

Exploring Budget usage by Small Businesses within a South African Township

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ABSTRACT

The majority of unemployed South Africans reside in townships. Many individuals who start informal businesses do so because of their employment status. Budgets are generally recognised as management tools that possess the capability to support the planning process and ensure efficient administration of assets. The aim of the study is to explore if small formal and informal business owners in the retail and service sectors in the township of Sharpeville make use of budgets as part of the managerial process. The first objective is to explore the usage and purpose of budgeting within small formal and informal businesses in Sharpeville. The second objective is to establish an understanding of whether budgeting is viewed as a tool for achieving business goals within small formal and informal businesses in Sharpeville. The third and final objective is to identify possible reasons for not using budgets by these small businesses in Sharpeville. The study is quantitative in nature where data were collected from 100 respondents through convenience sampling. A self-administered questionnaire was used as collection tool. IBM SPSS was applied to analyse and summarise the collected data. The results of this study revealed that formal and informal small business owners who operate in the retail and service sectors of Sharpeville, do not make use of budgets due to a lack of knowledge on how budgets should be prepared. This study indicates that small business owners do not possess the necessary knowledge to set budgets and stresses the need for accounting education for small formal and informal business owners. The findings in this study fill the knowledge gap with regards to the use of budgets by small businesses, concentrating on the retail and service sectors operating within the township of Sharpeville.

Keywords: Small, Micro and Medium Enterprises; Budgets; Formal and Informal Businesses, Township Businesses.

7. INTRODUCTION

After the end of apartheid hope was raised of an economic future characterised by generally shared growth and greater access of most of the population to economic opportunities (Sekhampu 2012:9504). In South Africa, the informal economy is regarded an important sector of the economy that potentially can assist with addressing the high levels of poverty (Khambule, 2020:96). The attractiveness of the informal sector lies in the relatively small amount of capital required, in most cases from the traders' own savings and that it is not homogenous and can be in almost any form (Tshuma & Jari, 2013:250). According to Njiro, Mazwai and Urban (2010:41) small business owners have improved their quality of live and found to be comfortable through their township businesses.

The pre-1994 township retail landscape, according to Ligthelm (2008:37), was dominated by mostly informal small retail business serving as convenience shops in a relatively low-income

consumer market. Not much has changed since 1994, as one could go to any township and still find it dominated by small informal retail businesses. The informal sector is regarded by Fourie (2018:3) as the “the forgotten sector” due to a lack of suitable statistical data in most South African economic analyses, journals, and policy publications.

A search on Google Scholar using the keywords “small businesses Sharpeville” yielded hardly any results, and the displayed results focused on mainly on unemployment. Similar, a search for “informal business budgets” did not yield any results which led to the research problem of do township business use budgets in any form or manner. Very little research has been conducted on budgets at township level and therefore this paper will contribute significantly to the existing body of knowledge. Since townships suffers from high unemployment rates, and low skill levels the following questions were investigated: How do township business owners compile budgets? How do township business owners utilise budgets in their businesses? The main objective of this paper is to explore the phenomenon of budgeting in small formal and informal business in the township of Sharpeville, South Africa.

The rest of the paper is arranged as follows: Section 2 presents an overview of the literature related to the topic. Section 3 presents the methodology, section 4 presents and discuss the results, the results are presented and discussed, and finally, in Section 5 the paper is concluded.

8. LITERATURE REVIEW

8.1. Townships

The poverty and opportunities along racial lines have been shaped by South Africa’s historical circumstances (Sekhampu & Niyimbanira, 2013:280). Black people were forcefully moved to townships, which were not far from their workplace, yet the pass laws restricted them from moving freely to urban areas (Roberts 2001:75). These townships are renowned for poverty and excessive degrees of unemployment, yet most of these unemployed residents can potentially benefit from the jobs that can be generated from SMME entrepreneurial activity (Maphalla 2009:8). In this study, the classification of SMMEs by Bvuma and Marnewick (2020:4) was used that includes registered and unregistered small business. This paper is based in one such township – Sharpeville. Sharpeville is well known for the killing of 69 people and the further wounding of 180 people during a non-violent protest of the apartheid pass laws on 21 March 1960 (Van Der Blik 2000:9). Sharpeville is one of the oldest townships in the Sedibeng District Municipality and in 1994, the then President of South Africa, Nelson Mandela signed the South African Constitution in Sharpeville. Townships are renowned for their SMMEs such as spaza shops and a multitude of street vendors as well as various other business whether registered or unregistered.

8.2. SMMEs’ role in the economy

In 2010, South African unemployment levels, according to The National Development Plan (NDP) (2011:117-118) were 25%, and the plan intended to reduce the unemployment level to 6% by 2030. The plan envisions that by 2030, 90% of the 11 million jobs that will be created are allocated to SMMEs (NDP 2011:117-119). The SA government appears to have made very little progress in this regard, as the unemployment rate for the first quarter of 2022 was 34.5% (StatsSA 2022:2)

The Small Enterprise Development Agency (SEDA), was set to promote, develop, and support small businesses in South Africa plus ensuring their sustainability and development

(Jassiem, Damane, Dlamini, Swartz, Bortaar, Mabuthile, Mali, Mahote, & Bruwer 2012:6911). SMMEs contribute to improving the local infrastructure and reducing regional and sector instabilities in the economy (Monks 2010:16). The SMME sector can raise the standard of living, create employment, and reduce poverty for the majority of the citizens of South Africa (Tassiopoulos 2010:16). The Organisation for Economic Co-operation and Development (OECD) (2000:4) stated that involvement of SMEs in global markets can additionally strengthen their contribution to advance countries' citizen's social well-being and economic development by improve innovation, creating opportunities, enhance productivity and broaden skills. A successful SMMEs sector contributes to the GDP by decreasing the unemployment and poverty rates, contribute highly to the country's economy, promoting and contributing to business activities (Sitharam and Hoque 2016:277).

SMMEs has an unreliable nature and are highly subjected to failure even though the observed contributions to some countries' economy by creating employment and increasing GDP (Bruwer 2010:2). In 2010, Bruwer (2010:2) suggested that most South African SMMEs operate less than 3 years. Studies by Phenya (2011:1), Mbogo (2011:110) and Bushe (2019:1) revealed that 80% of all SMMEs in South Africa closes within the first 5 years of opening.

In South Africa, small businesses are failing due to the non-existence of management skills, inexperience of operating a business, labour laws, inadequate education, an absence of planning skills, and unfamiliarity of contemporary management methods among owner-managers or owners of small businesses (SEDA 2016:1; Tassiopoulos 2010:4). The high failure rate of the South African SMMEs is caused by a lack of accounting skills and resources (Bruwer (2010:1). The absence of management accounting skills is identified by Shaku (2011:181) as a cause of the high failure rate of small businesses. Referring back to the definition of SMMEs by Bvuma and Marnewick (2020:4), the next section will focus on unregistered business which falls under the informal sector.

8.3. The informal sector

Even though the informal sector is generally regarded as an important contributor to the South African very little research has been conducted over the years resulting in many sources deemed as old, yet still valuable sources of information. Formally recognised businesses that have measured, and recorded indicators of GDP makes up the formal sector, whereas the informal sector is made up of unregulated and unrecognised businesses (Berry 2011:24). According to StatsSA (2021:1), the informal sector contributed 6.0% in 2017 to the Gross Domestic Product (GDP) and employed 18.3% of employed people and 30.0%. in informal employment during the third quarter of 2019. Ndabeni and Maharajh (2013:13) opine that the government of South Africa must improve the informal because it has the potential to boost the overall performance of the South African economy.

Ndabeni and Maharajh (2013:13) states that the informal sector has the potential to offer employment to the youth of South Africa due to the inability of the formal sector to provide sufficient employment. The informal sector, according to Skinner (2017:10), is an important part of the South African economy and requires industrial support to expand. Jere, Jere and Aspelling (2015:4) is of the opinion that the informal sector of South African is characterised by lesser education levels, lack of adherence to labour laws, unregistered businesses, and the lack of formal business management training of owners. The informal sector in 2015 was small and survivalist in nature but was an important opportunity for unemployed citizens to get employment (Stats SA 2015:64). In 2013, the informal sector contributed to 10% of the national retail revenue and was to biggest contributor to the increase in employment (Jere et

al. 2015:8). Employment in the informal sector increased by 245 000 between 2014 and 2015, compared to the increase of 113 000 jobs in the formal sector (Stats SA 2015:65). Budgets are generally recognized as management tools that support the planning process and ensure efficient administration of assets. One of the major advantages of budgets in economic entities, as phrased by Lidia (2015:1794) is to assist with these entities' performance which, in theory should therefore also be used by informal businesses.

8.4. Budgets

The key components in achieving organisational goals and objectives and goals are financial resources (Assey 2014:1). To achieve these organisational goals and objectives, a budget must be prepared effectively and adhered to afterwards (Assey 2014:1). According to Kamau, Rotich and Anyango (2017:256), most businesses despite size and complexity, depend on budgets and budgetary systems in order to attain their main planned business goals. The primary goal of the budget process is to develop a detailed plan that guides managers in the procurement and utilisation of an organisation's resources (Gregoriou and Finch 2012:4). In profitable organisations budgets are generally recognised as management tools that can efficiently manage assets and support planning (Lidia 2014:466).

Most businesses consider the preparation of budgets as a useful tool for translating policies and coordinating business functions and monetary controls to attain favourable outcomes of the planned goals (Olusola & Oluwaseun, 2014:59). Different departments are enabled through a budget to manage their activities in such a way that the impact of certain actions on other departments are considered (Balakrishnan, Sivaramakrishnan & Sprinkle 2009:256).

From the literature reviewed, it was established that budgets are one of the key elements of business success. The role of township business in the South African economy was discussed. Very little research exists where the application of budgets in township businesses as have been explored. This the theoretical gap this paper attempts to address.

9. METHODOLOGY

This study follows a quantitative research approach. The target population of this study included small formal and informal business owners in the township of Sharpeville operating in the retail and service sectors. The population of formal and informal business owners was unknown. Informal businesses are not registered to trade (Berry 2011:24), hence the unknown population size. For this study, convenience sampling was used and the sample size for this study is 100. 100 was deemed appropriate based on similar and comparable research conducted in the past where the population size was unknown (Pierrot (2019:22); Mwanza (2017:57) Maduekwe & Kamala (2016:186)).

An existing questionnaire from Mwanza (2017) was adapted from for this study as it was easily accessible, and the questionnaire was previously used for a similar study.

Content validity was deemed relevant for the questionnaire. According to Maree (2016:240), content validity refers to the extent to which the instrument covers the complete content of a particular construct that it is set to measure. Content validity is also judged based on the extent to which research questions represent the issues measured, according to the researcher and the experts in the field (Kumar 2011:214). In order to ensure content validity, the researcher must present the provisional instrument to experts in the field for comments before finalising the instrument (Maree, 2016:240). For this study, the authors and the statistician

affirmed content validity of the questionnaire through amending the questionnaire and ensuring that the questions were clear, unbiased, and relevant. The questionnaire contained and Likert scale, yes or no, and multiple-choice questions for sections B to E. The questionnaire contained the following sections:

- A: Demographic information.
- B: The use and the types of budgets used.
- C: Purposes of the use of budgets.
- D: Perceptions on the use of budgets.
- E: Reasons for not using budgets.

For this paper, test-retest reliability measure was deemed appropriate. Drost (2011:108) defines test-retest reliability as a measure of consistency between measurements of the same construct administered to the same sample at two different points in time. The reliability of the questionnaire was enhanced during the pilot study and the questionnaire was tested and retested on the same sample over two different times (Test 1 = 3 days and Test 2 = 3 days) within a one-month interval before data for the main study were collected. During the pilot study, the questionnaire was first tested and retested on 25 small business owners who did not form part of the main study sample, over two different times (Test 1 = 3 days and Test 2 = 3 days) within one-month interval and the questionnaire yielded the same consistent results. The 25 small business owners that participated in the pilot study were excluded from the 100 respondents that formed part of the main study sample. Version 27 of IBM SPSS was used to analyse the data using descriptive statistics that describe data by organising, summarising and assisting in interpreting sample data.

Ethical clearance from the Faculty of Management Sciences' Faculty Research Ethical Committee (FREC) at the Vaal University of Technology was obtained. Respondents were given a consent letter prior to data collection, which included their right to ask more information, assurances that their identity was confidential and the right to withdraw their data at any time without reason. To ensure confidentiality and anonymity, the respondents were informed that their personal information will remain confidential and will not be linked to their individual responses in this study.

10. RESULTS AND DISCUSSION

10.1. Results

100% of the 100 self-administered questionnaires that were distributed were completed error free and returned to the researcher.

4.1.1 Gender

Table 1 contains the respondent's gender. The purpose of collecting the gender was to determine if there is a difference in the use of budgets between the genders of respondents. Majority of respondents are male.

Table 1: Gender

	Frequency	Percentage
Male	70	70
Female	30	30
Total	100	100

4.1.2 Age

Table 2 contains the various age groups of the respondents. The purpose of determining the age of the respondents was to determine if use of budgets were more prevalent in one age group over another. 88% of respondents were between 26 and 45 years old.

Table 2: Age

	Frequency	Percentage
26 - 35	30	30
36 - 45	58	58
46 - 55	11	11
56 and above	1	1
Total	100	100

4.1.3 Years as owner

Table 3 contains data relating to the number of years as owners (of their business). The purpose of collecting data relating to the number of years as owner was to determine if more experienced owners are more inclined to use budget compared to lesser experienced owners. 70% of the respondents were owners for 7 years and longer.

Table 3: Number of years as owner

	Frequency	Percentage
1 - 3 years	22	22
4 - 6 years	8	8
7 - 9 years	46	46
10 and more years	24	24
Total	100	100

4.1.4 Level of education

Table 4 contains the level of education of the respondents. 99% held a matric certificate or lower. The purpose of collecting data relating to the level of education was to determine if more educated owners are more inclined to use budget compared to lesser educated owners. The respondents could read and write English and clarity were provided if required without influence and bias.

Table 4: Level of education

	Frequency	Percentage
Matric and below	99	99
Certificate	1	1
Total	100	100

4.1.5 Formal or informal business

Table 5 presents the number of informal and formal businesses. From the collected data, 81% of the businesses were not registered, therefore fell under the informal sector, while the balance were formal, registered businesses.

Table 5: Formal or informal business

	Frequency	Percentage
Formal	19	19
Informal	81	81
Total	100	100

4.1.6 Number of employees

Table 6 presents the number of employees per participating business. The respondents were required to indicate the number of employees including the manager and owner. It can be concluded that in 81% of the businesses, the owner is also the only employee of the business. What is evident from the data is that there are very limited jobs being created by the selected businesses in Sebokeng.

Table 6: Number of employees

	Frequency	Percentage
1 employee	81	81
2 employees	7	7
3 employees	12	12
Total	100	100

4.1.7 Retail or service business

Table 7 presents the different types of business category (retail or service) that the respondents are operating in. Table 7 only reflect where responses were recorded even though more options were available. From the data, there appears to be a fairly even spread between various business types with no specific industry dominating the township's economy.

Table 7: Type of retail or service business

	Frequency	Percentage
Spaza shop	30	30
Street vendor	20	20
Car wash	10	10
Hair salon and cosmetics products	20	20
Clothing and shoe making and selling	20	20
Total	100	100

4.1.8 Formal retail or service business

When the type of businesses are analysed separately (formal vs informal) the picture changes. Formal businesses operate in only three of the five industries, and the spread is close to even across these three industries. Table 8 shows formal business and in which types of businesses they operate in.

Table 8: Type of formal retail or service businesses

	Frequency	Percentage
Spaza shop	6	31.6
Street vendor	0	0
Car wash	0	0
Hair salon and cosmetics products	6	31.6
Clothing and shoe making and selling	7	36.8
Total	19	100

4.1.9 Types of informal retail or service business

The informal businesses have a clear separation between the various sectors. The predominant business sector is the retail sector where spaza shops and street vendors collectively holds 54% of the market. Table 9 reflects the number of informal businesses within the various of retail and service businesses.

Table 9: Type of informal retail or service business

	Frequency	Percentage
Spaza shop	24	29.7
Street vendor	20	24.7
Car wash	10	12.4
Hair salon and cosmetics products	14	17.3
Clothing and shoe making and selling	13	16.1
Total	81	100

4.1.10 Number of years as formal business owner

In section 4.1.3 the combined results were presented in terms of the number of the years as business owner. Table 10 shows how many years formal businesses owners owned their respective business. The data indicates that in all instances the owners have been successful in running their business over a prolonged period.

Table 10: Number of years as formal business owner

	Frequency	Percentage
Spaza shop		
1 - 3 years	0	0
4 - 6 years	1	16.7
7 - 9 years	2	33.3
10 and more years	3	50
Total	6	100
Hair salon and cosmetics products		
1 - 3 years	1	16.7
4 - 6 years	0	0
7 - 9 years	4	66.6
10 and more years	1	16.7
Total	6	100
Clothing and shoe making and selling		
1 - 3 years	1	14.3
4 - 6 years	2	28.6
7 - 9 years	1	14.3
10 and more years	3	42.8
Total	7	100

4.1.11 Number of years as informal business owner

Table 11 shows how many years informal businesses owners owned their respective business. The data indicates that in most instances the owners have been successful in running their business over a prolonged period.

Table 11: Number of years as informal business owner

	Frequency	Percentage
Spaza shop		
1 - 3 years	0	0
4 - 6 years	4	16.7
7 - 9 years	11	45.8
10 - more years	9	37.5
Total	24	100
Hair salon and cosmetics products		
1 - 3 years	7	50
4 - 6 years	0	0
7 - 9 years	7	50
10 and more years	0	0
Total	14	100
Clothing and shoe making and selling		
1 - 3 years	2	15.4
4 - 6 years	1	7.7
7 - 9 years	2	15.4
10 and more years	8	61.5
Total	13	100
Street vendor		
1 - 3 years	6	30
4 - 6 years	0	0
7 - 9 years	14	70
10 and more years	0	0
Total	20	100
Car wash		
1 - 3 years	5	50
4 - 6 years	0	0
7 - 9 years	5	50
10 and more years	0	0
Total	10	100

4.1.12 Number of employees per formal business type

Table 12 presents the number of employees of the various formal businesses type. Most of the formal businesses employ only one employee. Referring to Table 6, it can be concluded that most of the owners are also the only employee of the business.

Table 12: Number of employees per formal business type

	Frequency	Percentage
Spaza shop		
1 employee	3	50
2 employees	3	50
3 employees	0	0
Total	6	100
Hair salon and cosmetics products		
1 employee	5	83.3
2 employees	0	0
3 employees	1	1.7
Total	6	100
Clothing and shoe making and selling		
1 employee	7	100
2 employees	0	0
3 employees	0	0
Total	7	100

4.1.13 Number of employees per informal business type

Table 13 presents the number of employees of the various informal businesses type. Most of the informal business employ only one employee. Referring to Table 6, it can be concluded that most of the owners are also the only employee of the business. The businesses that do not follow this trend are the services, where more employees are required due to the nature of the business.

Table 13: Number of employees per informal business type

	Frequency	Percentage
Spaza shop		
1 employee	20	83.3
2 employees	4	16.7
3 employees	0	0
Total	24	100
Hair salon and cosmetics products		
1 employee	6	42.9
2 employees	0	0
3 employees	8	57.1
Total	14	100
Clothing and shoe making and selling		
1 employee	13	100
2 employees	0	0
3 employees	0	0
Total	13	100
Street vendor		
1 employee	20	100
2 employees	0	0
3 employees	0	0
Total	20	100
Car wash		
1 employee	7	70
2 employees	0	0
3 employees	3	30
Total	10	100

In summary, the demographic data (4.1.1-4.1.13) provides some interesting insights. Majority owners are middle-aged males with matric or lower as qualification. Majority of business owners are the sole employee of the business, challenging the notion that SMMEs are able to create jobs. Majority of the businesses are informal in nature and there is an even spread between retail and service businesses.

4.1.14 Formal businesses usage of budgets

Table 14 shows the number of formal businesses that make use of budgets. None of the formal businesses makes use of budgets.

Table 14: Formal businesses' use of budgets

	Frequency	Percentage
No	19	100
Yes	0	0

4.1.15 Informal businesses usage of budgets

Table 15 shows the number of informal businesses that make use of budgets. None of the informal businesses makes use of budgets.

Table 15: Informal businesses' use of budgets

	Frequency	Percentage
No	81	100
Yes	0	0

4.1.16 Formal businesses' reasons for non-use of budgets

Formal businesses' reasons for not using budgets are presented in Table 16. Only where there were responses recorded in the questionnaires are presented in Table 16. No responses are not presented in Table 16. The lack of knowledge on preparing budgets and the lack of employees with accounting skills are the majority reasons for not using budgets in formal businesses.

Table 16: Formal businesses’ reasons for non-use of budgets

	Frequency	Percentage
The process of preparing budgets is time consuming		
Strongly Disagree	1	5.3
Disagree	1	5.3
Not sure	17	89.5
Total	19	100
Budget preparation is costly		
Disagree	1	5.3
Not sure	4	21.1
Agree	14	73.7
Total	19	100
Budgeting for my business do not add value in achieving my goals		
Strongly Disagree	1	5.3
Disagree	3	15.8
Not sure	15	78.9
Total	19	100
My business lacks employees with accounting skills		
Agree	7	36.8
Strongly Agree	12	63.2
Total	19	100
We lack proper knowledge on how to prepare budgets		
Agree	3	15.8
Strongly Agree	16	84.2
Total	19	100
My employees become demotivated when targets are not met		
Disagree	5	26.3
Not sure	2	10.5
Agree	12	63.2
Total	19	100

Table 17 shows the mean score results for formal businesses’ reasons for non-use of budgets. The results in Table 17 confirm that the lack of knowledge on preparing budgets and the lack of employees with accounting skills are the majority reasons for not using budgets in formal businesses.

Table 17: Mean score result for formal businesses’ reasons for non-use of budgets

Items	Mean	Std. deviation
Overall	3.68	0.314
The process of preparing budgets is time-consuming	2.84	0.501
Budget preparation is costly.	3.68	0.582
Budgeting for my business do not add value in achieving my goals	2.74	0.562
My business lacks employees with accounting skills	4.63	0.496
We lack proper knowledge on how to prepare budgets	4.84	0.375
My employees become demotivated when targets are not met.	3.37	0.895

4.1.17 Informal businesses’ reasons for non-use of budgets

Informal businesses’ reasons for not using budgets are presented in Table 18. Only where there were responses recorded in the questionnaires are presented in Table 18. No responses are not presented in Table 18. The lack of knowledge on preparing budgets and the lack of employees with accounting skills are the majority reasons for not using budgets in informal

businesses.

Table 18: Informal businesses’ reasons for non-use of budgets

	Frequency	Percentage
The process of preparing budgets is time consuming		
Strongly Disagree	7	8.6
Disagree	11	13.6
Not sure	62	76.5
Agree	1	1.2
Total	81	100
Budget preparation is costly		
Disagree	9	11.1
Not sure	17	21
Agree	55	67.9
Total	81	100
Budgeting for my business do not add value in achieving my goals		
Strongly Disagree	11	13.6
Disagree	10	12.3
Not sure	58	71.6
Agree	2	2.5
Total	81	100
My business lacks employees with accounting skills		
Agree	29	35.8
Strongly Agree	52	64.2
Total	81	100
We lack proper knowledge on how to prepare budgets		
Agree	20	24.7
Strongly Agree	61	75.3
Total	81	100
My employees become demotivated when targets are not met		
Disagree	12	14.8
Not sure	10	12.3
Agree	59	72.8
Total	81	100

Table 19 shows the mean score results for informal businesses’ reasons for non-use of budgets. The results in Table 19 confirm that the lack of knowledge on preparing budgets and the lack of employees with accounting skills are the majority reasons for not using budgets in informal businesses.

Table 19: Mean score result for informal businesses’ reasons for non-use of budgets

Items	Mean	Std. deviation
Overall informal	3.65	0.338
The process of preparing budgets is time-consuming	2.70	0.641
Budget preparation is costly	3.57	0.688
Budgeting for my business do not add value in achieving my goals	2.63	0.749
My business lacks employees with accounting skills	4.64	0.482
We lack proper knowledge on how to prepare budgets	4.75	0.434
My employees become demotivated when targets are not met	3.58	0.739

10.2. Discussion

Small businesses can create employment, reduce poverty, and raise living standards of most citizens living in urban and rural parts in South Africa (Tassiopoulos 2010:16; Sitharam & Hoque 2016:277). The SMMEs in the informal and formal sectors are significant contributors to the South African gross domestic product (GDP) (Sibindi & Aren 2015:580).

The questionnaire revealed the following:

- 70% of respondents were males.
- Most respondents (58%) were between the age of 36 and 45.
- Most respondents (46%) have been owners between 6 and 9 years.
- 99% of the respondents holds a matric certificate or less.
- 81% of respondents' businesses were informal businesses and 19% were formal businesses.
- The participating businesses in Sharpville employed between 1 and 3 persons.
- Respondents either owned a service or a retail business.
- Respondent's businesses have been in existence for 4 years and longer.
- No respondent makes use of a budget.

Previous research's results are different to this study regarding budgets and SMME. Maduekwe and Kamala (2016:186) researched budgeting by small retail businesses (fast-moving consumer goods) in the Cape Metropolitan of South Africa. It found that budgets were used by 79% of the sampled businesses (Maduekwe and Kamala 2016:186). Mwanza (2017:69) researched the use of budgets by small businesses in the Cape Metropolitan of South Africa's manufacturing sector and found that budgets were used by 70.4% of the respondents. Maduekwe and Kamala (2016:187) and Mwanza (2017:71), found that 84% of respondents regularly used sales budgets and with different frequencies regarding the use of cash budgets, purchases budgets, production budgets, selling and administrative budget, and marketing budgets, to name but a few. Kemp, Bowman, Blom, Visser, Bergoer, Fullard, Moses, Brown, Bornman, and Bruwer, (2015:9) found that most small retail businesses (66.66%) regarded a cash budget as useful for decision making purposes.

This study also investigated the perceptions of small business owners in Sharpeville on the use of budgets to achieve success. All 100 respondents responded with a 'No' to the question of using budgets in their businesses. As a result, it was not able to determine the perceptions on the use of budgets to achieve success in their small business. This result is different to the results obtained by Maduekwe (2015:84) in that 53.84% of respondents perceived budgets as part of the effective management tools in a business. Mbumbo (2016:79), found that 51% of respondents (small service businesses in the tourism sector) perceived budgeting, as part of the management skills that is effective for managing a business. Lidia (2014:466), states that budgets are generally recognized as management tools that can assist with planning and with the efficient management of assets in profitable organisations.

The reasons small, formal businesses in Sharpeville do not to use budgets are:

- 89.5% were not sure whether the preparation of budgets were time-consuming.
- 78.9% were not sure if budgets add value in achieving goals.
- 63.2% agreed that employees become demotivated when targets are not met.
- 73.7% agreed that budget preparations are very costly.
- 100% (84.2% strongly agreed and 15.8% agreed) is of the opinion that they lack proper knowledge on how to prepare budgets.

The reasons small, informal businesses in Sharpeville do not to use budgets are:

- 76.5% are not sure whether the preparation of budgets were time-consuming.
- 71.6% were not sure if budgets add value in achieving goals.
- 72.8% agreed that employees become demotivated when targets are not met.
- 67.9% agreed that budget preparation is very costly
- 95.3% informally strongly agreed (75.3% strongly agreed and 20% agreed) is of the opinion that they lack proper knowledge on how to prepare budgets.

Pierrot (2019:45) found that 88.4% of respondents lack adequate skills to prepare and 73.50% lack time to prepare budgets as reasons for prevented them from using cash budgets. This study found that most respondents were unsure whether budgets are time-consuming or not. In the study by Mwanza and Benedict's (2018:4) 74.5% of respondents perceived the preparation of budgets as expensive and budgets as costly. Most respondents (99%) hold a matric certificate or lower and none of the respondents' qualification(s) are in the field of accounting attributable to the lack of knowledge on how to prepare and use budgets.

Small business in South Africa is supported by the Department of Small Business Development (DSBD) by assisting to develop and grow and thereby creating more job opportunities. The Small Enterprise Development Agency (SEDA) provides business support services in South Africa for growth and sustainability in townships and villages. The results of this study indicated that a lack of knowledge is preventing small business owners from preparing and using budgets, even if it is regarded as an important accounting tool for business success. The DSBD and SEDA programs include financial and non-financial support, through the DSBD and SEDA, the South African government can provide accounting education for small businesses through, for example, workshops focusing on basic accounting and budgeting skills for small businesses. Most participants in this study are informal businesses owners.

Despite what the literature says, and what the scientific evidence shows, the selected small business in Sharpeville is managing to survive without the use of budgets. Based on this finding, this study has the unintended consequence of ending with more questions than answers. Does this phenomenon challenge the existing body of knowledge regarding the importance of budgets and the role it plays in the success and sustainability of a business? How are these small businesses managing to survive, some over 10 years without the use of a budget? What are the drivers of success and sustainability of these small businesses. What role does the characteristics of the township economy play in the success and sustainability of small township businesses? Or is it due to the nature of small township businesses that it does not require a budget to survive and be successful?

11. CONCLUSION

This study followed a quantitative design collection data through questionnaires from 100 business owners from Sharpeville. Descriptive statistics were used to analyse the data and the questionnaire was tested for validity and reliability. This study contributes in a significant way to the existing body of knowledge. This is the first study on the use of budgets by small formal and informal retail and service businesses operating in Sharpeville, Gauteng. The results of this study showed that these small business owners do not use budgets in the management of their businesses. The main reason for not using budgets, from the data collected, is the lack of knowledge on how to prepare a budget, and the second reason is due to the employees' lack of accounting skills. From the results, it can be concluded that

government programmes developed to assist SMMEs is not reaching the business owners in Sharville. It is also possible to conclude that despite the popular theory and practice of utilising budgets for a business' success it is not essential for a business success or even survival. The following is suggested in terms of further research:

- Expand the study to other townships to see if this phenomenon is limited to Sharpeville or if it is common practice across many townships.
- Conduct a qualitative study to further explore the reasons for not using budgets in townships.
- Conduct a before and after study by educating small township business owners on the preparation of budgets and measure the impact of this intervention on small township businesses performance.

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