THE EFFECTS OF THE GOVERNMENT’S MICROFINANCE GRANT SCHEME
ON RURAL MICRO ENTREPRENEURSHIP DEVELOPMENT IN NAMIBIA: A
CASE STUDY OF THE OHANGWENA REGION

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
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BY

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DECLARATION

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Toini Tuutalen Hasheela

Date

28/02/2018
DEDICATION

To my late mother “Rauha-Sonia Nguti” and my late aunt “Tuuliki Martin”, who could not be here to see me completing this task.

To my lovely husband “Eddie Birnie-Shihafeleni Hasheela” and to my son “Pandula Titus Shalongo” for their unconditional love until I have achieved this great goal.
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Above all, I would like to thank the Almighty God for giving me strength to finish this work in good spirits. All glory belongs to you!

My profound appreciation goes to my supervisor, Dr. Fanny Saruchera, who always dedicated time from his busy schedule to guide and support me in my studies. It was indeed a great honour to work under his supervision.

I acknowledge and highly thank Mr. Cammilus Mahindi who assisted me in analysing the data.

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iii
ABSTRACT

Micro enterprises are the major sources of entrepreneurial skills, innovation and economic development. They are a very important aspect in Namibia as they have potential to contribute over 30% to the country’s Gross National Product if they are provided with financial assistance. This study was aimed at assessing the effects of the government’s microfinance grant scheme on rural micro entrepreneurship development, identify the characteristics of micro enterprises funded and determine other non-finance factors that negatively impacts the growth of micro enterprises, with a special reference to Ohangwena Region. A case study research design was adopted and primary data was collected using researcher administered questionnaires from 42 enterprises which were randomly sampled. The study made use of both descriptive and inferential statistics in drawing conclusions from the study’s findings. The effects of microfinance on rural entrepreneurship development (as a measure of change in income and a change in employment) was analysed using Linear Regression. The study found out that there is a significant relationship between microfinance and income while there is an insignificant relationship between microfinance and employment. In addition, microfinance has led to social and psychological empowerment, acquisition of assets and innovation. The study further revealed that most enterprises are not registered with any authority, not family owned and use basic technology in producing goods and service. Moreover, the study revealed that lack of individual or managerial capacity, geographical position and undeveloped infrastructures are the most non-financial factors that negatively affect businesses.
TABLE OF CONTENTS

Declaration......................................................................................................................................... i

Dedication ......................................................................................................................................... ii

Acknowledgements .......................................................................................................................... iii

Abstract ........................................................................................................................................... iv

Table of contents ............................................................................................................................... v

List of figures ...................................................................................................................................... xii

List of tables ...................................................................................................................................... xiii

List of abbreviations and acronyms ................................................................................................. xiv

CHAPTER ONE: INTRODUCTION ................................................................................................. 1

1.1. ORIENTATION OF THE PROPOSED STUDY ................................................................. 1

1.2. STATEMENT OF THE PROBLEM .................................................................................... 5

1.3. OBJECTIVES OF THE STUDY ......................................................................................... 6

1.4. HYPOTHESIS OF THE STUDY ......................................................................................... 6

1.5. SIGNIFICANCE OF THE STUDY ....................................................................................... 7

1.6. LIMITATIONS OF THE STUDY ......................................................................................... 8

1.7. CHAPTER SUMMARY ........................................................................................................... 8

CHAPTER TWO: LITERATURE REVIEW ...................................................................................... 9
2.1 INTRODUCTION .............................................................................................................9

2.2 DEFINITION OF KEY TERMS .....................................................................................10

2.2.1 Microfinance .............................................................................................................10

2.2.2 Micro enterprises .......................................................................................................11

2.2.3 Entrepreneurship development ................................................................................12

2.3 EFFECTS OF MICROFINANCE ON MICRO ENTREPRENEURSHIP DEVELOPMENT .........................................................................................................................13

2.3.1 Increased income .......................................................................................................17

2.3.2 Improved entrepreneur’s innovation .........................................................................18

2.3.3 Social and psychological empowerment ..................................................................18

2.3.4 Employment creation ...............................................................................................19

2.3.5 Acquisition of assets ...............................................................................................20

2.4 CHARACTERISTICS OF MICRO ENTERPRISES ......................................................21

2.4.1 Informality ................................................................................................................22

2.4.2 Unregistered ..............................................................................................................22

2.4.3 Small scale operated ...............................................................................................23

2.4.4 Mostly family - owned ...........................................................................................24

2.4.5 Rely on indigenous knowledge and lack technology ...............................................25

2.4.6 Other characteristics ...............................................................................................25
2.5 NON-FINANCE FACTORS THAT NEGATIVELY IMPACT THE GROWTH OF MICRO ENTERPRISES

2.5.1 Cumbersome government policies .................................................................26
2.5.2 Geographical positioning ..............................................................................27
2.5.3 Natural Catastrophes ..................................................................................28
2.5.4 Unregulated Competition ............................................................................28
2.5.5 Mostly lack individual/managerial capacity .................................................29
2.5.6 Undeveloped infrastructure ........................................................................30
2.5.7 Other factors ................................................................................................30

2.6 STRATEGIES TO ENHANCE MICRO ENTREPRENEURSHIP DEVELOPMENT

2.6.1 Improved legal and regulatory environment .................................................32
2.6.2 Capacity building and training ....................................................................32
2.6.3 Infrastructural development ........................................................................33
2.6.4 Networking ..................................................................................................33
2.6.5 Restriction on imported goods/services .........................................................34
2.6.6 Provision of information and advice .............................................................35
2.6.7 Developing a marketing strategy .................................................................35
2.6.8 Provision of consultancy ..............................................................................36

2.7 CHAPTER SUMMARY ....................................................................................37
CHAPTER THREE: RESEARCH METHODOLOGY .......................................................... 38

3.1 INTRODUCTION ........................................................................................................ 38

3.2 RESEARCH DESIGN ............................................................................................... 38

3.3 RESEARCH APPROACH ....................................................................................... 39

3.4 POPULATION .......................................................................................................... 40

3.5 SAMPLE AND SAMPLING ..................................................................................... 41

3.5.1 Sample ............................................................................................................... 41

3.5.2 Sampling procedure .......................................................................................... 41

3.6 DATA COLLECTION INSTRUMENTS ..................................................................... 42

3.6.1 Questionnaire design ....................................................................................... 42

3.6.2 Structure of the questionnaire ......................................................................... 43

3.6.3 Validity and reliability of the instrument ......................................................... 44

3.7 DATA COLLECTION PROCEDURE ....................................................................... 45

3.8 DATA ANALYSIS .................................................................................................... 46

3.9 RESEARCH ETHICS ............................................................................................... 47

3.10 CHAPTER SUMMARY ............................................................................................ 48

CHAPTER FOUR: RESULTS AND DISCUSSION ........................................................ 49

4.1 INTRODUCTION ....................................................................................................... 49

4.2 RESPONSE RATE OF THE STUDY ....................................................................... 49
4.3 DEMOGRAPHIC INFORMATION ................................................................................. 49

4.3.1 Gender of respondents ...................................................................................... 50

4.3.2 Respondent’s type of business ............................................................................ 51

4.3.3 Constituencies where the enterprises are situated .............................................. 51

4.3.4 The number of years the business has been in operation .................................. 52

4.4 EFFECTS OF THE MINISTRY OF URBAN AND RURAL DEVELOPMENT’S MICROFINANCE GRANT SCHEME ON MICRO ENTREPRENEURSHIP DEVELOPMENT IN THE OHANGWENA REGION .................................................. 53

4.4.1 Microfinance effects on income ........................................................................ 54

4.4.2 Microfinance effects on the number of people employed ................................. 56

4.4.3 Improved innovation ......................................................................................... 58

4.4.4 Social and psychological empowerment ........................................................... 60

4.4.5 Acquisition of assets ........................................................................................ 61

4.5 CHARACTERISTICS OF MICRO ENTERPRISES FUNDED BY MURD’S MICROFINANCE GRANT SCHEME IN OHANGWENA REGION ............................................. 62

4.5.1 Registration of enterprises with MoITSD or any other bodies .......................... 62

4.5.2 Mostly family-owned ....................................................................................... 65

4.5.3 Relies only on indigenous knowledge and lack technology .............................. 65

4.5.4 Labour intensive ............................................................................................... 66

4.6 NON-FINANCIAL FACTORS THAT NEGATIVELY IMPACTS THE GROWTH OF MICRO ENTERPRISES IN OHANGWENA REGION ............................ 67
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS ..... 77

5.1. INTRODUCTION ........................................................................................................... 77

5.2. SUMMARY OF THE STUDY .......................................................................................... 77

5.3. CONCLUSIONS ................................................................................................................ 79

5.3.1 Effects of microfinance on micro entrepreneurship development ............ 79

5.3.2 Characteristics of micro enterprises ................................................................. 80

5.3.3 Non-financial factors that negatively affect the growth of microenterprise .. 80

5.4. RECOMMENDATIONS ................................................................................................. 81

5.4.1 Provide financial support ......................................................................................... 81

5.4.2 Improved business registration process ................................................................. 81

5.4.3 Conduct regular mentoring and coaching .............................................................. 82

5.4.4 Introduce tailor made business development services in vocational institutions ................................................................................................................. 82

5.4.5 Improve infrastructural facilities ............................................................................ 82

5.4.6 Introduce business sharing information sessions in media ............................... 82

5.4.7 Recommendations for further research ................................................................. 83
LIST OF FIGURES

Figure 4.1: The number of years the business has been operating...............................52
Figure 4.2: Respondents’ response on improved innovation.............................................59
Figure 4.3: Respondents’ perception on social and psychological empowerment ...............60
Figure 4.4: Respondents’ perception on acquisition of assets ...........................................61
Figure 4.5: Enterprises’ registration with MoITSD or any authority.................................62
Figure 4.6: Reasons why enterprises are not registered....................................................63
Figure 4.7: Non-financial factors that negatively affect the growth of business .................68
LIST OF TABLES

Table 4.1: Gender and respondent’s types of business (n=42) .................................................50
Table 4.2: Constituencies where enterprises are situated (n=42).................................................51
Table 4.3: Regression model summary of income earned and microfinance .................................55
Table 4.4: Regression Coefficients of income and microfinance .................................................55
Table 4.5: Regression model summary of number of people employed and microfinance ..........57
Table 4.6: Regression Coefficients of number of people employed and microfinance ..........57
Table 4.7: Respondents’ perception on enterprises mostly family owned (n=42).......................65
Table 4.8: Respondents perception on use of indigenous knowledge (n=42) ..............................66
Table 4.9: Respondents’ perception on enterprises being labour intensive (n=42) .................67
Table 4.10: Strategies that beneficiaries in Ohangwena Region think need to be put in place to enhance entrepreneurship development.........................................................74
## LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>BDS</td>
<td>Business Development Services</td>
</tr>
<tr>
<td>BIDPA</td>
<td>Botswana Institute of Development Policy Analysis</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>IPPR</td>
<td>Institute for Public Policy Research</td>
</tr>
<tr>
<td>MFBs</td>
<td>Microfinance Banks</td>
</tr>
<tr>
<td>LaRRI</td>
<td>Labour Resource and Research Institute</td>
</tr>
<tr>
<td>MoITSD</td>
<td>Ministry of Industrialisation, Trade and Small Medium Enterprise Development</td>
</tr>
<tr>
<td>MRLGHRD</td>
<td>Ministry of Regional and Local Government, Housing and Rural Development</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and Small Enterprises</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>MURD</td>
<td>Ministry of Urban and Rural Development</td>
</tr>
<tr>
<td>NCBD</td>
<td>Nairobi Central Business District</td>
</tr>
<tr>
<td>NCCI</td>
<td>Namibia Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>NEPRU</td>
<td>Namibian Economic Policy Research Unit</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>--------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>OLS</td>
<td>Ordinary Least Squares</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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CHAPTER ONE: INTRODUCTION

1.1. ORIENTATION OF THE PROPOSED STUDY

Microfinance is one of the largest development programs worldwide assumed to enable rural poor households access to credit that helps households begin micro enterprises which would support them improve their livelihood (Omunjalu & Fondo, 2014). It is gaining importance as a tool that is widely used for poverty alleviation, empower disadvantaged population groups enabling them to engage in economic activities, create employment, be self-reliant and enhance their household income as well as create wealth (Osunde & Mayowa, 2012; Singh, 2009). This view appears to be supported by Ngugi & Kerongi (2014) when they argued that: accessing microfinance is key for micro enterprises to succeed in building productive capacity, competition, jobs creation and contribution to poverty alleviation. It also increases productive resources for rural families and their housing conditions which results in economic security.

The overall success of microfinancing, however, does not depend only on immediate alleviation of poverty, but also on long-term sustainability. Long-term sustainability is said to depend on accumulation of assets, improved revenues and employment creation (Ferdousi, 2015; Ngugi et al., 2014). A study conducted by Afrin, Islam and Ahmed (2008) proved that microfinance is a strong tool to alleviate poverty through the social and economic empowerment of rural and disadvantaged women. Nonetheless, evidence for the positive claims surrounding microfinance is being challenged because Augsburg, De Haas, Harmgart and Mehgir (2014) question the ability of microfinance to reduce poverty
because their intervention only observed increased levels of business activity and more self-employment which, did not translate into increased business profits or increased household income.

Micro enterprises on the other hand, are believed to stimulate economies of most African countries because they are a major source of entrepreneurial skills, innovation and economic development (Asa & Prasad, 2014). They make a significant contribution in the transition of agriculture-led economies into industrial ones, furnishing simple opportunities for processing activities that can generate sustainable sources of revenue and enhance the development process (Kambwale, Chisoro & Karodia, 2015). They also have been the means through which accelerated growth and rapid industrialization have been achieved. This can be achieved by creating opportunities for processing activities which can generate a sustainable source of revenue and enhance the development process (Kongolo, 2010).

Despite this, micro enterprises are faced with various constraints (including lack of finances) to develop entrepreneurship (Ojo, 2009). Thus, promoting entrepreneurship is an important goal of most countries by finding different ways to assist and encourage entrepreneurship and microenterprise development (Mwobobia, 2012). However, all these can only be achieved if there are proper tools (like microfinance) that can have measurable impact on local economies in terms of job creation and serve as an important catalyst for increased prosperity and economic development.

Micro entrepreneurship suffered greatly when Namibia experienced centralized planning under South African rule because colonial economic policies were biased towards larger businesses only (Jauch, 2010; Nuyoma, 2010), up to 1990 when it attained majority rule.
Soon after independence, the government developed policies and legislative instruments such as the Decentralization policy and the Decentralization Enabling Act of 2000 to facilitate decentralization, as well as Micro, Small and Medium Enterprises (MSMEs) policy to create an enabling business environment for the MSMEs.

MoITSD (2015) defined a micro enterprise as a business that employs up to 10 people and has an annual turnover of not more than N$300 000. Micro enterprises are the drivers of growth, innovation, development and job creation in an emerging economy. By nature, they are flexible enterprises and as such they are at the forefront of technological innovation. Micro enterprising is a very important aspect in Namibia as it is stated in Vision 2030 that SMEs are targeted to contribute over 30% to the Gross National Product (GNP), and it is because of this immense expected contribution that the role of SMEs is highly recognised (Asa et al., 2014; Kambwale et al., 2015). Ramsden (2010, p. 6) stated that over the past five years, SMEs have contributed approximately 12 percent to the Gross Domestic Product (GDP) and have employed about 20 percent of the work force during the same period.

It has been argued that Namibian rural people are economically active, but lack access to financial assistance (Kambwale et al., 2015). This is even worse as they lack collateral security, thus, often lose out in obtaining capital to realize their businesses’ potential (Aftab & Naveed, 2013). The Namibia Chamber of Commerce and Industry (NCCI) and Institute for Public Policy Research (IPPR) (2012) revealed that an average rural person in Namibia is not able to produce collateral security as required by the commercial institutions. This inability to access financial assistance brought about by lack of collateral,
created a great setback to micro entrepreneurship development (Samson, Olubunmi & Olusegun, 2013).

Due to these rural challenges, the Namibian government through its Line Ministries including the Ministry of Urban and Rural Development (MURD) recognize the significance of rural development in its efforts to address poverty through provision of financial aids to support rural projects (Ramsden, 2010). Thus, the Ministry of Urban and Rural Development provides funds from the Government’s capital to finance rural projects through the Regional Councils. The aim is to reduce financial constraints by making funds accessible and available to those who want to grow their businesses first into micro then small, medium until they grow into major industries (MRLGHD, 2012). Hence, this study seeks to analyse the effects of the Ministry of Urban and Rural Development’s Microfinance Grant Scheme on rural micro entrepreneurship development.

It is important to note that this topic has been studied extensively across the world, however, there were no similar studies done on the effect of the Namibian government’s microfinance activities, hence the need for this study. Ohangwena Region is the second poorest region in Namibia with 15% of its population classified as poor, as stated by the NPC in a Poverty Report of 2011. However, the region recorded a reduction in the poverty head-count rate of 28 percentage points in 2011 compared to 2001. This was attributed to increased economic activity in that region, simulated by public and private investment which boosted the regional economy. This necessitated the study to be carried out in Namibia especially to the funded enterprises in the Ohangwena Region.
1.2. STATEMENT OF THE PROBLEM

Microfinancing has been credited throughout the globe for its positive effects on improving rural micro entrepreneurship development, especially in developed countries like China, Bangladesh, India and USA as stated by numerous authors (e.g. Biswas & Sengupta, 2009; Ferdousi, 2015; Ojo, 2009; Van Rooyen, Stewart, & De Wet, 2012 & Waithaka, Marangu & N’gondu, 2014). In Sub-Saharan Africa, the effect of microfinancing has been mostly recorded in countries such as Botswana, Kenya and Nigeria as presented by BIDPA (2011); Osunde et al. (2012) and Van Rooyen et al. (2012). Microfinancing has been promoted extensively in Namibia through government Ministries, state-owned enterprises as well as by the private sector.

However, despite significant investment in promotion of rural enterprises through micro financing, it has not been clear whether the grant scheme has been bearing fruit in Namibia. There have been reports of cases where the facility has been abused by both gravy coordinating parties and beneficiaries. There has been no empirical study conducted to analyze its effects on rural enterprise development, particularly in Namibia. This study attempts to answer the concern of lack of empirical evidence on the contributions of government microfinancing on rural enterprises in Namibia. The purpose of the study was therefore, to assess the effects of government’s microfinancing efforts on rural micro-entrepreneurship development. The study drew conclusions from the case study of the Ministry of Urban and Rural Development’s microfinance grant scheme being implemented in Ohangwena Region.
1.3. OBJECTIVES OF THE STUDY

The overall objective of the study was to assess the impact of the Ministry of Urban and Rural Development’s microfinance efforts on micro-entrepreneurship development in rural areas. The specific objectives of the study were as follows:

1. To evaluate the effects of the MURD’s Microfinance Grant Scheme on micro entrepreneurship development in the Ohangwena Region.
2. To identify the characteristics of micro enterprises funded by MURD’s Microfinance Grant Scheme in the Ohangwena Region.
3. To determine other non-finance factors that negatively impact the growth of micro-enterprises in the Ohangwena Region.
4. To make recommendations on the MURD’s Microfinance Grant Scheme that can be improved to enhance micro entrepreneurship development in Namibia.

1.4. HYPOTHESIS OF THE STUDY

The following hypotheses were tested for the study to evaluate the effectiveness of microfinance on entrepreneurship development:

\( H_{10}: \) There is no significant relationship between microfinance and income earned by micro enterprises in Ohangwena Region.

\( H_{11}: \) There is a significant relationship between microfinance and income earned by micro enterprises in Ohangwena Region.
\[ H_{20}: \text{There is no significant relationship between microfinance and number of employees employed by micro enterprises in Ohangwena Region.} \]

\[ H_{21}: \text{There is a significant relationship between microfinance and the number of employees employed by micro enterprises in Ohangwena Region.} \]

1.5. SIGNIFICANCE OF THE STUDY

The findings of the study could provide empirical evidence to policy makers in Namibia. The study findings could enable the policy makers to assess the degree to which the government microfinance grant scheme have affected the supported businesses in rural areas and to come up with policy reviews or adjustments. In other words, whether, to continue funding the same way or adopt a different approach instead of the microfinance grant scheme.

The study could also provide information to all stakeholders involved in providing finances aiming at addressing entrepreneurship development in Namibia such as financial institutions, Non-governmental Organizations, the private sector and international partners such as The United Nations Development Programme (UNDP) to assess progress or lack of progress. The outcome of the study could also be used by people involved in lobbying to encourage the government to take corrective measures in areas which have impeded the process. Lastly, the study will provide information to people involved in policy implementation in the government (such as Regional Councils, Line Ministries) to identify areas of improvement in the implementation of the guideline.
1.6.  LIMITATIONS OF THE STUDY

There were low levels of respondents’ literacy of the target population. However, to overcome this, the researcher made use of researcher administered questionnaires. The findings of this research were only limited to the Ohangwena Region, thus, the research information obtained could not be generalized to other regions that do not share similar characteristics with the Ohangwena Region. However, the information could be useful to the north - central regions that share similar characteristics with the Ohangwena Region.

1.7.  CHAPTER SUMMARY

This chapter gave an overview of the effects of entrepreneurship development in the world and in Namibia. It described the orientation of the study that led to the statement of the problem. It then presented the objectives of the study, hypothesis of the study, significance of the study and the limitations of the study. The next chapter focuses on the literature review.
CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

Microfinance and rural micro entrepreneurship development are believed to have linear relationship because microfinance is vital to activities that lead to entrepreneurship development (Ferdousi, 2015). This relationship helps strengthen people’s entrepreneurial motives to acquire skills and capabilities required to play the entrepreneurial role effectively. This can be achieved through the creation or improvement of micro enterprises.

Some studies have confirmed that microfinance creates access to capital that leads to micro entrepreneurship development which in turn improves rural livelihood (e.g. Akingunola, Adekunle, Adegbesan & Aninkan, 2013; Omunjalu & Fondo, 2014; Osunde & Mayowa, 2012). This seems to be the case of Namibia, where entrepreneurship development contributes significantly to employment creation, income generation and stimulation of business growth in rural areas. Despite this general consensus, there have been differing opinions on what effect(s) microfinance has on entrepreneurship development.

Having that general consensus in mind and in view of the objectives formulated for this study, this chapter reviews existing literature on the effects of microfinance on micro entrepreneurship development. It also outlines the characteristics of micro enterprises. It then identifies other non-financial factors that negatively impact the growth of micro enterprises. The study further reviews strategies to enhance micro entrepreneurship development.
2.2 DEFINITION OF KEY TERMS

2.2.1 Microfinance

Microfinance is described as a developmental tool for the poor people with innovative ideas on business but lack financial strengths to fully implement their business idea (Akingunola et al., 2013). However, this definition is somehow narrow, because it excludes a broader range of services for an effective microfinance. Other definitions by other authors such as, Samson, Olubunmi and Olusegun (2013, p. 288) and Njangiru, James & SMA (2014) were viewed to be more representative as they refer to microfinance as: all types of financial intermediation services such as loans, savings opportunities, insurance, money transfer and other non-financial services that are tailored to the poor peoples’ needs.

According to Ngugi and Kerongi (2014) the financial intervention requires an addition of social intermediation like the formation of groups, development of self-confidence and training of members in that group, for it to be successful. These non-financial services define the specific character of microfinance and thus make microfinance programmes so valuable. Furthermore, microfinance has been praised as a tool used to promote economic development in predominantly difficult economic conditions (Mwobobia, 2012).

For this study, therefore the definition adopted for microfinance is narrowed to the one that stipulates the provision of money transfer and other non-financial services because it is perceived to fit the definition of Microfinance Grant Scheme provided by the Ministry of Urban and Rural Development (MURD).
2.2.2 Micro enterprises

There seems to be no universal definition of micro enterprises (Cant, 2012). According to Gulani and Usman (2012); Berisha and Pula (2015) the definition and criteria for classification of an enterprise as micro varies from one country to another, depending on whether it is a developed or developing country. A micro business for example to one country may be a small or medium-scale business to another. The definitions of micro enterprises also differ, even within single countries’ regions and sometimes, depending on the business sector involved (Babajide, 2012). Most commonly however, definitions are similar.

In Namibia, a micro enterprise refers to a business that employs up to 10 people and has an annual turnover of less than N$300,000 (MoITSD, 2015). Similar to Namibia is Kenya that defines micro enterprises in terms of number of employees and the company’s annual turnover (Ngugi et al., 2014). However, in other countries, micro enterprises are defined in terms of the number of employees, capital employed and annual revenue. Sharma (2012) for instance defined micro enterprises as businesses that have fewer than five employees and with startup costs of less than US$35,000 and annual revenue of less than US$100,000. Moreover, Berisha et al. (2015) states that more variables are used to determine SMEs, such as employment level, annual turnover and annual balance sheet total. The Commission of the European Union also defined micro enterprises as those enterprises that employ less than 10 people and have an annual balance sheet of up to 2 million Euros and a turnover of up to 2 million Euros (Berisha et al., 2015).
Looking at the Commission of the European Union’s definition, the turnover and balance sheet thresholds are high making it impractical especially for Namibia because most businesses will fall in the category of micro business. It is apparent from the Namibian definition that micro enterprises are perceived as enterprises with capital investment of less than N$100,000, a turnover not exceeding N$ 300 000 per annum and have a total number of employees not exceeding 10.

2.2.3 Entrepreneurship development

An entrepreneur is a person who makes money by starting or running businesses which involves taking financial risks and uncertainty by identifying opportunities and bringing in the necessary resources (labour, materials and other assets) to capitalize on them (Samson et al., 2013). It is through this dynamic process, the entrepreneur acts to introduce changes, innovation and a new order to create monetary and personal satisfaction. This act of doing new things or doing things that are already being done in a new way is referred to as entrepreneurship (Ojo, 2009). The development of entrepreneurship as a concept matches another concept called entrepreneurship development.

Entrepreneurship development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution - building programmes (Ojo, 2009). It aims to broaden the base of entrepreneurs in order to fasten the pace at which new projects are created which then accelerates employment generations and economic development. Aftab and Naveed (2013) defined it as innovation, creativity, leadership, income improvement or the start of a new business and are deemed to be a holistic approach to poverty alleviation, curbing unemployment and economic development.
Financial services (microcredit, micro insurance, money transfer and savings) and non-financial services (training, technical assistance, counseling, education and health) boost micro entrepreneurship development (Ngugi et al., 2014).

For this study, Aftab and Naveed’s definition is adopted as it stipulates the variables: income improvement and employment creation that are used in the study to assess the effects of microfinance on entrepreneurship development.

2.3 EFFECTS OF MICROFINANCE ON MICRO ENTREPRENEURSHIP DEVELOPMENT

Microfinance enables the needy in the society who do not have access to formal banking to build assets, diversity livelihood options, increase income, and reduce their vulnerability to economic stress (Omunjalu et al., 2014). However, microfinance is not a magic solution that just translates all activities into micro entrepreneurship development (Asa & Prasad, 2014).

A review of micro-finance literature has shown a disparity in the perceptions of scholars about the contribution of micro-finance to entrepreneurship development. Some have shown mixed results that are inconclusive but most of, many of these studies have shown positive effects on enterprises revenue and employment creation while others show no effects (Babajide, 2012; Ngugi et al., 2014; Pitt, Shahidur & Cartwright, 2006). Moreover, various authors, for instance Biswas et al. (2009); Ferdousi (2015); Ngugi et al., (2014); Van Rooyen, Steward & De Wet (2012) have demonstrated that microfinance really
encourages assets accumulation, increases income and employment opportunities and reduces vulnerability to economic stress especially in Asia where it started.

To further illustrate, Ferdousi (2015) conducted a study on the impact of microfinance on sustainable entrepreneurship development in Bangladesh. The objective of this study was to measure the effectiveness of micro enterprises using microfinance on increasing entrepreneurs’ income and innovation. Results indicated that the use of microfinance on micro enterprises contribute towards increased income, though the enterprises are yet to do many things to enhance innovation. Therefore, the study recommended that there is a need to include entrepreneurial training (basic business skills, opportunity identification, product positioning and differentiation) in microfinance.

Ngugi et al (2014) did a study on the effects of micro financing on the growth of small and micro enterprises in Mombasa County in Kenya. The study focused on three specific objectives: the first was to find out the effect of income on growth of SMEs, the second was to establish the effect of sales on growth of SMEs and the third was to evaluate the effect of competitiveness on growth of SMEs. The study used stratified and systematic random sampling methods to draw a sample size of one hundred and fifty-seven (157) SMEs. It also used semi-structured questionnaires to collect data. Sales, income and competitiveness were used as the independent variables while the growth of SMEs was used as the dependent variable. Descriptive statistics was then used to analyze the data. The study revealed that microfinance has positive effects on growth of SMEs (through increased sales, income and competitiveness) because it enabled expansion of businesses and the building of business assets.
Ojo (2009) carried out a study on impacts of microfinance on entrepreneurial development in Nigeria. The objective of the study was to investigate the effects of microfinance on entrepreneurial development of small-scale enterprises that are craving for growth and development. This work however takes a different dimension by specifically assessing the contributions of microfinance institutions to sustainable growth of SMEs in Nigeria. Findings reveal that there is a positive relationship between microfinance institutions and extension of GDP in the economy but there is no significant impact of these institutions on interest rate. The study concludes that microfinance institutions are identified to be one of the key players in the financial industry that have positively affected individuals, business organizations, other financial institutions, the government and the economy at large even though it requires a long time in the determination of those patterns.

Waithaka, Marangu and N’gondu (2014) conducted a study on entrepreneurship development by microfinance institutions and the effect on the growth of micro and small enterprises in Nairobi central business district. The purpose of the study was to investigate the effect of microfinance institutions on the growth of MSEs in Kenya, Nairobi Central Business District (NCBD). A stratified random sampling method was used to select a sample of two hundred and ninety-six (296) institutions. Data was collected using questionnaires and analyzed using descriptive statistics. A simple regression model was applied to determine the relative importance of the independent variables with respect to the growth of SMEs. The regression analysis was found to be the most appropriate mode in explaining the variations between the variables. The study found out that entrepreneurial development contributes to the growth of MSEs. It concluded that entrepreneurship development such as financial and management counselling as well as workshops,
entrepreneurial skills and seminars offered by Jitegemea Credit Scheme influenced growth in the enterprises. The study recommended that guidelines by microfinance institutions to finance MSEs need to be flexible to accommodate the MSEs. Only when financial institutions appreciate and give technical assistance to the MSE would they be contributing to the MSEs to ensure success in the SME sector.

Thus far, the studies reviewed had positive effects on enterprise growth, however, some studies have also found negative or no impact of microfinance on enterprise growth but positive impact on some firm characteristics. For instance, Babajide (2012) investigated the effects of microfinance on micro and small business growth in Nigeria. The study objectives are:

1. to examine the effects of different loan administration practices (in terms of loan size and tenor) on small business growth criteria.

2. to examine the ability of Microfinance-Banks (MFBs) (given its loan-size and rates of interest charged) towards transforming micro-businesses to formal small-scale enterprises.

It employed panel data and multiple regression analysis to analyze a survey of five hundred and two (502) randomly selected enterprises financed by microfinance banks in Nigeria. The study showed strong evidence that access to microfinance does not enhance growth of micro and small enterprises in Nigeria. However, other firm-level characteristics such as business size and business location, are found to have a positive effect on enterprise growth. So, it recommends a recapitalization of the microfinance banks to enhance their capacity to support small business growth and expansion.
It could be noted from the studies above that specific effect assessment of microfinance to entrepreneurship development resulted in mixed results. Fortunately, they could isolate some factors that determine the specific effects microfinance has on entrepreneurship development. It can be concluded from empirical evidence that microfinance effects on micro entrepreneurship development can be assessed by finding out the changes in the income, innovation, business assets, associated employment, social and psychological development of the entrepreneur, after utilization of microfinance. They are outlined below:

2.3.1. Increased income

Ngugi et al., (2014) revealed that the use of microfinance led to increased sales volume resulting in business revenue improvement. The study further added that microfinance assistance had a positive impact on enterprises that were typically small, labour intensive and growing. Abdulsalam and Tukur (2014) concurred stating that small enterprises continued to record high turnover and profit after being supported with microfinance. Nevertheless, it is evident from a study conducted by Babajide (2012) in Nigeria that not all small businesses are growth oriented and for certain firms, growth is a voluntary choice.

Belwa, Tamiru and Singh (2012) claimed that there was an increase in income after using microfinance in their businesses, but after repayment it did not have a positive effect on livelihood of micro enterprise owners. Denoting that household income, household expenditure on (food, education and health) and asset accumulation of micro enterprises owners were negatively affected. The study further revealed that entrepreneurs, who used
microfinance once and dropped out, suffered in terms of profit compared to those who took microfinance for the second time.

2.3.2. Improved entrepreneur’s innovation

According to Ferdousi (2015) most studies have overlooked the very important point that is the necessity of innovation to improve the economic and welfare effects of microfinance. This is so because entrepreneurs who have benefited from microfinance are believed to get involved in developing a lot of innovative products targeting new customers segments or retaining the existing segments. However, according to Asa et al, (2014) the essence of innovation towards growth of small businesses have been quite noted in developed countries, but the opposite in developing countries that lack significant radical innovations besides entrepreneurial creativity to lead the market. Measuring this enterprise’s product innovation efforts is achieved by employing four (4) variables which include, introduction of new knowledge/production methods, introduction of new equipment/machinery, improvement of the existing equipment/machinery and introduction of a new product in the market (Afrin, Islam & Ahmed, 2008). Biswas et al. (2009) concurred whereby his study revealed that microfinance has offered space for different stakeholders to innovate, learn and replicate. Furthermore, Asa and Prasad (2014)’s study revealed that firms need to constantly respond to their customers' needs by introducing new products or improve their old products for the enterprises to grow.

2.3.3. Social and psychological empowerment

A study conducted by Rajendran and Kaya (2010) in Tamil Nadu, India found out that microfinance led to a better social and psychological empowerment than economic
empowerment. Thus, the study identified that the impact of microfinance is good for self-confidence, self-worthiness, skill development, awareness about the environment, peace in the family, improving rural savings, managerial ability decision making process and group management. Waithaka et al. (2014) also indicated that the poor do not only use financial services for business investment in their micro enterprises but also invest in health, education, manage household emergencies and meet a wide variety of other cash needs that they might encounter.

Observations made by Afrin et al. (2008) in Bangladesh show that the use of microfinance influences legal and political awareness and participation in public awareness. Apart from that, however, income and quality of jobs affect social welfare which is the entry point of empowering an individual (Omunjalu et al., 2014). According to Sharma (2012) social issues addressed by microfinance include some of the biggest societal problems such as HIV, mental ill-health, illiteracy, crime and drug abuse.

Microfinance therefore, does not only act as an economic stimulator for micro enterprises but also has far reaching social impacts because beneficiaries contribute more to their family’s welfare and society in the long run. This notion however, is challenged by Van Rooyen et al. (2012) in sub-Saharan Africa whose study did not show any evidence on social cohesion.

2.3.4. Employment creation

Wydick (2002, p. 3) established positive effects on enterprise growth in terms of employment creation after using microfinance, but, there was stagnation in the number of employees after the addition of two or three employees. This implies that a point was
reached whereby as the number of people employed increase, there was a reduction in terms of profit made by the enterprises. Microfinance creates opportunities for people to participate in economic activities and become job providers instead of seekers, resulting in providing employment to others (Biswas & Sengupta, 2009). However, Belwa et al. (2012) study challenged the ability of microfinance to create employment as their findings revealed that the women entrepreneurs could not create employment opportunities for others in their businesses.

Moreover, empirical studies have shown that SMEs contribute to over 65% of total employment in high income countries (Kongolo, 2010). Ramsden (2010) pointed out that SMEs account for around 45% of workers in developing countries and contributed about 20% to employment in Namibia between 2004 and 2009. Even though micro enterprises generate employment, these jobs are usually short-lived and consequently are bound to die after a short while causing those who gain job positions to lose them and even become poorer than they were before (Kala, Kala & Poornima, 2011). Another study conducted in Botswana claimed that microfinance only preserve jobs rather than creating them because in that study the use of microfinance had no significant effect on household employment creation (Okurut, Kagiso, Ama & Okurut, 2014).

2.3.5. Acquisition of assets

It was observed in Bangladesh that businesses supported with microfinance were enabled to own more assets and had a reduced chance of vulnerability to external shocks compared to those not supported (Biswas et al., 2009; Ferdousi, 2015). Abdulsalam et al. (2014)’s study concludes that businesses that used microfinance have grown in terms of acquiring
physical assets such as warehouses, vehicles, buildings, refrigerators, machines and equipment for their businesses. However, an impact study of microfinance conducted in India by Rajendran et al. (2010) fails to show positive impact on an enhancement of asset in rural areas.

Notably, the literature is inconclusive on the effects of microfinance on micro entrepreneurship development, with indicators such as building of assets, employment creation and improved profit in some but not all instances. For example, Van Rooyen et al. (2012)’s study findings, ascertain that microfinance may be having increasingly negative impacts over time with recurring clients’ businesses becoming less successful and levels of health and education decreasing the longer individuals remain in the microfinance program. However, studies of Biswas et al., (2009), Ferdousi (2015) and Ojo (2009) identified that these indicators tend to improve after using microfinance for the second time or more, hence the belief that this has much to do with the experience of the enterprise owner and the steady state of the business.

2.4 CHARACTERISTICS OF MICRO ENTERPRISES

Different countries adopt different terminologies and standardization in terms of the key characteristics of micro enterprises. However most commonly, micro enterprises have specific basic characteristics that differentiate them from other types of enterprises and they have been identified as informal, small-scale and family-oriented, rely on indigenous knowledge and are mostly not registered.
2.4.1 Informality

According to Alam, Hossain and Zaman (2011), microenterprises are informal in the sense that they are not registered with the tax office and do not hold a business license. The World Bank (2011) stipulated that 66% of micro enterprises in Namibia are informal. Employees usually do not have an employment contract, they have no leave, no social security, no medical aid and are usually family members or friends (Stork, 2010). Thus, they usually do not pay taxes, keep receipts or conduct bookkeeping (Marwa, 2014).

Jauch (2010) concurred, affirming that a study conducted by LaRRI revealed that micro enterprises workers received their payment regularly but enjoyed only few benefits and even the compulsory benefits such as annual leave and membership with the Social Security Commission were only enjoyed by a minority. One of the findings of this study is that almost 90% of micro enterprises workers are also not covered by any pension scheme, medical aid or any other form of insurance. However, the study further argued that what might be considered informal in one country might not apply in another.

2.4.2 Unregistered

Due to the informal nature of micro enterprises, they are usually often not registered with any tax or relevant authority and choose even not to get a business license. They choose not to register because the legal environment for MSMEs remains a very centralized, costly and cumbersome one (MoITSD, 2015). In addition, micro enterprises need to meet a large number of requirements emanating from laws and regulations impacting on their operations, such as tax rates, environmental regulations, labour law and business registration procedures. The Government of the Republic of Namibia recognizes that micro
enterprises are disadvantaged in comparison to larger businesses due to their comparatively higher costs of compliance (Jauch, 2010). Hence, the Government aims at making the legal framework more flexible for micro enterprises to minimize the bureaucratic costs and foster micro enterprises development.

Even though microenterprises are usually not registered, it is evident in a study conducted by Babajide (2012) that registered micro enterprises grow faster than unregistered micro enterprises. The fast growth is linked to taking risk because owners of registered micro enterprises are more willing to invest in risky deals. This risk taking may lead to the business growth compared to unregistered micro enterprises that usually make use of money generated from the business only. Furthermore, unregistered micro enterprises are unprotected and operate in unfavorable environments because they are constantly disturbed by municipal authorities in conflict over licensing, taxation and sanitation.

### 2.4.3 Small scale operated

Economically, an enterprise is referred to as micro if it is managed by owners, or part owners, in a personalized way and not through the medium of a formalized management structure, it has a relatively small share of their market place; and it is independent in the sense that it is not part of a larger enterprise (Ogbokor & Ngeendepi, 2012). However, the authors were quick to point out that it is not true that small firms do always exhibit a personalized structure.

Micro enterprises usually employ fewer than five employees and have annual revenues of less than US$100,000 (Sharma, 2012). MoITSD (2015) described the micro enterprises in the Namibian context as the small businesses that usually employ less than 10 persons and
have an annual turnover of about US$20,000 (which is equivalent to N$300,000 at the exchange rate of US$1 = N$15).

Micro enterprises account for the majority of the businesses across the world, for instance, Biswas et al. (2009) state that 80 percent of the businesses in Latin America and the Caribbean are micro enterprises and this has been confirmed by the number of their employees i.e. employed 10 or less people. Jauch (2010) referred to a study conducted in Namibia; which revealed that about 68 percent of the local businesses are small and employed less than three persons. 58 percent of these businesses realized a turnover of less than N$35,000 per annum, while only 6 percent of the businesses had a turnover of more than N$250,000. The sentiments by Jauch (2010) rather present a different picture of the micro enterprises in Namibia compared to the MoITSD’s description of the micro enterprises in the country which calls for more understanding.

Being small is an advantage to micro enterprises because they can take flexible decisions within a short period of time due to less/no bureaucracy. Based on a notion “small is smart”, small enterprises are also able to create new and improved products because they are more flexible which helps them to be able to adapt to quick changes in the economic and regulatory environment (Edmiston, 2004 cited from Kongolo, 2010).

2.4.4 Mostly family - owned

Micro enterprises have a strong family orientation whereby the main focus of the business is to ensure the well-being of the family with no clear demarcation between family and business assets (Marwa, 2014). On average, unregistered or unlicensed micro enterprises are more likely to operate from residential premises whereby family members provide
manpower, do not generate high income nor experience much growth, and do not usually produce for markets outside their local environment (World Bank, 2011).

2.4.5 Rely on indigenous knowledge and lack technology

Indigenous knowledge plays a critical role in running the micro enterprises’ business activities. Small businesses rely on indigenous knowledge; acquire skills outside formal schooling and have low use of technology (Alam et al. 2011; Biswas et al. 2009). These sentiments were supported by Ogbokor et al. (2012) by citing that the majority of small businesses only use the most basic of technologies to conduct their business dealings.

While acknowledging the importance of indigenous knowledge, this lack of adequate technology can be a limiting factor as it may have a negative impact on productivity (Muthoni, Omato & Kithinji, 2013). The study further argued that this notion proved to be true because initiation of technology during the industrial revolution had a positive effect on output which is brought about by the flexibility in production.

2.4.6 Other characteristics

According to Marwa (2014) micro enterprises are viewed to be the main providers of labour intensive production, creating a significant number of jobs to the local people but they have high relative production costs (because inputs are purchased in small quantities). However, this is challenged by Smorfitt (2010, p.70) who argued that in fact micro enterprises are less labour intensive than large businesses within a sector, and that the labour intensiveness is related to the industry rather than the size of the business.
Microenterprises’ scope of operation is generally localized (using simple and affordable methods of production) catering to the local and regional demands (Jauch, 2010). Thus, micro enterprises contribute to the utilization and value addition of local resources. Moreover, micro enterprises use indigenous resources and, therefore, can be located anywhere, subject to the availability of indigenous resources like raw materials.

From the discussion so far, it is thus evident that, the above listed characteristics are acceptable in the literature as the key characteristics of microenterprises which distinguished them from larger firms.

2.5 NON-FINANCE FACTORS THAT NEGATIVELY IMPACT THE GROWTH OF MICRO ENTERPRISES

It is generally accepted that growth of the enterprises is shown by income, accumulation of business assets, revenue and employment (Ngugi et al, 2014). However, there are a lot of factors that hinder the growth of micro enterprises. Some are directly linked while others are not directly linked to the micro enterprises. Studies conducted on non-finance factors that negatively impact SMEs identified different issues such as:

2.5.1 Cumbersome government policies

Ojo (2009) mentioned that micro enterprises are often negatively affected by cumbersome government policies in some countries. This happens through excessive regulations, prohibitive levels of taxation, harassment by government officials for operating businesses on the streets, inadequate services and high user fees in the public market structure.
Ogbokor et al. (2012) made similar observation that some governments give little or no attention to informal sector development as they exclude it completely from the national plan. The study further argued that most policy frameworks favor the large manufacturing sector and are biased against small enterprises.

On the other hand, the cost of complying with regulations and increased tax rates increases small firms’ expenses while limiting their growth. However, Kongolo (2010) suggested that to improve economic growth, the government should move toward relaxation of most restrictions e.g. introduce tax relief to create a conducive environment for small businesses to be promoted. In addition, government policies should aim to encourage and promote the development and establishment of local micro enterprises in order to reduce reliance on imports (Ogbokor et al, 2012).

2.5.2 Geographical positioning

The geographical position is an important factor of business operations because it defines the success of the micro-entrepreneurship businesses such as, micro-enterprises mostly run in the remote villages (Sharma, 2012). Ramsden (2010) concurred stipulating that for smooth operations of micro enterprises there is a need for good telecommunication service that aids the day-to day functioning of micro enterprises as well as good roads infrastructures for easy access to the markets.

Moreover, the geographical position of some micro enterprises makes it difficult to move goods to where the markets are due to lack of the transport infrastructure, or where present; the excessive transport costs hinder the movement of goods. Markets are very crucial for microenterprises irrespective of the area where the enterprise is located (Cant, 2012).
Furthermore, lack of market information in remote areas also affects enterprises as they can be abused by more knowledgeable agents who buy from them at discounted prices for onward selling to end-users at higher prices (Asa, 2014). The difficulty to produce and deliver the goods because of the above reasons brought about by the geographical position will hinder or retard the growth of an enterprise.

2.5.3 Natural Catastrophes

Countries’ economies are hugely affected by the frequent natural catastrophes like floods, cyclones, and drought. The natural consequences of these natural disasters followed by e.g. contagious diseases, weaken the production and in the end, inhibit the growth of micro businesses. A study conducted by Alam et al. (2011) found out that flooding is a recurrent crisis in Bangladesh. The country goes through the longest rainy season in the world whereby 20-25 percent of the land is flooded by rain almost every year. Heavy floods have occurred every after two or three years and wiped out about 70-80 percent of the total land, damaging crops, houses, bridges, and even human lives have been lost over the last 30 years.

2.5.4 Unregulated Competition

When other entrepreneurs introduce new products or services, or improve their production processes, it creates competition. Competition on its own is not a bad thing because it forces other entrepreneurs to rapidly create new or to improve their products (Asa et al., 2014). However, if this competition is unregulated it can lead to micro enterprises being easily crowded out of business due to the stiff competition that they get from the already established large scale businesses that are in operation (Ogbokor et al., 2012).
Competition can also be caused by inadequate government protection against cheap imported products or laxity about black markets. Micro enterprises are vulnerable to competition caused by a lack of marketing skills because most markets do not expand, while at the same time new competitors with wide varieties of products and were engaged in selling their products at home are emerging (Mwobobia, 2012). Competition is seen in the form of the size of market share especially in the rural setting.

2.5.5 Mostly lack individual/managerial capacity

Individual/management capacity development is another key priority area contributing to the growth of small scale entrepreneurs (Sharma, 2012). Micro enterprises’ owners or managers need to develop basic managerial skills and knowledge. They also need to have adequate skills in planning, organizing, directing and controlling organizational resources. Cant (2012) claimed that small entrepreneurs lack proper management skills which help to control a wide range of functions when running a business and be able to compete amongst themselves.

According to Ramsden (2010), individual/managerial skills are needed to run micro enterprises because these sets of knowledge, skills, and competencies make the business more efficient. Research for example shows that the majority of micro enterprises in Namibia are not well equipped in terms of skills (Jauch, 2010). Hence, they may not be well equipped to carry out managerial routines for their enterprises.

In addition, capacity development programs such as training on business start-up plans, regular operations, and enterprise development are very important in the long-term. In support of Ramsden (2010), Alam et al. (2011) emphasize that disseminating marketing
knowledge equip entrepreneurs with necessary skills to promote their ventures. He further stated that effective managerial training contributes largely in enhancing economic independence, self-confidence, awareness, decision making process, sense of achievement, social interaction, leadership quality, personal and social capabilities.

2.5.6 Undeveloped infrastructure

Undeveloped physical infrastructure is a principal cause of low levels of unsatisfactory growth of micro enterprises (Babajide, 2012). The infrastructure problem includes poor state of roads, inaccessibility to land, work space, unreliable telecommunications services, electricity and other utilities. A study by Pitt et al. (2006) identified a lack of allocation of productive land to micro enterprises in rural areas as inhibiting growth and development. In some countries, micro enterprises operate in an environment with very poor infrastructure which constitutes a barrier to entry and hinders international competitiveness.

In other countries, the lack of infrastructure, inability to access markets, communication, power, water and electricity prevent development of micro enterprises. Ramsden (2010) emphasize that infrastructure networks are useful instruments within network economies. Infrastructure and related services help to make things happen, it feeds and it is fed by trade, it fuels foreign direct investment, it backs up the creation and sustainability of industrial clusters, it cuts costs and raises competitiveness.

2.5.7 Other factors

Other factors identified by some scholars (e.g. Ferdousi, 2015; Jauch, 2010; Ogbokor et al., 2012; MoITSD, 2015) include: Lack of accurate information on the financial performance
and capital structure, lack of skills on latest technology, because most micro enterprises use old and traditional equipment in their operations. Moreover, restricted market access negatively affects enterprise growth which is usually caused by lack of transportation and communication infrastructures.

Others include: crime, corruption, social issues (health, family strain and time pressure), limited business hours and electricity break up (Ogbokor et al., 2012). Micro enterprises in rural areas have to deal with a lot of red tape when it comes to access to land, access to and high costs of utilities, research & development, structured and regulated Business Development Services (BDS) market (MoITSD, 2015).

In this regard, it can be noted that micro enterprises face a lot of non-finance factors that can negatively affect their growth. These factors affect micro enterprises differently, for instance depending on the business location and business size. It can also be observed that some factors affect performance directly while others affect it indirectly. Hence, the need for the specific factors isolation that requires to be tackled accordingly in order to encourage micro enterprise growth.

2.6 STRATEGIES TO ENHANCE MICRO ENTREPRENEURSHIP DEVELOPMENT

Micro entrepreneurship development is very critical as it enables entrepreneurs to initiate and sustain the process of economic and social development through micro enterprises which result in employment creation, improved income and improved livelihoods. As
such, it is important to have strategies in place that can enhance micro entrepreneurship development. This can be achieved by putting in consideration approaches such as:

2.6.1 Improved legal and regulatory environment

Because of the vital role micro enterprises play, there is a need for policy makers to make micro enterprises issues a priority in its agenda such that it has to put concrete steps in place to ensure they are able to grow and prosper in job creation, increased income which lead to improved livelihood (Jauch, 2010). Bureaucratic bottlenecks involved in business registration should be removed, either by giving regional offices the right to approve business registration or there is need to have a sort of “one stop-shop” for all procedures and formalities needed in order to do business (Bank of Namibia, 2010). Simplified business registration processes that can lead to an increase in the number of businesses registered (Ogbokor et al, 2012).

Moreover, policies should be put in place that minimize the cost of licensing and registering a business by providing easy access to information about laws and regulations and facilitate the commercial codes (Ramsden, 2010). There is also a need to establish rules to minimize the cost of doing business by clearly defining the rights and responsibilities of parties involved in transactions.

2.6.2 Capacity building and training

There is a need to consider setting up training centers, whereby owners and managers are to be developed to gain management skills and be trained in all areas of micro entrepreneurship development (Bank of Namibia, 2010; Kambwale et al., 2015). Alarm et al. (2011) stipulates that provision of training is viewed to enhance human capital of
entrepreneurs which is the corner stone to business success. It also helps entrepreneurs to better manage their production, improve growth and reduce credit risk associated with unqualified and unprofessional micro entrepreneurs (Akingunola et al., 2013). The areas where training is needed include, product adjustments, product development, marketing, micro enterprises growth planning and strategic development/management, business management, bookkeeping and reporting should also be supported to develop entrepreneurship. The training should also have an ongoing system that is able to resolve problems that arise in the process and build a sustainable entrepreneurship development (Ogbokor et al, 2012).

2.6.3 Infrastructural development

The government should urgently tackle the problem of infrastructure development and maintenance (Babajide, 2012). These include electricity, telecommunications, water and efficient transportation which impacts greatly on micro enterprises’ operations especially in rural areas. According to Ogbokor et al. (2012) establishment of various physical infrastructures provide an enabling environment for production and trading by SMEs. Furthermore, there is a need for the government to put in place training institutions with programmes that will train micro entrepreneurs on how to use some modern equipment like computers and other machines to enable them to cope with the changing technology.

2.6.4 Networking

Micro enterprises should not only rely on government agencies but should also consider entrepreneurial networking and forming strategic alliances with other local and regional entrepreneurs in support of their businesses. Networking has become the art of success in
today’s business environment as it helps entrepreneurs find new strategies that allow them to access new markets, increase their revenue and expand their customer base (Asa et al., 2014). This is likely to help entrepreneurs access regional markets, gain technological know-how, become more resilient and become stronger to competition.

On the other hand, there is a need to embrace partnerships because a good innovator may not necessarily be a good implementer (Bank of Namibia, 2010, p.101). In addition, there is a need to establish linkages between state institutions and micro enterprises’ suppliers as well as linkages with larger private firms (Jauch, 2010). This is due to the fact that partnerships and subcontracting relationships makes micro enterprises to have great potential to complement micro, small and medium firms’ necessities. For all these to be effective, Bank of Namibia (2010) advised that it is imperative that the support networks mechanisms should target specific sectors of interest rather than trying to support every SME business.

2.6.5 Restriction on imported goods/services

Lack of protection from unfair foreign goods/services compromises the growth and development of the micro enterprises sector (Bank of Namibia, 2010, p.99). So, there is a need for reductions of over-dependence on importation of goods which can be produced locally or even prohibit importation of the products that can be easily manufactured locally. This will protect indigenous entrepreneurs from unfair competition and make them eager to do more research and be creative (Jauch, 2010).
2.6.6 Provision of information and advice

There is a need to establish micro enterprises information centers to provide information on developments relating to market trends, latest developments and assist in linking micro entrepreneurs to the service providers at affordable rates (Bank of Namibia, 2010; Ogbokor et al., 2012). It can also be information on good money management practice, for caring, spending, saving, borrowing and investing better equip entrepreneurs to make financial choices and work towards financial goals that enhance their economic well-being. In addition, the centers can provide information through media such as newspapers, TV and news radio in order to reach even entrepreneurs in the remote areas.

2.6.7 Developing a marketing strategy

Marketing is very critical to the success of the micro enterprise. However, in most cases micro enterprises do not have a marketing strategy for their business development. Ferdousi (2015) motivated a need to develop the marketing support institutions that are able to develop a strategy for any product whether it is product differentiation, incremental feature of the product and branding issue for sustainable entrepreneurship and economic development. However according to Asa et al. (2014) in order to fit the constant changes in the market dynamics brought about by technological changes and globalization, there is also a need to improve the existing marketing support institutions by strengthening the marketing infrastructure for the micro enterprises and mainstream it to the major consuming areas and patterns (World Bank, 2011).

Moreover, micro enterprises need to take advantage of being small by deploying relationship marketing strategies that make them to have a relatively small customer base
which in return makes them more suitable for long-term customer relationships. On the other hand, there is a need to consistently invest in marketing research as this will help to increase entrepreneurs’ competitiveness by making them understand the needs and wants of the customers in the marketplace. Such an understanding is believed to assist in delivering superior value to customers, in comparison to what their competitors are able to do, thus, increase the customer retention rate.

2.6.8 Provision of consultancy

There is a need to establish agencies providing consultancy and expert services to micro entrepreneurs at a subsidized price. Consultancy provided can be in a form of evaluating business plans, monitor the progress and provide necessary advice at different growth levels, so that the micro enterprises can grow and transform into SMEs (Alarm et al., 2011).

It is evident from the literature that a number of strategies are proposed to enhance micro entrepreneurship development. However, in as much as it is important to have strategies in place to enhance entrepreneurship development, it is also essential to ensure that the strategies suit the local environment and that actual implementation of these strategies takes place. This needs to happen in order to avoid replication of what is copied elsewhere and implement only what is relevant and locally applicable.
2.7 CHAPTER SUMMARY

This chapter focused on reviewing the definitions of microfinance, micro enterprises and entrepreneurship development with the aim of adopting perceived suitable definitions for the study. A review of microfinance effects on entrepreneurship development literature has shown a disparity in the perceptions of scholars. The majority of studies reviewed had positive effects, however, some studies have also found negative or no impact. The study also listed characteristics that are acceptable in the literature as the key characteristics of microenterprises which distinguished them from larger firms. Moreover, Non-finance factors that can negatively affect the growth of micro enterprises were identified and reviewed. Furthermore, the study identified strategies that need to be put in place in order to enhance micro entrepreneurship development.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

Having undertaken a literature review in the last chapter, the next stage of this research study is to provide a detailed explanation of how the research was conducted and processed. With this understanding, this chapter discusses the research methodology that was used to achieve the objectives of the study. It describes the research design that was used, the population and sample size and how it was selected. It then discusses research instruments that were used in the collection of data and the procedure on how data was collected. It further identifies the method of data analysis and research ethics considered when conducting this study.

3.2 RESEARCH DESIGN

This study was a combination of descriptive research and exploratory research and such studies are known as descripto-exploratory studies (Saunders, Lewis & Thornhill, 2009). A descriptive study, enables researchers to think systematically about aspects in a given situation, to understand the characteristics of a group in a given situation and to describe populations, events or situations through associations among variables while exploratory finds out what is happening or asks questions to assess phenomena in new lights (Saunders et al., 2009).
For the purpose of this study, the researcher employed descriptive and exploratory research designs. The study was descriptive because it attempted to reach the first three objectives of the research study by collecting detailed information through descriptions and is useful for identifying variables and hypothetical constructs. It was also exploratory because it attempted to understand and gain insights of the strategies identified to enhance micro entrepreneurship development in Namibia through open ended questions.

3.3 RESEARCH APPROACH

The research approach as described by Saunders et al., (2009) embraces mainly two kinds of research approaches namely: Quantitative and qualitative approaches. These two approaches differ in terms of the numeric (numbers) or non-numeric (words) data. The quantitative method is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure that includes: graphs or statistics that generates or uses numerical data. Conversely, the qualitative method is predominantly used as a synonym for any data collection technique that generates or uses non-numerical data or data analysis procedures such as categorizing data (Saunders et al., 2009).

This study employed a mixture of both quantitative and qualitative approaches in order to collect information from the primary sources using questionnaires. In other words, a mixed method approach was used. A quantitative approach was utilized in order to gather appropriate data and gain general understanding on the effects that the government microfinance grant scheme had on entrepreneurship development in the Ohangwena Region. The qualitative approach was carried out in this study in order to gain an in-depth
understanding of how the identified strategies enhanced micro entrepreneurship development in Namibia. Therefore, this study was based on principles of qualitative and quantitative approaches or what is generally referred in statistics as the mixed method approach.

3.4 POPULATION

The whole population for this study was composed of all projects that are funded by the Ministry of Urban and Rural Development in the Ohangwena Region under different programmes. According to the Ministry’s Annual Progress Review and Planning Reports (2011-2015), the region is composed of a total of over 400 projects funded by the Ministry although only fifty-one (51) of these met the requirements of being supported by the microfinance grant scheme. Out of the fifty-one (51) projects, only forty-seven (47) of those projects are completed and therefore it can be concluded that the target population of this study was forty-seven (47) micro enterprises.

The target population for this study comprised of forty-seven (47) completed projects that are funded by the Ministry of Urban and Rural Development’s Microfinance Grant Scheme in the Ohangwena region.
3.5 SAMPLE AND SAMPLING

3.5.1 Sample

To determine the appropriate sample size of this study, the researcher referred to the work of Yamane (1967) (cited in Singh & Masuku, 2014) who provided a simplified formula that can be used to determine a credible sample size of the total population. This study determined the representative sample guided by the sample mean formula: 

\[ n = \frac{N}{1+N(\alpha)^2} \]

whereby:  
- N is the size of the population,
- n is the required sample size and
- \( \alpha \) is the level of significance or margin of error.

To determine the sample, the study assumed a confidence level of 95% and a 0.05 level of significance was used, whereby: 

\[ \frac{47}{1+47(0.05)^2} = 42 \]

Thus, the resulted sample size of forty-two (42) projects was selected, representing 89.36% of the target population.

In research, a confidence level of 95% and a level of significance of 0.05 should suffice in any credible academic research study (Singh et al., 2014). It was for this reason that the study used a confidence level of 95% and a level of significance of 0.05.

3.5.2 Sampling procedure

The study’s sample was reached through simple random sampling. The researcher used the list of completed projects funded and numbered them from one up to forty-seven (47). Then the researcher used a true random numbers generator on the internet (www.random.org) to pick forty-two (42) projects. A chosen random number adjacent to
the project name means the project at that specific number is chosen, until the forty-two projects were selected.

3.6 DATA COLLECTION INSTRUMENTS

For this study, the instruments used for data collection were researcher administered questionnaires (see appendix ii), whereby the researcher physically met respondents and asked them structured questions in the form of face to face interviews. This method was found suitable for this study because of low levels of respondents’ literacy of the target population. The fact that the researcher was however present, gave the researcher a chance to clarify questions where necessary. This method increased the response rate and participation since there was personal contact between the researcher and the respondents.

3.6.1 Questionnaire design

For this study, the questionnaire was developed in such a way that adequately captured all the information needed to meet the objectives of this study. The questionnaire was constructed based on a thorough review of literature and an analysis of previously used and tested instruments. Thus, questions were designed by focusing on the constructs and variables that have been identified in the literature. However, it should be noted that some of the questions were developed specifically for this study. The questions were designed to be precise, simple and understandable with clear instructions provided for each question.
3.6.2 Structure of the questionnaire

The questionnaire for this study began with less complex and less sensitive questions and progressed to opinion-based questions. As this study aimed to assess the effects of microfinance on rural micro entrepreneurship development, the questionnaire covered the following topics which were developed and structured into 4 sections.

The first section, section A: Demographic questions – which aimed to obtain information in terms of the gender of respondent, constituency where the enterprise is situated, the type of business and length of operation of an enterprise. This information was just to give general information about the beneficiaries and their enterprise.

Section B: Business information- this section aimed to identify the characteristics of enterprises funded as well as to understand the perception of respondents on the effect that microfinance grant schemes have on entrepreneurship development. This section utilized a combination of closed and open-ended questions as well as the five point Likert scale with the following measurements: 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Undecided (U), 4 = Agree (A) and 5 = Strongly Agree (SA).

Section C: Non-financial factors that negatively affect the growth of this business - This section aimed to identify non -financial factors that negatively affect the growth of their businesses. This section ended with a free response open-ended question that invited respondents to provide additional unstructured suggestions or comments on other non -financial factors that negatively affect the growth of their businesses

Section D: Strategies to enhance micro entrepreneurship development section - this section aimed to explore the strategies that could be put in place to enhance micro
entrepreneurship development in Namibia. It had an open-ended question which invited respondents to answer it the way they wish.

The questionnaire is comprised of 23 questions. Some of the questions were sentences expressed in order to encourage respondents to think critically before answering either in a positive or a negative way. As mentioned above, different types of response formats including dichotomous closed-ended, multiple choice closed-ended, quantity, rating and open-ended questions were used in this study. For example, a labelled Likert scale using the 5 number of scale points was used. Labelled sentences on Likert scales were considered appropriate to measure responses in this study because according to Saunders et al. (2009) the Likert scale method is considered to yield higher reliability coefficients with fewer items than the scales developed using other methods and had a likelihood of responses that accurately reflect respondent’s opinion.

3.6.3 Validity and reliability of the instrument

For this study, the type of validity used was content and face validity. The content validity of this research was validated by determining the variables which have been defined and used previously in the literature. The content of the general statements and questions developed on the questionnaire were established and verified to check if they were captured into the objectives of the study. For face validity, the researcher engaged peers in discussion as well as consulted the supervisor to ensure validity of the items in the questionnaire.

To ensure reliability of the questionnaires in this study, a pilot study comprising of 5 respondents was carried out in Windhoek Rural Constituency in the Khomas Region. The
respondents of this area were used for piloting because they share similar characteristics which qualified them to be funded by the same scheme as the target population in the Ohangwena Region. The piloting of the questionnaire aimed to identify faults and unclear questions which aided in improving its reliability.

3.7 DATA COLLECTION PROCEDURE

The study collected primary data from the respondents using researcher administered questionnaires with a set of standard questions. The whole process was conducted with the assistance from the Ohangwena Regional Office. The following procedure was used to collect information from respondents:

1. A questionnaire and a cover letter explaining the background and purpose of the research exercise as well as asking for permission to conduct the research were forwarded to the Regional Councilors of the constituencies where projects are situated in the Ohangwena Region. This was done through the Ohangwena Regional Council’s office.

2. The councilor’s office then informed the project members of the proposed study and sought consent from them.

3. Consent for participation was then obtained by the Councilor’s office and appointments were made.

4. After the researcher confirmed the appointment, data was then collected from the selected participants using researcher administered questionnaires. Follow up questions were asked to clarify information obtained for the open-ended question
that asked about strategies that can be put in place to enhance entrepreneurship development.

3.8 DATA ANALYSIS

Data collected was analysed using quantitative and qualitative approach. Undertaking data analysis of qualitative data is different from the process involved in analysing quantitative data. Qualitative data analysis involves identifying key themes, trends, ideas and arguments (Polonsky & Waller, 2014). For qualitative data, the outcome of the interview and questionnaires were thoroughly captured, read and transcribed. Content analysis was used by breaking down the content into manageable categories such as phrases, themes or concepts, that is, organizing the raw data in preparation for analysis. At the end of the content analysis, the data and patterns of responses occurring were then coded and grouped in terms of relatedness.

Quantitative data was analysed using Statistical Package for Social Sciences (SPSS), Version 24. The study made use of both descriptive and inferential statistics in drawing conclusions from the study’s findings. Descriptive analysis allowed the researcher to summarize and describe characteristics of the sample while inferential analysis allowed the researcher to make inferences or to generalize from a sample to an entire population. Effectiveness of microfinance to micro entrepreneurship development was measured using dependent variables: Number of employees and income.
3.9  RESEARCH ETHICS

The researcher applied basic ethical principles to all research work and ensured that all ethical issues were considered and appropriately addressed. According to Polonsky et al. (2014), there are six broad ethical principles that need to be considered in the research: informed consent, voluntary participation, the potential for harm and risk, confidentiality, anonymity and privacy.

i.  Informed consent

Before the study was carried out, a letter was written to different projects in order ask permission from the project members to conduct the study at their projects and this was done through the Ohangwena Regional Council office. The purpose of the study was explained in the letter and that made participants to fully understand what is expected from them. No written consent was sought.

ii. Voluntary participation

Participants were also informed in the letter that participation was voluntary and information was only collected from project members that agreed to do so. The letter clearly stated to the participants that the research was only for academic purposes and they could withdraw from the study at any stage without giving a reason, if they feel they are being asked uncomfortable questions.

iii. Harm and risk

Participants were also ensured of no harm that is physical, psychological, emotional and embarrassment harm. Participants were informed about the methods of contacting
their Constituency office or the Ohangwena Regional Council in the event that they perceive that they have suffered harm.

iv. Confidentiality, anonymity and privacy

In order to protect confidentiality and anonymity, participants were not required to state their names and the name and address of their firms. The questionnaires were instead numbered for identification purposes in the analysis. The information collected was only used for the purposes of the study. Data collected for the study was treated in the strictest of confidence. The computer on which data was stored was password protected and paper records were kept in a locked filing cabinet. Only the researcher had access to the data. Upon successful completion of the study, completed questionnaires will be kept under lock and key for a period of five years and destroyed thereafter.

3.10 CHAPTER SUMMARY

This chapter focused on the methodology in which the study was carried out in terms of the research approach and design, the population and sample size and how it was selected. It then discussed research instruments that were used in the collection of data and how the data was collected. It further identified the method of data analysis and research ethics considered when conducting the study. The next chapter focuses on the actual research results with a detailed analysis.
CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 INTRODUCTION

The study was aimed at assessing the effects that the Ministry of Urban and Rural Development’s microfinance grant scheme has on entrepreneurship development in Namibia. It was conducted among project beneficiaries of the microfinance grant scheme in the Ohangwena Region. In this chapter, data collected was analysed using statistical tools stated in chapter three. It discusses the results, explaining how the study’s findings are interrelated to the existing literature reviewed in Chapter 2. Based on the research objectives, hypothesis proposed were tested. Identified strategies that can enhance entrepreneurship development were also discussed.

4.2 RESPONSE RATE OF THE STUDY

A response rate of 100% was achieved. This high response rate was attributed to the appointments made by the Regional Council prior to the interviews and also the presence of the researcher who administered questionnaires in a form of interviews.

4.3 DEMOGRAPHIC INFORMATION

The sample considered for the study was 42 projects that have benefited from the microfinance grant scheme. The study was conducted in the Ohangwena Region. The
results in terms of demographic sample, include: gender of respondents, respondent’s type of business, constituency in which enterprises are located and length of operation of an enterprise which are presented below:

4.3.1 Gender of respondents

Respondents were required to indicate their gender and the results are shown in the table below:

Table 4.1: Gender and respondent’s types of business (n=42)

<table>
<thead>
<tr>
<th>Gender of respondents</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td>52.4</td>
<td>52.4</td>
<td>52.4</td>
</tr>
<tr>
<td>Male</td>
<td>20</td>
<td>47.6</td>
<td>47.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Types of businesses</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catering</td>
<td>4</td>
<td>9.5</td>
<td>9.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Tailoring</td>
<td>5</td>
<td>11.9</td>
<td>11.9</td>
<td>21.4</td>
</tr>
<tr>
<td>Gardening</td>
<td>8</td>
<td>19.0</td>
<td>19.0</td>
<td>40.5</td>
</tr>
<tr>
<td>Brick making</td>
<td>1</td>
<td>2.4</td>
<td>2.4</td>
<td>42.9</td>
</tr>
<tr>
<td>Mahangu crusher</td>
<td>6</td>
<td>14.3</td>
<td>14.3</td>
<td>57.1</td>
</tr>
<tr>
<td>Farming</td>
<td>5</td>
<td>11.9</td>
<td>11.9</td>
<td>69.0</td>
</tr>
<tr>
<td>Printing/photocopy</td>
<td>3</td>
<td>7.1</td>
<td>7.1</td>
<td>76.2</td>
</tr>
<tr>
<td>Welding</td>
<td>2</td>
<td>4.8</td>
<td>4.8</td>
<td>81.0</td>
</tr>
<tr>
<td>Butchery</td>
<td>2</td>
<td>4.8</td>
<td>4.8</td>
<td>85.7</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>14.3</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The gender of respondents of the sampled entrepreneurs in the sample area is presented in table 4.1. As depicted in Table 4.1, out of the total number of 42 respondents engaged in the study, female representation dominates with 52.38 percent while male representation is at 47.62 percent.
4.3.2 Respondent’s type of business

The types of business in which the enterprises are operating was analysed and the results are shown by table 4.1. As depicted in table 4.1, the majority of enterprises in this sample (19.0%) are into gardening, followed by Mahangu crushers and others each at 14.3%. Other types of businesses include woodwork, craft, jewelry making and events management. Additionally, tailoring and farming, each account for 11.9%, catering 9.5%, printing/photocopy 7.1%, welding and butchery each account for 4.8 and only 2.4% are into brick making.

4.3.3 Constituencies where the enterprises are situated

Constituencies where the enterprises are situated were analysed and the results are shown in the table below:

Table 4.2: Constituencies where enterprises are situated (n=42)

<table>
<thead>
<tr>
<th>Constituency</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ohangwena</td>
<td>5</td>
<td>11.9</td>
</tr>
<tr>
<td>Omundaungilo</td>
<td>5</td>
<td>11.9</td>
</tr>
<tr>
<td>Omulonga</td>
<td>4</td>
<td>9.5</td>
</tr>
<tr>
<td>Okongo</td>
<td>3</td>
<td>7.1</td>
</tr>
<tr>
<td>Eenhana</td>
<td>3</td>
<td>7.1</td>
</tr>
<tr>
<td>Endola</td>
<td>5</td>
<td>11.9</td>
</tr>
<tr>
<td>Engela</td>
<td>4</td>
<td>9.5</td>
</tr>
<tr>
<td>Ondobe</td>
<td>4</td>
<td>9.5</td>
</tr>
<tr>
<td>Epembe</td>
<td>2</td>
<td>4.8</td>
</tr>
<tr>
<td>Ongenga</td>
<td>4</td>
<td>9.5</td>
</tr>
<tr>
<td>Oshikango</td>
<td>2</td>
<td>4.8</td>
</tr>
<tr>
<td>Oshikunde</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 4.2 reveals that the Ohangwena, Omundaungilo and Endola Constituencies have the highest total number of projects each constitute 11.9 percent. Followed by Omulonga,
Engela, Ondobe and Ongenga Constituencies, each with 9.50 percent. The Okongo and Eenhana Constituencies each constitute 7.1 percent, Epembe and Oshikango Constituencies each account 4.8 percent and Oshikunde Constituency has the least number of projects at 2.4 percent.

4.3.4 The number of years the business has been in operation

The number of years the business has been in operation was analysed and the results are shown in the figure below:

![The number of years the business has been operating](image)

**Figure 4.1: The number of years the business has been operating**

Figure 4.1 reports that the majority of businesses (40.48%) have been in operation for a period of 2 to 4 years, 33.33% have been in operation for 5-7 years, 11.90% have been in operation for 8-10 years, 9.52 have been in operation for more than 10 years, 4.76% have been in operation for less than a year which may indicate that most of the businesses are at the initial stage of entrepreneurship development.
EFFECTS OF THE MINISTRY OF URBAN AND RURAL DEVELOPMENT’S MICROFINANCE GRANT SCHEME ON MICRO ENTREPRENEURSHIP DEVELOPMENT IN THE OHANGWENA REGION

These findings aimed to establish whether microfinance support has led to entrepreneurship development. In this study, entrepreneurship development is measured by a change in number of people employed and a change in income earned by micro enterprises in the Ohangwena Region using linear regression model and parameters are estimated by Ordinary Least Square (OLS) method:

\[ Y = \alpha + \beta_1 X_1 + \varepsilon \]

Where: \( Y \) = Is the dependent variable which is entrepreneurship development measured by change in income and by change in employment.

\( \alpha \) = Constant/the intercept point of the regression line and the y-axis

\( \beta_1 \) = Coefficient of the independent variable

\( X_1 \) = Independent variable which is microfinance used

\( \varepsilon \) = Error term associated with variables

It was hypothesized that after using microfinance, entrepreneurship development will occur as a result of the change in income and in the number of employees. That means that an enterprise with less employees and less income before being funded with microfinance will improve income and increase the number of employees. Thus, the following hypotheses were proposed and tested:
H1\textsubscript{0}: There is no significant relationship between microfinance and income earned by micro enterprises in the Ohangwena Region.

H1\textsubscript{1}: There is a significant relationship between microfinance and income earned by micro enterprises in the Ohangwena Region.

H2\textsubscript{0}: There is no significant relationship between microfinance and number of employees employed by micro enterprises in the Ohangwena Region.

H2\textsubscript{1}: There is a significant relationship between microfinance and number of employees employed by micro enterprises in the Ohangwena Region.

In evaluating the model, the coefficient of determination ($R^2$) was used to measure the goodness of fit by determining the extent to which the independent variable explains variations in the dependent variable and $R$ was used to measure the strength of the relationship between the variables. The probability value (p-value) was used to test the statistical significance of individual coefficients of the dependent variables in the model at 5\% level of significance. The conclusion was reached when the calculated p-value was compared with the actual significance level of the test and, if it is smaller, the result is significant.

4.4.1. Microfinance effects on income

To establish the change in entrepreneurship development after benefiting from microfinance grant scheme, the study identified the relationship between the dependent variable that is entrepreneurship development (measured by change in income earned by
micro enterprises) and the independent variable (microfinance). When the coefficients are incorporated, the model becomes:

\[ Y = 11699.991 + 0.683X_1 + 19943.573 \]

**Regression model summary**

The table below shows the regression model summary

**Table 4.3: Regression model summary of income earned and microfinance**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.459</td>
<td>.211</td>
<td>.191</td>
<td>19943.573</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Microfinance used

It can be noted from Table 4.3 that the value of R-square of the estimated model is 0.211, indicating that the variation in income after benefiting from microfinance has been explained up to 21.1% at 95% confidence interval. The remaining variations in income could be due to other factors apart from microfinance. The findings of correlation coefficient (R) shown in the table above shows that there is a moderate positive relationship between income earned and microfinance used of 0.459.

**Regression coefficients**

The table below shows the determination of the coefficients for the regression equation.

**Table 4.4: Regression Coefficients of income and microfinance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>11699.991</td>
<td>4667.041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microfinance used</td>
<td>.683</td>
<td>.209</td>
<td>.459</td>
<td>3.268</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Change in income (mean)
An intercept value of 11699.991 indicates that without the influence of microfinance, income earned by micro enterprises will be more by 1.333 units. The p-value of 0.002 shows that at 5% level of significance the model is statistically significant. This indicates that income made by micro enterprises before funding is less than income made by micro enterprises in the Ohangwena Region after funding. So, alternative hypothesis is accepted. Thus, it can be concluded that there is a significant relationship between microfinance and income earned by micro enterprises in the Ohangwena Region.

This discovery adds value to the review of Ngugi and Kerongi (2014) whose study concluded that the use of microfinance has helped micro enterprises to increase their sales volume resulting in business revenue improvement. Abdulsalam and Tukur (2014) study also gave credence to these findings stating that small enterprises have continued to record high turnover and profit after receiving support from microfinance.

4.4.2. Microfinance effects on the number of people employed

To establish the change in entrepreneurship development after benefiting from the microfinance grant scheme, there was a need to identify the relationship between the dependent variable that is entrepreneurship development (measured by change in the number of employment created) and the independent variable (microfinance). When the coefficients are incorporated, the model becomes:

\[ Y = 4.490 + 0.00002753X_1 + 1.969 \]

**Regression model summary**

The table below shows the regression model summary
Table 4.5: Regression model summary of number of people employed and microfinance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.206 a</td>
<td>.043</td>
<td>.019</td>
<td>1.969</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Microfinance used

It can be noted from Table 4.5 that the value of R-square of the estimated model is 0.043, indicating that the variation in the number of employment created after benefiting from microfinance has been explained up to 4.3% at 95% confidence interval. The remaining variations in employment could be due to other factors apart from microfinance used. The findings of correlation coefficient (R) shown in the table above shows that there is a weak positive relationship between employment and microfinance shown by 0.206.

Regression coefficients

The table below shows the determination of the coefficients for the regression equation.

Table 4.6: Regression Coefficients of number of people employed and microfinance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.490</td>
<td>.461</td>
<td></td>
<td>9.748</td>
</tr>
<tr>
<td>Microfinance used</td>
<td>2.753E-5</td>
<td>.000</td>
<td>.206</td>
<td>1.334</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Change in the number of people employed

An intercept value of 4.490 indicates that without the influence of microfinance, the number of people employed will be more by 4.490 units. The p-value of 0.190 shows that at 5% level of significance the model is not statistically significant. This indicates that the number of people employed by micro enterprises before funding is equal to the number of
people employed by micro enterprises in the Ohangwena Region after funding. So, null hypothesis is accepted. Thus, it can be concluded that there is an insignificant relationship between microfinance and number of employees employed by micro enterprises in the Ohangwena Region.

These findings concur with the findings of Van Rooyen, Stewart and De Wet (2012) whose review of different sub-Saharan Africa revealed that there is little evidence that microfinance has any impact on job improvement. Even though the results were positive, it was not statistically significant. This is the reason why SMEs do not prefer to use the number of employees to measure entrepreneurship development because quantity of employees without skills is meaningless as their contribution to work is minimal (Asa & Prasad, 2014). This lead to the very important point that states that quality of employees carrying out day to day business operations is very crucial. These results also validate the findings of Khan, Naeem and Kasi (2012) whose study found that microfinance contribution does not help much in the increase of associated employment for the small enterprises since the financial support is only used to improve the production process buy equipment and materials rather than expanding the size of the business.

Respondents’ perception on effects of microfinance on entrepreneurship development

4.4.3. Improved innovation

Respondents were asked to indicate the extent at which the support of microfinance has led to increased innovation in their enterprises. This is shown in the figure below:
Figure 4.2: Respondents’ response on improved innovation

It can be clearly seen in figure 4.2 that the majority of the respondents (80.95%) agreed that the support of microfinance has led to improved innovation in the form of purchasing new equipment. Respondents also agreed (66.67%) that the support of microfinance has led to improved innovation through introduction of new production methods. Respondents also agree (59.52%) that the support of microfinance has led to improved innovation by a way of introducing new products.

These results are in agreement with Asa et al. (2014) whose study identified that small businesses in Namibia constantly respond to their customers’ needs through product innovation. On the contrary, results of this study differ with the study conducted in Bangladesh by Ferdousi (2015) that found that the use of microfinance is yet to do many things to enhance innovation.
4.4.4. Social and psychological empowerment

The effect of microfinance on social and psychological improvement was analysed and the results are shown in the table below:

![Bar Chart: Respondents’ perception on social and psychological empowerment]

**Figure 4.3: Respondents’ perception on social and psychological empowerment**

As shown in Figure 4.3 above, the majority of respondents 92.85% agree that the support of the microfinance grant has led to social and psychological empowerment. However, 4.76% are undecided and 2.38% disagree that the support of microfinance grant has led to social and psychological empowerment.

These results conform to the study of Rajendran and Kaya (2010) that found a significantly greater empowerment among women taking part in the microfinance program. The study further provided evidence of women borrowers holding bank accounts, gaining greater mobility outside their homes and taking pride in contributing to household income. This has also been confirmed by Waithaka, Marangu and N’gondu (2014) whose study revealed
that people feel empowered socially and psychologically when they are able to participate and contribute more to their family’s welfare and society in the long run.

4.4.5. Acquisition of assets

The effect of microfinance on acquisition of assets was analysed and the results are shown in the table below:

![Graph showing respondents' perception on acquisition of assets](image)

Figure 4.4: Respondents’ perception on acquisition of assets

Figure 4.4 shows that majority of respondents 80.96% agree that the support of microfinance has led to acquisition of assets. Conversely, 19.05% disagree that the support of microfinance has led to acquisition of assets.

These results are in line with the findings of the survey conducted by the World Bank (2011) that found out that microfinance helped entrepreneurs to own more assets. It also concurs with studies of Biswas and Sengupta (2009) and Ferdousi (2015) whose findings
revealed that businesses supported with microfinance were enabled to own more assets because after receiving microfinance, enterprises continued to record high turnover and profit and eventually acquired some useful assets for the businesses. Most commonly, entrepreneurs purchase assets such as warehouses, vehicles, buildings, refrigerators, machines and equipment for the businesses (Abdulsalam et al., 2014).

4.5 CHARACTERISTICS OF MICRO ENTERPRISES FUNDED BY MURD’S MICROFINANCE GRANT SCHEME IN OHANGWENA REGION

The purpose of obtaining these findings was to document respondents’ perceptions of reality on characteristics of micro enterprises by finding out if they are: 1) registered with any authority, 2) mostly family owned, 3) lack technology and rely only on indigenous knowledge and 4) if they are labour intensive.

4.5.1 Registration of enterprises with MoITSD or any other bodies

The figure below indicates the number of enterprises that are registered with the Ministry of Industrialisation, Trade and SME Development (MoITSD) or any other bodies.

![Figure 4.5: Enterprises’ registration with MoITSD or any authority](image-url)
The figure above shows that only 38.10% of businesses out of 42 businesses conducted in the study are registered either with MoITSD or any other relevant authority. The remaining 61.90% of the businesses are not registered at all.

4.5.1.1 Reasons why enterprises are not registered

Reasons why enterprises are not registered with MoITSD or any authority is shown in Figure 4.7 below:

![Bar chart showing reasons for not registering enterprises]

**Figure 4.6: Reasons why enterprises are not registered**

It could be noted from Figure 4.6 above, that the majority, 26.92% of business owners do not register their businesses because they feel their businesses do not make enough money. Another 26.92% of businesses did not register due to other reasons. Other reasons include: beneficiaries are not committed, not having all relevant documents, registration offices are far and that the business is in the process of being registered. Some 23.08% of businesses did not register their businesses because they do not know how to register, 11.54% feels
that their businesses do not need to be registered, 7.69% businesses do not know whether they are supposed to register their businesses and 3.85% of businesses are not able to comply with the requirements.

These findings are an indication that most of these micro enterprises in the Ohangwena Region are informal in nature. These results are in conformity with the findings of Jauch (2010, p. 52) and the World Bank (2011) who established in their studies that 66% of micro enterprises in Namibia are informal in nature because they are not registered under specific forms of national legislation. However, this can have a negative effect on entrepreneurship development as the World Bank (2011) stipulates that it is widely believed that business informality often is a significant barrier to microenterprise access to markets and services. Results are also in agreement with Jauch (2010) study which found that there was a strong relationship between registration of the businesses and turnover. Moreover, the pilot survey conducted by the World Bank (2011, p. 40) in Namibia confirmed that microenterprises that were registered for tax or held business licenses were significantly more productive than those that were neither tax-registered nor held a license.

Results on reasons why enterprises are not registering with MoITSD or any other relevant authorities are in line with the findings of the World Bank (2011) whose study identified some of the reasons stated above as constrains faced by micro enterprise owners not to register their business. Other reasons why businesses are not registered include: beneficiaries are not committed, not having all relevant documents, registration offices are far and that the business is in the process of being registered.
4.5.2 Mostly family-owned

Respondents’ perceptions on whether their enterprises are mostly family owned was analysed and results are shown in the table below:

**Table 4.7: Respondents’ perception on enterprises mostly family owned (n=42)**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>26</td>
<td>61.9</td>
<td>61.9</td>
<td>61.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>23.8</td>
<td>23.8</td>
<td>85.7</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>7.1</td>
<td>7.1</td>
<td>92.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>7.1</td>
<td>7.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.7 indicates that most of the respondents 85.7% disagreed that their enterprises are family owned. Whilst those agreed constitute 14.2 that their enterprises are family owned.

To a certain extent these findings contradict what most literature (Marwa, 2014; World Bank, 2011) which maintained that micro enterprises have a strong family orientation whereby the business only ensure the wellbeing of the family and does not differentiate between family and business issues. This could be associated with the criteria/requirements of the microfinance grant scheme which prefer to fund community projects rather than family and individual projects.

4.5.3 Relies only on indigenous knowledge and lack technology

Respondents’ perception on whether their enterprises rely only on indigenous knowledge and lack technology was analysed and results are shown in the table below:
Table 4.8: Respondents perception on use of indigenous knowledge (n=42)

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Disagree</td>
<td>9</td>
<td>21.4</td>
<td>21.4</td>
<td>21.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>18</td>
<td>42.9</td>
<td>42.9</td>
<td>64.3</td>
</tr>
<tr>
<td>Undecided</td>
<td>1</td>
<td>2.4</td>
<td>2.4</td>
<td>66.7</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>19.0</td>
<td>19.0</td>
<td>85.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>6</td>
<td>14.3</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

It can be clearly seen in Table 4.8 above that most of the respondents 64.3% disagree that their enterprises rely on indigenous knowledge and lack technology. Only 33.3% agreed and 2.4% are undecided.

These findings are in agreement of Alam, Hossain & Zaman (2011); Biswas et al., (2009); Ogbokor et al. (2012) whose studies concluded that the majority of small businesses only use the most basic of technologies to conduct their business dealings. This is due to the fact that most of the times the employees at these micro enterprises have limited ability to operate equipment or machinery with complex technologies. According to the respondents included in this study, this is due to the fact that most beneficiaries were supported with modern equipment or machines that use some technology.

4.5.4 Labour intensive

Respondents’ perception on whether their enterprises are labour intensive was analysed and results are shown in the table below:
Table 4.9: Respondents’ perception on enterprises being labour intensive (n=42)

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>7.1</td>
<td>7.1</td>
<td>7.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>23.8</td>
<td>23.8</td>
<td>30.9</td>
</tr>
<tr>
<td>Undecided</td>
<td>2</td>
<td>4.8</td>
<td>4.8</td>
<td>35.7</td>
</tr>
<tr>
<td>Agree</td>
<td>7</td>
<td>16.7</td>
<td>16.7</td>
<td>52.4</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>20</td>
<td>47.6</td>
<td>47.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

It is clearly indicated in Table 4.9 that most of the respondents 64.3% agree that their enterprises are labour intensive. The other, 30.9% disagree and 4.8% are undecided.

These findings concur with Marwa (2014) whose study found that micro enterprises are viewed to be the main providers of labour intensive production, creating a significant number of jobs to the local people. However, results of this study are challenged by Smorfitt (2010, p.70) who argued that in fact micro enterprises are less labour intensive than large businesses within a sector, and that the labour intensiveness is related to the industry rather than the size of the business.

4.6 NON-FINANCIAL FACTORS THAT NEGATIVELY IMPACTS THE GROWTH OF MICRO ENTERPRISES IN OHANGWENA REGION

The other objective of the study was to determine non-financial factors that negatively affect the growth of business, these were analysed and results are shown in Figure 4.8.
Figure 4.7: Non-financial factors that negatively affect the growth of business

i. Cumbersome government policies

This study discovered that the sixth factor that negatively affects the growth of the enterprise accounting for 12 percent is: cumbersome government policies. These findings are similar to the one of MoITSD (2015) which stipulates that micro enterprises face serious difficulty in dealing with requirements of government regulations especially for business registration because it takes long to register a business. This is in combination with long and timely procedures before approval, which is only done at the head office in Windhoek. The results also concur with Ramsden (2010) who stipulates that the most frequently perceived major obstacle for SMEs is regulation because they have less capacity to navigate through the complexities of regulatory and bureaucratic procedures.
Details of this negative factor according to the respondents included in this study are that, the absence of officials at the constituencies’ offices also makes the whole process costly because submission of business registration forms is just done at the Regional office.

**ii. Geographical position**

The study discovered that geographical position is the second factor that negatively affects the growth of enterprises with 40 percent of respondents indicating it as a negative factor. This result is in line with the findings of Sharma (2012) whose study found out that geographical position is an important factor of business operation because it defines the success of the businesses especially microenterprises mostly run in the remote villages.

According to the respondents included in this study, they specified that enterprises that are being operated in remote areas especially where infrastructures are not developed, hinder the smooth operation of their enterprises. They stipulate that in most cases they lose out on customers from different areas who prefer to consume their products or make use of their services. They feel that as entrepreneurs there is little that they can do in this regard apart from relocating their businesses to town or to places close to town.

**iii. Natural catastrophe**

The study discovered that natural catastrophe is the third factor that negatively affects the growth of the enterprise accounting for 38 percent of the respondents. This resultconcurs with Alam, et al. (2011)’s findings, whose study found out that frequent natural catastrophes like flood, cyclone, and drought weaken the production and in the end inhibit the growth of micro businesses.
In this regard, respondents singled out the frequent drought for the past years that have negatively affected the sales turnover and in return profit because they are not able to maximize their production especially when it comes to agricultural businesses especially livestock and rain-fed crops.

**iv. Unregulated competition**

The study discovered that unregulated competition is the fourth factor that negatively affects the growth of the enterprises, accounting for 29 percent. This finding is consistent to those of Jauch and Sakaria (2009) revealing that there is unregulated competition in Namibia. It is also consistent with Ogbokor et al.’s (2010, p. 16) findings who’s study empirically proved that SMEs are easily crowded out of business due to the stiff competition that they get from the already established large scale businesses that currently operate in Namibia. Furthermore, in support of these findings is MoITSD (2015, p.10) stipulating the opening of markets and lower tariffs contribute to an increased competition from imports, mostly in local MSME markets.

Details from the respondents, indicates that there is unregulated competition especially on big Chinese shops that are selling local products which are supposed to be strictly sold by locals. They feel it is unfair for outsiders’ shops to concentrate on selling local products, making the market saturated with sellers fighting for a small population of buyers.

**v. Lack of individual/managerial capacity**

The study discovered that lack of individual/managerial capacity is the first serious factor that negatively affects the growth of the enterprise accounting for 43 percent of respondents. These findings validate Ramsden’s (2010) observations that
individual/managerial capacity is a major obstacle because managers or owners of SMEs are expected to perform a wider range of tasks since there is less room for specialization. He also notes that enterprises require diverse skills that SME managers/owners may not have especially in developing countries where the quality of management education may be lower. Results are also in agreement with Cant (2014)’s study which found out that low/inadequate levels of skills especially when it comes to innovation, new market exploitation, business and financial management negatively affect the growth of the enterprise.

According to the respondents included in this study, they were not prepared or mentored on how to run a successful business and as a result end up failing or sometimes lead to stagnation of their enterprises. Mentoring and coaching may provide enterprise owners with knowledge and skills to help them overcome the day to day business challenges.

**vi. Undeveloped infrastructures**

The findings of this study revealed that undeveloped infrastructure is also the second negative factor negatively affecting the growth of enterprises with 40 percent. This finding is in agreement with Babajide (2012) whose study stipulates that roads are not yet developed in remote areas for smooth and easy transportation of produces to the central points of the area where there are a lot of people to buy. The findings are also consistent with those of Pitt, Shahidur and Cartwright (2006) that claim that micro enterprises operating in an environment with poor infrastructure constitutes a barrier for the smooth operation of the business.
According to respondents included in this study, electricity and telecommunication facilities are not fully developed in some remote areas making entrepreneurs to use solar electricity which is not reliable sometimes and they are also forced to climb on top of roofs or trees to use their cellphones.

**vii. Lack of accurate information**

The study discovered lack of accurate information is the third factor that negatively affects the growth of the enterprise accounting for 38 percent of respondents. This finding is consistent with findings of researchers such as Ferdousi (2015) and Ogbokor et al (2012) whose studies found that micro enterprises do not receive any business-related information from their fully available information provider which is the radio.

**viii. Restricted market access**

The study discovered that restricted market access is the third factor that negatively affects the growth of the enterprise accounting for 38 percent of the respondents. This finding is consistent with findings of researchers such as MoITSD (2015) and Ogbokor et al. (2012). Some respondents in this study are of the view that restricted market access is usually caused by lack of transportation and communication infrastructures, forcing them to only sell their products at surrounding areas only.

**ix. Crime**

The study discovered that crime is the fifth factor that negatively affects the growth of the enterprise accounting for 26 percent. These findings are consistent with the findings of the study of the World Bank (2011, p. 55) which found that crime was a major business
environment problem for a significant proportion of unregistered and unlicensed microenterprises of all age and size groups in Namibia. Kambwale, Chisoro & Karodia (2015) also estimates that up to 20% of small businesses fail each year because of fatal crime losses.

The details of this constraint as explained by respondents were that thefts in the area happen when enterprises are broken into and stock stolen during the night after operating hours. This also happens to gardening projects since when it is time for harvesting, thieves just come and harvest during the night without permission. They also stated that there is no security in some areas and the law enforcers such as the police are too slow in their response in terms of combating crime because in most cases they give reasons that there is no transport to take them to the scene.

x. High transportation cost

The study discovered that high transportation cost is the seventh factor that negatively affects the growth of the enterprise accounting for 10 percent. This finding is consistent with findings of researchers such as Jauch (2010) and Ogbokor et al. (2012). This is specifically affecting traditional jewelry makers who can only get their raw materials from coastal towns. Some of the respondents included in the study were of the view that transportation of raw materials is so costly such that it makes it difficult for entrepreneurs to make profit in their businesses.
4.7 STRATEGIES THAT NEED TO BE PUT IN PLACE TO ENHANCE RURAL MICRO ENTREPRENEURSHIP DEVELOPMENT

From the discussion above, it is clear microenterprises are the keystone for entrepreneurship development regardless of challenges affecting them because they contribute enormously to economic development. To mitigate the challenges negatively affecting enterprises, some strategies need to be put in place so as to enhance entrepreneurship development in the Ohangwena Region. Information collected in the study identified strategies as follows:

Table 4.10: Strategies that beneficiaries in Ohangwena Region think need to be put in place to enhance entrepreneurship development

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>16</td>
<td>29.1%</td>
</tr>
<tr>
<td>Favourable business registration environment</td>
<td>1</td>
<td>1.8%</td>
</tr>
<tr>
<td>Protection from foreign businesses</td>
<td>2</td>
<td>3.6%</td>
</tr>
<tr>
<td>Development of infrastructural facilities</td>
<td>16</td>
<td>29.1%</td>
</tr>
<tr>
<td>Continuous mentoring and coaching</td>
<td>9</td>
<td>16.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>80.0%</strong></td>
</tr>
</tbody>
</table>

i) Provision of business training

This study identified that 29.1% of respondents recommend for the provision of training in all areas of micro entrepreneurship development. These results are in agreement with Alarm et al. (2011) and Akingunola, Adekunle, Adegbesan & Aninkan (2013) studies that found out that providing different types of training to entrepreneurs helps them better manage their enterprises, which in return leads to improved growth and minimizes risks associated with lack of business skills. Business training needs identified by their studies...
include: product adjustments, product development, marketing, micro enterprises growth planning and strategic development/ management, business management, bookkeeping and reporting.

ii) Development of infrastructural facilities

This study also identified that 29.1% of respondents recommend that there is a need for the development of infrastructural facilities for the smooth entrepreneurship development. These findings concur with the findings of Babajide (2012) and Ogbokor et al. (2012) who identified that the establishment of different infrastructure (electricity, telecommunication, roads and water), provides an enabling environment for production and trading especially in rural areas where infrastructure is not fully developed.

iii) Continuous mentoring and coaching

This study also identified that 16.4% of the respondents recommend that they need continuous mentoring and coaching. The results are consistent with Ogbokor et al. (2012) who found that mentoring and coaching provides enterprise owners with knowledge and skills that help them overcome the day to day business challenges and change the mindset of entrepreneurs in the long run. He further added that beneficiaries are not regularly coached or mentored on how to run a successful business and this results in enterprises that end up being stagnant.

iv) Protection of local business from foreign business competition

This study also identified that 3.6% of the respondents recommend that they want their businesses to be protected from foreign business competition. These findings gave
credence to the work of Ogbokor et al. (2010) whose study identified protection from foreign business competition or regulated competition as one of the factors that can enhance micro entrepreneurship development.

v) Favourable business registration environment

This study identified that 1.8% of respondents recommend that there is a need to create a favourable business registration environment in order to enhance entrepreneurship development. The results of the study conform to the work of Ramsden (2010) who proved that simplified business registration processes can lead to an increase in the number of businesses registered.

4.8 CHAPTER SUMMARY

The chapter presented the results of the analysed data collected in the study. Tables, charts and graphs were used to present the results. The study revealed that there is a significant relationship between microfinance and entrepreneurship development which is measured in terms of income earned. While there was no significant relationship in terms of the additional employment created in numbers. The next chapter focuses on conclusions and recommendations of the study.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. INTRODUCTION

This chapter gives a brief overview of the findings discussed in the previous chapters based on empirical evidence. Major findings are highlighted upon which conclusions are made with corresponding recommendations. The conclusions are guided by the research objectives with the help of quantitative and qualitative data collection as presented in the previous chapter of this study.

5.2. SUMMARY OF THE STUDY

This study was conducted with the main objective of evaluating the effects of the Ministry of Urban and Rural Development’s (MURD) Microfinance Grant Scheme on micro entrepreneurship development in the Ohangwena Region. Specifically, the study aimed to evaluate the effects of the MURD’s Microfinance Grant Scheme on micro entrepreneurship development in the Ohangwena Region; to identify the characteristics of micro enterprises funded by MURD Microfinance Grant Scheme in the Ohangwena Region; to determine other non-finance factors that negatively impacts the growth of micro enterprises in the Ohangwena Region; to make recommendations on the MURD Microfinance Grant Scheme that can be improved to enhance micro entrepreneurship development in Namibia. Findings of this study will help policy makers to adjust policies
accordingly, depending on the effects that microfinance has on entrepreneurship development.

This study employed descriptive and exploratory research designs comprising of the qualitative and quantitative approaches. The study’s sample was reached through Simple Random Sampling whereby the sample size of 42 respondents was drawn from the population of 47 projects. For reliability of the instrument, a pilot test was carried out and for validity, content and face validity was used. Questionnaires were then used to collect primary data. Analysis of data was done using both descriptive and inferential statistics in drawing conclusions from the study’s findings.

Linear regression analysis was used to establish the relationship and magnitude between the independent variable (microfinance) and the dependent variables (number of employees and income). Findings of this study on effects that microfinance has on entrepreneurship development revealed that there is a moderate positive significant relationship between microfinance and income earned and an insignificant relationship between microfinance and employment created. In addition, the support of microfinance has also led to social and psychological empowerment, acquisition of assets and innovation in terms of production methods, machinery/equipment and introduction of new products.

Furthermore, the outcome of this study on characteristics of micro enterprises revealed that most enterprises are not registered with the Ministry of Industrialisation, Trade and SME Development or any other authorities. It also revealed that enterprises are not family owned and they use basic technology in producing goods and services. Moreover, findings of the study also revealed that lack of individual/managerial capacity, geographical
position and undeveloped infrastructures are the most non-financial factors that negatively affect businesses.

5.3. CONCLUSIONS

Based on the findings derived from this study, the following conclusions were made:

5.3.1 Effects of microfinance on micro entrepreneurship development

Findings of this study yielded mixed results on different variables relating to entrepreneurship development in the Ohangwena Region. For instance, the study concluded that there was a significant difference between income earned before and after the support of microfinance shown by the p-value 0.002 at 5% level of significance. This implies that microfinance is beneficial to micro enterprises in the Ohangwena Region because after benefiting they continued to record high turnover. However, the study also concluded that there was an insignificant difference between the number of people employed before and after the support of microfinance as indicated by the p-value of 0.190 at 5% level of significance. Thus, even after benefiting from microfinance, the number of people employed by micro enterprises did not significantly change.

Furthermore, it can be concluded that microfinance support has led to improved innovation (69.04%), acquisition of assets (80.96%) as well as to social and psychological empowerment (92.85%). This implies micro enterprises can develop and improve their products targeting new customer segments or retaining the existing customers segments. It also implies that micro enterprises in the Ohangwena Region have acquired some useful
assets for the businesses which can be used as security for the business in future. It also shows that microfinance is not only an economic stimulator for micro enterprises in the Ohangwena Region but has a positive effect on the social welfare of entrepreneurs.

### 5.3.2 Characteristics of micro enterprises

This study confirmed that most enterprises are not registered with the Ministry of Industrialisation, Trade and SME Development or any other authorities as shown by 61.90%. The fact that most enterprises are not registered denotes that most of the enterprises are informal in nature and this can have a negative effect on entrepreneurship development. It also shows that they are labour intensive shown by 64.3% and use basic technology in producing goods and services shown by 64.3%. However, findings of this study contradict what is mostly said by literature (Marwa, 2014) because the results show that enterprises in Ohangwena Region are not family owned as indicated by 85.7%.

### 5.3.3 Non-financial factors that negatively affect the growth of microenterprise

This study also concluded that 43% of respondents indicated lack of individual or management capacity as a factor that negatively affects the growth of their enterprises, followed by geographical position and undeveloped infrastructures, each accounting for 40%. Moreover, natural catastrophe, lack of accurate information and restricted market access each got 38%. Other respondents feel that unregulated competition (29%), crime (26%), cumbersome government policies (12%) and high transportation costs (10%) are factors that negatively affect the growth of their enterprises.
5.4. RECOMMENDATIONS

Driven by the above conclusions drawn from this study, the following recommendations are provided to help mitigate the negative factors that inhibit the growth of micro enterprises in the Ohangwena Region.

5.4.1 Provide financial support

Based on the empirical evidence that micro financing of micro enterprises increased the income levels of these microenterprises in the Ohangwena Region, this study recommends for more provisions for financial support to micro enterprises to boost their income base, acquire the necessary assets, stimulation of innovation, improve psychological and social welfare and to provide opportunities for potential micro enterprises development in the region. However, criteria need to be put in place in order to determine the amount of money to be given to each enterprise, depending on the business turnover.

5.4.2 Improved business registration process

The government should make a greater effort to improve registration of business in order to encourage owners to register their enterprises. This can be achieved by decentralizing the whole registration process so that it be carried out at all constituencies’ offices in the Ohangwena region instead of being just done in Windhoek, after all the forms are submitted at the regional office. Again, after enterprises are registered, the taxation especially of micro businesses should also be reasonable as it can encourage enterprises to register and become formal enterprises.
5.4.3 Conduct regular mentoring and coaching

There is a need for MURD to conduct regular mentoring and coaching of the beneficiaries. This can enhance their knowledge and skills which will enable them to strengthen the operations of their funded enterprises. This can also be done by the Regional Council officials that work closely with the beneficiaries by contacting other stakeholders in the region that work together with the MURD.

5.4.4 Introduce tailor made business development services in vocational institutions

There is also a need for vocational training institutions in the country to offer tailor made business development services such as promoting training on managerial, financial, technical and entrepreneur skills developed to address the specific needs of enterprises, at an affordable price.

5.4.5 Improve infrastructural facilities

There is a need for government to continue developing and further improving infrastructural facilities such as road networks, water, power supplies and telecommunications until it reaches the most remote areas in the Ohangwena Region.

5.4.6 Introduce business sharing information sessions in media

There is a need for media institutions in Namibia to assist entrepreneurs in the country to transmit information or introduce some information sharing sessions through media such as newspapers, TV and radio in order to reach even entrepreneurs in the remote areas of the Ohangwena Region.
5.4.7 Recommendations for further research

Despite findings by other authors such as Marwa (2014) and the World Bank (2011), findings of this study were not entirely in agreement with earlier studies’ findings, which prompt further similar studies to confirm or compare this study’s findings. Hence, more studies on the characteristics of micro enterprises in Ohangwena Region is recommended.

This study further recommends for more research on the effects of microfinance on employment creation to validate the findings of this study.
REFERENCES


http://www.random.org


*Development & Change, 33*(3), 489-509.
APPENDICES

APPENDIX I: CONSENT LETTER TO COLLECT DATA
21 July 2016

To whom it may concern

Ms Toini T Hasheela of student number: 200220993 is registered for a Master in Business Administration- Natural Resource Management at the University of Namibia through the Namibia Business School.

This letter serves to inform you that her research proposal was reviewed and successfully met the University of Namibia requirements.

The student has been granted permission to carry out postgraduate studies research. The University of Namibia has approved the research to be carried out by the student for purposes of fulfilling the requirements of the degree being pursued.

If you have any queries please do not hesitate to contact the Business School at the University of Namibia.

Thank you so much in advance and many regards.

Yours sincerely

[Signature]

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University of Namibia
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Fax: +246 61 413 512
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CONTACT
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Windhoek
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TO WHOM IT MAY CONCERN

23rd June, 2017

RE: COPYEDITING AND PROOFREADING OF TOINI TUUTALENI HASHEELA’S MINI THESIS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (NATURAL RESOURCES MANAGEMENT)

This letter serves to confirm that I copyedited and proofread Toini Tuutaleni Hasheela’s Mini Thesis for the degree of Master of Business Administration entitled: The effects of Government’s Microfinance Grant Scheme on Rural Micro-entrepreneurship Development in Namibia: A Case Study of The Ohangwena Region.

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with UNAM guidelines with regards to borders and page numbering.

I am a language editor authorized by The Namibia Business School and have edited many Postgraduate Diploma, Masters Thesis and Doctoral Dissertations in Namibia, Zimbabwe and Swaziland.

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile
APPENDIX III: QUESTIONNAIRE

Kindly answer the following questions by marking the most appropriate answer with “X” or fill in the answer on the space provided.

SECTION A: DEMOGRAPHIC QUESTIONS

1. Kindly indicate your gender (the respondent).

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>1. Female</td>
<td></td>
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<tr>
<td>2. Male</td>
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</tbody>
</table>

2. Kindly indicate the constituency where the project/business is situated

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ohangwena</td>
<td></td>
</tr>
<tr>
<td>2. Omundaungilo</td>
<td></td>
</tr>
<tr>
<td>3. Omulonga</td>
<td></td>
</tr>
<tr>
<td>4. Okongo</td>
<td></td>
</tr>
<tr>
<td>5. Eenhana</td>
<td></td>
</tr>
<tr>
<td>6. Endola</td>
<td></td>
</tr>
<tr>
<td>7. Engela</td>
<td></td>
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<tr>
<td>8. Ondobe</td>
<td></td>
</tr>
<tr>
<td>9. Epembe</td>
<td></td>
</tr>
<tr>
<td>10. Ongenga</td>
<td></td>
</tr>
<tr>
<td>11. Oshikango</td>
<td></td>
</tr>
<tr>
<td>12. Oshikunde</td>
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</tbody>
</table>

3. What type of business are you in?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Catering</td>
<td></td>
</tr>
<tr>
<td>2. Tailoring</td>
<td></td>
</tr>
<tr>
<td>3. Gardening</td>
<td></td>
</tr>
<tr>
<td>4. Brick making</td>
<td></td>
</tr>
<tr>
<td>5. Mahangu crusher</td>
<td></td>
</tr>
<tr>
<td>6. Farming</td>
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</tr>
</tbody>
</table>
4. For how long you been operating your business?

| 1. Less than a year |       |
| 2. 2 – 4 years     |       |
| 3. 5 – 7 years     |       |
| 4. 8 – 10 years    |       |
| 5. Above 10 years  |       |

**SECTION B: BUSINESS INFORMATION**

5. Is the enterprise registered with the Ministry of Industrialization, Trade and SMEs Development or any other bodies?

| 1. Yes |       |
| 2. No  |       |

If the answer to number 5 if yes, proceed to question 7.

6. If your answer to number 5 is no, why is the business not registered?

| 1. The business does not make enough money |       |
| 2. The business does not need to be registered |       |
| 3. I do not know how to register          |       |
| 4. I am not able to comply with the requirements |       |
| 5. I do not know                          |       |
| 6. Other reasons (Please specify)         |       |

7. How many people were employed by the enterprise before funding? ______________

8. How many people are currently employed in the enterprise? ______________
9. Kindly indicate the annual/yearly income of the enterprises before funding.

1. Less than N$ 1,000
2. N$ 1,000 - N$ 9,999
3. N$ 10,000 - N$ 29,999
4. N$ 30,000 - N$ 59,999
5. N$ 60,000 - N$ 100,000
6. Above N$ 100,000

10. Kindly indicate the annual/yearly income of the enterprises after funding.

1. Less than N$ 1,000
2. N$ 1,000 - N$ 9,999
3. N$ 10,000 - N$ 29,999
4. N$ 30,000 - N$ 59,999
5. N$ 60,000 - N$ 100,000
6. Above N$ 100,000

Kindly indicate the extent to which you agree or disagree with the following statements whereby on a scale of 1 to 5, with 1=Strongly Disagree (SD), 2=Disagree (D), 3=Undecided (U), 4=Agree (A) and 5=Strongly Agree (SA).

<table>
<thead>
<tr>
<th>Statement</th>
<th>SD (1)</th>
<th>D (2)</th>
<th>U (3)</th>
<th>A (4)</th>
<th>SA (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>My/our enterprise is family owned</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My/our enterprise relies only on indigenous knowledge and does not use technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My/our enterprise is labour intensive</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>When my/our enterprise was supported by microfinance, sales volume increased resulting in improved business revenue</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>When my/our enterprise was supported by microfinance I/we manage to introduce new products</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>When my/our enterprise was supported by microfinance I/we manage to introduce new production methods</td>
<td></td>
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</tr>
</tbody>
</table>
17. When my/our enterprise was supported by microfinance I/we manage to purchase new equipment that are currently used

18. When my/our enterprise was supported by microfinance, it results into my/our social and psychological improvement (e.g. self-confidence, self-worthiness and worthiness, peace in the family, etc.)

19. When my/our enterprise was supported by microfinance it created employment

20. When my/our enterprise was supported by microfinance, it makes me/us to own more assets (e.g. properties, equipment, cash, etc.)

SECTION C: NON-FINANCIAL FACTORS THAT NEGATIVELY AFFECT THE GROWTH OF THIS BUSINESS.

21. Which of the following factors do you think are negatively affecting the growth of your business? (You may indicate more than one factor).

<table>
<thead>
<tr>
<th>Negative factors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cumbersome government policies</td>
<td></td>
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<tr>
<td>2. Geographical position (micro enterprises mostly run in the remote areas)</td>
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<tr>
<td>3. Natural Catastrophes like flood, cyclone and drought</td>
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<tr>
<td>4. Unregulated competition</td>
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<tr>
<td>5. Lack of individual/managerial capacity</td>
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<tr>
<td>6. Undeveloped infrastructure (e.g. roads, electricity, telecommunication)</td>
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<tr>
<td>7. Lack of accurate information (e.g. on latest technology, on available markets, financial performance, etc.)</td>
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</tr>
<tr>
<td>8. Restricted market access (caused by lack of transportation and communication infrastructures)</td>
<td></td>
</tr>
<tr>
<td>9. Crime</td>
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</tbody>
</table>
22. What do you think are the other factors that negatively affect the growth of your business?

1. 
2. 
3. 
4. 
5. 

SECTION D: STRATEGIES TO ENHANCE MICROENTREPRENEURSHIP DEVELOPMENT

23. What strategies do you think could be put in place to enhance micro entrepreneurship development in Namibia?

1. 
2. 
3. 
4. 
5. 

THANK YOU