INVESTIGATION INTO THE CAUSES OF SMALL AND MEDIUM ENTERPRISE FAILURES IN WINDHOEK, NAMIBIA

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ABSTRACT
This study sought to analyse the factors that contribute to the failure of Small and/or Medium Enterprises (SMEs) in Windhoek, Namibia. The objectives of this study were to determine the causes SME failures, to examine ways in which SME failures can be overcome, and to recommend ways in which SMEs can overcome their problems. These aspects were done by identifying the causes of SME failure, and were deemed important that the causes of SME failure be understood. Through an analysis of literature information and primary findings, new, better and effective ways were established to help SMEs to overcome the problems experienced. The findings from the study indicated that there are many causes of SME failure in Windhoek, Namibia. The study indicated that a lack of management skills, a lack of financial support and a lack of business training are the major causes of SME failure in Windhoek. It is recommended that the Government of Republic of Namibia and SME owners, managers and supervisors help them avoid the failure of SMEs.
Key Words: Investigation; Failure; Causes; Small and Medium Enterprises; Analysis; Management Skills; Financial Support; Business Training; Managers; Supervisors

INTRODUCTION
In recent decades, Namibia has witnessed a phenomenal growth in the number of new businesses. This is especially true when it comes to the operation of SMEs. Indeed, almost 40,000 SMEs are currently registered in Namibia. SMEs in Namibia contribute to the national economy of Namibia in various ways, such as employment creation, adding value to the gross domestic product of the country, and assisting in the realisation of the government's 2030 vision agenda. Concomitantly, it has also been observed that the majority of these businesses experience difficulties during the first twenty-four months of their existence, and, in most cases, before full establishment. Indeed, available data indicates that approximately 75% of the small-scale businesses experience such difficulties in the first twenty-four months. It is equally pertinent to note that this increased failure rate is substantially greater than the increase in the rate of new business creations. This problem appears to be more prevalent among the small-scale

businesses that operate in Namibia in relation to the medium enterprises that operate in its economy. The growth of SMEs is a critical ingredient for the sustainable development of developing economies. This chapter focuses on the background of the problem, problem statement, aim of the study, objectives of the study, research question, significant of the study, the format of the study and the conclusion of the chapter.

Background to the Problem

Governments throughout the world attempt to promote economic progress by focusing on small-scale enterprises. It has been argued that SMEs are the backbone of most economies and are a key source of economic growth, dynamism and flexibility. SMEs contribute to the development of an economy in various ways, including generating employment and providing services. Namibia has witnessed a phenomenal growth in the number of business start-ups during the past two decades following the independence of Namibia. In fact, almost 40,000 SMEs are currently registered in Namibia. According to the Bank of Namibia Symposium (2010:31), SMEs in Namibia have contributed approximately 12% to the Gross Domestic Product (GDP), have employed about 20% of the workforce between 2004 and 2009, and are helping towards the realisation of the Namibian government's 2030 vision. Despite the fact that SMEs play an increasingly important role in providing new products and employment opportunities, SMEs in Namibia have encountered many difficulties, especially financing. SMEs frequently lack access to institutional credit, which causes SMEs to encounter high financing costs and prospective failure. The economic, financial and social losses that result from these failures are significant. It is equally pertinent to note that, consistently, this increased failure rate is substantially greater than the increase in the rate of new business creation. This problem appears to be more prevalent among the SMEs that operate in Namibia in relation to the larger enterprises that operate in its economy. Based on this, it seems that research is needed to determine the causes of SMEs failure in Namibia.

Objectives of the Study

The objectives of the study are:

- To discover the causes of small and medium enterprise failures in Windhoek, Namibia.
- To determine the ways in which the failures of small and medium enterprise can be overcome.
- To recommend ways in which small and medium enterprises can implement strategies to avoid or reduce failure.

LITERATURE REVIEW

Introduction

According to Dawidowicz (2010:6), a literature review is an examination of scholarly information and research-based information on a specific topic. Its goal is to create a complete, accurate representation of the knowledge and research-based theory available on a topic. Saharan (2008:66-67) describes a literature review as a clear and logical presentation of the relevant research work done thus far in a particular area. The purpose of a literature review is to identify and highlight the important variables and to document the important findings from earlier research that will serve as the theoretical framework for the current investigation and from which hypotheses can be developed. This chapter reviews the existing literature on factors that cause the failures of SMEs. The chapter covers the definition of SMEs and the importance of SMEs in the economy, the reasons for SME failure and the role of government and financial institutions in helping SMEs to access finance.

Definitions of SMEs

Although countries around the world define SMEs differently, these definitions are similar. According to Uganda Bureau of Statistics (2008:5), an SME is a business that employs 5 to 50 people (small scale) and 51 to 500 people (medium scale). This means that, in Uganda, SMEs are classified into categories of small scale and medium scale businesses. However, in Botswana, SMEs are categorized into three groups. Nkwe (2012:30) states that more variables are used to determine SMEs, such as employment level, annual turnover and annual balance sheet total. He states that, currently, Botswana's accepted definition of SMEs is based on three categories of enterprises using the annual turnover and the number of employees. Similarly to Botswana, Namibia uses these categories to classify SMEs. According to the Namibia Institute of Public Policy Research (IPPR; 2010:5), the ministry of Trade and Industry in Namibia define SMEs as a sector of business organisations composed of small business enterprises with full time employees ranging from 6 to 100 employees.

The Table 2.2, below, summarizes the definition of SMEs in the context of Namibia. It is apparent from that, in Namibia, the definition of an SME is based on the number of employees, annual sales turnover as well as the capital base of a business as the relevant criteria.

Table 2.2: Criteria for Defining Small Businesses in Namibia

Sector	**Employment**	**Turnover Less than N$000**	**Capital Less than N$000**
Manufacturing	Less than 10 Persons	1000	500
All other Business	Less than 5 Persons	250	100

Source: LaRRI and NEPRU (2008).

The Importance of SMEs

According to the former Motor Vehicle Accident (MVA) Namibia Chief Executive Officer Jerry Mwadinaohamba (2011:28), SMEs are important to almost all economies in the world, but especially in developing countries like Namibia with major income discrepancies between the rich and the poor and high unemployment. On the termed "static" front, SMEs contribute to output by participating in the mainstream economy and to the creation of some "decent" jobs, especially to those that own or manage SMEs. All this information coupled together, SMEs are major employers and can close economic inequality between the rich and the poor. On the other hand, SMEs are a nursery for the larger firms of the future; many large firms started as SMEs before growth and development. It is, therefore, in this regard that SMEs are an important step for expanding micro enterprises as they contribute directly and often significantly to aggregate savings and the investment of any nation and are involved in the development of appropriate technology. In asking how "important" the SME sector is, it must of course go beyond simply looking at its share of output, employment or any other aggregate variable. Assessment should involve how much difference does it make to the overall economic performance whether the

SME sector is large or small, or whether it grows rapidly or slowly? It is a fact of life, at any level of a country's development, that some needed activities involve few or no economies of scale, while others involve considerably higher economies of some sort. The size of this distribution is greatly influenced by SMEs, which can also be influenced by international trade.

The important challenge in Namibia is to ensure that a significant share of output takes place outside the overly capital-intensive large-scale sector by giving the SMEs some portion of the activities in the economy. Achievement of this goal is more difficult if SME activity, in general, is discouraged by policies or regulations. SMEs can be facilitated when large firms subcontract the majority of their work or part of that process to smaller, more labour intensive SMEs. It can also be facilitated by the phenomenon referred to as "clusters" in which small firms collaborate together to handle the aspects of the business that are characterized by economies of scale. By getting together, the SMEs can achieve immensely and contribute aggressively to national affairs. The ideal setting within which SMEs can maximally play their positive contribution in the economy includes taking cognisance of the foresaid structures. In a country like Namibia with large informal or micro enterprise sectors, SMEs should constitute the middle of the size range, a notion that explains much of the strategic importance of SMEs. In terms of organisational structure, SMEs are, on average, considerably more complicated and largely involve the self-employed and people employed in other larger companies.

Government policy, including tax policy, can make a considerable difference to how well the SME sector fulfils its potential role in contributing to a healthy economy. One of the significant characteristics of a flourishing and growing economy is a thriving SME sector. SMEs play an important role in the development of a country, mainly through employment generation. According to the United Nations Industrial Development Organization (UNIDO; 2009:17) for developing countries like Namibia, integration into the global economy through economic liberalisation, deregulation and democratization is seen as the paramount way to coup poverty and inequality. Significant to this process is the development of the private sector, in which SMEs can play a central role. SMEs have an inclination to employ more labour-intensive production processes than large enterprises. Consequently, they contribute significantly to the provision of productive employment opportunities, the generation of income, and, eventually, the reduction of poverty. SMEs can become a major contributor to private sector employment.

SMEs make a significant contribution to the transition of agriculture-led economies to industrial ones, furnishing simple opportunities for processing activities that can generate sustainable sources of revenue and enhance the development process. SMEs expand systemic productive capability, help to absorb productive resources at all levels of the economy and add to the formation of flexible economic systems in which small and large firms are interlinked. Such links are very crucial for attracting foreign direct investment (FDI). Indeed, larger investment corporations look for sound domestic suppliers for their supply chains.

SMEs are the major force behind China's economic growth, contributing to the national GDP (accounting for 40%), scale of assets, diversification of products and the creation of employment. Similarly, the role of SMEs is well acknowledged in other countries such as Japan, Korea and all other industrialized economies in terms of creating employment, reducing poverty and increasing public welfare. There are a number of factors responsible for the importance of SMEs in

Namibia. First, SMEs bolster an entrepreneurial spirit and put forward flexibility in the economy by giving choices to consumers in the economy or market. Second, SMEs stem the fastest growing exports sub-sectors, such as maize farming and construction. Third, they support the poverty alleviation endeavours through the employment generation process. Above all, SMEs are more efficient in allocating resources as compared to that of large-scale companies (from a social point of view), which results in the efficient use of resources.

It is important to note that Namibia's economy is an economy that can easily be grown by SMEs. However, efforts have remained restricted, focusing on larger enterprises and neglecting SMEs. For instance, institutions established to facilitate business activities have been focusing their efforts on large companies and omitting SMEs. SMEs are a distinctive mainstay of the economy that requires attention and support. The evidence from Namibia shows that small firms are discriminated against relative to large firms, in most cases, due to experience. Large-scale firms can cope and solve their issues by possessing sound experience and strong financial positions.

Due to their small size and the resulting peculiarities, SMEs are far less capable of adjusting and carrying on successful business, which, in most cases, require assistance from procurement companies. There are also some hidden and apparent obstacles in the path of SMEs in Namibia. The most important are the law and order situation, financial constraints, the energy crisis, taxation problems, labour issues and a lack of coordination and regular information exchange mechanism among institutions. What it requires is to pursue the precise policy and regulatory reforms to turn SMEs into an effectual instrument for the enhancement of economic growth and employment. Furthermore, the setting for SME is incessantly changing, especially in the scenario of globalisation and openness of the economies. Therefore, the course of action for SMEs should be set for the long-term, keeping in mind the predictable behaviours of all stakeholders.

Reasons for SME Failure

Lack of Planning

Many researchers have highlighted a number of reasons why SMEs fail, with these reasons including poor planning, poor management skills, regulation restrictions, a lack of funding access and a lack of training within SMEs. Lack of planning is a major contributor to the failure of many SMEs. Richardson and Richardson (2009:2) define planning as "the design of a desired future and of effective ways of bringing the future about and as examining the future and drawing up a plan of action." Furthermore, Richardson and Richardson (2009:2) identify the following key characteristics of planning:

- Planning designs and precedes action;
- It attempts to fit appropriate actions to something one has to make sense of before it happens (i.e. in the future);
- Is directed at achieving desired results; and
- Is a response to the pessimistic belief that, unless something is done, a desired future state will not occur and to the optimistic belief that one can do things to improve one's chances of achieving the desired state.

According to Nieman (2008:17), planning is a critical managerial function as it helps one to identify the objectives or targets and develop suitable actions or implementation plans. Nieman (2008:17) further states that there are two terms of references for planning, which are the construction of a business plan and a budget. These two sources, in turn, help to create a strategic view of the business and reduce the risk of business failure. Most SMEs fail because their plans are sales-oriented and they need a transition in outlook in order to meet customer needs. Since small business owners typically do not have management training, they end up planning poorly or not planning at all, which can lead to the failure of SMEs.

Financial Management

Poor financial management is another factor that contributes to the failure of SMEs. According to Nieman (2008:95), financial management is a very broad term and entails "planning, organizing, activating and control" and it is an important division of a business. For SMEs in the start-up phase, the two critical areas are the financial needs and control of such funding as well as the accountability of such start-up capital. SMEs within the social welfare context increase their chances of obtaining more funding if they maintain their accountability status. Therefore, accurate record keeping is vital as a task under the organizing function, which can assist in avoiding SME failure. SMEs with poor financial management often fail due to poor record keeping and for not obtaining more funding to grow their businesses.

Lack of Management Skills

Zelealem (2007:16) states that many researchers and practitioners claim that the major cause of small business failure is poor management. Whether the causes are labeled as financing, competition, marketing or inventory, they can be safely avoided if good management is in place. Although it has become difficult to explain what constitutes poor management, small business owners or managers need to develop basic managerial skills and knowledge. If they are to succeed, managers need to have adequate skills in the area of planning, organizing, directing and controlling organisational resources.

According to Smit, Cronje, Brevis and Vrba (2007:17), in order to perform basic management functions effectively and efficiently, managers require certain basic managerial skills. Managerial skills involves the knowledge to fulfil some activities or tasks and these skills can be acquired through learning and experience and are used by managers to enable them to maintain efficiency in the way employees complete their working tasks (Sutevski, 2012:1). There are different types of skills needed by SME owners and managers, which are:

- Technical skills: According to Sutevski (2012:1), technical skill is a technique of completing a task or the ability to use the technical knowledge of a specific discipline in a certain specialization.
- Human or Interpersonal Skills: Sutevski (2012:1) states that this is a skill that enables managers to become leaders, motivates employees to complete their tasks and to make more effective use of human potential in the business.
- Conceptual Skills: According to Stoner and Freeman (2006:12), this skill enables managers to coordinate and manage all of the organisation's interests and activities and with the ability or knowledge of managers to overcome obstacles through sound analysis.

Lack of management skills is one of the factors that contribute to the failure of SMEs. According to Victoria, Samuel, Lloyd and Lazarus (2011:83), SMEs fail due to a lack of managerial experience. SMEs that lack managerial experience fail because they are unable to tackle issues that require previous knowledge or experience. Similarly, Inkoun (2008:25) found out that SMEs performance is closely linked to the entrepreneurial skills of the proprietor. He argued that proprietors with business related qualifications tend to survive 30% more than non-qualified proprietors. While, according to Arnold, Grossman, Mwatotele, Stork and Tobias (2010:5), SMEs growth and survival is linked to the business performance and the business skills possessed by the owner or manager.

Arnold et al. (2010:6) state that the crucial business skills that are positively linked to the business performance are strategic planning, flexibility, pro-active management and distinct customer orientation. These help SMEs to avoid failure and management skills can assist this process (King, 2007:13). SMEs' managerial skill challenges are mainly in the area of general and strategic management, financial management, human resources management, marketing management and operation management. King (2007:14) indicates that the current management of SMEs does not have the expertise or the time to deal with the issues. Webster (2009:41) echoes this, stating that among problems of all kinds, management problems show up in difficulties with financial and human resources management.

Inability to Manage Growth

Another problem that causes the failure of SMEs is their inability to manage growth. SME owners find it difficult to manage their business as they grow due the lack of financial training and managerial experience or skills. According to Mienie (2009:72), growth in any business places severe pressure upon its resources and sometimes necessitates SMEs to acquire more resources, which plunge SMEs, in many instances, into severe cash flow problems that finally lead them into failure. Mienie (2009:73) argues that the latter prohibits SMEs from growing to full potential, as they are unable to acquire the necessary resources and leads to SME insolvency. King (2007:18) also states that a lack of focus (prioritizing) by SME owners or management can result in failures. Lack of prioritizing is often a real challenge for an entrepreneur in an SME, as there are constant changes in priorities, issues that need attention and other issues that require rectification. Often, opportunities present themselves and it is difficult to say "no" to a short-term opportunity that will distract SMEs from their long-term goals. SMEs should be clear on their long-term objectives and the opportunities that will facilitate them achieving these objectives. SMEs should evaluate other opportunities based on the extent to which they draw resources away from their ability to achieve their long-term goals.

Lack of Capital and Access to Finance

SMEs also fail due to a lack of capital. King (2007:15) states "lack of capital is often the most critical challenge that a successful SME faces as its very success creates this and it quickly becomes a vicious circle." Without cash flow, management and/or raising more capital, including debt, the business is often constrained by capital as it grows. Often, the profit in one operating cycle is insufficient to fund the extra working capital required for the next operating cycle. This is especially the case where a business is either inventory or receivables intensive and/or the operating cycle is a long one (i.e. the operating cycle is the average time that it takes from the first receipt of inventory to when the customer pays for the goods). This can be exacerbated when capital goods are required to process the goods and the company cannot finance the acquisition of these capital assets. Many SMEs cannot overcome the obstacles in their businesses cash flow cycle and cannot understand why bankers and other lenders often cannot provide the financing, as SMEs often do not have the security to support the debt.

However, the solution is often more simple than most entrepreneurs realise. It often starts with a plan to determine cash needs are and when cash needs arise. From here, one is in a position to manage and focus on the cash management techniques most likely to be successful in their business. However, failure to stick the above procedures may result in SME failure.

Insuring that proper training is provided to SME management on how to finance SMEs can solve SME failures. Ogbokor (2012:15) states that access to finance is a severe problem and banks require high security or collateral, financial statements and a business plan, which SMEs are unable to draft on their own (in most cases) unless they have to pay for the service of a consultant. However, According to Nuyoma (2010:7-10), more than 40% of Micro, Small and Medium Enterprises (MSMEs) in Namibia identify access to finance as the most serious obstacle to growth and failure of SMEs. Access to and the cost of credit both feature prominently as challenges faced by the SME sector. Stringent collateral requirements are more of a challenge among SMEs. The twin challenges of the cost of borrowing and access to finance have to be considered when devising an SME's financing strategies. According to Proparco (2009:8-11), generally, in Africa, there is the supply side, the demand side and institutional constraints to financing SMEs. These are outlined in the sections that follow.

Demand-side Constraints

Demand side constraints arise from SMEs' internal weaknesses. The principal constraint relates to the limited information provided to funders and on which basis credit decisions are made. SMEs also tend to be inadequately structured, especially in terms of equity, and, thus, have uneven financing structures. SMEs' limited organisation in terms of human resources, accounting and other control functions is a further key limitation that often leads to SME failure. SME owners' personal finances and assets are, as an example, frequently bundled with their companies' total assets.

Supply-side Constraints

Supply side constraints relate to common factors inhibiting banks' willingness to lend to SMEs. These include capital constraints, banks' capacity constraints and the level of risk and transactions costs related to serving SMEs. In some instances, it also includes a systematic bias to larger firms of holding high-yielding debt.

Lending Infrastructure, Policy and Institutional Constraints

A further constraint relates to the lending infrastructure that prevails in the country. Lending infrastructure involves market failures prevalent in an economy that could inhibit SME lending. The absence of creditor's rights that protect lenders from non-payment, for example, could decrease SME lending levels.

Weak collateral regimes also inhibit SME lending, as assets that could be used as security for loans are not classified as such and this often leads to SME failure. The presence of proper credit registries may facilitate the use of credit scoring technologies, which will reduce small business lending costs immensely. In fact, the presence of a Credit Bureau may reduce the cost of small business lending by up to 25%.

Training and Education

Junaidah (2013:15) states that the general assumption is that the businesses that pay more attention to training and development will be more successful in the long-term. Although this claim is widely established, evidence to show that training and management development enhance SME performance is equivocal (Storey, 2007:91). A large body of the SME training literature has attempted to address this issue by empirically testing the relationship between training investments both in terms of resources, time and business performance through individual and organisational level data. Several recent reviews, however, have shown that the empirical evidence for training influence on company performance is generally inconsistent and inconclusive (Storey, 2004:61). Huang (2008:113) states that firms with sophisticated training systems and strong management support for training have effective training programs and are more successful in delivering training. In fact, organisational performance can be held back through a neglect of training activity. In their impact assessment study, Marshall and Rossman (2009:37) found that government funded training investments in SMEs have a significant influence in setting proactive strategies to combat recession; 50% of receiving companies, as compared to 12% of the control group, increased employment opportunities, increased investments and had perceptions of resultant increased profit. Therefore, the evidence for SME training efficacy seems contradictory. Effective training is reported to have positive effects on organisations. In this study, the effectiveness of training will be measured in terms of an increase in employees' skills level, customer satisfaction, quality of products or services, technology transfer and productivity.

Pretorius, Millard and Kruger (2006:78) emphasize the importance of ensuring that "implementation skills" receive serious attention when it comes to the preparation and improvement of entrepreneurs. The value of training cannot be over-emphasised if one takes the illiteracy rate into consideration, especially among the poorest provinces, which includes the Eastern Cape (South Africa). The sample for this study will result in the majority of beneficiaries being semi-skilled and half literate. Mason (2006:110) argues that training should not be forced on SMEs, as they are able to accommodate official training only to a certain extent, but they should rather be encouraged to conduct in-service training. Therefore, legislation enforcing training in the SME sector should be introduced with great circumspection, as it can become a constraint for SME development (Mason, 2006:112).

Furthermore, Mason (2006:88) states that SMEs are making a valuable contribution to the economic sector by supplying experienced talent. He argues that SMEs accommodate the unemployed youth and provide in-service training for them. In this way, SMEs are fostering experienced employees that are available for the broader economy. Within the South African SME sector, one can expect to find a relatively low level of education, especially among the young and previously disadvantaged groups. Training here is, therefore, paramount for facilitating managerial skills. In a study conducted in Canada, it was found that SMEs operated by people with a recognised tertiary education earned double the amount than people without a recognised tertiary education (CMA Management, 2005). Training is a vital source for any employee, as it presents them with information, expertise and capabilities to execute duties to perfection within a specific job profile (Nieman, 2006:87). Training is also a prerequisite for employee development, which, according to Nieman (2006:89), has an extended period of focus and prepares the individual for his/her aspirations.

According to the Organisation for Economic Co-operation and Development (OECD; 2007:7) managerial weaknesses are at the heart of SME failures, and, when combined with the observation that the individuals who own/manage many SMEs are less educated than those working in managerial positions in large firms and are less likely to be formally trained, the inference is that SME managers need training in financial management. To substantiate the relationship between exposure to management training and the size of the firms, OECD (2006:8) states that studies in the United States show that managers in large firms spent, on average, 0.29 hours per week in formal training compared to 0.18 hours per week for SME managers.

Ramsden (2010:24) states that the low financial literacy rate amongst SME owners is a serious challenge for effectively managing SME finances and prevents SMEs from assessing and understanding different financing options and the completion of complicated loan application forms. Additionally, SMEs financial statements are not transparent, thus making them risky borrowers.

According to Ruth (2010:15-16), education and skills are needed to run micro and small enterprises. Research shows that the majority of micro and small enterprises in Kenya are not well equipped in terms of education and skills. The majority of those who run SMEs are those whose educational background is less than extensive. Hence, they may not be well equipped to carry out managerial routines for their enterprises. King and McGrath (2007:42), in their study, suggest that those with more education and training are more likely to be successful in the SME sector. As such, for small businesses to do well in Kenya, entrepreneurs need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained a college level education (Wanjohi and Mugure, 2008:16). As culture is a learned behaviour and formal, non-formal and informal education plays an important role in transferring cultural values from one generation to another. However, Hagen (2009:113) states that education plays a subsidiary role in promoting entrepreneurship because entrepreneurs are born. It is often articulated that the supply of entrepreneurs will ultimately be increased more if awareness of the feasibility and desirability of starting a business is established at a young age. Thus, the education system is suggested to foster support and encourage those interested in knowing what it is like to run a business. In Sri Lanka, Sudatta (2007:88) noted that most of the successful entrepreneurs have not gone through higher education or formal courses in entrepreneurship. Studies also show that only a few of the entrepreneurs have had family business connections at the time they started a business. Prior experience and skills gained through informal learning have been useful in making a start. A study conducted by Meng and Liang (2007:170) involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs. Seventy percent of successful entrepreneurs were university graduates, while 23% were not.

According to Meng and Liang (2007:171), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills that make them more conscious of the reality of the business world, and, thus, place them in a position to use their learning to manage business.

Similarly, Lussier and Pfeifer (2007:77) also summarised that entrepreneurs with higher education levels and experience have greater chances of succeeding than people without education and experience. However, Minniti and By grave (2008:2) have stated that people with more education are not necessarily more entrepreneurial. Thapa (2007:110) in his study in Nepal found that education has a positive effect on entrepreneurial success. These two contradicting findings make it necessary to conduct further research on the subject.

Poor Crime Management

According to Resnik (2008:156), the American Management Association (AMA) estimates that up 20% of Small businesses fail each year because of fatal crime losses. This serious problem of theft can befall a business from any source, be it from a professional criminal, a customer, a supplier or an employee. The pressure and vulnerabilities to theft vary with the kind and size of the business. On the other hand, Hodgetts and Kuratko (2008: 581) focus more on the internal crime in small business. According to their study, internal crime is caused by the following factors:

- Hiring personnel without a careful background check or employment references;
- Failure to enforce strict, uniform rules for even minor infractions;
- Failure to establish a climate of trust, confidence, and respect for employees as well as incentives for outstanding and honest performance;
- Failure to apply techniques that will thwart opportunities for employee theft; and
- Cost-cutting measures.

Poor Business Location

Pickle and Abrahamson (2009:167) argue that it is not unusual for a small business owner to select a location based primarily on convenience or cost. A location may be chosen because of the availability of a vacant building, proximity to the owner's residence or low rent. One of the reasons why small businesses fail is because they select a site for their business without first making a thorough analysis of the overall location's potential for the business's survival and growth. Siropolis (2010: 228) indicates that the importance of location is determined by the type of business and the proximity of the business to its customers (i.e. must customers travel to the business or must the business owner travel to the customers). Other factors to be considered are whether the business offers a special product or service with little direct competition and whether convenience is the key selling point in what the business offers to customers. Siropolis (2010: 229) notes that poor location may be caused by a supermarket or any other competing small business enterprise that is located close to a new small business.

According to Longenecker, Moore and Petty (2006: 271), the importance of the location decision is underscored by the costs and impracticality of pulling up stakes and moving an established business if the decision on the location proves to be wrong. Based on location, if the choice of location is particularly poor, the business may never be able to get off the ground, even with adequate financing and superior managerial ability. In the article by All Business: Champions of Small Business (2009), the above view is corroborated by the indication that evens the best restaurant or retail store will fail if it is in the wrong place. It is important to consider factors such as traffic (how many potential customers pass the business during the course of an afternoon or evening) and convenience (how hard is it for regular customers to get to the location on a regular basis) when scouting for a location for a business.

Overcoming SME Challenges

According to Nujoma (2010:8), research by the Asian Development Bank (2008), the World Bank (2008) and Propaco (2010:19), provide recent literature on how countries in Asia, Latin America and Africa can approach the issue of access to finance for SMEs. Various countries have instituted directed lending programmes or policy-based lending to assist SMEs with financing. India, for example, has a Priority Sector Lending programme that directs the public and private banks to earmark 40% of their net credit to sectors like the SME sector. He also states that the Philippines have a mandatory requirement for banks to set aside 8% and at least 2% of their total portfolios for SME loans. Other countries like Pakistan and Thailand have established dedicated SME banks. These are efforts driven towards reducing supply side constraints for SME lending, involve the formation of special development funds or banks for SMEs and also cooperation with commercial banks through directed sector lending policies. Governments can also work with commercial banks in an effort to correct capacity constraints in order to better service the SME market. This helps SMEs to avoid failure. In order to improve demand-side constraints, countries like Thailand have established Capacity Building Funds to improve SMEs' internal competitive structures. In this regard, the role of government is important to ensure appropriate training interventions. Subsidised training and mechanisms for banks to experiment with new approaches towards SME lending are a further solution presented.

The Role of Government in Providing Access to Finance

The role of government becomes even more pronounced when it comes to the issue of strengthening the institutional foundations of lending. Strengthening creditors' rights through, among others, establishing quasi-legal institutions for processing legal suits brought by banks against defaulting borrowers, helps improve repayment behaviour and enhance banks' willingness to finance SMEs. Similarly, improving the Collateral Classification System incentivizes banks to introduce products like leasing, invoice discounting, and factoring, which attempt to circumvent the problems of collateralized lending to SMEs.

Research shows that introducing SME Credit Bureaus significantly reduces the cost of lending to SMEs and improves access to finance. Moreover, research shows that governments have continued to use credit guarantee schemes to increase SME lending in order to avoid SME failure.

In Namibia, a lot of effort has been put in place by the government to help SMEs have access to finance and other important services that help SMEs to avoid failure. According to Nakusera, Kandhikwa and Mushendami (2008:4-6), the Development Bank of Namibia (DBN) and the Small Business Credit Guarantee Trust (SBCGT) are the main development finance institutions providing access to financial services for SMEs. The objective of the DBN is to fill the existing financing gap in the major medium and long-term development projects of both the private and public sectors. The DBN mostly caters for the larger firms and larger projects, yet, through their Special Development Fund (SDF), also focuses on SMEs, thereby supporting key sustainable development projects and programmes.

The Role of Four Namibian Banking Institutions in Providing Access to Finance

Nakusera et al. (2008:5) state that there are four banking institutions in Namibia, namely: First National Bank of Namibia (FNB), Standard Bank of Namibia, Nedbank and Bank Windhoek. However, of the four banks, only Bank Windhoek and FNB have separate branches for SMEs in Namibia. During 2007, the FNB SME Business Unit provided financial support to more than 140 SMEs with loan funding ranging from N$50,000 to N$2 million. The estimated number of jobs created by SMEs that benefited from the FNB financial support is over 500. Bank Windhoek has supported over 400 SMEs and disbursed more than N$80 million. This figure includes the amount that the Development Bank of Namibia (DBN) has made available through the partnership. The estimated number of jobs created by the SMEs that have benefited from the financial support of Bank Windhoek and DBN is approximately over 1, 000. Nakusera et al. (2008:5) also state that the specialized SME division at Bank Windhoek provides lending and institutional support to SMEs, including a mentorship programme of 12 months. The lending period ranges from 3 to 5 years. The typical interest rate that Bank Windhoek charges are the prime interest rate plus 2% or 3%; FNB offers its lending for 3 years at prime plus 3%. Moreover, FNB is considering offering a mentorship programme on a cost-sharing basis. Both these banks require clients to have a proper business plan. It should be noted, however, that both the FNB and Bank Windhoek SME finance centres are concentrated in Windhoek and the northern regions. The SME portfolio of these banks did not have default rates at the time of this study. The other two banks, Standard Bank and Nedbank, have only allocated consultants who are providing financial services to SMEs.

The Namibian government has also opened SMEs Bank Limited. According to Vision 2030 focus Magazine (2014:47), SME Bank was founded by the Government of Namibia following the dissolution of the Small Business Credit Guarantee Trust (SBCGT) that was transformed into a fully-fledged Commercial Banking Institution. With the head office in Windhoek, SME Bank will, in the near future, open branches in all 14 regions of the country. The Bank provides special attention to projects of SMEs and those catering to Rural Communities, Micro Enterprises and Previously Disadvantaged Individuals (PDIs). The SME Bank has a full Commercial Banking License and it offers banking services to individuals and companies that are not necessarily SMEs, through Personal Banking (Retail), Corporate Banking, Treasury and Investment Management. The SME Bank's vision is to be the nation's preferred bank and financial services provider for SMEs to prevent the failure of SMEs.

RESEARCH METHODOLOGY

Introduction

This section focuses on the research methodology used in order to understand the causes of SME failures in Windhoek, Namibia. McNabb (2010:13) states that research methodology is the approach taken to acquire the information. This section presents the salient features as an overview of the important areas that need to be considered when undertaking research. The research methodology covers the research philosophy, research strategies, target population, sampling, research instruments, pilot study, data collection, data analysis, reliability and validity of the study, limitations of the study and elimination of bias. The research format employed in this study is inductive, in other words, data are collected and a theory is developed as a result of the data analysis.

Target Population

McMillan and Schumacher (2006:119) state that a population is a group of elements or cases, whether individuals, objects or events, that conform to specific criteria and to which it intend to generalize the results of the research. The study population consisted of all SMEs that operated and operate in the Katutura Incubator Centre (Bokamoso Entrepreneurial Centre) in Windhoek between 01 January 2011 and 01 January 2014. There were 124 SMEs in the centre. The sample was 80% of the target population, which was 100 SMEs.

survey a sample of the population as an alternative in order to generalize to the entire population. A sample of 100 respondents was selected from a population of 124.

Limitations of the Research

Due the fact that Windhoek is a big city, it is practically impossible in terms of time and financial costs involved to cover all SMEs in the whole city. This study focused on the SMEs that operated in the Katutura Incubator Centre (Bokamoso Entrepreneurial Centre) in Windhoek, because it is where most SMEs are located.

RESULTS, DISCUSSION AND INTERPRETATION OF FINDINGS

Presentation

The Role of the Respondents in the Study

There were 124 SMEs in the Centre. A sample of 80% of the target population, which translates into 102 SMEs, was used. Figure 4.2.1 shows the different categories of respondents.

Figure 4.2.1: Role of the Respondents

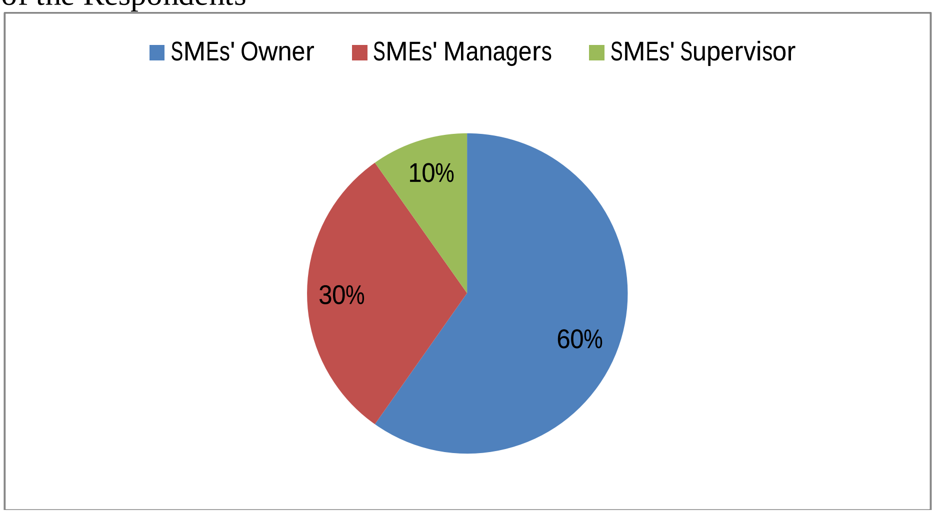
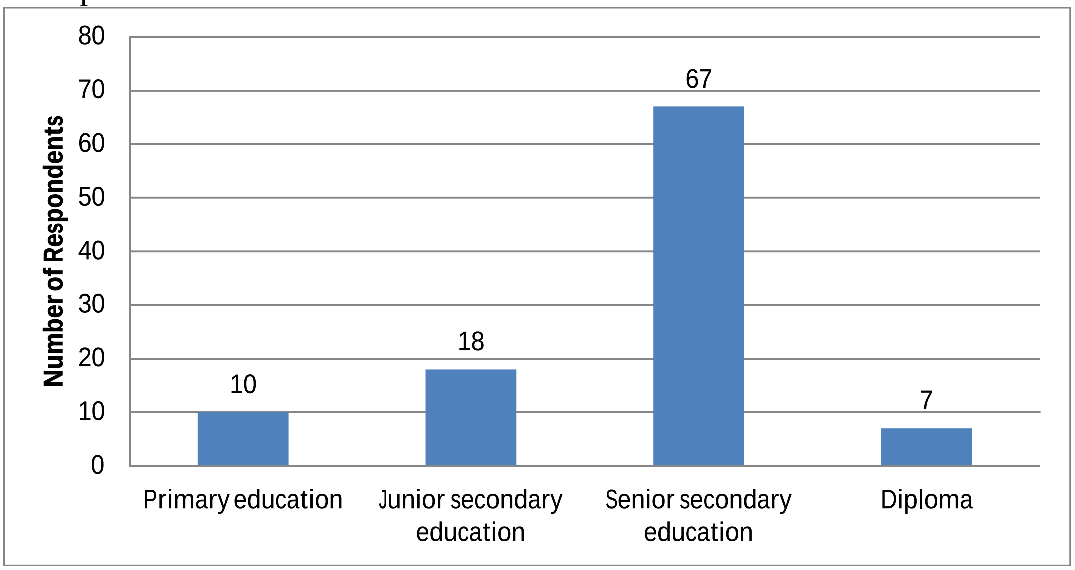


Figure 4.2.1 shows that 60% of sample used were SME owners, 30% were SME managers and 10% were others (supervisors or general workers in the business).

The Level of Education of the Respondents

The respondents were asked to tell the level of their education. The question is very important in determining whether the level education has anything to do with the failure of SMEs. Figure 4.2.2 below shows the results of education level of respondents.

Figure 4.2.2: Respondents Level of Education



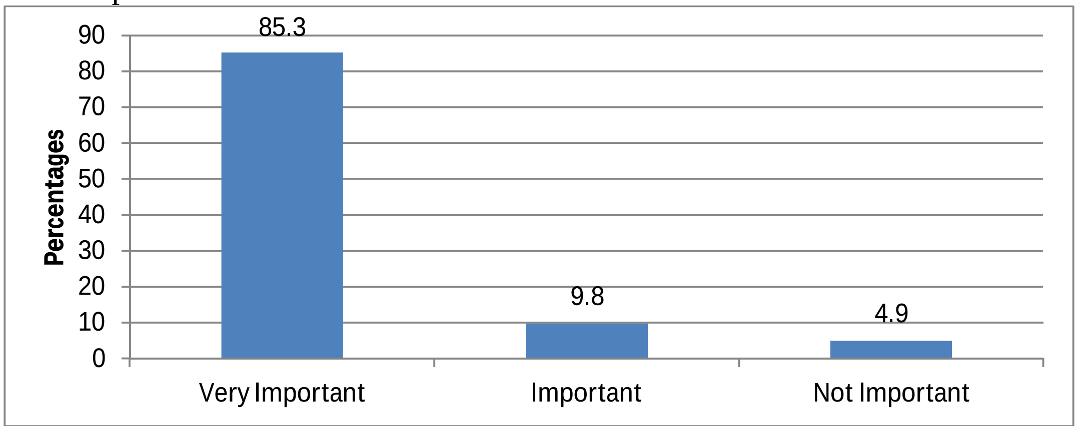
The results show that 10 respondents had primary school certificates as their highest level of education, 18 respondents had junior secondary school education, 67 respondents had senior secondary school as their highest level of education and 7 respondents had a Diploma as their highest level of education. The results clearly indicate that most of SMEs are being run by less educated people, which may be contributing to the general failure of SMEs.

A study conducted by Meng and Liang (2007:170) involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs. Seventy percent of successful entrepreneurs are university graduates, while 23% are not. Meng and Liang (2007:171) state that after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world, and, thus, in a position to use their learning capabilities to manage the business. Similarly, Lussier and Pfeifer (2007:212) also summarised that the entrepreneurs with higher education levels and experience have greater chances of succeeding than people without education and experience. However, Minniti and By grave (2008:2) have stated that people with more education are not necessarily more entrepreneurial. Thapa (2007:110), in his study in Nepal, found that the education has a positive effect on entrepreneurial (SME) success. These two contradicting findings make it necessary to conduct further research on the subject.

The Importance of Education to Avoiding SME Failure

More than 90% of the respondents indicated that education is important or very important to the avoidance SME failures. Figure 4.2.3 below indicates that 85.3% of SMEs responded that education is an important factor that contributes to the success of SMEs, while 9.8% indicated the education is important to the success or failure of SMEs. However, 4.9% of SMEs indicated that education is not important to the running and failure of SMEs in Windhoek.

Figure 4.2.3: Importance of Education to SMEs

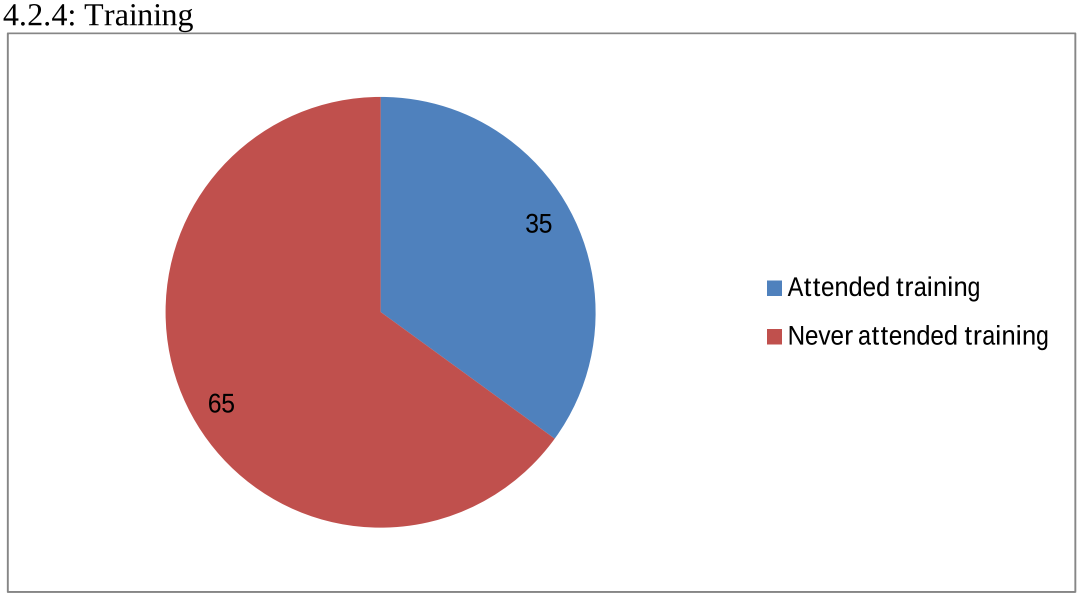


The SMEs stated that education is very important to the running of SMEs. If SME owners or managers are not educated (knowing how to read and write), it is very difficult to keep up with all the infinite changes in the business environment. The SME owners and managers with relatively lower levels of education tend to fail within the short period of time as compared to SMEs run by people with high level of education.

The Business Related Training Offered

Business training is very important to the success of any business. Any person who runs any business needs to have an understanding or knowledge of how to run a business. 75% of respondents indicated that they never attended any business training. The pie graph below indicates in percentages the number of SMEs who attended business related trainings.

Figure 4.2.4: Training



How Long has the Training Been?

SME owners, managers or supervisors who have attended business-related training indicated that the training they have attended differed in duration, ranging from a week to a year. Figure 4.2.5 below shows the duration of training seminars attended by the respondents.

Figure 4.2.5: Training Duration

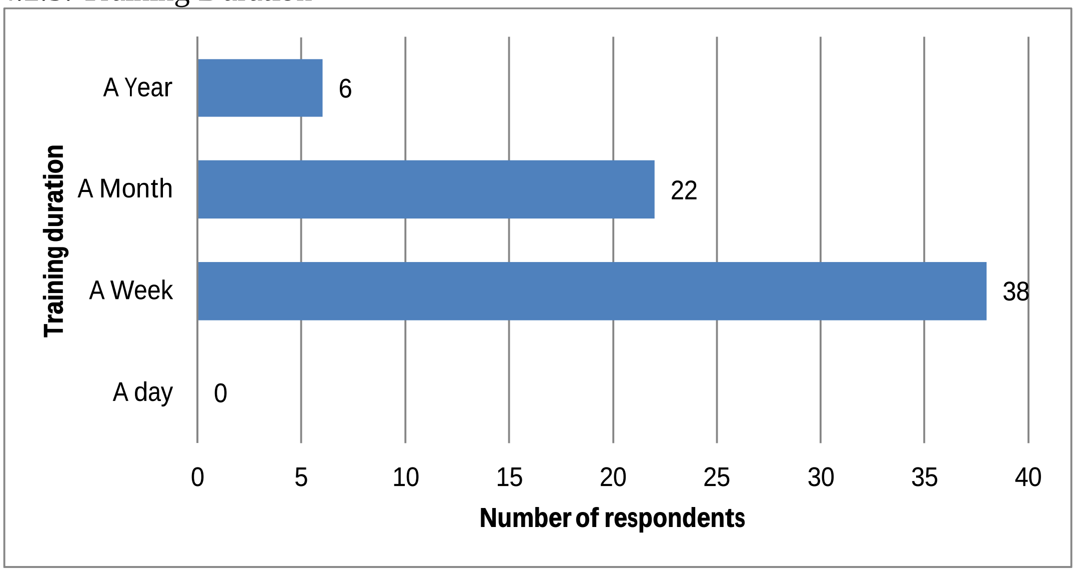


Figure 4.2.5 indicates that 38 respondents have attended training for a week, 22 respondents have attended training for a month and 6 respondents have attended business-related training for a month.

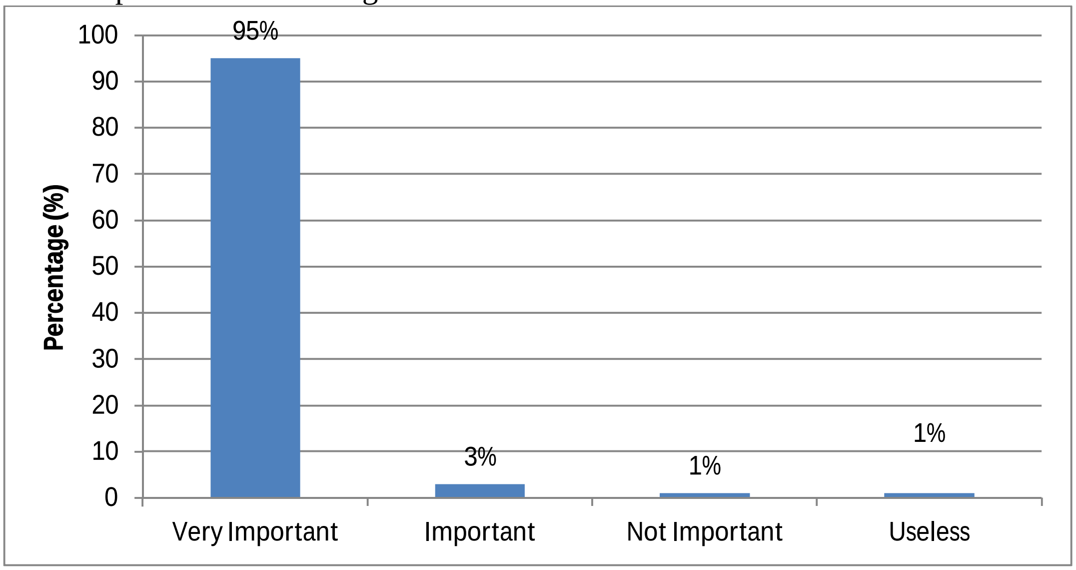
Does the Training have a Positive Impact on the Efficient Running of the Business?

The respondents who attended business-related training indicated that the training has positively impacted on their efficient running of their SMEs. Ninety-eight percent of respondents have indicated that they are running their business more efficiently because of the training.

The Importance of Business Training to the Failure of SMEs

SME owners, managers or supervisors who have attended or not attended business-related training indicated that training is crucial to the business. All the respondents indicated that business training is vital to the proper running of their businesses. Figure 4.2.7 below shows how the respondents rated the importance of business training to the failure of SMEs.

Figure 4.2.7: Importance of Training



Training SMEs is very important for sustaining SMEs. Ninety-five percent of the respondents stated that training is very important, while 3% indicated training is important and 1% indicated that training is not important and useless.

Junaidah (2013:15) states that the general assumption is that the businesses that pay more attention to training and development will be more successful in the long run. Although this claim is widely established, evidence to show that training and management development enhances SME performance is equivocal (Storey, 2007:88). A large body of the SME training literature has attempted to address this issue by empirically testing the relationship between training investments – both in terms of resources and time – and business performance through individual and organisational level data. Several recent reviews, however, have shown that the empirical evidence for training influence on company performance is generally inconsistent and inconclusive (Storey, 2007). Huang (2008:113) stated that firms with sophisticated training systems and strong management support for training have effective training programs and are more successful in delivering training.

Do you Receive any Financial Assistance for your Business?

The respondents were asked to indicate if they have received any form of financial support before or after setting up their businesses. Out of 102 respondents, 35 indicated that they have received financial support and 67 respondents stated that they had not received any financial support. However, those that indicated that they didn't receive any financial support do not mean they did not receive any other form of support. The respondents who received the financial support (67%) indicated that the support was sufficient and 33% indicated the financial support was not sufficient.

The Importance of Financial Support to the Survival of SMEs

The respondents have indicated that financial support is very important to the survival of SMEs. Figure 4.2.9 below summarizes the responses of the respondents.

Figure 4.2.9: The Importance of Financial Support

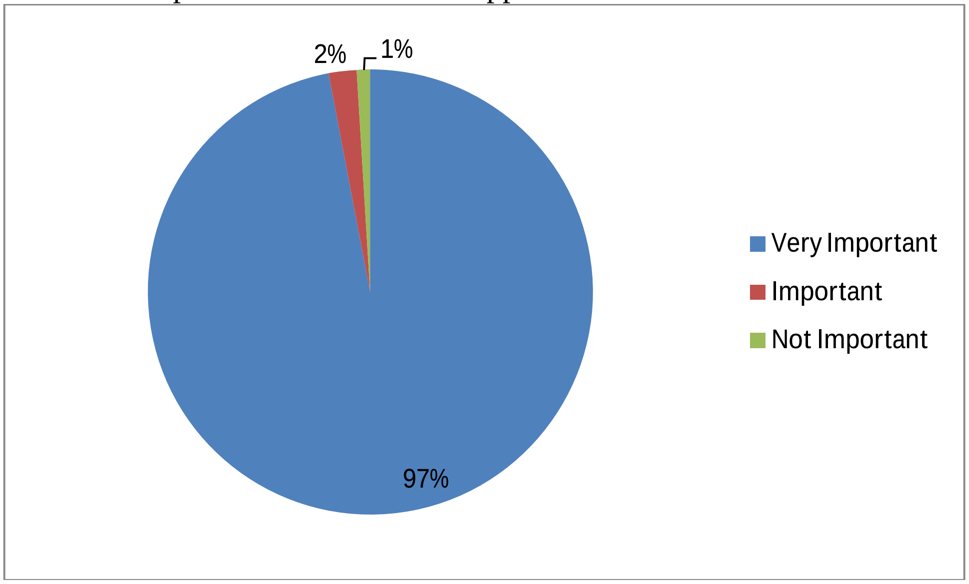


Figure 4.2.9 above indicates that 97% of the respondents believe that the financial support they have received is very important to the survival of their SMEs, while 2% believe that the financial support is only important but not very important. However, 1% of the respondents believe that the financial support they have received is not very important to the survival of their SMEs.

Main Causes of the Failure of SMEs

The respondents were asked to rate 4 possible causes of SMEs failures on scale from 1 to 5, with 1 being the most significant cause. The four possible causes are:

- Lack of financial Education;
- Lack of proper training;
- Lack of financial support; and
- Lack of management skills.

The respondents responded differently; 71 respondents ranked lack of management skills as the number one cause of the failure of SMEs and 24 respondents ranked lack of financial support as number one cause of the failure of SMEs. Table 4.2.10 below summarizes the respondents' possible outcomes that cause the failure of SMEs.

Table 4.2.10: Possible Causes of the Failure of SMEs

Possible causes of SMEs' failure	**Ranking**			
	1	**2**	**3**	**4**
Lack of Financial Education	2	25	21	29
Lack of proper training	5	18	51	29
Lack of financial support	24	24	25	38
Lack of management skills	71	35	5	6
Total Outcome	**102**	**102**	**102**	**102**

Based on Table 4.2.10 above, the respondents indicated that lack of management skills contributed 69.61% to the failures of SMEs and lack of financial support accounted for about 24% to the failure of SMEs. The respondents indicated that educational training is needed so that they can gain managerial skills to enable them to run their businesses effectively and efficiently. They also stated that more financial support is needed to avoid SME failure.

Interpretation and Discussion

4.3.1 Have the Research Objectives Been Met?

The research objectives were achieved through three research questions. The research questions for this study are answered and the results are evaluated in relation to the literature reviewed in section two.

Research Questions	**Questionnaire Questions**
What are the causes of small and medium enterprise failures in Windhoek, Namibia?	11
What can be done to overcome small and medium enterprise failures?	12
What recommended strategies to avoid or reduce failure can be provided to small and medium enterprises?	12

What are the Causes of Small and Medium Enterprise Failures in Windhoek, Namibia?

Question 11 in the questionnaire attempted to establish the causes of the failure of SMEs. Table 4.2.10 indicates that 69.6% of all respondents noted that lack of management skills is the major cause of SMEs' failure. While 23.53% of the respondents indicated that lack of financial support is also a cause of SMEs' failure.

Lack of managerial skills is one of the factors contributing to the failure of SMEs. According to Victoria, Samuel, Lloyd and Lazarus (2011:83), SMEs fail due to a lack of managerial experience. Similarly, Inkoun (2008:25) found that the performance of SMEs is closely linked to the entrepreneurial skills of the proprietor. He argues that proprietors with business-related qualifications tend to survive approximately 30% more often than non-qualified proprietors. According to Arnold, Grossman, Mwatotele, Stork and Tobias (2007:5), SME growth and survival is linked to the business performance and the business skills possessed by the owner or manager. Grossmann et al. (2010:5) state that the crucial business skills that are positively linked to the business performance are strategic planning, flexibility, pro-active management and distinct customer orientation. These help SMEs to avoid failure. Lack of management skill is the problem that is necessarily limited (King, 2007:13). SME' managerial skill challenges are mainly in the area of general and strategic management, financial management, human resources management, marketing management and operation management. King (2007:14) pointed out that the current management of SMEs does not have the expertise or the time to deal with issues. The issue of management challenges is echoed by Webster (2009:41), who states that management problems are typically within financial and human resources management. Management skills are very important to avoid SME business failure. As respondents have indicated, 69% of them sighted that management skills are major factors that influence the success or failure of SMEs.

What can be Done to Overcome Small and Medium Enterprise Failures?

Question 12 in the questionnaire tried to establish what should be done to overcome the causes of the failure of SMEs. The respondents indicated that more training is needed to ensure that SMEs' owners, managers and supervisors are empowered with managerial skills to overcome the challenges facing the SME sector.

According to Meng and Liang (2007:113), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business. Similarly, Lussier and Pfeifer (2007:212) also summarised that entrepreneurs with higher education levels and experience have greater chances of succeeding than people without education and experience. Based on the arguments above and the finding from the literature review, more training is required to avoid the failure of SMEs.

What Recommended Strategies to Avoid or Reduce Failure can be Provided to Small and Medium Enterprises?

Question 12 in the questionnaire also tried to establish what could be recommended to overcome the problems facing SMEs. The respondents' indicated/recommended that more financial education, proper training, financial support and management skills training are provided to overcome the problems facing the SMEs.

SME failures can be overcome by insuring that proper training is provided to SMEs' management and access to finance is made available. Dr. Ogbokor states that access to finance was a severe problem and banks require high security/collateral, financial statements and business plans, which most SMEs are unable to draft on their own. While, according to Nuyoma (2010:25) more than 40% of MSMEs in the country (Namibia) identify access to finance as the most serious obstacle to growth and failure. Access to and the cost of credit both feature prominently as challenges faced by the SME sector. Stringent collateral requirements are more of a challenge among SMEs, which followed by cost of credit. The twin challenges of the cost of borrowing and access to finance have to be considered when devising SME financing strategies.

CONCLUSIONS AND RECOMMENDATIONS

Findings from the Study

Findings from the literature review and the primary study are discussed under sections 5.2.1 and 5.2.2, respectively.

Finding from the Literature Review

Extensive review of relevant literature was done in order to establish factors that cause the failure of SMEs. However, only a summarised report is presented under this heading.

Lack of Planning

Planning is very crucial for SMEs. Before an SME starts its business, the owner should undergo proper business planning. Lack of planning is a major contributor to failure of many SMEs. Richardson and Richardson (2009:2) define planning as "the design of a desired future and of effective ways of bringing it about and as examining the future and drawing up a plan of action."

According to Nieman (2006:94), planning is a critical managerial function as it helps one to identify the objectives or targets and develop suitable actions or implementation plans. Nieman (2006:95) also states that there are two terms of references for planning, which are the construction of a business plan and budget, and these two sources help to create a strategic view of the business, and, in doing so, reduce the risk of business failure.

Financial Management

Poor financial management is another factor that contributes to the failure of SMEs. According to Nieman (2006:95), financial management is a very broad term and entails "planning, organizing, activating and control", and it is an important division of a business. For SMEs in the start-up phase, the two critical areas are the financial needs and control of such funding as well as accountability of such start-up capital.

Lack of Management Skills

Management skills are the determinant of the future existence of SMEs. No SME can exist without management. According to Smit et al. (2007:17), in order to perform basic management functions effectively and efficiently, managers require certain basic managerial skills.

Sutevski (2012:1) states that managerial skills involve the knowledge to fulfil some activities or tasks and these skills can be acquired through learning and the experience of individuals and are used by managers to enable them to maintain efficiency in the way employees complete their working tasks. Zelealem (2008:16) states that many researchers and practitioners claim that the major cause of small business failure is "poor management".

Inability to Manage Growth

Another problem that causes the failure of SMEs is their inability to manage growth. According to Mienie (2009:26), growth in any business puts severe pressure upon its resources and sometimes necessitates SMEs to acquire more resources, which plunges them, in many instances, into severe cash flow problems, which may lead them to failure. Mienie (2009:27) argues that the latter prohibits SMEs from growing to their fullest potential, as they are unable to acquire the necessary resources.

Lack of Capital and Access to Finance

SMEs also fail due to a lack of capital. King (2007:14) states that a lack of capital is often the most critical challenge that a successful SME faces, as its very success creates this and it quickly becomes a vicious circle. According to Nuyoma (2010:25), more than 40% of MSMEs in the country (Namibia) identify access to finance as the most serious obstacle to growth and failure. Access to and the cost of credit both feature prominently as challenges faced by the SME sector.

Training and Education

Training and education are the major causes of the failure of SMEs. According to Ruth (2010:15-16), education and skills are needed to run micro and small enterprises. Research shows that the majority of micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. The majority of those who run SMEs are ordinary people with limited education.

King and McGrath (2002) suggest that those with more education and training are more likely to be successful in the SME sector. According to Meng and Liang (2007:112), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world, and, thus, in a position to use their learning capability to manage the business. Similarly, Rose (2006:35) also summarizes that entrepreneurs with higher education levels and experience have greater chances of succeeding than the people without education and experience.

Poor Crime Management

Poor crime management by SMEs is another factor that contributes to the failure of SMEs. According to Resnik (2008:156), the American Management Association (AMA) estimates that up to 20% of small businesses fail each year because of fatal crime losses. This serious problem of theft can befall a business from any source, be it from a professional criminal, a customer, a supplier or an employee. The pressure and vulnerabilities to theft vary with the kind and size of the business. On the other hand, Hodgetts and Kuratko (2008:581) focus more on the internal crime in small business. According to their study, this is caused by the following factors:

- Hiring personnel without a careful background check or employment references;
- Failure to enforce strict, uniform rules for even minor infractions;
- Failure to establish a climate of trust, confidence, and respect for;
- Failing to provide employees with incentives for outstanding and honest performance;
- Failure to apply techniques that will thwart opportunities for employee theft; and
- Cost-cutting measures.

Poor Business Location

Pickle and Abrahamson (2009:167) argue that it is not unusual for a small business owner to select a location based primarily on convenience or cost. A location may be chosen because of the availability of a vacant building, proximity to the owner's residence or low rent. One of the reasons why small businesses fail is because they select a site for their business without first making a thorough analysis of the overall location's potential for the business's survival and growth. According to Siropolis (2010: 228), the importance of location is based on the type of business and proximity of the business to its customers (i.e. must customers travel to the business or must the business owner travel to the customers). Other factors to be considered are whether the business offers a special product or service with little direct competition and whether convenience is the key selling point in what the business offers to customers. Siropolis (2010:229) notes that a supermarket or any other competing small business enterprise being located close to a new small business may cause location issues.

According to Longenecker et al. (2008: 271), the importance of the location decision is underscored by the costs and impracticality of pulling up stakes and moving an established business if the decision on the location proves to be wrong. Based on location, if the choice of location is particularly poor, the business may never be able to get off the ground, even with adequate financing and superior managerial ability.

Findings from the Primary Research

Findings from the study are presented in accordance with the extent in which the research questions were answered.

What are the Causes of Small and Medium Enterprise Failures in Windhoek, Namibia?

The study revealed that the major cause of the failure of SMEs is a lack of management skills. Lack management skills are the major cause of failure because many SME owners and managers do not have formal or informal training. The 69.6% of participants have indicated that a lack of management skills is the cause of the failure of SMEs.

What can be done to Overcome Small and Medium Enterprise Failures?

The respondents indicated that more training is needed to ensure the SME owners, managers and supervisors are empowered with managerial skills, to overcome the challenges facing the SMEs sector.

What Recommended Strategies to Avoid or Reduce Failure can be Provided to Small and Medium Enterprises?

The respondents have recommended that more financial education, proper training, financial support and management skills trainings are provided to overcome the problems facing the SMEs.

Conclusions

The findings from the literature review and from primary sources are positive correlated. Findings from the literature review indicated that the major causes of the failure of SMEs are a lack of planning, poor financial management, lack of management skills, inability to manage growth, lack of capital and access to finance and a lack of training and education. Findings from primary sources indicated that the main causes of SMEs failure are a lack of management skills and a lack of financial support.

Recommendations

One of the objectives in this study was to recommend strategies that will prevent the failure of SMEs in Windhoek, Namibia. Based on the findings from this study, the recommendations to overcome the problems facing SMEs are as follows:

- The Government of the Republic of Namibia should consider setting up SME training Centres, whereby SME owners and managers are to be developed to gain management skills.
- The Government of the Republic of Namibia should establish SME financing institutions (SME Bank) to ensure that SMEs get enough financial assistance to avoid financial problems and to prevent failure.
- SME owners and managers should ensure that they get all the training requirements to run SMEs effectively and efficiently.
- Managers, mentors and leaders of SMEs should ensure a high level of understanding among members of important motivational aspects, such as teamwork, equality and leadership roles.
- The entrepreneurial subjects should be introduced at a primary school (low school curriculum) to ensure that all aspiring entrepreneurs get basic business skills at early age.
- Financial support should be provided to all SMEs in Namibia.
- SMEs must be engaged in programmes that foster entrepreneurial thinking and enhance entrepreneurship. This will enable SMEs to become highly independent and increase their survival rate.

Area/s for Further Research

This study had limitations and delimitations. The following areas are suggested for further research:

- A similar study could be extended to the whole of Namibian SME sector.
- A study could be conducted in the area of SME management skills needed to run SMEs successful.

- A study could be conducted to see if there is a correlation between the education level of SME owners/managers and the failure rate of SMEs.

Conclusion

This study investigated the factors that cause the failure of SMEs in Windhoek, Namibia. Namibia's SME sector has grown over the past decade and it is highly competitive but it is marked by a high failure rate. In any competitive environment, firms are likely to compete in order to be in business for a long time. The study employed data representing factors that cause the failure of SMEs.

This chapter concluded the study, recommended strategies that will boost the survival of SMEs in Namibia and suggested areas for future research. Achieving the stated objectives and answering all the research questions have fulfilled the aim of this study.

NOTE: The principal author presented this study as a dissertation to the Regent Business School, for the award of the Master of Business Administration Degree (MBA) in 2014. The dissertation was supervised by Clever Chisoro, academic, and dissertation supervisor and was edited by Professor Anis Mahomed Karodia, for purposes of producing a publishable research article.
Kindly note that the entire bibliography is cited in this article and the references specific to the article are cited within the full bibliography.

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