



**ECONOMIC CONTRIBUTION OF SMALL, MEDIUM and MICRO ENTERPRISES  
(SMMEs) TOWARDS THE DEVELOPMENT OF TOURISM IN RURAL AREAS OF  
BUTHA-BUTHE IN LESOTHO**

by

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## DECLARATION

I, Leah Matela, declare that the contents of this dissertation represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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**Signed**

22 April 2014  
**Date**

## **ABSTRACT**

Tourism is a fast growing industry and has the potential for poverty alleviation for rural persons. Butha-Buthe, being in a rural area of Lesotho, has magnificent scenery of mountains, attractions to be visited, and adventure activities to be done. However, tourism in Butha-Buthe is under-developed, and it is very important to identify tourism's potential in this area and explore how SMMEs could contribute in the development of tourism. Therefore the objective of this study is to examine the economic role of small, medium and micro enterprises in the development of tourism in Butha-Buthe. Challenges faced by the SMMEs include lack of resources such as poor infrastructure poor roads, transportation, and a lack of network-communication. Other challenges would be poor business skills in regards to employment and management which leads to business failure.

To accomplish the study objective, questionnaires were distributed to local entrepreneurs in Butha-Buthe, local communities, local government and other stake-holders in the district. In addition, a mixed method of research was carefully and logically planned and then implemented. A survey questionnaire was used to obtain the views of the different stakeholders. The questionnaires were collected and data analysed which allowed the researcher to draw conclusions and propose a range of recommendations based on the findings, to assist in the development of tourism in Butha-Buthe.

The findings revealed that there is huge potential of tourism development in Butha-Buthe through the SMME sector, but that there are still challenges faced by SMMEs in this district, despite the economic contribution they make. However, through the support of the government and private sectors these challenges should be dealt with.

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## **DEDICATION**

This dissertation is dedicated to one of my favourite districts in Lesotho (Butha-Buthe). My motherland and my grounds, the destination for visitor; yet to attract millions of visitors some day and when that day comes I shall be the ambassador of that district.

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## GLOSSARY

These terms and definitions are taken from the Tourism and Oxford Dictionaries

| <b>Terms</b>         | <b>Definitions</b>   |
|----------------------|--|
| Development          | Bring on, to come to, existence stage of growth on advancement.  |
| Economy empowerment  | Management and control of country financial and economic resources to the benefit of the majority, empowerment includes job creation, poverty alleviation and rural development.               |
| Entrepreneur:        | A business person who makes money by starting a business that involves taking financial risks.   |
| Heritage:            | Legacy of physical artefacts and intangible attributes of a group or society that are inherited.   |
| Local communities:   | A body of people who come together around a common objective or purpose.   |
| Local government:    | The organisation that is responsible for government of a local area and for providing local services.  |
| Policies:            | Guidelines for the future or course of action to meet stated goals and objectives.   |
| SMME:                | Small medium and micro enterprises being private businesses organisations transacting in Butha-Buthe for a detailed discussion on SMMEs chapter 2  |
| Strategies:          | Plans that are intended to achieve a particular purpose.   |
| Tourism development: | A long-term process of preparing for the arrival of tourists: entails planning, building and managing attractions, transportation, accommodation, services and facilities that serve tourists. |

| <b>Abbreviations</b> | <b>Explanation</b>                                       |
|----------------------|--|
| BEDCO                | Basotho Enterprises Development Corporation              |
| DRR                  | Department of Rural Roads                                |
| GDP                  | Gross Domestic Products                                  |
| GL                   | Government of Lesotho                                    |
| LEC                  | Lesotho Electricity Company                              |
| LHWP                 | Lesotho Highlands Water Project                          |
| LHDA                 | Lesotho Highlands Development Authority                  |
| LMTEC                | Lesotho Ministry of Tourism, Environment and Culture     |
| LRMS                 | Lesotho Road Management System                           |
| LTDC                 | Lesotho Tourist Development Corporation                  |
| MFDP                 | Ministry of Finance and Development Planning             |
| MTICM                | Ministry of Trade and Industry Cooperative and Marketing |
| NGO                  | Non-Governmental Organisation                            |
| PRS                  | Poverty Reduction Strategy                               |
| SADC                 | Southern African Development Community                   |
| SBP                  | Small Business Project                                   |
| SMME                 | Small, Medium and Micro Enterprise                       |
| SNP                  | Sehlabathebe National Park                               |
| SPSS                 | Statistical Programme for Social Science                 |
| WTO                  | World Tourism Organisation                               |

# CHAPTER ONE INTRODUCTION

## 1.1 Introduction and background to the problem

This study examines the economic role of small, medium and micro enterprises (SMMEs) towards the development of tourism in the rural area of Butha-Buthe in Lesotho. Two major issues are addressed in this study. Firstly, an overview of structural changes in the economy brought about by SMMEs in the district of Butha-Buthe, and secondly the economic development of the area. A venture into tourism in Butha-Buthe could play a fundamental role in utilising and adding value to local resources such as infrastructure, transportation, accommodation, education and job opportunities. The idea of a tourism venture in Butha-Buthe is followed by understanding tourism development concepts within the district, namely conservation of the environment and historical buildings, which needs formulated policies and policy implementation.

The Government of Lesotho (2006:3) introduced a Charter for small and medium sized enterprises which is aimed at nurturing SMMEs. The Charter's role includes fostering economic, environmental and social benefits across the country, particularly in rural areas. This Charter brings awareness to the Government that small businesses are apprehensive about engaging with Government bodies in order to work together to improve community development. Therefore, the Charter is committed to changing the manner in which Government does business, and seeks to support small businesses by helping to create a fair and open environment in which businesses can be formulated to work together and jointly improve the county's economy (Anon, 2008:2).

The potential of SMMEs in Butha-Buthe has yet to be developed due to the perceive existence of a number of constraints, which hamper the development of the sector, such as under-developed infrastructure, poor business development services, limited access for SMMEs to finance, ineffective and poorly coordinated institutional support frameworks, lack of information, lack of communication, outdated technology, and weak leadership and resources, which result in a lack of access to job opportunities and management skills or expertise. Tourism products, such as natural attractions, have not been exploited in this area. It is for this reason that the Government introduced the Charter in 2006 to address constraints in the development of the country's economy, and to develop the full potential of SMMEs (Government of Lesotho, 2006:8). Entrepreneurship could act as a catalyst for economic development

through the support of stakeholders and communities in the rural areas where small businesses should play a vital role in development.

## **1.2 Problem Statement**

The research focuses on the economic contribution of SMMEs towards the development of tourism in Butha-Buthe. Tourism is a fast growing industry and has the potential of opening up remote areas, which could result in the alleviation of poverty for local communities. This district has magnificent scenery of towering mountains, indigenous forests, bushman painting in caves, and running streams. Butha-Buthe has an interesting history of bantu-speaking people (Basotho). But this captivating beauty is yet to be fully exploited.

*Tourism in Butha-Buthe is under-developed, it is therefore important to identify tourism's potential in this area and explore how SMMEs could contribute in the development of tourism in this region.*

### **1.2.1 Research questions**

The research problem has identified the following research questions:

- What contributions can SMMEs make towards tourism development in the Butha-Buthe district in terms of employment, discovery of beauty in the area, and resources improvement?
- Can SMMEs sustain such development in the Butha-Buthe district?
- Can tourism be promoted through the role of SMMEs in Butha-Buthe?

### **1.2.2 Objectives of the research**

The main objective of the study is to determine the possible contribution of SMMEs towards tourism development in the rural areas of Butha-Buthe in Lesotho.

#### **1.2.2.1 Subsidiary objectives**

- To identify the potential growth of SMMEs towards tourism development in Butha-Buthe.
- To examine factors that influences the economic contributions of SMMEs towards tourism development.
- To establish the importance of SMMEs in promoting tourism in rural areas, and
- To identify factors which affect the growth of small tourism businesses in rural areas.

## **1.3 Delineation of the research**

The study focuses on the contribution of SMMEs towards tourism development in Butha-Buthe. It involves tourism enterprises that operate in rural areas and focuses on economic contributions for the community of Butha-Buthe.

#### **1.4 Significance of the research**

The importance of this study for Butha–Buthe is to identify tourism opportunities for SMMEs. This district has business opportunities for the community, tourism products such as natural attractions, and a wide variety of activities such as hiking, horse riding, pony trekking, and visiting waterfalls. Therefore, the Government should offer business opportunities to SMMEs and also introduce partnerships between the Ministry of Finance and Development Planning and business representatives, as a means to form programmes of actions which could deliver the required services within the Butha-Buthe district.

#### **1.5 Literature review**

In considering available literature the following sub-divisions are addressed:

##### **1.5.1 The Role of Government in Support to SMMEs**

Dzansi (2007:25) states that SMMEs' growth and development has become a priority for most governments because it is regarded as a major, if not the most important, means of bringing about sustainable development through reducing unemployment and its concomitants, namely poverty and inequality. Therefore, the Lesotho Government should acknowledge the importance of a strong and vibrant SMME sector, and demonstrate its commitment to the promotion and support for SMMEs in remote areas that aim to increase the number of new enterprises, especially in Butha – Buthe, and create an enabling environment to ensure their survival and growth.

The Basotho Enterprises Development Corporation (BEDCO) is an organisation which has been entrusted with local entrepreneurship development by the Lesotho Government, and it has realised the potential that small enterprises have to contribute to poverty reduction through the creation of jobs. Therefore, a tourism venture in Butha-Buthe could contribute to economic development through its community, by introducing skilled hand-crafts to be produced and sold to visitors (Government of Lesotho, 2006:8). BEDCO had increased efforts towards the promotion for the small indigenous businesses in Lesotho, which forms the largest sector of economic development, and released a Business Guide for Small and Medium Enterprises in 2009. This Guide provided detailed information of organisations and companies that provided a variety of services to small businesses, where organisations range from companies that provide finance and accounting, to training and information technology services.(Anon, 2008:8).

BEDCO hoped that the Guide would become an accessible and often used tool for small and medium enterprises and those who aspired to start a business. More importantly, the use of this Guide could result in a more competitive and sustainable small business environment that could contribute to the creation of urgently needed jobs and to the alleviation of poverty in Lesotho. (Government of Lesotho, 2006:25).

### **1.5.2 Challenges faced by SMMEs in remote areas**

There are several challenges that SMMEs face in undeveloped areas, which affect the potential growth of small businesses.

#### **1.5.2.1 Lack of finance**

Lack of finance is a critical constraint for the development of tourism enterprises. Finance is viewed as one of the core challenges for SMME development (Kristen & Rogerson 2002:45). The authors further point out that the most common form of funding is the use of personal savings or borrowings from friends and relatives for start-up capital. Issues of inadequate access and high interest rates are causes of the low usage of formal bank loans, which is exacerbated by complex application processes, lack of warranty, and poor credit history.

#### **1.5.2.2 Poor infrastructure in rural area**

Poor roads in Butha-Buthe and a lack of transportation limit access for small guest houses and other forms of accommodation to operate in this area. Most rural areas have long rainy seasons, which make it even more difficult to operate businesses in this area, especially those that require power or transportation. (Government of Lesotho, 2006:28).

#### **1.5.2.3 Lack of skills development and training**

Skills development and training ensures that people who live in rural areas, where new tourism products could be developed, are able to take advantage of and benefit from development through business opportunities. New tourism development, taking place within the rural areas and at community level where innovative cultural, heritage and nature-based products and experiences are developed, should be established. An entrepreneur who lacks skills and experience is unlikely to have a successful business, as the lack of skills not only includes actual operational skills that are necessary to run a successful business, but extends also to the basic knowledge of what tourism is, and how to benefit from a business development strategy.

#### **1.5.2.4 Lack of resources**

Resources are important for promoting tourism in Lesotho (Masitha, 2009:7) and help assess other remote areas and improve quality of life in local communities. These resources could be water, electricity and roads. Tourism should be developed to a high quality and standard, and at the same time jobs should be created for local individuals, while communities should benefit from the tourism industry. Butha-Buthe is a district with natural attractions; hence a tourism establishment in this area could provide accommodation for visitors and develop transportation for tourists and locals. Financial and marketing difficulties were indicated as problematic, as several rural tourism businesses are small in scale and family owned or operated, or both, and hence experienced financial and marketing problems. (Kristen & Rogerson 2002:433).

#### **1.5.2.5 Lack of awareness and business opportunities**

Existing and potential business operators in Butha-Buthe face a number of serious capacity constraints, which makes it difficult to recognise opportunities or exploit them. Little awareness of business opportunities around them, limited awareness of policies, regulations, taxes, limited technical and business skills, and limited entrepreneurial skills, are some of the constraints that are faced. (Olomi,2006:45). Furthermore, several entrepreneurs in rural areas are poor; hence most of their efforts are directed towards subsistence activities. There is also a lack of positive role models. To make matters worse, the capacity of rural communities is continuously being eroded by rural-urban migration. In most cases, it is the most entrepreneurial individuals who migrate out of the rural areas.

#### **1.5.2.6 Lack of market demand in Butha-Buthe**

Lack of market demand for SMMEs is one of the challenges that make it difficult for business owners to operate in this area. Poor roads and a lack of transportation limit access to small guest house operation in Butha-Buthe. Kristen and Rogerson (2002:12) state that there are limited linkages between small firms and larger (often foreign-owned) businesses that operate locally, and this further restricts SMMEs' potential market access. Government contracts are largely unavailable for SMMEs to exploit. Their experience is that the Government prefers to contract with larger businesses that are able to deliver in quantities against short timeframes, which are beyond the capacity of most SMMEs (Anon, 2008:5).



### **1.5.2.7 Lack of security**

According to Nieman, Visser and Van Wyk (2008:34), security has become a major issue in both rural and urban areas. Also in Butha-Buthe lack of security for small business is a problem. The rural areas, which have traditionally been secure and where there was no need for dedicated security services, have become increasingly insecure. Some dynamic rural entrepreneurs relocate to urban areas, where they can benefit from state security or at least have economies of scale to manage their security. Village, ward, and district governments do not provide security and other services in the rural areas. In fact, governments at these levels do not realise the loss to communities which are caused by these relocations.

### **1.5.3 Opportunities for SMMEs in rural development**

Opportunities for developing SMMEs in rural areas could be enhanced if the Government assists small businesses by coordinating and monitoring policies, structures, and regulations. Small entrepreneurs feel that they lack funds to promote and market their businesses locally and internationally.

#### **1.5.3.1 SMME support network – Lesotho**

The Poverty Reduction Strategy highlighted job creation as the most important priority for Lesotho. BEDCO had been entrusted with local entrepreneurship development by the Lesotho Government, and had realised the potential that small enterprises had in contributing to poverty reduction through the creation of jobs. It had, therefore, increased efforts towards promotion of small businesses in Lesotho, which form the largest sector of economic development in the country (Anon, 2008:12).

#### **1.5.3.2 Partnerships between stakeholders**

Business communities and business development service providers in the tourism market should work together with BEDCO to continually improve this Guide and update it so that its information is always relevant to small enterprises, and makes it easy for SMMEs to access information that is required to enhance their businesses. The network's tireless efforts could indeed make a difference to SMME promotion and development in the country, provided they obtained the support and recognition that they deserve from Government and international development partners of goodwill (Anon, 2008:12).

### **1.5.3.3 Projects that support SMMEs**

The Small Enterprise Project could assist in the support of SMMEs in Lesotho, and its primary objectives should be to inform the Lesotho Government on the process of SMME programmes in respect of the support they provide. This required information regarding distribution and activities of small and medium enterprises (SMMEs), and the characteristics of business owners, as well as an exploration of challenges and opportunities that faced small enterprises in terms of access to finance, access to markets and potential business linkages, as well as issues relating to infrastructure, technology, regulation, awareness, and use of business support services. (Anon, 2008:5).

### **1.5.3.4 Lesotho Government's contribution to development**

The Lesotho Government recognises that its role is to facilitate SMME development by creating an enabling environment and facilitating access to appropriate tools and support mechanisms to enable SMMEs to develop their capacity, mechanism such rules and regulations of SMMEs. It is important to recognise that SMME growth could take various forms to improve business activity, such as influx of tourists within the area and community tours. Efforts to support and grow the SMME sector should be firmly rooted within the broader economic growth strategy (Anon, 2008:12).

The Government is committed to improving the provision of physical and communications infrastructure. This requires coordinated planning of infrastructure projects across departments and agencies, and interaction between other departments to ensure that SMME needs are recognised and addressed. Improved information regarding SMMEs, different government departments, and sector specific agencies with a responsibility for business licensing, should collate and share information on numbers and types of SMMEs in different sectors in order to generate a more holistic picture of SMME activity in the country.

### **1.5.4 Poverty reduction strategy in Lesotho**

The Poverty Reduction Strategy (PRS) presented a challenge not only to Government, but to all sectors of society that engage in poverty alleviating activities. The challenge was to translate plans that were contained in the PRS into action that would be far-reaching enough to result in a measurable reduction of poverty (Government of Lesotho, 2004). SMMEs could make an enormous contribution to economic development and poverty reduction because their start-up costs are often low, which allows individuals and groups to engage in productive activity even if they had limited access to capital. They often operate in areas that lack sophisticated

infrastructure and, therefore, had considerable potential to improve the geographic distribution of income and hence address inequality. Although small businesses in Botha–Bothe operated within a poorly developed locality, its rich culture and natural attractions provided a setting for potential growth.

## **1.6 Research design and methodology**

The study combines both qualitative and quantitative research approaches in order to gain a better understanding of the identified research problem. Differences between the two approaches are further explained in the text.

### **1.6.1 Literature search**

There are two types of literature search approaches and these include the secondary and historical approaches. The purpose of the secondary approach is mainly to obtain an idea of what other researchers established regarding the topic, while the historical studies approach provides a rational explanation for the reasons why tourism is still an unrecognized industry in Butha-Buthe.

### **1.6.2 Qualitative research methods**

Qualitative research studies involve considering human action from a view of behaviour (Babbie & Mouton, 2001:271). There are different methods of collecting qualitative research data such as focus groups, individual interviews, and in-depth interviews. Semi-structured questions were set for interviews going door-to-door where local tourism entrepreneurs in the area of Butha-Buthe, the community, local government and members of construction companies were interviewed. Advantages of semi-structured interviews are that they allow the interviewer to gain a broader understanding of the research problem, and to probe and ask all relevant questions.

### **1.6.3 Quantitative research method**

Quantitative research is a systematic and objective process that investigates a particular problem by using numerical data. Quantitative research methods include self-administered questionnaires and telephonic surveys (Babbie & Mouton, 2001; 230). A self-administered questionnaire was also used.

### **1.6.4 Population and Sample**

The targeted population included tourism entrepreneurs in the small areas of Butha-Buthe, the local community, construction companies, and local government officials. 150 questionnaires were distributed to the targeted population to identify the tourism development that took place in Butha-Buthe, and to see if local communities were

aware of potential tourism development within their area. A conveniently selected sample of community members, SMMEs and business organisations, as well as local Government participated in the sampling to show its involvement in tourism development contributed by SMMEs.

### **1.7 Summary**

Butha-Buthe is situated in the highlands of Lesotho where business has the potential to grow. The role played by SMMEs is to contribute in tourism development, and provide opportunities to the community by creating jobs. The Lesotho Government must acknowledge the importance, strength, and vibrancy of the SMME sector to demonstrate its commitment to the promotion and support for SMMEs in remote areas. The Basotho Enterprises Development Corporation (BEDCO) is one of the Government's strategies to support SMMEs. It had realised the potential of small enterprises in contributing to poverty reduction through the creation of jobs, and therefore BEDCO released the 2009 Business Guide for Small Medium enterprises, providing detailed information regarding organisations and companies that provided a variety of services to small businesses. These organisations range from companies providing finance and accounting, as well as training and information technology services to those who support networking. However, SMMEs still face challenges relating to finance, capital to start their business, infrastructure, and lack of funding from the government.

### **Structure of the dissertation**

#### Chapter 1

Contains an introduction to economic factors that are contributed by SMMEs in the development of tourism in the rural areas of Butha-Buthe, Lesotho. The study includes the background and overview of SMME's potential in tourism development in the area and identifies the problem (statement) faced by the district.

#### Chapter 2

Reviews the literature on economic contributions of SMMEs in developing tourism in Butha-Buthe. It includes factors that affect the potential of SMMEs in tourism development within the area.

#### Chapter 3

In this Chapter the research design and methodologies are presented.

#### Chapter 4

The study findings are presented and analysed.

#### Chapter 5

An interpretation of the findings is presented.

#### Chapter 6

Presents the conclusion of the study and recommendations formulated with references to future study and research.

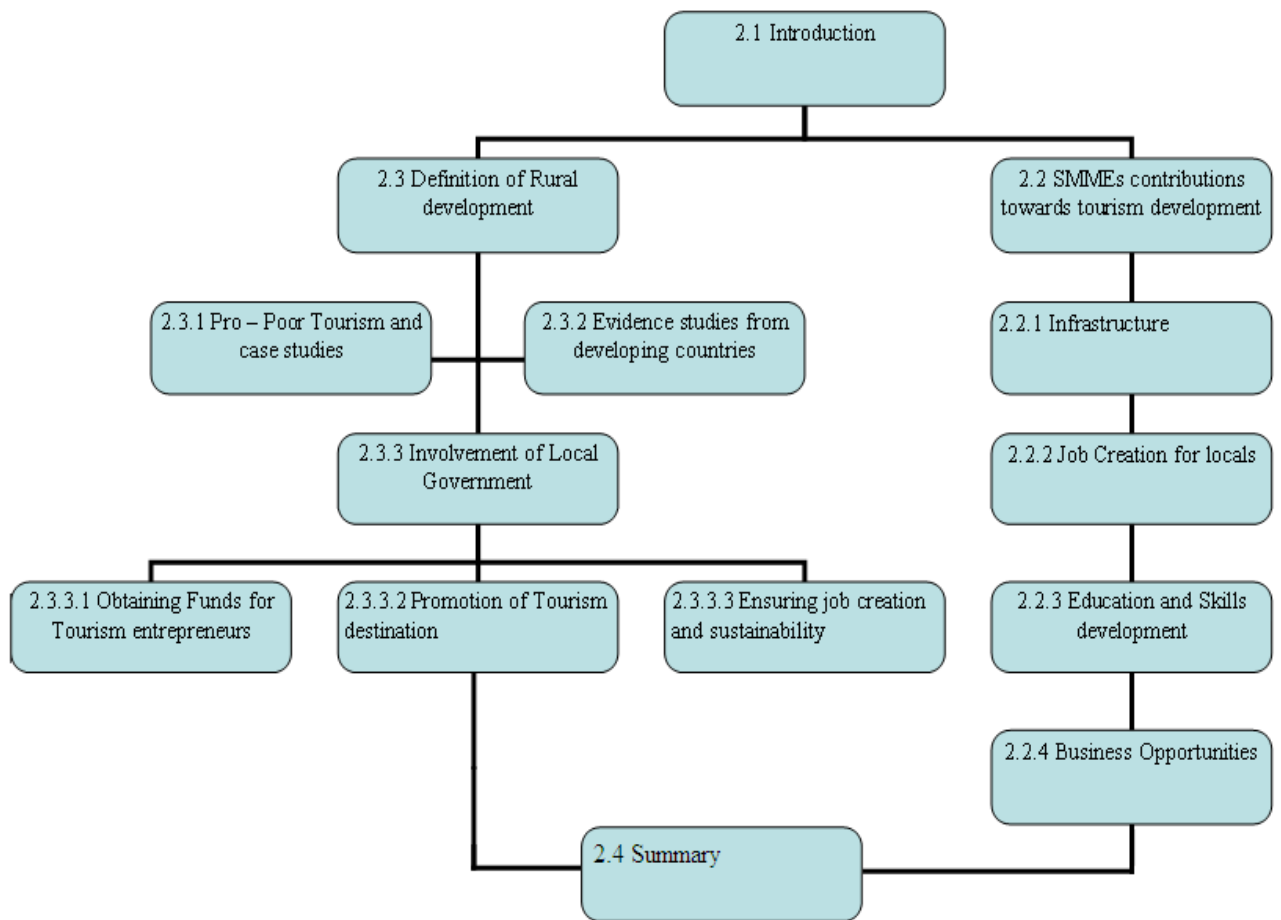
## **CHAPTER TWO LITERATURE REVIEW**

### **2.1 Introduction**

Butha-Buthe has magnificent scenery of towering mountains, indigenous forests, bushman painting in caves, and running streams, and is very attractive during the snow season. This district has an interesting history of the bantu-speaking people (Basotho). Nevertheless, this captivating beauty is yet to be discovered, and tourism is underdeveloped. It is therefore important to identify tourism's potential in this area and explore how SMMEs could contribute in the development of tourism in this region.

This chapter reviews existing literature and arguments regarding economic factors of SMMEs towards tourism development in Butha-Buthe. Secondary data was collected and presented in order to perceive how SMMEs in Butha-Buthe can contribute in the development of tourism in regards to infrastructure, job creation for locals, education and skills development, as well as contributing in business opportunities locally. Moreover, these contributions led to economic rural development. Case studies and evidence from other developing countries were reviewed, providing examples of economic growth through SMMEs. This chapter shows how the government is involved in supporting SMMEs on how to obtain funds for their business, promote tourism in Butha-Buthe, and ensure that SMMEs do create employment and sustainability.

The diagram below depicts the content and construction of this chapter, which is divided into two main sections, the contribution of SMMEs towards development, and the definition of rural development. Each section is divided into a number of sub-sections which support and clarify aspects of the main sections.



**Figure 2.1 Structure of Chapter 2**

Source: Researcher's construct

## **2.2 Definition of SMME**

There is no agreed definition for, or criteria on what constitutes micro, small and medium enterprises. Definitions differ according to the number of employees, or annual turnover and along industry type (Amra, Hlatswhayo & McMillian, 2013:2). SMMEs are also defined as supporting agencies for various industries. Definitions of SMMEs also vary between different countries in the world, where these different countries use different standards and different criteria to measure the size of firms (Amra, 2013:2). In a South African context, a SMME definition is based on size and structure, as well as the contribution of SMMEs to the economy, therefore it differs from other definitions, as stated in the beginning. (Berry, Von Blottnitz, Cassim, Kesper, Rajaranam, & Van Seventer, 2002:36)

## History and development of SMMEs

China, the world's most populous and well developed country, went through a rough and difficult phase in SMME development in the past. Chinese SMEs have enjoyed fast growth since the Government put policies and measures in place to promote the SMME development. In order to promote the development of SMMEs in China, the Government adjusted related legislation and policies step by step, and launched a series of policies and initiatives. For example, the General Office of the State Council issued a "Circular on transmitting and issuing the opinion of the state economic and trade commission on several policies of encouraging and promoting the development of SMEs" in August 2000 (Chen, 2006:140). The current situation in China is that Chinese SMEs have played an important role in stimulating economic growth, increasing employment, expanding exports, and promoting science and technology innovations (Chen, 2006:141).

Lessons to be learnt from China's experience is that governments should abide by the objectives and laws of the market economy, bring the role of the market in allocating resources into full play, consider the developmental needs of SMMEs, and guide them, concentrating on light and tertiary industries (Chen, 2006:141) as SMEs play a significant role in promoting fast and healthy economic and social development.

In India, the hospitality industry was growing at a slow pace, where Government initiatives to support hospitality businesses in increasing tourist arrivals intensified government's efforts towards increase tourist accommodation (Indian SMEs, 2009). Therefore, the following steps were taken by the Ministry of Tourism to overcome the shortage of accommodation for the tourists. The government decided on infrastructural development by substantially upgrading 28 regional airports in smaller towns, and privatized and expanded the Delhi and Mumbai airports which had improved business prospects for the hotel industry in India (India SMEs, 2009). Moreover, the Government also decided to upgrade national highways connecting various parts of India, which opened new avenues for the development of budget hotels in India (India SMEs, 2009). Historically, the hospitality industry was dominated either by a few big players, or by a large number of unbranded and unstructured players (SMMEs). But the changing dynamics of the industry and the reforms initiated by the government have opened opportunities for SMMEs. Understanding the needs of highly demanding customers, and continuous innovation, is what is going to help SMEs in establishing themselves in this competitive industry.



A lesson from India is that through government support infrastructure devolvement takes place and all new development creates positive opportunities for SMMEs, which form the backbone of the tourism and hospitality industries.

#### SMMEs legal entity in South Africa and Lesotho

There are several ways to structure the legal ownership of a business, depending on the nature of the business, the number of people involved, management capabilities, personal risk and the future plans. According to Roberts (2011), the legal structure of SMMEs in South Africa and Lesotho are as discussed below:

##### Sole proprietor/sole trader:

This is best suited to a business that is not fixed-asset driven (ie, is service-based) and in which the owner is the sole employee. Income accrues directly to the owner and there are no complicated statutory returns other than meeting basic legal and tax requirements. The disadvantage is that the business is not a separate legal entity, so the owner is liable for, and can be sued for, the business's debts. If the owner of the business dies, the business ceases to exist. This is a common form of SMME.

##### Partnership:

Based on the same principles as a sole proprietorship, this structure allows you to have up to 20 partners who share responsibility, skills and liability. A partnership requires a contract to formalise each person's contribution to the business, their responsibilities, profit-share, means of resolving disputes, disability/death insurance and what procedures will be followed if the partnership changes or is dissolved. Finding funds for a sole proprietorship or partnership depends on the security that the individual owner/partners are able to provide.

##### Close Corporation (CC):

This is a popular and widely used structure that gives a business a separate legal identity without the formalities of the Companies Act that governs public and private limited companies. This structure is ideal for a business that purchases stock on credit. A CC can have between one and 10 members, each of whom owns an agreed percentage of the business and who is liable for managing it properly. A CC cannot be owned by a company or be a subsidiary of another CC or company. A CC (rather than its members) can sue and be sued.

In South Africa, a CC is administered by the Companies and Intellectual Property Registration Office (CIPRO). In Lesotho the issue of licences is governed by the

Trading Enterprises Order and the Trading Enterprises Regulations. Certain licences are restricted to local citizens or companies controlled by local citizens. Therefore, local citizens have an opportunity to operate their businesses and own the majority shares.

#### Contribution of SMMEs in Lesotho and Butha-Buthe

Lesotho's economy is based on the export of diamonds, water sold to South Africa, manufacturing, agriculture, livestock, and to some extent, the earnings of labourers employed in South Africa. Lesotho also exports wool, mohair, clothing and footwear (Roberts, 2011:25). Tourism also plays a role as an agent in such businesses, therefore, in this research, tourism SMMEs have a significant role in the economic development. The water sold from the Katse Dam has opened opportunities for SMMEs to operate businesses. For example, the Lesotho Highlands Development Authority (LHDA) noted that the Lesotho Highlands pre-dam conditions lacked roads and the isolated rural settlements were accessible only by rough dirt roads and footpaths; but with the dams came the roads. The infrastructural-lead projects undertaken include the restructuring and reconstructing of existing major roads, the construction of new ones, and the ancillary feeder roads (Matli, 2005:55). With all these roads and infrastructure development, guest houses and bus stops are now easily reachable in rural areas in and around the Dam construction.

SMMEs are important agents for development throughout the world. Promoting a country's SMME sector plays a crucial role in maintaining high levels of employment and income generation, and is therefore critical for achieving sustainable growth (Roberts, 2011:25). Most local businesses provide jobs for local communities (Jamieson, Goodwin & Edmunds, 2004:2). Throughout the world SMMEs are seen to play a critical role in absorbing labour, penetrating new markets, and generally expanding economies in creative and innovative ways. The stimulation of SMMEs must be seen as part of an integrated strategy to take the economy to a higher level, one in which the economy is diversified, productivity is enhanced, investment is stimulated, and entrepreneurship flourishes (Tlhomola, 2010:33).

Development of infrastructure in Butha-Buthe promoting opportunities for emerging small businesses, up-and-coming tourism entrepreneurs in this area, and understanding and knowing tourism resources is essential in destination branding. Tourism resources give a destination a tourism appeal to draw people to the location. They form the core of visitor attractions but also include other service and facilities,

which cater to accommodate and entertain tourists while in the destination area (Godfrey & Clarke, 2000:34).

#### Support for SMMEs in Lesotho and Butha-Buthe

The Government of Lesotho (GOL) is committed to fight poverty, accelerate economic growth and improve the welfare of the Basotho nation. In 2002 the Government formulated its broad National Development Goals to guide national planning and the overall development agenda of the country (Disele, 2008:8). The strategy for growing tourism and in particular the tourism-related private sector in Lesotho, requires an integrated set of enabling conditions such as facilitating investment, strengthened the business climate, expanded services, availability of a trained workforce, and industry standards that increase parity with the booming tourism industry in the Republic of South Africa (Disele, 2008:8).

It is important for the private sector and government to work in partnership to improve the capacity of the destination to respond competitively to competitive tourism markets both regionally and internationally. Disele (2008:8.) continues to show that the private sector with a common goal must be required to partner with the Ministry of Tourism Environment and Culture (MTEC) as well as the Lesotho Tourism Development Corporation (LTDC) and work together to achieve a common goal in economic development.

According to Disele (2008:15) the Government of Lesotho aims to:

- Play a leadership role in creating awareness of tourism to Basotho nationally and internationally, as well as the benefits of developing a coordinated and future-oriented approach to tourism to pro-actively support government in initiating appropriate national policies and development guidelines for sustainable tourism development and marketing of Lesotho.
- Highlight Lesotho's potential and key role in the overall development of the sub-region's tourism potential, and play a key partnership role in making tourism one of the main engines of economic growth in Lesotho.
- Work towards a partnership with public sector organizations and departments involved in tourism directly and indirectly to ensure a shared vision, approach and commitment.

## **2.3 SMME contribution towards tourism development**

Tourism has increasingly been recognised for its economic potential towards development. It creates opportunities for many small and micro entrepreneurs, both in the formal and informal economies. It is consumed at the point of production; the tourist has to go to the destination and spend his/her money there, opening opportunities for different local businesses, and allowing local communities to benefit through the informal economy, by selling goods and services directly to visitors (World Tourism Organisation, 2010). Infrastructural development, employment, education and skills development, and training flowing from tourism development, is now discussed.

### **2.3.1 Infrastructural development**

The infrastructure required by tourism, such as transport and communications, roads improvements, accommodation, water supply and sanitation, public security, and health services, can also benefit the rural destination. At the present time Butha-Buthe is faced with major challenges including poor access to electricity and its affordability, poor coverage, quality, and costs of local (non-cellular) telephones; and poor quality of roads. Infrastructure service delivery, electricity, telephones, and roads, are well below what would be expected. Poor road networks have hampered the development of tourism in this area (Bogetic, 2006:13).

The absence of good roads has prevented rural populations from accessing shops, schools, and clinics. Road, and road transport, is the backbone of the transportation system in the rural area of Butha-Buthe. Private vehicle ownership is relatively low in the rural areas, while public transportation is generally operated by private companies and individuals (Lesotho Ministry of Public Works and Transportation, 2011).

Roads are concentrated in the lowland area of the districts, the highlands being too steep in many places. Although there are arterial roads that connect all the districts in the country, few rural roads connect villages and towns within districts in the mountainous parts of the country, which comprises 67% of the total area of Lesotho, and in which about one quarter of the population lives (Lesotho Ministry of Public Works and Transportation, 2011). This isolation results in limited access to basic services and commodities, as well as local and international market opportunities. Limited access through the mountain zones also hinders communication within the country, and prevents continuous outlets to ports beyond the country's surrounding borders with South Africa.

With all these difficulties and challenges for rural populations, the office of Public Works and Transportation in Lesotho tries to provide a maintainable road network which is based on criteria that the maintenance of such roads, routine and periodic, would be financed from internal resources, including the Road Fund and the Government budget (Lesotho Ministry of Public Works and Transportation, 2011).

Butha-Buthe, being one of the rural destinations with poor roads and other poor infrastructure, would definitely need to be included in this programme introduced by the Office of Public Works. Based on the Lesotho Road Management System (LRMS), the budget will include a rolling three-year priority investment for the core maintainable road network. The key objective of this rolling programme would be to bring the core road network under a regular and sustainable maintenance programme through eliminating the backlog of deferred periodic maintenance, avoiding further deterioration of the poor roads, and preserving the assets of the existing core road network (Lesotho Ministry of Public Works and Transportation, 2011).

Roads in good condition are lifelines for the economy of any country. The need for an operational road network cannot be overemphasized, especially for poor countries where the key economic activities (agriculture, manufacturing, trade and social services) all hinge on adequate road transport. The Government of Lesotho's policy for the road sub-sector is to "ensure that existing roads and access routes are comprehensively and regularly maintained, are rehabilitated when required, and are upgraded and extended in an efficient and justifiable manner, to meet the needs of the economy and the population" (Ntho & Tsikoane, 2003:13-14).

An example of an initiative, put place by the Department of Rural Roads (DRR) in co-operation with Ireland, is to plan and provide roads in rural areas, (Ntho & Tsikoane, 2003:19). The initiative was called the integrating of gender into the Ireland Aid-financed rural roads, and it ran for three years, (comprising the upgrading of three roads and construction of 14 footbridges and 10 structures during the period 2002-4, at a value of 16.5 million Maluti). The only condition that Ireland Aid placed on the DRR was that the projects should be in geographically isolated and poverty-stricken areas. Ireland Aid had no influence on where the roads were built, nor did it stipulate any requirements for rotational or gendered labour.

Ireland Aid was clear that its duty in Lesotho was to support the Government, not to bring in parallel structures that undermined Government decision-making, and hence

the planning and design of projects was undertaken by DRR alone. Ireland Aid funded only the upgrading and construction of roads, structures and footbridges. DRR, financed by the National Roads Fund (obtained from fuel levies and vehicle licenses) and the Treasury, now undertakes maintenance of the network. This co-operation was to develop roads in the rural areas, which gave opportunities for SMMEs that operate in remote areas to be reached without any difficulty. SMMEs operating in Butha-Buthe would also benefit from this initiative as roads and infrastructure in that area would be funded and improved.

#### **2.3.1.1 Accommodation**

Afri Ski was a project introduced by both the Government of Lesotho and a few international companies in the district of Butha-Buthe. The area is popular for snow-based activities during the winter season, and people travel to ski in Lesotho, making Butha-Buthe a holiday destination for adventure activities. Visitors have a variety of accommodation to choose from:- self-catering resorts, backpacking and guesthouses. This project gave opportunities for locals to hand-craft and sell traditional products. 'Muela Dam in Butha-Buthe, phase two of the Lesotho Highlands Water Project also increased accommodation in the district as most holiday-makers enjoy beautiful scenery and a quiet atmosphere. What made the Dam popular was the water-sports that took place, and its history.

#### **2.3.1.2 Water supply and sanitation**

Access to safe drinking water is one of the fundamental needs of every human being, and unsafe sources can be very harmful to human health. Lesotho has clean water for its citizens, and the water supply in the rural areas is improving, as there are more public taps with clean water for collection. May, Roberts and Woolard (2002) conducted a survey on sanitation in rural areas of Lesotho, which showed that there had been an improvement since 1994, as more house-holds in the rural areas were able to have toilets in their homes, and some household now have flush-toilets and waste-water tracks.

#### **2.3.2 Job Creation for local residents**

SMMEs are important agents of development throughout the world. Promoting a country's SMME sector plays a crucial role in maintaining high employment and income generation, and is therefore critical for achieving sustainable growth. Most local businesses provide jobs for local communities (Jamieson, Goodwin & Edmunds, 2004:2). Creation of full- or part-time employment, or the development of SMME opportunities through sales to tourism businesses or to tourists, assists in improving

rural economic development. Creation of SMME business opportunities provides employment and earnings from the sale of goods and services, and gives direct employment in the formal sector businesses to poor communities (Jamieson et al., 2004:3). Local communities' can sell their handicrafts to visitors to their area and offer guided tours and historical discussions at their destination.

The private sector has a complex set of relationships involving international companies, national enterprises, and local tourism businesses. It is obvious that each tourism enterprise brings with it a set of guiding principles and business practices that in some cases should be supportive of tourism as a tool for poverty reduction. (Jamieson et al., 2004:4).

### **2.3.3 Education and skills development**

The future of a firm's capacity is to compete in education, which is related to knowledge, skills, problem-solving ability, discipline, motivation, self-confidence and behaviour of entrepreneurs, that allows them to identify market opportunities and gather resources required to set up a business. Education itself is a means through which knowledge can be gained, and includes all the teaching, formal and informal learning, tutoring and instruction, that individuals received in their formative years (Kameyama, Kobayashi & Suetake, 2000). In order for entrepreneurs to achieve their goals they need to have experience in what they are doing, as the experience will have involved a learning process that helps them to identify opportunities, reduce their initial inefficiency, and also improve their capacity in performing various tasks. Previous experience includes work experiences, business management experience, and tourism industry experience.

The characteristics of an entrepreneur for a successful business, according to Kunene are:

- The need for achievement: the motivational construct here is the desire to be successful, to do well, to achieve excellence, to improve and to avoid failure.
- Having initiative: this is essential as the business depends on the entrepreneur's actions. Many individuals who perceive an entrepreneurial opportunity to be both desirable and feasible simply never get around to performing activities essential to starting a business due to paralysis fuelled by laziness, doubt and fear.
- Self-confidence: which people believe largely controls their own fate.
- Self-esteem: refers to one's perception of one's self as capable, important, successful and worthy.

- Ability to gather resources and control the venture resources necessary to start, run, and grow a business and manage them efficiently and effectively, and to use those resources for the intended purposes.
- Adapting to change: adaptation and flexibility becomes a critical strategy for venture success.
- Risk-taking combines all factors dealing with risk, which includes taking calculated risks, being realistic when analyzing opportunities, and spreading one's risk. These factors affect positively on entrepreneurship.
- Aware of business opportunity: an entrepreneur has to be able to spot the opportunity from the starting point of isolating, quantifying, and refining an opportunity from a set of ideas.
- Creativity is a process of generating and developing ideas, concepts, and commodities. It is about discovery of new knowledge regarding market needs, technology, and available resources. (Kunene, 2008: 345-346).

All the above characteristics of a successful entrepreneur could also contribute to a booming business. Butha-Buthe has so much to offer, and open-minded and skilful entrepreneurs are needed in order to discover the potential of the destination. A small business operation in this district must be able to enter new markets, and produce best quality rich heritage, nature attractions, and best services. Training and education should be the key in developing skills and producing good service of the tourism product

#### **2.3.4 Business opportunities in Butha-Buthe**

SMMEs represent an important vehicle to address the challenges of job creation, economic growth and equity in the country. Throughout the world SMMEs are seen to be playing a critical role in absorbing labour, penetrating new markets, and generally expanding economies in creative and innovative ways. The stimulation of SMMEs must be seen as part of an integrated strategy to take the economy onto a higher road, one in which the economy is diversified, productivity is enhanced, investment is stimulated, and entrepreneurship flourishes (Tlhomola, 2010:33).

Development of infrastructure in Butha-Buthe promoting opportunities for emerging small businesses, and up-and-coming tourism entrepreneurs in this area, understanding and knowing tourism resource is essential in destination branding. Tourism resources give a destination a tourism appeal to draw people to the location. They form the core of visitor attractions but also include other service and facilities, which cater to, accommodate, and entertain tourists while in the destination area (Godfrey & Clarke, 2000:34).



Furthermore, the authors outline types of tourism resources which includes elements of the natural and man-made environment, festivals and events, activities, purpose-built facilities, hospitality and transport services. All these features can be classified as either principal or supporting resources. They have the strongest pulling power and usually represent the key motivating factor in the tourist's travelling decision.

Godfrey and Clarke (2000) discussed resources that bring tourists to the destination, and that some resources are unique in rural areas. The Butha-Buthe area is blessed with many natural and man-controlled attractions. For visitors to be drawn to the area accommodation, transport and service facilities are required. With the exception of Afri-ski, very few facilities exist, opening the way for SMME businesses to provide the infrastructure necessary for the development of the area, specifically accommodation (Bed-n-breakfast, guesthouses, small hotels), transport (taxis, micro-buses) and service (banking, postal services, retail outlets).

The following sub-sections discuss the resources available in Butha-Buthe where SMMEs could tap into these resources to provide business opportunities, job creation, re-distribution of wealth, and poverty reduction through pro-poor tourism activities.

#### **2.3.4.1 Natural Resources**

These resources are mostly found in rural areas; they include fauna and flora such as wild flowers, specialist vineyards, wildlife, birds, domesticated animals, and landscape such as caves, cliffs, and mountains. Climate includes seasonal features with spring (blossoms), winter (snow), and summer (dry/humid), and water as part of the natural resource, including rivers, lakes and wells. These above noted resources give potential growth opportunities in the tourism sector, especially in rural areas where attractions are mainly natural. The uniqueness of Buthe-Buthe is its mountainous landscape, producing exceptional beauty during the winter season while covered by snow.

During the winter season when the Maluti Mountains of Lesotho are covered with snow, is the best time to Afri-ski. The Butha-Buthe district is the core host of Afri-ski in Lesotho. Snow skiing is possible on the slopes below the Mahlasela Pass, and new Oxbow Lodge nearby, and Afri-ski rents skis and boots. There are three slopes and two ski-lifts, while several alternative activities are on hand in the summer months. Jobs are created during this time and there is a high demand for accommodation. Special events are hosted at this place such as Ski Grand Prix, King's Cup snow festival, quick snow and first ascent ski festival. [[www.afriski.net](http://www.afriski.net)].

#### **2.3.4.2 Cultural Resources**

When one talks of culture, one looks at religion, heritage and other ethnic celebrations such as traditional dances, dress, and languages. Religious heritage includes mosques, synagogues, churches, cathedrals, chapels, mission stations, and burial grounds. Heritage also includes historical buildings. These cultural resources bring visitors to a destination. The development of SMMEs emerges as accommodation is needed for tourists who visit Butha-Buthe to experience the culture and heritage.

Religion in Lesotho is a mix of traditionally based ancestor worship and Christianity (about 80 percent), with a small representation of Islam. The main church groups are Catholic, Anglican, and Dutch Reformed. <http://www.everyculture.com/Ja-Ma/Lesotho.html>. Traditional music, dance, and literature combine in Sotho cultural performances. Storytellers, dancers, and musicians join with audience chanting, clapping, and singing to retell ancient folktales. The involvement with mining has produced a unique tradition of singing and males dancing, with high-kicking group dances. Many handmade instruments include whistles, drums, rattles, and stringed instruments.

#### **2.3.4.3 Events, activities and business organisation**

Event entrepreneurs could emerge through music festivals such as jazz, country music, local drama theatre, dance, food and wine festivals, and poetry. Tournaments include local, regional, national and sports such as athletics and the Roof of Africa motor rally. Agricultural and trade shows provide business opportunities.

Children's playgrounds, golf courses, natural trails, hiking, bike trails, bowling, ballooning, horse riding, canoeing, boating, river sailing, bungee jumping, and hunting are activities that will draw more tourists to a destination, and create business opportunities for local entrepreneurs.

Lesotho Sky, in partnership with the Vencorp Group International from Switzerland, launched a website aiming to present unique and breath-taking events that contribute to promoting Lesotho as a brand and destination for world-class outdoor sporting events. By reaching new levels in adventure cycling, the country aspires to provide the greatest sporting event of this kind in the Mountain Kingdom, by engaging in cycle tourism, and providing proven opportunities for communities to benefit from a sustainable source, foster skills, build partnerships and develop cycling as a

competitive sport in schools and clubs <http://www.lesothosky.com/ride/>. Such events are appealing to people and present unique opportunities for rural development.

The Lesotho Tourist Development Corporation, duly authorized by the Lesotho Ministry of Tourism, Environment and Culture (LMTEC), seeks to enhance the benefits from tourism for the country by established market-related tourism ventures in and around Lesotho's natural and cultural resource base, (Ministry of Trade and Industry, Cooperative and Marketing, (MTICM) 2009). This will give opportunities to tourism entrepreneurs to establish and operate a mountain resort within the boundaries of the Sehlabathebe National Park (SNP) MTICM, 2009).

The LTDC aims to create benefits for the country's national tourism industry and more specifically for the communities living around the SNP through the provision of a sustainable tourism product of international standard (MTICM, 2009). The continuing health of the country's economy, its communities and environment, depends on the health and growth of SMMEs. The Government of Lesotho has recognized this and appreciates the key role such organizations play in the continued development of the Lesotho economy.

The Lesotho Government has created a Charter and aims to nurture SMMEs and further their role in fostering economic, environmental and social benefits across the Kingdom. This Charter was developed jointly by the Ministry of Finance and Development Planning (MFDP) and business representatives, and formed part of a programme of action to deliver a fair, consistently effective, and transparent approach to procurement in Lesotho, while addressing issues of particular concern to SMMEs (Government of Lesotho, 2006). This Charter brings awareness to the Government that small businesses are apprehensive about engaging with Government bodies in order to work together to improve community development. Therefore, the Charter is committed to change the manner in which Government does business, and seeks to support small businesses by helping to create a fair and open environment in which businesses can be formulated to work together and jointly improve the county's economy (Anon, 2008:2).

While this study will try to identify business opportunities in the district of Butha-Buthe and its potential, small businesses in rural areas are faced with their biggest challenges for growth. A significant number of small businesses fail, some in infancy, others a few years later. The failure rate is probably due to under-preparedness and a

failure to accurately estimate the cost of starting and running an enterprise (Tlhomola, 2010:34).

A large majority of SMMEs in rural areas are survivalists and may have limited potential for growth and expansion. This is basically in the rural areas where infrastructure is a problem. Yet Darroll (2008:7) stated that SMMEs in the tourism sector, in general, reported a higher turnover than other businesses surveyed, and were more likely to have experienced growth in the past few years. This statement excludes survivalist entrepreneurs operating in rural areas. This study attempts to reveal the potential of tourism in rural areas and how SMMEs could play a role in development.

Darroll (2008) noted in his survey that only 14 percent of people under 30 years of age owned businesses, suggesting a significant gap in opportunities and incentives for young people to become entrepreneurs. A lack of demand (or lack of customers) was identified as one of the biggest challenges facing SMMEs. Businesses in more remote locations (in rural areas of the mountains and foothill zones) were most dissatisfied with their access to markets and potential customers – reflecting their relative isolation from larger urban centres. There are very limited linkages between small firms and larger (often foreign-owned) businesses operating locally, and this further restricts SMMEs' potential market access (Darroll, 2008:8).

Tlhomola (2010:18) states that successful entrepreneurs develop ideas, and then find ways to make them work to solve a problem or to fulfil a need. In Butha-Buthe, that is changing fast, creativity and innovation are vital to SMME's success and survival. This is the reason why most of them collapse as they are always looking at the same customers who will eventually retire from using the product when their need for that particular product is satisfied.

Opportunities to access government contracts are largely unavailable – entrepreneurs experience is that the Government of Lesotho (GoL) prefers to contract with larger businesses that are able to deliver in quantities against short timeframes, which are beyond the capacity of most SMMEs (Darroll, 2008:9).

High operational costs, inadequate infrastructure and cash flow problems, particularly because of late payment by customers, is a major challenge for small businesses operating in rural areas. This also limits the range of suppliers, and particularly tourism wholesalers, within Lesotho. It reduces SMMEs' purchasing options, and the

consequent need to travel to South Africa to source inputs for their businesses which increases their costs. This requires business owners to spend a great deal of time, not only travelling to suppliers outside the country, but also obtaining the necessary import permits, and spending long hours at border crossings waiting for their goods to be processed by customs authorities on both sides of the border between South Africa and Lesotho (Darroll, 2008:10).

#### **2.4 Definition of rural tourism and development**

According to Pakurar and Olah (2008), rural tourism can be defined as a tourism product which highlights the importance of supply management and marketing activities within district regions. While tourism development in rural areas facilitates the preparation of tourist arrivals, it also entails planning, building and managing attractions, transportation, accommodation, services, and facilities that serve tourists (Bayat & Ismail, 2008). The beautiful Maluti Mountain environment, heritage, wetlands and snow areas like Butha-Buthe, have a potential for tourism development as the most suitable economic opportunity for a rural area.

Many tourists spend their holidays in the countryside or rural areas, seeking the peace and relaxation that a rural environment can offer. Keyser (2002) states that various factors attract visitors to rural regions, including natural features such as rivers, lakes, forests, caves, mountains, cultural features, and style-of -living of locals. In such areas tourists experience being close to nature. Activities that could take place in the rural area of Butha-Buthe include farm tours, nature studies, cycling and walking tours, cultural activities, crafts, water- and land-based sports, sightseeing, camping, and conservation. Through all these activities tourists are attracted to the areas and contribute toward the improvement of the economy in the district.

Tourism features in rural areas according to Keyser (2002):

- Close to nature
- Quietness
- Absence of crowds
- Non-mechanized environment
- Personal contact to culture
- Retention of individual identity

These features promote tourist visits in remote areas. Natural features, such as lakes, forests, rivers and land, need to be sustainable as they increase the well-being of the inhabitants, and expand relationships between the entrepreneurs and tourists visiting the area. The more tour operators emerge, the more travel agents and individual tour guides are needed in order for tourist to enjoy and experience such features. The representatives of tourism enterprises such as tour operators and travel agents

operating in Butha-Buthe, are able to spread the word, market, and promote these tourism features to international and national travellers. Therefore, more tourists visit Butha-Buthe and the destination becomes a branded feature.

#### **2.4.1 Pro-poor tourism**

Pro-poor tourism is the term used to refer to interventions that specifically focus on addressing poverty, which move beyond the “trickledown” theory, and generates net benefits for the poor (Jamieson et al., 2004:3). The authors further state that tourism becomes pro-poor if it provides economic gain through the creation of full-or part-time employment, or development of SMME opportunities through sales to tourism businesses or to tourists. Other livelihood benefits include access to potable water, roads that bring benefits to poor producers through, for example, improved access to markets, improved health, or education.

In Africa, where countries are struggling to eradicate poverty and under-development, tourism has emerged as the most lucrative industry for economic development and poverty alleviation. Lesotho is no exception. In fact, the country has positioned itself to reap maximum benefits from tourism, using the available natural resources, rich historical background, and culture and ready market in South Africa (Mahony & Van Zyl, 2001).

A key challenge faced in efforts to achieve poverty reduction through tourism development initiatives is ensuring that the benefits of such efforts accrue to the poor. This targeting efficiency refers to the share of total project/programme benefits going to the targeted population because there are always economic incentives for both poor and non-poor to seek to capture the benefits of tourism development initiatives (Jamieson et al., 2004:4).

Furthermore, these authors state that different targets could be used in efforts to reduce poverty through tourism development. For example, a publicly supported training/apprenticeship programme for hotel workers could apply self-targeting or administrative targeting. However, geographic targeting would appear to be the targeting mechanism most generally applicable to general tourism development efforts in Butha-Buthe that seek to reduce poverty. With this form of targeting, identifying areas with tourism potential that also have high poverty incidence are used to achieve poverty reduction.

Butha-Buthe has the potential to attract tourism and industrial investment with its beautiful scenery of towering mountains, natural or indigenous forests, bushman paintings in caves and adventure activities. It is therefore appropriate that this area be recognized as a tourist potential destination in order to improve the livelihood for the local community to benefit.

The majority of the Lesotho population, and specifically the poor, still reside in rural areas characterised by poverty, low levels of investment, inadequate infrastructure and high levels of unemployment. The revitalization of the rural economy has to become a key initiative of the National Government, which must adopt the principle that it should be engaged in tourism business operations, and provide an enabling environment that will stimulate private sector participation in the tourism industry. Rural areas mostly have natural attractions that create adventure tourism making it a very popular choice in such places, according to Jamieson et al. (2004:6).

Here follows a list of the barriers explicit to tourism-related poverty reduction exercises which are relevant to the Butha-Buthe region:

- A lack of government programmes targeted to the informal tourism sector which plays an essential role in providing tourism services, and has the significant potential of helping to reduce poverty especially in urban areas.
- Few, if any, tourism and poverty officials have any education or training in using tourism as a poverty-reduction tool.
- In many instances, the poor lack access to credit which is essential in helping them to participate in the tourism economy.
- Government as well as nongovernmental organizations lack the organizational capacity to respond to the opportunities offered by tourism development.
- The poor very often have limited access to tourism infrastructure and assets.
- Governments, and in particular regions and communities', lack essential market knowledge to allow them to develop pro-tourism strategies and products based on sound market information.
- Outdated regulations and red tape make it impossible at times to develop innovative products and services.
- Often the areas with the highest levels of poverty lack the necessary transportation and communications infrastructures essential to meeting the needs of the tourism industry (Jamieson et al., 2004:6).

The role that key stakeholders in tourism can play in increasing the quality of life of individuals and communities: While the emphasis is on government-led interventions, stakeholder analysis would strongly support the position that a range of stakeholders

must be involved in the intervention process. The key stakeholders include the following:

- NGOs
- The private sector
- All levels of government
- International organization
- The tourist
- Local communities

All the above stakeholders in the tourism industry could play a significant role in tourism development in Buthe-Buthe, improving quality of life for local communities and branding the destination. They all work together; for example NGOs in Butha-Buthe work together with local communities by doing hand-crafts and show-case their work to tourists. Private sectors (travel agents) bring tourists to the destination with the support of government and other international organisations.

#### LESOTHO HIGHLANDS WATER PROJECT (LHWP)

The LHWP is an ongoing water supply project with a hydropower component, developed in partnership between the Governments of Lesotho and South Africa (Matli, 2008:55-57). The purpose of the project is to provide Lesotho with a source of income in exchange for the provision of water to the central Gauteng Province where the majority of industrial and mining activities occur in South Africa, as well as to generate hydro-electric power for Lesotho (Wikipedia.org, 2012). Local communities in the highlands areas of Lesotho benefitted through the project as infrastructural developments, water supply, toilets, community halls, clinics, schools and community projects were provided.

The Lesotho Highlands Development Authority (LHDA) noted that the Lesotho Highlands pre-dam conditions lacked roads. The isolated rural settlements were accessible only by rough dirt roads and footpaths; but with the dams came the roads. The infrastructure-led projects undertaken included the restructuring and reconstructing of major existing roads, the construction of new ones, and the ancillary feeder roads (Matli 2005:55).

The project development provided easy travelling and goods for the farmer's transportation in remote areas as infrastructure and roads were developed. Matli (2005:56) further states that some accomplished community infrastructural projects included the building of a mortuary at `Mamohau Village in Katse, community markets in Butha Buthe, Ha Lejone, Ha Katse, and Ha Mohale, and taxi ranks in Butha-Buthe town and en route to Katse Dam. The project also led to the building of new public



schools, a secondary school at Bokong Ha Kenene, sanitation improvements and additional classrooms and offices in existing public and church schools. Various water sanitation and protection-of-springs projects, local chief's offices at Makhoabeng, Ha Lejone and Mphorosane, water supply structures and the testing and analyzing of water in villages and schools, and the construction of improved ventilated pit-toilet services, were also provided.

It is through this project that numbers of jobs were created; both short and long-term employment for the local communities. The hydro-electric power generated at 'Muela Dam in Butha-Buthe was distributed through a number of substations to urban areas and other parts of the country (Matli 2005:58). Hydro-electricity not only made the country self-reliant in energy, but would also generate further revenue. This was achieved through the savings made by not purchasing electricity from South Africa anymore and by exporting the surplus hydropower. This would then avail more funds for use in other economic developments of the country (Matli, 2005:59).

#### TOURISM

LHDA made an input on the country's economic growth by developing tourism within Lesotho. LHDA improved existing roads and constructed new ones for enhanced tourist transport to outlying districts. These tourist attraction areas includes Bokong Nature Reserve, Tšehlanyane National Park, Liphofung National Environmental Heritage, and Katse Alpine Botanical Gardens, Tšehlanyane National Park and Bokong Nature Reserve in Butha-Buthe, featuring rugged mountain terrain with picturesque valleys providing scenic beauty with waterfalls, mountains, vast grasslands, and extensive afro-alpine wetlands (Matli, 2005:78-79).

The road to Butha-Buthe leading to Oxbow is the original "Roof of Africa" car rally route. It is a quite spectacular journey, going over a number of mountain passes. Near the Qalo and Sekubu areas are dinosaur footprints and some mysterious caves used by the San (Bushmen), while up in the Mountain, close to the Afri-Ski resort, are caves which hosted many a tribal group over the centuries. From Butha Buthe, the road goes north for 15km, then at a junction goes east and climbs into the foothills of the Maluti Mountains. It ascends the Moteng Pass at 2840m, and then drops down into the upper valley of the Malibatso River. Here one comes to Afri-Ski, an upmarket ski resort.

*Tourism attractions merged from LHWP in Butha-Buthe.*



**Figure 2.2 LHWP in Butha-Buthe**

Source: Adapted from Afri-ski in Butha-Buthe[ <http://www.afriski.net/#/home>]

The existence of the Afri-Ski project in Butha-Buthe helped develop SMMEs and gave opportunities for locals to show-case their handi-craft work. Skiing is the most popular activity done in the Maluti Mountains of Lesotho; these winter tourism activities take place in the district of Butha-Buthe during the winter snow-season.

The resort offers a quiet, scenic environment, excellent for corporate get-aways and conferences. The conference facilities onsite presents a comfortable atmosphere originating from the mountainous area and views that boast the adventure waiting to be explored. There is accommodation, handi-crafts shops, restaurants, and shops to hire equipment within this area, and employment opportunities for local communities during the skiing season. The road has been improved even though it is a tarred road and exciting for 4 x 4 trials. This place attracts and invites investment. [<http://www.afriski.net/#/home>]

Moreover, Afri-Ski has improved the SMMEs sector by creating and sustaining work opportunities and the distribution of wealth among the local communities. There are more guest houses and lodges in this area, and it is essential to note that employment has been generated. Therefore, SMMEs contribute to poverty alleviation and economic growth to Butha-Buthe district.

#### **2.4.2 SMME evidence studies from developing countries**

The section looks at the economic contribution of SMMEs towards tourism development in some developing countries; looking at the major challenges and opportunities they are faced with and how they survive. SMMEs play a key role in local development, and providing opportunities to less developed countries. Working towards promoting the development of the SMMEs sector brings balance and change to globalization. (Organization for Economy Co-operation and Development 2004).

##### **GHANA**

SMMEs are thought to contribute about 70% to Ghana's GDP and account for about 92% of businesses, while in South Africa it is estimated that 91% of formal business entities are SMMEs. They also contribute between 52% and 57% to GDP and provide about 61% of employment. (Abor & Quartey, 2010:219). However, SMMEs are still faced with major challenges within these developing countries, such as a lack of access to appropriate technology, limited access to international markets, the existence of restricting business laws, regulations and rules that hold back the development of the sector, and most importantly finance. Therefore, Butha-Buthe SMMEs are no exception as they are located in remote areas where technology, infrastructure and access to international markets are problematic.

##### **NAMIBIA**

For rural people, and the development of Non-Governmental Organisations (NGOs) in Namibia that support the people, tourism is an important component of rural development (Ashley, 2008:8). The majority of tourists visit the country's national parks. The main tourism product in the rural areas of Namibia is wildlife and wilderness, in dramatic scenery and sparsely populated areas. Tourism accommodation enterprises are generally lodges, up-market safari camps, campsites, and the associated service enterprises in these areas (Ashley, 2008:8). Tourism in communal areas, and particularly community involvement in tourism, had been actively promoted during the 1990s, by both the government and NGOs working in both conservation and development. These NGOs include tourism development in

their work with communities. Therefore, Butha-Buthe local government, small enterprises, and NGOs see tourism as support for rural development. With all adventure and beautiful scenery in Butha-Buthe, accommodation and activities need to be promoted more.

#### BOTSWANA

Mbaiwa (2008:44) argues that trust at a community level between members of the community is one of the indicators of social capital. At the Khwai, Mababe, and Sankoyo rural area of Botswana, communities work together through their respective local institutions, known as trusts, to derive benefits from tourism development in their areas. The main assets or resources of these areas is that communities have better outcomes in natural assets that include different wildlife species, birds, forests and landscape (Mbaiwa, 2008:44). Employment has been created and benefitted the community, improving livelihoods. Employment is provided both by the safari companies that sub-lease community areas, and by trusts in respective villages (Mbaiwa 2008:44).

#### INDIA

Schneider (2012:1-2) conducted a feasibility study of responsible rural tourism development in Rajasthan, India. The research was based on the opportunities to develop village-based responsible tourism in the Tijara Block - a rural area of Alwar, in Rajasthan, India - as a means of creating business opportunities and employment for local community members. Schneider, together with the End Poverty NGO based in India visited Rajasthan to see what conclusion could be drawn to reduce poverty in that area. Schneider (2012:3) reported that the outcomes of the initial primary research were highly positive, showing a definite level of demand from all three target groups – international backpackers, domestic tourists, and school groups. Therefore, the study on economic development in Butha-Buthe should be practical in seeking business opportunities and employment for local communities when all SMMEs and government officials work together.

#### SUB-SAHARAN AFRICA

According to Tihomola (2010:23), finance ranked among the top five constraints to business development in *sub-Saharan Africa*. This is partly because financial institutions view many small firms as high-risk ventures offering poor collateral. Most entrepreneurs in Butha-Buthe access capital to start their business from their own sources and operation of the business is done by family members. This becomes a risk with a lack of marketing knowledge and skills for family members.

In order to overcome the above-mentioned challenges faced by SMMEs in developing countries there should be recognition of the important role SMMEs play in economic development. Small businesses with lower capital and labour costs are usually intensive as they have non-paid family members running the business, therefore, support for SMMEs and proper training should be considered.

#### **2.4.3 Involvement of local government in the tourism industry**

Travel and tourism is a rapidly growing industry worldwide and in Lesotho. Since independence in 1966 the Government of Lesotho had sought to promote tourism as one of the major strategies for national development (Mashinini, 2002). There are some organisational areas which need to be given more attention and these include funding, promotion of tourism destinations, job creation and sustainability, security, infrastructural development, marketing, as well as tourism education and awareness. Many governments seek to create an entrepreneurial society or enterprise culture because they value the role of entrepreneurship in creating economic growth and employment. Entrepreneurs find new opportunities, they innovate and connect resources in new ways, they increase the value-adding activity in the economy, and they create growth and employment (Tlhomola, 2010:36).

#### **FUNDING**

It is essential to promote and financially support the establishment of local publicity associations, community tourism, and marketing organisations in order to facilitate, market, coordinate and administer tourism initiatives, and facilitate the participation of local communities in the tourism industry (Mashinini, 2002). In addition, the Government should ensure awarding of government tenders, and the eradication of corruption in the awarding of tenders, and it should also help coordinate or fund training programmes to develop local business skills (Keyser, 2002:13).

Apart from what has been written in the above paragraph, the Government should make it possible for local companies, especially in rural areas, to function by providing government grants and sponsorships for tourism attractions, transport, infrastructure, facilities and services. The availability of finance to develop and promote the tourism industry is critically important for the industry's further growth and development (Wade & Fitz, 2008). Moreover, the Government should establish a dedicated tourism development fund to provide opportunities for tourism enterprises and activities not catered for by existing state financing agencies. This can be done by disbursing tourism funds through dedicated tourism windows at existing institutions that could

champion lending, as well as provide specific tourism technical support, to potential entrepreneurs (Wade & Fitz, 2008).

#### PROMOTION OF TOURISM DESTINATIONS

It is necessary for the Local Government in Butha-Buthe to formulate mechanisms to organize and develop the tourism destinations around this rural area. The existing attractions of the district adequately preserve new attractions and promote local destinations at competitive prices, keeping in mind taste and preference of the locals, and taking affordable package tours. Therefore, the media is the best tool for the local government to use in promoting tourism destinations. By doing so it ensures provision and maintenance of tourist services, sites and attractions, for example camping and caravan sites, recreational facilities (parks, historical buildings, sports facilities, theatres, museums) and public services (Mashinini, 2002). Furthermore, the national government together with the local government can promote the equitable development of all destinations with tourism potential, (whether high, medium, or marginal potential), and also promote the development of major tourism projects that will have national and country-wide impacts (for example, trans-border protected areas) (Keyser, 2002:21).

#### MARKETING, TOURISM, EDUCATION AND AWARENESS

It is important to encourage internal tourism by ensuring that local people are aware of the existing tourism destinations within their region. This can be done through tourism education and awareness programmes, advertising on TV, radio, posters, newspapers, brochures, and magazines. In addition, the Basotho need to be encouraged to travel within their own country in order to experience what the country offers. By working hand-in-hand local government and local tour companies provide the necessary training for tour guides and hotel workers for easy communication and good services, and to make tourism products accessible to all.

Butha-Buthe is a rural tourism destination and therefore recognition in the international markets can play a major role in marketing this destination area as it offers natural attractions and adventure activities. Lesotho is at the stage where there are few representatives in other countries to put the country's tourism on the map, and this leads to poor destination marketing. Promotional activities would also give opportunities to locals to orientate their handi-crafts and participate in the tourism industry (Keyser, 2002:27).

This author encourages implementation of environmental education and awareness programmes which would allow both rural community members and tourists to have an understanding of what is expected with the whole idea of community-based tourism for conservation and development. Tourism education and training is one of the fundamental pillars of the development of tourism.

#### ACCOMMODATION

Private company investment in the accommodation sector helps in tourism industry sustainability and good service in accommodation, and such private companies should enjoy different tax benefits in order to encourage investment. In addition, the local government must provide land and sponsorships for local rural companies to build hotels, game lodges, guest houses, bed and breakfasts, self-catering, guest farms, camping sites, and backpacker lodges. This makes accommodation and other facilities easily accessible and attracts more tourists to the rural areas of the country.

#### SECURITY

Modern travellers and tourists seek destinations with good security and safety, it is thus vital to ensure the safety and security of both residents and visitors (Mashinini, 2002). The local government, working together with residents and local people to create a safe and welcoming environment for visitors, is essential. Adequate information and resources provided to individuals improves safety and security (Reisinger & Mavado, 2006). In addition, appropriate legal procedures introduced by the local government could facilitate speedy and effective prosecution for cases where tourists are involved, and co-ordinate co-operation among appropriate stakeholders to work together to ensure the safety and security of all tourists (Reisinger & Mavado, 2006).

#### JOB CREATION

The tourism industry has great potential to create jobs, recognising that skills and experience are necessary to facilitate employment growth as well as international competitiveness (Keyser, 2002). The Lesotho National Tourism Policy's central focus is on actions that are necessary to combat poverty and reduce unemployment in the country (Mbethu & Tshabalala, 2006). Travel and tourism development is one of these, although more emphasis needs to be put on the implementation of the SMME policy to strengthen local entrepreneurship to access national, regional and international markets within the context of the National Vision and Poverty Reduction Strategy.

**Table 2.1: Government involvement in SMMEs development**

| <b>Promoting entrepreneurship</b>   | <b>Enhancing competitiveness and capabilities at enterprises</b>                       | <b>Current situation in Butha-Buthe</b>                              |
|---|--|--|
| Strengthen national awareness about the critical role of entrepreneurship | Expand SMME focused support strategies   | Less focus on implementing support strategies for SMMEs              |
| Maintain business regulations sensitive to small business                 | Support technology transfer, incubation and the commercialization of business services | Introduced financial assistance with capital for local entrepreneurs |
| Promote alternative focus on ownership                                    | Strengthen managerial, business and technical skills                                   | Poor network system  |
| Improve access to Finance   | Facilitate improved quality, productivity and competitiveness                          | -  |
| Expand franchise opportunities  | -  | -  |
| Strengthen business associations and networks                             | -  | -  |

Source: Adapted from Jamieson, Goodwill and Edmunds, 2004:16

Table 2.1 offers a summary of the discussion in section 2.3.3. Government of Lesotho is involved in the development and promotion of SMMEs in Butha-Buthe. Their role is to ensure that small businesses are protected by maintaining rules and regulations that entrepreneurs could benefit from, and to support the business with financial aids and inviting investment in the district. However, there are still challenges as there are some poor network systems and communication between the government and the entrepreneurs.

Butha-Buthe has the potential for improving the SMMEs sector in tourism development and economy growth, yet the communities are still far from realising this goal. It is therefore local Government that should boost and support businesses in this area. Policy frameworks with relevance to SMMEs should be put in place for SMMEs to benefit and perform to their best capabilities, such as the Integrated Small Enterprise Development Strategy, micro economic reform, poverty alleviation, local economic development, provincial growth, and development strategies. (Jamieson et al., 2004:17).

## **2.5 Summary**

This chapter has reviewed the contribution of SMMEs in tourism development in the rural area of Butha-Buthe, and also gives a clear definition of rural development, where some case studies were used. SMMEs play a major role in the economic



development, especially in the rural areas, where there is potential for tourism activities that could attract thousands of visitors.

However, there are several obstacles that are faced by SMMEs in Butha-Buthe and other rural areas as discussed in this chapter. Infrastructure and poor roads still cause major problems. The study observed how government could assist in improving roads and other infrastructure, and policy frameworks that can help in poverty alleviation. SMMEs constitute a vital element of this development process. Their contributions in terms of employment and income generation, using the example of The Afri-Ski Resort project to illustrate opportunities for the local community in Butha-Buthe, provide evidence of employment and attracting investment in the area. Creation of full- or part-time employment, or the development of SMME opportunities through sales to tourism businesses or to tourists, assists in improving rural economic rural development.

However, employment and management of a business requires education (related to knowledge, skills, problem-solving ability, discipline, motivation, and self-confidence), and the behaviours of entrepreneurs that allow them to identify market opportunities and gather resources required to set up a business. The chapter further focused on the analysis of economic contribution of SMMEs towards tourism development in Butha-Buthe.

The next chapter addresses the methodology and design of data capturing used to conduct the study.

## **CHAPTER THREE RESEARCH METHODOLOGY**

### **3.1 Introduction**

The information required from a researcher conducting a study of this nature would be the economic factors that are necessary for Small, Medium and Micro Enterprises (SMMEs) towards the development of tourism in Butha-Buthe in Lesotho. This information should be obtainable from primary sources, data being collected by a researcher, or data that already exists in textual or numeric form (Mouton, 2008:69). Such data could be collected through questionnaires or observation.

In order to do the research for this survey the methods that could be utilised to gather information required to answer the research questions are discussed as follows: literature search, qualitative research method, quantitative research method, mixed methodology, targeted population and sampling size. SMMEs operating in Butha-Buthe, the local community in Butha-Buthe, private sectors and local government should also participate in collection.

### **3.2 Literature search**

In this study the researcher made use of descriptive research. According to <http://uir.unisa.ac.za> a descriptive research approach is used to describe variables rather than test a predicted relationship between variables. This type of research tries to provide an accurate picture or description of an event to a specific situation or phenomenon (Gay & Airasan, 1999:28). The researcher sought an in-depth and detailed description of what was needed concerning the economic contribution of SMMEs towards the development of tourism in Butha-Buthe.

#### **3.2.1 The reason for using the descriptive research method**

In this study descriptive refers to the experiential meaning of the role played by SMMEs towards tourism development in Butha-Buthe. The descriptive approach was adopted for collecting data on evidence of businesses that have brought change to this area of Butha-Buthe thus providing a clear picture of new development within the area.

#### **3.2.2 Advantages of the descriptive research method**

The descriptive approach in data collection provides the ability of collecting accurate data and providing a clear picture of what is being researched. Data can include case studies, observation, and surveys. For example, within descriptive research surveys

one can provide statistical information about development happening in the rural area of Butha-Buthe, as well as to give an idea about how SMMEs have brought this development to the area, and the people who are involved in making this development. Another advantage of descriptive research is the unique data collection form of case studies. A case study being an analysis of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods (Thomas, 2011:48). These case studies can be collected from individual personal accounts, or from written data such as newspaper reports. This data collection allows descriptive research to provide an insight into life experiences in a way that other research methods cannot. It can remove barriers of strict academic approaches so that researchers can witness how others experience an event (<http://blurtit.com/> 2012). For this study a scenario was sketched for participants who were then able to better interpret the questionnaires as they applied to individual participants.

### **3.3 Qualitative research methods**

Qualitative research studies involve considering human action from a behavioural view (Babbie & Mouton, 2001:271). There are different methods of collecting qualitative research data such as focus groups, individual or group interviews and in-depth interviews. A questionnaire was developed where open-ended questions were set; in this research these are the questions that cannot be answered by yes or no, and they needed more expansion allowing the participant to present an own view. The researcher partially used open-ended questions for interviews when going door-to-door to the local tourism entrepreneurs in the area of Butha-Buthe, to the local community, and for local government and members of construction companies. An advantage of open-ended interviews is that they allow the interviewer to gain a broader understanding of the research problem, and to probe and ask all relevant questions.

The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given research situation. It gives information based on human behaviours, beliefs, opinions, emotions, and relationships individually (Mack, Woodsong, MacQueen, Guess, & Namey, 2005:3). Qualitative methods are also effective in identifying intangible factors, such as social norms, socio-economic status, gender roles, ethnicity, and religion, whose role in the research issue may not be readily apparent. When used together with quantitative methods, qualitative research can help to interpret and better understand the complex reality of a given situation and the implications of quantitative data (Mack et al.,

2005:5). This was important in Butha-Buthe where many participants are unemployed and illiterate, and in some cases, worried about being involved in surveys.

### **Advantages of qualitative methods**

One advantage of the qualitative method approach in research is that the use of open-ended questions and probing gave participants the opportunity to respond in their own words, rather than forcing them to choose from fixed responses as the quantitative method often does. Open-ended questions have the ability to evoke responses that are:

- Meaningful and culturally salient to the participant,
- Unanticipated by the researcher, and
- Rich and explanatory in nature.

Another advantage of the qualitative method is that it allowed the researcher the flexibility to probe initial participant responses, that is, to ask why, where, when or how. The researcher had to listen carefully to what participants said, engage with them according to their individual personalities and styles, and allow them to elaborate on their answers (Mack et al., 2005:5), as mentioned before on the previous page.

### **Disadvantages of qualitative methods**

A criticism of open-ended questions is that they are broader, and answers tend to lose some of their initial meaning. Because open-ended questions allow respondents to use their own words, it is difficult to compare the meaning of the responses expressed by different participants. The researcher did find it difficult to analyze whether SMMEs play a vital role in tourism development in the Butha-Buthe district, as the participants only had a very broad answer, which then sometimes led to unsatisfactory answers. Sometimes the answers to open-ended questions were rambling or incoherent, and did not provide the information the researcher was looking for.

### **3.4 Quantitative research method**

The quantitative research method is a systematic and objective process that investigates a particular problem by using numerical data. Quantitative research methods include close-ended questionnaires and telephonic surveys, interviews and e-mail surveys (Babbie & Mouton, 2001:230). The reason for choosing closed-ended questions was because they limit respondents to a pre-determined and pilot-project tested list of possible answer choices, making it easy to analyze responses. The

questionnaire made use of both open-ended and closed-ended questions, for the reason discussed below:

### Advantages of a quantitative method

Advantages of the close-ended questions included:

- More easily analysed, where every answer was given a number or value so that a statistical interpretation could be assessed. Closed-ended questions are also better suited for computer analysis.
- More specific thus more likely to communicate similar meanings, and
- In large-scale surveys, closed-ended questions took less time of the interviewer, the participant and the researcher, and so is a less expensive survey method (<http://wiki.answers.com>).

Disadvantages of the closed-ended questions included:

- Because of the simplicity and limitation of the answers, they may not offer the respondents, choices that actually reflect their real feelings.
- Do not necessarily allow respondents to explain that they do not understand the question, or do not have an opinion on the issue.

**Table 3.1: Comparison of quantitative and qualitative research approaches**

|                              | <b>Quantitative</b>   | <b>Qualitative</b>  |
|------------------------------|---|---|
| <b>General framework</b>     | <p>Seek to confirm hypotheses about phenomena</p> <p>Instruments use more rigid style of eliciting and categorizing responses to questions</p> <p>Use highly structured methods such as questionnaires, surveys, and structured observation</p> | <p>Seek to explore phenomena</p> <p>Instruments use more flexible, iterative style of eliciting and categorizing responses to questions</p> <p>Use semi-structured methods such as in-depth interviews, focus groups, and participant observation</p> |
| <b>Analytical objectives</b> | <p>Quantify variation</p> <p>Predict causal relationships</p> <p>Describe characteristics of a population</p>   | <p>Describe variation</p> <p>Describe and explain relationships</p> <p>Describe individual experiences</p> <p>Describe group norms</p>  |
| <b>Question format</b>       | Closed-ended  | Open-ended  |
| <b>Data format</b>           | Numerical (obtained by assigning numerical values to responses)   | Textual (obtained from audiotapes, videotapes, and field notes)   |

Source: Adapted from Mack et al., 2005:3

The table above gives a comparison between the two data collection methods. The researcher used both open and closed-ended questions on the questionnaire in order to gather specific information on how in and what aspects the SMMEs in Butha-Buthe could improve tourism developments in that area. (Mack et al., 2005:3).

### **3.5 Mixed Methods**

This approach uses both the qualitative and quantitative method within a single research project (Denscombe, 2008:107). Among reasons for using a mixed methods approach was to get a more complete picture of the research problem, by seeing things from different perspectives (Denscombe, 2008:107). This method used the questionnaires, which were divided into four sections, and which consisted of both open-ended and closed-ended questions. Section A asked biographical information of the participants and surveyed their educational qualifications, and Section B probed the economical contributions of SMMEs towards tourism development in Butha-Buthe. Section C contained questions intended for individual participants, such as local tourism entrepreneurs, and the local community of Butha-Buthe. Lastly, Section D consisted of questions addressed to government officials of Butha-Buthe

In this study the researcher chose to use a mixed method design, so that the qualitative and quantitative approaches could be applied to a complete response to the research. The use of multiple methods in a study helps to research a process or a problem from all sides. Usage of different approaches helps to focus on a single process and to confirm the data accuracy. A mixed research complements a result from one type of research with another one. This method seldom misses any available data, and was employed for the reasons stated previously regarding the demography of the participants.

### **3.6 Questionnaires (see Appendix A)**

According to Wisker (2001:147), questionnaires gather information by directly asking people questions and then using such information as data for analysis. In this study the researcher distributed questionnaires which had been pre-tested to ensure that they would be easily understood, to all the local SMMEs, local government officials, and selected community members of Butha-Buthe. A questionnaire was designed to gain primary information from participants. The use of the questionnaires was to obtain respondents' feelings, attitudes, perceptions, and views towards tourism development (Leedy & Ormrod, 2005:185) and the economics contributions of SMME activities in Butha-Buthe. Questionnaires were also distributed to selected local community members and local entrepreneurs (SMMEs) in Butha-Buthe, the private

sector, and a few were mailed to the representatives of the local government. The researcher personally delivered questionnaires to participants who were in their homes, to assist with completing the questionnaire, and helping them understand questions where language barriers existed.

### 3.7 Population and sample

According to Noemdo (2009:48) a sample may be defined as a study involving a subset of individuals selected from a large population. Furthermore the author states that the advantage of using sampling is that it is more cost effective, takes less time, and is reliable as conclusions about the population parameters are possible only when the sample data is collected from the selected sample. Accuracy is also one of the advantages of sampling.

The targeted population in Butha-Buthe included tourism entrepreneurs, the local community, infrastructure companies, tourism enterprises, the Electricity Company, and local government officials. The questionnaires were distributed conveniently to 200 participants of the population to identify tourism development in Butha-Buthe, and to see if local communities were aware of the potential tourism development within their area. Local government was included in the sampling to show its involvement in tourism development contributed by SMMEs. Table 3.2 indicates the distribution and responses of participants.

**Table 3.2 Participates in Butha-Buthe**

| <b>Participants</b>              | <b>Questionnaire distributed</b> | <b>Responses</b> |
|----------------------------------|----------------------------------|------------------|
| Guest Houses / Hotels(SMMEs)     | 50                               | 31               |
| Community of Butha-Buthe (SMMEs) | 60                               | 51               |
| Infrastructure companies         | 30                               | 12               |
| Electricity company              | 30                               | 9                |
| Office of local government       | 30                               | 2                |
| <b>Total</b>                     | <b>200</b>                       | <b>105</b>       |

### 3.8 Data collection procedure

The procedure is the method which refers to how the data was collected. A letter requesting permission to conduct a study in Butha-Buthe was forwarded to all managers of guest houses, and the director of local government. Letters of approval from local government and guest houses to conduct the survey were obtained by the researcher. Thereafter, the researcher distributed questionnaires to participants who were requested to complete them within two weeks. Some questionnaires were e-

mailed to private companies to complete, while most were conveniently distributed door-to-door. While the responses to the survey by accommodation establishments and the community was encouraging, private institutes and local government office response was poor; overall only 52.5% response was received.

Overall the response was not satisfactory due to a lack of interest displayed by organized business (SMMEs) and local government. The majority of questionnaires returned to the researcher were from the local community including some SMMEs as it was easy for the researcher to help them in completing the questionnaires. Most of the questionnaires that were e-mailed to government officials and private companies were not returned as some participants were out of the office, while others were in and out of the office and did not have time to complete the questionnaire. Some interviews with this group of participants and take place ensuring a higher participation figure. Some participants who were met face-to-face by the researcher were just not interested in assisting in the study and decided not to complete the questionnaires.

### **3.9 Reliability and validity of the instruments**

Validity, according to Neuman (1997:29), is when the instrument actually measures what it claims to measure. Neuman further states that it is important to check the content validity and reliability of the measurement instrument before distribution, because sometimes it can loosely be assumed that the entire research findings or results had no validity or reliability when in fact the instruments that were used to collect data upon which the results were obtained, were the ones actually lacking in validity or reliability. Neuman described reliability as the fact that an instrument is able to return the same or similar results when used repeatedly on different occasions, even between, or after, certain interval periods. For this study a questionnaire was submitted to a supervisor in order to establish content and established validity and feasibility. For content validity, the supervisor identified problems and provided suggestions to ensure that the instrument indeed measured what it claimed to be measuring (questionnaire actually asked questions related to the topic). To establish validity the physical appearance of the questionnaire was improved, while attention was given to grammatical errors, alignments, and the quality of paper used.



### **3.10 Data Analysis**

Data from completed questionnaires were computerized and analyzed with the aid of the Statistical Package for the Social Science SPSS version 21. Descriptive statistics such as frequency distributions were generated to summarise the properties of the data set. Descriptive statistics are utilised with a purpose to describe rather than judge or interpret (Landman, 1988:59). Frequency distributions are presented in the form of charts and tables, to indicate the respondents' status, gender, language group, age, qualifications. Open-ended questions were used to determine SMMEs potential to contribute towards tourism development in Butha-Buthe, to identify the tourism development that could take place within the area, and to see if that local community is aware of the potential of such development. Questions were included to establish the involvement of local government officials in support for SMME growth in Butha-Buthe, and to see what measures officials provide for entrepreneurs operating in that area.

### **3.11 Summary**

The primary purpose of doing research is to gather information, and to analyze and interpret data in order to address everything regarding the potential of SMMEs to develop tourism in Butha-Buthe. Some of the most significant points to be noted in this research include the following:

- Planning in advance how the research will be designed and conducted
- Choosing appropriate methods for data collection, and
- Paying attention to how the sample was to be chosen.

SMMEs, which included some guesthouses and retail (spaza) outlets, in Butha-Buthe are faced with challenges such as a poor transport network system, poor infrastructure, lack of marketing locally and globally (this is because they operate in the rural areas and have insufficient support from local government), lack finance, business skills, information on markets, and resources to operate. SMMEs play a crucial role in their contribution to the economic development in this district, and Butha-Buthe has the potential for tourism development, which is unfortunately still lacking. It was therefore important to identify tourism's potential in this area, and to explore how SMMEs could contribute in the development of tourism in this region.

The next chapter will focus on the presentation and analysis of the data collected. In order to make the data manageable and the results understandable, the data is presented in the form of bar charts, pie charts and frequency tables.

## CHAPTER FOUR DATA ANALYSIS AND INTERPRETATION OF RESULTS

### 4.1 Introduction

This chapter presents the findings of the study, through tables, charts, graphs and figures. The questionnaires were distributed to local government officials at Butha-Buthe, conveniently selected local community members, private sector businesses, and entrepreneurs operating in the district, in order to determine the economic contribution of SMMEs towards the development of tourism in the rural area of Butha-Buthe. The survey analysis results are presented and interpreted according to a dataset of each statement or question contained in the questionnaire, according to its relationship to the study. The findings are discussed in detail in the next chapter.

### 4.2 The research objectives

The research objectives identified for the study sought answers to the following:

- What contributions can SMMEs bring towards tourism development in the Butha-Buthe district in terms of employment, development of attractions in the area, and resources improvement?
- Can SMMEs sustain such development in Buthe-Buthe district, and
- Can tourism be enhanced through the role played by SMMEs in Buthe-Buthe?

These objectives formed the basis for the development of the questionnaire.

### 4.3 Survey results

Questionnaires were conveniently distributed door-to-door or mailed to 200 participants; the 105 responses received comprised a response rate of 52.5%. The researcher did not receive all the questionnaires back despite several reminders to participants, and an extension of the return date. The responses are analysed in the four sections of the questionnaire.

#### **Section A: Demographic information on all participants**

Demographic information gives information regarding status, gender, language group, age, and educational background of respondents, and it is provided to better understand the profile of participants.

**Table 4.1: Status**

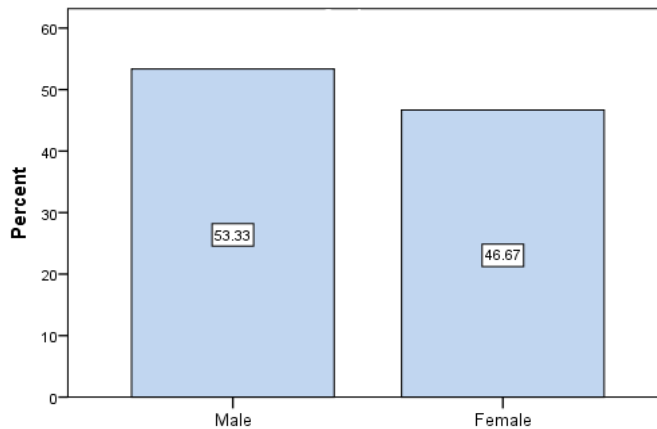
| Sector                      | Number distributed | Responses |
|-----------------------------|--------------------|-----------|
| Local Government            | 30                 | 2         |
| Local Tourism Entrepreneurs | 50                 | 31        |
| Community Members           | 60                 | 51        |
| Other                       | 60                 | 21        |
| Total                       | 200                | 105       |

The information given under Section A is for statistical purposes to establish the participants who took part in the survey.

#### 4.3.1 Status

Table 4.1 shows the status of participants in this study. Of 30 questionnaires sent to local officials only two responded. The 50 questionnaires distributed to local tourism entrepreneurs, (such as hotels, guest houses and restaurants) yielded 31 responses. Most local community members were keen to participate in the study and 51 responded to the 60 questionnaires distributed among them. Other private companies, working together with government, such as infrastructure companies, electricity and water and sanitation co-operations also participated in the study, but only 21 out of 60 responded.

**Graph 4.1: Gender**



#### 4.3.2 Gender

Graph 4.1 shows that 53.3% were male participants and 46.7% were females. There are more males at work than women in the rural area of Butha-Buthe as most women are house-wives and taking care of family households. This is important to the results as males are the head of the household and the decision makers.

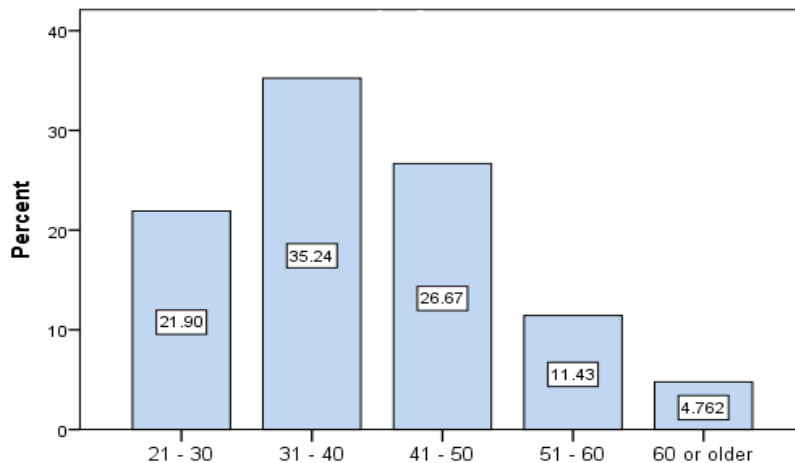
**Table 4.2: Language Group**

| Language               | Frequency | Percent |
|------------------------|-----------|---------|
| English                | 20        | 19      |
| Sesotho                | 65        | 62      |
| Both Sesotho & English | 20        | 19      |
| Total                  | 105       | 100     |

### 4.3.3 Language group

Table 4.2 indicates the language groups of participants. 20 completed the questionnaire in English, and 65 participants understood Sesotho only. The researcher had to explain in Sesotho for these participants to understand the questionnaires, which were in English only. 20 participants understood both English and Sesotho. Most of the local community can only understand Sesotho as they did not complete their high school level of education and Sesotho is the only official language in the country. English is taught in schools and only those that completed their schooling were able to understand both Sesotho and English. People on lower levels at work can only speak Sesotho. The lack of high school education did impact on the responses in terms of their knowledge and experience of SMME work and tourism.

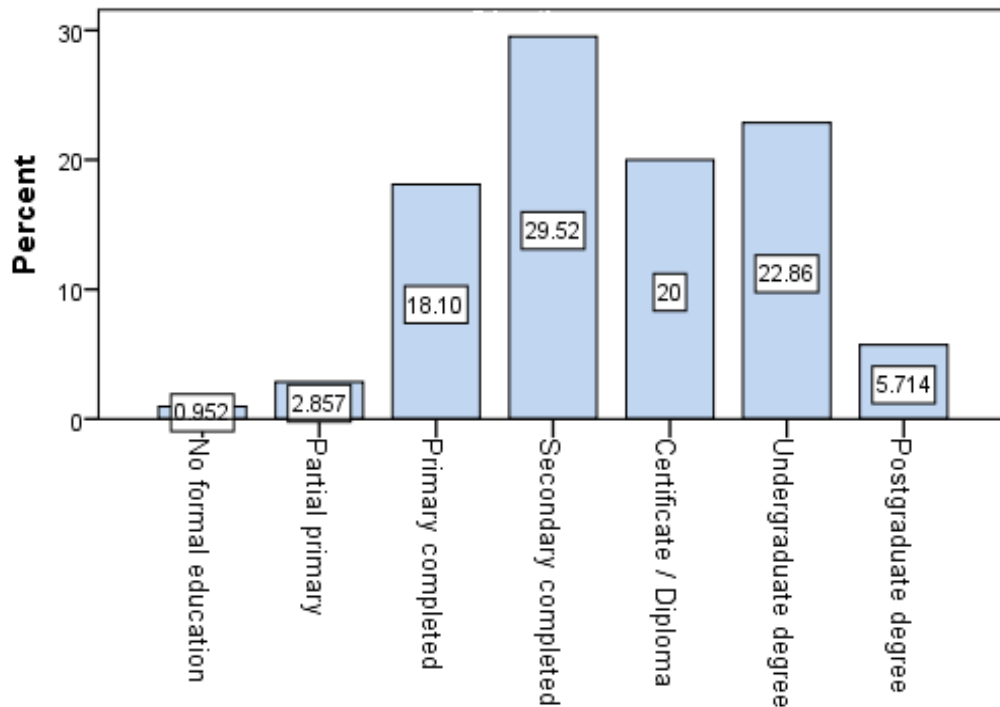
**Graph 4.2: Age Categories**



### 4.3.4 Age categories

The rationale for this information was to establish at what age people want to get involved in the development of their district. The categories are presented in the bar chart above. 21-30 years represented 21.90% of respondents; 31-40 years represented 35.24% of respondents; 26.67% comprised the age category of 41-50 years; and 11.43% comprised the age category of 51-60 years, while 4.76% comprised the age category of 60 years and older. The statistics show that the category 31-40 years represented the age category where most community residents of Butha-Buthe wanted to involve themselves in development of their district, including tourism activities.

**Graph 4.3: Highest education level completed**



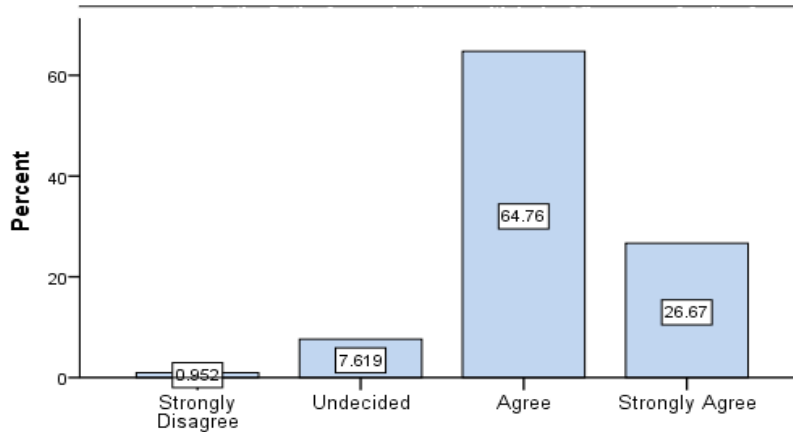
#### **4.3.5 Highest education level completed**

This bar chart indicates the level of education for participants. 0.95% had no formal education; 2.9% have a partial primary level education, while 18.1% completed primary school education. 29.5% of respondents completed secondary schooling, while 20% have a further certificate or diploma qualification 22.9% have an undergraduate degree, and 5.71% have postgraduates qualifications. It may be noted that most people who completed high school and furthered their studies are able to identify economic development in their district, and have knowledge of SMME activities and tourism.

#### **Section B: Participants' interpretation of SMMEs potential to contribute to tourism development in Butha-Buthe**

The data presented in section B was obtained to address the problem statement, and answer the objectives and questions detailed on page 2 of the study, which is to establish the perceptions of residents of Butha-Buthe regarding the activities of SMMEs in prompting economic development of the area through tourism activities.

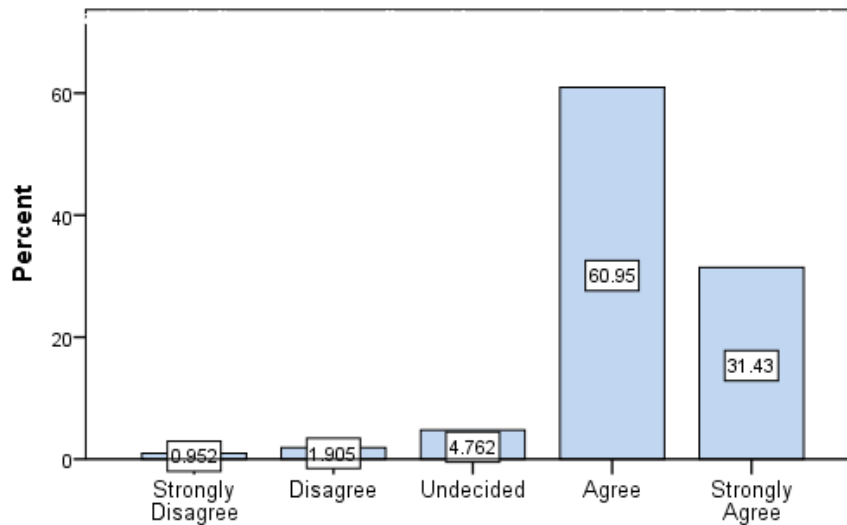
**Graph 4.4: Funding challenges SMMEs face in Butha-Buthe**



#### **4.3.6 Funding challenges SMMEs face in Butha-Buthe**

This bar chart clearly indicates that the majority of participants (64.8% and 26.8%) agree or strongly agree that SMME entrepreneurs in Butha-Buthe face a challenge of a lack of finance, as funding from government support measures have not always reached SMMEs. Only 0.95% strongly disagreed while a further 7.61% are undecided on the funding issue.

**Graph 4.5: Poor Infrastructure**

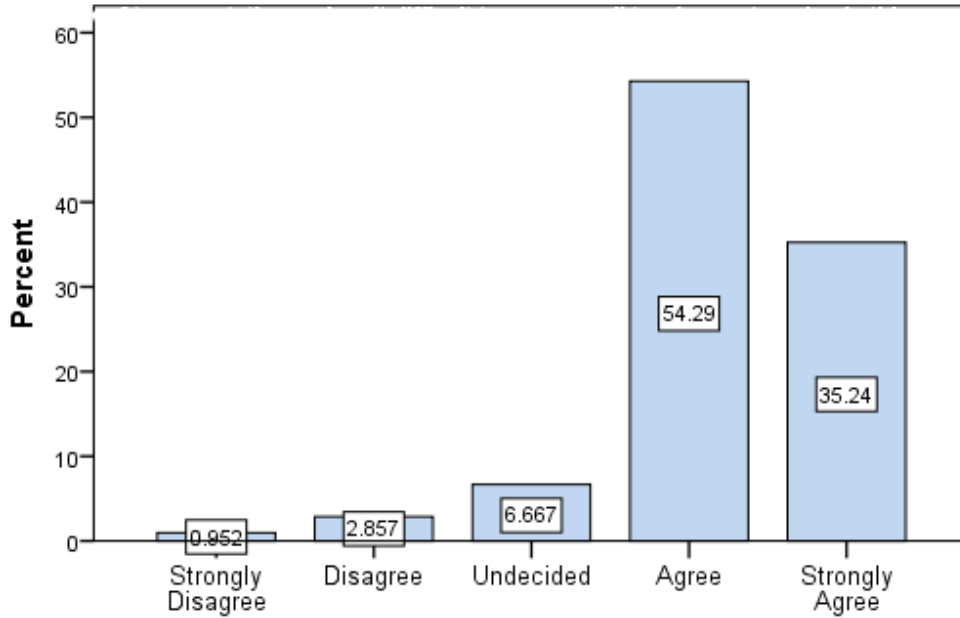


#### **4.3.7 Poor Infrastructure**

Poor infrastructure limits access to small guest houses, restaurants and attractions in Butha-Buthe, making it difficult for such enterprises to meet any market demand. Graph 4.5 reveals that 0.95% strongly disagree, 2.85% disagree and 6.66% are undecided on the lack of infrastructure promoting tourism development in the area. The majority of respondents agree (54.29%) and strongly agree (35.24%), that the lack of infrastructure hinders development. They confirm that poor roads, transportation and a lack of network-communication are a huge problem to

businesses in rural areas, especially those that require transportation or communication networks to operate.

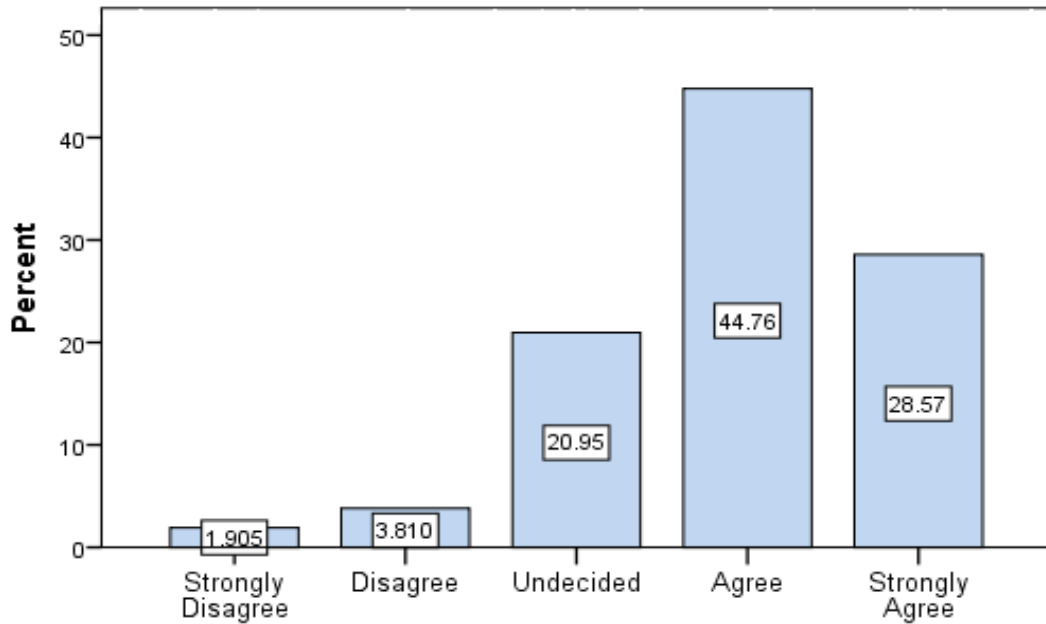
**Graph 4.6: Lack of transportation**



#### **4.3.8 Lack of transportation**

Lack of transportation makes it difficult to run small tourism enterprises in Butha-Buthe. Graph 4.6 show that 0,95% strongly disagreed, 2,85% disagreed and 6,66% were undecided on the lack of transport hampering tourism business development, but 54,29% agreed and 35,24 % strongly agreed that due to the lack of transportation it is difficult to reach attraction and accommodation sites. The majority of participants agreed on the need for improvement in transportation in the district of Butha-Buthe.

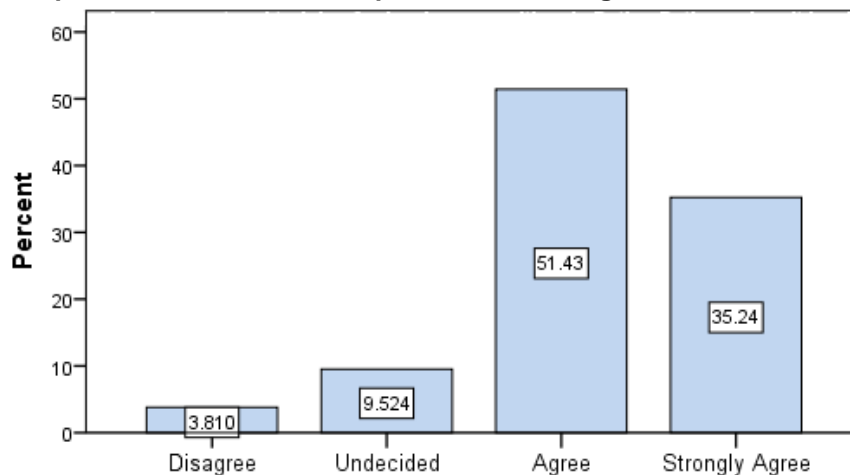
**Graph 4.7: Entrepreneurs relocating to urban areas due to security Issues**



#### **4.3.9 Entrepreneurs relocating to urban areas due to security Issues**

Graph 4.7 reveals that rural entrepreneurs have relocated to urban areas due to security issues in the rural areas. 28.57% strongly agree and 44.76% agree that security is a major issue in rural areas of Lesotho. There are many media reports of armed and gang robberies that have targeted rural businesses. Despite this, 1.91% strongly disagreed and 3.81% disagreed, while 20.95% were undecided on whether security was really a problem in rural areas.

**Graph 4.8: Poor skills development and training**



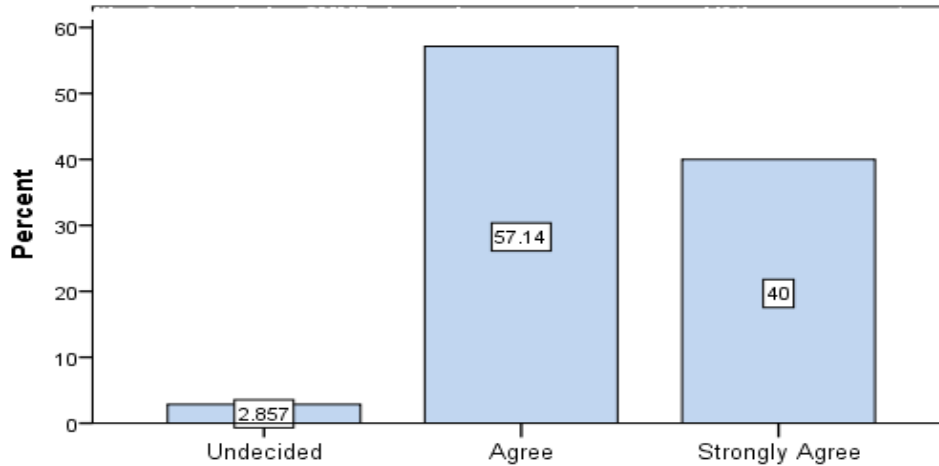
#### **4.3.10 Poor skills development and training**

Results shown in graph 4.8 reveal that 3.81% strongly disagree, and 9.52% disagree, that poor skills development and training for local communities in Butha- Buthe make it hard for new tourism development. However, 51.4% agreed and 35.2% strongly



agreed that projects where the communities can handcraft their heritage with pride, are often hampered by a lack of appropriate knowledge and skills. An entrepreneur who lacks skills and experience would not have a successful business, as this lack of skills not only includes actual operational skills that are necessary to run a successful business, but also extends to the basic knowledge of what tourism is, and how to benefit from a business development strategy.

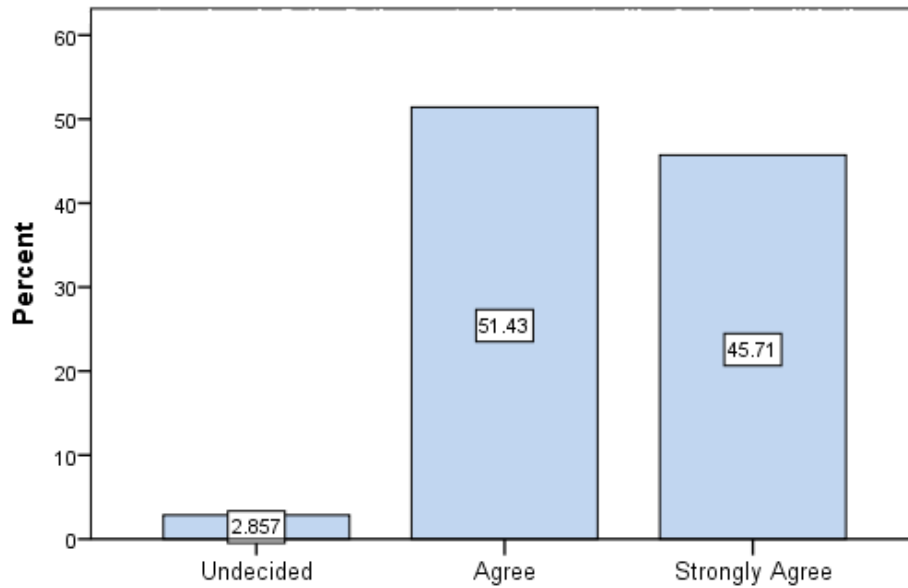
**Graph 4.9: Government assists SMMEs by co-ordinating and monitoring policies**



**4.3.11 Government assists SMMEs by co-ordinating and monitoring policies, structures and regulations**

Graph 4.9 shows that no participants disagreed that opportunities for developing SMMEs in rural areas could be enhanced if the government assisted small businesses by co-ordinating and monitoring policies, structures and regulations but 2.86% of participants were undecided. 57.1% agreed and 40% strongly agreed that SMME business could be enhanced or protected by the government coordinating and monitoring policies, structure and regulations.

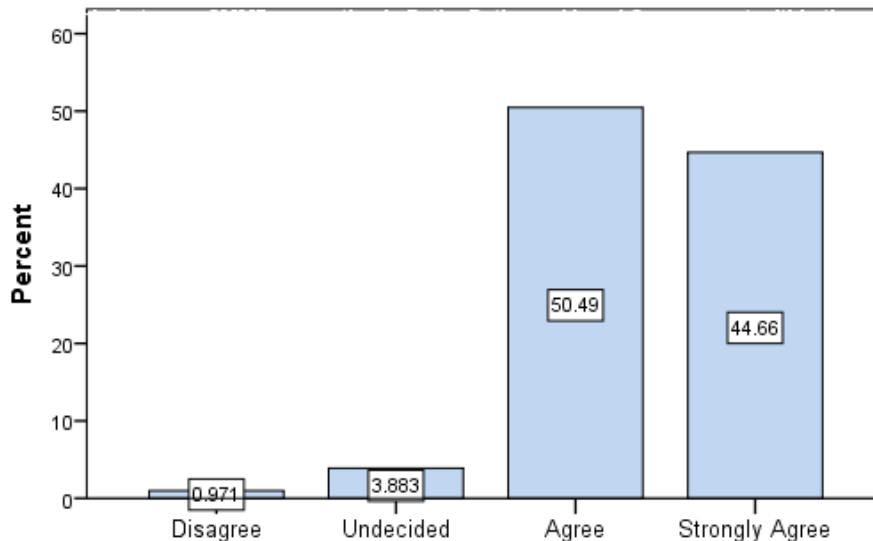
**Graph 4.10: Job creation for local communities**



#### **4.3.12 Job creation for local communities**

The reason for requesting this information was to assess whether the SMME sector played a crucial role in maintaining high employment levels and contributed to income generation. As it is critical for achieving sustainable growth, local businesses should provide jobs for local communities. Graph 4.10 illustrates that many respondents agreed (51.43%) and strongly agreed (45.7%) that employment should be generated by SMMEs in Butha-Butha.

**Graph 4.11: Partnerships between SMMEs and local government**

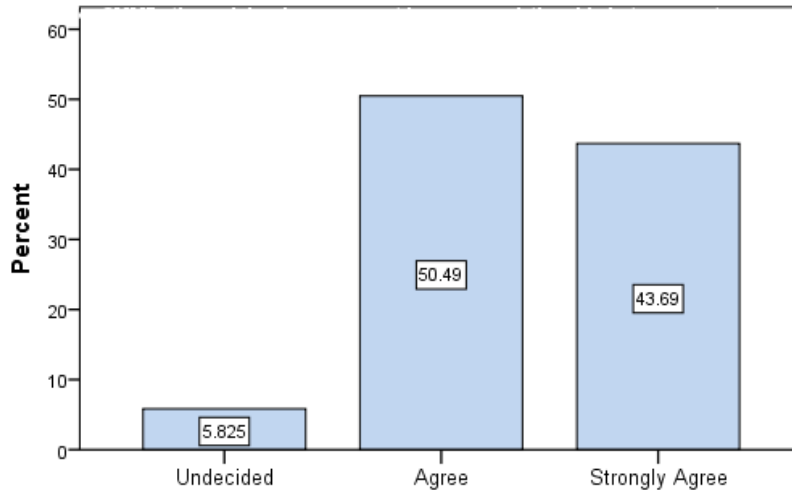


#### **4.3.13 Partnerships between SMMEs and local government**

Partnerships between SMMEs and local government are needed to create business opportunities, enhance social benefits, and provide protection for businesses

operating in Butha-Buthe. The graph clearly indicates that 0.97% of respondents disagreed with, and 3.88% were undecided on, public and private partnerships. However, the majority of the respondents were positive about SMMEs and government partnership; 50.5% agreed and 44.7% strongly agreed.

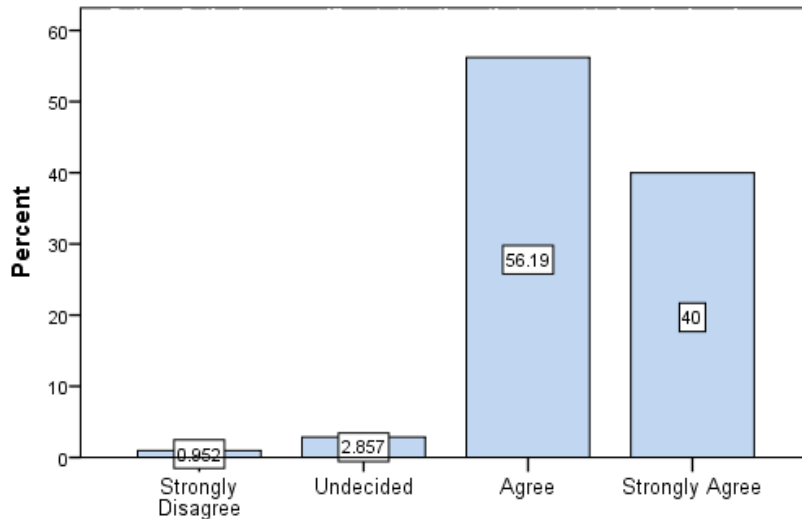
**Graph 4.12: Support for SMMEs by the local government**



#### **4.3.14 Support for SMMEs by the local government**

Support for SMMEs by local government improves relationships between entrepreneurs and government officials. Graph 4.12 shows that no respondents disagreed or strongly disagreed with the statement while only 5.82% of respondents were undecided regarding local government support for public and private partnerships. A total of 50.5% agreed and 43.7% strongly agreed that local government should recognise its role to facilitate SMME development by creating an enabling environment, and facilitating access to appropriate tools and support mechanisms to enable SMMEs to develop their capacity.

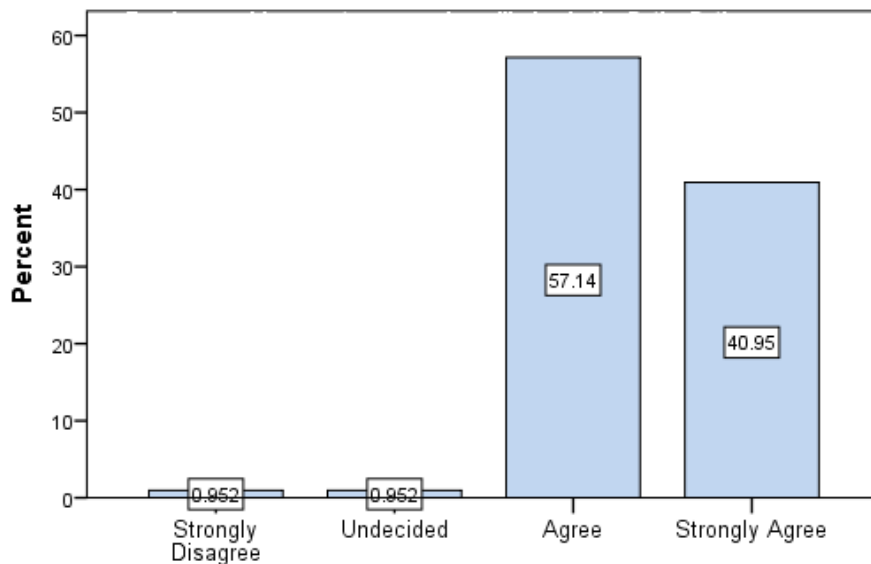
**Graph 4.13: Attractions yet to be developed in Butha-Buthe**



#### **4.3.15 Attractions yet to be developed in Butha-Buthe**

Butha-Buthe has magnificent attractions that are yet to be developed and which will attract inflow of visitors to the district. Graph 4.13 shows that 0.95% of respondents strongly disagree and 2.86% were undecided about the development of attractions, while 56.2% agreed and 40% strongly agreed that Butha-Buthe attractions needed to be further developed to attract more tourists create work, and redistribute income to poor communities.

**Graph 4.14: Economic wellbeing in Butha-Buthe due to tourism development**

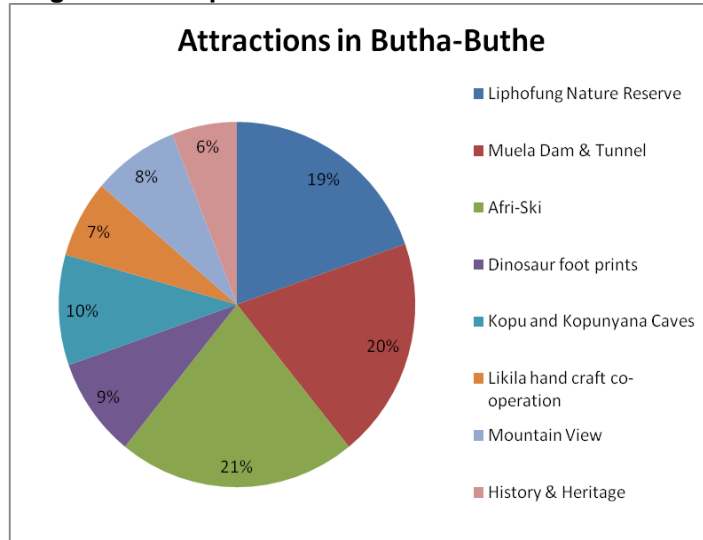


#### **4.3.16 Economic wellbeing in Butha-Buthe due to tourism development**

Tourism could generate economic wellbeing in Butha-Buthe as tourism in this district has the potential to alleviate poverty for local communities. This district has magnificent scenery of towering mountains, indigenous forests, bushman paintings in

caves, and running streams. Graph 4.14 shows that only 0.95% respondents strongly disagreed while none disagreed and 0.95% were undecided on employing tourism towards the economic wellbeing of local communities. 57.1% of respondents agreed and 40.9% strongly agreed that tourism could promote economic wellbeing.

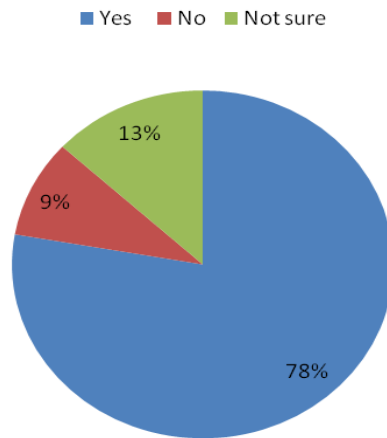
**Diagram 4.1: Popular attractions found in Butha-Buthe**



#### **4.3.17 Popular attractions found in Butha-Buthe**

As shown in diagram 4.1, local tourism entrepreneurs and communities listed and ranked tourist attractions in Butha-Buthe, which could be developed by SMMEs to promote tourism in the area. 19% of participants mention Liphofung Nature Reserve as one the attractions in Butha-Buthe, 20% included the 'Muela Dam and tunnel, while the majority of participants (21%) identified the Afri-Ski resort as the major attraction in the area. Nine percent of participants mentioned the dinosaur foot prints, 10% identified Kopu and Kopunyana caves as one of the attractions in area. Seven, eight and six percent of participants respectively mentioned the Likila hand-craft co-operatives Mountain views, and history and heritage in Butha-Buthe as the major attractions already in existence. This response indicates clearly that attractions should be further developed in the Butha-Buthe area to uplift communities through SMME involvement in tourism activities.

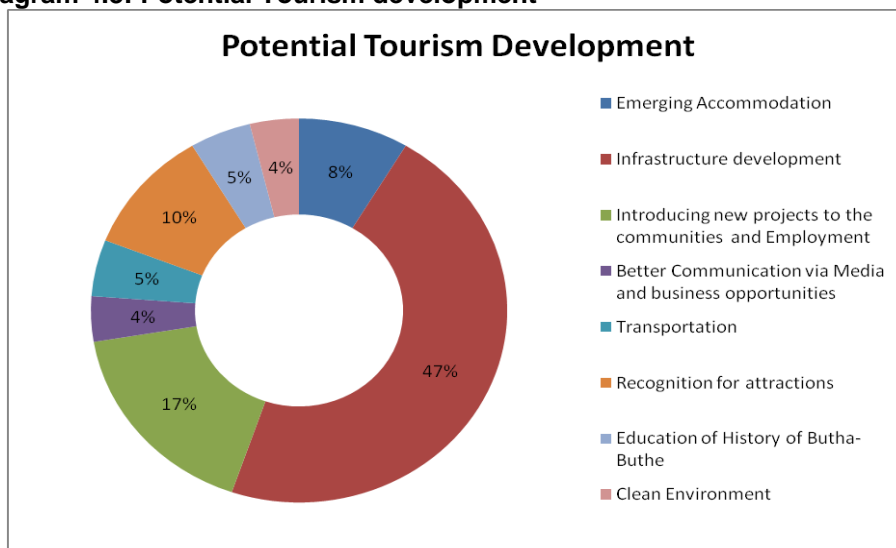
**Diagram 4.2: Tourism projects in Butha-Buthe**



#### 4.3.18 Tourism projects in Butha-Buthe

Tourism projects can create employment and skills development among communities and the question was asked if there are any tourism projects that bring development in Butha-Buthe. Diagram 4.2 shows that 78% of participants replied yes, nine percent replied no, while 13% were not sure of project developments within their area.

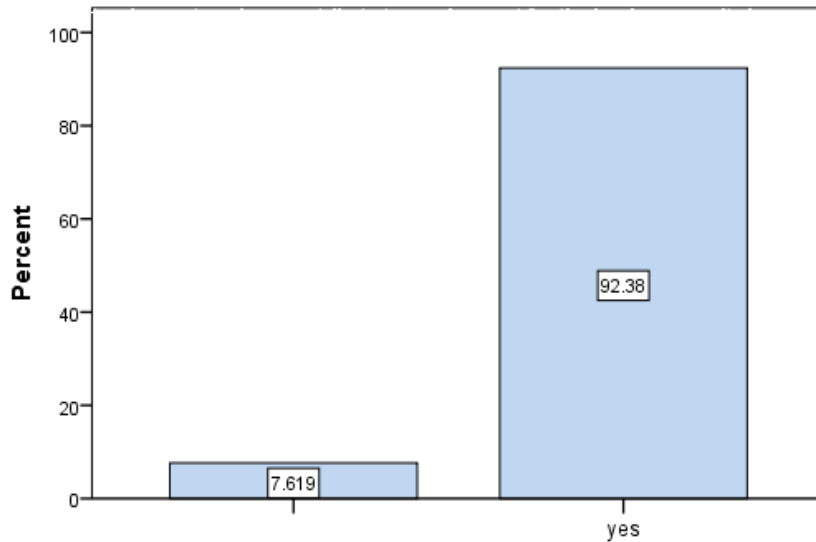
**Diagram 4.3: Potential Tourism development**



#### 4.3.19 Potential Tourism development

Diagram 4.3 clearly reveals that 47% of participants feel infrastructural development in Butha-Buthe is vital before any tourism development can take place. Participants also want new projects to be introduced in the area (17%), followed by various other initiatives to recognise the potential for tourism to develop.

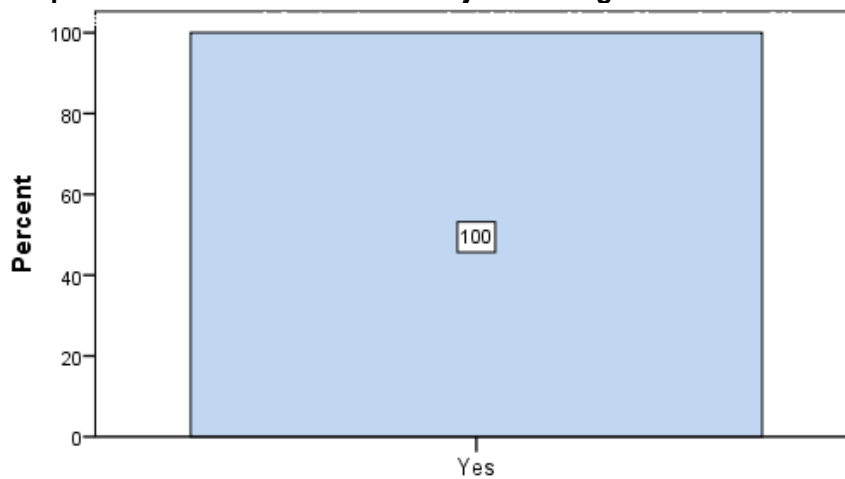
**Graph 4.15: SMMEs contributes to employment for the community**



**4.3.20 SMMEs contributes to employment for the community**

Graph 4.15 illustrates that the majority (92.4%) of participants agreed, that small tourism enterprises contribute to employment for the local community in Butha-Buthe, while only 7.6% disagreed.

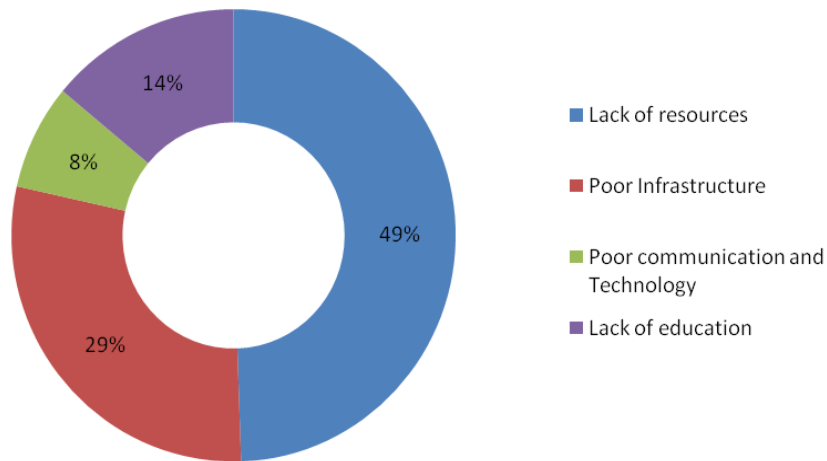
**Graph 4.16: Lack of resources is major challenge**



**4.3.21 Lack of resources is major challenge**

It is very disheartening to confirm that lack of resources is a major challenge facing entrepreneurs regarding the tourism development potential in Butha-Buthe.

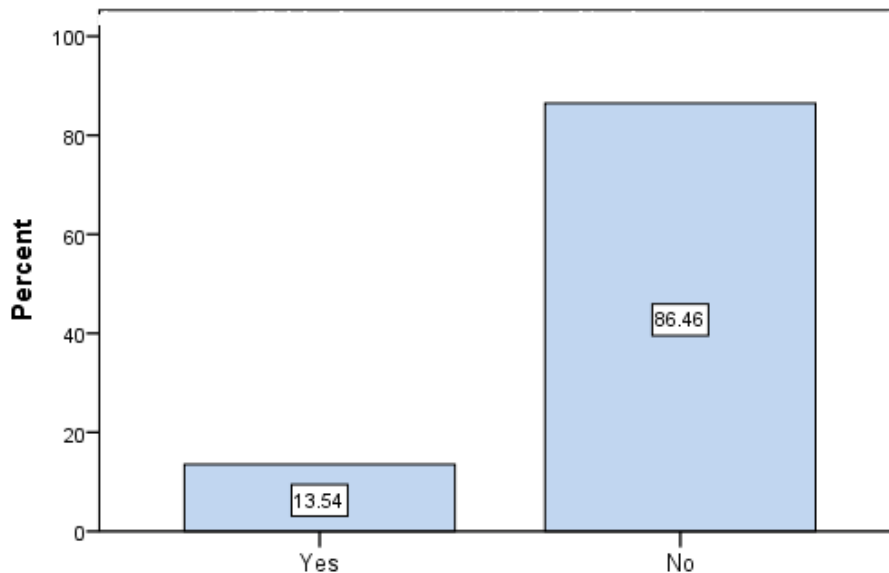
**Diagram 4.4: Lack of resources are major challenges faced by entrepreneurs in Butha-Buthe**



**4.3.22 Lack of resources are major challenges faced by entrepreneurs in Butha-Buthe**

Diagram 4.4 confirms that infrastructure development presents the greatest challenge for tourism entrepreneurs. 49% of respondents state that the lack of general infrastructure delays business development, while 29% note poor road infrastructure, 14% poor educational levels and eight percent poor communication and technology, as important resource challenges.

**Graph 4.17: Support from the local government**



**4.3.23 Support from the local government**

Graph 4.17 shows that 86.5% of respondents indicated that there is little support from local government for local tourism entrepreneurs while only 13.5% felt that government did help in promoting tourism SMMEs.



## **Section D: Responses from local government and other stake-holders-partnerships on development in Butha-Buthe**

The source of information for this section came from open-ended questions and interviews with local government officials and stakeholders involved in town in Butha-Buthe, or SMMEs enterprises. The nature of the responses was such that it was extremely difficult to quantify. No graphs or diagrams could, therefore, be constructed which could be meaningfully interpreted. However, the information collected relevant to this section is discussed in detail in subsection 5.5.6 in the next chapter.

### **4.4 Summary**

This chapter analysed the data that was collected by means of interviews and questionnaires, comprising of four sections. Section A covered demographic information of participants such as employment status, gender, language group, age and educational level. Section B asked questions on whether respondents agreed or disagreed that SMMEs have potential to contribute towards tourism development in the rural areas of Butha-Buthe in Lesotho. Section C identified the tourism development that could take place within the area, and sought to establish if local communities are aware of such development in their area, while section D covered the support of local government and partnerships with public and private sectors in order to assist SMMEs in Butha-Buthe.

The data was presented in a form of tables, charts and graphs. The findings of the survey are discussed in detail in Chapter 5, in order to identify areas for SMMEs to actively promote tourism development in Butha-Buthe.

Much of the data gathered noted the problems perceived by participants which hinder economic development through tourism. SMMEs (mainly guest houses, including potential guest-house owners, and retail outlets) owners are vocal about the problems in the Butha-Buthe region which do not help in their aims for development.

## **CHAPTER FIVE DISCUSSION OF RESULTS**

### **5.1 Introduction**

The aim of this chapter is to discuss the data which was analysed in the previous chapter according to the study objectives and key questions, to clarify the research problem that was identified. The first section of the chapter will discuss the data results identified in the study objectives and key questions, while the second section will discuss other results not specifically deemed to be in the key questions.

### **SECTION ONE**

#### **5.2 SMMEs contribution towards tourism development in Butha-Buthe**

SMMEs could play a vital role in the economy and a tourism development in Butha-Buthe. SMMEs in this sector creates employment for the local community and contributes income to its employees. However, there are factors identified by the study which prevent, rather than assist, the SMME activities in Butha-Buthe to develop the economy through tourism ventures, these are discussed under section Partnerships between SMMEs, the private sector and local government are needed to create business opportunities, enhance social benefits, and provide protection for businesses operating in Butha-Buthe. There are magnificent attractions that are yet to be developed and which will attract an inflow of visitors to the district and promote the destination, such as a cableway to the mountain top caves, and mountain hiking. Despite this, there are still a number of factors that affect such development in the district. The study has, however, investigated and identified certain factors that were deemed to have an effect on development in Butha-Buthe.

#### **5.3 Factors that affect tourism development in Butha-Buthe**

It was clear from the data analysis that there are factors that affect tourism development in Butha-Buthe and these are challenges to be faced by the SMMEs sector. Results showed that resource problems such as poor infrastructure, electricity failure and lack of knowledge of the destination are major challenges to tourism development making it difficult for tourism enterprises to operate.

### **5.3.1 Poor infrastructure**

The findings from the data analysis strongly emphasises that poor infrastructure limits access to small guest houses, restaurants, and attractions in Butha-Buthe, making it difficult for such enterprises to meet the market demand. It confirmed that poor roads, transportation, and a lack of network-communication are huge problems to businesses in rural areas, especially those that require transportation or communication networks to operate. Participants are also adamant that infrastructural development must take place before SMME tourism projects could be further developed. Graph 4.5 reveals a strong desire for new infrastructure in Butha-Buthe.

Graphs 4.5 and 4.6 shows strong positive response rates of 60.9% and 54.3% from respondents who agreed that lack of proper infrastructure was one of the major challenges in tourism development. The research established from the responses that poor roads in Butha-Buthe and general lack of transportation limit access to business growth and development. The Department of Rural Roads introduced a project to build roads and maintain them in rural areas with the help of Irish Aid. This initiative, put in place by the Department of Rural Roads (DRR) in co-operation with Ireland, is to plan and provide roads in rural areas (Ntho & Tsikoane, 2003:19).

### **5.3.2 Lack of resources in Butha-Buthe**

The survey results show and it is very disheartening to confirm, that the lack of resources is a major challenge facing entrepreneurs regarding tourism's development potential. Graph 4.16 and Diagram 4.4 confirm that the agreement of all respondents that the lack of resources, such as electricity, proper infrastructure, lack of skills education and poor communication technology amongst the local communities, and poor network communication are major challenges faced by SMMEs in order to contribute to tourism development, as it is difficult to operate without proper resources. The study further revealed that business opportunities are very limited in the district of Butha-Buthe; tourism is not developed to a high quality or standard, and most of the local communities are unable to benefit from tourism industry activities.

### **5.3.3 Poor skills and lack of training**

The research has revealed that poor skills development, and training for local communities and entrepreneurs in Butha-Buthe, makes it difficult for tourism enterprises to grow and operate. Lack of appropriate education and skills limit projects where the communities can handcraft their heritage with pride. An entrepreneur who lacks skills and experience would not have a successful business as this lack of skills not only includes the actual operational skills that are necessary

to run a successful business, but also extends to the basic knowledge of what tourism is, and how to benefit from a business development strategy. Graph 4.8 clearly confirms that the majority of participants (86.7%) totally agreed that poor skills and training leads to failures of business operations. Skills development and training ensures that people who live in rural areas, where new tourism products could be developed, are better able to take advantage of, and benefit from, development through business opportunities. This, however, is just not happening in Butha-Buthe.

#### **5.3.4 Security in Butha-Buthe**

According to the data presented in Graph 4.7, 73.4% of respondents agreed or strongly agreed that many dynamic rural entrepreneurs had relocated to safer urban areas due to security issues in the rural areas. Village, ward, and district governments do not provide security and other services in the rural areas. In fact, governments at these levels do not realise the loss to communities which are caused by the lack of proper security, leading to these relocations.

#### **5.4 Support from the government officials and others sectors**

SMME growth and development has become a priority for most governments because it is regarded as a major, if not the most important, sector in development. (Dzansi, 2007:25). Partnerships between SMMEs, government and private sectors are needed to create business opportunities, enhance social benefits, and provide protection for businesses operating in Butha-Buthe.

##### **5.4.1 Co-ordinating and monitoring policies, structures and regulations**

It is the responsibility of the central government to protect business, the environment and basic human rights for its communities. Therefore, the government should co-ordinate and monitor policies and structures, and regulate laws that assist in the smooth operation of a business, and also protect the environment so that it is not exploited. It is the responsibility of the local authorities in every district to control natural resources, ensure environmental protection, and promote economic development, according to the First Schedule of the Lesotho Government Act (Lesotho,1997). Graph 4.9 reveals strong support for government assistance in developing and promoting tourism business in the rural areas of Butha-Buthe.

#### **5.4.2 Employment in Butha-Buthe**

SMMEs represent an important vehicle to address the challenges of job creation, economic growth, and equity and poverty alleviation in the country. The creation of SMME business opportunities provides employment and earnings from the sale of goods and services, and gives direct employment, either full- or part-time, in formal sector businesses, (Jamieson et al., 2004:3). Therefore, the private sector has available a complex set of relationships involving international companies, national enterprises, and local tourism businesses for job creation. It is obvious that each tourism enterprise brings with it a set of guiding principles and business practices that, in some cases, should be supportive of tourism as a tool for poverty reduction (Jamieson et al., 2004:4).

The results for graph 4.10 illustrate clearly that the majority (96.1%) of participants agreed that small tourism enterprises contribute to employment for the local community in Butha-Buthe. It is further clear from the findings that employment can be created not only by tourism enterprises in partnership with the private sector and government, but also provide long- and short-term jobs in the district. This is strongly brought out from graph 4.11 where 95.1% of participants seek public-private partnerships to develop and promote SMME enterprises in Butha-Buthe. The information contained in graph 4.10 shows that 97.2% of respondents recognise the potential of SMMEs in Butha-Buthe as employment, and therefore income, generation.

#### **5.4.3 Support and information from the government**

It is clear from the data analysis that there is little support from the government at any level, and they hardly interact with the communities, and there is a delay in service delivery. Information from graph 4.12 shows that 94.1% of respondents state that there is little support from local government for local tourism entrepreneurs, while only 13.5% felt that government did help in promoting tourism SMMEs. However, officials at the office of Local Government said that workshops are held by responsible departments and private sectors, for example the Afri-Ski Resort, to brief SMMEs about what is required for them to grow the business. Private-sector organisations that work together with the government also shared information on their websites and company brochures. These arguments are further supported by the information in Graph 4.12 where 58.2% of participants seek public-private sector support for SMME development in the tourism industry.

The research was able to interpret from the results that communication among government officials, entrepreneurs and the private sector is a huge problem. Information and guidance is available; however, entrepreneurs are not aware of this. Technology is also a challenge as some companies have poorly skilled employees who cannot access emails and the internet in order to find relevant information on website. Because of this business opportunities can be missed.

#### **5.4.4 Sustainable development and employment brought by SMMEs**

According to the findings, the local government of Butha-Buthe is well aware of the sustainable development happening in the district and employment contributed by the SMMEs. The government, in partnership with the private sector, is set to provide resources needed for SMMEs to operate. They are committed to making sure that infrastructure and roads in Butha-Buthe are maintained, that electricity and water is provided to all parts of the district, and that education is provided to its local communities and entrepreneurs. Such developments also provide employment for the local communities, which can be either long or short term employment. The research is able to conclude that government officials should administer and ensure that all challenges are dealt with by relevant departments. They must ensure that there would be promotion of economic development in Butha-Buthe, such as investment and tourism inflows in the district, and the creation of jobs. This is supported by the information revealed in Graph 4.14 where 98.1% of participants are convinced of the economic well-being through careful town development by SMMEs in Butha-Buthe.

#### **5.4.5 Tourism projects and programmes in Butha-Buthe**

Diagram 4.2 shows that the majority of participants (78%) agreed that there are projects in Butha-Buthe that provide employment for the local community. Certainly the Afri-Ski Resort is a project that has branded Butha-Buthe for tourism activities and creates jobs for the local communities. The Lesotho Highlands Water Project, together with the Lesotho Electricity Company, introduced the 'Muela Hydro-power Project in order to provide low cost energy to Butha-Buthe for the development of SMMEs. Likila Handcraft Cooperation is another project where the local community can show-cases their hand-made products, and sells to visitors.

#### **5.5 Tourism potential in Butha-Buthe**

Butha-Buthe has the potential to attract tourism and industrial investment with its beautiful scenery of towering mountains, natural indigenous forests, bushman paintings in caves, adventure activities, and other attractions that are yet to be

developed. It is therefore appropriate that this area should be recognized as a potential tourist destination in order to improve the livelihood of the local communities.

#### **5.5.1 Attractions yet to be developed in Butha-Buthe**

It is evident from Graph 4.13 that the majority of participants (96.2%) agreed that attractions need further development in order to catch the attention of the visitors. Furthermore, Diagram 4.1 listed and ranked tourist attractions in Butha-Buthe, which could be developed by SMMEs to promote tourism in the area. These included the Liphofung Natural Reserve, the dinosaur foot-print, the Kopu and Kupunyana caves and San paintings and handicrafts in Butha-Buthe. From the available data the research was able to identify attractions that already existed in Butha-Buthe, yet is not easily accessible due to a lack of infrastructure and resources. However, there are different reasons why tourists visit these places possibly the natural species, the uniqueness of Buthe-Buthe's mountainous landscape, producing exceptional beauty during the winter season while covered with snow. It is during the winter season that the Maluti Mountains offer the best time for skiing. The Butha-Buthe district is the core host for the Afri-Ski resort. To learn more of Basotho culture and the way of life in the rural areas of Basotho, linked to the quietness, could also be the reason why people visit places that are far from the cities.

#### **5.5.2 Business opportunities in Butha-Buthe**

SMMEs are seen to be playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways, and opening new channels for business. Availability of resources in Butha-Buthe will promote opportunities for emerging small businesses, and up-and-coming tourism entrepreneurs in the area. Understanding and knowing tourism resources is essential in destination branding, which gives a destination a tourism appeal to draw visitors to the location. Resources form the core of visitor attractions and also include other service and facilities which cater to accommodate and entertain tourists while in the destination area (Godfrey & Clarke, 2000).

The survey results shown in Graph 4.14 clearly indicate that tourism could generate the necessary economic wellbeing needed in Butha-Buthe, as tourism in this district has the potential to alleviate poverty for local communities and broaden the opportunities for entrepreneurs operating in the area. The majority of participants (98.1%) agreed that tourism could promote economic wellbeing and create business opportunities.

### **5.5.3 Accommodation in Butha-Buthe**

Supporting the discussion of section 4.3.7 and 4.3.8, the information drawn from Graph 4.5 reveals that the majority of participants (92.4%) agreed that poor infrastructure and transportation limits access to small guest houses and restaurants, and the lack of accommodation limits the inflow of tourist to the district. It is very important to have more hotels, guest houses, and bed and breakfast establishments to boost the potential of Butha-Buthe town.

Afri-Ski Resort has become the most popular place to visit in Butha-Buthe based on its winter activities. The Resort offers a variety of accommodation including self-catering facilities, backpacking, and guesthouses. However, this enterprise does not provide sufficient work opportunities for the surrounding communities to benefit from the project. This project did give opportunities for locals to hand-craft and sell traditional products which make it a very successful project in the district.

### **5.5.4 Tourism SMMEs creating jobs in Butha-Buthe**

Tourism is one of the few sectors that can be employment-sensitive and create new jobs through SMME activities. Results from Graph 4.15 illustrate that the majority of participants (92.4%) agree that small tourism enterprises contribute to employment for the local community in Butha-Buthe. This private sector has a complex set of relationships involving international companies, national enterprises and local tourism businesses. It is obvious that each tourism enterprise brings with it a set of guiding principles and business practices that should be supportive of tourism as a tool for poverty reduction (Jamieson et al., 2004:3-4). This should bring either long or short-term employment to the district, the development of SMME opportunities through sales to tourism businesses, or to tourist-assist improving rural economic development. Creation of SMME business opportunities provides employment and earnings from the sale of goods and services, and gives direct employment in the formal sector businesses to poor.

### **5.5.5 Potential tourism development in Butha-Buthe**

The results from Diagram 4.3 clearly reveal that 47% of participants feel infrastructural development in Butha-Buthe is vital before any tourism development could take place, which appears to be a major challenge in the district. However, these are challenges that should be dealt with for tourism development to take place in Butha-Buthe. The research was able to establish that there are tourism activities taking place through the SMMEs sector, but at a slow pace. More activities need to take place in Butha-Buthe. However, lack of resources is delaying development in



accommodation, transportation, and educating entrepreneurs and employees. In order for entrepreneurs to achieve their goals they need to have experience in what they are doing, as experience will have involved a learning process that helps to identify opportunities, reduce initial inefficiency, and also improve capacity in performing various tasks.

#### **5.5.6 Government involvement in supporting SMMEs in Butha-Buthe**

The following discussion is based on open-ended questions that could not be quantified.

- Is the government involved in supporting SMMEs in the area, and how?

The local government official stated that SMMEs have access to loans from banks and they work hand-in-hand with other private sector organisations in order to improve living conditions in the district. The Department of Rural Roads, Office of Public and Transport, Afri-Ski Resort, Lesotho Electricity Company, Department of Education and the Office of Infrastructure work together to provide resources that would be useful for SMMEs, such as electricity, roads development, and sustaining infrastructure in Butha-Buthe.

- What strategies and policies are brought forward in ensuring the support for SMMEs?

According to local government officials their strategy is to eradicate poverty in the district by providing pathways for accessing finance with assistance from the World Bank. The Lesotho Electrical Company, Telkom, and government work together to provide electricity and communication networks. The Department of Rural Roads introduced a project to build roads and maintain them in rural areas with the help of the Irish government.

- Is there enough information/guidelines for small business operating in Butha-Buthe?

Local government officials said that workshops are held by responsible departments and the private sectors, for example Afri-Ski Resort, to brief SMMEs about what is required for them to grow. Private sector organisations that work together with the government also share information on their websites and company brochures.

- SMME growth and development has become a priority for most governments due to sustainable development and employment they bring. Is the local government aware of such development and employment contributed by SMMEs and what the development is?

According to the participants from local government and private sector organisations working together with the government, all agreed that SMMEs make a huge contribution to economic development and employment in Butha-Buthe, hence they are committed to assist with resources needed by the SMMEs.

- Are there any programmes and projects that help in developing the SMMEs that operate in the area of Butha-Buthe?

The Office of Infrastructure in Butha-Buthe pointed out that Afri-Ski is a project that branded Butha-Buthe and also created jobs for the local communities, while the Lesotho Highlands Water Project together with the Lesotho Electricity Company, introduced the 'Muela hydro-power project in order to provide low cost energy to Butha-Buthe for the development of SMMEs.

- How is local government assisting with tourism development in Butha-Buthe?

The Local Government office stated that they encourage local tourism players, such as caterers and hotels, to produce high quality products and market-ready products. According to the Office of Infrastructure in Butha-Buthe they are working together with other sub-sectors to maintain better roads. Local Government also invites, and works together with, international companies to invest in Butha-Buthe. Furthermore, the government is aware that tourism resources give a destination an interesting appeal; an attractive destination draws people to the location, and the local government makes sure that such resources are maintained.

## **SECTION TWO**

This section includes demographic information; it gives respondent's information regarding status, gender, language group, age, educational background, and is provided to better understand the profile of participants in this study.

### **5.6 Status of the participants**

Table 4.1 shows the status of participants that were included in the survey being local government, local entrepreneurs, community members and others.

The research aim was to establish how the above mentioned groups get involved in the development taking place in the district of Butha-Buthe. From the results in Table

4.1 it was clear that there was a lack of interest from the local government; most of the employees from the local office were out of the office and some were unavailable to return the questionnaires that were sent to them. Local entrepreneurship including hotels, guest houses, restaurants and registered organisations that sell handicrafts to visitors, and the local communities were keen to participate in the study. The community members pointed out that there is much to be done as they are still looking for better jobs through tourism development. 'Others' included private sector organisations that are in partnership with government to provide the necessary resources in the district. Most investors from abroad work hand-in-hand with the Government of Lesotho to support development such as roads and infrastructure. Although the next sections do not contribute to the problem statement identified on page 2 of this dissertation, short discussions on four demographic items are included to add perspective to the data collected, and to add some understanding of the participants in the survey.

### **5.7 Gender**

Results from Graph 4.1 show that 53.3% are male participants and 46.7% are females, suggesting that there are more males at work than women in the rural area of Butha-Buthe, as most women are house-wives and take care of family households. However, more female are getting education and holding positions in the work place, hence the change is there.

### **5.8 Language group**

Lesotho has two official languages, namely Sesotho and English. However only English is taught in schools and it is understood by people who went to school, while Sesotho is the original mother-tongue that every citizen can understand. Questionnaires were in English and the researcher had to explain in Sesotho for the participants who do not understand English. Most of the local communities can only understand Sesotho as they did not complete their education. Local Government officials, entrepreneurs, and private sector employees were able to understand and respond in English. Table 4.2 indicates that 20 participants completed the questionnaire in English and 65 participants understood Sesotho only.

### **5.9 Age Categories**

Information in Graph 4.2 showed that the majority of participants (35.24%) were in the 31-40 age group. The research was able to establish that from the age of 21-40 people are more hands-on and are of the working class. Some might be selling from the streets because they have to put food on the table for their families. It is this age

group that are looking for employment, seek growth in their businesses, and looking for programmes and projects provided by support from local government.

#### **5.10 Highest education level completed**

The graph 4.3 reveals that most participants who completed high school and furthered their studies were able to identify economic development in their district. Some completed high school and start a business due to the lack of bursaries or finance to further their studies, while others go as far as tertiary level and understand that education is a means through which knowledge can be gained. Education and training should be the key in developing skills and producing good services for tourism products. In order for entrepreneurs to achieve their goals they need to have experience in what they are doing, as experience will have involved the learning process that will help them to identify opportunities, reduce their initial inefficiencies, and also improve their capacity in performing various tasks. Butha-Buthe has so much to offer, and open-minded and skilful entrepreneurs are needed in order to develop the potential of the destination.

#### **5.11 Summary**

This chapter discussed the findings of the study from the data analysed in the previous chapter. The study aimed to establish the potential for tourism development in Butha-Buthe through the involvement of the SMME sector. There are still challenges faced by SMMEs in this district despite the economic contribution they bring. However, through the support of government and the private sectors these challenges should be dealt with. In the next chapter the research is summarised and concluded and recommendations for development of potential tourism in Butha-Buthe through SMME sector involvement are made.

## **CHAPTER SIX CONCLUSION AND RECOMMENDATIONS**

### **6.1 Introduction**

This chapter presents a summary of the most important findings of the research conducted. It incorporates the conclusions that can be drawn from the research as well as recommendations for future research.

The title of this dissertation refers to the economic contribution of SMMEs towards the development of tourism in rural areas of Butha-Buthe in Lesotho. The study revealed, however, that economic developments, and tourism growth, are seriously hampered by lack of proper infrastructure, despite the contribution of the Irish Government to roads improvement.

### **6.2 Summary of the chapter**

In general the study covered the SMME opportunities in Butha-Buthe for development and the challenges they face, in order to promote growth and development. The background, problem statement, objectives of the research and research questions were identified in chapter one. Chapters two, four and five attempted to answer the research questions and satisfy the research objectives. Chapter three explained methods that were utilised to gather information required to answer the research questions.

It was hoped to prove that the SMME sector could contribute hugely to the economic growth, through tourism development in the district of Butha-Buthe in Lesotho. However, the study proved that a lack of proper infrastructure hinders the hoped-for growth, and government must recognize such impacts.

Butha-Buthe is a potential destination in the rural areas of Lesotho, with magnificent views and tourism activities that take place, but tourism in this area is under-developed. Therefore, in order to see economic growth and tourism development, it is very important to identify tourism's potential in th area and explore how SMMEs could contribute in the detailed development of tourism in this district. Afri-Ski Resort in Butha-Buthe is already attracting many visitors, and providing work opportunities with the ripple-down effect of income on the poor communities, with its exceptional activities during winter seasons. Other attractions includes the Liphofung Nature Reserve, dinosaur foot-prints, Kopu- and Kopunyana caves, bushman paintings, adventure activities and handcrafts from the local communities. There are challenges in reaching these attractions as there is a lack of resources in Butha-Buthe; poor

infrastructure and poor roads limit access to such places and make it difficult to reach accommodation and restaurants in the area. Poor network systems and a lack of education and skills lead to restrictions and the possible failure of enterprises in the rural areas. Lack of security and an unclean environment also makes the district unattractive. Despite all these challenges, Government does support SMMEs by inviting investors to the country and working together with other stake-holders in order to avail resources for business operation in this district.

### **6.3 Conclusion**

SMMEs could play a major role in the economy and tourism development, especially in the rural areas of Butha-Buthe, where there is potential for tourism activities that could attract many visitors, create jobs and provide a livelihood, however, the poor infrastructure hampers development. SMMEs constitute a vital element in the development process, and they can contribute in terms of employment and income generation. The Afri-Ski Resort project is an example that illustrates the opportunities for local communities in Butha-Buthe to attract investment to the area. Creation of full or part-time employment, or the development of SMME opportunities through sales to tourism businesses, or to tourists, assist in improving rural economic development.

However, there are several obstacles faced by SMMEs in Butha-Buthe and other rural areas of Lesotho. Lack of resources such as poor infrastructure, poor roads, transportation and a lack of network-communication, are huge problems to the businesses in rural areas, especially those that require transportation or communication networks to operate. Poor business skills in regards to employment and management leads to business failure. Entrepreneurship requires education which is related to knowledge, skills, a problem-solving ability, discipline, motivation, self-confidence and behaviour of entrepreneurs that allows them to identify market opportunities and gather resources required to set up a business.

The aim of this study was to investigate the economic contribution of SMMEs towards tourism development in rural area of Butha-Buthe in Lesotho. Butha-Buthe has business opportunities through the SMME sector that could alleviate poverty and bring economic and tourism development to the district.

### **6.4 Recommendations**

A number of matters arising from the study need to be addressed, and lead to the following recommendations:

#### **6.4.1 Training and skills development**

A skilled workforce for a tourism enterprise in Butha-Buthe will result in the creation of sustainable jobs and business growth. Skills development and training ensures that people, who live in rural areas where new tourism products could be developed, are able to take advantage of, and benefit from, such tourism development through business opportunities. Education and skills-workshops should be arranged for training and skills development. Butha-Buthe needs well trained tour guides, welcoming hosts, and communities that handcraft their products and sell to the visitors. Therefore, in order to meet the educational and skills shortage in Butha-Buthe, an in-depth survey should be conducted to establish exactly what the shortages are. Thereafter a definite programme of education and skills development must be followed by local government, stakeholders and communities together.

#### **6.4.2 Funding and investment**

Due to the high interest rates charged by the banks for capital loans, SMMEs should also consider non-banking financial intermediaries, such as the United Nations Capital Development Funding (UNCDF), the United Nations Development Programme (UNDP), and NGOs who are supporting the Government of Lesotho, to promote inclusive finance as one of the strategies to contribute towards poverty alleviation. These non-banking financial intermediaries create new opportunities for poor people and the communities by increasing access to microfinance and investment capital. They provide seed-capital, grants and loans, and technical support to help microfinance institutions reach more poor households and small businesses, and Local Government finance of the capital investments. In addition, the Government should ensure awarding of Government tenders to rural-based local communities, and the eradication of corruption in the awarding of tenders, and should also help coordinate fund training programmes to develop local business skills. Moreover, workshops should be held in order to inform entrepreneurs on how to get funding from investors. Government should establish a dedicated tourism development fund to provide funds for tourism enterprises and activities not catered for by existing state financing agencies. This can be done by disbursing tourism funds through dedicated tourism windows at existing institutions that could champion lending, as well as provide specific tourism technical support, to potential entrepreneurs.

### **6.4.3 Accommodation**

There are not enough accommodation facilities in Butha-Buthe that can meet the high standard of quality, especially required for international travellers. Therefore, a compulsory tourism grading scheme should be considered, to ensure that minimum standards are met for facilities and services. A voluntary scheme will, unfortunately, be ignored by most providers of accommodation as just another money-making scheme to impoverish already struggling owners, and a protection for the rich accommodation supplier. The owners of accommodation establishments should take comments from visitors very seriously in order to improve the service quality of the establishment. There is also a need for new hotels, guest houses, and lodges to accommodate the desired increase in visitors, and location of the accommodation establishments must be carefully considered preferably in close proximity to tourist attractions.

### **6.4.4 Introducing tourism projects**

Tourism projects increase either part-time or full-time employment. Community members should open markets where they can make and sell their handicrafts to visitors. Tourism activities are very seasonal, in winter Afri Ski Resort in Butha-Buthe also provides opportunities to the communities to work at the Resort, interact with visitors, and sell their home-made products to visitors. Further, projects should be developed and supported by the Government, especially those that address the poor infrastructure in the Butha-Buthe area, which should introduce more labour intensive projects in the district in order to assist in job creation and poverty alleviation.

### **6.4.5 Build and maintain infrastructure**

Infrastructure is a major problem in the district of Butha-Buthe; proper roads need to be built, and public transportation is needed in order to reach guest houses, hotels, restaurants and attractions in Butha-Buthe. For enterprises that need network systems in order to market and expand their businesses, Government should assist by inviting international investors to the country in order to build and maintain this infrastructure in Lesotho. Provision of electricity and water also need attention.

### **6.4.6 Clean environment**

Professionalism is environmental and a clean environment is attractive. Businesses operating in a very clean and professional environment will definitely attract visitors and investors. The Waste Management Department of the local government in Butha-Buthe should provide resources, including waste bins, in the environment to avoid littering in the streets and open spaces. Public toilets must always be clean and



accessible at all times. More informal markets and stands should be built in order to avoid congestion on every corner of every street, and these must be properly licensed and monitored to comply with clean environment policies.

#### **6.4.7 New strategies and policies**

Strategies and policies must be developed and implemented in order to protect businesses, the environment, and local communities. Government should be committed to promote environmentally and culturally sustainable development, making Lesotho a tourism destination of choice in the region, through the provision of high-quality services, and creating an enabling environment for the private sector-driven and community-based tourism development. Strategies that promote Lesotho as a quality eco-tourism destination for the betterment of the livelihood of the Basotho, and attractive to visitors, need to be developed and implemented.

#### **6.4.8 Support and partnership**

The government partnership with private companies and investors contribute to the economy of the country by providing services or projects that can create employment and assume sustainable development of resources needed in the business operation. Government should at all times support the potential SMMEs that contribute hugely to the economy, by inviting investment and offering tenders to private companies in order to provide SMMEs with necessary resources.

#### **6.5 Summary**

The results of the study reveal that SMMEs contribute to economic development and growth and tourism development in Butha-Buthe. However, there remain challenges that face SMMEs: opportunities and challenges support from the government, and educating entrepreneurs and communities. The SMME's sector, together with tourism development, plays a vital part in poverty alleviation, either economically, socially and environmentally. Therefore, it is very important to consider what the research revealed, and it is accepted that the information provided in this study should assist future researchers. The district of Butha-Buthe should grow economically and provide sustainable development for the communities.

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# APPENDIX

## APPENDICE A: QUESTIONNAIRES



10 Upper Darling Street

Cape Town

8000

May 2011

Sir / Madam

QUESTIONNAIRE IS ON THE ECONOMIC CONTRIBUTION OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMES) TOWARDS THE DEVELOPMENT OF TOURISM IN RURAL AREAS OF BUTHA-BUTHE IN LESOTHO

Your kind co-operation as part of a randomized sample survey is sought for the completion of the questionnaire which is part of a survey on the economic contribution of SMMEs towards the development of tourism in rural areas of Butha – Buthe in Lesotho. Your willingness to complete the questionnaire will be much appreciated, as the information thus obtained will assist the researcher to identify the role played by SMMEs in the contribution to tourism development, and provide opportunities to the community by creating jobs

The questionnaire has been prepared in such a way that it will require the minimum of time to complete. Responses to the various questions / statements will be decisive for the eventual outcome of the research.

All information will be treated as strictly confidential and it will not be possible to identify any individual on the strength of the results included in the final report.

Should you wish to further enquire about the questionnaire or the research project, please contact Ms Leah Matela telephone number, 0724057559 or e-mail at 206168245@cput.ac.za

In the interest of confidentiality, few biographical details are requested, the only variability will relate to the differences between selected local governments of Botha- Bothe, local tourism entrepreneurs, local communities and local government

Thank you for your co-operation.

Leah Matela

Researcher

SURVEY

AMONG SELECTED LOCAL GOVERNMENTS OF BUTHA-BUTHE, LOCAL TOURISM ENTREPRENEURS AND  
LOCAL COMMUNITIES

ON

THE ECONOMIC CONTRIBUTIONS OF SMALL, MEDIUM, MICRO ENTERPRISES (SMMEs) TOWARDS THE  
DEVELOPMENT OF TOURISM IN RURAL AREAS OF BUTHA-BUTHE IN LESOTHO



THE ECONOMIC CONTRIBUTIONS OF SMALL, MEDIUM, MICRO ENTERPRISES (SMMEs) TOWARDS THE DEVELOPMENT OF TOURISM IN RURAL AREAS OF BUTHA-BUTHE IN LESOTHO

SECTION A: INDEPENDENT VARIABLES

1.1 PLEASE INDICATE YOUR EMPLOYMENT STATUS IN THE APPROPRIATE BLOCK

|                  |  |                            |  |                   |  |        |  |
|------------------|--|----------------------------|--|-------------------|--|--------|--|
| Local Government |  | Local Tourism Entrepreneur |  | Community members |  | others |  |
|------------------|--|----------------------------|--|-------------------|--|--------|--|

If you indicated 'other', please specify

|                   |        |  |
|-------------------|--------|--|
| <b>1.2 Gender</b> |        |  |
| 1.2.1             | Male   |  |
| 1.2.2             | Female |  |

|                           |                        |  |
|---------------------------|------------------------|--|
| <b>1.3 Language group</b> |                        |  |
| 1.3.1                     | English                |  |
| 1.3.2                     | Sesotho                |  |
| 1.3.3                     | Other (please specify) |  |

|                      |              |  |
|----------------------|--------------|--|
| <b>1.4 Age group</b> |              |  |
| 1.4.1                | Under 20     |  |
| 1.4.2                | 21 – 30      |  |
| 1.4.3                | 31 – 40      |  |
| 1.4.4                | 41 – 50      |  |
| 1.4.5                | 51 – 60      |  |
| 1.4.6                | 60 and older |  |

| <b>1.5 Highest education level completed</b> |                       |  |
|--|-----------------------|--|
| 1.5.1  | No formal education   |  |
| 1.5.2  | Partial primary       |  |
| 1.5.3  | Primary completed     |  |
| 1.5.4  | Secondary completed   |  |
| 1.5.5  | Certificate / diploma |  |
| 1.5.6  | Undergraduate degree  |  |
| 1.5.7  | Postgraduate degree   |  |
| 1.5.8  | Other (Specify)       |  |

## SECTION B: DEPENDENT VARIABLES

1.1 To what extent would you agree that SMMEs have the potential to contribute towards tourism development in Butha – Buthe?

### LEGEND

1 = STRONGLY DISAGREE

2 = DISAGREE

3 = UNDECIDED

4 = AGREE

5 = STRONGLY AGREE

(PLEASE TICK THE APPROPRIATE COLUMN PER ITEM)

| STATEMENT |  | Degree of preference |   |   |   |   |
|-----------|--|----------------------|---|---|---|---|
|           |  | 1                    | 2 | 3 | 4 | 5 |
| 1.1       | SMME entrepreneurs in Butha-Buthe face a challenge with lack of finance as funding from the government support measures have not always reached SMMEs.   |                      |   |   |   |   |
| 1.2       | Poor infrastructure limits access to small guest houses to operate in Butha-Buthe making it difficult for such enterprises to meet the market demand.  |                      |   |   |   |   |
| 1.3       | Lack of transportation makes it difficult to run a small tourism enterprise in this area   |                      |   |   |   |   |
| 1.4       | Many dynamic rural entrepreneurs have relocated to urban areas due to security Issues in the rural area.   |                      |   |   |   |   |
| 1.5       | Poor skills development and training for local communities in Butha-Buthe makes it hard for new tourism development e.g projects where the communities can handcraft and pride their heritage are often hampered by a lack of appropriate knowledge and skills |                      |   |   |   |   |
| 1.6       | Opportunities for developing SMMEs in rural areas can be enhanced if the government assists small businesses by coordinating and monitoring policies, structures and regulations   |                      |   |   |   |   |
| 1.7       | Tourism enterprises in Botha-Bothe creates job opportunities for locals within the area  |                      |   |   |   |   |
| 1.8       | Partnership between SMMEs operating in Butha-Buthe and Local Government within the area can help improve business development and government support system  |                      |   |   |   |   |
| 1.9       | Support for SMMEs through local government improves relationship between entrepreneurs and government official   |                      |   |   |   |   |
| 1.10      | Botha – Bothe has magnificent attractions that are yet to be developed   |                      |   |   |   |   |
| 1.11      | Tourism could generate economic wellbeing in the Butha-Buthe area  |                      |   |   |   |   |

SECTION C: Questionnaire for Local Tourism Entrepreneur and Local Community

The purpose of this study is to identify the tourism development that can take place within the area and to see if that local community is aware of potential of such development in their area.

1. What tourism attractions are there in your area?  
.....  
.....

2. Are there any tourism projects that bring development within your area?  
.....  
.....

3. Do you see potential of tourism development in the near future in your area?  
If yes, what tourism development?  
.....  
.....  
.....

4. Can small tourism enterprises contribute to employment for the local community in your area?  
.....  
.....

5. Lack of resources e.g. poor infrastructure, no electricity, and lack of knowledge of the area are major challenges faced by entrepreneurs in Butha- Buthe.

Please tick in the appropriate answer below

Yes                      No

If yes please explain further

.....  
.....

6. Do the local government officials show any support to local tourism entrepreneurs operating with your area?

Please tick in the appropriate answer below

Yes      No

If yes how?

.....  
.....

SECTION D: Questionnaire for Local Government officials

The aim of this questionnaire is to establish the involvement of Local Government official in support for SMME growth in Butha-Buthe and to see what measures officials provide for entrepreneurs operating in that area.

1. Is the government involved in supporting SMMEs in the area, and how ?  
.....  
.....  
.....
2. What Strategies and polices are brought forward in ensuring the support for SMMEs?  
.....  
.....  
.....
3. Is there enough information / guidelines for small business operating in Butha-Buthe?  
.....  
.....  
.....
4. SMME growth and development has become a priority for most governments due to sustainable development and employment they bring, is the local government aware of such development and employment contributed by SMMEs and what the development is?  
.....  
.....  
.....
5. Are there any programmes and projects that helps in developing the SMMEs that operate in the area of Botha-Bothe?  
.....  
.....  
.....
6. How is local government assisting tourism development in Butha-Buthe?  
.....  
.....  
.....

Thank you for participating in this study

**APPENDICE B: LETTER FROM LOCAL GOVERNMENT OF BUTHA-BUTHE**

Ministry of Local Government  
and Chieftainship  
P.O. Box 2  
Butha Buthe 400

11 April 2012

**TO WHOM IT MAY CONCERN**

This letter serves as permission that Leah Matela a student at Cape Peninsula University of Technology should conduct her research study for her Masters of Entrepreneurship with the Local Government of Butha Buthe Lesotho, some government departments in Butha Buthe and business communities.

Yours In Service

  
.....  
Matla-a-selo Lehema



**APPENDICE C: LETTER FROM MOTLEEJOA GUESTHOUSE**

Motlejoa Bed & Breakfast

P.O.Box 750

Butha-Buthe 400

11 April 2012

TO WHOM IT MAY CONCERN

This letter serves as permission that Leah Matela a student at Cape Peninsula University of Technology to conduct her research study with Motlejoa Bed & Breakfast operating in Butha-Buthe.

Regards



**MOTLEJOA BED & BREAKFAST**  
Email: motlejoa2@yahoo.com  
CELL: 63020118 / 22461555  
FAX: 22461140

Mrs Matela Mateka

**APPENDICE D: LETTER FROM PROOF-READER**