turnovers below N\$ 5 001. The data indicated that 83% of the businesses were very small, employing a maximum of three persons. On average two persons were employed.
- Two thirds of the businesses were under five years old. The average was 5 years.
- Nearly half of the enterprises owned their business premises (45%). More than two third of businesses were mainly conducted from a fixed indoor location (owner house or other fixed indoor location).
- One third of the businesses were not registered.
- The small business sector is not organised at all, in so far as 92% indicated that they do not belong to any Business Association.

### **Personal characteristics of the entrepreneurs**

- The average age of the businessperson was 37 years old there was however a wide variation with entrepreneur in the age range of 19 - 78 years old.
- The majority of the enterprises (76.5%) were managed by the owners of the businesses and only 23.5 % by employed managers.
- There is a substantial gender equality 57% of the interviewees were male and 43% female. This gender balance is not corroborated when looking at the gender positions (owners versus employed managers) in the business since the percentage of male owner were higher than that of female owner.
- The majority of the owners (86%) did not own any other enterprise.
- The educational level differed greatly by gender and location. 70% of respondents had education levels between Grades 5-12, while 10% id not have any formal education at all
- The majority of the managers (82.2%) had never attended any management training course nor a technical training course (82%).

## **Financing**

- Most of the interviewed entrepreneurs (70%) used their own savings to start up their businesses, and a further 13% reported that they received family assistance. Average start-up cost was approximately N\$22,000. This average comprised a lot of very small start-up costs (70% were under N\$5,001) and a few very high costs.
- The majority of the entrepreneurs (80%) had never applied for loans. As the most important reasons for this, the interviewed entrepreneurs cited the following reasons:
  - Complicated loan application procedures (31%);
  - No need for loan (29%);
  - Lack of collateral (12%);
  - High interest rates (8%).
- Most loans were used for equipment and for raw materials.
- In the case of future loan applications, 44% of the entrepreneurs reported that they would apply for loans less than N\$10 000.
- The data revealed that 66% of the respondents were saving. For households that save, 76 % were saving on a weekly or monthly basis.

## **Problems faced in businesses**

- The most important problems perceived by the businesses were found to be:
  - Lack of payment (25%)
  - Lack of demand (20%)
  - Lack of credits for working capital (15%)
  - Lack of cheaper sources of goods (11%)
  - Lack of marketing information (5%)

## **Support services required**

The interviewed entrepreneurs reported that the areas in which they were most in need of support were:

- Sub-contracting (16%);
- Business planning to get a loan (14%);
- Credit for working capital or investment (13%);
- Electricity (12%).

Most agencies in Namibia involved in SME support are not known to the majority of the interviewed SMEs, including:

- Co-operation for Development (80%);
- Namibia Development Trust (67%)
- Institute for Management and Leadership Training (61%);
- Development Fund of Namibia (51%).

The best-known organisations were the commercial banks (First National Bank and Commercial Bank) the Namibian Development Corporation and the Rossing Foundation.

### **Sustainability**

- Compared to the previous year (1999) 50% of the enterprises interviewed increased their turnover. Despite the fact that two thirds of the firms had the same number of employees as when it started up, the number of firms that had increased their staff in 1999 was far greater (23%) than that which had decreased it (6%). Forecast for the year 2000 were also optimistic, but enterprises were more optimistic about an increase in turnover than an increase in employment.
- 59 % of owners were positively attracted by self-employment. The rest were pushed to self-employment as a survival strategy.
- 36 % of the respondents felt that their standard of living had increased during the last year.

### **Policy implications (Please, refer to section 5)**



## 1. INTRODUCTION

This report gives a description and an analysis of small enterprises in the Khomas region. The report is structured along similar lines as followed in the studies carried out in the four [North-Central regions of Ohangwena, Omusati, Oshana and Oshikoto](#) (MTI 1998)<sup>1</sup> and in the Erongo and Otjozondjupa regions (MTI 1999). The report has five sections. Section 1 gives a background to the study and presents its methodological framework. Section 2 presents the results from the interview with the local authorities, while sections 3 and 4 present the results from a census and survey sample respectively. Section 5 discusses policy implications.

This paragraph is based on section 1 as developed in the previous study in the Erongo and Otjozondjupa regions although all figures and the methodology section are updated. An overview of the Namibian economy and the role of the SME sector in Namibia is given first; with this overall context, the report proceeds with sub-sections providing background information on the Khomas region. Finally, the methodology applied is presented.

### 1.1. Aims and Objectives of the Baseline Survey

The Policy and Programme on Small Business Development (1997) identifies the promotion of the Small and Micro Enterprises (SMEs) as the main instrument for the achievement of the Government's central economic objectives to alleviate poverty and to foster growth.

In order to facilitate the implementation of the Policy and Programme on Small Business Development, reliable data regarding the real size, structure and characteristics of the SME sector are needed. The general knowledge on SMEs is increasing; several studies based on survey findings that cover only part of the sector, have been, in fact, completed during the last few years, (I.L.O. 1994, Commonwealth Secretariat 1994, ILO/MTI 1995).

There are, however, no reliable statistical data at present on the size, structure and needs of SME in Namibia, which cover the whole sector throughout the country. For this purpose the Ministry of Trade and Industry has carried out a baseline survey on small and micro enterprises in selected regions in Namibia. Surveys have already been conducted in the four northern regions (MTI, 1998) and in the Erongo and Otjozondjupa regions (MTI, 1999).

This current study analyses the SMEs in Khomas region. A similar approach used in the previous surveys was also used in this study. The aims of this survey are to:

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<sup>1</sup> In the rest report we refer to them as four northern regions.

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- ascertain the number and types of small and micro businesses within the region;
  - identify the characteristics of small and micro businesses in the region; and
  - establish a database for measuring the impact of the SME policy and programmes;

As a comprehensive and consistent picture of the SME is a key requirement for the successful promotion of the sector, the Baseline Survey aims at providing a detailed set of representative data on existing small and micro enterprises in the Khomas region.

A further aim is to compare the results of the Khomas region with that of the two previous studies in order to obtain a broader picture of the SME sector in Namibia. The data collection was carried out during January/February 2000.

## **1.2. Overview of Namibian Economy**

The Namibian economy is one of contrasts. At one end, Namibia is a middle-income developing country; its per capita income was nearly N\$4,666 in 1998; its services and communications are well developed and efficient. On the other end, Namibia is a country with very poor people; most of the population have a per capita income of US\$ 85 per year (N\$ 306 in 1993), and live in rural areas where poor physical infrastructure, service and communication are in place. The level of inequality is reflected in the country's Gini coefficient of 0.70<sup>2</sup>, where the richest 1% of households in Namibia earn more than the entire poorest 50% of households (NEPRU: 1999); as a result, the relatively high per capita income gives a wrong picture of the resource distribution within the country, which is characterised by a high percentage (i.e. 85%) of rural households being consumption-poor (CSO: 1994).

The Namibia economy stagnated during the 1980s, but picked up after independence. It generated real economic growth, which averaged about 1/2% per person per year from 1990-1998 (NEPRU: 1999). Unfortunately this has not been sufficient to deal with Namibia's unemployment problem. Formal and informal employment is low with an unemployment rate at 25-35% of the labour force. The combined rate of unemployment and under-employment is more than 60%.

One remarkable feature of the Namibian economy is the rising population growth rate (2.5% in 1970, 2.8% in 1990, and 2.7% in 1997), contrasted with a declining economic growth rate (5.7% in 1985, -1.2% in 1990, -2.0% in 1993 and 1.8% in 1997). The fertility rate has been higher than economic growth rate. For example, fertility rate grew by 5.6%, 5.6% and 5% in 1989, 1990 (at independence) and 1997;

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<sup>2</sup> UNDP Human Development Report 1998, Namibia.

in contrast economic growth rate grew by 1.6%, -1.2% and 1.8% in 1989, 1990 and 1997 respectively (Bebi: 1999).

The agriculture sector plays a vital role in the Namibian economy. In 1997, the sector's contribution to GDP was 7.5%. Taking the multiplier effect of 1.8 % into account, the total contribution to the economy was estimated to be about 14% (NEPRU: 1999). About 70% of the population are estimated to be either directly or indirectly supported by the Agricultural sector; and that about 75% of the poor are dependent on subsistence agriculture for some of their household consumption needs. The agriculture sector is also the main provider of employment, with 37% employees. However, given limits (such as aridity and rainfall uncertainty) of the agricultural production in Namibia, economic growth and employment in non-agricultural economy is required to provide the poor with incomes.

Namibia's pre-independence economic structure limited and hampered growth of the Small Micro and Medium Enterprises. Coupled with this, is the fact that most of the traditional sectors such as agriculture and mining have a limited potential for employment creation, since these sectors remains vulnerable to external shocks such as recurring drought, volatile markets for minerals and the highly variable output of the fisheries sector (Hansohm/ Mupotola-Sibongo: 1998). The central challenge facing Namibia today therefore is to overcome poverty and inequalities while at the same time use its resources efficiently (MTI 1999). One-way of meeting this challenge is to develop the SMME sector, which is currently, believed to be supplying approximately a third of the Namibian work force with employment (Tonin et al, 1998). To its full potential in order for it to play a more meaningful role in Namibia's development.

### **1.3. Role and Importance of the SME Sector in Namibia**

Small and micro enterprises are a major feature of the economic landscape in all developing countries today. The contribution of these enterprises to the creation of jobs and to the alleviation of poverty has been widely recognised (Liedholm and Mead, 1998). It seems, however that SMEs still play a small role in the Namibian economy. According to the most recent Namibia Manufacturing Survey conducted by the Ministry of Trade and Industry (MTI 1994), 84 out of 274 enterprises were small and represented 35% of the total number of businesses surveyed accounting for less than 2% of manufacturing turnover and less than 6% of employment. With regard to the impact on employment, the study revealed that employment might increase through the establishment of new firms, but not through the expansion of existing firms.

These figures, however, refer only to formal manufacturing small enterprises. Recent studies (ILO 1994; Commonwealth 1994, MTI 1998) show that there is a growing informal small enterprise sector whose real size actually remains unknown. These sub-sectors differ with regard to their legal status and, more importantly, to

the technologies they use. The recent surveys (MTI 1998, MTI 1999) seem to confirm such findings.

The Ministry of Trade and Industry (MTI) defines small enterprises as follows:

**Table 14: Small Enterprises Definition**

Sector	Criteria		
	<i>Employment</i>	<i>Turnover (N\$)</i>	<i>Capital N\$ Employed</i>
Manufacturing	Fewer than 10 persons	1,000,000	500,000
All other enterprises	Fewer than 5 persons	250,000	100,000

*Note: To qualify, businesses must meet the employment criteria and one of the other two*

The findings of this and previous reports, (MTI 1998, MTI 1999) seem to indicate, however, that the above definition is not appropriate for the Namibian context, where the average size of an SME is 2.2 employees. This definition is generally used in order to identify the target group, which is in urgent need of support; the definition of the target group in itself is an issue to be taken into account seriously. Ideally, the target group is defined as small and micro enterprises; generally referred to as small -and medium-scale enterprises (SME). The central question then is whether all SME should be the target group? The previous Baseline survey indicates that not all SME are worthy to be promoted. More particular, the survey revealed that about 90% of SME in the four northern regions (MTI 1998) and 45% in Erongo and Otjozondjupa are *cuca* shops, hawkers, beer/liquor brewers and general dealers. This raises the question whether such informal sector businesses are productive (i.e. will have a significant impact on the country's social-economic situation) and worthwhile promoting. Taking the above situation into account, it is thus suggested that a biased attention be given to the promotion of manufacturing and sensitive service activities. By that we mean activities such as sewing, sign makers and tailor in the case of manufacturing or electrician, mechanics. Plumbers in the case of services that can be undertaken by people with some technical skills and have growth potential

According to rough estimates based on the limited existing data, the *small formal enterprise sector* seems to be much smaller than the informal one in terms of enterprise number, employment, turnover and value added. The main areas of activity of small formal businesses are mining, manufacturing, and construction, retailing, catering and personal and business services. Activities such as agribusiness, accommodation, wholesaling and transport, in which a large number of small businesses are engaged in other countries, are less important in Namibia (Hansohm 1997). It is a feature of the small, formal sector in Namibia that small businesses account for a relatively minor share of the total number of enterprises in the sectors in which they operate. Many of the small formal enterprises are urban and concentrated around Windhoek (Hansohm, 1996a). The only other sizeable

concentration is in Swakopmund (14%), with the balance spread between the country's smaller towns (Commonwealth 1994, Hansohm et. al., 1996).

Relative to other African countries, the informal sector plays a less important role. This can first be ascribed to the apartheid legacy which limited entrepreneurial activities through strict regulations of informal activities and limitations of training which in turn led to the present situation where there is a shortage of such experiences to draw on (Hansohm, 1996b). Second, there is the formal sector, which is well developed and regarded by Namibians as more attractive and thus their first choice when it comes to employment. Third, in urban areas of Namibia, 75 % of the households have wages and salaries as their main source of income. This is high even in an African context. To the extent that SMEs are established because of push factors (i.e. households do not have any other option), this factor reduces the incentives for establishing a SME.

The *informal small enterprise* sector consists of enterprises with a narrow range of employed, self-employed and part-time activities. There are no firm estimates of the number of people for whom informal small enterprises provide employment and income. According to the 1993 ILO survey, 93% of the informal business had fewer than 7 employees. Their activities include manufacturing (less than 20%), construction, restaurants, but mainly trading (mostly retail). The vast majority of small enterprises concentrate on services: 72% according to Norval/Namoya (1992), and more than 90% according to the NNRCCI survey of Ovamboland. Most of these are active in trading (Hansohm 1997). The northern regions survey found that traders were 60% of businesses; although these covered formal as well as informal small enterprises so are not directly comparable.

The geographical concentration of informal business activity is broadly in line with the population distribution. Activity is concentrated in the districts of Oshakati/Ondangwa, Windhoek, Kavango and Caprivi (Commonwealth 1994).

The Commonwealth Study of 1994 identified the following constraints faced by the SME sector as a whole; these were mostly echoed by the recent surveys carried out in the four northern regions and in Erongo and Otjozondjupa:

1. There is a lack of information on cheaper sources for goods. SMEs are dependent on supply sources of raw materials and equipment in South Africa. Information concerning international supply sources is somewhat limited.
2. There is lack of credit for both working capital and investment. SMEs have no access to low cost finance, and mainly borrow from commercial banks through high-cost overdrafts.
3. The SMEs have poor access to sites and locations for selling their products and to the trading network.
4. The technology used is generally both inappropriate and expensive for small businesses. Information about technology sources outside South Africa is limited.

5. General levels of education are still low, with the majority of the entrepreneurs not having completed secondary education and having received very little exposure to formal training.

Though these findings may be true for a large number of small enterprises, there is still scope for a detailed insight into the characteristics, constraints and needs of the SME sector that may differ regionally, or between formal and informal activities. This study, as the 1998 and 1999 surveys, in fact, supports some of the results referred to above such as the low educational level among entrepreneurs, but not all. For example, it appears that the emphasis given in the Commonwealth study on the competition from RSA as a growth-limiting factor seems exaggerated. Some evidence of a pull factor in establishing SMEs was also found in contrast with the general view that most entrepreneurs establish businesses because of the “push factor” of lack of employment in the formal sector.

Between 1996 to 1998 there was an increase in the amount of funds available and the number of loans distributed to SMEs in Namibia (Tonin et al 1998; Hansohm et al, 1996). An increasing amount of loans were granted to small-scale enterprises in the rural areas, and women comprise 60% of the people receiving loans now compared to only 40% in 1996 (Tonin et al 1998). However, the amount is still small, and the impacts of these additional funds on the economy of the households are still not known.

#### 1.4. Description of the Region

In order to give a more comprehensive picture of the environment in which SMEs operates; it is essential to first review the economic structure in Khomas region.

The following table provides statistical data that summarises profile of the Khomas region, and those of the other regions (Erongo, Otjozondjupa and the four northern regions) covered in the previous report. This is essential in order to compare the different contexts in which SMEs are operating.

**Table 22: The Population and number of households in selected regions**

Region	Households		Population		Average household size
	Number	%	Number	%	
Khomas	44 367	16	195 854	14	4.4
Erongo	19 454	5	70 307	5	3.6
Otjozondjupa	24 605	9	90 841	7	3.7
Four northern regions	101 599	37	643 467	46	6.3
Namibia	271 787	100	1 400 092	100	5.2

Source: NLFS: 1997& own calculations

**Table 33: Households by highest level of education attainment in selected regions**

Region	No Formal Education		Primary Education		Secondary Education		Tertiary Education	
	number	%	number	%	number	%	number	%
Khomas	14 594	10	40 207	29	69 753	50	9 905	7
Erongo	8 968	14	24 471	39	27 391	44	1 929	3
Otjondjupa	27 140	33	27 439	33	23 798	29	1 859	2
Four northern regions	32 182	36	37 703	42	17 377	19	2 005	2
Namibia	72 742	30	78 708	32	76 524	31	13 529	6

Source: C.S.O: 1996

**Table 4: Households by main sources of income in selected regions**

Region	Subsistence Farming	Business activities	Wages and salaries	Pension and Cash remittances	Other	%
Khomas	0.3	8.4	81.9	7.1	1.6	100
Erongo	1.9	4.9	71.7	17.8	3.7	100
Otjondjupa	2.2	5.1	68.6	14.4	9.7	100
Four northern regions	65	4	16	15	0	100
Namibia	27.5	5.3	45.2	15.5	6.5	100

Source: NLFS: 1997

Khomas region and the four northern regions surveyed previously are two extremes. This is because although about 50% of the country's population resides in the northern four regions, they are still more rural based. In both Ohangwena and Omusati regions for example, in 1997 about 100% of the population was still rural; on the other end, during the same period about 95 % of the population was in urban area in Khomas region (NLFS: 1997). There are, instead similarities between Erongo region and Khomas region i.e. Erongo is the second urbanised region (87%) in Namibia after Khomas; Khomas and Erongo region have average household sizes of 4.4% and 3.6% respectively. Otjondjupa is also rural based (with about 58% of the population in rural areas), but with a similar average household size (3.7%) smaller than Namibia's average household size (5.2%). On the other end, the average household size for the four northern regions (Ohangwena 6.9%, Omusati 6.8%, Oshana 5.8% and Oshikoto 5.7%) exceeds that of the country (NLFS: 1997). Similarities are also shown between Khomas and the Erongo and Otjondjupa regions as regard to the source of income; wages and salaries are the main source of income in the Khomas region with about 82% of the households depended on it. This value is slightly higher than that registered in the Erongo (72%) and in the Otjondjupa (69%) regions. The contrast between Khomas and the four northern regions, where about 65% of the households are depended on subsistence

farming as the main source of income, is quite remarkable. This shows that self-employment through SME are not so common and attractive in Khomas region, because only a handful number of people are inclined to start businesses with the intent of earning a living.

Attention should be given to all these differences when comparing the above-mentioned regions.

#### **1.4.1. Khomas Region**

The total population of the region is estimated at 195,854, which represents about 14% of Namibia 's population; slightly lower than the Ohangwena region (15.3%) which had about 100% of its population residing in rural areas in 1997. The average household size for Khomas (4.4%) is lower than Namibia 's average household size (5.2%).

Since 1990, Khomas region has experienced a rapid influx of people. For example the urban population was about 88% in 1991; this figure increased to 95 % in 1997 (NLFS: 1997). This trend could be attributed to the fact that Windhoek, the capital city of Namibia (situated in Khomas region) is perceived as a good destination for job seekers from all the corners of the country; this is based on the notion that rural areas are currently underdeveloped thus unable to provide employment opportunities for the youth. Because Khomas region is the central head quarter of all government ministries and private sectors, it is perceived that all services (such as employment opportunities, study loans and short courses etc.) can be easily access when one is in Windhoek. Another contributing factor is that of foreign migration, who in most cases prefer to be in Windhoek for a variety of reasons. The most prominent reason is that usually the capital city is perceived to offer all the opportunities (such employment, also seen as a good place for conducting both illegal and legal business), which are very scarce in small towns.

The two main sources of income are wages and salaries, and business activities with about 82% and 8.4% households dependants respectively. With the total economically active population of 109, 739, the figure for the unemployed is 32, 212 which translates into an unemployment rate of about 30%, which is lower than in the three northern regions and Erongo region but higher than in Otjozondjupa and Oshikoto. Taking into account the educational profile of the unemployed, about 35% posses junior secondary qualifications, and 32 % posses primary education.

The literacy level of the unemployed in Khomas region is quite conducive for the promotion of SME. This is because experience has shown that literate entrepreneurs are likely to be successful in their business. The reasons being that literate entrepreneurs are in a better position to benefit from the provision of support services such as business planning to get a loan, advice on business organisation, and other short courses (such as bookkeeping etc.) which are intended to improve their entrepreneurial skills. The other reason is that in most cases financial institutions providing capital / loans will require applicant to be literate before



granting them loan. The fact that the majority of applicants in the previous report indicated lack of credit working capital / and investment as a major problem could be attributed to the low literacy rate of the applicant.

As a reflection of the urban nature of the region, only about 10% households do not have formal education. Most interesting is that 50 % of the households have attained secondary education; this figure is far above the number of households (31 %) in the whole country who have attained secondary education.

The region has all the major communication routes leading to different parts of the country.

Tourism plays an important role in the economy of the region, with a number of resorts, lodges and game farms in and around Windhoek. In Windhoek, there are a considerable number of industries constituting a significant part of the manufacturing sector. Namibia Development Corporation constructed several industrial/multi-stalls parks for SME both in Katutura and in the Industrial Areas (Prosperita and northern Industrial Area). There are industrial/multi-stalls parks both in Windhoek and Katutura constructed by the Municipality and the Ministry of Regional and Local Housing.

Having elaborated more on the general differences between Khomas region and other regions; the subsequent sections will give a clear picture whether Khomas region is indeed different from the others when it comes to small businesses.

## **1.5. Methodology**

For the data collection, the same methodology used in the 1998 and 1999 baseline was adopted as the most appropriate for the purposes of the study.

Three sets of questionnaires were used during the Census and Baseline Survey (see annexes 3-5). One was the census form for all businesses; the second was the survey questionnaire used for interviewing a sample of those businesses. The questionnaire was also basically the same as before, but some amendments and a number of additions were made in order to improve the use of the results for policy review and national accounts purposes. The third questionnaire was asked to the local authority town clerk concerning the town policy and implementation thereof towards SME's.

In addition the Indigenous Peoples' Business Council was interviewed and provided a lists of businesses as well as own valuable perspectives on SME developments. The Namibian Chambers of Commerce was also contacted.

All interviewing was carried out in the name of NEPRU on behalf on the MTI. All interviewers carried NEPRU ID cards with their name. A statement was made to the respondents that no individual information on any business would be given to any government department. This was especially important when it came to business

turnover. But for this guarantee, many more refusals on this question and on the survey as a whole would have occurred.

It was agreed with the MTI and GTZ that the census was to be carried out in the city of Windhoek only. The Khomas region is, in fact, unique in terms of it being an urbanised region with more than 90% of its constituency falling within the city of Windhoek boundaries. In other words, it is a city with farms around. The only other main centre being that of Dordabis, which, however does not have the status of a local authority. Furthermore it was evaluated that, given the very small population of SME present in the area, the inclusion in the baseline would not have had any significant effect on the final results.

The local authority could not differentiate on their list of registered businesses between SME's and the larger firms. On the other hand there was a fairly knowledge on the location of informal activities and list of informal traders (although not a comprehensive one) by branch of activities within the City area was provided. The census of SME's was done using a combination of the information provided by the local authority and counting by the survey team.

In seeking businesses the town was divided in two main areas, defined as:

- Windhoek which encompassed the areas of Prosperita, Pioneers Park, Rocky Crest, Otjmusise, Khomsdal, Dorado Park, Academia, Auasblick, southern, northern and Lafrenz Industrial Area, Central, North, East and West Windhoek, Klein Windhoek and Eros<sup>3</sup>.
- Katutura, which encompassed the areas of Katutura, Wanaheda, Hakahana, Goreangab, Okahandjia<sup>4</sup>. Attention was also given to the new informal dwellings at the margin of Hakahana, Goreangab, and Okuryangava.

The survey teams covered each road in the area, including asking people in the street, as well as, using the 'snowball' method i.e. asking existing businesses if they knew of other firms, especially in their line of business. This was an extremely productive method. However, the survey teams do not claim to have included every business as the data is based substantially on the observations (i.e. counting) of the team coupled with the lists of registered businesses supplied by the local authorities. This has likely led to some under representing of home-based informal activities.

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3 No SMME were found in Olympia, Klain Kuppe, Academia and Van R.Dam.

4 Babylon, Shayotua and Okurayangava were included into Okahandjia.

### 1.5.1. Methodology for the SMI sample

The sample interview survey was a stratified random sample of the relevant businesses, stratified by each part of town.

In order to be representative and efficient, the size of the sample was chosen to be of 503 businesses this value allows in fact a margin of error of +- 4% and a confidence level of 95% (Folz, 1996, 52).

### 1.5.2. Census Questionnaire

The census questionnaire (Annex 4.) was used to collect information on:

- Names and number of business centres;
- Types and number of businesses.

The method used for the census was that the survey team did their own count of all the businesses and then crosschecked the findings with the list of registered business and the estimates of unregistered businesses. The list of registered business (2 440 activities see Annex C) and the estimates of informal activities provided by the local authority resulted to be much lower than the actual counting

### 1.5.3. Survey Questionnaire

The survey questionnaire (~~Annex 5~~[Annex 5](#)) was used to collect information on:

- personal characteristics of entrepreneurs;
- general characteristics of the enterprises;
- financing needs and problems;
- problems/ constraints as perceived by entrepreneurs;
- needs regarding the provision of support services.

A total of 503 businesses were interviewed.

### 1.5.4. Town Clerk Questionnaire

A short discursive questionnaire was asked of the town clerk (Annex 3) covering policy towards SME's, implementation thereof, out-sourcing of services (especially to local firms), registration and general assistance.

### **1.5.5. Selection and Training of Interviewers**

A team of 10 interviewers plus a NEPRU staff of three worked on the census and survey. The criteria for interviewer selection were:

- Educational level, Grade 12;
- Ability to speak local languages;

The selected interviewers had, in fact, done interviewing before. They underwent a training course, which covered:

- the aims of the survey and its scope;
- the best way in which to start and end an interview;
- the need for respecting the client's culture;
- how to deal with difficult situations that often occur during the fieldwork;
- how to use the questionnaire, pose the questions and record the responses.

Practice interviewing was done under supervision in the office, and notes on interviewing procedure given out.

### **1.5.6. Field Work.**

The town was divided in two main parts: Windhoek, which encompassed the town centre, the industrial areas and the residential areas, and Katutura. The survey was carried out in three steps.

*Step 1.* The interviews with the local authorities were with the Town Clerk and colleagues. The previously sent questionnaire (see Annex 3) was discussed, covering such matters as the implementation of the Municipality's policy towards SMEs. A list of registered businesses was made available. All relevant materials such as street maps, and other documents pertaining to SME were also provided.

*Step 2.* One and half week was spent in order to count the businesses both in Windhoek and Katutura. Two and half days were spent in the Windhoek area and four and half days in Katutura.

*Step 3.* Once the headcount of the businesses was conducted and the sample identified, the interview were conducted. Two working weeks were used for the interviews, three and half days for the interviews in the Windhoek and six and half days for the interviews in Katutura. The team interviewed businesses that were in the SME size category and who had people present who were able to answer the questions. Many callbacks, especially in the town centre and in the industrial

location, were arranged in order to meet at convenient times. Some of these were honoured by the interviewee, some not.

In Step1 and 2 the teams communicated each evening whilst on fieldwork to ensure compatibility on any matters that arose and to liaise on progress.

Particular efforts were made to incorporate businesses which, according to the MTI, had a higher potential of growth and employment creation, such as carpenters, builders, tailors, restaurants, electricians and garages, as well as interviewing as many manufacturing businesses as possible. At the same time, some frequently occurring businesses such as beer/liquor brewing and cuca shops were not given such a high priority.

A visiting GTZ Mission formed by Mr. Riachmuth, with the assistance of Ms. Ndopu, (local consultant) accompanied the team for a half a day in Katutura.

#### **1.5.7. Response Rates**

Given the length of the questionnaire and the fact that some questions are quite sensitive, the response rate was very favourable. Initially, a number of about 500 businesses were targeted, but in the end about 503 businesses were interviewed. The response was extremely exciting; especially in Katutura where about 78 % of businesses were interviewed. Co-operation was reinforced by a 'thank you letter' from the MTI, which stressed the importance of the survey as being that (a) data obtained will help to build a nation-wide (or more specific in Khomas region) picture of small scale enterprises with the intent of promoting such businesses; (b) all the information provided is strictly confidential; (c) and that no individual information will be divulged to any government department.

As indicated in the previous census, finding the business owners or managers was the main problem frequently encountered. This is specifically true given the fact that in most cases (about 76% of interviewees) owners were also managers of the business.

Due to the fact that previous official reports and results of surveys have not being widely disseminated to all stakeholders; in some cases entrepreneurs were hesitant to be interviewed. As encored in previous report, presentation and dissemination of reports findings, as well as actions are essential to ensure future co-operation.

In many instances, respondents thought that the sole goal of the survey was to provide them with immediate financial assistance. This was more particular in areas where previous surveys have being conducted, and promises given that business loans would be given subsequently; especially where businesses are closely located to each other.

Refusals were sporadic, but very minimum in Katutura. Refusals related to specific questions were encountered, especially questions covering the financial position of

the business and the household. In most cases refusals were put indirectly like: "I do not know."

## **2. TOWN CLERKS**

Discussions were held with the local authority, with specific as well as general questions asked regarding SME's (as noted in the methodology section (see section 1.5 and annex 3). The purpose of these discussions were to ascertain the local authority systems of registering businesses, to review their support given to SME's locally and to briefly assess the implementation of government policy towards SMEs at that level (as in 'Namibia: Policy & Programme on Small Business Enterprises' Jan 1997 p25).

### **2.1. Business Registration**

Business are required to register to the local authorities primarily for health reasons This is an annual task, and the fee charged by the local authority for this varies from N\$ 58 (formal non food premises) to N\$175 (formal food premises), while informal site had a flat rate of N\$ 23<sup>5</sup>. Application are quickly processed

The registered businesses can be of any size, not necessarily SMEs. No additional data is collected about the business, either by type or size. Also, more than half of all businesses are not registered, principally those in the locations.

### **2.2. Outsourcing of Authority Functions**

Outsourcing was asked because of the potential benefit to local SMEs.

The Municipality has started outsourcing in 1993/94 with the so-called "one man contract" project. The service provided being that of refuse removal in some area of Katutura. This project has since remained the only type of service outsourced by the Municipality. The main constraint encountered with the project being the financial capability of the enterprise to extend the coverage area of the service. The Municipality is however very keen in outsourcing more services and to expand the existing one, an *ad hoch* team is currently working in order to identify the type of activity for outsourcing

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<sup>5</sup> Increase in the fees were indicated for the periods 1st July 2000 - 30 th June 2001, these fees will be duobled by 1st of July 2001, (Government Gazette No. 2158, 4 August 1999).

## 2.3. Annual Published Plan of Business Sites

Another best practice aim of the Ministry of Regional, Local Government & Housing is for local authorities to publish an annual plan of business sites and infrastructure to support small business. Similarly, long term plans with provision for small businesses are expected to be developed.

No annual plan was yet been published by the authority although it has been identified. There was a long-term plan, the one that is required under the Town Planning legislation, which covers all aspects of development, including business sites.

## 2.4. Other Information

Windhoek Municipality seemed to have a very comprehensive policy towards supporting SMEs both indirectly via a process of capacity building of its personnel<sup>6</sup> and directly with specific action for support, the annual budget for those activities has been increased to N\$ 7.2 millions.

Building of infrastructures such as new market areas to accommodate the informal traders are planned both in the old location of Katutura and in the existing industrial area as well as a *SME incubator* in Okuryangava. Currently six market places (kiosks and/or open stalls) have been constructed by the Municipality. Tenders policy also favour local SMEs and preferential clauses exist for subcontracting part of big tenders to SMEs. Financial facilitation is also provided to SMEs when winning a tender offer.

Therefore it seems that the local authority is in line with the policy of both the Ministries of Regional, Local Government & Housing and of Trade & Industry towards SMEs. SMEs are viewed primarily as opportunities for economic growth.

## 3. CENSUS FINDINGS

### 3.1. Numbers and Types of Small Businesses

A total of 5 359 small and micro businesses were identified in the region, and these were engaged in the following sectors:

**Table 44: Total Number of SME's in Khomas Region**

Sector	Windhoek		Katutura		Khomas	
	Total	%	Total	%	Total	%

<sup>6</sup> An Economic Development Division which deals only with SME has been created, with an Economic Development Officer, three Market Coordinator and three Market Facilitator.

Manufacturing	71	5.6	337	8.3		408	7.6
Trade	720	56.3	3 264	80.0		3 984	74.3
Service	401	31.4	472	11.6		873	16.3
Other	87	6.9	7	0.1		94	1.8
<b>Total</b>	<b>1 279</b>	<b>100</b>	<b>4 080</b>	<b>100</b>		<b>5 359</b>	<b>100</b>

(For examples of each sector see Annex 4, question 5b)

More than the two thirds of the businesses in the Khomas region were traders, with 16.3% being in service sector. The remainder were in the manufacturing sector 7,6% and in the other category, 1.8%. The low percentage of manufacturing activities seem to confirm the pattern that has emerged in the industrial sector that shows a notable decrease in the number of manufacturing activities in the Khomas region (Hansohm 2000). Comparing this data with the previous surveys we can say that these figures echoes those found both in the northern regions and in the two regions of Erongo and Otjozondjupa where trading business represented more than half of the business while the remainder were in service and in the manufacturing.

**Table 55: Regional Comparison**

Sector	Khom as		Erongo		Otjozondjupa		Northern* Region	
	Total	%	Total	%	Total	%	Total	%
Manufacturing	408	7.6	401	15	405	24	7 229	36
Trade	3 984	74.3	1 323	50	865	52	6 812	60
Service	873	16.3	696	26	279	17	581	4
Other	94	1.8	212	8	106	7		
<b>Total</b>	<b>5 359</b>		<b>2 632</b>		<b>1 655</b>		<b>14 622</b>	

\* Note that in the case of the northern Regions a large number of manufacturing and trading activities (beer and liquor brewers) were mainly related to the production of beer and liquor for sale. This explains the high representation of both the manufacturing and the trading sector (Ministry of Trade and Industry, *The Small Business Baseline Survey The Four northern Regions*, p. 9 1998).

**Table 66: Types and Numbers of Businesses in Khomas**

Type of business	Total	Windhoek	Katutura
Bakeries	27	18	9
Beer/Liquor Breweries ( <i>incl. home brew.</i> )	216	0	216
Bottle store	87	32	55
Brickmakers	0	0	0
Builders	5	4	1
Carpenters	17	5	12
Cleaning services ( <i>incl. laundry</i> )	21	14	7
Cinema/ video shops	4	4	0
Clothes sellers	76	32	44
<b>Cuca Shop (<i>incl. Shebeen</i>)</b>	<b>2575</b>	<b>107</b>	<b>2 468</b>
Electricians	30	18	12
Entertainment	49	17	32



Fabric makers	17	4	13
Food sellers (incl. veg.)/street	259	46	213
Garages	119	53	66
General dealers	116	71	45
Gyms	3	3	0
Hairdressers (incl. barber)	211	49	162
Home industries	82	30	52
Hawkers	322	168	154
Lodge/B & B/Guest house	22	21	1
Mat makers	2	0	2
Bed liner maker	1	0	1
Mechanics	30	0	30
Milling	1	0	1
Open air butcheries	77	0	77
Petrol stations	30	28	2
Phone shop/booth	40	8	32
Plumbers	7	6	1
Poultry producer	0	0	0
Restaurants	0	30	3
Seed/ Fertilizer sellers	2	2	0
Sewing Group	17	3	14
Shoe repair	29	8	21
Sign makers	11	11	0
Tailors	44	2	42
Take away	94	56	38
Thatchers	0	0	0
Tourist shop	12	11	1
Upholster	9	4	5
Vegetable growers	0	0	0
Welders	35	11	24
Woodcarvers	0	0	0
Wood cutters	9	9	0
Wood sellers	67	1	66
Others	539	391	148
<b>Total</b>	<b>5 359</b>	<b>1 279</b>	<b>4 080</b>

\* It is worthwhile to notice that a total of 3 210 taxis were registered in town. The inclusion of such a category, which represents 60% of the total, would have distorted the figures. For this reason it has not been included in the overall total.

The above list of business types corresponds (with minor amendments) to that used in the previous surveys. The final value was determined after cross checking with the list provided by the Municipality with the registered business as provided in the table below (a detailed description of the registered list is provided in the Annex D).

**Table 77: Municipality List**

	Windhoek	Katutura	Total
Clearly identified as SME registered	1 272	329	1 602
Business not belonging to SME	753	86	838
<b>Total Registered Business (regardless of size)</b>	<b>2 025</b>	<b>415</b>	<b>2 440</b>

The "others" category includes a wide range of businesses which could not be categorised elsewhere. Of these 445 have been associated with one of the three main economic sectors. The most recurrent in the "other" category were the following business:

**Table 88: Other most recurrent activities**

Type of business	Windhoek	Katutura	Total
<i>Ice seller</i>	0	11	11
<i>Radio repair</i>	0	12	12
<i>PhotoShop</i>	9	4	13
<i>Butchery/chicken seller</i>	18	14	32
<i>Kindergarten</i>	11	18	29
<i>Car washer</i>	50	21	71

The category completely shaded is the most represented, the Cuca Shop (*incl. shebeen*) appears in fact 2 575 times. The categories partly shaded occur more than 200 times, these are, beer/liquor breweries (4.3%) food sellers (4.8%) hairdressers/barber (3.9%), hawkers (6.0%). It is evident however that a part from this last category all the other are mainly located in the Katutura locations. The lightly shaded businesses occur between 90-200 times. Those are garages (2.2%), general dealers (2.1%) take away (1.7%), which are instead more equally distributed among the two sections of the city.

Overall of the 5 359 businesses identified 76% were in the Katutura locations while the remaining 23% in the Windhoek area.

### 3.2. Types of Businesses by Area

The two areas of Windhoek and Katutura defined as in the methodology (paragraph 1.5) show at first glance a very different distribution of activities.

**Table 99: Distribution of Activity by Area**

Type of business	Windhoek	Katutura	Total
Manufacturing	16.7	83.3	100
Trading	16.9	83.1	100
Services	46.5	53.5	100

Table 8 shows the percentage distribution of the business activities calculated on the overall total of the counted activities. Not surprisingly 83% of all trading activities are located in the Katutura area, this is probably because of the high number of cuca shop and shebeen, a similar percentage is recorded for the

manufacturing activities. The high figure recorded for the manufacturing activities can however be explained by the fact that this category also includes the beer brewery which counts for almost 65% of the total manufacture in the Katutura area.

### Windhoek Area

A further break down based on the totals by Area, has been determined for the Windhoek Area (as well as for the Katutura Area). Windhoek has been divided into three Areas:

1. Industrial Area which includes: northern Industrial Area, Southern Industrial Area, Maeura Park and Prosperita;
2. Windhoek Town which includes: Central, North, South, West, East and Klein Windhoek;
3. Residential Area which includes: Pioneerspark, Rocky Crest, Otjomuise, Khomsdal, Dorado Park and Hochland Park

The following table gives a picture of the sectoral distribution inside the Windhoek area.

**Table 1040: Distribution activities in Windhoek (%)**

Windhoek	Type of Business		
	Manufacturing	Trading	Services
Industrial Areas	49.25	18.48	23.17
Windhoek Town	28.36	57.12	60.24
Residential Area	22.39	24.39	16.59
<b>Total</b>	100.00	100.00	100.00

It is evident that almost half of the manufacturing activities identified in the Windhoek Area are found in the Industrial Area (49%). Trading and service activities are instead predominant in the Town Area, with 57% and 60% respectively. Activities in the Residential Area are equally divided between the three sectors, although it is worthwhile mentioning that the higher level of trading activities can be explained by the high proportion of cuca shop and shebeen found in Otjomuise and Khomsdal, 37 and 58 respectively.

### Katutura Area

A similar exercise has been carried out for Katutura as well. The Area has been divided into seven parts:

1. Katutura, inclusive of the Single Quarters;
2. Wanaheda;
3. Hakahana, inclusive of Big Bend;

4. Goreangab, inclusive of Grenwill Matongo;
  5. Okahandja, inclusive of Babylon, Shayotua and Okuranyangawa;
- and the new dwellings of:
6. Onguarangawa
  7. Kilimanjaro.

**Table 1144: Distribution of activities in Katutura (%)**

Katutura	Type of Business		
	Manufacturing	Trading	Services
Katutura	39.82	22.59	51.8
Wanaheda	9.58	7.09	15.01
Hakahana	7.19	34.51	12.9
Goreangab	7.78	9.16	7.82
Okahandja	22.16	21.97	10.99
Onguarangawa	0.9	0.87	0.85
Kilimanjaro	12.57	3.81	0.63
<b>Total</b>	100	100	100

Katutura shows the high representation of both manufacturing and services with 40% and 51% respectively, this could be explained by the presence of five market centres build by the Municipality, (Single Quarters, Soweto Market, Soweto UN Plaza); NDC (Katutura Central Stall, Menarovandu Stalls); and the Ministry of Regional and Local Housing). Those have in fact a strong presence of manufacturing activities such as tailors, welders and carpenters that are a part from beer brewer the most representative manufacturing activities in the census. The spill over effects of these centres as pole of attraction for other informal business has also to be considered. This proves that such centres could have a role of incubator for other SME.

The high percentage of manufacturing and trading activities in the Okahandja area is given by the high number of brewer and cuca shop in the areas of Babylon and Okuryangava. Most of the manufacturing activities in the new dwellings of Kilimanjaro are due to the home based beer brewer, 42 recorded, while the high number of cuca shops and shebeens, 114, explains the prevalence of trading activities.

## 4. SURVEY FINDINGS

The surveyed enterprises have been classified according to sex of the owner /interviewee, production sector and location. These variables were used to give a more detailed description and analysis of the characteristics of the enterprises, the profile of its owners, the way the business was set up and finally their financial challenges.

Comparisons are also made with the results from the previous survey in 1997 and 1998 which covered the four northern regions and Erongo and Otjozondjupa.

### 4.1. Sample Size Structure

The sample size and structure was determined upon completion of the census of the businesses. A random sample was drawn, the relative number of cases in each location was determined by the location's size as measured by the business census.

**Table 1242: Planned and Actual Sample Size by sector**

	Planned Sample Size			Actual Sample Size
	Windhoek	Katutura	Total	
Manufacturing 50%	56	194	250	237
Service 30 %	36	114	150	170
Trade 20 %	23	77	100	95
Others				1
<b>Total</b>	<b>115</b>	<b>385</b>	<b>500</b>	<b>503</b>

Compared to the census findings, efforts were made to incorporate businesses with a greater potential for growth and employment; for this reason a bias was given to manufacturing and services activities (tailors, carpenters, electricians, shoe repairs among others). Trade activities were given a low profile because the most representative businesses was that of cuca shops/shebeens, (46% of all businesses were engaged in such activity).

In the end the actual sample size was 503 small enterprises.

The businesses were selected and interviewed using the baseline survey questionnaire presented in [Annex 5](#).

The right hand part of table 11 indicated the actual number of businesses interviewed by sector; it shows that 47% of the enterprises were involved in manufacturing activities, 33.8% in trade activities, while the remainder 18,9% were in services and 0.2% was classified as other (construction activities).

As regards to the location, the percentage representation of business in the sample has respected the census findings, with 78% of the businesses located in the Katutura areas and 22% in the Windhoek areas.

## 4.2. General Characteristics of the Enterprises

In this section some background data on the enterprises are presented; they refer to: size, number of years in existence, from where business is conducted, whether they are registered and whether they are members of any business association.

### 4.2.1. Size of the Enterprises

The size of the enterprises as in the previous report was measured in terms of average monthly sales, the number of employees and the assets of the firm.<sup>7</sup>

The average monthly sales were as reported by the entrepreneurs themselves, without going into their books.

The registered turnover in the Khomas region shows significant differences but also similarity with the findings in the previous reports. The monthly turnover is in the range of N\$ 6 866 which is higher than that registered in Erongo and Otjozondjupa (N\$ 5 200), however, 41% of the business had an average monthly turnover below N\$ 1 000 and 56% had a turnover less than N\$ 2 001, these values are similar to those of the Erongo and Otjozondjupa where half of the business had a turnover of less than N\$ 2 100. These indicate that also in the Khomas region the very small enterprises dominate the sample, 75% of business had a turnover less than N\$ 5 001. Turnover figures were then grouped as follows:

**Table 1343: Average Monthly Turnover (N = 437)**

Average Monthly Turnover	Number of enterprises	%
Below 1 000	181	41.42
1 000 - 5 000	149	34.10
5 001 - 10 000	45	10.30
10 001 -18 000	15	3.43
18 001 -30 000	21	4.81
30 001 -55 000	15	3.43
Over 55 000	11	2.52
<b>Total</b>	<b>437</b>	<b>100</b>

<sup>7</sup> However, it is generally not the case that a high score on one of these indicators also mean a high score on another. For instance no relationship between turnover and employment figures was found.

Differently from the previous survey it is evident, however, that the number of businesses in the upper range is also higher 2.5% of businesses had a monthly turnover higher than N\$ 55 000 compared to 0% in the Erongo and Otjozondjupa survey.

We considering the nature of the business it appears that the average turnover is higher than in the previous survey. The average monthly turnover in the manufacturing sector (N\$ 6 502), however, was lower than that registered in the service and trade sectors (N\$ 6 803 and N\$ 8 009 respectively). These findings apparently were significantly different from those obtained in the Erongo & Otjozondjupa survey.

**Table 1444: Average Monthly Turnover by Sector**

Nature of business	Mean Khomas	Mean Erongo & Otjozondjupa
Manufacturing	6 502	6 045
Trade	8 009	5 521
Services	6 803	4 187
<b>Total</b>	<b>6 867</b>	<b>5 178</b>

However, when considering the location of the business it should be noted that in the manufacturing sector the spread between the Windhoek areas and the Katutura ones is the highest bringing down the overall mean for this specific sector. It should also be noted that half of the manufacturing sector's enterprises had a turnover of less than N\$ 1 000 but when breaking this value by location it appears that while in Katutura half of the manufacturing sector had a turnover of less than N\$ 800<sup>8</sup>; in Windhoek area the value was of N\$ 30 000 meaning that the turnover was more evenly distributed around the average.

**Table 1545: Average Monthly Turnover by Location**

Nature of business	Windhoek		Katutura	
	Mean	Median <sup>9</sup>	Mean	Median
Manufacturing	32 219	30 000	3 075	800
Trade	18 467	9 500	5 020	800
Services	15 961	9 000	3 830	2 000

<sup>8</sup> The inclusion of the sample of homebrewery could explain this very low value.

<sup>9</sup> Median is where half of the businesses were above that figure and half below, but is not the same as the average

<b>Total</b>	<b>21 510</b>	<b>10 000</b>	<b>3 631</b>	<b>1 000</b>
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Male entrepreneurs in both location had an average monthly turnover higher than female.

**Table 1646: Average Monthly Turnover by sex and location**

	Location of business		Total
	Windhoek	Katutura	
Male	23 198	4 729	7 971
Female	19 083	1 996	5 212
<b>Total</b>	<b>21 510</b>	<b>3 631</b>	<b>6 867</b>

In order to determine the contribution of SME to the employment creation, the number of employees was determined. The size of the business family members who help in the business, as part-time workers and are unpaid were not included as employees.

From the analysis of the sample clearly emerge that the general size of the business were very small. 27.2% of the sample had no employees, while 32% had just one employee.

Considering the cumulative value the data shows that 82% of the sample employs less than 4 workers, when adding those businesses, which have a maximum of 4 employees the cumulative percentage, is equal to 88%. Business in the category 5-9 represents only 8.3% of the sample.

**Table 1747: Number of employees**

Number of employees	Number of enterprises	%
0	137	27.3
1	160	31.9
2	76	15.2
3	41	8.2
4	27	5.4
Between 5 and 9	42	8.4
Between 10 and 14	14	2.8
Above 14	4	0.8
<b>Total</b>	<b>501</b>	<b>100</b>



The data shows an average employment size of 2.1 persons for the whole sample, higher in the Windhoek areas and lower in the Katutura areas. Including the owner, this means that on average approximately 3 persons are working in a SME. There were approximately equal numbers of male and female employees.

These findings echoes the results of this survey carried out in Erongo and Otjozondjupa where an average of 2.2 employees was found. There is a sharp contrast with the northern regions survey, where the size of SME's was much smaller with a higher proportion of no employees (35%, in contrast to the 20% of Erongo & Otjozondjupa and 27.2% in Khomas)

From the above analysis it clearly emerges that the size definition used by the Ministry to identify the SME categories both in terms of turnover and employees does not represent the reality of the Namibian SME which seems to be much smaller than that indicated in the MTI definition.

As expected manufacturing firms tended to have more employees followed by the services and the trade activities. It is interesting to notice that there is not a very strong difference however among the manufacturing and the other two sectors. This can be explained by the fact that manufacturing activities such as home brewery or tailor/sewing do not require an high number of employees to be conducted and also that they take some time before to mature and reach to the level of medium size enterprises.

On the location of businesses, it has confirmed that the Windhoek areas tend to have businesses with a high number of employees; 40% of the total of the businesses located in Windhoek were in the 3-6 employees range compared with only 13% of the total of the business in the Katutura area.

The contribution of the SME to employment creation seems to be minimal although some positive signal can be detected. 71% of the business did not increase the number of their employees since starting the activities, however, 23 % of the business did increase the number since starting their activity while only 6% of them registered a decrease in the number of their employees.

The data on the value of the assets revealed surprising results in comparison with the findings of the Erongo/Otjozondjupa survey and that of the four northern regions. It was found that enterprises in Khomas region had an average estimated value of the premises of N\$9 738.00. This figure is quite low compared to that of the four northern regions, where enterprises had an estimated value of premises of N\$ 20 000. The low mean value of the premises in Khomas region could be attributed to the fact that about 83 % of respondent indicated zero as the value of their premises. This could be partly ascribed to the fact that above half (55 %) of enterprises is renting the premises where they conduct their businesses. Analysis by location reveals that enterprises operating in Windhoek area have a high value, with an average value of N\$25 388, while those operating in Katutura attached an average low value of N\$ 5 404.00 to their premises. The fact that there are few enterprises

(mainly in Windhoek area) with higher value, and many enterprises (mainly in Katutura) with low value pulls down the overall average for Khomas region.

**Table 1848: Average Value of Premises, Machinery and Vehicles (N\$)**

Location	Premises Mean	Machinery Mean	Vehicles Mean
Windhoek	25 388	110 175	44 668
Katutura	5 405	13 307	32 631
<b>Total</b>	<b>9 738</b>	<b>32 056</b>	<b>34 964</b>

An analysis of the estimated value of machinery/equipment/tools shows that enterprises in the Khomas region had a low average value of N\$ 32 056, as compared to that of the Erongo /Otjozondjupa region (N\$ 37 000). This low value in Khomas region could be attributed to the fact that about 16% of enterprises indicated zero as the value of their machinery/equipment/tools; and the discrepancies between the values of the two locations (namely Katutura and Windhoek). Analysis by location shows a higher average value of machinery and equipment (N\$ 110 174) in Windhoek area than in Katutura (N\$ 13 307). This is not surprising given the fact that businesses in Windhoek area are well established and have easy access to financial institution than their counterparts located in Katutura. The average value of the vehicle in Khomas region was found to be N\$ 34 964.

Similar to the findings of the Erongo and Otjozondjupa survey, about 85% of enterprises owned machinery and equipment as opposed to vehicles, furniture and premises. This underpins the fact that machinery and equipment are not seen as essential assets in the day-to-day operation by the interviewed entrepreneurs as compared to the role the latter plays.

#### **4.2.2. Age of the Enterprises**

Similar to the Erongo and Otjozondjupa region, two third of the businesses were under five years; 12% of the business were over 10 years and the average was 5 years. In Katutura, the majority of businesses were below the age of five, with a high proportion been one year old. This could be attributed to the fact that the majority of businesses are cuca shops and shebeens, which are operated “on and off” all the year round. In Windhoek, the higher proportion of businesses is two years old.

In contrast to other regions where a similar study was conducted, the manufacturing sector in the Khomas region seems to have picked up faster than the other sectors over the past decade; probably this is due to the fact that the infrastructure is better developed in the capital city. The manufacturing sector businesses had an average of five years. On the other end, the majority of businesses were between one and

three years old in the service and trade sector. The construction sector is however still very underdeveloped.

#### 4.2.3. Conduct of Businesses

From a total of 495 businesses, about 45% indicated they owned the premises they operated from.

**Table 1949: Ownership of businesses premises by location (N= 481)**

Owner owns business premises	Windhoek	Katutura	Total
Yes	25	50	45
No (Renting)	75	50	55
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

A high percentage of businesses were rented in the Windhoek areas (75%) than in Katutura areas (50%), this coincide with the notion that renting is more common in town areas than in locations. This is also supported by the fact than more than 40% of the businesses in Katutura areas were conducted from the owner house compared to only 11% in the Windhoek areas The majority of the businesses run from a fixed outdoor location were in the Windhoek areas (industrial areas) this help in understanding the difference in the number of businesses owned and rented between Windhoek and Katutura. Gender did not influence the ownership of the businesses.

Overall it was found that 36% of the businesses were conducted from the owner's home, 40% from another fixed indoor location and only 24% form fixed outdoor locations. These findings were substantially similar to those of the Erongo and Otjozondjupa.

The nature of the businesses other than the location of it was significant in determining from where business was conducted. Given the type of manufacturing activities identified in the survey is not surprisingly that a high percentage of manufacturing activities (42%) were conducted from the owner's business as compared with service and trade activities, 32% and 28% respectively. Trade activities were mainly conducted from a fixed outdoor location (41%).

#### 4.2.4. Costumers Distance from Businesses

93% of the costumers are within a distance of 25 km.; as expected almost 100% of the businesses located in Katutura areas sell their products/services within the area. Export activities are very marginal in both locations.

**Table 2020: How far away from where products/services are sold**

Distance	Windhoek	Katutura	Total
Locally/In town	77.3	94.4	90.9
Up to 25 km	4.1	1.6	2.1
Over 25 km	15.5	2.4	5.1
Exported	3.1	1.6	1.9
<b>Column %</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

There is no substantial difference in terms of export propension between sectors and gender.

#### 4.2.5. Registration of Businesses

More than half of the businesses covered by the survey have not been registered; only 47% of the enterprises are registered. Of those that have not been registered, 92% are located in Katutura. The higher number of unregistered businesses in Katutura could be attributed to the fact that the majority do not see any benefit accruing from the registration. They rather see it as a cost (mainly through paying for a business licence) associated with registration. Other reasons could be that it is difficult to control such businesses in terms of registering, or that they produce goods that do not need a licence from the Municipality. The control of health standards appears, in fact, to be the main reason for the Municipality to require registration of businesses.

The main registering authority utilised by the businesses in Katutura appears to be the Municipality; on the contrary, more respondents in Windhoek registered with the Ministries of Finance or the Ministry of Trade and Industry.

In comparison with both the Erongo and Otjozondjupa region, there is a higher rate (53 %) of unregistered businesses in Khomas region, while only 29 % is unregistered in both Erongo and Otjozondjupa region. In both studies, the Municipality played a significant role in registering businesses. For example 54 % were registered with the Municipality in both Erongo and Otjozondjupa region, while only 23 % have been registered with the Municipality in Khomas region. In contrast, Headmen played a significant role in registering businesses in the northern regions' survey. This is not surprising taking into account the rural nature of the four Os.

**Table 2124: Registering Authority**

Registration	Number	%
Chief / Headman	0	0
Ministry of Trade & Industry	67	12
Town Council/Municipality	122	23

Other	24	4
Not registered	286	53
Ministry of Finance	43	8
Ministry of Lands	0	0
<b>Total</b>	<b>542</b>	<b>100</b>

#### 4.2.6. Membership to Business Associations

The majority of the entrepreneurs (92%) were not member of any business association, this confirm the findings in the surveys previously conducted. 30% of those associated belong to the NCCI, 10% to the Namibia Shebeen Association and 5.4% both to the NATAU and the association of Namibian Manufactures. It is evident, however that the SME sector in Namibia, as in most other countries, has no organisation acting as a focal point. The SME sector therefore has few channels to advocate their voice and their demand, *a factor that will be discussed more in section 5*. Firms located in the town centres were more likely to be a member of a business association. There were only minor differences between sectors and regions.

#### 4.3. Personal Characteristics of the Entrepreneurs

This section presents some more detailed background information on the personal profile of the entrepreneur in terms of age, ownership, gender distribution and education. Overall, the personal characteristics of entrepreneurs in this study are similar to those identified in the previous report. The majority of entrepreneurs managed their own businesses and overall, the entrepreneurs have a low level of training.

##### 4.3.1. Age

The ages of the interviewees were very wide, ranging between 19 and 78. The majority were in the age group of 22 - 45 years, with only 11% exceeding 50 years. The average was 37 years. There was little variation by location or by sector.

##### 4.3.2. Ownership and Management

The survey team interviewed either the owner or the manager of the business. In an event where both were present, the interviews were conducted with the owner. In an event where the interviewee was an employed manager, this showed that the status of ownership and management of the enterprise were clearly different.

Table **2222**: Ownership and Management by Area. (%) (N=483)

Position	Windhoek	Katutura	Total
Owner and manager	71	76	73.5
Employed manager	29	24	26.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Similar to the Otjozondjupa and Erongo survey findings (where 82% of the respondents were owners and managers) this study revealed that 73.5 % of the interviewees were owners and managers. This shows that there is no difference between ownership and management. This is particularly more pronounced in Katutura (with 76%), where most businesses are self-owned and self-run.

A similar trend was observed in the Erongo and Otjozondjupa and northern regions.

#### 4.3.3. Gender Distribution

In Khomas region there is a substantial gender equality, 58% of those interviewed were male while 42% female; this value are even higher that that found in the Erongo and Otjozondjupa regions where the proportion between male and female responded was 61% and 39% respectively. This also confirms the differences that exist between those urban regions and the rural northern ones where male domination is still predominant.

**Table 2323: Gender Distribution of Interviewees by Position. (%) (N =483)**

Position	Male	Female	Total %
Owner and manager	81	67	73.5
Employed manager	19	33	26.5
<b>% Column</b>	<b>100</b>	<b>100</b>	<b>100</b>

As regard to the position, gender balance is not confirmed since male were more represented as owner, 81% compared to 67% of females. However, females constituted a relatively larger share of the employed managers, 33% compared to 19% for their male counterpart.

Not surprisingly the male predominance is confirmed also when looking at the gender distribution by location.

#### 4.3.4. Other Businesses

Similar to the findings of the Erongo and Otjozondjupa survey the majority of the owner (86 %) did not have any other enterprises. A small percentage owned another business (11.2) and less than 2% more than two.

Although there was no significant relationship between the number of businesses and gender or location it is noteworthy that 3.1% of the owners in the Windhoek areas had more than two other businesses compared with 1% in the Katutura areas. This may indicate that the owners were fully occupied with running one enterprise. It also indicates that there is a risk in running multiple enterprises. It is difficult to manage several enterprises at the same time, particularly when the educational level and business experiences are limited. It may also mean that owners may not have the financial capital to start more businesses.

**Table 2424: Number of other Businesses by Sector (N= 483)**

Number of other businesses	Manufacturing	Trade	Service	Total
0	88.5	78.0	86.0	85.7
1	7.5	16.5	13.4	11.2
2	2.2	2.2	0.6	1.7
3	0.9	1.1	..	0.6
4	0.4	2.2	..	0.6
5	0.4	..	..	0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Owners of enterprises in trade and services had a slightly higher number of other businesses compared to manufacturing.

#### 4.3.5. Educational Level

The educational level of entrepreneur differed greatly by gender and location. 70% of the respondents had education levels between Grade 5-12, while 10% did not have any formal education at all.

On average, male entrepreneurs were found to be leading at both levels i.e. more likely to have no education and more likely to have diploma/university education. On the other hand, female entrepreneurs had higher proportion on the Grade 10 - 12 level (48%) as compared to their male counterparts (31%). The proportion of both sexes was higher from Grade 10 - 12 level.

**Table 2525: Educational Level of Enterprise Manager/owner by Sex of Interviewee. (%) (N =464)**

Grade	Male	Female	Total %
None	14	5	10
Grade 1 - 4	13	9	11
Grade 5 - 9	29	31	30
Grade 10 - 12	31	48	40
Diploma/University	13	7	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

NB: Figures may not add up to 100% because of rounding.

All entrepreneurs (mostly male) with no education were found in Katutura locations, while a higher proportion (33%) of those with the highest educational qualifications (mostly male) were located in Windhoek as opposed to 4% in Katutura. This echoes the findings of the previous report that the highly qualified business managers/owners are usually located in town centres; on the other end, the least qualified managers/owners are found in the black locations.

**Table 2626: Educational Level of Enterprise Manager/owner by Location of Business (%)**

Grade	Windhoek	Katutura	Total %
None	2	12	7
Grade 1 - 4	4	13	9
Grade 5 - 9	16	34	25
Grade 10 - 12	45	37	41
Diploma/University	33	4	18
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Overall, Katutura locations had significantly higher proportions beginning with entrepreneurs with no education ending with those who had Grade 5 - 12.

It was further established that most of the entrepreneurs with highest and no education were concentrated in the manufacturing and service sectors.

**Table 2727: Educational level of enterprise manager/owner by nature of business. (%) (N = 494)**

Grade	Manufacturing	Trade	Services	Total
None	10	7	13	10
Grade 1- 4	11	14	9	11
Grade 5 - 9	37	33	19	30
Grade 10 - 12	33	39	45	39
Diploma/University	9	7	14	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Taking into account educational level by region, both Khomas and Erongo region have a higher proportion of low qualified respondents. However, Erongo region still has a higher number of qualified respondents as compared to other regions.

**Table 2828: Educational Level of enterprise manager/owner by Regions (%)**

Grade	Otjzondjupaa	Erongo	Northern	Khomas
None	5	10	11	10



Grade 1 - 4	8	7	15	11
Grade 5 - 9	39	27	38	30
Grade 10 - 12	39	43	30	40
Diploma/University	9	13	6	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

This survey is different from that conducted in the northern regions in the sense that in this survey, fewer respondents had no formal education, and more had education from grade 10 upwards. On the other end, the northern surveys established that more respondents had no formal education, and less had education from grade 10 upwards.

The extremes between regions (in terms of educational levels) could be explained by the fact that historically, educational expenditure and opportunities have been limited in the northern regions and ample in Erongo, Khomas and Otjozondjupa. The extremes of education level in Erongo and Khomas region could be attributed to the high influx of people from the north since independence.

#### 4.3.6. Skills Acquired through Training

The provision of a variety of training courses as well as on - the-job training are two possible ways of lessening the low level of formal training identified in this report. However, no data on on-the-job training (for entrepreneurs) is available.

**Table 2929: Number of Management Courses Attended by entrepreneurs**

Management Courses	Number	%
None	414	82.8
One	45	9
Two	25	5
Three	6	1.2
Four or more	10	2
<b>Total</b>	<b>500</b>	<b>100</b>

The above table shows that a mere 17.2% of the interviewees attended management courses.

Similar to the Otjozondjupa and Erongo survey's findings, the majority attended just only one course. This could be attributed to a number of reasons: (a) a substantial amount of the businesses approached were *cuca* shops and *shebeens*, where more technical skills were required though managerial functions also have a role to play, (b) The majority of the respondents did not have knowledge of the institution

providing training, (c) in cases where they did, funding was a problem, (d) another reason could be the low literacy rate of the respondents which inhibited opportunities for attending training courses.

Similar to the Otjozonjupa and Erongo survey's findings (where more females were likely to attend courses 32%), this study also revealed the same trend that more females are likely to attend courses (30%). Echoing the findings of the previous report, the majority of entrepreneurs situated in the previously black location (more specifically Katutura) are less likely to attend management courses as compared to their counterparts located in the Centre of the town (14%).

Respondents who attended management courses were requested to identify the various topics covered from the selected categories as shown in the above table. From the 267 courses attended, the most popular one turned out to be marketing, followed by Personnel Management, Bookkeeping and Stock control.

**Table 3030: Topics Covered in Management Courses by entrepreneurs**

Topics Covered	Number	%
Marketing	54	20
Buying	24	9
Costing & Pricing	26	10
Bookkeeping	32	12
Stock control	32	12
Production	17	6
Banking	14	5
Legal aspects of business	13	5
Personnel management	33	12
Others	22	8
<b>Total</b>	<b>267</b>	<b>100%</b>

NB: Figures may not add up 100% because of rounding.

18.2% of the respondents attended technical courses, 10% of which were males. As with the Erongo and Otjozondjupa regions, more respondents from the manufacturing sector attended these courses followed by services and trade respectively.

**Table 3134: Number of Technical Courses Attended by entrepreneurs**

Technical courses	Number	%
None	408	81.8
One	69	13.8

Two	11	2.2
Three	1	0.2
Four or more	10	2.0
<b>Total</b>	<b>499</b>	<b>100.00</b>

Compared to the Erongo and Otjozondjupa region, the owner of the businesses in the current survey attended fewer courses. This is quite surprising, taking into account the central location of the Khomas region where most training Centres are available. It appears to be a question of accessibility, funds, and commitment. Compared to the northern regions, the owners of the enterprises in the current survey have attended more courses.

#### 4.4. Financing of the Enterprises

As in the findings from similar studies of SMEs, start-up costs were small, and the majority of the interviewed entrepreneurs started their businesses with their own savings and had never applied for a loan. Loans that had been taken involved relatively small amounts, mainly used for equipment and raw materials.

##### 4.4.1. Start-up Costs and Sources of Start-up Capital

Similar to the Erongo and Otjozondjupa region where 62 % of enterprises started their businesses with own savings; the majority (70%) of the entrepreneurs interviewed in this study started their businesses with their own savings. Family assistance recorded the second highest with 13 %. This was followed by loans from institutions (11 %).

**Table 3232: Sources of Start-up-Capital by region. (%) (N=443)**

Source	Windhoek	Katutura	Total
Own savings	65	75	70
Family assistance	12	15	13
Loans from institutions	19	2	11
Borrowed from friends	1	7	4
Inherited	2	2	2
Sponsored	1	0	1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

A higher proportion of businesses in Katutura (75%) indicated to have started their businesses through own savings as compared to 65% in Windhoek. In addition, family assistance (15%) and funds borrowed from friends (7%) were also important

in Katutura. Striking enough though is the fact that only 2% of respondents in Katutura indicated to have used loans from financial institutions. On the contrary, there were a higher (19%) proportion of businesses that started their businesses through loans from institutions in the Windhoek location. These discrepancies suggest a relationship between the sources of start-up capital and the location of the businesses. Thus, businesses in Katutura are more likely to start with own savings, family assistance and funds borrowed from friends compared to SMEs in Windhoek. This endorses the findings of the previous report that own savings are more dominant in previously black location townships. For example, in the northern regions, about 70% of respondents started their businesses with own saving, while only 5 % used loans. This reflects the fact that credit is less accessible in townships. On the other end, institutional loans are more common in town centres and industrial areas.

The data further indicates a relationship between source of start-up capital and sex of interviewee. Male entrepreneurs were found to have started their businesses through loans from institutions, own savings and borrowing from friends.

On the contrary, female entrepreneurs mainly started through family assistance, sponsorship and inheritance. The differences could be attributed to a number of reasons:

(a) the fact that financial institutions requires collateral before granting loans makes it easy for males to get credit since the majority have reliable sources of income.

(b) another aspect is that of higher literacy level which is also a major requirement when applying for a loan. In most cases, males are more literate than females, thus putting them on a better position.

(c) the attitude toward risk of the two sexes - implying that male entrepreneur seems to be less risk averse than their female counterparts.

There was no significant relationship between the business sector and the source of start-up capital. However, the data revealed that the majority of enterprises engaged in services sector started their businesses with loans from institutions. As already indicated that male used more loans from institutions; this reflect the dominance of males in this sector, which are mainly involved in activities such as electricians, garages, plumbers etc. On the other end, manufacturing sector used more of the resources inherited. This also reflects the dominance of females in activities such as bakeries, beer/liquor breweries and other activities, which constitute a significant part of the manufacturing sector. The trade sector seemed to have used more of each source on average.

The average start up costs in the present survey were substantial similar to those recorded in the Erongo and Otjozondjipa survey.

It is interesting to notice that almost 70% of the businesses had a start up costs lower than N\$ 5 001; of this more than 905 where located in Katutura explaining the

huge differences with the average of businesses located in Windhoek areas. Table 33 shows that the overall average start-up cost was about N\$ 21 000.

Differences emerged also as regard to gender with start up costs higher for male than for female, this can be explained by the fact that female were generally involved in manufacturing activities such as home brewery and sewing which did not require high start up costs.

As in the Erongo and Otjozondjipa survey service sector businesses had the highest start-up costs. The type of manufacturing and service activities recorded again can explain this.

**Table 3333: Average Start-Up Costs N\$. (N= 445)**

	Mean	Median <sup>10</sup>
<b>Sex of interviewee</b>		
Male	26 784	2 000
Female	13 593	700
<b>Nature of business</b>		
Manufacturing	18 024	1 000
Trade	21 431	1 000
Services	26 039	3 000
<b>Location of business</b>		
Windhoek	81 777	30 000
Katutura	6 109	1 000
	Mean	Median
<b>Total</b>	<b>21 389</b>	<b>1 500</b>

#### 4.4.2. Loan

One would have expected more respondents in Khomas region to apply for loan as compared to the Erongo and Otjozondjupa regions. Surprisingly, only 20% of the respondents indicated to have applied for a loan in Khomas region as compared to

<sup>10</sup> Firms are excluded which had start-up costs higher than those specified according to table 1. The results do not change significantly by including the large firms. The average, however, increases by N\$ 10000. Median is the middle position of a ranked data set.

39 % of the enterprises in the Erongo and Otjozondjupa region. The fact that 80 % had never applied for a loan could be an indicator that the majority of entrepreneurs are not highly motivated to apply for a loan.

**Table 3434: Applied for a loan? (N= 495)**

Applied	Number	%
Yes	100	20
No	395	80
<b>Total</b>	<b>495</b>	<b>100</b>

The data shows that a relatively higher proportion (36%) of all respondents in the Windhoek location had applied for a loan compared to only 15% of all respondents in Katutura. This means that entrepreneurs in the town centres (Windhoek location) were more likely to apply for loan than those in Katutura. 65% of all respondents who had applied for loans reported to have received their loans. In other words, from ten applications about 6 are likely to be approved. However, Windhoek applicants were likely to receive loan than those in Katutura. This is shown by the fact that 82% of the respondents in Windhoek indicated to have received loan compared to only 53% in Katutura. This echoes the findings of the Erongo and Otjozondjupa regions that it is easy to get a loan in town centres and industrial areas than in the locations.

**Table 3535: Received a loan? (N= 99)<sup>11</sup>**

Received	Number	%
Yes	64	65
No	35	35
<b>Total</b>	<b>99</b>	<b>100</b>

A relatively higher proportion (22%) of female respondents had applied for a loan compared to 19% of all male respondents. This implies that female entrepreneurs were more likely to apply for a loan than their male counterparts. However, more (69%) male entrepreneurs indicated to have received loans than their female counterparts; there was only a 10% (male 10% higher) difference in the likeliness of one sex to receive a loan than the other. The fact that male entrepreneurs and applicants from Windhoek are more likely to receive loan could be attributed to a number of reasons such as: (a) the higher literacy rate of males and entrepreneurs

<sup>11</sup> For those firms having received a loan they were asked whether they had faced any repayment problems. The small number of those who had applied and then received a loan made however this exercise statistically insignificant

in Windhoek as compared to those in Katutura, (b) and the fact that male entrepreneurs (and businesses in town) are more likely to provide collateral as compared to their female counterparts, and those in locations.

It was found further that manufacturing businesses were likely to apply for a loan (22%) than Services (19%) and trade (17%). These findings tie well with those in the Erongo and Otjozondjupa regions where similar results were obtained. However, contrary to the findings of the Erongo and Otjozondjupa regions where manufacturing firms had a smaller chance of receiving a loan; it was found in this study that applicants from the manufacturing sector had a higher proportion among the recipients (55%) followed by the service sector (30%) and then trade and construction 14% and 1% respectively.

Entrepreneurs who did not apply for a loan from an institution were asked why they did not do so. About 31 % indicated the fact that loan application procedures were too complicated. Coinciding with the findings of the Erongo and Otjozondjupa survey, about 29% of respondents felt they did not need a loan. On the other end about 12% cited lack of collateral (security) to be another reasons. This current state of affair could be reversed by providing intensive training. This is because the current scenario could be attributed to the fact that the majority of the entrepreneurs do not have adequate information and knowledge of financial procedures.

**Table 3636: Reasons for not applying for a loan from an institution**

Reason	Number	%
Interest rates too high	36	8
Lack of collateral (security)	51	12
Banks too far	5	1
Loan application procedures too complicated	137	31
Don't need loan	130	29
Loan was available from other sources	36	8
Other	47	11
<b>Total</b>	<b>442</b>	<b>100</b>

Similar to the findings of the Erongo and Otjozondjupa regions, where about 57% of recent loans were used for both capital investment and for stock/related purchases (43%); this study found that 53% of recent loans were used for capital investment (first four rows of table 36) and 47% for stock/turnover related purchases (bottom four rows of table 36). These results are still lower than the findings of the four northern regions, where a higher proportion of loans (64%) were used for capital investment and only 36% being used for stock related purchases.

**Table 3737: Purpose of Most Recent Loan**

Purpose of most Recent Loan	Number	%
Buildings	121	18
Equipment	192	28
Furniture	26	4
Vehicle	20	3
Goods for resale	119	18
Raw materials	144	21
Salaries	19	3
Other	33	5
<b>Total</b>	<b>674</b>	<b>100</b>

Most of the entrepreneurs (32%) favoured an amount of a loan up to N\$5 000. This was followed by 12% for the amount from N\$5 001 - N\$10 000 and 8% for loans between N\$10 001 - N\$20 000. The amount of loan wanted varied by location. For example, the majority of respondents in Katutura restricted themselves mainly to loans of up to N\$10 000, while those in Windhoek were more in favour of loans from N\$20 000 upward. This is a reflection of the sizes of businesses in these two areas, and the fact that many of the businesses in the Katutura location lacks collateral as compared to their well established counterparts in the Windhoek location.

**Table 3838: Amount of prospective loan by location of business (%) (N = 462)**

Size	Windhoek		Katutura		Total	
	Number	%	Number	%	Number	%
Up to 5 000	6	6	141	40	147	32
5 001 - 10 000	7	7	49	14	56	12
10 001 - 20 000	9	8	30	8	39	8
20 001 - 50 000	12	11	20	6	32	7
50 001 - 80 000	7	7	11	3	18	4
80 001 - 100 000	9	8	6	2	15	3
Over 100 000	23	21	6	2	29	6
Not want a loan	34	32	92	26	126	27
<b>Total</b>	<b>107</b>	<b>100</b>	<b>355</b>	<b>100</b>	<b>462</b>	<b>100</b>

Those in trading activities were more in favour of loans between N\$5 000 and below. The manufacturing businesses were far more dominant together with those in services. On average however, all levels of amount of prospective loans was dominated by the manufacturing businesses followed by those in the services and trade sectors.



### 4.4.3. Saving

In most cases, the owner was the manager of the enterprises; and as such the financial position of the businesses was part and parcel of the household's total economy. Bearing this information in mind it was essential to determine whether the respondents' way of life is supported by the business.

A question was posed whether they saved in their households, not necessarily whether their businesses saved.

The data indicates that 61% of the respondents are saving compared to 68% in the Erongo and Otjozondjupa regions. Respondents from Katutura save substantially more (66%) than those in town. This could be attributed to the fact that potential businesses people in this area have to rely on their own savings in order to start up a business. This is because they have limited access to financial institution, as compared to their counterparts who are located in town.

**Table 3939: Does your household save? By Location(%) (N=483)**

Save	Windhoek	Katutura	Total
Yes	56	66	61
No	44	34	39
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

There is a slight gender disparity in terms of savings where males tend to save more, which could be attributed to the fact that they are also more highly educated than the females and hence are likely to earn more. Overall, the saving habit of respondents (by gender) was found to be very low in this study as compared to the Erongo and Otjozondjupa survey. For example, only 39 % of males and 24 % of females indicated that they made savings in this study; on the other end, about 75% of males and 56 % of females indicated that they made savings in the Erongo and Otjozondjupa survey. The extent of savings (i.e. how much saved) was however not specified, due to the sensitivity of the question.

Table 39 below shows the regularity of saving in the Khomas region, and other selected regions.

**Table 4040: Saving Regularity in the Khomas and selected regions. (%) (N=317)**

Regularity	Otjozondjupa	Erongo	Northern Region	Khomas
Weekly	17	22	17	16
Monthly	58	56	33	60
Yearly	5	2	2	2

Irregular	20	20	48	22
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

According to the statistics, most of the savers (60%) in Khomas region do so on a monthly basis. There are no significant differences in the savings patterns between the Khomas, Otjozondjupa and Erongo regions. The four O' regions are still in the lead in terms of savers (93%).

#### **4.5. Problems Perceived in Businesses**

To develop appropriate policies aimed to improve the conditions of SME the knowledge of the problem faced by the business is of a paramount importance. The respondents were asked what type of problem they perceived as the most important. Each respondent could only give one reply.

**Table 4144: Most important problem perceived by the business**

Problem	Number	%
Lack of payment	106	25.0
Lack of demand	83	20.0
Lack of credits for working capital	64	15.0
Lack of information on cheaper sources of goods	47	11.0
Lack of marketing information	22	5.0
Lack of management training	17	4.0
Lack of credits for investment	15	4.0
Lack of labour with skills required	15	4.0
Lack of technical training	11	3.0
Inability to keep labour with skills required	5	1.0
Lack of on-site management advisory services	4	1.0
Lack of technical information	2	0.0
Other problem	31	7.0
<b>Total</b>	<b>422</b>	<b>100.0</b>

From a total of 503 businesses interviewed 26 (representing 5.2% of the total) had missing information on this section and therefore had not been accounted for in the above table. Similarly, a total of 55 businesses (11.5% of 477 (503-26)) that indicated they did not have problems have not been included as well which brings the total number to 422.

As one may observe from the table, 25% of all businesses singled out lack of payment as a major problem with 20% experiencing lack of demand in the second place. This is followed by lack of credit for working capital (15%) and lack of information on cheaper sources of goods (11%). Other problems such as: lack of tools/equipment, too much/unfair competition, lack of credit, lack of proper building and lack of site/marketing place, represent 7% of the sample.

Of least importance among the problems is lack of technical information (0%) followed by inability to keep labour with skills required and lack of on-site management advisory services both 1%. Ranging between 3 to 5% of businesses cited lack of marketing information, management training, credits for investment, labour with skills required and technical training as most pressing problem.

Since respondents may face several important problems at the same time, an assessment was made of the degree of each problem. Otherwise the results from the table above can underestimate the problems, which are important, but not the most important

**Table 4242: Degree of Problems**

Problems you are facing in your business	Major problem	Small problem	no problem	%
Lack of payment (late payment)	42	15	43	100
Lack of demand	35	21	44	100
Lack of credit for working capital	34	17	49	100
Lack of information on cheaper sources of goods	32	21	47	100
Lack of credit for investment	22	20	58	100
Lack of marketing information	22	20	58	100
Lack of management training	18	16	66	100
Lack of technical training	15	12	73	100
Lack of labour with skills required	13	16	71	100
Lack of technical information	10	15	75	100
Lack of on-site management advisory services	8	17	75	100
Lack of on-site technical advisory services	8	12	80	100
Inability to keep labour with skills required	8	11	81	100

Like in the in the “most important problem” table above, respondent cited lack of payment, lack of demand, lack of credit for working capital and lack of information on cheaper sources of goods as major problems by 42, 35, 34 and 32% of respondents respectively. This was followed by lack of credit for investment and marketing information (both 22%), lack of management training (18%) and lack of technical training (15%). However, as one may observe, it is only these four that has been cited as either major or small problems by most businesses. With regard to the rest, one can clearly see that the proportion in the “no problem” column out numbers the sum of the proportions of the first two columns of businesses with problems.

Respondents who engaged in manufacturing activities were on average facing more problems as compared to those in services and trading activities. However, this may be attributed to the fact that most of the respondents were mainly those engaged in manufacturing activities. As for the type of problems experienced by the sectors lack of payment was seen as a major problem by 29% of those engaged in the service sector compared with 24% and 21% for manufacturing and trade; lack of demand ranked higher in the manufacturing sector (24%) than in the trade (12%) and service sectors (18%), lack of working capital was a major problem for 19% of the trade sector while only 14% of those engaged in trade and service considered it as a major problem.

On the other end, male entrepreneurs were on average facing more problems than their female counterparts. Once again, this may be attributed to the fact that most of the respondents were male. 27% of male considered lack of payment as a major

problem compared with 23% of their female counterpart, while 18% and 4% of female respondents saw lack of credit for working capital and for investment as a major problem compared with 15% and 3% of their male counterpart. This is an indication that females find it more difficult to get a loan than men.

The problems faced by the business in the Khomas region seem not to differ from that experienced in the Erongo and Otjozondjupa although the order of priority is changed since the lack of credit for working capital which is in the third position in the current survey is indicated, instead as the most important problem.

The same difference emerged in comparison with the northern survey where the lack of management training, lack of information on cheaper sources of goods and lack of market information were the problems.

Skilled labour was regarded as a minor problem also in the Erongo and Otjozondjupa survey (73%).

#### **4.6. Support Service Required**

In order to identify a way to solve the problems facing the business a question was asked to identify the type of support service needed, it was asked whether that support was either most needed, or could be of help, or not really necessary.

In comparison with the Erongo and Otjozondjupa survey the order of priority was very similar. Business planning in order to get a loan was seen as a type of support most needed by 40% of the respondent, when adding the "*could be of help*" we could say that 58% of the enterprises are in need of this type of support.

32% of respondents considered credit for working capital and sub contracting the next most needed form of support (53% and 46% adding the "*could be of help*" answer) followed by market information 30% and electricity 28%.

**Table 4343: Support Services Needed. %**

Support services needed	Most needed	Could be of help	Not really necessary	Total %
Business planning to get a loan	40	18	42	100
Credit for working capital or investment	32	21	47	100
Sub-contracting	32	14	54	100
Market information	30	24	46	100
Electricity	28	13	59	100
Telephone/Fax	22	16	62	100
Ideas about products	21	24	55	100
Water	20	13	67	100
Transport	19	18	63	100
Advice on business organizations	19	23	58	100
Vocational training	17	14	69	100
Refusal removal	15	14	71	100
Other	25	1	74	100

From the support services in Table 44, respondents were asked for the most important one. 16% said that subcontracting was the most important type of support followed by 14% who felt that business planning to get a loan was the most important. Credit for working capital and/or investment and electricity come next with 13% and 12% respectively. Differences emerged when looking at the location; in the Katutura area there was a much higher demand for credit and business planning than in the Windhoek areas. Significantly 100% of the respondents who indicated as most needed the provision of basic infrastructures such as electricity, water, trading facility and refusal removal, where located in the Katutura areas.

Credit for working capital was cited as the most important type in the percentage in all three sectors while business planning to get a loan and subcontracting was by far the most important in both the manufacturing and services sectors

No substantial gender differences emerged on the types of support as most important.

In the four northern regions, the most needed areas of support were business planning, market information and advice on business organisation. Credit was identified as only the fourth most important type of support.

A question was also asked in order to understand if the respondent would be willing to pay to get the required support. It is interesting to notice that 85% of the respondent answered positively to such question. This is a clear signal for the local municipality and the government that when there is a concrete need and the service

provided is perceived as a valid form of support the community is prepared to pay in order to obtain that service.

**Table 4444: Disposition to pay for Support (N= 446)**

Are you prepared to pay for the required support?	Total	%
Yes	379	85
No	58	13
Don't know/perhaps	9	2.
<b>Total</b>	<b>446</b>	<b>100</b>

#### 4.7. Knowledge of Organisations Providing Services

From the survey carried out, a question was posed to determine the extent of awareness and popularity of credit lending, training and/or advisory service institutions. Businesses were asked whether they had heard of and used a range of organisations that could supply loans and/or training and advice.

**Table 4545: Knowledge and Use of Services of Organisations. (%) (N =503)**

	Heard of	Used	Don't know the organization	Total
Commercial Bank	79.7	8.5	11.8	100
Rossing Foundation (Education)	76.4	9.0	14.6	100
First National Bank	73.6	20.8	5.7	100
Bank Windhoek	72.4	18.1	9.5	100
Standard Bank	72.0	23	5.0	100
Namibia Development Corporation	63.8	11.3	24.9	100
Agri Bank	63.2	6.8	30.0	100
Development Fund	46.1	2.9	51.0	100
Institute of Management & Leadership Training	31.3	7.2	61.5	100
Namibia Development Trust	30.2	2.0	67.8	100
Co-operation for Development	16.7	2	81.3	100
Other	31.8	68.2		100

Astoundingly, the Commercial Bank, topped the popularity list with 79.7% of those interviewed having heard of the institution, with the three other main banks, First, Standard and Bank Windhoek acquiring popularity on an almost par basis, ranging between 72% and 73.6%.

On the contrary, despite its popularity the Commercial Bank emerged as one of the least used institutions, the most utilized being its main competitors, First, Standard and Bank Windhoek as well as other sources.

The Co-operation for Development was virtually unheard of, scoring a mere 16.7% popularity compared to the rest of the selected organizations, which rated between 30% and 80%.

Overall, it appears that the institutions that is most well known and most utilized are the different local banks, whereas the institutions that provide training are hardly consulted. These results echo the findings in Erongo and Otjozondjupa where only the formal banks were known as provider of credit and services.

The most unknown organization turned out to be the Co-orporation for Development, followed by the NDT and IMLT respectively. This raises questions of the real impact that those institution have in promoting SME

When considering the knowledge and the use of the organizations among the different areas, it is surprisingly how little are know in the Katutura areas those Institutions which should promote the development of SMME, only the NDC and the Rossing Foundation are widely known although only the first is also extensively used. Banks institution are the most known in both Windhoek and Katutura areas, probably due to the number of branches, FNB is most used in the Windhoek areas while The Commercial Bank is most used bank in the Katutura areas.

No gender differences emerge when considering the level of knowledge about the organizations. The only difference emerge as regard of the NDC which is most known and used by men and the Rossing Foundation which is instead most used by women.

Sector activities do not differentiate as regard to both knowledge and use of the institutions.

## **4.8. Some Indicators of the Sustainability of SME's**

### **4.8.1. Change in Turnover and Employment**

The data indicates that 50% of the businesses had increased their turnover from 1998 to 1999 compared with 18% that had it decreased in the same period.

The location of the business or the sex of the entrepreneur did not influence those percentages. Respondent in the services activities experienced the highest growth (55%) followed by manufacture (50%); trade activities had the lowest growth with only 41% of those engaged in the sector experiencing growth



**Table 4646: Change in Turnover by location. (%)**

<i>Compared with 1998, has sales/turnover increased in 1999?</i>	Windhoek	Katutura	Total
Grow strongly	15.1	13.9	14.1
Grow slightly	33.3	36.8	36.0
<i>Growth</i>	<i>48.4</i>	<i>50.7</i>	<i>50.1</i>
Remain constant	28.0	32.6	31.5
Fall slightly	16.1	11.6	12.8
Fall strongly	7.5	5.1	5.6
<i>Fall</i>	<i>23.7</i>	<i>16.7</i>	<i>18.4</i>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

As indicated in Table 47, more than 50% of the respondents were optimistic about growth performances in the year 2000 and only 15% very pessimistic for the future.

The perception of growth was higher in the services sector (56%) than in the manufacturing (48.3%) and in the trade sectors (47.9%). 55% of those in the Windhoek areas foreseen growth in the coming year compared to 49% of those in the Katutura areas. The same difference in perception was recorded among male and female respondents (53% of male had positive expectation as compared with 48% of female)

**Table 4747: Business performance in 2000 (turnover)**

	Count	%
Grow strongly	79	16
Grow slightly	172	35
<i>Growth</i>		<i>51</i>
Remain constant	173	35
Fall slightly	47	9
Fall strongly	25	5
<i>Fall</i>		<i>15</i>
<b>Total</b>	<b>496</b>	<b>100</b>

The same positive feelings were not registered instead as regards to the employment future prospects. Only 27% of the businesses foreseen an increase in employment in the year 2000 (7% strongly and 20% slightly). Male were more optimistic than female in terms of employment creation. A high percentage of respondents (64%) in both locations and in all three sectors felt that employment in 2000 would remain constant. These findings confirmed the overall view that the

SME sector is not in a strong position to generate employment echoing the results of the previous surveys where it was found that respondents were more positive towards an increase in turnover than increase in employment.

#### 4.8.2. Change in Household Standard of Living

36% of the respondent felt that their standard of living had increased during the last year, while only 19 % felt it had decreased and 40 % felt it remained constant. It is significant that the proportion of those who felt the increase in the standard of living was higher in the Katutura areas than in the Windhoek areas.

**Table 4848: Change in standard of living**

	Windhoek	Katutura	Total
Increased	29.5	37.8	36.0
Decreased	25.7	16.9	18.8
About the same	42.9	39.2	40.0
Do not know	1.9	6.1	5.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

This results contrast with the findings in the previous report where respondents in the locations were not so positive about their standard of living having improved. Instead, rather more of them felt that their standard had remained about the same.

#### 4.8.3. Change in Saving

36% of those interviewed had changed their saving behaviour, increasing their household saving when comparing it with the year before, while only 20% had it decreased and 42% had it remained the same.

Different patterns emerged between the businesses located in Katutura areas and in Windhoek areas. 38% of those in the Katutura increased their household saving compared with only 26% of those in the Windhoek areas.

Almost the same percentage of male (35%) and female (37%) responded that their household saving had increased comparing it with a year before, while a higher percentage of male (22%) had decreased their saving habits as compared to female (16%).

There was no significant relationship across sectors with change in saving behaviour, although an higher percentage of those involved in manufacturing (23%) activities had reduced their savings when compared to the other sectors (19% services and 12% trade).

**Table 4949: Comparison with Saving a Year Ago in percentage (N = 317)**

	Windhoek	Katutura	Total
More	26	38	36
Less	33	17	20
About the same	41	42	42
Do not know	0	3	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

#### 4.8.4. Growth in Employment (from start-up of business until now)

The findings from this study seem to confirm the overall impression that employment may increase through the establishment of new firms, but not through the expansion of existing firms. However there are also some signs of progress. Despite the fact that two third of firms had not changed their employment the number of firms that had increased their staff was far greater than the number of firms that had decreased it.

#### 4.8.5. Pushed or Pulled?

Entrepreneurs were asked whether they would have preferred to be wage earners at the start (and now) of their businesses or to be self-employed. This was to determine whether they were attracted by self-employment or forced by their inability to get employed somewhere else.

The majority of respondents (59%) felt they were pulled to self employment (-i.e. preferred not to be a wage earner) at start-up while 34% felt pushed and the remaining 7.1% refused to respond. This is in line with findings of the previous survey done in the Erongo and Otjozondjupa regions where the majority (55%) were found to have been pulled at start-up. However, unlike in the previous report the proportions of those who preferred to be wage earners as well as those who did not during the start-up had not changed their minds significantly. When asked whether they preferred to be wage earners at the time of the survey, 34% answered yes while 59% said no.

It was established that the proportion of respondents who had previously preferred to be wage earners in the Windhoek location had increase from 26% to 33%; meanwhile, that of the Katutura location was found to have gone down from 36% to 33%. Similarly, the proportion of those who did not prefer to be wage earners at start-up was found to have decreased from 68% to 56 % in the Windhoek location; and increased from 57% to 60% in the Katutura location. This result vindicates the findings of Erongo and Otjozondjupa survey that there is a trend towards the preferring of self-employment in the locations and away from preferring self-employment in the town centres.

**Table 5050: Preferred to be a wage earner at start-up or now**

	Preferred to be a wage earner at start-up?	Prefer to be a wage earner now?	Total %
Yes	34.0	33.6	33.8
NO	59.0	58.7	58.9
No response	7	7.7	7.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Overall, the data presents a picture that the majority of entrepreneurs are in business not only for survival purposes. This is vindicated by the higher proportion of respondents (more specifically in Katutura) who did not prefer to be wage earners, which have increased from 57 % to 60 %. This could perhaps be attributed to the fact that government policies (such the establishment of industrial parks) aimed at promoting SME are starting to have some spillover effects.

Similar to the findings of the Erongo and Otjozondjupa survey, an increase in the number of the enterprises in the trade and service sector preferred to be wage earners at start up than now; indicating that more prefer self-employment now than before. On the other end, the manufacturing recorded a constant 29 % for both now and at start-up. This echoes the afore-mentioned findings, implying that the manufacturing sector is not really doing good compared to other sectors.

Similar to the findings of the Erongo and Otjozondjupa survey, male business owners (39 %) preferred to be wage earners at start-up than females (30 %). This shows that more female business owners preferred to be self-employed at start-up. However, there seems to be less female owners who are now inclined to be self-employed.

## 5. POLICY RECOMMENDATIONS

- *SME definition should be upgraded considering the finding of the report; Definition should also consider international definition in order to allow for comparison.*
- *Target business should be reconsidered manufacturing and services should be incentivated rather than trade*
- *Basic infrastructures should be provided (electricity is still a problem for business in the location of Katutura)*
- *Creation of incubators centre or and industrial park should be incentivated. These seem to justify to the growth experienced in the location areas. The policy followed by the Municipality to undertake market study before the creation of them should be incentivated*
- *NCCI should target more actively SME which at the present do not are represented at all. Services should be provided to SME in order to incentivated them to register*
- *Sub contracting/outsourcing activities should be incentivated*
- *Access to finance despite the fact that lack of credit for working capital/investment is regarded as a need by many businesses a very small percentage make use of loan. Further analysis on such behaviour should be undertaken. The institution of micro financing schemes (up to N\$ 10 000) could better represent the need expressed by almost 45% of businesses.*
- *Since banking procedures seems to be one of the major obstacle to getting loans from bank, more courses should be developed with the assistance of the Banking Institutions themselves*
- *Municipality should improve its registering procedures proving more qualitative data, (type of sector, number of employees). Policy in order to incentivate registration should also put in place (proving services such us advice on loan procedures, book keeping etc. to those who register)*

## Annex 14: References

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## **Annex 22: Description of Business Terms**

### **Bakeries:**

This includes small modern bakeries and village ones that consist of home made brick ovens.

### **Basket makers:**

Businesses using palm straw to make baskets and other items. They normally operate under a tree shed and use basic hand tools such as knives.

### **Clothes sellers:**

Businesses selling clothes in the open air under a tree. They normally sell second-hand clothing, though at times they also sell new clothing.

### **Food sellers:**

Businesses selling cooked or fried fish or meat, commonly referred to as the "kapanas".

### **Cuca shops:**

The cuca shop differs from bottle stores in terms of the building and facilities available. The cuca shop is made from zinc like a temporary structure, whereas the bottle store is more a permanent brick structure.

### **Fence makers:**

These are businesses producing diamond mesh fencing, etc.

### **Sewing groups:**

Businesses organised by government agencies and NGOs to operate as income-generating projects, generally owned by a group.

### **Open Air Butcheries:**

Businesses, which buy cattle and slaughter them for sale, often operating under a tree shed.

### **Hawkers:**

Business people selling their products at organised open markets. In Ohangwena region there are no organised markets, so in this case the type of product they are selling, e.g. food sellers, identifies the hawkers.



## Annex **33**: Town Clerk Interview

### Ministry of Trade & Industry

#### Baseline Survey : Small Scale Enterprises January 2000

#### Chief Executive/Town Clerk Interview

Interviewers initials \_\_\_\_\_

Date: \_\_\_\_\_

Town: \_\_\_\_\_

Name of Chief Executive/Town Clerk: \_\_\_\_\_

(or person actually interviewed)

As part of the survey of Small Scale Enterprises there are some town-wide topics on which we would value your knowledge.

1a. Does the Local Authority outsource any of its functions?      Yes

No

2b. If yes, Which type of services, please? (list)

\_\_\_\_\_

2c. If yes, does any of this business go to local SMEs      Yes

No

(Small & Micro Enterprises)

\_\_\_\_\_

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3. (If no) Is your Local Authority considering outsourcing any functions, or has it done so in the past? (Please specify) Are there any particular limiting factors in the decision?

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4. What specific actions has the Local Authority taken to support Small & Micro Enterprise development in this town?

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5. The Ministry of Regional, Local Government & Housing has a policy for local authorities to adopt best practice on encouraging small & micro enterprises. Can I ask about aspects of these, please?

a) creating a one-stop facility for the processing of all permits:

---

b) setting of targets for maximum possible time to process applications:

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c) an annual published plan for provision of sites, premises and other infrastructure to support small business:

---

d) development of long term plans which require that specific provisions be made for small businesses:

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Thank you very much.

## Annex 44: Census Questionnaire

To: Chief Executive/Town Clerk : Windhoek

1. How many business centres are in this town? \_\_\_\_\_

2. Please indicate by ticking the type of business and their numbers at each Business Centre:

Name of area/business centre (one list to be filled out for each centre):

\_\_\_\_\_

Name of person completing the list \_\_\_\_\_

Type of Business	Number	Type of Business	Number
Bakeries		Milling	
Basket Makers		Plumbers	
Beer /Liquor Brewers		Potters	
Blacksmiths		Poultry Producers	
Boat Builders		Restaurants	
Bottle Store		Seed/Fertiliser Sellers	
Brickmakers		Sewing Groups	
Builders		Sign Makers	
Carpenters		Tailors	
Cart/Sledge Makers		Take Away	
Cinemas		Taxis/Transport	
Clothes Sellars		Thatchers	
Cuca Shops		Threshing	
Driving School		Tractor Hire	
Electricians		Vegetable Growers	
Fabric Makers		Welders	
Fishermen		Woodcarvers	
Food Sellers		Woodcutters	
Garages			
General Dealer			
Gyms		<b>Other (specify)</b>	
Hairdressers			
Hawkers			
Lodge/Hotels			
Open air butcheries			
Petrol Stations			
Mat Makers			

## Annex 55: Baseline Survey Questionnaire

CONFIDENTIAL

**MINISTRY OF TRADE AND INDUSTRY  
BASELINE SURVEY: SMALL SCALE ENTERPRISES: FEB. 2000  
QUESTIONNAIRE**

Interviewer Initials : \_\_\_\_\_ Date: \_\_\_\_\_ Length of interview: \_\_\_\_\_

Town: \_\_\_\_\_

**Part A Profile** (*The person to be interviewed must be the owner or manager of the business*)

1. Name of the business: \_\_\_\_\_

2. Name of the interviewee: \_\_\_\_\_

3.(a). What is your **age** ? (Please write in) \_\_\_\_\_

3.(b). Is interviewee male or female (please circle):

Sex	Circle
Male	1
Female	2

3.(c). Position held in the business (Please circle):

Position held	Circle
Owner and Manager	1
Employed Manager	2

3.(d) Does the owner have any **other businesses**? If yes, how many? \_\_\_\_\_  
and \_\_\_\_\_ which \_\_\_\_\_ categories \_\_\_\_\_ of \_\_\_\_\_ businesses (see  
Q5) \_\_\_\_\_

4 Please indicate by filling in where the business is located:

Location	Name
a) Name	

b) Centre (if applicable)	
---------------------------	--

4.(c) From where is business mainly conducted?

Location of business	Circle
From owners home	1
From another fixed indoor location	2
From a fixed outdoor location	3
Moving around	4

4.(d) Does the owner(s) of the business own or is buying the business premises?

Own premises	Circle
Yes	1
No	2

5.(a). Please indicate the nature of the business

Sector	Circle
Manufacturing	1
Trade	2
Services	3
Agriculture	4
Construction	5
Other	6

5.(b). Please indicate by circling the type of business you are in (please circle the main one only):

Type of Business	Sector	Circle	Type of Business	Sector	Circle
Bakeries	m	1	Milling	m	24
Basket Makers	m	2	Plumbers	s	25
Beer /Liquor Breweries	m	3	Poultry Producers	agri	26
Bottle Store	T	4	Restaurants	s	27
Brickmakers	m	5	Seed/Fertiliser Sellers	T	28
Builders	con	6	Sewing Groups	m	29
Carpenters	m	7	Sign Makers	m	30
Cinemas	s	8	Tailors	m	31
Clothes Sellars	T	9	Take Away	T/s	32
Cuca Shops	T	10	Taxis/Transport	s	33
Driving School	s	11	Thatchers	s	34
Electricians	s	12	Threshing	m	35
Fabric Makers	m	13	Vegetable Growers	agri	36
Food Sellers	T	14	Welders	m	37
Garages	s	15	Woodcarvers	m	38
General Dealer	T	16	Woodcutters	m	39
Gyms	s	17	Others (Please specify)		40
Hairdressers	s	18			
Hawkers	T	19			
Lodge/Hotels	s	20			
Open Air Butcheries	T	21			
Petrol Stations	T	22			
Mat Makers	m	23			

m- manufacturing; T - trade; s - service; agri-agriculture; con-construction

6. How many years has this business **been in operation**? Number of years: \_\_\_\_\_

7. What is your highest **educational level** (which you have **passed**)? (Please circle):

Educational level	Circle
None	1
Grade 1-4	2
Grade 5-9	3
Grade 10-12	4

Diploma or University degree	5
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8. With whom is your business registered?(Please circle all that apply):

Registering Authority	Circle
Chief	1
Headman	2
Ministry Of Trade and Industry	3
Ministry of Lands	4
Town Council/Municipality	5
Ministry of Finance	6
Not registered	7
Other (specify)	8

9.(a). Which of the following assets do you have in your business? (circle all that apply):

Type of Assets	Circle
Premises (buildings and accompanying land)	1
Machinery/Equipment/Tools	2
Furniture	3
Vehicles	4

9.(b). What is the current estimated value of these assets? (Don't Know/Refused = - )

Type of assets	Estimated Value (none=0)
Premises (buildings and accompanying land)	
Machinery/Equipment/tools	
Furniture	
Vehicles	

9.(c). Did you make any investments during the **last year**?

	Circle	
Yes	1	Go to Q 9 d
No	2	Go to Q10 a

9.(d). Type of investment

Type of investment	Circle
Premises (buildings and accompanying land)	1
Machinery/Equipment/tools	2
Furniture	3
Vehicles	4

9.(e). What was the value of investment (Don't Know/Refused = - )

Type of investment	Value of investment last year (none=0)
Premises (buildings and accompanying land)	
Machinery/Equipment/tools	
Furniture	
Vehicles	

10.(a). Is the business a member of any Business Association such as a Chamber of Commerce and Industry, etc.? (Please circle):

Member	Circle
Yes	1
No	2
Was, but not now	3

10.(b). If yes, name the Association(s) and specify whether you are satisfied with their services.

\_\_\_\_\_

11.(a). Who are the customers of the business (circle all that apply)?

Customers			
General public	1	Manufacturing or construction agents or producers	4
Local shops	2	Government (local or national)	5
Wholesalers (distributors or agents)	3	Tourist agents	6



11.(b). Do you have any regular business from specific buyers?

Regular buyers	Circle
Yes	1
No	2

If  yes, please describe the type of buyers \_\_\_\_\_

11.(c). During the last 12 months, how far away from here were any products/ services sold?  
(Circle one category)

Distance of market			
Locally/In town	1	Over 25 Km	3
Up to 25 Km	2	Exported	4

11.(d). Comparing with a year ago (1998), has **sales/turnover** increased during 1999?  
(Please circle ):

Growth 99	Circle
Grow strongly	1
Grow slightly	2
Remain constant	3
Fall slightly	4
Fall strongly	5

11.(e). How much was your sales (**turnover**) during **1999**? Hint: Last month sales (January), its representativeness, minimum sales per month, normal month sales multiplied by 12).

N\$(normal month)..... \* 12 = \_\_\_\_\_

11.(f). How much was your sales (**turnover**) during **1998**? Hint: Compare with January 1997, its representativeness, calculate a normal rate, alternatively say something on growth)

N\$(normal month)..... \* 12 = \_\_\_\_\_

11.(g). How do you think your business will perform in 2000 (in terms of **turnover**)?

<b>Performance 2000</b>	<b>Circle</b>
Grow strongly	1
Grow slightly	2
Remain constant	3
Fall slightly	4
Fall strongly	5

11.(h). How do you think your business will perform in 2000 (in terms of **employment**)?

<b>Performance 2000</b>	<b>Circle</b>
Grow strongly	1
Grow slightly	2
Remain constant	3
Fall slightly	4
Fall strongly	5

12.(a) Where do you buy your main supply (input such as raw materials, items for resale or tools)? Circle only the most important source.

<b>Source of main supplies</b>	<b>Circle</b>
Retail shops, supermarkets, cash and carry	1
Wholesalers, distributors and agents	2
Manufacturers	4
Direct imports	5
Not applicable	6

12.(b). Does the business mainly purchase on cash, credit or barter?

<b>Payment</b>	<b>Circle</b>
Cash	1
Credit	2
Barter	3

12.(c). Do you get any discount on your purchases?

Discount	Circle
Yes	1
No	2

If yes, specify where from (cooperatives, family, etc). \_\_\_\_\_

12.(d). (**For traders only** (T in Q5b)): What was the **cost of products bought for resale** during 1999? Hint: Last month costs (January), its representativeness, minimum costs per month, normal month costs \*12. N\$(normal month)..... \* 12 = \_\_\_\_\_

12.(e). (**For all businesses**): What were the **other costs of supplies** during 1999 (raw materials, rent, fuel, water, electricity, stationaries etc.)? Hint: Last month costs (January), its representativeness, minimum costs per month, normal costs \*12.

N\$(normal month)..... \* 12 = \_\_\_\_\_

12.(f). How much did you spend on **wages and salaries** (cash and kind) to employees last year? Hint: Last month wages (January), its representativeness, minimum wage costs per month, normal month wage \*12). N\$(normal month)..... \* 12 = \_\_\_\_\_

12.(g). How long is it takes between using the money to buy your supplies (to produce good/services) and receiving the money from the sales ?

Production period					
Immediately	1	Less than two weeks	3	More than a month	5
Less than a week	2	Less than a month	4		

13. When this business first started, how many people were permanently employed (excluding the owner)?

Category of Staff	Initial number of payed staff	
	Male	Female
a) Permanent full time		
b) Permanent part time (Less than 3 days per week		
c) Occasional/ casual		

14. Please indicate the number of your current (as of 1 February 2000) staff by males and females (excluding the owner) (None = 0 Don't Know /Refused= - )

Category of Staff	Current number of payed staff	
	Male	Female
a) Permanent full time		
b) Permanent part time (Less than 3 days per week		
c) Occasional/ casual		

14.(d). For owners only (else go to 15a): If you had the choice when you **started** this firm, would you **rather have been** a wage earner? Please circle:

Preferred to be a wage earner at start up	Circle
Yes	1
No	2
Not applicable/ refuse	3

14.(e). If you **now** have the choice, would you **rather be** a wage earner? Please circle:

Prefer to be a wage earner now	Circle
Yes	1
No	2
Not applicable/ refuse	3

## PART B(Training)

15.(a). Have you attended any management courses? If so how many? (Please circle):

Attended	Circle	
None	0	Go to Q17
1	1	
2	2	
3	3	
4 or more	4	

15.(b). If yes, who organised them? \_\_\_\_\_

16. Which topics were covered during the training? (Please circle all that apply).

Topic covered	Circle
Marketing	1
Buying	2
Costing and Pricing	3
Stock control	4
Book-keeping	5
Banking	6
Production	7
Personnel Management	8
Legal aspects of business	9
Others	10

17.(a). Have you ever attended a technical course? (Please circle):

Attended	Circle	
None:	0	Go to Q19a
1	1	
2	2	
3	3	
4 or more	4	

17.(b). If yes, who organised it? \_\_\_\_\_

18. Which topics were covered during the training? (Please write in): \_\_\_\_\_

\_\_\_\_\_

### Part C. Finance

19.(a). What was the start up cost (fixed- and working capital) of this business?

N\$ \_\_\_\_\_

19.(b). What was your main source of money to start this business? (Please circle one only):

Sources of Money	Circle
Own savings	1
Family Assistance	2
Borrowed from friends	3
Loans from institutions	4
Inherited	5

19.(c). Were there any other sources of money used to start this business?

Write in: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

20.(a). Have you ever applied for a loan from an institution? (Please circle):

Applied for a loan	Circle	
Yes	1	Go to 20 (b)
No	2	Go to 20(e)

20.(b). If yes, did you receive the loan from the institution? (Please circle):

Received Loan	Circle	
Yes	1	Go to 20 (c)
No	2	Go to 20 (d)

20.(c). If yes, please name the institution(s).

\_\_\_\_\_ ( Go to

Q21a)

20.(d) If applied but NOT received a loan, please indicate the reasons by circling those reasons that apply. (**PLEASE ASK THE NAME OF THE INSTITUTION AS WELL**)

After completed this, go to Q23

Reasons	Circle
Failure to draw business plan	1
Failure to identify viable projects	2
Lack of track record or trade references	3
Institution (bank) was not interested (specify why below)	4
Others (specify below)	5

Name of the institution

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20.(e). (If never applied for a loan), Is there any reason why you have not applied for a loan from an institution? (Please, circle all that apply and **then go to Q23**).

Reasons	Circle
Interest rates too high	1
Lack of collateral (security)	2
Banks too far	3
Loan application procedures too complicated	4
Don't need loan	5
Loan was available from other sources	6
Other (specify)	7

20.(f). Have you ever applied for a loan from a money lender (Please circle):

Applied for a loan	Circle
Yes	1
No	2

21.(a). Did you experience any problems in paying back the most recent loan? (please circle):

Experienced problems	Circle	
Yes	1	
No	2	
Not applicable	3	Go to Q23

21.(b). If yes, please briefly describe the type of problems experienced.

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22. What was the most recent loan used for? (Please circle all that apply):

Loan was used for	Circle
Buildings	1
Equipment	2
Furniture	3
Vehicle	4
Goods for resale	5
Raw materials	6
Salaries	7
Own consumption	8
Other	9

23. If you were to apply for a loan from an institution now, how much would you apply for? (Please circle):

Amount of loan N\$	Circle
Up to 5 000	1
5 001 - 10 000	2
10 001 - 20 000	3
20 001 - 50 000	4
50 001 - 80 000	5
80 001 - 100 000	6
Over 100 000	7



Not want a loan	8	Go to Q 25a
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24. What would you use the loan for? (Please circle all that apply):

Loan use	Circle
Buildings	1
Equipment	2
Furniture	3
Vehicle	4
Goods for resale	5
Raw materials	6
Salaries	7
Other (state)	8

**NOW THINKING ABOUT SAVING MONEY IN YOUR HOUSEHOLD:**

25.(a). Does your household save? (Please circle):

Save	Circle	
Yes	1	
No	2	Go to Q 25d

25.(b). How often do your household save? (Please circle):

Rate of saving	Circle
Weekly	1
Monthly	2
Yearly	3
Irregular	4

25.(c) Comparing with a year ago, is your household saving more, less or about the same? (Please circle)

Saving							
More	1	Less	2	About the same	3	Do not know	4

25.(d). Do you feel that your household's standard of living has increased, decreased or stayed the same over the last year? (Please circle)

Standard of living (household)							
Increased	1	Decreased	2	About the same	3	Do not know	4

#### PART D Support Services

26.(a). What are the major problems you are facing in your business? (Please circle): (Read out).

Type of problems faced in business	Major problem	Small problem	No problem
Lack of management training	1	2	3
Lack of on site management advisory services	1	2	3
Lack of technical training	1	2	3
Lack of on site technical advisory services	1	2	3
Lack of technical information	1	2	3
Lack of marketing information	1	2	3
Lack of information on cheaper sources of goods	1	2	3
Lack of credits for working capital	1	2	3
Lack of credits for investment	1	2	3
Lack of labour with skills required	1	2	3
Lack of keeping labour with skills required	1	2	3
Lack of demand	1	2	3
Lack of payment (late payment)	1	2	3

26.(b). Which is the most important problem? Write in.

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27.(a). What type of support do you think you need to improve your business? (Please circle):

(FOR EACH ONE, ASK:) Would that support be either most needed, or could be of help, or not really necessary?

<b>Support</b>	<b>Most needed</b>	<b>Could be of help</b>	<b>Not really necessary</b>
Market information	1	2	3
Vocational training(Specify below)	1	2	3
Technical advice	1	2	3
Ideas about products	1	2	3
Advice on business organisation	1	2	3
Credit for working capital or investment	1	2	3
Business planning to get a loan	1	2	3
Sub-contracting (doing parts of a job for a big company).	1	2	3
Transport	1	2	3
Water	1	2	3
Electricity	1	2	3
Telephone/Fax	1	2	3
Rubbish collection	1	2	3
OTHER (specify).	1	2	3

27.(b). Out of all these types of support, which one would be the most important to you?

Write in. \_\_\_\_\_

27.(c) Why is this, please? \_\_\_\_\_

27.(d).If the only support available had to be paid for, would you be prepared to pay for it?  
 Yes or no ? Please, explain why  
 ? \_\_\_\_\_

28. Have you heard of the following organisations? Please circle if yes. If heard of, also ask: Have you used the organisation?

Organisation	Heard of	Used	Don't know the organisation
IMLT (Institute of Management and leadership Training)	1	2	3
CD (Co-operation for Development)	1	2	3
NDT ( Namibia Development Trust)	1	2	3
Rossing Foundation (Education)	1	2	3
First National Bank	1	2	3
Standard Bank	1	2	3
Commercial Bank	1	2	3
Development Fund	1	2	3
NDC (Namibia Development Corporation)	1	2	3
Agri bank	1	2	3
Bank Winhoek	1	2	3
Other, specify			

29. Any other comments

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Thank you for your co-operation