

Evaluating the effect of the Micro Finance Scheme Programme for rural entrepreneurs in Oshikoto Region, Namibia

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Declaration

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Abstract

The notion and practice of rural development gained prominence in today's economies as a result of underdevelopment and huge disparities between urban centres and rural areas. Immediately after the independence of Namibia, attention was concentrated on the development and improvements of urban areas while rural areas, where most of the poor and marginalised resided, were neglected. Regarded as agricultural centres, it was reasoned that there was no need to take services to these areas and that rural inhabitants could anyway not afford to pay for or maintain services. With fewer opportunities available in rural areas, people went to seek a better life in the peri-urban and urban centres. Subsequently, the Government of the Republic of Namibia, in consultation with development partners and stakeholders, introduced a number of programmes and interventions aimed at developing rural areas, explore opportunities and potentials. Micro, Small and Medium Enterprises (MSMEs) are engines of many economies and greatly contribute to employment and wealth creation. In addition, MSMEs trigger entrepreneurship and contribute to self-reliance and also to the economic growth of communities.

Although MSMEs can make major contributions to the economy, they are faced with a number of challenges of which some are access to finance, financial services and land, lack of entrepreneurial and business skills, and lack of adequate supporting infrastructure. Lack of funding and financial services is regarded as the most serious constraint to entrepreneurship and MSMEs growth and development. Hence, the Government of the Republic of Namibia through the Ministry of Urban and Rural Development introduced a Micro Finance Scheme Programme to be implemented at regional level by regional authorities. The programme is aimed at promoting entrepreneurship, supporting and empowering viable existing and new MSMEs businesses and projects in rural Namibia and in the end improve the livelihood of rural inhabitants and gear the country towards attainment of the national development goals and Vision 2030, through providing funding and funding advice to MSMEs in rural areas. The main objectives of the programme are: promotion of entrepreneurship and innovation in rural areas; providing financial support, building capacity of rural entrepreneurs, creating decent employment, and increase income and wealth. Thus, it

targets rural inhabitants aged 18 and above, more specifically the youth and women since they are the most marginalised in our communities.

The study evaluates the effects of the Micro Finance Scheme Programme in the Oshikoto Region, to establish if the programme is being executed as planned; whether it is reaching the intended beneficiaries and whether it had an effect in the region. Furthermore, the study will make recommendations for adjustments and improvements on the programme. A survey of the Rural Services personnel at Oshikoto Regional Council as administrators of the programme as well as enterprises and project members in the Oshikoto region that have benefited from the programme, was conducted to find out their views and perceptions of the programme, the effects as well as the challenges they are experiencing or have experienced by both programme administrators and beneficiaries. It is established that the programme is necessary although a lot still need to be done for it to realise its intended goals and benefits. The study concludes that it requires more commitment and guidance as well as training and mentorship for both administrators and beneficiaries or target population to improve the efficiency and effectiveness of the programme and realisation of the goal of sustainable and inclusive rural development.

Opsomming

Die idee en praktyk van landelike ontwikkeling raak al hoe meer belangrik in hedendaagse ekonomieë as gevolg van onderontwikkeling en die groot verskille wat tussen stedelike sentra en landelike gebiede bestaan. Onmiddellik na onafhanklikheid is daar baie gefokus op die ontwikkeling en verbetering van stedelike gebiede terwyl buitestedelike gebiede beskou is as landbou-sentra waar arm en gemarginaliseerde persone woon. Dit is as vanselfsprekend aanvaar dat dit nie nodig was om dienste aan hierdie gebiede te lewer nie, aangesien die persepsie was dat die inwoners in elk geval nie kon bekostig om vir hierdie dienste te betaal nie en sou dan ook nie in staat wou wees om strukture in stand te hou nie. Die verskille in dienslewering en die tekort aan ekonomiese geleenthede in landelike gebiede het veroorsaak dat mense begin wegbeweeg het na stedelike en buitestedelike sentra in die hoop op 'n beter lewenskwaliteit.

Daarna het die regering, insluitend die regering van die Republiek van Namibië, deur oorlegpleging met ontwikkelingsvennote en belanghebbendes, 'n aantal programme en intervensies ingestel wat daarop gemik was om plattelandse gebiede te ontwikkel, geleenthede te skep en die potensiaal te ondersoek om beskikbare geleenthede beter te benut. Soos dit deur baie mikro-, klein- en medium-grootte ondernemings (MKMO's) erken word, is dit die enjin wat die ekonomie dryf en dra dit grootliks by tot werk- en welvaartskepping. Daarbenewens gee MKMOs aanleiding tot entrepreneurskap en dra dit by tot selfvertroue en die ekonomiese groei van gebiede.

Alhoewel MKMO's grootliks bydra tot die ekonomie, word hulle gekonfronteer met 'n aantal uitdagings wat onder meer toegang tot finansies en finansiële dienste, toegang tot grond, gebrek aan ondernemings- en sakevaardighede, gebrek aan voldoende ondersteunende infrastruktuur, om maar 'n paar te noem, insluit. Gebrek aan finansies en finansiële dienste word beskou as die mees ernstige beperking op entrepreneurskap en MKMOs se groei en ontwikkeling. Daarom het die Regering van die Republiek van Namibië deur die Ministerie van Stedelike en Landelike Ontwikkeling 'n mikrofinansieringskema ingestel wat deur streeksowerhede op streeksvlak geïmplementeer moet word. Die programme is daarop gemik om MKMOs in landelike Namibië te help groei en te bemagtig en uiteindelik die bestaan van

landelike inwoners te verbeter. Dit help weer die land om die nasionale ontwikkelingsdoelwitte en Visie 2030 te bereik deur middel van befondsing en befondsingsadvies aan MKMOs in landelike gebiede.

As die landelike opset en formele marginalisering in ag geneem word, sluit die mikrofinansieringskema die ondersteuning van projekte en besigheidsinisiatiewe van inwoners van die plattelandse gemeenskap in. Die vernaamste doelwitte wat hierdie programme poog om te bereik, is die bevordering van entrepreneurskap en innovasie in landelike gebiede; die verskaffing van finansiële ondersteuning, die bou van kapasiteit van landelike entrepreneurs, behoorlike werkskepping, inkomste en welvaart. Dit is dus gerig op landelike inwoners van 18 jaar en ouer, maar meer spesifiek die jeug en vroue, aangesien hulle die mees gemarginaliseerde sektore in hierdie gemeenskappe is.

Hierdie studie het dit ten doel gestel om te bepaal of die mikrofinansieringskema in Oshikoto-streek geëvalueer om vas te stel of die programme, soos beplan, uitgevoer kan word; of dit die beoogde begunstigdes sal kan bereik; en of dit 'n uitwerking op die streek gehad het. Verder het die studie aanbevelings gemaak vir aanpassings en verbeterings van die programme. 'n Vraelys is aan die landelike ontwikkelingspersoneel by Oshikoto Streeksraad as implementeerders van die programme, sowel as ondernemings, koöperasies en projekte in die Oshikoto-streek wat voordeel uit die programme getrek het, gestuur. Die doel hiervan was om hul sienings en persepsies van die programme, die effekte sowel as die uitdagings wat hulle as gevolg van die programme ervaar het, te bepaal. Die studie het vasgestel dat die programme noodsaaklik is, hoewel daar nog baie gedoen moet word om die voorgenome voordele te realiseer. Dit vereis meer toewyding en leiding sowel as opleiding en mentorskap wat deur die raad en begunstigdes of teikenbevolking benodig word om die doeltreffendheid en effektiwiteit van die programme te verbeter en die verwesenliking van volhoubare en inklusiewe landelike ontwikkeling te verseker.

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Definition of terms

The main terms that are used in the thesis are defined below:

Rural development – is defined as strategies and efforts designed or undertaken to improve the economic, social and environmental livelihood of people residing outside urban areas. These strategies must be inclusive and clearly designed to increase production, raise productivity and enhance livelihood in rural areas (World Bank 1795:3).

Enterprise – is a project undertaken by an individual or a group of people with the aim of rendering services and producing goods. An enterprise can also be referred to a legal entity, a company or business that is established for commercial purposes and perform business activities.

Project – is defined as planned tasks and activities carried out by a group of individuals that have organised and committed themselves to carry out and execute specific activities and achieve a common goal

Entrepreneurs – An individual or group of individuals that undertake financial risks to initiate and establish a business. An entrepreneur is also a decision maker since he has to decide on what, how and quantity of production of goods or services to be rendered

Micro Small and Medium Enterprises (MSMEs) – is referred to as any form of business or project ranging from a street vendor (s) selling goods on the street, a person trading at the open market, a person (s) operating and trading in a business centre or in an incubation centre, a person (s) repairing shoes at the back of the house in an informal or formal area, a small or medium brock making or leather making project (s) in a certain village or a company manufacturing solar technologies with a reasonable capital employment (Ministry of Urban and Rural Development, 2016:1)

Micro finance - a grant offered by the regional councils to MSMEs projects or enterprises initiatives in rural Namibia with the purpose of supporting entrepreneurship development, create employment and alleviate poverty in rural Namibia Ministry of Urban and Rural Development

Chapter 1: Introduction and background

1.1 Introduction

With its independence, Namibia inherited a dual economy influenced by inequalities, under developed rural areas and divisions among ethnic, geographical and economic groups. This has persisted and is still visible, particularly so in the rural areas (Republic of Namibia, 2012:4). Based on the Namibian 2011 population and housing census, 58% of the Namibian population live in rural areas and 42% live in urban areas (The Namibian, 2012). However, there are huge disparities between urban and rural areas, since rural areas were historically, mostly neglected and not considered as part of the development agenda of the country. As a result, rural-urban migration increased in Namibia, as it is evident from the 2011 Namibian population and housing census which, recorded that 67% of the population were living in rural areas in 2001 as compared to the 58% in 2011 (Namibian Statistics Agency, 2012:8).

Namibia's National Rural Development Policy of (Republic of Namibia, 2011:1) defined rural areas as areas outside the proclaimed municipalities and townships, and includes freeholds as well as state-owned communal and resettlement land. The policy stipulated that these areas need to be developed and sustained to create a favourable environment for people to live in and for businesses to thrive through rural development (Republic of Namibia, 2011:1) defined rural development as all actions and activities that aim at improving rural areas and their inhabitants standard of living through the provision of basic and social services as well as by creating a conducive political, social, legal and economic environment which will motivate and empower people to live, work and do business in rural areas and get involved in the development affairs of their areas.

In addition, the National Rural Development Strategy (NRDS) (Republic of Namibia, 2012:10) refers to rural development as improvements in the key social, economic and environmental conditions of rural areas and to cater for the needs and well-being of the inhabitants. The Namibian government introduced a number of interventions to improve and accelerate development of rural areas. These interventions include, the Micro Finance Scheme Programme, rural industrialisation, One Region One Initiative, Rural Employment Scheme, establishment of Rural Development Centres. MSMEs

from all sectors, especially the ones operating in rural areas, are faced with a number of challenges that hinder their operation and growth. Access to finance and financial services by these enterprises were identified as major constraints and the ones that require urgent attention. However, it is worth noting that rural development is very complex as it includes various stakeholders and it also cuts across all economic sectors.

The role and mandate of government is to provide an enabling and favourable environment for services to be rendered and goods to be produced. For this reason, the government was advised to be the enabler of the provision of financial services especially for MSMEs and not to be the sole provider of these services (Schwartz, 2014:27). MSME promotion and support, which includes broadening access to financial services for MSMEs, can strengthen entrepreneurs and start-ups and boost employment since MSMEs are labour intensive and employ all the age groups from skilled, semi-skilled to non-skilled segments of the population.

Similarly, Abor & Quartey (2010:217) suggest subsidisation of MSMEs as they believe that this initiative will serve as the best poverty alleviation tool, especially for developing countries. Hence, given the strategic importance of MSMEs in the economy, the ability of MSMEs to access credit and raise finance is not only crucial for these enterprises' operation, growth and sustainability, but these challenges also affect the country's economic growth, employment creation and asset formation (Bakhas, 2009:2).

The Namibian government's effort to promote and support MSMEs is reported to have yielded positive results; this is shown by the latest statistics that indicate that mostly MSMEs that benefited from government programmes and interventions contribute 12 % to the total Gross Domestic Product (GDP) of the country. Furthermore, almost 40000 registered MSMEs in Namibia operating in the country employ more than 160,000 employees and have the potential, to create better and more employment opportunities if these enterprises are to be supported (The Villager newspaper, 2012 and Ogbokor and Ngeendepi, 2012:2).

As a result, the Namibian government has introduced a number of interventions and programmes aimed at providing MSMEs with access to finance and also grow these

enterprises, including the Micro Finance Scheme Programme, spearheaded by the Ministry of Urban and Rural Development and executed in conjunction with the Region Councils. The Micro Finance Scheme Programme under Ministry of Urban and Rural Development differs from other micro finance programmes that are facilitated by other institutions in the sense that the Micro Finance Scheme Programme offers grants to rural MSMEs as start-up capital for upcoming enterprises and entrepreneurs and also provide supports to the existing MSMEs to grow and expand their businesses.

This study will assess the effect of a Micro Finance Scheme Programme for rural MSMEs in Oshikoto region, one of the socio-economic interventions introduced to improve livelihood in rural Namibia. The Micro Finance Scheme Programme is aimed at creating employment, increase income and add value to local products through supporting rural entrepreneurs, Micro Small and Medium Enterprises (MSMEs) by introducing and implementing sustainable initiatives and projects that will develop rural areas, improve the livelihood of rural inhabitants and make these areas better places to live in .

1.2 Motivation for the study

The evaluation study was conducted to establish the effect of the Micro Finance Scheme Programme on the rural MSMEs and on rural development in general of the Oshikoto region. The programme was introduced and has been in progress for seven years. Hence, there was a need for evaluation to determine the effect and also propose recommendations that will improve the programme's implementation and performance, assisting the programme and its administrators and beneficiaries to achieve the programme's goals and objectives. This is supported by the Aguirre Division (2006:1) by stating that "descriptive study designs can help you show whether your programme is operating as planned, providing you with feedback about services you offer, determining whether your programme is producing the types of outputs and outcomes you want and helping clarify programme processes, goals and objectives".

Aguirre Division (2006:2) further stated that evaluations helps or assist programme implementers and stakeholders to identify areas for improvements and adjustments and also remedies and solutions on how to improve the programme. Monitoring and

evaluation is very important and necessary in policy making and implementation as well as programmes and project implementation. The reason being, monitoring and evaluation as it provides the necessary and crucial data needed to improve government performance, assists in attaining the objectives set during planning and development of policies as well as improving and ensuring effectiveness and efficiency in policy and programme performance and execution (Kusek & Rist, 2000:4, 12). However in the public sector monitoring and evaluation are not taken seriously and in most cases these are often side-lined and ignored and this is one of the reasons initiatives and projects fail and make little or no impact at all in the community.

1.3 Problem statement

Operating a business and achieving socio-economic development in rural areas is crucial but challenging. Although rural areas have a variety of resources and a lot of potential, little is done to utilise these resources and turn potential into concrete and workable initiatives. Start-ups, entrepreneurs and Micro Small and Medium Enterprises (MSMEs), especially those in rural areas, experience a lot of challenges which include, lack of access to finance, lack of business skills, access to land as well as lack of support from various support institutions. The challenges of access to finance and entrepreneurial skills among MSMEs and Entrepreneurs is more prominent in rural areas and these challenges hamper the establishment, development, operation and thriving of enterprises and projects in rural areas.

A study conducted by the Ministry of Trade Industrialization and SME Development (MTISD) established that 97% of Namibian MSMEs are considered non-bankable, on the other hand, 40.9 percent of small, 28.6 percent of medium enterprises confirmed that access to finance is their greatest constraint, while only 1 percent of large businesses indicated access to finance as a challenge for their development (Ministry of Trade and Industry, 2013:7). Access to finance is a major constraint hindering MSMEs operation and growth around the world, hence a number of interventions were introduced to remedy this constraint. However, interventions aimed at improving access to finance, building capacity of MSMEs partially and providing decent infrastructures in rural areas partially achieved their intended outcomes. In Namibia, the Micro Finance Scheme Programme was introduced in 1996, with the purpose of

supporting and capacitating entrepreneurs and MSMEs through improving access to finance and financial services, trainings, provision of equipment to upcoming and existing MSMEs and entrepreneurs in rural areas, in order to create employment and generate income. The study assessed the effect of the Micro Finance Scheme Programme for rural entrepreneurs in Oshikoto region, determine what has been done so far, what worked and what did not work and why as well as establish whether the intervention has an effect on community or not.

1.4 Research aim

The study was aimed at assessing the effect of the Micro Finance Scheme Programme for rural MSMEs and entrepreneurs in Oshikoto region, establish whether the intervention was successful or not and determine whether it has achieved the intended purpose. The study aimed:

- To assess the extent of contribution or benefits accrued from the Micro Finance Scheme Programme towards the development and improvement of the rural Micro Small and Medium Enterprises and entrepreneurs located in the Oshikoto region, Namibia

1.4.1 Significance of the study

The study is relevant to development practitioners at all spheres of government, the private sector and Non-Governmental Organisations especially those involved in rural development.

1.5 Research objectives

Following the research aim and question, the study worked towards achieving the following objectives:

- To determine the theoretical foundation of development with a focus on rural economic development and growth as well as entrepreneurial development
- To explore best practices in rural development and access to finance for MSMEs in Africa
- To identify and assess key services offered through rural development programmes

- To establish the sustainability and capacity of the Micro Finance Scheme Programme beneficiaries
- To determine the effect of the programme on the beneficiaries and rural development in Oshikoto region
- To explore the challenges faced by programme administrators and beneficiaries and identify remedies to such challenges

1.6 Research design and methodology

The researcher embarked on a qualitative research design, using both primary and secondary data sources. The researcher also included quantitative data which was collected by self-administered questionnaires, with follow-up telephonic interviews to clarify issues or in cases where there were gaps in responses, as well as questionnaires administered by face-to-face interviews for beneficiaries in view of their level of literacy. Secondary data was gathered by reviewing literatures with the focus on the theoretical framework on rural development and MSMEs development interventions by other researchers and authors.

In addition, the researcher also reviewed contextual information pertaining to the legislations and regal frameworks guiding rural development in Namibia. Programme reports, pamphlets, programme guidelines were also used as sources of secondary data for the study. Purposive selection method was used to select the sample to be included in the study, since the researcher needs a sample that can provide appropriate and accurate information. The sample included three officials from the Department of Rural Development at Oshikoto Regional Councils as well as twenty three (23) beneficiaries of the programme to establish their reactions and experiences as well as perceptions of the programme. The researcher developed two questionnaires: one for the Regional Council staff members and another one for the programme beneficiaries.

The variables tested were as follows

1. Number of beneficiaries of the programme
2. Number of employment opportunities created
3. Income generated and in what range
4. Enabling environment or conducive environment created (Service delivery improved, access to basic services and business development support)

5. Improved capacity of rural MSMEs (financial assistance, training and mentorship, equipment and materials provided)
6. Businesses and projects established and improved during the course of the programme

The study was conducted in one political region in Namibia, Oshikoto region, situated in the Northern part of the country.

1.7 Ethical considerations

It was the researcher's responsibility to collect and analyse data as well as engage all the parties involved in the study. The researcher requested permission from the institutions and individuals where research was conducted. Respondents were informed and assured that their participation was voluntary and the research information will be treated with confidentiality and will be used for academic purposes only unless on request of and upon the agreement and approval of the involved institutions and individuals. In addition the collected information will be kept safe, and the names of respondents will not be disclosed in the study. The study consists of six chapters as explained below:

The first chapter sets the scene for the whole study and provides the introduction, background as well as the nature of the research problem, relevance and significance for conducting the study including why the study has been undertaken and what will be the benefit of the study. Research objectives, design and methodology is also outlined in this chapter as well as the key words and concepts which will be explained. The chapter also outlines the chapters covered in the thesis.

Chapter 2 reviewed existing literatures on rural economic growth and development as well as rural MSMEs development and elucidates the theoretical framework for the study. This chapter includes:

- Introduction and overview of development concept, rural development and rural economic growth
- Case studies on interventions to improve rural MSMEs
- Discussion of the socio-economic intervention implemented or being implemented to develop rural areas, focusing on the outcomes
- Rural development and rural economic growth

- MSMEs development and interventions to improve access to finance for MSMEs

Chapter three explains the regulatory frameworks and context within which rural development in Namibia has to be implemented. Then the fourth chapter presents an overview of the research design and methodology used in the study to answer the research question and address research objectives. Moreover, this is also a chapter that includes data collection techniques and analysis.

Both the content and data will be analysed and interpreted, therefore chapter five present the summary of the study analysis and findings based on the research questions. Findings and responses are summarised and presented in graphs, charts, tables as well as well formulated and clear paragraphs. The last chapter of the thesis concludes the study by summarising the main findings and conclusions of the study. This chapter also includes recommendations for improvement in the planning and execution of the Micro Finance Scheme Programme and areas for future research.

Chapter 2: Literature review and theoretical framework

2.1 Introduction

This chapter frames the research topic within the broader theoretical framework of development and rural development. It provides a review of existing literature on rural economic development, Micro Small and Medium Enterprises (MSMEs) development and financing. Various sources of finance, interventions and programmes aimed at improving access to finance for MSMEs were reviewed and how effective are these resources and programmes in different countries. This chapter aimed at addressing the following two research objectives, namely:

- To determine the theoretical foundation of development with a focus on rural economic development and growth as well as entrepreneurial development; and
- To explore best practices on rural development and access to finance for MSMEs in Africa

2.2 Development Theories on rural economic development

Rapley (2007:1) states that “development has come a long way in the past six decades”. Development advanced significantly after the Second World War, where countries needed to be rebuilt their economies and physical infrastructures. This resulted in the introduction and establishment of responsive institutions, as well as implementation of developmental programmes and interventions with socio-economic development impact. At that time development was considered to be synonymous with industrialization. However, its ultimate goal was clear, to raise incomes and in the process give poor people access to the range of goods and services. Additionally, it was prevalent in developed societies capacities to manufacture goods as well as create linkages and ensure flow of goods, resources, information and labour between rural and urban areas (Quan, Davis and Proctor, 2006:5 & Rapley, 2007:2). According to Goulet, Streeten & Soedjatmoko (2009:67), development process is viewed as a series of successive stages of economic growth through which all countries should pass to realise development.

However, Pieterse (2009:3) defines development as a set of organised and well considered interventions implemented in a collective effort and in accordance with

certain standards of improvements to bring about change. Similarly Bellu (2011:2) refers to development as an event that involves new stages in changing situations. In simple words; it is referred to as the process of change and improvement for the better. Mostly development is regarded as and implies positive and desirable changes. Since, it has resulted in improvement in situations, systems, phenomena as well as localities and communities. Development is a result of deliberate actions initiated and executed by individuals, groups or authorities in order to improve the current situation as well as the status quo and to achieve positive outcomes.

According to Szirmai (2015:2) development is usually seen in two dimensions: firstly, the fight against poverty which includes short to medium term interventions aimed at improving the status quo and addressing pressing issues contributing to poverty, mostly in developing countries. For this reason, various governments and development practitioners realise the great need for such interventions especially in rural areas, since the levels of poverty and inequalities are unacceptable. These interventions must be clearly designed to increase production by using the labour, land and little capital that is found in rural areas and also develop the existing natural resources (World Bank, 1975:3). Secondly, the analysis of long term economic and social development, involving long term strategies and interventions as well as those being practiced by identifying, mapping and comparing potentials, challenges and opportunities for different localities, countries and regions. An assessment and situation analysis should be conducted for such efforts to respond to the respective needs and ensure a positive effect (Szirmai, 2015:2).

However, in most underdeveloped countries policies and strategies with the purpose of generating positive development outcomes are often not implemented or are poorly implemented or end up not being implemented as planned and some industries that were set up were inefficiently managed (Harriss, 2013:19 & World Bank, 2017:13). “Although the development community has focused a great deal of attention on learning what policies and interventions are needed to generate better outcomes, much less attention has been paid to on learning why these approaches succeed so well in some contexts, but failed to generate positive results in others” (Barret, Christiansen , Sheahan & Shimeless, 2017 & World Bank, 2017:26). The researcher also concurred with the World Bank report, as experience has shown that good policies and strategies

are developed in most countries, especially developing ones, but that these documents are not effectively implemented and no proper monitoring and evaluation of them gets done.

Consequently, developing countries are faced with developmental challenges such as poor service delivery, slow growth, stagnant economies, natural resource degradation, to mention a few that require to be addressed through responding and collaboratively designed interventions and actions of both the private, public and non-government actors. “The natural resource curse”, is that countries with abundant natural resources face slower growth and worse development than countries without natural resources (World Bank, 2017:27). The researcher also agrees with the statement since Namibia is in the same situation like most of these countries, as it is endowed with natural resources and does not make optimal use of resources, for instance by failing to add value to their natural resources.

Although more effort and emphasis have been and continue to be on building capacity on effective development policies, strategies and interventions, no attention or focus has been directed towards establishing why the suggested approaches worked successfully in some parts and failed or did produce meaningful results in the other (World Bank, 2017:13).

Bellu (2011:2) further states that....”development is a multi-dimensional concept in its nature, because any improvement of complex systems and indeed actual socio-economic systems can occur in different parts or ways, at different speeds and driven by different forces”. However, development of one part of the system can jeopardise other development practitioners. To avoid conflicts and achieve sound development, development must be quantified and specified in the following ways (Bellu, 2011:3-6):

- Economic development – this involves improvements and utilization of resources as well as goods and services to create a favourable and conducive environment, creating new opportunities and enhance additional consumption , development and investment opportunities
- Human development – capacity building through community involvement and empowerment is essential for development, with the focus on improving livelihoods and well-being of individuals and communities as well as their

relationships and collaborations among community members and institutions in their societies.

- Sustainable development – it is imperative to undertake development efforts that take into account long-term perspectives of the social, economic and environmental aspects and also ensure that the current development does not compromise future developments and potentials.
- Territorial development – development of a locality through identification and exploration of social, economic, environmental and institutional potentials of the locality as well as linking it to the external environment. It is also important to define linkages and interrelationships between urban and rural areas since these areas complement and depends on each other for them to develop (Bellu, 2011:6).

Development can better be explained using the following patterns: factor of production, efficient utilization of these factors of production, technological changes and advancement, internal and external political and economic influences, historical factors, institutions mandate and cultural backgrounds (Szirmai, 2015:8). Moreover, development involves choices, values trade -offs and opportunity costs, hence it should not only focus on economic aspects. But it should be also include other developmental goals, such as poverty reduction, increases economic welfare, improves health, education, sanitation, greater political and social freedom (Szirmai, 2015:8).

The World Bank (2017:34) placed emphasis on green growth and green economy with the focus on preserving the environment, making the growth and development process more resource efficient, environmental friendly and more resilient. Since environmental preservation is essential and vital for future development, as socio-economic production and gains depend on natural resources and the quality of the environment, this includes reduction of urban congestions and the need to improve urban productivity.

2.2.1 Development paradigms

Development paradigms are modalities that guide development practitioners and beneficiaries in achieving development as a result of visions, goals, objectives and strategies. It is difficult to choose a paradigm due to the complexity of the

development approach of multidimensional nature, diversity, geographical set-up and past experiences of the community, overlapping plans and activities as well as different priorities at national, regional and local levels since mostly planning is done in isolation (Bellu, 2011:6).

Development calls for more decentralised and participatory approaches to community and rural development; it also emphasise bottom up and people-centred development, whereby people at the grassroots are the actors and champions of the development affecting them. It also corresponds with the Neo-classical economists that criticised centralised government systems. According to the World Bank (2017:16) efforts changing livelihoods and societies through development by improving and developing human capital, technology, ideas, natural and material resources, only helped some countries and regions to move forward and improve their status quo. At the same time, others still lag behind and continue to experience problems of slow growth, limited advancement opportunities, inequalities, corruption, underdevelopment, poverty and high employment rates (Quan *et al.*, 2006:2-3)

Szirmai (2015:7) emphasised that development should not only concentrate on the economic aspects but must also consider social and environmental issues such as, changes in family structures, increase in populations, technological advancement, cultural changes, political changes and nation buildings, transformation of rural societies, process of urbanisation and environmental preservation.

There are a number of development paradigms and paradigms that are related to this study are outlined below (Bellu, 2011:36):

1. Pro-poor growth-led development: this paradigm stressed that development should aim at improving livelihoods and welfare of a particular society or locality. Growth for development should include equitable income distribution through promotion of strategies and mechanisms aimed at improving livelihoods and income distribution.
2. Free market trickle- down, growth-led development: under this paradigm the emphasis is on well-functioning and effective free market system as well as income and wealth distributions between the rich and the poor by reducing income inequalities in the communities and promoting economic growth.

3. Fair wage labour-intensive export led: this deals with development that focuses on exports of processed and finished good manufactured through labour-intensive methods.
4. Agriculture-based development: in developing and some developed countries rural communities and rural economies are most driven and depend on agriculture, since agriculture contributes to socio-economic development and environmental preservation in rural areas
5. Indigenous growth-based development: indigenous knowledge and involvement of local communities are essential for development. In today's world with technology, it is still necessary to incorporate indigenous knowledge in our development efforts.
6. Rural development paradigm: rural development is a response to underdevelopment of rural areas and rural-urban migration; hence it is vital and critical as it is a tool used to improve rural areas and keep people in rural areas. For that reason rural development should be taken as a holistic approach. It should also emphasise the concept of community-based development as well as the concept of community-based development as well as the relationship and inter-linkages between rural, peri-urban and urban areas (Bellu, 2011:38).

According to the World Bank (2017:67) most if not all countries share a number of development objectives; i.e. increasing security, promoting and increasing growth and prosperity, reducing inequality, practicing sustainable development, and attaining sustainable fiscal and macroeconomic environment. Unfortunately, some policies and interventions are not really triggered towards attainment of these development outcomes. Therefore, one of the advices of the World Bank (2017:69) for countries to prosper is the introduction and facilitation of participatory sustained improvements in efficiency and investments to enhance economic growth.

2.2.2 Development Theories

Every nation's desire is development and development seems to be under-estimated by many and considered an economic phenomenon. From the 19th centuries, development emerged as a reaction to the crisis of progress; such as, social dislocations, income inequalities caused by industrialization and economic growth

(Pieterse, 2010:1). Development theories provide revised critiques and summation of past knowledge in the form of general picture and ideal thinking and provide the motive for change in societies and localities (Pieterse, 2010:2).

Development theories are about understanding how the process of change in societies takes place. The notion of development implies processes of change from its current state to a better off or more advanced state; in addition, development theories help us understand how this complex process is taking place (Harris, 2013:3). In other words, theories of development support us with assessing why and how development does or does not happen. There are various development theories that are regarded by development proponents as stages every country or individual practising development should go through (Goulet *et al.*, 2009:67). According to Shareia (2015:78) “Development theory by itself has little value unless it is applied and unless it is translated into results and results in improving people’s livelihoods”. Moreover, development efforts should strive at improvements in incomes and outputs as well as radical changes in institutional, social, administrative structures and population attitudes and living standards.

The following paragraphs look at the four major and sometimes competing theories of development. In addition, we will also look at the new theory making it five, and find out how these theories offer insights into and perspectives of the nature of the development process. The theories to be discussed are: linear stage-of growth theory; patterns of structural change; international dependence revolution; neo-classical free market counterrevolution theory and the emerging new growth theory.

2.2.2.1 Linear stage – of growth theory

This theory states that development especially in Africa, Asia, Europe and Latin America evolved after the Second World War. The war caused a lot of destructions on these continents and the destructions during the war resulted in underdevelopment and lack of development (Goulet *et al.*, 2009:69-70). Furthermore, this theory also centres on societal and economic dynamics which include: traditional societies, preconditions for take-off into self-sustaining growth, take off or execution, pathways to maturity as well as industrialization and high mass consumption (Pieterse, 2009:7 & Harris, 2013:5). Developed countries advised developing countries to go through the above-

mentioned stages; however it is worth noting that they are not set in stone and countries are not obliged to follow and adopt them.

Henceforth, decisions and actions to rebuild, modernise and grow these countries, as they lag behind in development compared to other continents were implemented. Generally these countries followed a linear stage of growth-model approach, which focuses on transition from underdevelopment to development following some of these stages, the traditional society, preconditions for take-off, take-off, road to maturity and transformation to the age of mass consumption and industrialization (Shareia, 2015:79). However, one of the critical success factors for development especially for developing and up-coming economies is the mobilization and efficient utilization of domestic and foreign resources in order to generate sufficient investments, revenue and accelerate economic growth and development (Goulet *et al.*, 2009:69-70). Economists emphasized that for an economy to grow they must save and invest proportions of their Gross National Products.

Consequently, according to this theory, the main challenge or obstacle for development was low levels of new capital formation for most poor countries; in addition, these poor countries were mostly not able to generate savings and could also not invest. Hence there was a transfer of capital and technical assistance from developed to less developed countries. This was the origin of the Marshall Plan which mostly targeted and assisted Latin America and Europeans. The execution of this plan was a success as these continents had the required and well-functioning structural institutional and attitudinal conditions towards development. Furthermore, they also focused on intergrading commodities and markets, conducive transport facilities, motivation and aim for success, efficient government bureaucracy, well-trained and educated work force (Harris, 2013:28 & Goulet *et al.*, 2009:71).

Nevertheless, according to Pieterse (2010:1), some development initiatives did not meet the expectations or achieve the targets, especially in Africa, and parts of Latin America and South Asia. Accordingly, developing countries that are faced with a lack of managerial competence, required skilled labour, and the ability to plan and execute developmental efforts need to learn from best practices from developed countries and replicate in their own countries. Thus Harris (2013:28) stated that development

without an effective state is impossible if not effective and highlighted that the state should play a facilitation and coordination role and limited direct implementation.

2.2.2.2 *Structural–change theory*

This theory “focuses on the introduction of mechanisms by which underdeveloped economies aim at transforming their economic structures from a heavy reliance on traditional agriculture, mostly subsistence and small scale into modernized, industrial diversified manufacturing and service economies” (Goulet *et al.*, 2009:73). Good practical examples of the structural-change theory are the two sector surplus labour model and the patterns of development.

According to (Goulet *et al.*, 2009:78) the two sector surplus labour theory by W. Arthur Lewis in the mid-1950s and supplemented by John Fei and Gustav Rains in 1960s and 1970s, highlighted that underdeveloped economies comprises of two sectors, namely the traditional and overpopulated rural subsistence sector with no marginal labour productivity. Which accordingly prompts Lewis to classify the subsistence subsectors within the agricultural sector as surplus labour since it can be withdrawn from the agricultural sector without acquiring any losses of output and high productivity industrial sector. In some cases, labour from subsistence sector is transferred due to increased expansion or increase in the sector, since they are determined by the rate of industrial investments and capital accumulation in an industrialised economy.

Furthermore, the structural change theory also involves encouragement of diversification of rural economies with the aim of improving livelihood and increasing income as well as creating decent jobs from both agricultural and non-agricultural activities, introducing policies and interventions to reduce migration and developing frameworks for managing natural resources (Quan *et al.*, 2006:9). Research has proven that more people prefer working in modern industrialised sectors in urban areas than in a subsistence sector in rural area, as wages and working conditions are better in urban than in rural areas and this was regarded as being at the root of urbanisation and rural-urban migration (Barret *et al.*, 2017:3).

The second sub-sector of the structural-change theory is the patterns of development, an analysis by Hollis B. Chenery. This subsector emphasized transformation of

economic, industrial and institutional structure of underdeveloped economy over time to enable new industries to replace traditional agriculture as the engine of economic growth in these economies. Moreover, this transition also requires accumulation of capital, physical and human resources to bring about changes in the economic structure of a country. This is a prerequisite for transition from traditional economic system to a modern economic system (Goulet *et al.*, 2009:78-79 & Harris, 2013:5). “These structural changes involve virtually all economic functions, including the transformation of production and changes in the composition of consumer demand, international trade and resource use as well as changes in socio-economic factors such as urbanisation and the growth and distribution as well as the growth and distribution of a country’s population (Goulet *et al.*, 2009:78-79).

According to Harriss (2013:20) the structural-change theory indicated that there are various national, regional and international that constraints hamper development and needs to be addressed for countries to achieve economic transformation. National and regional constraints includes: resource endowment, physical infrastructure and population size, government policies and objectives. On the other hand, international constraints include limited access to external capital, technology as well as international trade, to mention a few. Differences in development levels among developed countries are largely attributed to the above-mentioned constraints. These constraints make the development transition of developing countries different and faster from those of developed countries (World Bank, 1997:93). Thus the structural change theory is optimistic that the right economic policy development and execution will result in self-sustaining growth (Goulet *et al.*, 2009:79)

2.2.2.3 The international- dependence revolution theory

This theory gained prominence in the 1970s and it was mostly supported by the Third World proponents and resulted in growing disenchantment with both stages and structural change theories. Basically, this theory classified developing countries as surrounded by institutional, political, economic constraints and inflexibilities at both domestic and international levels. Additionally developing countries depends more and are dominated by developed economies (Goulet *et al.*, 2009:80-81 & Quan *et al.*, 2006:8).

There are three dependence approach models of international dependence theory: firstly, the neo-colonial dependence model which was developed out of Marxist thinking. The neo-colonial view of underdevelopment attributes the developing world's continuing and worsening poverty to the existence and policies of the industrial capitalist countries and their extensions in the form of small but powerful elite in less developed countries. Hence, underdevelopment is seen as an external induced phenomenon in contrast to the linear stages and structural-change theories that emphasizes addressing of national constraints such as insufficient savings and investments, lack of infrastructure, education and skills (Quan *et al.*, 2006:9). The theory is attributed to the existence and continuous developing world's underdevelopment as well as to the historical evolution of highly unequal international capitalist systems of rich countries. Although rich countries are exploitative by nature and international power systems dominate the poor countries and there are huge disparities between developing countries that enjoy high incomes, social status; yet political power is vested in only a small group of elite class whose principal interests are controlled by international capital systems (Shareia, 2015:80).

This is supported by non-Marxist and expounded by Pope John Paul II, when stating that "one must denounce the existence of economic, financial and social mechanisms which, although they are manipulated by people, often function almost automatically, thus accentuating the situation of wealth for some and poverty for the rest (Goulet *et al.*, 2009:81).

The second model is the false paradigm model, this ascribed the underdevelopment of developing countries to faulty and inappropriate advice provided by well-meaning but often uninformed, biased and ethnocentric international expert advisers from developed countries through assistance agencies and multinational donor organisations.

These experts offer sophisticated concepts, elegant theoretical structures and complex models of development that are more appropriate to the localities and this often leads to inappropriate or incorrect policies. Students and civil servants including top government officials and politicians study and get trained by developed countries where they are introduced to alien concepts and elegant but inapplicable to the developing countries' models and situations. As a result, these beneficiaries will have

little knowledge to enable them to replicate and effectively tackle the developmental problems of the developing world and mostly the blame goes to existing policies and institutional structures (World Bank, 1997:93 & Harriss, 2013:21).

The third and last model is the dualistic-development theory. In both structural change and international dependence, the phenomenon deals with dual societies, consisting of rich and poor nations and in the developing countries with wealth alongside areas of poverty. Dualism has been widely discussed in development economies and emphasises the existence and persistence in increased divergences between rich and poor nations as well as rich and poor people in the society.

The concept of dualism revolves around four key elements:

- i. Differences in sets of conditions whereby some are superior and others are inferior aspects of a given space, e.g. the modern and traditional methods of production in rural and urban areas as well as in developing and developed economies. Another example is the wealthy, educated and skilled population, good infrastructure in developed economies; unlike the poor, illiterate, lack of or inadequate infrastructure characterised society as well as the dependence of the weak, underdeveloped economies on the well off and developed international economies.
- ii. The co-existence of dependence is persisting and transferred from generation to generations and it is perceived not to be transitional. It is not easy to eliminate discrepancy between the superior and inferior elements of the society
- iii. The margin between inferiority and superiority fails to diminish but have an inherent tendency to increase
- iv. The interrelations between the superior and inferior elements of the society are of such a nature that the superior does little or nothing to encourage or motivate the inferior, although the superior was supposed to assist it with development (Goulet *et al.*, 2009:83).

2.2.2.4 Neoclassical counterrevolution

This theory was introduced in the 1980s, and emphasised the supply-side of macro-economics and privatization of public corporations and enterprises in developed nations. It advocated for the dismantling of public ownership, statist planning and

government regulation of economic activities in developing countries. The central argument of the Neo-classical counterrevolution is based on the fact that underdevelopment is a result of poor resource allocation due to incorrect pricing policies and too much state interventions by the developing countries' governments (Pieterse, 2010:10 & Goulet *et al.*, 2009:84). This theory argues that competitive free markets, privatising state owned enterprises, promoting free trade and export expansion, attracting investors from developed countries and eliminating the plethora of government regulations as well as price distortions in factor, product and financial market, resulting in the stimulation of economic growth and efficiency (Barrett, 2017:97 & Goulet *et al.*, 2009:85).

In contrast to the dependence theorists, the Neo-classical counter-revolutionaries argue that developing countries are underdeveloped because of too much government involvement, corruption, inefficiency, as well as a lack of economic incentives and effective interventions that dominate the economies of developing countries and not as a result of activities and dependence on First World support and advice. Hence, what is needed by developing countries is the prominence of free markets and laissez-faire economics within the context of permissive governments that allows fair resource allocation and stimulation of economic development. Since overreliance on government and limited private sector involvement in the economy, leads to low-phase or stagnant development (Shareia, 2015:84).

2.2.2.5 The new growth theory

This new theory emerged in the 1990s and emphasized higher investment, rising productivity and improvement in the living standards. "The new growth theory provides a theoretical framework for analysing endogenous growth, persistent Gross National Production growth determined by the system governing the production process" (Goulet *et al.*, 2009:88). The theory further encourages investment in human capital, infrastructure, research and development and further emphasises that these investments must result in socio-economic benefits, efficient allocation of resources, encourage private investment, promote economic development through public policies and interventions (Shareia, 2015:86). The study was conducted in accordance with the new growth theory and it is against this theory that the Microfinance Scheme Program was tested. The reason being the new growth theory specified introduction and

implementation of public policies and strategies that are aimed at achieving rural economic growth and development, through investing in human capital, infrastructure and investments.

2.3 Rural Development

The World Bank (1975:3) defines rural development as a “strategy designed to improve the economic and social life of a specific group of people the rural poor”. According to Nwanze (2016:25) rural development is defined as a process of improving opportunities and the well-being of rural people which will be realised by changing the characteristics of rural societies. The objectives of rural development is thus to improve productivity, create decent employment and increase income, promote social development and improve accessibility to social services. It is an inclusive process intended at enhancing utilisation of local resources to the benefit of all in the community including the poorest of the poor (World Bank, 1997:3).

The purpose of rural development is to improve financial and resource assets, capabilities, environmental constraints, family situations, and education – all of which are regarded by development change agents as factors that determine a person’s well-being (de Janvry, 2003:11). For development to be realised in rural areas it is of utmost importance to understand the actors in rural development and how they perceive their livelihood strategies as it will assist in development and also reaching out to the poorest of the poor as well as populations in the rural areas.

In addition, rural development is very complex and it usually takes a multi-sector approach of promoting agriculture, exploration of mineral wealth, tourism, recreation and niche manufacturing. More to that, rural development involves human development, economic and social development as well as environmental protection and sustainability (Nwanze, 2016:25).

According to Quan *et al.* (2006: 2-4 & 16) rural socio-economic programmes concentrate on combining economic growth at all government levels through increased investments, productivity sectors, employment and income creation, coordination of national and provincial policies and strategies to address rural

development, build local economic and territorial development, encourage economic diversification. Sustainable rural development requires a multi-dimensional, holistic approach. All sectors should be considered and most importantly. Development practitioners must also focus on non-farming economic activities, private sector involvement in rural development and also advocate for and improve rural infrastructure and financial services for rural inhabitants (World Bank, 2003:89 & Quan *et al*, 2006:9).

For rural development to be successful, the World Bank (2003:89) suggested that research must be conducted first in these areas before introduction of interventions. The researcher also agrees, as it's through research and assessments of an area or society that someone can really determine the problems and find right ways and interventions to address the situation. Therefore, it is important to conduct the Strengths, Weaknesses, Opportunities and Threats (SWOT) as well as assessing the Political, Economic, Social, Technological, Environmental and Legal (PESTEL) aspects to take the right decisions and implement the right interventions. Unfortunately in some countries these assessments are not done or if done, then not in an inappropriate manner. World Bank (2003:89) further indicated that rural economic development and growth cannot be achieved without integrating agriculture and natural resources in the economy since they are the drivers of rural economies.

Hence, de Janvry (2003:10) and Strom (2003:37) further urge that governments and development partners should focus on developing and improving rural areas by creating a conducive environment, creating employment and income generation for rural inhabitants in order to reduce poverty, improve livelihood and reduce migration. Since income enables people to live decent life and also helps them to access social needs such as education, health and also contributes to economic growth and development. In addition, wealth and income also improves the livelihood of rural inhabitants through employment creation, buying power, contribution to government revenue through taxes. Researchers namely, Strom (2003:37); Nwanze (2016:25); de Janvry (2003:10); World Bank (2003:89) and Quan *et al*. (2006:9) highlighted that rural development through the livelihood approach, assists households to determine their capacities to generate income.

At the same time, the most sustainable and efficient way of developing rural areas; address and reduce poverty and socio-economic and environmental challenges in these areas is by allowing rural inhabitants to be agents and champions of their own development. Since rural populations, especially the rural poor, have been the voiceless, marginalised and the least represented citizen in development agendas, it is important for development facilitators and change agents to encourage and empower rural inhabitants to be involved in the developments that affects and benefits them and also to be the change they want to see (de Janvry, 2003:17 and Jenks, 2003:24).

Rural development and poverty reduction require access to essential assets such as land, labour, capital and education. Therefore, increasing rural inhabitants' access to land and education as well as encouraging them to diversify their economies and engage in a variety of activities rather than only concentrating on farming and agriculture which is mostly subsistence is important (World Bank, 2003:88-89 & de Janvry, 2003:12). Bage (2003:26) states that rural inhabitants have entrepreneurial skills and extensive knowledge of the local environment; however, they are classified as poor and incompetent. For that reason, their productivity is low due to lack of necessary skills and capacity to carry forward their initiative and most of the time they don't get the required support. Additionally, lack of access to assets like land, water, productive and sustainable technology, efficient markets and supportive institutions, finance and financial institutions also hinder operations and growth in rural areas. At the same time, rural populations are less involved and have limited or no influence in decision making as well as in the planning and execution of their own development.

According to the Namibian Rural Development Strategy, Republic of Namibia, (2011:11) supported by Bage (2003:6-7) various interventions to address and respond to the issue of rural underdevelopment have been introduced and implemented globally by different actors; this includes agricultural and rural productive activities, infrastructure development, institutional building, and policy formulation, technical and material support for social and economic sectors development, rural employment, rural industrialisation, environmental protection. Conversely, some of this interventions were not successful and did not achieve their intended purposes, due to; lack of lack of proper planning and execution, absence of conducive and enabling environment, duplication of efforts, lack of motivation and community involvement,

to mention a few. Indeed, rural development practitioners, actors and stakeholders should put more emphasis on prioritisation, fair resource allocation, harmonising and coordination of these interventions in order to save resources and attain the set objectives (Bage, 2003:6-7 and Republic of Namibia, 2011:11)

2.4 Rural Economic growth

According to the Foundation for Rural Service (2008:3) rural economic growth includes increase in population, enrolment in schools and the literacy rate, number of households in the community and the capacity of a locality to produce goods and services; while economic development is more qualitative as it is the result of planning by community leaders for the long term livelihood of the community. Communities with sustainable economic plans create goals related to attraction, supporting and retaining existing business, attracting new investments as well as maintaining sense of place that allows residents the feel of rural setting and convenience of urban connectivity. This leads to a healthy and well balanced community and a sustainable future.

According to Dubaleni, de la Fuente, Goyal, Karamba, Nguyen & Tanaka (2017:24) most countries in Sub-Saharan Africa are faced with the following developmental challenges and obstacles: inadequate provision of socio-economic infrastructure, access to markets and public services, sound economic environment for investment and employment creation, sustained inclusive growth, inequality, lack of access to basic services and opportunities. Therefore, rural economic growth has to be broad based and combining the promotion of agricultural productivity and development as well as overall rural economic growth-targeted programmes such as school feeding, food and cash for work, rural industrialisation, as well as a rural employment, Micro Finance Schemes and other necessary support to the needy (Havnevik, Harsmar & Sand-Strom, 2003:37).

However, rural economic growth and development cannot be realised if there are no supporting institutions, conducive environment for businesses to operate in, enabling policy and regulatory framework, equitable and transparent distribution of resources. In addition, foreign and domestic aid, capacity building, rural development strategies, market access at both national, regional and international level are very crucial for

rural development and have great impact in reducing rural poverty and enhancing economic growth (Havnevik *et al.*, 2003:37 & Jenks, 2003:46).

Supporting and promoting rural economies include strategies that remove constraints to growth and development, facilitation and promotion of urban-rural linkages, promotion of enterprise growth, as well as explicit sectors and sub-sectors interventions. In addition, it is important for interventions to focus on strengthening and promoting existing enterprises and opportunities in terms of skills, capital, production, information sharing, capacity building, coordination and cooperation, enhancement of marketing and negotiating power, promote PPPs, sectors and rural-urban inter-linkages. Secondly, there is a need for the identification of new opportunities and removing barriers and restrictions on diversified and economic growth supporting activities through proper assessments and development of clear legislations, and reduction of red tape, increased mobility, improving welfare, minimising social tensions and environmental degradation (World Bank, 2003:90)

In addition, developmental organisations and practitioners must empower rural inhabitants to actively participate in their own development by creating conditions that will enable them to take greater control of their lives. Although many programmes and initiatives aimed at uplifting the livelihood of rural inhabitants and strengthening their economies by creating employment, improve income, stimulate non-farming activities and increase food security, have been introduced and implemented. Not much improvement is experienced in these areas, meaning a lot still needs to be done (Nwaze, 2016:14).

Moreover, the establishment of industries in rural areas can also boost the rural economy since industrialisation leads to a stable and strong economy, and creates a lot of employment with decent income and attracts investments as well as attracting much needed institutions to these areas, which will in turn result in strengthening the rural economic base. However, for the rural industrialisation to be sustainable and make an impact, it should start with the processing of products that require raw materials from agriculture and other products and minerals in rural areas (Jenks, 2003:46). Havnevik *et al.* (2003:48) stated that for rural economic growth to be attained, government and development partners must:

- encourage local stakeholders as well as all external stakeholders to be part of rural development planning, implementation and decision-making processes and platforms , plus they should be part of a collaborative learning process that results in knowledge sharing and skills transfer to ensure continuity of the initiatives
- utilise vision-based planning that empowers the rural population, determines and prioritises their needs and services that support their vision and collectively undertakes initiatives and actions to realise them

Strom (2003:47) stated that adequate infrastructure, equipment, facilities to enable economic growth in rural areas should be introduced and maintained. To complement the above, government must ensure that there are enabling policies and legislations in relation to macroeconomic issues, sectoral issues, business regulation, environmental protection, trade and financial regulations. Researchers and development agents suggested that rural development should include increasing agricultural productivity, commercialisation and diversification of production patterns and livelihoods with both agricultural and non-farming sectors (Quan *et al.*, 2006:4 & World Bank, 2017:76).

According to Nwanze (2016:18), rural areas continue to face the challenges of social, economic as well as political marginalisation among rural inhabitants. However, researchers have asserted that rural development is one of the most reliable and potential forces for poverty reduction and broad-based social and economic development in rural areas. Hence, it is recommended that government development partners and other stakeholders should introduce and implement rural development strategies that promote inclusive and participatory rural development. Efforts should also be designed to encourage, promote and increase large numbers of small scale farmers and rural MSMEs. Leaders must also build a strong political momentum and support their electorates in all efforts to develop themselves (Strom, 2003:37).

Moreover, Dubaleni *et al.* (2017: 30) caution that to achieve rural economic growth there is a need for establishing macroeconomic stability which includes stabilising the inflation rate, reducing the cost of capital, addressing a weak fiscal environment through balancing the revenue and expenditure. Stabilising the macroeconomic environment will promote and enhance investments, growth, employment creation

and increase income; secondly there is a need for improving productivity in agriculture and other sectors as well as adding value to raw materials.

Nwanze (2016:21-22) further asserts that “the evidence is strong and clear that sustained investment to enhance productivity in agriculture and the broader rural economy has a large impact on both growth and poverty reduction”. Indeed, this has an effect and impact on increased incomes and enhanced food and nutritional security and also on improving health, education, enterprise development and other critical support services for the community. Therefore, appropriate supporting strategies for developing and improvement of non-farming activities in rural areas requires linkages to agriculture and urban development, since rural economic growth depends or is complemented by urban development and vice versa. Rural and urban areas need each other in terms of infrastructure, labour, capital, raw materials, and the market.

However, the World Bank (2003:90) states that the informal sector of the economy and the poor and marginalised in the community should be taken into account and encouraged to partake in development of the rural economy especially in non-farming activities. In addition, when designing interventions and programmes to develop rural areas, development practitioners must ensure that the informal economy and the marginalised are part of the development efforts.

Governments across the globe have introduced various rural development strategies as a means of promoting inclusive rural transformation and sustainable socio-economic growth. It is imperative that investments are acquired to expand basic rural infrastructure such as roads and foot paths, bridges, schools and other buildings; irrigation, energy and telecommunication. These investments will enhance the impact of improved access to services and assets which include land and finance. Moreover, such infrastructures will also enhance rural–urban linkages and boost commercial activities in rural areas, (Nwanze, 2016:50). According to Ruben and Kuyvenhoeven (2005:12) investments and improvement of rural infrastructure will have greater effect on poverty reduction as well as on socio-economic development.

Rural development should include improvement of quality of life factors such as public facilities, health centres, educational facilities, parks, cultural attractions and recreational facilities, decent shelter and food security. These are part of the location

and quality of life factors that investors and professionals consider before moving to an area. It is advisable that an assessment be conducted prior to projects undertaken and initiatives planning and implementation. Moreover, rural development must strive towards wealth creation (Foundation for Rural Services, 2008:8-9).

Importantly, governments, development practitioners and community members should focus on interventions that address levels and rates of employment, access to and utilisation of land and natural resources, access and availability of rural finances and financial institutions, value chains and agricultural technological innovation, rural population empowerment and gender equality as well as the introduction of social protection (Nwanze, 2016:52).

In addition, locality factors related to rural economic growth that attracts professionals and investors; for example, excellent educational facilities and completion rates, access to transport networks, should also be considered (Aldrich & Kusmin, 1997:1). Some of the factors that are normally considered are industries experiencing booms due to increased demand for products, the meeting of community's expectation of developmental needs, low labour costs and decent salaries and wages, percentage of populations that completed primary, secondary and tertiary education, access to infrastructure, business growth and development, business friendly environment, low taxation, availability and easily accessible financial services and institutions, good public capital stock such as buildings, sewerage, water and electricity systems and networks, roads, population size, availability and affordability of land, labour productivity, small business support and activity (Aldrich & Kusmin, 1997:2).

2.5 Micro Small and Medium Enterprises (MSMEs) development

Globally MSMEs make up over 90 percent of enterprise and account for between 50 % and 60% of employment opportunities" (Bakhas, 2009:1, and Abor & Quartey, 2010:218), further describe Micro Small and Medium Enterprises (MSMEs) as "efficient and prolific job creators, the seed of big businesses, and the fuel of national economic engines", since they are the biggest sources of income and employment creators in countries like Namibia, South Africa, Nigeria, Ghana, China and the United States of America, to mention a few. Studies indicated that, in China 99.9 % and Russia, 90 % of businesses are SMEs and provides 84 percent and 45 percent of these countries' employment respectively (Bakhas, 2009:1).

In addition, the Caribbean Development Bank (2016:6) states the MSMEs sector is the biggest contributor to economic and social development in many countries. For instance, in the Caribbean MSMEs account for more than 50% of enterprises and also over 50% of Gross Domestic Products (GDP). However, despite these significant contributions MSMEs have on economies, MSMEs continue to face a number of major constraints such as inadequate access to financial resources both for investment and working capital, lack or insufficient business skills, high cost of infrastructure services, lack of warehouses and factories, lack of industrial parks, incubation centres and trading spaces, low levels of technology usage to improve productivity as well as lack of competitiveness (Republic of Namibia, 2015:16).

Hence, governments, development partners and policy makers have introduced several interventions, policies and programmes aimed at supporting MSMEs and enhance these enterprises' competitiveness, maximise growth potential, reduce poverty, create decent employment and increase income (Republic of Namibia, 2011:17 and Caribbean Development Bank, 2016:6). The Caribbean Development Bank (2016:13) emphasized that interventions and programmes should work towards making it easier for the informal sector to register their businesses, pay taxes and also comply with regulations; motivate and improve MSMEs to formalise their businesses as well as improve access to finance and financial services. One of the effective initiatives would be to introduce one-stop shop business development services that will offer various services pertaining to the creation of an enabling environment and business support and development, capacity building, access to government and business services and procurement.

2.5.1 *Micro Small and Medium Enterprises (MSMEs) definition*

According to Abor & Quartey (2010: 220), the definition of Micro Small and Medium Enterprises (MSMEs) varies from country to country. Many countries, including Namibia, Ghana and South Africa define MSMEs by using the following criteria to classify and define MSMEs: number of employees, annual turnover, gross assets excluding fixed properties. These criteria are mostly classified and based on the sector in which the enterprises are operating.

Namibia specifically includes a number of employees and annual turn-over criteria in its definition when referring to MSMEs as per the table below, (Republic of Namibia, 2015:7):

Table: 2.1: Namibian MSMEs Definition

Category	Number of employees	Annual Turnover (NAD)
Micro	Up to 10	Up to N\$300,000
Small	11-30	Up to N\$3,000,000
Medium	31-100	Up to N\$10,000,000

Source: Namibian Micro Small and Medium Enterprises Policy 2015

However, according to Bakhas (2009: 1) and Abor & Quartey (2010:221) in South Africa, SMEs is a heterogeneous group that is divided into five categories:

1. Survival enterprises – income generated by these enterprises is less than the minimum income standard or is below the poverty line; this category includes hawkers, vendors, and subsistence farmers.
2. Micro-enterprises – turnover of this category of enterprises is less than R150,000.00 per annum. These enterprises are informal since they are not formally registered and include spaza shops and household industries.
3. Very small enterprises – these enterprises employ less than 10 employees; except for the enterprises in the mining, electricity, manufacturing and construction sectors
4. Small enterprises – these are more established and can employ up to 50 employees.
5. Medium enterprises – these are more formal enterprises and can employ between 100 and 200 employees in the mining, construction and electricity sectors (Abor & Quartey, 2010:221)

2.5.2 Factors hindering rural MSMEs growth and development; intervention to improve the situation

2.5.2.1 Factors hindering MSMEs development and growth. Measures introduced to remedy the status quo

MSMEs in rural areas tend to be hard workers and innovative but they are hampered by a number of factors that hinder their operations, production and growth; including,

access to finance, lack of equipment and materials, access to technology, access to land, lack of skills, regulatory issues, as well as access to international markets (Abor & Quartey, 2010:224). In the same vein Amukwelele (2013:2) states that rural areas are normally characterised by overpopulation, substandard or lack of basic services such as decent houses and shelter, access to potable water, electricity and energy, sanitation, health, education; with a high level of illiteracy and lack of skills, high unemployment, extreme poverty as well as lack of adequate infrastructure, making it difficult to conduct economic activities in these areas.

Literature has proven that access to finance is a dominant constraint facing SMEs across the globe. This is also confirmed by a World Bank study, which established that close to 90% of small and medium enterprises surveyed stated that credit was a major constraint or challenge to new investments. Moreover, limited access to financial resources for SMEs hinders growth and development among the operators in this sector (Abour & Biekpe, 2006:69). Various researchers established that MSMEs have limited access to capital markets mostly due to perceptions of higher risks involved, information barriers as well as higher costs of intermediation for smaller enterprises. Abour & Biekpe (2006:69) asserted that the majority of smaller businesses fail or find it hard to operate due to lack of support from government and commercial banks.

According to Tenaw and Islam (2009:6) rural markets are characterised by the following: weak institutional capacity due to poor governance, poor operating system and low skills of management staff especially for rural enterprises and micro and small enterprises, low business and financial skills, policy constraints, inadequate physical and financial institutions. Access to rural financial services has a potential of developing rural areas, improve livelihood and reduce poverty. However, it is evident that efficient, sustainable, readily and easily accessible rural financial systems remain the biggest stumbling block and a major developmental challenge, especially in developing countries (Tenaw & Islam, 2009:4).

It is acknowledged that lack of finance remains a universal challenge, despite the important contribution and the role that MSMEs play in various countries' economies. "Access to finance for MSMEs in South Africa is acute and it is one of the major constraints that hinders development and growth of MSMEs in the county" (Bakhas,

2009:3). Despite the contribution of MSMEs to the economy, formal financial institutions are reluctant to provide financial services, due to reasons that these MSMEs lack collateral and there are also high transaction costs involved in small transactions (Nakusera, Kadhikwa, Mushrndami, 2005:5). Furthermore, according to Gbandi & Amissah (2014:336) the reluctance of banks to extend credit to SMEs is due to some of the following reasons:

- Lack of collateral by MSMEs
- Weak demand of MSMEs products due to limited buying power or markets for products)
- No encouragement of consumers to purchase locally produced goods and lack of marketing
- Poor management practices by SMEs
- Under-capitalisation

In addition, various researchers confirmed that there is a financial gap between supply and demand of entrepreneurial and business finance (Bakhas, 2009:4). Thus, Ellisasser (2006:37) and (Bakhas, 2009:4) are in agreement with this argument when they assert that commercial banks and former financial institutions do not render their services to rural populations since they operate on a small scale. Some of the factors that hinder provision of financial and other services to rural MSMEs are: low population density, under-supply, lack of appropriate technologies and high risk levels.

Ellisasser (2006:37) further indicates that the problem of access to finance is more acute in rural areas and presents major constraints to development due to inadequate spatial planning and the rural setup. The researcher agrees with this assertion since in Namibia rural areas are faced with a lot of development challenges including access to finance, due to the geographical setup and the poor economic basis of these areas.

According to the World Bank report, cited by (Tenaw & Islam, 2009:6) supported by (Bakhas, 2009:3) inaccessibility of rural inhabitants to financial services is mostly hampered by the following factors: weak institutional capacity of rural microfinance institutions, lack of and or insufficient financial and business skills, absence of policies and legal frameworks, lack and aging physical and financial infrastructure. In addition, Tenaw & Islam (2009:6), the World Bank (2003:65), Ellisasser (2006:38)

and Bakhas, (2009:4) stressed that obstacles to financial services to both consumers and suppliers include:

- a) Higher risks: mostly rural inhabitants are unemployed and the majority depend on income from agriculture that is seasonal and risky for lending money or extending credit to rural inhabitants who generally lack collateral and do not own land, thus financial service providers perceive them as risky clients (Tenaw & Islam, 2009:6);
- b) Financial institutions find it difficult to operate and render services to enterprises and projects in rural areas due to high transaction costs as a result of the scattered population and weak infrastructures; the possibility of income fluctuations and the volumes and sizes of savings, investment, loans, insurance, making it difficult to enforce contractual agreements as well as the lack of physical collateral (World Bank, 2003:65);
- c) Social factors: the majority of the rural inhabitants are illiterate and some do not have adequate education, especially tertiary education and business skills training. Thus, entrepreneurs and individuals with poor education have difficulties in accessing and understanding financial services and financial institution's requirements (Tenaw & Islam, 2009:6; Ellisasser, 2006:38 and Bakhas, 2009:4).

Bakhas (2009:13) further emphasised that access to financial services is an important contributor to enterprise productivity worldwide. However, in Sub-Saharan Africa where the majority of the people live in rural areas and depend on agriculture as the driver of the rural economy, access to financial services remains poor and presents the greatest challenge. Moreover, the Southern African Regional Poverty network confirmed that access to finance and financial services is a major challenge in rural areas as inhabitants of the rural areas cannot get loans due to lack of collateral, the characteristics and spatial settings of rural areas, lack of information, less or no economic activities in these areas and high transaction costs (de Klerk *et al.*, 2013:10)

In addition, de Klerk *et al.* (2013:13) also emphasised that the situation has worsened because of lack of policies and institutions that guide, spearhead and address issues of access to finance in these areas. de Klerk *et al.* (2013:10), further, asserted that in South Africa commercial banks are reluctant to finance small scale projects and small

businesses especially in rural areas due to lack of collateral. These banks prefer to mostly lend funds to the large processors and retailers that are able to add value rather than lending to small farmers and small businesses in rural areas.

According to Ganbold (2008:5) as well as Bakhas (2009:4) and Schwartz (2014:36) access to finance or improving access to financial services includes making sure that financial services are available to all at a fair price. The inaccessibility of financial services is classified into various groups; firstly the firms that are considered un-bankable by commercial financial service providers and markets, since they are considered to be financially insolvent, do not have enough income and collateral and in most cases present a high lending risk. Secondly, in some cases there can be discrimination against certain groups based on social, religious and ethnic grounds; thirdly, contractual and information framework mostly prevents financial institutions from reaching out to certain enterprises due to costly outreach and commercial viability and lastly; prices of financial services may be too high or some products may not be appropriate for certain firms (Ganbold, 2008:6).

In the same vein, Mass and Herrington (2006:13); Beck (2007:2) and Rogerson, (2008:63) cited by Bakhas (2009:13) claimed that a lot of business surveys and studies confirmed that access to finance has been identified as one of the major factors hindering MSMEs development, as well as survival and growth in both developed and developing countries. As a result, follow-up studies were conducted to determine and find solutions to this and other challenges facing MSMEs, more specifically, interventions introduced, aimed at improving access to finance for these enterprises.

In general, MSMEs development is affected by the following factors (Schoenburg-Schultz & Schultz, 2006:14 - 16)

- i. Firm or structural characteristics – with regard to the argument on economies of scale, bigger firms operate more efficiently than smaller ones. Furthermore, productivity is mostly low in one-person businesses and businesses with two or more employees are proved to be more efficient. Literature has proven that large businesses have better access to financial and other services.
- ii. Entrepreneurial mind – factors that positively lead to successful entrepreneurship include proper planning, innovative thinking and an

improved competitive mind-set and risk taking, the ability to create sustainability and wealth.

- iii. Management \rightarrow leadership is essential for the success of businesses and business skills are equally important. Leadership and business skills are necessary to acquire, manage and maintain business assets and resources. In addition owners and partners in businesses need to be proactive and motivated and have long-term visions and proper strategies to carry the business forward. Management also needs to consider external factors such as economic, political, environmental factors, market failure, high competition, lack of access to information, resources and infrastructure (Schoenburg-Schultz & Schultz, 2006:14).
- iv. Access to finance \rightarrow despite the involvement and effort of government and development partners to improve access to finance, access to finance and financial services remain a challenge to businesses, especially the ones in the categories of micro, small and medium enterprises.
- v. Lack of access to market \rightarrow Lack of market access is mostly a result of the nature of businesses and type of products or services they offer. Buying power and lack of market and finding shelf space for products are crucial. In addition, affordability can also play a role where markets are concerned. .

2.5.2.2 Interventions to improve access to finance for MSMEs

Since access to financial services is the biggest challenge for MSMEs, especially in rural areas where services are limited, there have been means supplied and various efforts made to reduce the gap and remedy the constraints experienced in the provision of services to MSMEs. Especially for rural enterprises, since they are focused on supply-side interventions which mostly includes government and donor-funded programmes (Tenaw & Islam, 2009:17). Furthermore, some authors and researchers, emphasised improvement and promotion of informal rural financial service provision in sub-Saharan Africa, since MSMEs mostly depend on informal markets, particularly for financial services (Tenaw & Islam, 2009:17).

On the other hand, the World Bank has called for support of MSMEs through efficient service provision, especially in respect of rural infrastructure and capacity building to promote SMEs and help them grow (World Bank, 2003: 91). In the same vein,

politicians and development institutions in Africa have emphasised that promoting and supporting small businesses and entrepreneurs contribute to sustainable and improved socio-economic development as well as economic growth of various countries (Ogbokor & Ngeendepi, 2012: 2). Following Tournel, *et al.*'s confirmation that Micro Small and Medium Enterprises are faced with a challenge of lack of appropriate financing, the need for special assistance for that these enterprises was stressed, for instance government programmes aimed at making finances more accessible as cited by Bakhas (2009:2). Accordingly, various government institutions and private sectors in various countries introduced and established a number of interventions and programmes focusing on promoting and developing MSMEs.

The following common interventions were introduced by government and Small and Medium Enterprises stakeholders in Sierra Leone, South Africa and Ghana to improve access to financial services for MSMEs: the Financial Services Association (FSA), Rotating Savings and Credit Schemes Association (Neel, 2010:10). In addition, de Klerk *et al.* (2013:10) highlighted that rural communities in Sub-Saharan Africa and other developed countries came up with other means of getting finances to initiate community projects, as well as to start and grow their businesses since borrowing became difficult or impossible. This includes rotating savings and credit associations, village savings and loan associations.

In Ghana, the formal financial sector is made up of commercial banks which comprises rural and community banks, savings and loan companies as well as non-banking financial institutions. Financial institutions have been reluctant to lend or provide their services to MSMEs due to high default rates and risks experienced with these enterprises. As a result, some banks developed special policies for MSMEs, considering their specific needs and requirements and studies have proven that a few institutions have loan products specifically targeting or tailor-made for MSMEs. Some have MSME departments to address the needs of MSMEs (Mensah, 2004:8).

Although various governments have introduced and implemented several policies and programmes aimed at overcoming the financial constraints of MSMEs, MSMEs continue to experience and find it difficult to access funds. Kauffman (2004) cited by Gbandi & Amissah (2014:338) suggested some approaches that can increase MSMEs access to finance:

- Improve business conditions, to ensure proper and accurate information sharing, clear accounting standards, an impartial legal system, favourable tax policies, prompt payment of government debt
- Help SMEs meet requirements of formal financial system and make it more accessible to SMEs
- Expand the supply of finance through the non-financial private sector.

Similarly, a number of interventions were introduced to remedy the situation in Namibia. These include MSMEs training, equipment aid scheme and the Micro Finance Scheme Programme for rural MSMEs (Ogbokor & Ngeendepi, 2012:2 and Republic of Namibia, 2011:22). The Ministry of Urban and Rural Development in Namibia introduced a Micro Finance Scheme Programme, spearheaded and implemented by Regional Councils which provide grants to Micro Small and Medium Enterprises and are aimed at capacitating and providing entrepreneurs and MSMEs in rural areas with capital, equipment and enhancement of their business skills (Republic of Namibia, 2011:15 and Republic of Namibia, 2012:66). Additionally, the government of the Republic of Namibia established institutions and introduced various programmes and interventions to assist with MSMEs development and access to finance. However, only some of these institutions and programmes carried out their tasks and mandate as per their inception and some entities have collapsed. In the same vein, commercial banks also realised and acknowledge the importance of MSMEs and established MSME departments to enable them to offer tailor-made support services, including funding to Micro Small and Medium Enterprises (Nakusera, *et al.*, 2005:5).

In addition, de Klerk *et al* (2013:10), supported by Bakhas (2009:4), highlighted that in South Africa both private and public sectors are tasked with the responsibilities of improving access to financial services for MSMEs. Studies have established that the National Empowerment Fund has provided a number of loans to rural entrepreneurs through its division which focuses on rural communities. Additionally, the

Department of Trade and Industry has strategic interventions aimed at improving access to finance for MSMEs through an integrated strategy of promoting entrepreneurship and small enterprises in South Africa (Bakhas, 2009:4).

On the other hand, micro finance institutions offer micro-finance loans to MSMEs clients mostly residing in rural areas and / or peri-urban areas that are not able to access financial services from commercial banks and well-established financial institutions.

Ellsasser (2006:38) concurs with Nakusera *et al.* (2005:5) and argues that the growing rural financial system presents a key challenge to MSMEs growth and development since the ability of formal financial systems to provide appropriate broad and sustainable financial services to MSMEs and entrepreneurs is limited. To the contrary, Tenaw & Islam (2009:4) highlighted that rural financial services can be beneficial and bankable as in any other location if it includes provision of financial services such as money transfers, credit, financial transactions, money transfers for remittances and insurance and not merely loan provision as most of the institutions offer. Tenaw & Islam (2009:5) stated that despite the rapid development of financial services the majority of Micro Small and Medium Enterprises across the globe, especially in developing countries, are still pressurised with lack of access to financial services that are needed to improve rural livelihoods.

Tenaw & Islam (2009:5) highlighted that the overall financial sector development can be viewed as an important catalyst for economic growth and development, due to the following reasons:

- Financial sector development ensures acceleration of economic growth through efficient intermediation and risk management. Hence, it is evident that countries with well-established financial markets and greater financial depth experience higher economic growth than countries with less or no developed financial markets.
- Lack of sufficient or adequate financial services prevent the formulation of new enterprises. It also fails to encourage innovation and the growth of existing enterprises.

- Improved and demand-driven tailor-made financial services for MSMEs can have a direct impact and effect on the beneficiaries of these services and in the end help to alleviate poverty.

Researchers have recommended and emphasised the need for creating new conditions that are more favourable and conducive to investment by the financial sector as well as creating more successful efforts to develop rural financial services (Tenaw & Islam, 2009:16).

2.5.2.3 *Effectiveness of existing interventions*

Researchers stressed that bridging the financial gap between SMEs and large enterprises is very critical to economic growth, despite a number of developmental challenges and constraints experienced by the SMEs. Effectiveness of the existing MSMEs financing schemes will be established if the schemes provide opportunities for SMEs to meet their financial needs and proved sustainability \rightarrow meaning it should maintain the profitability of the enterprises and provide funds for future investments. There is no reliable data to prove the effectiveness of the schemes and sustainability or opportunity provision. However, based on findings of various researchers, it is evident that more interventions are needed through special schemes and there is a need for a coordinated policy framework to respond to the MSMEs financial gap in many countries (Mensah, 2004:8).

Schwartz (2014:36) acknowledged that access to finance is a greatest challenge among Micro Small and Medium Enterprises and emphasized that financial institutions should put more effort into and greater emphasis on providing finance to MSMEs, while at the same time encouraging MSMEs to be more innovative and work harder in order to make sound financial commitments to guarantee their sustainability and growth.

The World Bank (2003:65) supported by Quan *et al.* (2006:13) further stated that informal service providers and non-financial enterprises are mostly operating in rural areas since they can cope better with the above-mentioned obstacles and do not really have legal obligations. Consequently, these service providers also face challenges and are limited in the provision of efficient support services to enterprises due to limited geographical reach and the fact that they are small in scale. Thus, the World Bank

(2003:65) suggests that government policies need to address these obstacles; however, the researcher supports the World Bank and also recommends involvement of the private sector and other non-governmental actors in addressing and responding to the challenges of MSMEs.

Mensah (2004:8) established that SME financing has been ineffective for the following reasons: inadequate institutional framework, unconducive and unfavourable legal and regulatory framework, MSMEs operational and managerial capacity and also lack of training, lack of accountability and transparency of both the service providers and SMEs, as well as lack of information. However, literature proved that the most successful government support programmes are those that have non-governmental partners and co-investors plus programmes that are managed by individuals or the private sector (Mensah, 2004:13).

One of the reasons the interventions did not achieve or reach its targets is that enterprises are not aware of these finance schemes and programmes aimed at supporting SMEs due to low levels of awareness as a result of inadequate and ineffective marketing communication by formal financial providers (Abour & Biekpe, 2006:74). Additionally, there is a lack of searchable assets, lack of knowledge of financial providers and a lack of knowledge of required criteria. However, a number of interventions and programmes targeting MSMEs and aiming at developing rural areas have been introduced and are being implemented. What is needed is coordination, collaboration, fair allocation of resources, a people-centred development approach to make these interventions a success.

2.6 *MSMEs and rural development Best practices from African countries: Ghana and Nigeria*

According to the Southern African Regional Poverty network, it is evident that in the beginning many rural finance systems in developing countries have failed in respect of both efficiency and equity aspects. However, over the last two decades several successful institutions and programmes were introduced. Assessments have been conducted and from the results it has been shown that these programmes were successful. A number of assessments conducted in various countries namely, South Africa, Ghana, Nigeria and Namibia, to mention a few, used the following criteria:

outreach to the targeted population; self-sustainability or significantly reducing subsidy dependence (Southern African Regional Poverty network).

2.6.1 Nigeria

2.6.1.1 MSME finance and development in Nigeria

In Nigeria SMEs are defined as enterprises with an annual turnover of between N100,000.00 and N150,000.00, with less than 50 employees and an asset base of not less than 1000 000.00 (Jibrilla, 2013:122). SMEs are catalysts in economic development of developed and developing countries. Hence, it is advisable for developing countries to pay more attention and consider supporting and promoting MSMEs sector in order to realise employment generation, improvement of local technology; and to develop indigenous entrepreneurship and also encourage cooperation and mentorship by large enterprises in order to attain sustained economic growth. In Nigeria, SMEs constitute more than 90% of Nigerian businesses and contributes less than 5% of the GDP. The low contribution to the GDP is a result of the challenges constraining them; this includes unfriendly business environment, poor funding, low management skills and lack of access to modern technology. Funding and financial services for SMEs are provided by commercial and micro-finance banks, co-operatives and other financial institutions (Gbandi & Amisah, 2014:327).

According to Gbandi & Amisah (2014:382) it was proven that SMEs in Nigeria have underperformed and did not make a significant contribution to the country's economic growth and development as expected due to an un-conducive business environment, poor funding, low managerial skills and lack of access to appropriate technology. One of the major constraints among Nigerian SMEs is the lack of capital to finance their operations; thus, researchers confirmed that the majority of the SMEs in Nigeria are financially constrained. Nigeria has been supporting and promoting MSMEs since its independence when it was realised that MSMEs are the engines and foundations for economic progress in the country (Jibrilla, 2013:121).

Jibrilla (2013:121) further highlighted that MSMEs development came about due to the enterprises' involvement and ensuring that there is an increase in the per capita income as well as in the production outputs, a significant rise in employment creation and promotion as well as utilisation of the scarce resources. The Nigerian financial

sector consists of an informal and formal sector. The informal sector is mostly preferred and used by MSMEs since it is accessible, though unreliable sometimes (Gbandi & Amissah, 2014:330). Funding for MSMEs in Nigeria like in any other developing country is very critical and challenging and is much needed for operations and SME growth and development in order to meaningfully contribute to the nation's economy (Gbandi & Amissah, 2014:327).

About 70% of the Nigerian population live in rural areas and are faced with the challenge of lack access to finance and banking facilities, increasing poverty and lack of socio-economic development. Some of the reasons for lack of development and non-accessibility to financial services are, bureaucracy, distance to financial institutions, weak institutional capacity, educational level, level of collateral and credit worthiness as well as weak economic empowerment of rural dwellers. Hence in response to the challenges of rural development and poverty the Federal government of Nigeria introduced initiatives that aimed at increasing income from economic activities, provision of financial services to enable people in rural areas to make higher investments and establishing financial institutions, increasing agricultural and industrial activities in rural areas.

This includes establishment of the rural banking scheme, which was established to address problems of inadequacy of credit in the agricultural sector as well as underdevelopment of SMEs in rural areas and the schemes led to the establishment of branches of commercial banks in rural areas; the people's bank; the Community banks and the Cooperative bank, that was established to mobilise and provide finance and other financial services in rural areas and also to introduce and educate rural inhabitants on the usage and benefits of financial services banking habits (Evbayowieru, 2011: 121-122; Okwoli, Abubakar & Abubakar, 2013:55 and Mbam, 2012: 1, 3 & 4). Moreover, the Nigerian Bank for Commerce and Industry was also institutionalised to provide financial services to the indigenous business community, mainly SMEs, by acting as a financial body for SMEs and at the same time administering their loan schemes (Jibrilla, 2013:122).

Access to financial services enables rural dwellers to have control over factors of production, create employment, increase household and per-capita income, create

wealth and be more self-reliant (Okwoli *et al.*, 2013:55). According to Egbayowieru (2011: 122 & 124), at least 50% of the rural inhabitants have benefited from the rural banking scheme through acquiring of loans as well as by benefiting from the agricultural credit guarantee scheme with interest rate ranging between 5 and 7%. Through these benefits, rural dwellers improved their agricultural production and processing methods, as a result there was an increase in produces and income and employment were created.

However, some of the interventions introduced to improve access to finance and enhance economic development in rural areas were not successful. These includes, the people's bank that was established with the aim of ensuring that rural poor have access to bank credit failed because the bank charged very high service charge of 15 % instead of interest rate, on the other hand there was poor loan repayment by the beneficiaries of the loan and this made the sustainability and operation of the bank to be impossible since the revolving loan scheme did not work. Likewise, the community bank that was owned and managed by the community using self-recognition or credit worthiness s for individual customer access also failed. The cooperative banks also failed because of inadequate capital since the poor farmer owners were unable to increase their financial resources (Egbayowieru, 2011: 123 and Jibrilla, 2013:122).

On the other hand, (Mbam, 2012: 5) highlighted that the rural banking scheme made a positive effect on the investment potential of rural inhabitants since the rural farmers managed to invest in farming inputs. Nevertheless, (Mbam: 2012:5) also recommends that the “government and other stakeholders involved in the scheme should consider improving the scheme and making it more functional and more beneficial to the intended beneficiaries through using fiscal policy instruments. “This can be achieved by encouraging more commercial banks to establish more networks of branches in rural areas”. In addition, (Okwoli *et al.*, 2013:55) highlighted that micro finance policies and programs aimed at addressing the plight of the rural dwellers are good empowerment initiatives and if they are well managed will improve the living conditions and have a positive impact on rural inhabitants. Since the productivity and living standards of the Nigerian rural population depends on improving and availing finance and financial institutions in rural areas. Okwoli *et al.* (2013:55) also

recommended that financial institutions in rural areas should target the rural poor as well and these institutions should operate as poverty oriented development institutions and they must be involve themselves in community development programs in their catchment areas.

In addition, the Structural Adjustment Programme was also a government intervention to come up with policies that would ensure and accelerate industrialisation in the country, thus opening doors for foreign investors to inject funds into SMEs and help create other investment opportunities in Nigeria. The government also introduced the National Economic Reconstruction Fund to provide long-term loans to SMEs at low interest rates in order for them to grow (Jibrilla, 2013:122).

Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), was also established by the Central Bank of Nigeria to promote access to credit by SMEs. The scheme provided credit guarantees for banks that lend loans to SMEs, the main target group of SMEs by this scheme being manufacturing, agriculture, value chain, educational institutions (Gbandi & Amisah, 2014:332). The other effective intervention was the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). This initiative was established in response to the Federal Government of Nigeria in efforts to promote industrialisation, sustainable development, employment creation and economic growth. The scheme required all banks in the country to set aside 10% of their profit for investment and promotion of small and medium enterprises Jibrilla (2013:121).

Gbandi & Amisah (2014:332) confirmed that despite the interventions and efforts by the government and other stakeholders to promote and develop MSMEs by improving their operations and performance, not much change was realised in the operation and growth of MSMEs. Like in many countries, some of the interventions introduced did not work and some did not yield the expected results for various reasons. These reasons include: lack of proper institutionalisation, inaccessibility of services, lack of awareness, lack of skills and appropriate technology (Jibrilla, 2013:127). However, researchers in Nigeria suggested the following for success and for the interventions to have impact:

- Joint efforts for awareness creation on government efforts and interventions. Furthermore, financial management, entrepreneurship as well as basic and advanced business management skills training should be given to MSMEs in order to improve their effectiveness,
- Access to interventions and programmes by the target group should be improved and encouraged through information sharing platforms such as public meetings, awareness sharing on the introduced or available interventions and support programmes and also by using the media.

All in all there is a need for collective effort and commitment from various actors from public and private sectors, NGOs and civil society in order to improve MSMEs operations (Jibrilla, 2013:127)

2.6.1.2 Rural development in Nigeria

There has been much variation in the administration and performance of rural development programmes in Nigeria due to lack of well-articulated development programmes for rural areas. Rural development in Nigeria started in 1976, but these efforts were not centrally guided since. Instead of institutionalising a Rural Development Ministry, the Federal Government just dispersed rural development programmes across several Ministries and departments at both federal and state levels. However, one of the challenges was the creation of a link and improvement of communication and collaboration between government and rural people (Kamar, Lawal, Babanginda & Jahun, 2014: 24).

Like with other countries, poverty in Nigeria is very high in rural areas and this situation is mostly characterised by inadequate infrastructures, lack of social services, a lack of viable economic activities, lack of resources and or lack of skills to utilise available resources, limited assets, and limited access to public services. As a result, interventions were expected to respond to these challenges including the mobilisation and allocation of available resources and building capacities in rural areas to benefit and uplift the living standards of rural inhabitants (Paul, Agba & Chukwurah, 2014: 9). Paul *et al.* (2014: 11) further emphasised that rural development must form part of an integrated approach to agricultural production and the provision of physical, social and institutional infrastructure.

According to Kamar *et al.* (2014:28) sound and sustainable rural development can be attained if the following are executed and carried forward:

- Increase state and people (community) participation → active participation especially in the project and development efforts by beneficiaries is one of the key success factors of every project and programme; and hence even the rural poor should be encouraged to participate. Development Planners or Agents should plan and implement with the people instead of planning and implementing for the people
- Encourage and support community organisation - well established community organisations are vital for promoting initiatives for rural development. Community organisations should have clear goals and objectives as well as focussing on empowering rural populations and encouraging them to be part of the projects and programmes.
- Manpower development – it is very important to build capacities and enhance skills and knowledge of rural people and allow them to take charge of their own development (Kamar *et al.*, 2014:28)

2.6.2 Ghana

2.6.2.1 MSMEs finance and development in Ghana

In Ghana, the notion that problems experienced by government and other financial institutions in providing financial services have drastically affected the role SMEs plays a role in the macroeconomic performance of the Ghanaian economy (Abour & Biekpe, 2006:69). According to Mensah (2004:1) and based on the statistics, 90% of the registered companies in Ghana are Micro, Small and Medium Enterprises. As mentioned above and based on other countries' experiences, these enterprises are identified as catalysts for economic growth in the country, as they are the major employers and sources of income both for individuals and the government. Despite the above-mentioned advantage Micro, Small and Medium Enterprises in Ghana are challenged with the restriction of debt and access to finance. Moreover, there are also some non-financial constraints that hinder the growth of MSMEs and smooth operation, such as limited formal education, lack of technical know-how and inability to acquire skills as well as modern technological skills – all of which impedes growth opportunities, access to markets and other valuable information (Mensah, 2004:1).

In its quest to promote MSMEs in Ghana, the government together with development partners developed and introduced policies and interventions with the aim of improving operations and ensuring growth of these enterprises. This includes appropriate support structure and technology transfer, entrepreneurial and skills development, access to finance and financial services including reducing collateral requirements and also through provision of safeguards for the credit delivery system and encouraging cooperation and sub-contracting between large and small firms (Mensah, 2004:2). It is noted that MSME's financing schemes implemented and executed in isolation are not effective and could not reach the target. Consequently Mensah (2004:2) identified some factors that led to lack of finance for MSMEs. This includes an underdeveloped financial sector with low levels of intermediation, lack of institutional and regulatory framework to facilitate and spearhead operation of MSMEs lending as well as high cost of borrowing and rigidities of interest rates.

Various researchers, supported by Abour & Biekpe (2006:69) stated that high interest rates, collateral requirements as well as lengthy and cumbersome processes were listed as the main impediments to SME's inaccessibility to banking credits in Ghana as in many countries world-wide. However, this does not shy away from the important role SMEs play in the Ghanaian economy Abour & Biekpe (2006:69).

As asserted earlier, access to finance is crucial for the growth and development of MSMEs across the globe. However, access to credit remains a challenge to most MSMEs in many countries, especially developing countries, although it remains a priority of governments (Nkuah, Tanyeh & Gaeten, 2013: 12). Just like any other developing countries, Ghana is of no exception when it comes to the challenges the MSMEs face in terms of lack of adequate access to finance - which is a leading factor constraining the growth and development of small enterprises. Literature has proven that it is even more difficult and challenging for MSMEs to access credit especially from formal financial institutions due to processes and procedures (Nkuah *et al.*, 2013:12).

The Ghanaian government introduced a number of policies and programmes aimed at streamlining the process by ensuring low lending rates to help MSMEs to grow. However, these interventions were not supported by many in the financial market, since it leads to market distortions. These distortions are mostly in the form of

fragmented financial markets whereby the financial needs of MSMEs are not easily met through the proposed financial options and services of formal financial institutions. For that reason, low risk borrowers have difficulties in accessing finances from formal financial institutions. A study by (Nkuah, *et al.*, 2013:13), established that due to the above factors MSMEs opt to approach informal financial institutions for assistance, though these institutions do not provide adequate or sufficient services (Nkuah *et al.*, 2013:13).

At the same time, literature has proven that although SMEs support and promotion started way back in Ghana, very little was done to date. Institutions were established to assist SMEs, which includes the Office of the Business Promotion as well as the Ghana Enterprise Development Commission (GEDC). These institutions are aimed at assisting and strengthening Ghanaian SMEs and to encourage them to operate in fields that are dominated by foreigners, by providing technical and financial assistance to these enterprises (Abour & Biekpe, 2006:70). The programmes also provided training and special assistance to entrepreneurs and people with entrepreneurial abilities to venture into self-employment and also create jobs.

Currently, there are a number of financing schemes set up by government and donor agencies to provide funding to SMEs. However, despite all these development and supporting efforts financial constraints remain a major problem to SME development in Ghana (Abour & Biekpe, 2006:70). According to (Abour and Biekepe, 2006:71) SMEs are mostly undercapitalised and in most cases the term structure of loans granted to SMEs does not necessarily suit their needs. Some researchers argue that when SMEs are given credit they are often given short-term loans and in the end have no option other than relying on short-term and informal credits in financing and expanding their businesses and for procurement of new equipment (Blanton & Dorman, 1994 and Riding & Short, 1987) cited by Abour & Biekpe (2006:65).

Some interventions by the Ghanaian government and other stakeholders are described below:

- Official SME Credit Schemes –these schemes were introduced by government in both rural and urban areas and in some cases with the support of donor agencies and development partners to increase the flow of financing for

MSMEs, through implementation of direct lending schemes to MSMEs (Mensah, 2004:23).

- Development partners assisted in various platforms by providing funding and also through procuring equipment and machineries as well as raw materials both from the local and international markets.
- Guarantee facilities – the government of Ghana is mandated to provide government guarantee to any external financial service provider that is providing financial services to Ghanaian enterprises. Although access to finance and lack of collateral have been identified as the major stumbling blocks for SME growth, it is noted that no specific targeted MSME guarantee facilities were introduced to meet specific MSME's needs. However, the loan guarantee scheme was developed but not implemented (Mensah, 2004:4).

This is the same in Namibia, whereby the government implemented programmes and interventions including the credit guarantee schemes and also established funding institutions that can provide finance to MSMEs at low collateral fee. In addition the government of the Republic of Namibia also purchase machines, equipment and materials for MSMEs

Awareness and access to formal financial services as well as government interventions and programmes are a challenge in Ghana, thus more regular awareness and information sharing sessions need to be conducted. According to previous studies and assessments, in Ghana, the service sector is the highest sector that has more access to financial institution credit and sole proprietorship; in other words, has more access to credit than other types of business ownership (Nkuah *et al.*, 2013:20).

Thus, Tenaw & Islam (2009:16) stated that in developing countries where the majority of the population live in rural areas, it is vital for them and other stakeholders to develop rural areas. Promotion of efficient, sustainable and readily accessible rural financial services remains a major development challenge in most, if not all, African countries. However, developing and providing financial products and services for rural enterprises especially MSMEs are critical in achieving pro-poor growth and poverty reduction, despite being hampered by the high costs of rendering services to MSMEs.

2.6.2.2 *Rural development in Ghana*

In Ghana rural areas are lagging behind with development. As a result of this, poverty is very high in rural compared to urban areas, which can be attributed to a lack of economic activities, absence of credit facilities, small scale and subsistence agricultural production and practices, lack of adequate infrastructure (Bonye, Aasoglenang & Owsukeyre, 2013:70 and Anti, 2012:22)

Although various interventions were introduced to develop the country, unfortunately rural areas were somehow discriminated against and left out. As a result, there were huge disparities between rural and urban areas resulting in people migrating to urban centres. However, with the new developmental approach and the quest to respond to underdevelopment of rural areas and curb rural – urban migration, a turn-around strategy which included the development and up-liftment of the living standards of rural areas and population was introduced. Hence, as a starting point, the Ghanaian government, in an effort to develop rural areas, established community centres, social clubs and also youth centres as part of welfare work (Anti, 2012:21).

Moreover, a rural banking system was introduced in 1976 to improve access to finance for rural farmers and increase their production as well as creating employment. The aim was also to increase income of rural inhabitants, to transform and develop the rural economy. Industrialisation was one of the priorities to create a strong rural economic base, since it has greatest impact on infrastructure development and employment creation (Anti, 2012:22). In addition (Tetteh & Frempong, 2009:15) emphasized that rural MSMEs are more involved in industrialisation through which they are empowered and grow further and contribute to the socio-economic development of rural localities.

In addition rural banks also facilitated rural inhabitants' participation and engagement in development efforts, through economic empowerment, which is one of the success factors to development. Furthermore, the banks also play a part in terms of a corporate social responsibility by assisting these localities with the education, health and housing sectors as well as providing other needed social services (Anti, 2012:22).

According to Tetteh & Frempong (2009:16), in the quest to build and promote strong rural economies, the government of Ghana established National Vocational Training

Institutions, introduced entrepreneurial development programmes, and created a conducive environment for micro financial institutions and other financial resources. It also provided other infrastructural services to encourage growth and development for rural people and businesses.

On the other hand, more strategies were also introduced to develop and promote the agricultural sector through the establishment of corporations and boards, encouraging community members to use appropriate technologies, improve production and harvesting methods, improve storage and create storage facilities. In addition finance and credit would be made available, while providing marketing services and appropriate infrastructure in rural areas. Unfortunately, some of these interventions were not really successful and not much improvement was realised in respect of rural poverty, which still remains high (Anti, 2012:23) supported by Bonye, *et al.*, (2013:70).

2.7 Chapter summary

The World Bank (2017:76-77) stated that effective, enabling and responsive institutions, organisations and rules are very important in development. The institutions and policies should have clear mandates, visions and functions and should also be established with a purpose and ensure that the mandate and purpose are executed and reached. In addition, policies, rules and regulations must be flexible, not contradicting, create an enabling and conducive environment which sets a path for development to prosper. Most important ingredients of development are committed coordination, cooperation, credible leaders, common vision as well as passion and will to make things happen. Access to finance and financial services are the greatest challenges constraining MSMES (MSMEs), especially those that reside in rural areas which prevents them to run effectively and grow in order to graduate to the next level.

In Namibia only about 15000 enterprises are registered and operate in the formal market and are legally responsible for paying Value Added Tax (VAT), the rest operate in an informal economy and they are not legally bound (The Villager newspaper, 2012 and Ogbokor and Ngeendepi, 2012:2). Ganbold (2008:3) and Bakhas (2009:2) stated that MSMEs are more active and productive than large enterprises; however, financial markets and other institutional failures hinder MSME's growth and development.

Ellsasser (2006:37) stressed that experience has proven that rural populations benefit from financial services that are provided by means of stronger self-help strategies. However, technical and institutional innovations are needed for success and operations of MSMEs. Similarly, Ellsasser (2006:38) confirmed that entrepreneurs and businesses in rural areas rely and use informal financial institutions as sources of finance, which in most cases are unreliable and costly. The challenge of access to finance is more prominent in developing countries (Ganbold, 2008:8). Various interventions and programmes were introduced by a number of governments together with donors and development partners; however, only few were effectively implemented or reached the target yielding the desired results. Most of the initiatives failed because of inconsistencies, lack of transparency, lack of information and awareness; and lack of commitment.

Chapter 3: Rural Development in Namibia and the Oshikoto Region

3.1 Introduction

This chapter provides an overview and context of rural economic development in Namibia, with specific focus on the Oshikoto region and reviews the regulatory frameworks and strategies that guide and regulate MSMEs and rural development in Namibia. The frameworks are presented in order of publication starting with the supreme law of the country followed by recent publications. The reviewed documents include:

1. Namibian Constitution
2. Namibian 5th Development Plan (NDP5)
3. National Policy on Micro, Small and Medium Enterprises (MSMEs) in Namibia
4. Namibia Financial Sector Strategy 2011-2021
5. Regional and Local Economic Development (RLED) White Paper
6. National Rural Development Strategy
7. Namibian Rural Development Policy
8. Growth at Home - Namibia's Execution Strategy for Industrialization
9. Namibia's Industrial Policy
10. Namibia Vision 2030 and Namibian 4th National Development Plan (NDP4)
11. Regional and Local economic Development strategy for Oshikoto
12. Regional Councils Act, 1992 (Act No. 22 of 1992)

3.2 Overview of rural and MSMEs (MSMEs) development in the Republic of Namibia

Namibia is situated in Sub-Saharan Africa with population size of 2113077 of which 57% reside in rural areas. Namibia has a dual economy comprising modern as well as subsistence and informal economy (Namibia Statistics Agency, 2012:8). The modern economy is mostly in urban and peri-urban centres and it's normally thriving, with high income and benefits as compared to the subsistence and informal economy which is mostly found in rural areas.

Before independence the apartheid colonial era ruled the country and made it difficult for Namibian communities and inhabitants to develop economically and socially and improve their lives. Therefore, immediately after independence, Namibia was faced with extreme social and economic inequalities and underdevelopment. The majority of the people did not have access to resources as well as essential services. The majority of people lived in rural areas and depended on subsistence farming and low-paying jobs for a living. The Government of the Republic of Namibia focused on rebuilding and revitalising the economy, but focusing more on urban areas after independence. Unfortunately, people started moving from rural to urban areas, since this presented better opportunities and the prospect of a better life. As a result the government and other development stakeholders started prioritising rural development in a bid to improve the living conditions in these areas.

The Government of the Republic of Namibia strives for equal opportunities for Namibians, parity in economic growth and development as well as the utilisation of resources to reduce poverty and inequality among its people. Hence strategies and interventions aimed at economic development and empowerment, poverty and inequality reduction were introduced in order to bring the underprivileged and underdeveloped areas, especially rural areas, on par with developed areas (Republic of Namibia, 2008:64). A number of interventions were introduced in rural areas in Namibia to be implemented by the 14 regions to attain socio-economic development and improve the livelihoods of rural inhabitants. These included: Microfinance scheme programme; One –Region – One Initiative, Rural Employment Scheme; Rural Industrialisation; Food-cash for a work programme and Rural Development Centres.

MSMEs make up 80% of the Namibian businesses. Therefore, the Namibian government acknowledges the important role MSMEs play in employment creation and income generation activities across the country. As a result emphasis was put on MSMEs' development and various programmes and interventions were introduced to remedy the status quo and respond to the plight of MSMEs in Namibia.

Moreover, the MSMEs sector is recognised and features prominently in the Namibian Development Plans (NDPs) and the country's long term Vision 2030 (Schoenburg-Schultz & Schultz, 2006:2). This is supported by the Ministry of Urban and Rural Development (2016:1) through its Micro Finance Scheme guidelines. What this

highlights is that Namibia is envisioned to be “a prosperous and industrialised country, developed by her human resources, enjoying peace, harmony and political stability”. MSMEs play a key role in fostering job creation and income generation and also to improve the living conditions of Namibian people. Thriving and growing MSMEs, especially those in rural areas, should therefore be regarded as key success factors in achieving national development goals such as Vision 2030 and other policies (Ministry of Urban and Rural Development, 2016: 1).

The Namibian government puts a great trust in the role MSMEs plays in economic growth as well as development and clearly acknowledges the critical role MSMEs plays in socio-economic development by executing various strategies and programmes aimed at developing and growing MSMEs. MSMEs are the ultimate means of job and income creation, economic growth and poverty reduction in the country (Schoenburg-Schultz & Schultz, 2006:3).

According to the Ministry of Urban and Rural Development (2016:1) despite the contribution to the economy, lack of finance is still one of the greatest challenges constraining MSMEs. This is seconded by Schoenburg-Schultz & Schultz (2006:10) by highlighting that the MSMEs sector’s growth and development has been challenging and unsatisfying.

As a result, pro-active programmes were introduced by various government ministries, such as the Ministry of Industrialisation Trade and SME Development, Ministry of Urban and Rural Development, Ministry of Gender Equality and Child Welfare, etc., to realise the following objectives: access to finance, provision of markets for MSMEs products, provision of information on input sources and promotion of a group purchasing scheme, development of sites and premises well as provision of support training in the form of mentorship and after-care services. Provision of training and mentorship and also trading spaces for MSMEs are the best initiatives that will build capacity for MSMEs and help them grow (Schoenburg-Schultz & Schultz, 2006:3).

For the same reason, the Ministry of Urban and Rural Development introduced and facilitated micro finance grants as a means to support entrepreneurship development and SMEs in rural Namibia (Ministry of Urban and Rural Development, 2016:1).

Among the successful interventions and institutions established in Namibia to improve access to finance for MSMEs were: the Development Bank of Namibia, (DBN); the Small Business Credit Guarantee Trust (SBCGT) as well as the Equipment Aids Programme. Development Bank of Namibia is mandated with the provision of loans to MSMEs with a minimum amount of N\$ 250,000 and maximum of 3 million which is payable over a period of 18 months. DBN also offers trainings, mentoring, monitoring and evaluation of MSMEs (Nakusera *et al.*, and 2008:4). DBN is a well-established and sustainable institution and created 319 new jobs in 2006 and 290 in 2007 respectively. (Nakusera *et al.*, 2008:5) further stated that MSMEs loan portfolio of the Development Bank of Namibia is healthy and it is also paving the way for further expansion. Moreover, DBN partnered with local commercial banks, Bank Windhoek and First National Bank of Namibia pull resources together, in creating joint efforts to develop MSMEs through mentorship, training as well as provision of capital. The partnership supported over 400 Micro Small and Medium Enterprises and the supported MSMEs have created approximately over 1000 jobs (Nakusera *et al.*, 2008:5).

The SBCGT was established with the aim of providing small businesses with the security required to access commercial bank loans. Therefore, SBCGT provides 80 percent of the loan to lending bank. SBCGT offers loan guarantees to businesses that have less than 5 employees, less than N\$ 1 million annual turnover and less than N\$ 500,000 in capital. These criteria exclude businesses in the manufacturing sector, where these criteria are doubled. SBCGT has provided guarantees to about 762 MSMEs and through these guarantees have created more than 4630 jobs (Nakusera *et al.*, 2008:5).

Ministry of Trade Industrialisation and SME Development (MTISD), assisted MSMEs with equipment and also capacitating these enterprises through, training, business registration, business plans formulation, to help MSMEs properly establish and run their businesses. The MTISD provided equipment and machineries to 12,204 MSMEs in all 14 regions of the country. The intervention is aimed at boosting production capacity of the MSMEs sector by providing them with much needed equipment (Republic of Namibia, 2014:7).

The researcher uses the following criteria to determine the success of institutions and interventions established and introduced to improve access to financial services for MSMEs:

- Sustainability of the programme and / or institution
- Reach out to targeted beneficiaries and criteria to select beneficiaries
- Number of beneficiaries benefited
- Number of employment opportunities created

The researcher is confident that these programmes and institutions are successful since they executed their mandate, proved to be sustainable, have reached the intended beneficiaries and have had positive impact on the beneficiaries and citizens that benefited and have contributed to the overall growth of the country's economy.

3.3 Overview of rural development in Namibia and Oshikoto Region

Oshikoto region is one of the fourteen political regions in Namibia situated in the northern part of the country, with an area of 38,685 km² and a population of 181,973 as per the 2011 national Population and Housing Census. Eighty-seven percent of the population live in rural areas and only 13% live in urban areas, with a population density of 4.7 people per km². The region has eleven (11) constituencies, namely, Eengondi, Tsumeb, Onyaanya, Omuthiyagwiipundi, Onayena, Oniipa, Omuntele, Nehale IyaMpingana, Okankolo, Olukonda and Guinas constituencies (Oshikoto Regional Council, 2014:15-16) and (Namibian Statistics Agency, 2012:13). Agriculture and tourism are the key economic drivers in the region, with the majority of the population involved in subsistence farming and only a few engaged in commercial farming. The tourism sector contributes to economic growth and development in the region as there are a number of tourism activities and tourist attraction sites in Oshikoto, including the famous Lake Otjikoto, Lake Guinas and Etosha National Park, Tsumeb cultural Village, fountains and conservancies in the region.

The pressing challenge in Oshikoto region is the large, dispersed rural population, under-development and inadequate infrastructure which makes it difficult for the regional authority and other development partners to bring about development. This is especially true in remote areas where there is a need to generate income like other

regions in other parts of the country, as per the mandate of the Decentralisation Enabling Act. However, the region has great potential for exploration and expansion in the fields of agriculture, tourism, manufacturing, logistics and other sectors that could ideally contribute to rural development. As a result, a number of initiatives and programmes were introduced at regional level, such as the Rural Employment Scheme, Micro-finance Scheme, Rural Industrialisation, One Region One Initiative, Regional Food Security Plan and Support Resources for Poor Farmers. However, some of these initiatives are not producing the desired results and targets due to lack of skills and technical know-how of the beneficiaries (Oshikoto Regional Council, 2014:9)

In addition to the above sectors the region has a number of Micro Small and Medium Enterprises with a lot of them operating in the three urban centres of the region, i.e., Tsumeb, Omuthiya and Oniipa, which also contribute to the region's socio-economic growth and development. Like other MSMEs, MSMEs in Oshikoto face various challenges and constraints which hinder their attainment of the full potential and contribution to the economic well-being and sustainability of the region. The most pressing constraints are lack of market and trading spaces and access to finance. Other challenges include, lack of support from the community and relevant authorities, no business advisory and business development services, lack of infrastructure, limited leadership, business and management skills, lack of access to information. To this end, the Ministry of Urban and Rural Development together with Regional Councils introduced a Micro Finance Scheme Programme aimed at assisting and upliftment of MSMEs in rural areas. Nevertheless, there are a number of critiques for this programme since most of the time the funds are late and beneficiaries have to wait for some time before the funds are released. In addition these funds are mostly lower than what the beneficiaries need (Oshikoto Regional Council, 2014:46).

The previous section gave an introduction and overview of Namibia and Oshikoto region. The following section will discuss the legislations and strategies that guide and provide a road map for rural development and enterprise development in Namibia.

3.4 Namibian Constitution 1990

Chapter 11, Article 95 of the Namibian Constitution deals with promotion of the welfare of the people, which highlights the enactment of legislation and frameworks that will encourage and enable all citizens to participate in all developmental efforts, earn a decent income and also have sustainable employment aimed at improving livelihood (Republic of Namibia 1990:45). Furthermore, the Constitution is also obliged to ensure that all citizens have the right to and can access public facilities and services with proper planning to increase and improve the living standards of Namibian people (Republic of Namibia, 1990:45).

Chapters 12, particularly Article 102 to 108 have provisions for regional and local government, determining that there shall be regional and local units consisting of regional and local authorities with the mandate of providing services to the grass roots communities with Chapter 12 also promoting decentralisation and rural development (Republic of Namibia, 1990: 48-50).

3.5 5th National Development Plan (NDP5) Namibia

Namibia's fifth implementation plan for Vision 2030 is aimed at growing the national economy and improving the country's economic status from middle income to high income; thus, this plan is focusing on structural transformation and modernisations of the economy (Republic of Namibia, 2017: 5). Structural transformation of the country's economic structure is set to be undertaken through industrial development and diversification. However, for the transformation to be realised the government and other actors will concentrate on upgrading and improving existing products and industries as well as investing in education and training to enhance development of the Namibian citizens human capital. Moreover, another key focus will be on the provision of quality public services, which includes hard and soft infrastructure and spatial planning (Republic of Namibia, 2017:6).

In this connection, for Namibia has set itself the target of attaining four goals in order to achieve economic transformation; these goals are:

- Achieve inclusive, sustainable and equitable growth through improvement and growing the economy; decent employment creation; poverty and inequality reduction.

- Build capable and healthy human resources. Since human beings are the most important assets in the country, it is important to introduce interventions and programmes that are aimed at creating a skilled and healthy work force.
- Ensure sustainable environment and enhance resilience. This goal strives to ensure that current development is sustainable; in other words \rightarrow does not compromise the potential of current and future generations from enjoying the benefits of the country's natural resources.
- Promote good governance through effective institutions \rightarrow through the creation of an enabling environment (Republic of Namibia, 2017:5).

Furthermore, the plan also introduced four pillars that are interlinked with the goals and these are economic progression; social transformation; environmental sustainability and good governance. Additionally, the following action steps were identified to drive Namibia towards an inclusive and high performing economy: increase investment in infrastructure development; increase productivity in agriculture, especially for small scale farmers; invest in technical skills development; improve and promote value addition for natural resources and achieve industrial development (Republic of Namibia, 2017:7)

3.5.1 Rural Economic development

Rural economic development is crucial for Namibia since more than half 57.9% of the population live in rural areas and most of the activities especially agricultural and tourism activities take place in rural areas. Unfortunately, economic activities in rural areas remain relatively low as most of the businesses operating in these areas are small and are not sufficiently supported as their counterparts who reside in urban areas. Relatively speaking, in the past, manufacturing in rural areas was hampered by inadequate skills, poor access to markets and lack of access to financial resources (Republic of Namibia, 2017:22)

Rural economic development is hampered by a number of factors, including, the land tenure system. Because Namibia inherited its land tenure system from colonial rule, the distribution of land is unequal and land is either freehold, communal, commercial or state owned. In rural areas, land is mostly communal or state owned, and this makes it difficult for economic growth and development, since the inhabitants cannot own land but only have user rights over such land. It is also not possible for the rural

inhabitants and land owners in rural areas to invest or use their properties as collaterals to access development funding. In addition the land application process is long and too cumbersome (Republic of Namibia, 2017:22).

However, this constraint is being addressed by the introduction of programmes and interventions including the Micro Finance Scheme Programme. Implementation of the rural economic development interventions is one of the priorities since Namibia has set itself the goal to improve the quality of life and socio-economic well-being of rural inhabitants and also reduce rural poverty from 37% as reported in 2010 to 25% by 2022 (Republic of Namibia, 2017:22)

There are a number of government and non-governmental institutions that provide services to rural inhabitants and are involved in rural development but these efforts are not coordinated and this leads to duplications and a waste of resources. Most rural development programmes have similar objectives and this result in limited development impacts (Republic of Namibia, 2017:22).

To improve the status quo, the following strategies must be implemented during the fifth development plan period (Republic of Namibia, 2017:23).

- Improve rural development through sustainable infrastructures; coordinate the efforts of all actors involved in rural development; establish and improve hard and soft infrastructures and create markets for rural products to enhance rural development.
- Develop and promote community-based and social enterprises, encourage and provide incentives for the private sector to get involved and invest in rural economies.
- Train rural communities on the sustainable use of natural resources. It is very important to train and sensitise the community on environmental preservation methods with the emphasis on environmental protection, waste reduction, and prevention of bush encroachment.
- Strengthen planning structures to foster sustainable rural economic development, through the creation of regional master plans as well as identifying and developing growth poles (Republic of Namibia, 2017:23).

3.5.2 Enterprise development

Namibia's fifth National Development Plan emphasised that it is imperative to create an enabling environment in which entrepreneurs and Micro Small and Medium Enterprises can operate and flourish. Enterprise development and promotion should be prioritised since it can contribute meaningfully to the country's economic growth and address the issue of unemployment (Republic of Namibia, 2017:16).

Start-ups and entrepreneurs are facing a number challenges, as the majority of them are not innovative due to lack of entrepreneurship culture and fear of taking risks. It is noticed that MSMEs and start-ups have difficulties in accessing business development services, mostly as a result of lack of financing and access to information. Despite the establishment of various financial institutions and MSMEs services provided by commercial banks, access to finance and financial services remains a challenge among entrepreneurs and MSMEs, for the following reasons: high interest rates, lack of or insufficient collateral, lack of information on available services (Republic of Namibia, 2017:16).

In response to the challenges faced by entrepreneurs and MSMEs' challenges, the following strategies were introduced to be implemented within the NDP5 period (Republic of Namibia, 2017:17).

- Create a conducive business environment, through the re-engineering of the business processes, strengthening of intellectual property registration as well as establishment of one-stop business centres countrywide.
- Optimising and improvement of policy instruments such as import substitution, infant industries protection, public procurement, to mention a few, as this will support the country's industrialisation development agenda.
- Accelerate MSME's development through the provision of government services in order to support and promote new enterprises and existing MSMEs. The services should include awareness and details on how to start and grow enterprises; how to produce goods that meet market standards and improve access to market
- Enhance collaboration among agencies and institutions that provide entrepreneurship support programmes and package them to reduce duplication and avoid the wastage of resources. The government must also facilitate the

process of linking entrepreneurs, micro and small enterprises to banks and financial institutions (Republic of Namibia, 2017:22).

- Enhance market access of local goods by introducing sustainable interventions with a focus on public procurement and also requesting local retailers to avail shelf spaces for local products, especially products produced by MSMEs.
- Improve access to financing for entrepreneurs, by encouraging lending institutions to design and promote an innovative lending model and appraisal methodologies for start-ups and MSMEs. In addition, savings and credit association schemes will be promoted and supported (Republic of Namibia, 2017:17).

3.6 Micro Finance Scheme Guidelines 2016

The Ministry of Urban and Rural Development developed Micro Finance Scheme guidelines, which serve as programme implementation guidelines and also provides information to the public, especially rural communities that are interested in participating in the micro finance grant for rural MSMEs.

The guidelines Ministry of Urban and Rural Development (2016:1) highlighted that the Namibian Government trusts and acknowledges the role Micro Small and Medium Enterprises plays in economic growth and socio-economic development of the country. MSMEs are the ultimate means of job creation as well as income generation, economic growth and poverty alleviation. However, MSMEs are pressed and faced with the challenge of lack of finance and access to financial services. For that reason, the Ministry of Urban and Rural Development introduced and facilitated a Micro Finance Scheme Programme providing grants to rural MSMEs with the purpose of supporting entrepreneurship development in rural Namibia.

The programme targeted all Namibians 18 years and older residing in rural areas with innovative business ideas in the following main target sectors: agriculture, retail, craft, mining, tourism, manufacturing, hospitality, etc. The programme encouraged the youth, people from previously disadvantaged and marginalised groups and women to apply for the grant (Ministry of Urban and Rural Development, 2016:1, 3 & 4). The main objective of the Micro Finance Scheme is to promote entrepreneurship, create employment and improve income in Namibian rural areas.

Following the main objective, the programme's specific objectives are:

- “To promote entrepreneurship in rural areas
- To build the capacity of rural entrepreneurship
- To provide financial support to entrepreneurs
- To create employment and generate income for beneficiaries” (Ministry of Urban and Rural Development, 2016:1)

The guidelines serve as a tool to ensure effective implementation and suggest the following strategies:

1. Implementation methodology \rightarrow this involves community mobilisation, awareness and sensitisation about the programme. Furthermore, invitation of potential beneficiaries for the programme must be done through appropriate media channels.
2. Application procedures \rightarrow applications to this programme should adhere to the following: (Ministry of Urban and Rural Development, 2016:2)
 - Regional Councils should call for interested entrepreneurs by way of advertising in appropriate media and the advert should run for at least 21 days.
 - Application forms have to be obtained from Regional Council and Constituency offices.
 - Application and programme enquiries should be directed to the Deputy Director: Rural Services.
 - Application for micro finance grants must be made on the prescribed form and completed forms must be submitted to constituency offices on or before the closing date.
 - Completed applications have to be scrutinised by the constituency development Committee (CDC), which shortlist and recommend suitable projects and proposals being forwarded to Council for approval.
 - The regional Council, through its specialised committee shall appraise and award successful projects and proposals to beneficiaries (Ministry of Urban and Rural Development, 2016:2)

3. Approval and implementation \rightarrow applications approvals were done by the Regional Council on recommendation of the CDC and the Regional Technical Committee. Implementation of the programme strived towards improving conditions for entrepreneurs as well as assisting with the formalisation of informal businesses. “The implementation process involved: entering into a support agreement between the Regional Council and the beneficiaries, providing technical materials and financial support to beneficiaries” (Ministry of Urban and Rural Development, 2016:2). The agreement between the Regional Council and beneficiaries was realised through entering into a Memorandum of Understanding. Moreover technical support offered included, facilitation of the formulation of business plans, opening of bank accounts and registration of businesses and conduct beneficiaries trainings were also conducted. Moreover, material support includes purchasing and distribution of materials to beneficiaries. The Ministry provided financial assistance to the minimum amount of N\$ 10,000.00 and a maximum of N\$ 70,000.00, based on the proposals and availability of funds (Ministry of Urban and Rural Development, 2016:3).
4. Monitoring and evaluation \rightarrow monitoring and evaluation of the projects and enterprises that benefited from the programme was done on regular basis by the Regional Council. The Regional Council was tasked with a responsibility of setting up monitoring and evaluation mechanisms to ensure that programme was implemented successfully and has achieved its objectives (Ministry of Urban and Rural Development, 2016:3 & 6)

According to the Micro finance guidelines (Ministry of Urban and Rural Development, 2016:6) the Regional Council was expected to carry out the following functions:

1. Mobilise the community to partake in this development initiative
2. Identify and select promising projects and enterprises through committees
3. Assess and evaluate viable and potential projects in their regions according to their needs and geographical local
4. Ensure effective administration and implementation of the programme
5. Take remedial measures against defaulting projects and enterprises

6. Conduct regular consultations and meetings with programme beneficiaries and report on progress, ensuring the safe keeping of project records
7. Provide quarterly and annual reports to the Ministry
8. Provide training as well as advice and technical support to the project members for effective implementation
9. Avail start-up capital to beneficiaries and facilitate procurement of materials and equipment upon approval
10. Enter into a Memorandum of Understanding with programme beneficiaries for the period of 3 years (Ministry of Urban and Rural Development, 2016:6)

In addition, the guideline also underlined the roles of the beneficiaries in the programme, as outlined below:

1. Submit viable project and business proposals for consideration
2. Adhere to the rules and regulations guiding the Micro Finance Scheme
3. Be honest, committed, transparent and productive
4. Ensure formalisation of their projects and enterprises
5. Repair and maintain the allocated equipment
6. Ensure enterprises and projects profitability and sustainability
7. Submit monthly and quarterly reports to the Regional Council (Ministry of Urban and Rural Development, 2016:6)

3.7 Micro Small and Medium Enterprises Policy 2015

The Micro Small and Medium Enterprises policy was revised in 2015 following the outdated policy of 1997. The policy acknowledges that Micro Small and Medium Enterprises play a critical role in the national economy and contributes towards job creation and income generation as well as improving the living standards of Namibian people. The policy further indicates that MSME's development has been prioritised in Namibia's National Development Plans and set national goals as a result. A thriving MSMEs sector was set as one of the critical success factors for reaching the national targets and achieving results for these plans. The MSMEs Policy as well as programmes emanating from it and other legal frameworks create an enabling regulatory environment that fosters MSME's promotion and development by private and public sectors including Non-Governmental Organisations and the civic sector (Republic of Namibia, 2015:4).

The out dated 1997 Namibian SME Policy focuses on addressing the challenges of lack of and access to finance, marketing, technology, infrastructure, skills development as well as institutional support facing MSMEs. The revised MSMEs' Policy set the vision of "Thriving MSMEs that ensure effective utilisation of available resources and significantly contribute to the economic development of Namibia through sustained job creation and economic growth". It sees the overall objective as creating a conducive business environment for MSMEs, allowing these enterprises to create sustainable employment and income generation through training, improved access to finance, technology and markets; improved capacity and entrepreneurial skills and also promoting innovation. It also seeks to address the same issues by incorporating new trends in MSMEs' development and promotion (Republic of Namibia, 2015:5).

The MSMEs' Policy provides an institutional framework, with the purpose of playing a coordinating role among MSMEs and stakeholders, avoiding mistakes of the past where many government institutions, private sector organisations, NGOs and civic organisations have Micro Small and Medium Enterprises development and support programmes that are not coordinated and not known or accessible to all. As lack of coordination of initiatives and programmes has led to duplication of efforts, misuse and exploitation of resources, most of these initiatives had no positive impact on the beneficiaries. The new policy creates a platform for the initiatives and programmes to be mapped and calls for synergies and coordination of efforts in the sector (Republic of Namibia, 2015:5).

Micro Small and Medium Enterprises in Namibia operates in a number of economic sectors with the majority involved in retail trading, followed by food processing, manufacturing as well as craft and few in the service sector (Republic of Namibia, 2015:9). The policy acknowledges that "MSMEs are the drivers of growth, innovation, development and job creation in an emerging economy where the scale and diversity of large businesses are insufficient to meet the demand for new investment and employment", hence the presence of MSMEs in the economy is very crucial (Republic of Namibia, 2015:8). Therefore, the policy calls for deeper integration of MSMEs into the national economy since its involvement in major key value and supply chains of key industries will be promising to the SMEs and other

sectors as well as of benefit to other segments of the Namibian economy (Republic of Namibia, 2015:8).

Though there are a number of interventions introduced to address the challenges faced by MSMEs and enhancement of rural development, a number of these enterprises are still constrained by the same challenges which include:

- Accesses to finance – MSMEs are pressed with the challenge of access to finance since they are regarded as risk clients. Most MSMEs do not pursue financial assistance from formal institutions, but rather from informal institutions, friends, families and colleagues, since literature has proven that “97% of Namibian MSMEs are considered as non-bankable”. Moreover, inadequate financial literacy is one of the contributors to lack of access to finance among MSMEs especially in rural areas (Republic of Namibia, 2015:9).
- Access to land and trading spaces – there are few affordable and conducive business premises countrywide and this is particularly more acute in rural areas, where land is communal and the tenure system does not allow businesses to own land. There is no serviced land that is readily available for usage by businesses and also higher rental and land prices hinder MSMEs’ operation, growth and development.
- Access to higher costs of utilities – there is insufficient supply of water and electricity in rural areas and as a result these commodities become more expensive and unaffordable to MSMEs.
- Skills ⇨ MSMEs and rural inhabitants are faced with a lack of entrepreneurial and managerial skills, Information and Communication Technology, accounting and bookkeeping. Therefore, the policy encourages skills enhancement and transfer as well as the use of appropriate technologies to improve performance and ensure success of both rural and urban enterprises.
- Crime in Namibia ⇨ MSMEs are more at risk of losing their belongings and goods as a result of theft and vandalism than large enterprises
- Global competition ⇨ we are in a global economy and have to catch up with other actors in this economy, which is more difficult to Namibian MSMEs due to shorter life cycle products, inadequate technology and infrastructure, skills and know-how (Republic of Namibia, 2015:10).

- Access to technology, research and development – research and technology are not given priority; furthermore, decisions and operations pertaining to these issues are not well informed in the MSMEs sector.
- Access to market – there is limited market size in Namibia and the products of MSMEs hardly reach the desired market plus there are challenges of marketing and limited export opportunities for these enterprises.
- Lack of accurate information on Micro Small and Medium Enterprises – there is no accurate and reliable information about MSMEs in Namibia that can be used for proper planning as well as effective monitoring and evaluation (Republic of Namibia, 2015:10)
- Cumbersome administrative processes – there are lengthy cumbersome and costly registration and tendering processes that are mostly done in an un-transparent manner; MSMEs mostly lack technical and financial capacity to keep up with all the procedures
- Lack of business development services – the business development services that are available are costly and unaffordable to MSMEs (Republic of Namibia, 2015: 11).

The MSMEs Policy is striving to address the above-mentioned challenges and also to incorporate Namibian Micro Small and Medium Enterprises into the whole economy. By integrating the MSMEs into the large network of producers and supply chain can promote vibrant, dynamic and competitive Micro Small and Medium Enterprises. The policy further encourages cooperation and coordination among MSMEs and their support organisations. The policy also emphasizes the need for developing a framework for support services for MSMEs' development, advocates the organisation of platforms that prepares MSMEs to face global challenges and be competitive (Republic of Namibia, 2015:12-13).

3.8 Regional and Local Economic Development (LED) Strategy Oshikoto Region 2014

The LED strategy, visualised the Oshikoto region as a leading industrialised region of excellence, focuses on growing and promoting five sectors, namely, MSMEs, agriculture, tourism, survival and manufacturing. Oshikoto LED strategy acknowledges the contribution of MSMEs to the regional as well as to the national

economy, through employment creation, contribution to domestic and export earnings, support innovation and poverty reduction. But there was still a challenge of access to finance, despite the Micro Finances scheme Programme introduced by the Ministry of Urban and Rural Development that partly assisted and improved access to finance for MSMEs in the region. However, funds provided are not sufficient to cater for enterprises and projects needs and sometimes the funds were not received on time (Oshikoto Regional Council, 2014: 32).

MSMEs in Oshikoto region are faced with challenges of access to finance, lack of affordable business premises, un-conducive business environment, lack of buying power, lack of suitable land, limited support services (Oshikoto Regional Council, 2014:3-4). The LED strategy also prioritised implementation of rural development programmes as well as improving rural infrastructures and services in order to improve the livelihoods of rural inhabitants of the Oshikoto region (Oshikoto Regional Council, 2014:17-18)

Hence, the strategy suggested the following:

- Introduction of well-coordinated training and mentorship programmes for MSMEs
- The Regional Council should consult other stakeholders, especially sector ministries, parastatals and NGOs to assist and jointly come up with projects and initiatives that will promote and develop MSMEs
- Integrate informal traders into the economy and help them formalise their businesses
- Establish a regional fund that will support MSMEs in the region, the source of funding for this fund will be the Regional Council, and other MSMEs stakeholders as well as through fund raising
- Create a conducive environment for MSMEs and entrepreneurs to operate and encourage MSMEs to take part in the development affairs of the region, and also tenders, by introducing procurement criteria and practices that are suitable for MSMEs (Oshikoto Regional Council, 2014:4-5)
- Expand and promote MSMEs and innovation in order to reduce unemployment and alleviate poverty

- Facilitate the establishment of forums and co-operatives for MSMEs to work together, share experience and resources and skills (Oshikoto Regional Council, 2014:27)
- Improve existing infrastructure and the construction of new ones much needed for smooth operation of MSMEs and entrepreneurs in both rural and urban areas (Oshikoto Regional Council, 2014:34).
- Council should take up the dissemination of vital information, a critical element for business operations and success (Oshikoto Regional Council, 2014:48).

3.9 National Rural Development Strategy 2012

The Namibian National Rural Development Strategy stated that since independence Namibia introduced programmes and initiatives aimed at supporting and developing rural areas. The strategy confirmed that on average 26% of public funds goes to rural development on a yearly basis. Although there were some improvements in rural areas, progress made and socio-economic developmental impact was minimal and underdevelopment of these areas and poverty remained high. Studies and assessments conducted proved that some interventions introduced and implemented were insufficient and cannot support rural development. Hence, the National Rural Development Policy was developed with this strategic plan as an implementation guide to address these issues and develop rural areas and uplift their residents (Republic of Namibia, 2012:1).

According to the National Rural Development Strategy (Republic of Namibia, 2012:2) in Namibia, rural development is very broad-based and was mostly referred to as complex, as it includes and deals with all actions and efforts to uplift rural areas and livelihoods of rural inhabitants by various stakeholders. Sixteen Ministries, fourteen Regional Councils, a large number of private sector organisations, Non-Governmental Organisations (NGOs) and civic sectors are all playing important roles in Namibian rural areas. The strategy further highlighted three strategic focus areas as objectives that are related to coordination and capacity development, these strategies are: Effective rural development policy and strategy coordination and management; effective planning, coordination and implementation of rural development initiatives

at regional level; improved communication related to life skills and social development (Republic of Namibia, 2012:2).

The strategy also identified strategic objectives with the focus on rural economic development which includes: “Improved business and investment climate in regions; rural finance and value chain development; improved land tenure and rural land management; farming as a business – improved farm and rangeland management in communal areas” (Republic of Namibia, 2012:2).

The above strategic objectives, if implemented accordingly, will have positive impact on rural developers and rural areas, since they cut across all important sectors from policy and setting frameworks to implementation strategies, effective and inclusive planning and improvements and also sound communication between stakeholders, actors and beneficiaries. Furthermore, it emphasises improved businesses skills and improved access to finance as well as promotion of value chains and improvement on land tenure for smoother business operations when it comes to borrowing and acquiring business premises (Republic of Namibia, 2012:2).

The National Rural Development Strategy (Republic of Namibia, 2012:6) highlighted that “rural businesses and rural manufacturing are hampered by many constraints, such as lack of business skills, lack of technical skills, long distances, poor access to markets and lack of access to financial services”. In addition, access to land and inflexible land tenure were identified as challenges constraining rural areas. The National Rural Development Strategy further raised concerns with regard to slowing the decentralisation process in the country, since decentralisation was supposed to improve rural areas. As a result, the key rural development functions and activities decentralised to the regions through Regional Councils were not effectively implemented and executed, as the process was not well facilitated and there was not enough support from central government and there was an inability to attract qualified skilled staff to the rural areas (Republic of Namibia, 2012:9).

The strategy made provision for Government Ministries, Offices and Agencies to act as regulators, enablers, monitors and service providers in rural development. At the same time, NGOs, the civil sector and private sector development partners as well as the beneficiaries themselves served as service providers, facilitators, lobbyists,

advocates and implementers of rural development initiatives and programmes (Republic of Namibia, 2012:7).

Lack of coordination, especially within government institutions and development partners at both central and regional levels was experienced and was also reported to be one the reason the government initiatives and programmes were not effectively implemented. Information and updates were also not shared and communicated to the intended recipients. This also lead to duplication of efforts by most organisations and limited or difficult outreach of services and no positive impact from the rural development programmes. Coordination structures were in place at regional level, unfortunately, most of these structures are non-functional. These structures include Regional Development Coordination Committee (RDCC), the Constituency Development Committee and other committees facilitated by the development stakeholders in the region. The above leads to negative perceptions regarding communication and coordination, distortion of trust, exclusion of private sector and non-state actors and discourages, citizens to participate in government programmes.

The strategy also emphasised improvement of the business environment and its promotion as well as the improvement of communication and dialogues between business communities and the public sector. The strategy further highlighted that rural enterprises will be improved and thrive if there is value chain promotion and support, improved inputs and access to market, improved access to finance and financial services as well as enhancement and improvement of business advice and trainings (Republic of Namibia, 2012:12).

Businesses are very important in any economy therefore, it is important to strengthen and improve the relationship and dialogue between business and public authorities and also ensure that businesses are part of the development process, motivate them to contribute to the developmental processes and plough back into the communities (Republic of Namibia, 2012:14). Moreover, rural business can be supported and developed through incorporation into value addition and value chains, improve and accessible input markets, improve and accessible financial opportunities as well as the provision of business advice and trainings. In the same vein, there is also an urgent need to relook at cumbersome and centralised business registration processes and procedures that have caused most of rural businesses to be unregistered and thereby

being referred to as informal. In addition, land tenure in rural areas makes it difficult for rural businesses to invest and get loans and other financial services (Republic of Namibia, 2012:14).

Based on the above rationale, the rural development strategy centres on the four dimensions namely: Coordination and institutional capacities; rural economic development; social and employment factors; spatial planning; environment and climate change, each with specific objectives and the first two borrowing more on Micro Small and Medium Enterprises development and support, which are discussed below (Republic of Namibia, 2012:14):

To improve MSMEs' operation and groom them to thrive, this strategy proposed an establishment of a Rural Enterprise Facility (REF), which will have services especially for MSMEs and will provide financial and technical support to these enterprises and in value chain promotion, helping MSMEs to get assistance and access services anywhere (Republic of Namibia, 2012:25). The National Rural Development Strategy stresses that the Rural Enterprise Facility will further provide support to commercial banks, micro-finance and non-governmental institutions that provide finances in their efforts to render their services to rural inhabitants and enterprises. Development of new and improved loan products as well as a rural finance guarantee scheme will also be implemented by this facility (Republic of Namibia, 2012:25).

3.10 Growth at home strategy 2012

“Small and Medium Enterprises have proven to be a key driver of industrialisation and structural transformation around the globe” (Ministry of Trade and Industry, 2012:28). For that reason, the government, through the then Ministry of Trade and Industry, took an initiative of focusing on MSMEs' promotion and development through the introduction of various programmes and initiatives to review the SME Policy and to align it and programmes to national priorities and objectives as stipulated in Vision 2030 and the National Development Plans

The Growth at Home Strategy (Ministry of Trade and Industry, 2012:29) emphasised that the revision of MSME programme had to be well aligned and coordinated in order to respond more effectively to the plights of SMEs with regard to access to finance and markets, access to infrastructures and technologies, product development,

mentorship and training as well as quality assurance. Moreover, the strategy lays more stress on creation of an enabling environment, especially on regulatory framework, including business registration, taxation and procurement (Ministry of Trade and Industry, 2012:29).

3.11 Namibia's Industrial Policy 2012

According to Namibia's Industrial Policy, the robustness of the SME sector as a vehicle for job creation and economic development is again being augmented in the on-going global economic crises (Ministry of Trade and Industry, 2012:9). International experience showed that enterprises' flexibility of business framework have the ability to create more jobs and do not retrench easily during economic difficulties (Ministry of Trade and Industry, 2012:9)

Therefore, the industrial policy acknowledged the importance of MSMEs and calls for the establishment of MSMEs as well as their promotion and development, by: establishing the SME bank; encouraging development of a second-tier banking regulation that will make it easier for the SME bank to assist business establishment and growth as well as ensuring execution of training and development programmes for SMEs and entrepreneurs (Ministry of Trade and Industry, 2012:10).

3.12 Namibian Vision 2030 -2004 and the 4th National Development Plan (NDP4) 2012

Vision 2030 is a national vision aiming at transforming Namibia into an industrialised nation of equal opportunities with all inhabitants enjoying high levels of the quality of life. The overall goal of Namibia's Vision 2030 is "to improve the quality of life of the people of Namibia to the level of their counterparts in the developed world by 2030" (Republic of Namibia, 2012:3). Vision 2030 is implemented through five years of the National Development Plans currently at the Fifth National Development Plan, which supports rural development through a number of interventions, programmes and projects by various actors, following the third and fourth National Development Plans which called for "accelerated economic growth and deepening rural development" (Republic of Namibia, 2012:3).

The national policies identified challenges in the Namibian business environment that affect start-ups and existing businesses, especially the Micro, Small and Medium

Enterprises. Literature had indicated that these challenges need to be addressed in order to bring about changes and as a result, the business environment in Namibia will be conducive to enhance MSMEs and entrepreneurs growth and thriving (Republic of Namibia, 2012:36). The identified critical challenges are briefly discussed below:

3.12.1 *Ease of doing business in Namibia*

Literature has proven that it is not easy to do business in Namibia. This was mainly due to the number of days and procedures to be followed to establish and register a business. In addition, the World Bank study has also proven that Namibia has the longest time frame and number of procedures for registering businesses compared to other countries. The study established that to register a business in Namibia it takes 66 days and 10 procedures (Republic of Namibia, 2012:36), as compared to Ghana and Nigeria. In Ghana it takes 17 days and 6 procedures or 22 days if one of the business partners is a foreigner, (Dowuona & Company, 2014: 3). While in Nigeria, it takes 26 days and 10 procedures to register a business, (The World Bank, 2018:8). It was evident that ease of doing business contributes to the number of informal businesses and also obstructs or hinders businesses and entrepreneurs from accessing the required services and support from various institutions (Republic of Namibia, 2012:36).

3.12.2 *Access to finance*

Among all, access to finance is the key challenge facing businesses especially start-ups and Micro Small and Medium Enterprises in Namibia. The key contributing factors to lack of finance and access to finance and financial services are: higher bank charges, high transaction costs, and limited knowledge of financial matters, limited appropriate and innovative financial products and instruments. The above factors contribute to the inaccessibility of financial services and this made it difficult for enterprises to operate and they resort to funds from family and friend and shy away from financial institutions. Although this is a global challenge, more responsive measures need to be undertaken and implemented (Republic of Namibia, 2012:36).

3.12.3 *Access to land*

Access to land specifically serviced land in both rural and urban areas was also listed as another critical factor constraining MSMEs. Issues regarding to availability, affordability, tenure and delivery affect the current dynamics of urbanisation and

business development. “One of the biggest constraints facing rural enterprises was the non-collateralisation of land rights in communal areas and particularly land tenure in settlement areas that does not allow businesses and individuals to own land (Republic of Namibia, 2012:37)

3.12.4 Research and innovation

Research and Development as well as innovation are very important to start-ups factors as well as expansion of existing enterprises since it provides the necessary and much needed information on the products, production, consumers, market and market trends in order to strike a balance between supply and demand. Innovation was also very critical since we need to change and adapt to new processes and innovative ideas and the latest technology (Republic of Namibia, 2012:37). Unfortunately, research, development and innovation are limited in the Namibian business environment especially among Micro Small and Medium Enterprises. Thus, some much needed initiatives are needed in the plan to improve on this area (Republic of Namibia, 2012:37)

3.12.5 Public service delivery

“Public service delivery in Namibia also needs to be efficient and effective. Despite significant progress in establishing a fully functioning bureaucracy there are major concerns about delivery capacity of certain state functions. This impeded the ability to provide the range of goods and services required by citizens” (Republic of Namibia, 2012:37). Fourth National development Plan calls for the strengthening of senior civil servants managerial and leadership capacities to enable them to perform their duties more effectively and efficiently and also plan according to the response required by the challenges of MSMEs (Republic of Namibia, 2012:38).

3.13 Namibian Financial Sector Strategy 2011-2021

For various reasons MSMEs in Namibia have been experiencing and still have difficulties in accessing and getting finance from formal financial institutions. However, the Namibian Financial Sector Strategy highlighted the need and importance of financial inclusion by all groups from all sectors. Financial inclusion guarantees access to financial services as well as adequate and timely service provision to vulnerable groups such as the MSMEs and low-income class at

reasonable and affordable rates (Ministry of Finance, 2010:25). Financial exclusion of some economic groups has a negative impact on the country's economy.

Lack of access to financial services especially in the case of rural MSMEs in Namibia has been acknowledged and documented. It has been rated as one of the priorities to be addressed or tackled in the National Development plans as well as the Financial Sector Charter. Fifty-one percent 51.7% of the Namibian population falls in the category of the financially excluded and the majority of them reside and operates in rural and peri-urban areas. However, this is more persistent since MSMEs are considered as being too small for lending by formal financial institutions and especially commercial banks, as they are considered as not able to pay back what they borrowed. At the same time they are also too big to lend at micro lenders' level since the amount required by SMEs mostly exceeds the micro-lenders credit limits (Ministry of Finance, 2010:28-29).

The biggest challenge that hampers access to finance and financial services, specifically for rural inhabitants and MSMEs, are: high transaction and information costs, unmitigated risks, lack of appropriate collateral, unfriendly business regulations and by-laws, oligopolistic bank market structure that limits innovation due to limited competition as well as a land tenure system that does not consider some assets including rural houses as collateral (Ministry of Finance, 2010:29)

Through the Namibian Financial Sector Strategy, the Ministry of Finance has introduced a consumer financial literacy and protection programme aimed at creating awareness and educating the nation on financial matters. It was proven that mostly consumers especially MSMEs and low income groups and the unemployed lack consumer knowledge of rights and entitlements, financial products and services. Financial management and literature have also proven that these are some of the major contributors to the inaccessibility of financial services and to enterprises being un-bankable (Ministry of Finance, 2010:25).

The Namibian Financial Sector Strategy found that access to financial services and products play a significant role in any country's economy as it reduces poverty and inequality. Unfortunately, access to financial services remains a challenge in most countries world-wide and this has a negative impact on such countries' economic

growth and development. Many interventions and programmes have been introduced to address this hindrance, and in Namibia the interventions are also geared towards improving access to finance by rural people and enterprises at small scale, specifically in the micro-finance field (Ministry of Finance, 2010:28).

Financial institutions especially banks, had limited success in addressing the challenge of access to finance among MSMEs. However, the challenges become very acute and a constraint to many and this has resulted in commercial banks introducing and establishing departments and services designed specifically for MSMEs. Mostly, these departments deal with MSMEs' financing through coaching as well as mentorship of these enterprises in order to improve their operations.

The Namibian Financial Sector Strategy proposed some strategies that should be implemented and undertaken to improve access to financial services and products as well as increasing financial inclusion in Namibia for previously disadvantaged and vulnerable segments of the society. In addition, the review of the Credit Agreements Act also proposes incorporating new financial instruments, addressing new impediments and responding to current situations, the improvement of collateral laws and improving the balance between debtors and creditors' rights. Lastly, it proposes the review of the loan threshold of commercial banks and micro finance institutions and their alignment with international best practices (Ministry of Finance, 2010:29).

3.14 Regional and Local Economic Development (RLED) White Paper 2011

During the development of the third National Development Plan (NDP3), the Namibian government identified Local Economic Development as one of the tools to address poverty in the country. As a result, Local Economic Development concept was introduced in Namibia and a Regional and Local Economic Development White Paper was developed as framework that guides LED stakeholders in LED planning and implementing local economic development at national, regional and local levels (Republic of Namibia, 2008:54).

The Regional and Local Economic Development White Paper stressed that MSMEs are the engine of any local economy, and further emphasized that a diversified, thriving small business sector ensures sustainable socio-economic development as

they are the main sources of wealth generation and employment creation (Republic of Namibia, 2011:16). Hence, the RLED White paper cautioned that “the role of government in job creation and small businesses promotion shall be that of developing market-friendly economies; that is, where markets are not distorted by the activities of government and where the task of government and the task of developing small businesses have less to do with providing direct assistance to private sector and more to do with the facilitation of access to a market-friendly environment (Republic of Namibia, 2011:16).

The White Paper puts more emphasis on markets access and availability of marketable goods and services as well as buying power \rightarrow which is limited in some Namibian localities especially in rural areas. This is one of the reasons MSMEs suffer and have difficulties in accessing and benefiting from formal financial institutions’ finances and financial services (Republic of Namibia, 2011:16).

Thus the RLED White paper proposed the following initiatives and strategies to support MSMEs:

- Establishment of open markets and trading premises in proximity to consumers and traders in both rural and urban areas. It stressed that such markets should not be typical markets, but must include market development programmes, which include access to micro credit, bulk buying, transport, joint storage and also promotion and encouraging innovation, value addition and product diversification, mentorship programmes and start-up support.
- Formalisation of land tenure, which will allow inhabitants and businesses to own land and have title deeds instead of leasing or occupying it illegally so that MSMEs can use it as loan collateral for business development and improvements.
- The white paper also encourages promotion of business linkages and cooperation between small and larger enterprises for skills transfer purposes and also making shelf space available for local products as well enabling small traders to purchase from large chains at wholesale prices in order to resell in the communities.
- Establishment of small and medium business information units, which will serve as first point of contact and the disseminating of relevant information

and updates on markets and market trends. Such information units should be located in regional and local authority offices and open markets and industrial parks and should be established and operated in conjunction with key stakeholders in the MSMEs sector such as the Namibian Chamber of Commerce and Industries, SME Compete, etc.

- Promote cooperation with commercial banks in providing MSMEs with tailor-made products that will address the needs and plight of MSMEs and mostly recommend the introduction of short-term credit through this collaboration.
- Reviewing of regulatory frameworks to be more business friendly and create an enabling environment for all businesses including small enterprises and start-ups to contribute meaningfully to economic growth (Republic of Namibia, 2011:16-17).

3.15 National Rural development Policy 2011

Rural development policy defined rural areas as well as areas outside the proclaimed townships, municipalities, towns and villages and further identifies rural areas comprising diverse ecology, natural resources endowments, various cultures, human settlement patterns and also most of them being in the proximity urban areas and market. Rural areas support a number of activities especially primary production and secondary processing trade and services both in urban rural areas (Republic of Namibia, 2011:7).

Two thirds of the Namibian population live in rural areas and these rural inhabitants are faced with the challenges of socio-economic development and suffer social and economic exclusions (Republic of Namibia, 2011:1). Namibia has been putting more effort into bridging the gap between rural and urban area, through rural development. However, rural development still remains a challenge and requires more improvements in order to bring the status of rural areas and its living standards close to that of urban areas (Republic of Namibia, 2011:1).

The policy focuses on national government priorities and Millennium Development Goals (MDGs). These are agriculture and food security, reduction of extreme poverty and the protection of the rural environment, as rural development cannot be executed in isolation. The rural development policy integrates other sectorial policies to

improve efficiencies and effectiveness in developing rural areas and provision of services to rural communities (Republic of Namibia, 2011:1).

To respond to the plight of MSMEs, the policy prioritised the establishment and formalisation of rural businesses and also link them to make them part of the national economy sector. The rural development policy also advocates market provision in rural areas, marketing and also the creation of platforms where rural communities can display and trade their products and produce (Republic of Namibia, 2011:6-7).

3.16 Regional Council Act 1992

Regional Councils are established as per Article 108 of the Namibian Constitution and the Regional Council Act 22 of 1992. The Regional Councils Act mandates Regional Councils to plan and develop, run and manage the region. This includes physical, social, economic and environmental planning, execution and management (Republic of Namibia, 1992)

3.17 Chapter summary

There are a number of regulatory frameworks that facilitated and guided rural development as well as operations and developments of Micro Small and Medium Enterprises and entrepreneurs in Namibia. These instruments acknowledged the importance of MSMEs in the economy and the contributions they make despite the challenges they are facing. Access to finance and financial services, especially by Micro Small and Medium Enterprises as well as a number of interventions were introduced and executed to remedy these challenges. However, the situation of these enterprises did not change much and called for the revisiting of programmes and interventions aimed at promoting, growing and developing MSMEs. In addition, the regulatory frameworks also emphasised the need for more cooperation and coordination of efforts to improve performance, avoid duplication and misuse of resources.

Chapter 4: Research methodology

4.1 Introduction

This chapter outlines detailed explanation of the methodology used to conduct this study, with the focus on the research design, sampling method, sampling size and sources of data as well as data interpretation and analysis

4.2 Research design

According to van Wyk (2012:3) research design is the overall plan that connects conceptual research problems to appropriate and feasible empirical research. “Research design is a comprehensive plan for data collection in an empirical research project” (Bhattacharje, 2012:35). In other words it is a blueprint for research intended to provide answers to specific research questions or testing research hypothesis; and most importantly, it should include at least three processes that are: data collection process, an instrument development process as well as sampling process. As it has been noted and emphasised by various researchers, research design articulates the required data as well as data collection and analysis methods to be used as well as how data analysis and interpretation shall answer the research question or questions. In the same vein Parahoo (1997:142) and Polit *et al.* (2001:167) concurred with van Wyk and describe research design as an instruction on how, when and where data is to be collected and analysed and further highlighted that research designs should allow the researcher to answer the research question and or test the research hypothesis.

The study is an evaluation study and applies qualitative research approaches. In addition, the study embarked on a case study approach which involves procedures and techniques of investigating as well as understanding the underlying forces of a particular system. Case study was used in this study since the researcher identified it as the best approach for studies involving contemporary issues. . For instance, in this case the Micro Finance Scheme Programme for rural MSMEs and its effect on rural socio-economic development (Anti, 2012:37)

Rural development in rural areas is the concept under study and Micro Finance Scheme is the considered concept to bring about change to MSMEs in rural communities. Therefore, rural development is the dependent variable while the Micro

Finance Scheme is the independent variable. The study looks at variables, like rural economic growth, employment creation, income generation, infrastructure development and maintenance under rural development as well as access to finance and MSMEs development under microfinance scheme (Anti, 2012:37). On the other hand qualitative research is more descriptive and provides more detailed analysis of research attributes like perceptions, opinions plus knowledge of a particular group or individual on the issue. In this study a qualitative approach is used to probe the effect of the microfinance scheme programme on rural development and also the perceptions regarding the benefit of the programme beneficiaries in the view of Council officials as executors of the programme (Anti, 2012:37).

4.3 Data requirement sources

Data was required from MSMEs that benefited from the programme as well as Regional Council staff members from Rural Development Division. MSMEs were required to provide data on the general programme, its approach, how it benefits from them and also its effects on their enterprises and rural development in general. On the other hand, Regional Council staff members were required to provide insights on the programme, whether it was properly executed or not, whether the programme was necessary, what changes it brought about to the region; and the challenges experienced when executing the programme.

Table 4.1: Data requirements, sources and modes of data collection

Objective	Data required	Sources	Mode of data collection	Date
Determine the theoretical foundation of development with a focus on rural economic development and growth as well as entrepreneurial development	Definition of development; development theories; rural economic growth and development challenges and interventions	Journals, reports, books, articles	Review of literature	10 April – 30 May 2016
Explore best practices on rural development and access to finance for MSMEs in Africa	Challenges and obstacles to MSMEs' development in rural areas. Programmes and interventions implemented in other African Countries	Journals, articles reports and other publications	Review of literature	10 April – 30 May 2016
Identify and assess key services offered by the programme	The programme's contribution to MSME's development and rural development	Council staff members, beneficiaries, strategies and guidelines, reports and other publications	Interviews, questionnaires, observation and	28 June – 22 July 2017
			review of literature	10 April – 30 May 2016
Establish the sustainability and capacity of the Micro Finance Scheme Programme beneficiaries	Number of years beneficiaries are in operation, income earned and increased, employment created, skills and knowledge improved	Council staff members, policies, strategies and guidelines, periodic, reports	Review of literature and	10 April – 30 May 2016
			questionnaires	28 June - 22 July 2017
Determine the effect of the programme on the beneficiaries and rural development in Oshikoto region	Relevance of the programme and effects of the programme on the beneficiaries and on regional development	Beneficiaries, Regional Council staff members, policies, strategies and guidelines,	Interviews, questionnaires, observation and	28 June- 22 July 2017
			review of literature	April-May 2016
Explore the challenges faced by programme administrators and beneficiaries and identify remedies to such challenges	Challenges faced by the beneficiaries and the Regional Council staff members	Beneficiaries and Regional Council staff members	Interviews and questionnaires	28 June – 22 July 2017

4.4 Population and sampling

According to Nachmias and Nachimians (1992) cited by Anti (2012:39) population is defined as the aggregate of cases that conform to some designated set of specifications. Sampling is the statistical process of selecting a subset of a population of interest for purposes of making observations and statistical inferences about that population. Social science research is generally about inferring patterns of behaviours with specific populations (Bhattacharje, 2012:65) and sampling is a subset of the sampling units from a population. Data collectors normally do sampling in studies since it is difficult to study the entire populations because of feasibility and cost constraints. Hence, a selection of a representative sample from the population of interest is made for observation and analysis. A sample must be representative of the population so that the inferences derived from the sample can be generalised back to the population of interest (Bhattacharje, 2012:65).

The population of the study was all beneficiaries of the Micro Finance Scheme Programme and Regional Council staff members. The sample was the selected beneficiaries and staff members to be part of the study which will be a fair representative of the entire population. There are 68 beneficiaries for this programme and 7 staff members in the Directorate of Planning and Development at Oshikoto Regional Council.

4.5 Determination of the sample size

The researcher developed criteria to select the sample size as well as sampling units. The selection was done based on the number of enterprises and projects supported by the programme and the staff members from Rural Services Division at Oshikoto regional Council. To ensure that the sample is representative and not concentrated on some segments of the population of beneficiaries and to ensure that the staff members with experience in the field were selected. Other criteria were used to select the samples from the study population. For beneficiaries, the researcher selected the sample based on the sector of operation and the nature of business, beneficiaries' location and the year they benefited. On the other hand, three (3) staff members from Rural Services Division in the Directorate of Planning and Development as administrators of the programme were also part of the sample, selected through purposive sampling.

The selection of the beneficiaries' sample was done with the assistance of the Regional Council staff members since they work closely with the beneficiaries and monitor them on regular bases.

4.6 Data sources, sampling methods and data collection instruments

This section outlines the sampling methods, size, sources of collected data, instruments used to collect data and analysis of the collected data.

4.6.1 *Sampling methods and sample size*

Non-probability sampling method was used or adopted with the motive convenience and purposive sampling. These sampling techniques are employed or used because the required information as well as relevant and accurate data can only be obtained from beneficiaries and staff members from Rural Services Division in the Regional Council. Moreover, the researcher used conveniently and purposive sampling to select the sample of the study from the beneficiaries and administrators of the programme that represented the whole population and provided the required and accurate information for the study. Based on this, a total number of twenty-six participants were interviewed. The sampled population includes three (3) staff members from Oshikoto regional Council, and thirteen (13) projects as well as ten (10) enterprises that benefited from the programme. No one was recruited to collect data; all data was collected by the researcher.

4.6.2 *Data sources*

Secondary and primary sources were both used to gather data and relevant information for the study. Questionnaires, interviews and observation were used to collect primary data and information from the programme beneficiaries and Regional Council staff members. Primary data was supported and supplemented by secondary data from various sources such as reports, publications and articles on rural development; MSME's finance and development, plus theses by other researchers were consulted.

4.6.3 *Data collection instruments*

Questionnaires were designed based on the study objectives and information or gaps identified and obtained during literature review. Due to time and resources constraints, since the population of the study were 650 kilometres away from the

researcher, no pilot study was conducted before the actual study. However, questionnaires were handed over to respondents beforehand for them to go through and see if it makes sense and respondents were free to ask the researcher for clarifications. Furthermore some questionnaires were completed by interview; and this gave the researcher an opportunity to adjust and change where necessary.

To ensure accuracy and relevance of the collected data, the researcher went through answered questionnaires with the respondents from the Regional Council and follow-up questions were asked to quantify those answered and ensure that the researcher understood all the answers provided. The researcher was also contacted by the respondents telephonically for an explanation and in order to clarify some questions.

At the beginning, some respondents were reluctant to answer some questions and provide details. This was because a number of researchers have visited those asking similar questions and promised to address their challenges. But nothing ever happened and no-one ever provided them with feedback. However, the researcher managed to convince the selected sample population and explain to them in detail that the data collected was for study purposes and findings as well as the report will be shared with the Regional Council and the Ministry of Urban and Rural Development. In addition, the researcher also informed the respondents that they can opt not to provide the required information and answer to questions if they were not comfortable doing that and they could leave the study at any time they wished to.

The researcher used both structured and unstructured questions in the questionnaires and interviews. This is because structured questions are more coordinated and can be easily understood and answered and can also be easily analysed. On the other hand, non-structured questions give a chance to respondents to provide more detailed and relevant answers more openly and without restrictions. Closed and open-ended questions were applied or used in data collection as a means of gathering accurate and reliable data.

From the beneficiary's side, questionnaires were completed with an interviewee and interviews were conducted in the late afternoons to avoid interruptions since these enterprises are mostly busy in the morning and early afternoon. Considering the literacy levels of the beneficiaries and in order to get the right responses questions

were translated and asked in a local language. Respondents were allowed to answer in both English and Oshiwambo and respondents' answers to the questions in the questionnaires were recorded by the researcher.

4.7 Data Analysis

Qualitative analysis was used to analyse qualitative data from interviews and questionnaires. Qualitative analysis depends on the researcher's analytical and integrative skills and personal knowledge and understanding of the context wherein data is collected. In other words, qualitative analysis requires a creative and investigative mind set (Kumar, 2011:122). Data was analysed manually based on meanings drawn from respondent's responses as well as observation notes made as well as notes made during interviews and follow ups. The information collected was classified into themes to assist in the analysis of data collected. The themes also emanated from the research questions.

Chapter 5: Presentation of the study findings

5.1 Introduction

The findings of the study are presented in this chapter, based on the data collected during data collection as presented in chapter 4. The findings are presented according to the following themes: Background and structure of the programme; Application and selection process; Programme execution and effect; Beneficiaries monitoring and support; Enterprises and project background information; Programme awareness accessibility and application process; Programme execution and effect, assistance and changes required to improve the programme which guided the researcher in addressing the objectives of the study. The study focused on two units of analysis, which are the Regional Council staff members as well as enterprises and projects that benefited from the Micro Finance Scheme Programme with each theme linked to a particular objective. The first part this chapter presents findings of the Regional Council responses and the second part presents the beneficiary's perspective and responses.

5.2 Regional Council responses

This part presents a summary of findings from the Regional Council representatives as programme administrators.

5.2.1 *Background and structure of the programme*

The first part summarises the programme background and characteristics of beneficiaries, focusing on the introduction of the programme as well as the number of beneficiaries from various sectors that benefited from the programme.

5.2.1.1 *Programme background*

The Micro Finance Scheme Programme was introduced in Namibia in 1996 and started to be implemented in Oshikoto region during the 2011/2012 financial year. The programme ran for 6 years till 2017/2018. However, for accuracy purposes, this study will only focus and evaluate the programme from 2011/2012 to 2016/2017 financial years.

5.2.1.2 Programme beneficiaries and operation

The researcher asked the programme administrators to indicate how many beneficiaries have benefited from the programme up to the 2016/2017 financial year. The respondents indicated that the programme has assisted 69 beneficiaries, 37 projects and 32 enterprises since its inception in the Oshikoto region between 2011/2012 and 2016/2017 financial years, as indicated in figure 5.1 below. The beneficiaries are from all constituencies of the region, an indication that the population is well represented and that most of the targeted population was reached. However, it is worth noting that no beneficiaries benefited during the 2015/16 financial year due to the unavailability of funds during that year.

With little funds allocated, the programme has benefited a number of beneficiaries in five financial years; however, more projects benefited from the programme than enterprises because of the amount of funds allocated to projects and enterprises. Programme administrators also indicated that a number of enterprises prefer to operate in urban areas than in rural areas, due to the rural setup and other constraints discussed in 2.3, 5.2.3.3 and 5.3.4 that hinder business operation and growth. However, with the introduction of the Micro Finance Scheme Programme, a number of enterprises were operating in rural areas.

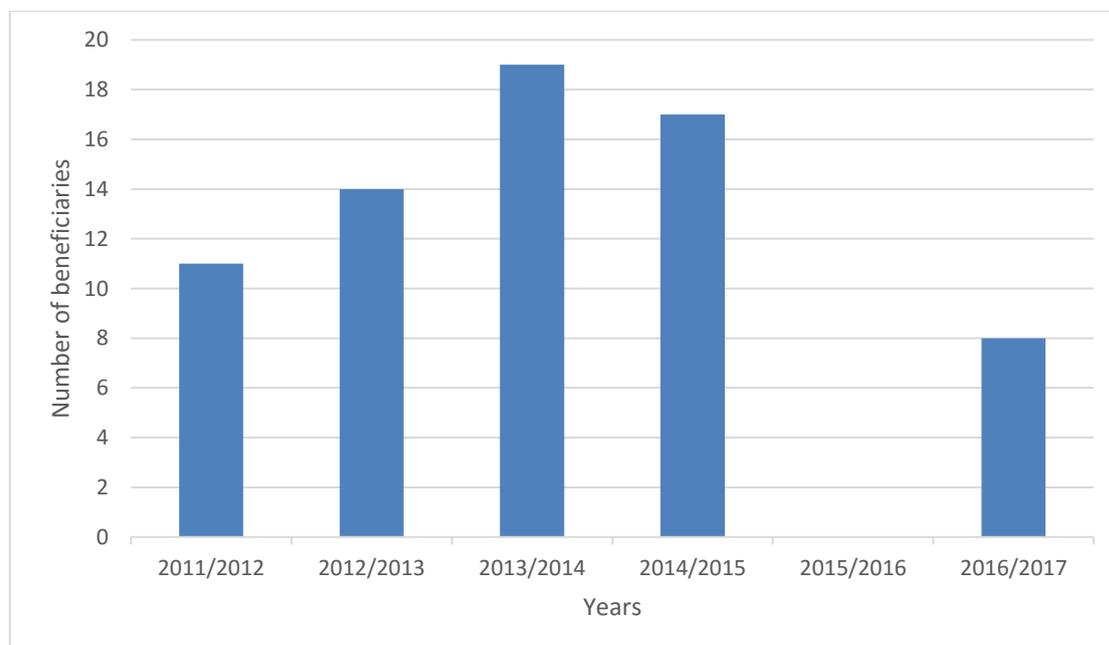


Figure 5.1: Beneficiaries of the Micro Finance Scheme Programme: 2011/2012-2016-2017 financial years

The following number of beneficiaries were sampled from the total number of beneficiaries of the programme:

Table 5.1: Number of beneficiaries from 2011/12 to 2016/17 Financial Years

Year	Beneficiaries	Sampled beneficiaries	
		Projects	Enterprises
2011/12	11	2	2
2012/13	14	2	2
2013/14	19	4	2
2014/15	17	3	2
2016/17	8	2	2
Total	69	13	10

5.2.1.3 Existing and newly established enterprises beneficiaries

Since the inception of the programme in 2011, a total of 69 enterprises and projects have been established and supported, including those which have since defaulted.

Table 5.2: Number of new and existing enterprises and projects

Beneficiary category	Newly established	Sampled	Existing: Support received for improvement	Sampled
Enterprises	11	6	10	4
Projects	19	8	29	5
Total	30	14	39	9

As indicated in Table 5.2 above, 6 new enterprises and 8 projects were established and 4 enterprises and 5 projects were in existence before the programme and were supported through the programme for improvement purposes.

5.2.1.4 Number of interviewed beneficiaries per sector

A question was asked on the number of interviewees per sector and the responses are presented below

Table 5.3: Number of interviewed programme beneficiaries per sector

Agriculture		Manufacturing/ processing		Service and tourism		Others	
Projects	Enterprises	Projects	Enterprises	Projects	Enterprises	Projects	Enterprises
6	2	6	2	1	3	0	3

Out of all the interviewees 57% (13) were projects and in the following sectors: agriculture (6), manufacturing and processing (6), tourism and service (1). In addition, 43% (10) enterprises interviewees are operating in the following sectors: agriculture (2), manufacturing and processing (2), tourism and service (3) and 3 enterprises fall under other sectors because they provides general services from service provision to processing, to construction; therefore they cannot solely be classified under a specific category, as indicated in table 5.3. More beneficiaries are from agriculture and manufacturing and processing sectors, since these are the leading sectors in the region and they were also priority sectors for the Government of the republic of Namibia during implementation of the 4th National Development Plan.

5.2.1.5 Enterprises and projects memberships (staff complement) and employment created

A question was asked as to whether the programme has contributed to employment creation and income generation. Interviewed enterprises have partners ranging from 2 to 7 persons, while projects that started with 3–5 members now have up to 14 members. A total number of 204 employment opportunities were created during the five years, of which seventy (70%) were created through projects and 30% were created by enterprises. The programme has achieved some of its objectives which include employment creation and income generation in the rural areas of Oshikoto.

5.2.2 Application and selection process

5.2.2.1 Accessibility of the programme by the intended target group.

The researcher asked whether the programme had reached the intended population or not

Table 5.4: Programme accessibility

Yes	No	Don't know
2 (67%)	1 (33%)	0

Sixty-seven percent of the respondents indicated that the intended target group was reached as the people in the region are aware of the programme and the council was receiving a number of queries about the programme as well as applications to the programme increased over the years. Thirty-three percent indicated that the programme did not reach the intended segment of the community as only a few

inhabitants have access to information as well as the fact that awareness is not directed to every corner of the region. The study has established that the programme is accessible to all the regional inhabitants and has also reached the intended population. Since the beneficiaries were from all the constituencies of the region and the interviewed beneficiaries have proved that there are information-sharing platforms that are created by the Regional Council.

5.2.2.2 Expression of interest: Micro Finance Scheme Programme

For the programme to reach and benefit the intended target, the Regional Council ran advertisements and call for proposals from interested parties. The researcher asked the respondents to indicate the beneficiaries' most preferred and least preferred methods of advertisement. Responses on the preferred methods are indicated in the figure below



Figure 5.2: Advertisement methods

As indicated in figure 5. 2, expression of interests and call for proposals for the Micro Finance Scheme Programme are done via newspapers, notice boards adverts and radio announcements. The study established that newspapers were mostly used, radio was fairly used and notice boards were used occasionally. The interviewees indicated that the most favoured media were newspapers and radio which are mostly used for disseminating information and calls for proposals for the Micro Finance Scheme

Programme in the region. Newspapers were accessible to many and the adverts ran for some time, to ensure accessibility by the majority and gave reasonable time to the applicants. In addition, newspapers can be shared among a number of people. On the other hand, radio is the most used and preferred means of communication in rural areas, due to the fact that, communications are done in the vernacular languages, which are understandable by the majority if not all the regional inhabitants.

5.2.2.3 Application and selection process

The time frame between application submission and approval is more than a month, to enable application of all the necessary procurement steps and measures to be undertaken. This is because the Regional Council uses the government procurement system. The Regional Council calls for proposals from interested regional inhabitants; and adverts normally ran for a month to allow sufficient time for applicants to submit their applications. Respondents indicated that the time frame from submission of applications and application approval is plus minus four weeks, after which the successful applicants have to wait for two to four months before receiving the funds.

The study has established that the time for running the advertisements and call for submission of proposals from the programme's aspiring beneficiaries was reasonable since it gives applicants enough time to write their proposals and prepare all the documentations required to submit a complete application. However, the programme administrators indicated that some applicants still consider the time frame as being too short and as a result some struggle to submit completed application forms. Based on the research findings, there was enough time between the date of submission of the proposals and the approval and notification of successful applicants.

5.2.2.4 Beneficiaries selection and funds distribution process

The researcher also enquired about the approach of selecting beneficiaries as well as the allocation of funds among successful applicants. Regional Council respondents indicated that there was a regional selection committee comprising representatives from Ministries of Gender Equality and Child Welfare, Ministry of Industrialisation Trade and SME Development as well as the Constituency Office and representatives from Oshikoto Regional Council, the selection committee was responsible for selecting beneficiaries and allocating funds to the successful applicants.

The Regional Council staff members indicated that the selection of successful applicants was done based on the programme guidelines, and focussed more on initiatives and proposals with the potential of contributing to sustainable income generation and employment. The criteria used were viability, sustainability, number of employment opportunities to be created, existing infrastructures and markets. Funds were allocated based on the above criteria, viability of the financial and technical proposals and availability of funds. The selection committee was made up of representation of rural development actors and stakeholders in a region, and the researcher is confident that this is a good composition that enables the members to make sound decisions. The programme administrators indicated that the selection committee acted on fair grounds since all the applicants were treated equally and the selection was done based on the viability of the applicant's proposals and the programme guidelines.

5.2.3 Programme execution and effect

5.2.3.1 Allocated amounts of funds to beneficiaries

A question was asked on the minimum and maximum amounts allocated to beneficiaries. Respondents indicated that beneficiaries received a minimum amount of N\$ 5000 (five thousand Namibian Dollars) and a maximum amount of N\$ 67, 427.88 (sixty seven thousand four hundred-and-twenty seven Namibian Dollars eighty-eight cents). According to the researcher, this is relatively not sufficient for projects and businesses to create meaningful employment opportunities, income generation and rural development, especially for beneficiaries in the technical trades and manufacturing as well as the processing sectors. It thus follows that the allocation of funds to beneficiaries should be based on the sectors and sub-sectors of the applicant's projects and enterprises.

Moreover, the interviewees were of the view that funds allocated to the Council were not sufficient and sometimes the applications had to apply or source for additional funding elsewhere. In some instances the applicant's proposals in respect of the proposed projects and business ideas were of a huge magnitude and entailed large amount of funding. As a result some applications were turned down due to unaffordability or they were given a small of portion of what were in their budget

proposals. This forced the applicants to source funds from elsewhere or to reconsider their proposals and reduce their scope of work.

5.2.3.2 *Execution of the programme as planned*

A question was asked to establish if the program was implemented as planned or not. All respondents (100%) expressed that the programme was not executed as planned; the reason being that projects and proposals were not always received on time from the community. On the other hand, funds were not transferred on time from the Ministry of Urban and Rural Development; and as a result it reaches the beneficiaries at a later stage. In addition, sometimes the guidelines were not properly followed and applied by the applicants and programme beneficiaries. In some instances the information did not reach the whole targeted population. Despite the findings discussed in 5.2.2.1, the programme administrators indicated some loopholes that make the execution of the programme difficult and in most cases that delay the implementation process.

Table 5.5: Programme execution

Yes	No	Not always	Can't say
0		3 (100%)	0

5.2.3.3 *Beneficiary' successes and failures*

The researcher asked the Regional Council representatives how many beneficiaries were successful and the reasons for success or underperformance of the beneficiaries. Out of the beneficiaries that benefited from the Micro Finance Scheme Programme in Oshikoto region, 74% were successful; 26% were unsuccessful or a struggling and some have defaulted. The researcher asked the major reasons for successes and failures and respondents responded as illustrated bellow:

- Commitment, passionate and enthusiasm by enterprises and projects
- Equity and mobilisation of personal capital
- Proximity to urban and market centres
- Engagement and establishment of projects and enterprises that addressed and responds to local needs
- Implementation of business advice from technical support staff from the Regional Council and other public and private institutions
- Entrepreneurial and business minded
- Skills, knowledge and know-how of business models and operations
- Well established and organised individuals, enterprises and groups

- Proper budgeting and bookkeeping in order to separate business funds from personal funds
- Regional Council and other institutions' support
- Participating in capacity building initiatives (education, finances, materials and equipment)

On the other hand, some beneficiaries failed or underperformed for the following reasons:

- Inadequate funding
- Lack of commitment among group members and partners
- Inadequate support services and dilapidated infrastructures
- Funds provided by the programme are too small and limit enterprises and projects to operate effectively
- Lack of innovation since people tend to copy or duplicate what others are doing
- Sometimes no proper research done on the market, marketing, consumer, products demands, required workforce
- Lack of appropriate skills and knowledge required to run a business or project
- Lack of coordination and proper facilitation between beneficiaries and Regional Council

5.2.3.4 *Did the programme yield expected results*

Table 5.6: Expected results achieved

Yes	Partially	No	Not sure
1 (33%)	67 (2)%	0	0

More than half of the respondents, 67%, indicated that the programme partially yielded expected results. Reasons being, some projects and enterprises were located in remote areas without support infrastructure, making it difficult for these beneficiaries to operate and get the necessary support from technical staff and supporting institutions. Another reason was that at the beginning of the programme little funding was allocated to beneficiaries. While 33% specified that the programme has yielded expected results, taking into consideration the number of enterprises and projects established as a result of the support from the micro finance programme, employment

created, income improved and generated, as well as capacity and skills enhanced. However, 6% of respondents were not sure if expected results were yielded since they were not certain if the changes and improvements in the region were really as a result of the programme.

The study concluded that the programme had yielded expected results, because of the achievements and targets that were reached. Based on the programme guidelines, the programme was aimed at promoting entrepreneurship in rural areas, provide financial support and build capacity for rural entrepreneurs as well as create employment and generate income for beneficiaries. These goals were achieved.

5.2.3.5 *The effect of the programme in the region*

The researcher asked if the programme had made an effect or impact in the region since this was the central question of the study, to which a substantial number of respondents (67%) confirmed that the programme had an effect in the region as indicated in the previous section. However, 33% stated that there was not much impact at regional level. The reason for this is that issues of unemployment and poverty reductions targeted by the programme were very complex, and cannot be realised within a short period of time. Therefore, the programme would take some time to make an impact and to determine if the socio-economic impact experienced in the region was a result of the programme or not.

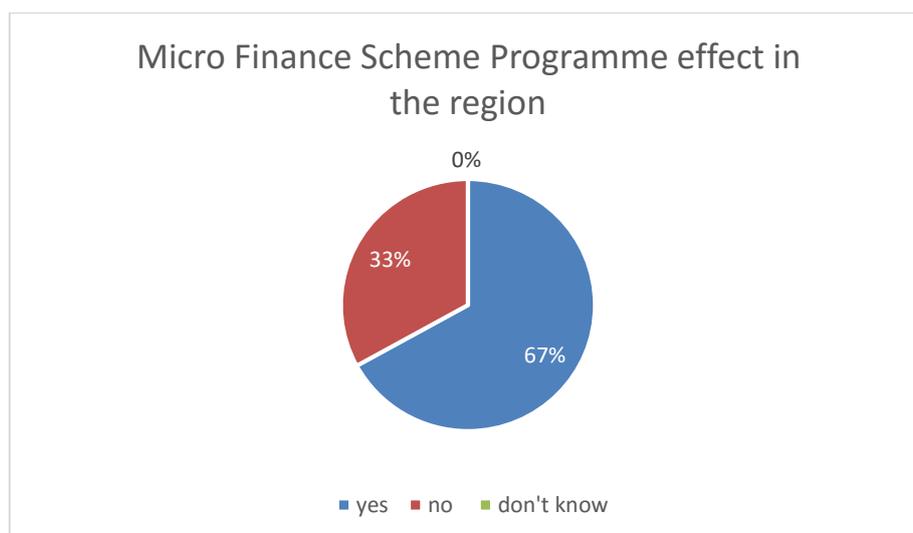


Figure 5.3: Effect or impact of the Micro Finance Scheme Programme

The above was justified by follow-up questions on whether the programme contributed to income generation and employment creation in the region. The answer to this question was yes and respondents indicated that 204 jobs were created by various beneficiaries and income generated ranged from N\$2500 and N\$3500 per month on average.

5.2.3.6 The Micro Finance Scheme Programme and rural development

According to respondents, the programme had an effect in the region since new projects and enterprises have been established and the existing ones' operations have slightly improved. In addition, a number of employment opportunities were created and income generated and capacity as well as infrastructures improved. Nevertheless, the impact at regional level is not that high; reasons being that issues of poverty and unemployment are very complex and it will take time to determine the impact since few projects and enterprises benefited as a result of little funding. Hence, future studies are recommended in five or ten years time to determine the impact of the programme on rural development in the region.

5.2.4 Beneficiaries monitoring and support

5.2.4.1 Regional Council's capacity to implement the programme

The study desired to find out if the Regional Council has enough capacity to implement the programme with regards to the adequate staff compliment; whether the staff members have the required skills, and also if there were enough finances to execute the programme. The responses are as follows:

Table 5.7: Regional Council's implementation capacity

	Yes	No	Partially
Staff establishment		65%	35%
Skills	100%		
Finance		98%	2%

100% of the respondents indicated that the Regional Council had the necessary skills; however, the staff compliment and finances were not sufficient / were a challenge. The reason being, that the region is too vast and there are only few staff members in the Regional Council that deals with rural development and in most cases the staff members find it difficult to reach all regional inhabitants and provide the necessary assistance and vital information. In addition, Regional Council respondents indicated

that they got funding for implementation of projects as well as technical support and advice from Ministries and other institutions, and this also enhanced their capacity to administer the programme.

The study concluded that the Regional Council had skilled staff that can administer the programme; however, they are understaffed. The staff shortage and the vastness and remoteness of the region make it difficult for the programme administrators to reach all the inhabitants; this also hinders regular consultations and information disseminations. Insufficient financial resources also jeopardise the capacity of the Regional Council to effectively administer the programme since the implementation budget is being allocated to the Regional Council from central government, through the Ministry of Urban and Rural Development. This contributed to the programme being not accessible to all the targeted population and as a result, the programme only partially achieving its intended goals.

5.2.4.2 Programme monitoring and evaluation

A series of questions were asked around beneficiaries monitoring as well as monitoring and evaluation of the programme. Respondents from the Regional Council indicated that they monitor beneficiaries on a quarterly basis. Mechanisms used to monitor and evaluate the programme were: site, project and enterprises visits to assess the projects and enterprises performances and operations. In addition, projects and enterprises monitoring sheets were created to record a beneficiary's progress and challenges at every visit. The study found that programme administrators conduct regular monitoring and evaluations to assess whether the beneficiaries were adhering to the programme guidelines as well as to their project proposals and business plans. The other reason for conducting these inspections was to assess if the programme was working and also to determine the effect the programme has on the community.

5.2.4.3 Defaulting beneficiaries

The researcher asked the programme administrators if there were beneficiaries that have defaulted. The programme administrators responded that very few (4) beneficiaries have defaulted so far. Responding to how the programme administrators were dealing with the defaulters, respondents explained that they follow the procedure in the programme guideline that guides them on how to deal with defaulting beneficiaries. The guideline stipulated that the beneficiaries have to enter into a

memorandum of understanding with the Regional Council and it clearly specified and emphasised that should the beneficiary fail to operate as per the agreement and their proposals, the materials and funds will be taken away from them and given to other applicants. The study established that the programme has measures on how to deal with defaulters and it is clearly specified in the guideline. However, prior to the signing of the agreement, programme administrators explained and sensitized beneficiaries on what is expected and required from them as well as consequences and actions taken against beneficiaries if they did not adhere to the programme requirements and guidelines.

5.2.4.4 Mentorship and development programmes for beneficiaries

All respondents indicated that the beneficiaries received training and mentorship in various fields from the Regional Council and other institutions with the mandate of MSMEs' development. At the same time, during Council visits, beneficiaries were also encouraged and mentored on how to improve their projects and enterprises. The study established that programme administrators has executed this function effectively, the reason being that the Regional Council staff conduct regular training needs assessments and also identify the critical areas in which beneficiaries need assistance and where improvements were required. Based on the finding of the assessments, programme administrators together with other stakeholders developed training and mentorship programmes and conducted the training and mentorship for the beneficiaries. Through these initiatives, the beneficiaries' knowledge, skills, and operation capacities were improved; beneficiaries were also motivated and encouraged to be confident with what they were doing.

5.2.4.5 Challenges experienced by the programme administrators during programme execution

The Regional Councils experience the following challenges when implementing this programme:

1. Limited funding and late transfer of funds from the Ministry of Urban and Rural Development
2. Remote areas without support infrastructures which makes it difficult for the administrators and other support institutions to access these areas and also makes it difficult for projects and enterprises to operate and grow

3. Sparse distribution of the population with limited income affect the markets in terms of the products and services offered and produced by beneficiaries
4. Staff complement, not sufficient to carry out all the expected tasks and monitor the execution of the programme in the region

The study established that the programme administrators experience the above-mentioned challenges and constraints that hamper them to implement the programme as planned and the programme to achieve its targets and goals. However, if these challenges are addressed and also considering the recommendations provided in 5, 2.4.6 and recommendations in chapter 6, the programme administrators will be able to implement the programme effectively and efficiently and achieve the programme's targets and desired outcomes.

5.2.4.6 Recommendations for programme improvement

Respondents representing the Regional Council indicated that certain changes needs to be effected on the programme for the programme to be executed more efficiently and provide better results and benefits to the intended recipients / beneficiaries and make an impact in the region. In this regard, Regional Council staff members suggested the following improvements for the programme to effectively and efficiently achieve its goals and objectives:

- Increase funding in order to respond to the beneficiaries' needs, as the allocated amount was not always sufficient for beneficiaries to operate effectively.
- Beneficiaries need to double their efforts and commitment

5.3 Beneficiaries' responses

The second part of this chapter summarises the findings from the beneficiaries of the programme as illustrated bellow.

5.3.1 Beneficiaries information

5.3.1.1 Number of interviewed beneficiaries per sector

Table 5.8: Number of programme beneficiaries interviewed per sector

Agriculture		Manufacturing/ processing		Service and tourism		Other	
Projects	Enterprises	Projects	Enterprises	Projects	Enterprises	Projects	Enterprises
6	2	6	2	1	3	0	3

The respondents were required to indicate the sectors in which they are operating in order to ensure that the beneficiaries were from various economic sectors. Out of all the interviewees, 57% (13) are projects and in the following sectors: agriculture (6), manufacturing and processing (6), tourism and service (1). In addition, 43% (10) micro enterprises interviewees were operating in the following sectors: agriculture (2), manufacturing and processing (2), tourism and service (3) sectors and 3 enterprises which fall under “other” as they provide general services from service provision to processing to construction; therefore, they cannot be solely classified under specific preceding categories, as indicated in table 5.8 above.

The research findings indicated that the beneficiaries were mainly from the agriculture, manufacturing as well as service and tourism sectors. It was established that the agricultural and manufacturing sectors were the dominant sectors in the rural areas of Oshikoto region, this was basically due to the geographical situation; In addition, the dominant sectors were mostly supported at the national level as they were the priority sectors under Namibia’s fourth National Development Plan (NDP4).

5.3.1.2 Number of years an enterprise / project in operation

The researcher asked the beneficiaries to indicate the number of years they were in operation and their responses are illustrated in table 5.9 below.

Table 5.9: Time beneficiaries were operational

Number of years in operation	Absolute frequency	Relative frequency (%)
1-3 years	3	13%
3-5 years	8	35%
5-10 years	6	26%
10-15 years	3	13%
15-20 Years	3	13%
Total	23	100%

Table 5.9 indicates that respondent beneficiaries have operated their enterprises, projects and cooperatives mostly for 3 to 15 years. Only a few have been in existence for less than 3 years or for more than 15 years. The majority enterprises and projects have been in existence for 3 to 5 years (35%) and 26% between 5 and 10 years and a few beneficiaries (13%) have been in existence for between 1 to 3 years, or for more than 10 years. This illustrates that the programme is open to all projects and enterprises and not restricted to the number of years in operation. This also indicates that the projects and enterprises are sustainable since the majority have been in operation for more than three years. The beneficiaries' projects and enterprises improve and grow with time.

5.3.1.3 Beneficiaries' start-up capital

Table 5.10: Sources of beneficiary's start-up capital

Micro Finance Scheme Programme		Friends and family		Grants /loans from other institutions		Project and enterprise members	
New	Existing	New	Existing	New	Existing	New	Existing
8	0	2	4	1	2	2	3

The majority (8) of the respondents in the study indicated that they acquired their start-up capital through the Micro Finance Scheme Programme; most respondents, 6 beneficiaries, got funding or start-up capital for their enterprises and projects from friends and family; 5 received their start-up capital from project members and 3 acquired their start-up capital through grants and loans, as illustrated in table 5.10 above. The study established that the majority of the respondents acquired their start-up capital from the Micro Finance Scheme Programme and this indicated that the programme is needed in the region and has assisted beneficiaries in establishing their projects and enterprises.

5.3.2 Programme accessibility and application process

5.3.2.1 Programme awareness and information sharing

The researcher also asked if the Regional Council conducts regular awareness and information sharing sessions to inform inhabitants about the programme and provide them with required information:

Table 5.11: Awareness and information sharing sessions

Yes regularly	Yes not regularly	No
12 (52%)	8 (35%)	3 (13%)

Fifty-two (52) percent indicated that awareness and information sharing sessions were conducted on a regular basis while 35% indicated that there were sessions although not on a regular basis and 13% indicated that there was no information sharing sessions conducted by Council; they only heard of the programme through friends and when they enquired from the Councillors and officials. Hence, they suggested that more awareness and information sharing should be conducted and that this should be done more often by constituency Councillors and Regional Council staff members through public meetings, radio announcements and programmes, newspapers, notice boards and bill boards. The Regional Council should also ensure that people in villages, including those residing in remote areas, are included and are part of these information sharing sessions.

5.3.2.2 Accessibility of the programme

Ninety-three (93) percent of the population indicated that the programme is easily accessible and 7% indicated that it was not easily accessible. Therefore, in order to improve accessibility to the programme, more awareness and information sharing sessions should be conducted and these sessions should also include people living in remote areas as alluded to earlier. Currently, these awareness sessions are held in urban centres and few rural areas while the programme is targeting rural inhabitants. The respondents further requested or suggested that councillors or staff members should distribute and collect application forms in the villages since constituency offices and the Regional Council is far from where some inhabitants reside which make it difficult for them to access this programme.

5.3.2.3 Expression of interest: Micro Finance Scheme Programme

For the programme to reach and benefit the intended, the Regional Council advertised for proposals from interested parties using newspapers, radio announcements and notice boards. The researcher asked beneficiaries how they learnt about the programme and the responses are illustrated below:

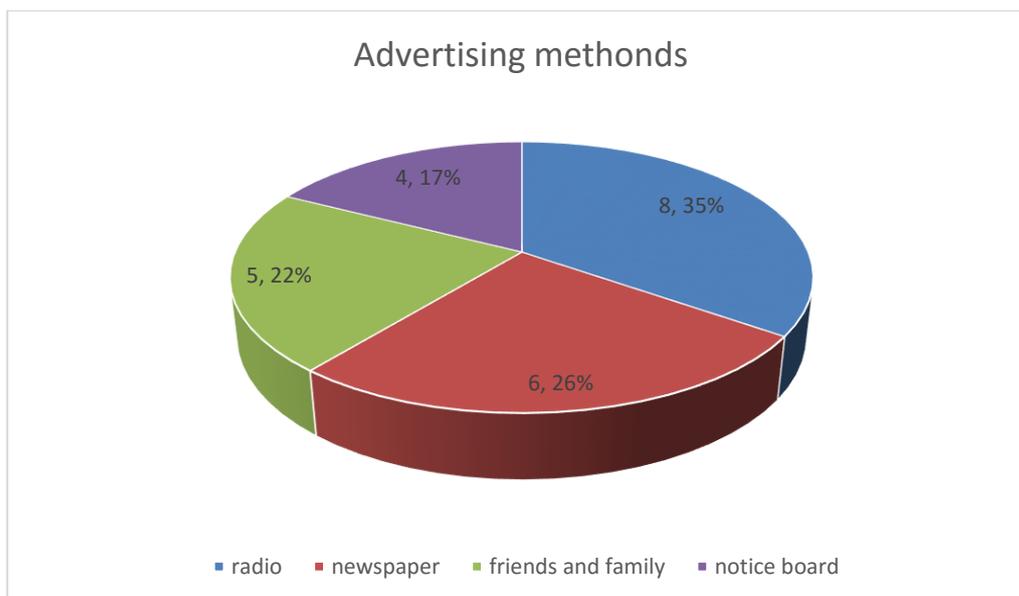


Figure 5.4: Advertisement placement methods used by beneficiaries

Figure 5.4 above indicate that the Regional Council tried to make the programme known and reachable to the intended beneficiaries. Eight (8) respondents indicated that they heard about the programme on radio and six (6) pointed out that they saw it in newspapers, while five (5) indicated that they heard about it from friends and family. In addition, four (4) indicated that they saw it on notice boards. It is worth noting that the radio and newspapers were the most preferred mode of communication and the most suitable for information dissemination in rural areas.

5.3.2.4 Motive for beneficiaries to partake in the programme

Beneficiaries were asked to list the reasons that motivated them to take part in the micro finance programme.

The following reasons motivated beneficiaries to apply:

1. Passionate about business and enterprises but did not have start-up capital
2. To gain knowledge and skills on how to run the business. Some, beneficiaries have been struggling with business for some time but not progressing and growing due to lack of resources and business skills
3. To benefit and improve business by creating employment and contribute to the economic growth and development of Oshikoto and Namibia at large
4. Start a business and making a living

5.3.3 Programme execution and effect

5.3.3.1 Sufficiency of allocated funds to beneficiaries

The researcher also asked respondents to indicate whether the funds allocated under this programme were sufficient. All respondents indicated that the funds allocated under this programme were not sufficient and could not cater for business and project needs, as well as for business enhancement and growth. In addition, the respondents indicated that in some cases they were required to complement or supplement the funds allocated by the programme with funds from elsewhere.

However, the respondents highlighted or confirmed that the programme, although the funds allocated were not sufficient, they acknowledged that the programme had assisted them to establish their businesses and projects and also to improve their operations and help them grow. Some respondents (40%) indicated that the programme helped them to employ more staff and increase production and as a result, income has increased as well.

5.3.3.2 Changes in the business environment

Respondents were asked to share the changes they had experienced in the business environment since the introduction and implementation of the programme. Respondents indicated that the programme had made it easier for them to register businesses and that they have also realised the importance of registering a business. Respondents said that in general, there is a conducive environment for business establishment and operation in the region; presence of business-friendly regulations as a result of enterprises and project member suggestions and their expression of their expectations from authorities and consultations with authorities. In addition, what helped was support received from the Regional Council and other government institutions, NGOs and the private sector. Most of the changes were realised through trainings that beneficiaries had to go through. The trainings were in various areas and fields, including business advice and information on business regulations.

In addition, 25% of respondents indicated that the programme had promoted their projects and businesses and as a result of increased marketing and promotion of businesses and products, more people learned about their businesses and projects. Moreover, skills enhancement gained through the Micro Finance Scheme Programme

also improved operations and businesses in general. Most of the respondents (75%) indicated that they were also grateful since they had opportunities to attend shows, expos and trade fairs.

The study also established changes in enterprises and projects since the beneficiaries benefited from the programme:

Table 5.12: Changes experienced by beneficiaries in their establishments

Greater turnover	100%
More employment created	70%
Skills enhanced	95%
Market access improved	55%
Increase in production	60%

All respondents indicated that they had experienced greater turnover and an increase in income. Equally important, 70% indicated that they were able to create more employment as a result of additional funding, equipment received and capacity building initiatives conducted, 95% indicated that their skills were enhanced through training and exposure visits, as well as taking part in expos and trade shows; 55% indicated that there were improvements to market access as a result of promotion and advertisement as well as their partaking in fairs. And finally, 60% also indicated that their production increased as a result of more financial, human and material resources and also capacity building through skills development.

5.3.3.3 Programme effect

A question was asked as to whether the programme had contributed to rural development and if it had an effect on the region. All respondents indicated that the programme has contributed to rural development through community empowerment and creation of opportunities for rural inhabitants, creation of wealth and improvement of their living standards. The programme has improved the socio-economic situation of the region and the rural areas can now competing with urban centres, since they are now empowered and can create and grow enterprises and projects, create employment and also contribute and cater for social needs. The study established that the living standards of the beneficiaries and other regional inhabitants have improved, since these beneficiaries and other inhabitant's income were increased, wealth was created through the employment that was created and improvement in jobs and means of production, as a result the beneficiaries can now

invest and save more, acquire valuable materials and assets and can also pay for services. Additionally, community members are empowered and encouraged to take part in the regional development initiatives.

5.3.3.4 Response to the challenge of access to finance among MSMEs and entrepreneurs

Table 5.13: Responsiveness to the challenge of access to finance among MSMEs

Agree	Somehow agree	Disagree
25%	60%	15%

A question was asked as to whether the programme has responded to the plight of access to finance among the MSMEs and entrepreneurs in the region. Twenty-five (25) percent of the respondents agreed; 60% somehow agreed and 15% disagreed that the programme has addressed the challenge of access to finance among MSMEs and entrepreneurs. Respondents that agreed with the statement justified their response by asserting that the programme has assisted them with finances as well as the enhancement of capacity through provision of equipment as well as skills and knowledge development through trainings. Respondents further indicated that some enterprises and projects could not be initiated or started without the programme's assistance. Respondents that disagreed with the statement indicated that the challenge of access to finance among MSMEs had not been addressed since funds awarded were not enough and there was no proper coordination of interventions among the stakeholders. The research has concluded that the plight of access to finance among entrepreneurs and small enterprises was partially achieved since the funds allocated to beneficiaries was not sufficient for some beneficiaries, In addition, the issue of coordination among stakeholders is critical and was one of the factor that hinders efficient delivery of services.

5.3.3.5 Mentorship and development programmes for beneficiaries

All respondents representing beneficiaries indicated that they had received trainings in the following fields: business management, business registration, customer care, book keeping, pricing and costing, marketing and promotion, innovation and creativity, record keeping, value addition and procurement. Beneficiaries were also exposed to field and exchange visits to larger enterprises and projects within the region and also outside the region. In addition, 2 enterprises and 1 project were exposed to investment

conferences and expos outside Africa. This is a good experience since the beneficiaries are exposed to different business practices and operations, and business management skills that will assist them in improving their operations and grow.

5.3.3.6 Challenges experienced by beneficiaries

The researcher asked beneficiaries if they experienced challenges when applied for funding and other services under the Micro Finance Scheme Programme. The majority of the respondents indicated that they did not experienced any challenges (60%) as the adverts and application forms were clear and the applicants were not really far from the Regional Council, this also made it easier for them to access Council staff, who even assisted them with the completion of the forms; a few (15%) indicated that it was not easy to obtain the application form due to the distance they had to travel and the communication barrier between them and the Council; five per cent (5%) stated that they did not have all the necessary documentation required to complete the application forms, and twenty per cent (20%) indicated that they had difficulties with opening bank accounts and registering their enterprises and projects with the relevant authorities.

In the same vein, respondents pointed out that beneficiaries experienced the following challenges when operating their enterprises and projects:

- Difficulties in finding and retaining skilled workers that are willing to work in remote rural areas
- Poor roads that get worse during the rainy season, especially finder or access roads to the villages
- Too many rules and regulations (standards, quality assurances) to be met
- Product tests and certifications are done in Windhoek or South Africa and in most cases you need the services of a middle man for your products to receive the go-ahead, which is costly.
- Lengthy licensing procedures and business registration process
- Land tenure → rural inhabitants can only lease and not own the land and this makes it difficult or impossible for the inhabitants to get financial assistance from financial institutions and also to put up infrastructure and invest
- Insufficient funds to run projects and enterprises
- Lack of transport to buy inputs and access the market for the inputs

- Lack of markets and inaccessibility to markets
- Inadequate infrastructure, such as roads, telecommunication, internet (ICT) which makes it more difficult to get materials and inputs at suppliers and to reach the consumers

5.3.4 Assistance and changes required to improve the programme

5.3.4.1 Assistance provided by various stakeholders

The researcher asked the respondents representing the beneficiaries if they required assistance from the Regional Council and other stakeholders.

Beneficiaries responded that the type of assistance required from the Regional Council and other institutions include:

- Provision of more funds, equipment and materials of higher quality
- More advanced trainings on business operations and how to properly operate and maintain the equipment
- Comprehensive mentorship programs and more exposure visits
- The Regional Council should assist with the maintenance of the equipment at least for the first five years
- Market access and promotion as well as continuous marketing of enterprises and projects

5.3.4.2 Suggestions for programme improvement

Beneficiaries have suggested the following improvements to the programme to make it more responsive and efficient to enhance rural development and address the challenge of access to finance among MSMEs and entrepreneurs

- Application forms should be translated into vernacular languages
- Increase funding and quantity of machineries and equipment
- Re-look at the criteria for appointing successful applicants; criterial should be based on sectors other than applying the same criterial to all applicants
- Provide marketing services and access to market and storage facilities
- Improve infrastructure, especially roads in the village and communication networks
- Continuous monitoring and evaluation as well as implementation of beneficiaries and researchers' recommendations and suggestions

- More mentorship and regular training are needed. If the above suggestions are considered and implemented, the programme will be more effective and make an impact, since the absence of the above makes beneficiaries' operations difficult.

5.4 Chapter summary

The Micro Finance Scheme Programme was introduced and executed in the Oshikoto region between 2011/2012 and 2016/17 financial years and has benefited a number of beneficiaries, mostly in the tourism and hospitality, agriculture, manufacturing and processing and service sectors, respectively. It was established that most of the beneficiaries were in agricultural and manufacturing as well as the processing sectors, and these are considered as leading sectors in the region. The programme has reached the intended target population and is representative, since the beneficiaries were from all the constituencies in the region and also from different sectors of the economy. Despite the challenges experienced by both the beneficiaries and the administrators of the programme, more than 70% of the beneficiaries were successful.

The Micro Finance Scheme Programme introduced with the aim promotion of entrepreneurship and creation of employment and increase income, have benefited and supported both enterprises and projects in the region. However, projects tend to produce more positive results in terms of growth and improvement compared to the enterprises. The programme has made an impact on the beneficiaries and the socio-economic development in Oshikoto region. Since there is a change in business environment and employment created, the income generation has risen and skills have been enhanced. Nonetheless, some improvements are still required in order to achieve better results, promote entrepreneurship and improve the livelihood of the inhabitants of Oshikoto. On the other hand, the Regional Council should continue with mentorship programmes for beneficiaries as well as programme monitoring and evaluation; and reviews by the programme should be conducted when necessary.

Chapter 6: Conclusions and Recommendations

6.1 Introduction

The first part of the last chapter presents the summary of the main findings of the entire study, both from empirical and primary data. The second part outlines the recommendations based on the reviews and research finds as well as gaps identified within the areas of Micro Small and Medium Enterprises development and rural Development and also make some recommendations for future research to overcome certain shortcomings.

6.2 Achievements of the study objectives

The study aimed at answering one main research question which was phrased, based on the problem as illustrated in the problem statement “The challenges of access to finance and entrepreneurial skills among MSMEs and Entrepreneurs is more prominent in rural areas and these challenges hamper the establishment, development, operation and thriving of enterprises and projects in rural areas” as stated in chapter 1. To answer the research question the researcher identified seven objectives. The objectives were addressed through reviewing existing literature and relevant documents as well as using empirical data. Primary data were collected through interviews, questionnaires and observation by the researcher. Achievements of the objectives are discussed below:

6.2.1 Research objective 1

Determine the theoretical foundation of development with a focus on rural economic development and growth as well as entrepreneurial development

This object was aimed at setting the scene for the study by introducing and assessing existing publications and documents on the issues of development, rural development and enterprise development. The concept of development, development theories and paradigms were discussed. The study established that development had come a long way and rural development came into being around the 19th century. Various policies and programmes, policies and interventions were introduced to fast track and develop the rural areas. However, for developing and underdeveloped countries these interventions and policies were poorly implemented and in some instances they were

not implemented at all. In addition, the study also established that there was poor monitoring and evaluation of policies and programmes introduced and implemented to promote rural development. Rural development is aimed at promoting social and economic development of rural areas and through increasing rural resource base, promotes entrepreneurship, create wealth and in the end improve livelihood for all in the community. This can only be done effectively if all economic spheres, that is; the social, economic and environmental aspects are taken into account

6.2.2 Research objective 2

Explore best practices in rural development and access to finance for MSMEs in Africa

The researcher identified two African countries, Ghana and Nigeria, as best practices, since they face the same problems as Namibia when it comes to rural development and MSMEs and entrepreneurs financing. These countries also introduced interventions that have worked in their countries and which Namibia can learn from and replicate to assist in the development of rural areas and develop MSMEs and entrepreneurs. The study established that Ghana and Nigeria's rural areas are also lagging behind when it comes to development compared to urban areas. However, the governments of these two countries in collaboration with other development partners in their countries introduced various policies and interventions aimed at developing rural areas and improving access to finance and financial services for MSMEs and entrepreneurs. Some of the interventions introduced are similar to the ones in Namibia, but the execution is different. Based on the above, Namibia can learn from other countries on how to address underdevelopment of rural development and the challenge of access to finance among entrepreneurs.

6.2.3 Research objective 3

Identify and assess key services offered through the programme

The main purpose of the Micro Finance Scheme Programme is to promote entrepreneurship, create employment and wealth in rural areas. The study established that for this purpose to be achieved a number of objectives need to be reached and various services and activities need to be carried out for the objectives to be realised. The study reveals that the following key services were provided to the programme

beneficiaries, provision of financial, technical and material support, capacity building and skills enhancement. The services provided were the most essential to the beneficiaries as these include business development services, which assist them to run and operate their businesses and projects which in turn leads to an increase of income and profits. The programme administrators indicated that these services were introduced in consultation with the beneficiaries and other stakeholders and there are also platforms where beneficiaries can suggest the introduction of new services or revision of the current ones. On the other hand, beneficiaries indicated that they were happy with the key services rendered to them and also commend Council for coming up with such initiatives and admitted that they are free to give their inputs and provide suggestions at any time.

6.2.4 Research objective 4

Establish the sustainability and capacity of the Micro Finance Scheme Programme beneficiaries

This objective is linked to the previous objective. Since development is meant to be sustainable, the study aimed at establishing whether this intervention is sustainable by assessing the sustainability and capacity of the programme beneficiaries. The sustainability was determined through the number of years beneficiaries have been operating, increased production, the level of income, dependence on the programme administrators and other stakeholders; monthly, quarterly and annual growth patterns; ability to manage projects and businesses. Most of the beneficiaries proved to be sustainable and can run and grow their businesses and project with little or without the programme administrator's assistance. Similarly the study also established that beneficiaries were capacitated with knowledge and skills on how to effectively run enterprises and projects. The beneficiaries indicated that they have received various forms of trainings and undergone mentorship programmes on business operations; how to run and succeed in running an entity and they are also being assisted with funds and equipment that enables them to conduct business and thrive. The beneficiaries also undertook company and project visits and also attended events and expos to enhance their knowledge and skills.

6.2.5 Research objective 5

Determine the effect of the programme on the beneficiaries and rural development in Oshikoto region

As stated earlier, the programme focussed on addressing specific objectives, promotion of entrepreneurship in rural areas; building capacity and providing financial support to rural entrepreneurs; promoting employment and generate income for beneficiaries and the region's inhabitants (Ministry of Urban and Rural Development, 2016:1).

The effect was determined based on the following indicators, as indicated in chapter 1

1. Number of beneficiaries
2. Number of employment opportunities created
3. Income generated and in what range
4. Enabling environment or conducive environment created (Service delivery improved, access to basic services and business development support)
5. Improved capacity of rural MSMEs and entrepreneurs (financial assistance, trainings and mentorship, equipment and materials provided)
6. Enterprises and projects established and improved during the programme

Both the beneficiaries and administrators confirmed that the programme had an effect on the beneficiaries since a number of beneficiaries have benefited from the programme, with the proportion of more projects. A number of employment opportunities have been created and more income has also been generated. Beneficiaries testified that since the introduction of the programme there have been positive changes in the business environment in the region, meaning a conducive environment has been created which makes enterprises and projects operation easier and encourages and motivates beneficiaries to operate. There is also impact at regional level although it is minimal; this is justified by employment created and income increased, improved capacity and the creation of an enabling environment which motivate more regional inhabitants to venture into self-employment.

6.2.6 Research objective 6

Explore the challenges faced by programme administrators and beneficiaries and identify remedies to such challenges

The aim of this objective was to identify the challenges experienced by the administrators and beneficiaries of the programmes when approaching and executing the programme and also suggest possible solutions to these challenges. Both the administrators and beneficiaries have listed a number of challenges they are facing. The main challenges experienced by the administrators include:

Inadequate funding, since the funds are allocated through the national budget and was less than requested amounts and this made it difficult or impossible to meet the financial needs of the applicants. Another pressing challenge was the remoteness of the area; inadequate supporting infrastructures and sparsity of the population that made it difficult to reach all the intended beneficiaries and also affect the trading and marketing of products.

Beneficiaries also indicated that the funds allocated to some are not sufficient to cater for their needs although they appreciate the programme as it assisted them and they indicated that a little of something is better than nothing; the beneficiaries also pointed out that infrastructure is a challenge to them such as roads, Information and Communication Technology storage facilities and warehouses; and access to market and marketing is also a challenge to them.

To address the above challenges it was suggested that: the government should consider increasing funding to cater for beneficiaries' needs. Beneficiaries also need to make use of the available services and platforms and have to be committed in order for them to succeed and thrive. Government and other stakeholders must also improve and provide the required infrastructure and services when needed.

6.3 Conclusion

Rural development is a crucial and vital issue, especially in developing countries and specifically in Southern Africa where the majority of the population reside in rural areas. The concept and practice of rural development comes to life when governments consider bridging the gap between rural and urban areas and try to overcome rural-urban migrations motivated by people, especially the young, moving to urban centres in search of greener pastures. The main focus of rural development is on socio-economic development, aiming at improving social aspects and developing the local economies in these areas so as to be favourable and conducive for inhabitants to live in. The aim

of rural and enterprise development is to improve the living standards and increasing economic activities and potentials in order to improve wealth and livelihoods.

Various interventions and programmes were introduced and implemented by the government and stakeholders from the private sector and non-profit sectors. The government of the Republic of Namibia implemented various programmes aimed at developing rural areas including the Micro Finance Scheme Programme with the objective of employment and wealth creation and also enhancement of socio-economic development in rural areas. The programme is targeting rural Micro Small and Medium Enterprises and projects in rural Oshikoto Region.

The programme is targeting rural MSMEs and entrepreneurs and is implemented through the Ministry of Urban and Rural Development and by the Regional Councils. The Micro Finance Scheme Programme in Oshikoto has reached the intended populations and has beneficiaries from all constituencies in the region with various projects and enterprises having benefited from the programme. Programme awareness and information sharing were conducted from time to time, although it is not sufficiently done as some people, especially those residing in remote areas, were not usually included in these sessions due to lack of adequate infrastructures and mode of communications. The staff compliment at regional level also made it difficult for the reach out of the intended target group of the programme, since the staff members in the Council that are responsible for rural development are few and it is very difficult to disperse them and reach all the regional inhabitants within a reasonable time. Funds were allocated to the beneficiaries based on the project and business proposals, business ideas and innovation as well as the amount requested for assistance by applicants in their proposals. The study also concluded that the funds allocated to beneficiaries were not sufficient to implement and carry out sustainable activities that would have an impact on the beneficiaries and the region at large.

However, it was established that the programme had an effect on individuals and also on the region's socio-economic development. This was validated by the number of employments created, income generated and increased, enterprises and projects improved and established, in turn leading to more wealth being created in the region during the course of the programme execution and which resulted in people enjoying a better and improved standard of living, allowing them to afford basic services and

enable them to provide and afford their basic needs. A few beneficiaries were struggling to make ends meet and also to grow, but there are some support measures in place such as advice, training and mentorship as well as other support measures based on individual needs and challenges. Thus if the Regional Council can be strengthened and capacitated in terms of financial and human resources the programme can be executed more efficiently and effectively and it will have an improved effect on the region.

6.4 Recommendations

Based on the reviews made as well as the findings of the study, some recommendations were made that will assist in the programme execution. The Recommendations are made based on the themes in chapter 5 and they are listed below:

6.4.1 Programme execution and effect

The study established that the programme was not really executed as planned. The reason for this is that due to the remoteness of some areas and vastness of the region the administrators received late applications from applicants. In addition, some applicants had difficulties in finding some required documents. The funds allocated to the beneficiaries are sometimes not enough to carry out the planned activities of the beneficiaries and/or is to be used as start-up capital, hence the beneficiaries have to source additional funding to complement the funds they are allocated. It is not easy for beneficiaries to get raw materials and inputs since these inputs are mostly in urban centres with most of the material being procured outside the region and from neighbouring countries, approximately 300 to 800 kilometres or more. The beneficiaries also indicated that they have a problem of access to markets and inadequate infrastructures.

To enable MSMEs to produce goods and services in a more effective manner and to meet product quality and standards required by formal markets and increase beneficiaries' sustainability, it is recommended that the Regional Council should:

- Expand training activities and implement capacity development programmes that are aimed at promoting entrepreneurship and innovation; provide and upgrade knowledge and management skills, technical aspects. Promote

environmentally sustainable industrialisation, increase employment in manufacturing, tourism and agriculture sectors.

- Encourage collaboration between rural and urban centres, since they need to complement each other's and avoid working in isolations as their successes and thriving depend on each other
- Corroboration and coordination of efforts by and among stakeholders as well as entrepreneurship support programmes and business development service providers to avoid duplication of efforts and waste of resources
- Create linkages between beneficiaries and product consumers as well as between beneficiaries and production input and technology suppliers. This would be to make inputs more accessible and create markets for the beneficiaries, since the two were listed as constraints by the beneficiaries.

It is also recommended that:

- the Ministry should transfer funds on time to ensure effective implementation of the projects
- the government should consider increasing the amount allocated to beneficiaries in order for the beneficiaries to have strong foundation so as to allow them to operate successfully
- financial institutions should design and implement tailor-made programmes for entrepreneurs and MSMEs that are affordable and if possible collateral-free financial services
- The Regional Council must conduct an assessment to establish the reasonable amount to be allocated to beneficiaries per sector

In addition, strategies proposed in 3.5.1 and 3.5.2 must be implemented to enhance rural development and improve the status quo.

6.4.2 Beneficiaries monitoring and support

The programme administrators conduct monitoring and assessment of beneficiaries to determine whether the beneficiaries are operating as per their agreements and try to establish what their challenges are and the assistance they require for them to operate and flourish. The beneficiaries indicated that they need assistance in various areas,

including continuous capacity building and provision as well as the upgrading of infrastructures

The following are recommended:

- Regular advance training and mentorship programmes need to be developed and properly implemented in order to keep improving the beneficiaries' and other entrepreneurs' and projects managers' and members' capacity to start and run businesses and projects and to improve performance and ensure attainment of goals and objectives
- Trainings must also include team work topics as well as team building exercises to encourage team work among members and encourage team members to work together and curb differences as well as avoiding conflicts
- The Regional Council and other stakeholders must provide storage facilities in remote areas and also assist with the provision of raw and input materials to various beneficiaries
- Continuous monitoring and evaluation for programme beneficiaries to ensure that the programme is easily accessible, is functional, and responds to the plight of MSMEs and rural inhabitants.
- The Regional Council must prioritise the development and improvement of physical infrastructure e.g. water supply infrastructure, information and communication technology infrastructures, handling pens, roads, processing plants, cold storage and warehouses

6.4.3 Programme accessibility, application and selection process

The following recommendations should be implemented to improve the programme accessibility, application and selection processes:

- The Regional Council must host annual conferences with MSMEs and entrepreneurs both that have benefited from the programme in different platforms in order to evaluate the programme, to establish what is working and what is not working. And also collaboratively form focus groups and committees and task forces to find solutions through the establishment of committees and working groups
- To ensure accessibility and inclusiveness of the targeted population application forms, information materials and other programme marketing and

promotional materials should be translated into vernacular languages for applicants to fully understand and know what they are committing themselves to

- To ensure accessibility and inclusiveness of the targeted population, application forms should be translated into vernacular languages. Information materials and other programme marketing and promotional materials should be in vernacular languages and also for applicants to fully understand and know what they are committing themselves to

6.4.4 Assistance and changes required to improve the programme

The following recommendations:

- The Regional Council, the entrepreneurs and enterprises including beneficiaries and other stakeholders should sit and find other possibilities that will make the programme more efficient and responsive to the plight of access to finance.
- The Regional Council and other stakeholders should also work on modalities to improve the programme and make beneficiaries more responsive, accountable and adhere to the rules and regulation of the programme. Taking strong measures against beneficiaries that defaulted by either asking them to pay back within 12 or 36 months or to implement as per the terms of their proposal. Or the other option can be for the fund to be loaned at a very low interest rate instead of a grant, since this is one of the reasons why beneficiaries default and are less or not accountable.
- Establishment of forums and Public Private Dialogues to discuss the challenges constraining MSMEs which shall be broken into concrete and feasible implementation steps.
- Improve land tenure system in rural areas to enable rural inhabitants to own land and encourage the private sector to invest in rural areas. This will provide incentives to property holders to invest in their properties and use their properties as collateral; improve service delivery and also allow businesses with input suppliers and other needed products to operate in rural areas and goods and services easily accessible and readily available

6.5 Recommendations for future research

Based on the findings of literature and regulatory frameworks reviews as well as research findings, some gaps pertaining to MSMEs development and rural development were identified. In addition, the study also established that there are a number of policy strategies, programmes and interventions introduced but not executed. Therefore, the researcher recommends the following for future research:

- Rural Micro Small and Medium Enterprises and their role in rural development
- Factors contributing to non-implementation of policies, strategies and programmes and how should this be addressed
- A comprehensive study on why policies and strategies fail or work in some countries should be conducted. Share recommendations as well as best practices to be replicated and implemented by various countries to reach their developmental goals and targets.

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Appendices

Appendix A - Research project questionnaire (Regional Council staff)

University of Stellenbosch: Masters: Public and Development Management -
Research project questionnaire (**Regional Council staff**)

I am Foibe Amadhila, a University of Stellenbosch student perusing a Master's Degree in Public Management and Development. I am conducting a research on **“Evaluating the effect of a Micro Finance Scheme Programme for rural entrepreneurs in Oshikoto region, Namibia”**. The purpose of the research is to assess the effect of the Micro Finance Scheme Programme in Oshikoto region, establish whether the programme was effectively implemented and if it has achieved the desired results. The study will also come up with recommendations for program improvement.

Based on the above rationale, I am kindly requesting you to provide me with the necessary information that will make this study a success and based on this evaluation propose recommendations and interventions that will assist with the improvement in the execution of the Micro Finance Scheme Programme. **For more information and clarifications please feel free to contact me at 0813016608 or fkandali@yahoo.com. Kindly send back completed questionnaire by Friday, 21 July 2017.** Please be assured that this information will be used for research purpose only and will not be disclosed to third party.

Please answer all the questions by ticking the correct box or answer in the spaces provided

Part A: Background information

1. How many beneficiaries benefited from this program in Oshikoto region?

2. How many of these beneficiaries are projects and how many are enterprises?

Projects	
Enterprises	

3. How many beneficiaries exited before the programme and supported and how many were established during the course of the programme

Beneficiary category	Established	Existing (supported)
Projects		
Enterprises		

Part B: Application and selection process

4. Did the programme reach the intended target group?

Yes	
No	
Don't know	

If no what do you think should be done to create awareness and share information about the programme?

5. Where do you advertise for bids or call for proposals for funding? Please also indicate the target population's preferences

Newspapers	
Radio	
Notice board	
Others Specify	

6. What is the time frame between application and approval?

1 week	2 weeks	3 weeks	4 weeks	More than a month

7. How long does it takes for funds to reach beneficiaries after the approval?

8. Do you have a regional selection committee for selecting beneficiaries and allocating funds?

Yes	
No	

If yes what is the composition of the committee

If no who selects and allocate funds to beneficiaries

9. What are the criteria for selecting beneficiaries and do you think they are effective, if not what can be changed?

10. What criterion does Council uses to allocate funds to beneficiaries / how are funds distributed among beneficiaries?

Part C: Programme Execution and effect / impact

11. What are the minimum and maximum funds allocated to beneficiaries?

Minimum amount (N\$)	Maximum amount (N\$)

12. Was the program executed as planned?, Justify

13. How many of these beneficiaries are thriving?

14. Kindly provide reasons for beneficiaries' thriving, failures and underperformance beneficiaries (maximum 5 reasons for each)

Reasons for thriving	Reasons for failures or underperformance

15. Did the programme yield expected results?, Justify

16. In your opinion do you think the program made an effect in the region?

Yes	No	Don't know

17. What changes have you experienced in the region since the introduction and execution of the Micro Finance Scheme Programme?

18. Is this programme contributing to income generation and employment creation in the region?

Yes	No	Not sure

19. Number of employment created

Income generated

Between – 500-1500	
Between – 1500-2500	
Between – 2500-3500	
Between – 3500-5000	
More than 5000	

Part D: Beneficiaries monitoring and support

20. Does the regional Council has enough capacity to implement this programme?

	Yes	No
Staff establishment		
Skills		
Finance		

21. How often do you follow up on the beneficiaries?

Daily	
Monthly	
Quarterly	
Yearly	

22. What monitoring and evaluation mechanisms or systems is the Regional Council using to monitor and evaluate the programme?

23. Do you have mentorship or any developmental programs for the beneficiaries? Specify

24. How is the Regional Council dealing with defaulting beneficiaries?

25. What challenges does the Regional Council faces in implementing this programme?

26. What assistance do you get from Ministry of Urban and Rural Development?

27. What changes or improvements do you want to see in this programme?

28. Other comments or recommendations

Thank you for your time and valuable inputs

Appendix B - Research project questionnaire (Beneficiaries)

University of Stellenbosch: Masters: Public and Development Management - Thesis questionnaire (Programme beneficiaries questionnaire)

I am Foibe Amadhila, a University of Stellenbosch student perusing a Master's Degree in Public Management and Development. I am conducting a research on **“Evaluating the effect of a Micro Finance Scheme Programme for rural entrepreneurs in Oshikoto region, Namibia”**. Aiming at assessing the effect of the Micro Finance Scheme in Oshikoto region, establish whether the programme was effectively implemented and if it has achieved the desired results and come up with recommendations for program improvement.

Based on the above rationale, I am kindly requesting you to provide me with the necessary information that will make this study a success and based on this evaluation propose recommendations and interventions that will assist with the improvement in the execution of the Micro Finance Scheme Programme. For more information and clarifications please feel free to contact me at 0813016608 or fkandali@yahoo.com.

Kindly complete the parts of the questionnaire that you are able to complete and please be informed that follow up interviews will be held between 17 and 21 July 2017. The exact dates and time will be communicated to you prior to the interview. Please be assured that this information will be used for research purpose only and will not be disclosed to third parties.

Please answer all the questions by ticking the correct box or answer in the spaces provided

Part A: Enterprise background information

1. Is your business / enterprise a Micro, Small or Medium Enterprises?

Micro	Small	Medium	Other: Specify

2. In which sector does your enterprise or project operates

Agriculture	Tourism	Mining	Manufacturing	Service	Others
					Specify:

3. Type of business or enterprise ownership

Sole proprietor	Partnership	Cooperative/project	Other: Specify

4. How long have the enterprise or cooperative been in existence

< 1 year	
Between 1 & 2 years	
Between 3 & 5 years	
Between 5&10 Years	

Between 10 & 20 years	
More than 20 years	

5. Funding to start a business / cooperative (start-up capital) were obtained through

Personal savings	
Loans	
Cooperatives	
Micro Finance Scheme Programme	
Friends and family	
Others (specify):	

6. Number of members and employees

Members	
Employees	

Part B: Program awareness and accessibility

7. When did you benefit from the Micro Finance Scheme Programme?

8. Is Micro Finance Scheme Programme easily accessible?

Yes	
No	

If no what should be done to improve accessibility

9. Does the Regional Council conduct awareness and information sharing sessions to inform the regional inhabitants about the programme?

Yes	
No	

If no what do you think should be done to create awareness

10. How did you learn about this programme

Through the radio	
Newspapers	
Notice board	
Friends and family	
Others; specify:	

Part C: Programme execution and effect

11. What motivated you to apply for funding under this program?

12. What challenges did you experience when applied as a beneficiary under this program?

13. Micro Finance Scheme Programme has responded to the challenge of access to finance among MSMEs?

Strongly agree	Agree	Somehow agree	Strongly disagree	Disagree	Somehow disagree	Don't know

14. Are funds allocated to Micro Small and Medium Enterprises sufficient?

15. Has the Micro Finance Scheme Programme assisted you in any way? If yes provide the details

16. What changed in your business since you benefited from this program?

More turn over / increased income	
-----------------------------------	--

More employment created	
Skills enhanced	
Improved market access	
Other (specify):	

17. What changes have you experienced in the business environment since the introduction and implementation of the Micro Finance Scheme Programme?

Part D: Support services and development

18. Please indicate the trainings and mentorships that you received as a program beneficiary (tick the appropriate box)

Training and mentorship	Tailoring	
	Gardening	
	Construction	
	Value addition and processing	
	Business plan formulation	
	Feasibility studies	

	Book keeping	
	Fundraising	
	Business registration	
	Others:	

19. What challenges do you face in operating and growing your business?

20. What assistance do you require from the Regional Council and other institutions responsible for MSMEs development to improve your business?

19. What improvements do you want to see in this program to make it more efficient and responsive to the plight of access to finance among MSMES?

20. Other comments or recommendation?

Thank you for your time and valuable inputs