



**THE PERCEIVED EFFECTIVENESS OF LOCAL ECONOMIC DEVELOPMENT, A
STRATEGY OF THE ALFRED NZO DISTRICT MUNICIPALITY ON
ENTREPRENEURSHIP**

Submitted in fulfilment of the requirements of the Degree of Masters in Management
Sciences: Business Administration, in the Faculty of Management Sciences

At the Durban University of Technology

ZUKILE SIVUYILE MAZWI

STUDENT NO: 2103282

13 April 2023

Supervisor: Dr: L.M. Lekhanya

PhD (UWC): Management; D-Tech (DUT): Marketing

Signature: _____

13 April 2023
Date: _____

DECLARATION

I, Zukile Sivuyile Mazwi, declare that, to the best of my knowledge and belief, this is my own work, and all the sources used in this dissertation have been properly acknowledged and accurately reported.

I furthermore, testify that this dissertation has been submitted neither for a degree at any other University, nor for publication as journal articles/ conference papers.

Zukile Sivuyile Mazwi

13 April 2023
Date

DEDICATIONS

This research is dedicated to the people of the Alfred Nzo district. The entrepreneurs who have worked tirelessly to improve the economy of the region, as well as the civil servants in all spheres of government in the region. Having walked this path of entrepreneurship, operating within the Alfred Nzo region, I took it upon myself to conduct this research to understand the scientific relationship between local government and entrepreneurs, as well as how this can be enhanced to improve the local economy of the Alfred Nzo region.

This is also dedicated to my parents, my father, Sidney Searle Basi Mazwi. A man who was an educator, a school principal and a school inspector in the former Transkei. A man who instilled the value of education in me as well as my siblings. It took a while for me to understand why he was so strict on me. I now understand, may his soul rest in eternal peace. I promised him that his name will live forever, this is just the beginning.

My mother, Cornelia Ntombezizwe Mazwi. A remarkably steadfast and persevering woman who never gives up. This is an attribute that she has instilled in me in my quest to complete this qualification. I will forever be grateful for your support.

ACKNOWLEDGEMENTS

I would hereby like to express my sincere gratitude to the people that helped me through their motivation, input and guidance for me to successfully complete this dissertation. The people below deserve special recognition because without them, this work would not have been completed.

- God almighty, uThixo wooNkomo, ooMntungwa, ooNgubeni, ooGolela, ooMkhontwana.
- My supervisor, Dr Lawrence Mpele Lekhanya for his support, guidance and most of all his patience with me.
- The Durban University of Technology, for affording me this opportunity, as well as for the financial support provided.
- Dr Vuyolwethu Nkohla, for the encouragement and for linking me with the correct people who helped me through this work.
- Dr Marvellous Ngundu, for always pushing me to be focussed and assisting when needed.
- My children, Lulo and Luhle, for always understanding.

Everybody that played a role and assisted me throughout the years that I have been doing this work, I thank you.

ABSTRACT

There is a significant discrepancy in the way SMME concerns are addressed in the Alfred Nzo district, according to numerous research. For starters, earlier research has focused mostly on SMME issues in the context of the medium sector, ignoring other types of SMMEs. Second, previous studies have primarily focused on how SMMEs can thrive, rather than the challenges they face. As the debate continues, this study aims to add to the conversation by examining the issues faced by all types of SMMEs in the Alfred Nzo district, as well as their contribution to local economic growth, and making recommendations for appropriate support programs. The data for this study was gathered using semi-structured interviews and a questionnaire. The findings demonstrated that SMMEs are an important aspect of economic development in the Alfred Nzo district, contributing to job creation, income, and poverty reduction in a local phase of economic growth and development. SMMEs, on the other hand, face a number of barriers to growth, including a lack of adequate technology, fierce market rivalry, government regulations, and a lack of managerial skills and education. The lack of access to funding continues to be a major constraint for most SMEs. Despite the fact that the government has implemented various programs to help SMMEs, the results of this study show that SMMEs in the Alfred Nzo district are unaware of these initiatives. As a result, government support efforts may be limited to a small number of SMMEs and/or industries. As a result, it is recommended that information on SMME government support programs be provided to all SMMEs in the Alfred Nzo district without discrimination.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENTS	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF ACRONYMS AND ABBREVIATIONS.....	xi
LIST OF APPENDICES	xii
LIST OF FIGURES.....	xiii
LIST OF TABLES	xiv
CHAPTER ONE: INTRODUCTION.....	1
1.1 INTRODUCTION	1
1.2 BACKGROUD OF THE STUDY.....	1
1.3 PROBLEM STATEMENT	3
1.4 AIM OF THE STUDY.....	4
1.5 RESEARCH OBJECTIVES	4
1.6 RESEARCH QUESTIONS.....	4
1.7 SIGNIFICANCE OF THE STUDY	5
1.8 ORGANISATION OF THE STUDY	5
1.9 CONCLUSION	6
CHAPTER TWO: LITERATURE REVIEW	7
2.1 INTRODUCTION	7
2.2 NATURE OF SMMEs.....	7
2.3 SMME CLASSIFICATION.....	7
2.4 CHARACTERISTICS OF SMMEs	9
2.5 SMMEs IN THE CONTEXT OF SA	10
2.6 FACTORS INFLUENCING START-UP OF SMMEs	12
2.7 CHALLENGES FACED BY SMMEs	13

2.7.1	Challenges faced by SMMEs internationally	14
2.7.2	Challenges faced by SMMEs in the context of SA.....	17
2.7.2.1	Socio-economic challenges	17
2.7.2.2	Institutional challenges	20
2.7.2.3	Firm level challenges	21
2.8	GOVERNMENT SUPPORT FOR SMMEs	22
2.8.1	Government support for SMMEs in the South African context	24
2.8.1.1	Government arrangements for SMME support in SA	26
2.8.1.2	Essential principles guiding SMME support in SA	28
2.9	SMMEs AND LED.....	30
2.9.1	The concept of LED	31
2.9.1.1	LED at municipal level in SA	32
2.10	APPROACHES TO LED IN SA.....	35
2.10.1	Policy and legislative background of LED in SA	36
2.10.1.1	Reconstruction and Development Programme	37
2.10.1.2	Growth, Employment and Redistribution	37
2.10.1.3	Accelerated and Shared Growth Initiatives for South Africa (ASGISA)	38
2.10.1.4	The White Paper on Local Government (1998)	38
2.10.1.5	Constitution of the Republic of South Africa (1996)	39
2.10.1.6	The Local Government Transition Act (1993).....	39
2.10.1.7	The Local Government, Municipal Systems Act (2000)	40
2.11	PARTNERSHIPS IN LED.....	40
2.12	GOVERNMENT’S ROLE IN LED IMPLEMENTATION	42
2.13	SMME ROLE IN LED	43
2.14	CONCLUSION	47
CHAPTER THREE: RESEARCH METHODOLOGY		48
3.1	INTRODUCTION	48

3.2	RESEARCH DESIGN	48
3.3	RESEARCH APPROACH.....	49
3.3.1	Qualitative Research	49
3.3.2	Quantitative Research.....	49
3.3.3	Mixed Methods Research	50
3.4	TARGET POPULATION.....	51
3.5	SAMPLING	52
3.6	DATA COLLECTION METHODS.....	54
3.6.1	Semi-structured interviews	55
3.6.2	Questionnaire.....	55
3.7	RELIABILITY AND VALIDITY.....	56
3.8	PILOT STUDY	57
3.9	DATA ANALYSIS	58
3.9.1	Thematic Analysis.....	58
3.9.2	Descriptive statistics.....	59
3.10	ETHICAL CONSIDERATIONS	59
3.10.1	Informed consent.....	59
3.10.2	Ensuring participants are free from harm	59
3.10.3	Confidentiality and Anonymity	60
3.10.4	Ensuring that permission is obtained	60
3.11	CONCLUSION	60
CHAPTER FOUR: RESULTS PRESENTATION AND ANALYSIS.....		62
4.1	INTRODUCTION	62
4.2	RESPONSE RATE	62
4.3	PRESENTATION OF QUESTIONNAIRE RESULTS	64
4.3.1	Demographics of the participants	64
4.3.1.1	Gender of the participants	65

4.3.1.2 Race of the participants.....	65
4.3.1.3 Age of the participants.....	66
4.3.1.4 Education status of SMMEs owners.....	67
4.3.1.5 Distribution of participants.....	67
4.3.2 Nature of SMMEs at the ANDM.....	68
4.3.2.1 Number of employees.....	68
4.3.2.2 Annual turnover.....	69
4.3.2.3 Registration.....	69
4.3.2.4 Qualifications required for operating SMMEs.....	70
4.3.2.5 Motives for setting up SMMEs.....	71
4.3.2.6 Operation time span.....	71
4.3.3 Challenges faced by SMMEs in the ANDM.....	72
4.3.4 Participant perceptions of LED.....	74
4.3.4.1 SMMEs partnership.....	74
4.3.4.2 Procurement policies of local municipality.....	75
4.3.5 SMME contribution to LED at the ANDM.....	76
4.4 PRESENTATION OF SEMI-STRUCTURED INTERVIEW RESULTS.....	76
4.4.1 Theme 1: SMME Demographic Profile at the ANDM.....	77
4.4.1.1 Sub-Theme 1.1: Classification of SMMEs.....	77
4.4.1.2 Sub-Theme 1.2: Registration.....	79
4.4.1.3 Sub-theme 1.3: Race and Gender.....	80
4.4.1.4 Sub-Theme 1.4: Experience.....	81
4.4.2 Theme 2: SMME challenges at the ANDM.....	82
4.4.2.1 Sub-Theme 2.1: Access to finance.....	82
4.4.2.2 Sub-Theme 2.2: Type of Market.....	82
4.4.2.3 Sub-Theme 2.3: Management Skills.....	83
4.4.2.4 Sub-Theme 2.4: Infrastructure.....	83

4.4.2.5 Sub-Theme 2.5: Crime.....	84
4.4.2.6 Sub-Theme 2.6: Government regulations	84
4.4.2.7 Sub-Theme 2.7: Access to technology.....	84
4.4.3 Theme 3: Support needed by SMMEs owners	85
4.4.4 Theme 4: Economic roles of SMMEs	87
4.5 CONCLUSION	88
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS	89
5.1 INTRODUCTION	89
5.2 SUMMARY OF THE STUDY	89
5.3 FINDINGS FROM THE STUDY	90
5.3.1 Findings from literature.....	90
5.3.2 Findings from primary research.....	90
5.3.2.1 Challenges faced by SMMEs at the ANDM	90
5.3.2.2 Support needed by SMMEs in the ANDM	91
5.3.2.3 To identify the contribution of SMMEs in LED of Alfred Nzo District	91
5.3.3 Conclusions.....	92
5.4 RECOMMENDATIONS	93
5.4.1 Awareness.....	93
5.4.2 Financial Support	93
5.4.3 Efficiency of government departments	93
5.4.4 Communication.....	93
5.5 CONCLUSION	94
REFERENCES.....	95
APPENDICES	105

LIST OF ACRONYMS AND ABBREVIATIONS

ANDM	Alfred Nzo District Municipality
ASGISA	Accelerated and Shared Growth Initiatives for South Africa
COGTA	Department of Cooperative Governance and Traditional Affairs
CSBP	Centre for Small Business Promotion
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
EC	European Commission
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
KEFL	Khula Enterprise Finance Limited
KZN	KwaZulu-Natal
LED	Local Economic Development
LEDA	Local Economic Development Agency
NDP	National Development Plan
NEPA	Ntsika Enterprise Promotion Agency
NGOs	Non-governmental organisations
NYDA	National Youth Development Agency
PPPs	Private Public Partnerships
RDP	Reconstruction and Development Programme
SA	South Africa
SARS	SA Revenue Service
SBA	Small Business Act (Europe)
SBP	Small Business Promotion
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SME	Small to Medium Enterprises
SMMEs	Small, Medium and Micro Enterprises
TBL	Triple Bottom line
USA	United States of America
WPLG	White Paper on Local Government

LIST OF APPENDICES

APPENDIX A: Cover letter	105
APPENDIX B: Consent Note.....	106
APPENDIX C: Questionnaire	107
APPENDIX D: Semi-structured interview guide	113
APPENDIX E: Turnitin Report	114
APPENDIX F: Editor’s Report	115

LIST OF FIGURES

Figure 4.1: Gender composition of SMME ownership at the ANDM.....	65
Figure 4.2: Race composition of SMME ownership at the ANDM	66
Figure 4.3: Age composition of SMMEs ownership at the ANDM.....	65
Figure 4.4: Education status of SMMEs ownership at the ANDM.....	67
Figure 4.5: Employee composition of SMMEs at the ANDM.....	68
Figure 4.6: Annual turnover of SMMEs at ANDM.....	69
Figure 4.7: Registration status of the SMMEs at the ANDM	70
Figure 4.8: Qualifications required to operate SMMEs.....	70
Figure 4.9: Motives for setting up SMMEs.....	71
Figure 4.10: Operation time span	72
Figure 4.11: Municipal Support for SMMEs at the ANDM	73
Figure 4.12: Participant perceptions of LED.....	74
Figure 4.13: Working in partnership.....	75

LIST OF TABLES

Table 2.1: Classification of SMMEs according to the National Small Business Act of SA ...	10
Table 3.1: Target sample according to local municipalities in the ANDM	53
Table 4.1: Response rate to questionnaire.....	62
Table 4.2: Cronbach's Alpha reliability statistic for entire questionnaire	63
Table 4.3: KMO and Bartlett's test for sphericity for all questions in the questionnaire	64
Table 4.4: Distribution of participants	67
Table 4.5: Challenges faced by SMMEs at the ANDM.....	73
Table 4.6: Municipal procurement policies.....	75
Table 4.7: Contribution of SMMEs to LED at the ANDM.....	76
Table 5.1: Consistency Matrix table	91

CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

The dire situation in the Alfred Nzo district is alarming. Low income, limited productivity, high unemployment, and a high population rate plague the district, as do bad technical growth, low infrastructure, high illiteracy, and poverty, to name a few issues (Oxfam 2018). The district's residents rely largely on government and government-funded programs. The Alfred Nzo district municipality (ANDM) created a local economic development (LED) strategy in 2012, with the goal of boosting the district's economy. Small, Medium, and Micro Enterprise (SMME) development was one of the strategies that emerged from the LED plan.

There are, however, worries that progress in the promotion of SMMEs as part of the LED strategy may be hindered by lack of or inadequate understanding of its concept and role in the district. Institution of appropriate promotional policies cannot be guaranteed unless there is adequate knowledge of SMME development. Therefore, this study provides an overview of the challenges faced by ANDM SMMEs in the Eastern Cape Province, South Africa (SA), and their contribution towards LED. Following this introductory section is a background of the study, the problem statement, and aim, as well as objectives of the study, along with the corresponding research question, significance of the study and finally, the organisation of the entire treatise.

1.2 BACKGROUD OF THE STUDY

Poverty and unemployment are viewed as the most alarming issues affecting development in the majority of the developing countries in the world (Justino 2015). SMMEs are therefore inextricably linked to economic growth, job creation and income generation within poor and disadvantaged communities in developing countries (Kalane 2015). SMMEs have become a focal point of considerable attention to many international and government institutions in these emerging economies. Governments in these countries have instituted measures to support SMMEs, as a strategy to achieve sustainable economic development and poverty reduction (Hess and Rust 2020: 3691-3696).

However, not all SMMEs have the capacity to create jobs and economic development. Some are completely survivalist or operate as micro enterprises with minimum prospects of transitioning into larger enterprises. The latter is despite the implementation of government and private sector support interventions for SMMEs in most of the developing countries for many

years (Hess and Rust 2020: 3691-3696). Moreover, SMMEs encounter numerous challenges that impinge on their expansion and thus on their contribution towards economic development (Kalane 2015).

SMME debates have also been underway in the majority developing countries, such as SA, where there are soaring levels of unemployment and poverty (Justino 2015). These enterprises are viewed as the mechanism through which economically disadvantaged groups can gain access to economic activities (Department of Small Business Development of South Africa 2016). According to Kalane (2015), SMMEs offer opportunities for people to generate income that meets their basic needs and help marginalised groups, such as the unskilled, women, and the disabled and rural families, to obtain employment.

Conversely, SMME studies in SA show that survivalist and micro enterprises constitute the majority of the SMME sector (Bvuma and Marnewick, 2020). This group of enterprises has a trivial impact on the local economy in terms of job creation and income generation, and they grow in their numbers and not in their sizes. Therefore, most people remain unemployed and trapped in the conditions of poverty. These circumstances characterise Alfred Nzo District in the Eastern Cape Province, despite a growing number of SMME activities in the area. Therefore, the study seeks to uncover the challenges faced by SMMEs and their contribution towards LED in the ANDM in the Eastern Cape Province.

The ANDM developed a SMME sector plan in 2016 as a recommendation emanating from the LED strategy adopted in 2012. The plan provides a guide in terms of the various types of programmes that may be implemented in order to stimulate economic growth within the SMME sector of the district. The strategic objectives of the SMME Sector Plan are as follows:

- Provide direction and guidance for decision-making regarding future SMME development interventions within the district.
- Establish a clear vision for future SMME development of the area.

The ANDM seeks to stimulate economic growth and development where the SMME sector will take the lead in provision of decent and sustainable employment. The plan also reaffirms agriculture as the potential sector to stimulate SMME growth and development. According to the ANDM SMME sector plan, this can be achieved through the following strategies:

- Developing environmental control measures
- Providing mentorship support to farmers
- Improve access roads to farms or potential agriculture lands
- Establish cooperatives around identified value chains

This study interrogates the current LED plans and strategies in place in the ANDM and its local municipalities, as indicated above. The study gives a clear picture of the impact of LED measures, in particular those directed towards the promotion of SMMEs. In this study the deadweight and gaps in the beneficiary-based approach that has previously been employed are identified. In addition, the study offers a guideline as to what the exact role of government support is in the LED process and how it must be implemented to achieve desirable results.

1.3 PROBLEM STATEMENT

Research has shown a correlation between unemployment, poverty and economic well-being of citizens and SMMEs in many countries (Kalane 2015). Since poverty and unemployment have been identified as the two most pressing issues in both developed and developing countries, including in South Africa, SMMEs are viewed as having the potential to create jobs and consequently, reduce the level of unemployment and poverty (Bvuma and Marnewick 2020).

Pragmatically, studies show that SMMEs contribute to over 55 percent of gross domestic product (GDP) and more than 65 percent of total employment in developed countries, while they account for over 60 percent of GDP and 70 percent of total employment in developing countries (Hess and Rust 2020: 3691-3696). Apart from the crucial role SMMEs play in these countries, these enterprises usually encounter numerous challenges that impact negatively on their growth and survival (Justino 2015). In recognition of the crucial role played by SMMEs in the economy, governments in these countries have introduced various initiatives aimed at resolving the challenges they face and promoting their role with the intention of achieving greater socio-economic objectives (Department of Small Business Development of South Africa 2016).

Whereas SMMEs have been perceived as the means to LED, especially for the poor without marketable skills, their capacity to generate sustainable jobs, income earning opportunities and the general improvement of the living standard Alfred Nzo District in Eastern Cape is unresolved. There are numerous SMMEs in the area, yet many people remain unemployed, resulting in conditions of poverty. This study, therefore, explores the challenges faced by SMMEs in the area and their contribution towards LED.

The study's background revealed that there is a large disparity in how SMMEs are supported at the ANDM, and this belief has been held across other studies. First, earlier research has mostly focused on SMME issues in the context of the medium sector, ignoring other types of SMMEs. Second, prior research has concentrated on how SMMEs can thrive rather than the challenges they face. As the debate continues, this study aims to add to the conversation by examining the issues faced by all types of SMMEs in the ANDM and recommending appropriate assistance initiatives.

1.4 AIM OF THE STUDY

The aim of this study is to explore the challenges faced by SMMEs in the ANDM and their contribution towards LED. A mixed methods research approach was applied during the study in which a closed-ended questionnaire and semi-structured interviews were used to gather data. The findings and recommendations are relevant to the ANDM specifically and to other provinces in SA generally, to effect sustainable solutions for the existing challenges.

The following objectives guide the study.

1.5 RESEARCH OBJECTIVES

1. To identify the Challenges faced by SMMEs in the Alfred Nzo District.
2. To determine the support required by SMMEs for sustainability and growth
3. To explore the contributions of SMMEs to LED
4. To recommend possible measures for consideration in strengthening SMMEs' contribution to LED in the Alfred Nzo District.

1.6 RESEARCH QUESTIONS

1. What are the Challenges faced by SMMEs in Alfred Nzo District?

2. How can SMMEs be supported for sustainability and growth purposes?
3. How do SMMEs contribute towards LED in Alfred Nzo District?
4. What are possible measures to be considered in strengthening the SMME contribution to LED at Alfred Nzo District?

1.7 SIGNIFICANCE OF THE STUDY

The present study complements other areas of research that show interest in SMMEs and expose their role in LED. This information will assist in shaping the future of SMMEs and help in the formulation and improvement of government policies in relation to the industry. Local municipalities and government institutions may use the findings of this study to guide them with regard to the provision of comprehensive support to SMMEs. The findings of the study may also be relevant to SMME owners, with the belief it will, to a certain extent, reduce some of the challenges they face and contribute towards sustainable jobs and economic development.

1.8 ORGANISATION OF THE STUDY

The study consists of five chapters. Each chapter constitutes the following:

Chapter One: The introductory aspect of the study has been covered, including the introduction and background, problem statement, aim of the study, research objectives and corresponding objectives. This chapter also provided the significance of the study.

Chapter Two: This chapter will offer a literature review of the nature and challenges of SMMEs, focusing on both international and the SA contexts. It will also provide a discussion on government interventions aimed at resolving the challenges encountered by SMMEs to enhance their role in LED. In addition, the theory of LED will be discussed, as will a review of literature on the contribution made by SMMEs to LED in SA.

Chapter Three: An outline of the research methodology used in the study will be offered in this chapter, describing the research design, study area, target population, utilised sample and analysis methods. Validity and reliability of the concept used as well as data collection and analysis methods will be included. Lastly, the chapter will provide a discussion on the limitations of the study and ethical considerations.

Chapter Four: The focus of this chapter will be on data analysis and interpretation of the study findings. The analysis is based on participant views regarding challenges faced by SMMEs in the ANDM and their contribution towards LED. This chapter will also discuss the results of this study in relation to both theoretical and empirical literature.

Chapter Five: The final chapter will provide an overview of the preceding chapters and briefly discuss critical conclusions and deductions. This chapter will also recommend possible measures that can be considered to strengthen the SMME contribution to LED.

1.9 CONCLUSION

The major aim of this chapter was to introduce the study by highlighting various aspects including; the background, problem statement, objectives, and significance, as well as direction of this dissertation. The study attempted to provide insights on the challenges faced by SMMEs and how these challenges can be addressed. The background of the study highlighted the existence of a significant gap in how SMMEs are supported at the ANDM and this belief has been shared among various studies. First, previous studies have largely centred on challenges of SMMEs in the context of the medium sector and neglected other classes of SMMEs. Second, previous studies have focused on how SMMEs can survive without looking at the challenges they are facing. As the discourse continues to trend, this study seeks to contribute to the debate by exploring the challenges faced by all classes of SMMEs in the ANDM, so as to recommend relevant support programmes. The next chapter reviews the literature on SMMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

The preceding chapter discussed the motivation for this research and presented an outline of the study based on the challenges faced by SMMEs in the ANDM and their contribution towards LED. The aim of chapter two is to outline the literature related to the perceived impact of local economic development on SMME's in the Alfred Nzo region. The literature review seeks to provide an understanding of the nature of SMMEs, factors that influence start-up of SMMEs, challenges SMMEs face, and Government support of and for SMMEs, along with the LED concept, LED in SA and the contribution of SMMEs towards LED. In terms of local development initiatives, a distinction is made between community economic development and enterprise or business development (Helmsing 2018).

2.2 NATURE OF SMMEs

SMMEs represent diverse groups with differences related to economic sectors such as mining, construction, manufacturing, and trade, as well as retail and services (Bvuma and Marnewick 2020). These enterprises are found in both the formal and informal sectors of the economy. Generally, different countries and institutions classify SMMEs according to the number of employees, total turnover and/or the total value of capital assets. However, some countries vary their definition depending on which sector of the economy the economic entity concerned operates in.

The classification of SMMEs is mainly done for two reasons, namely statistical and policy purposes (Harrington 2016). Apart from these reasons, however, organising economic units in this manner is useful for obtaining information on the size of each class and thus its contribution to the local economy, and for taking better focused development measures. For the purposes of this study, it is therefore critical to classify and differentiate between various types and sizes of SMMEs and their characteristics.

2.3 SMME CLASSIFICATION

There is no global consensus of what constitutes an SMME, with these small enterprises classified into formal, informal, and survivalist categories and influenced by the context in which the small business is located. In SA specifically, SMMEs have been classified with reference to the sectors or environments in which they operate, making it complicated to

globalise the challenges they face. It can, therefore, be posited that the different sectors and environments subject SMMEs to different contextual challenges, thus exposing them to different levels of appetite for growth.

It is necessary to define an SMME within the delineated limits as set out in the policies of that country. SMME challenges need to be addressed with careful attention to guide policymakers. For example, poor infrastructure in rural areas and townships may hinder rural and township SMMEs from bringing attention to their needs.

The most used criteria to define SMMEs are the number of employees, total turnover and value of capital assets. Between these criteria, the most frequently used definitional basis is the number of employees, due to the relative simplicity of collecting information, with variation in defining the upper and lower size limit of SMMEs (Phikiso and Tengeh 2017: 1-3). Therefore, most countries adopt the number of employees as a common measurement used in defining SMMEs. Moreover, other studies (see, for example, Bvuma and Marnewick, 2020) also use the number of employees as criteria to classify entrepreneurial activities into their sizes, while for yet others; enterprise turnover is the determining factor.

The World Bank classifies SMMEs using the number of employees as a measurement, in which instance micro enterprises constitute less than 50 employees, small enterprises have 50 employees and medium enterprises 50 to 200 employees. Conversely, the European Commission (EC) classifies SMMEs as those enterprises with fewer than 250 employees (Hess and Rust 2020: 3691-3696). This definition/ criterion is further disaggregated into micro enterprises with fewer than 10 employees, small enterprises with 10-49 employees and medium-sized enterprises with 50-249 employees. Micro enterprises would include self-employed people with no employees.

In the United States of America (USA) a small business is one that is independently owned and operated, which is not dominant in the field of operation. The most widely used criterion in the entrepreneurship literature is the one provided by the Department of Small Business Administration in the USA. The department defines SMMEs as independent enterprises with fewer than 500 employees (Hess and Rust 2020: 3691-3696). It can, therefore, be deduced that the classification of SMMEs by the World Bank, EC and USA are closely related, where the number of employees is frequently used to define what constitutes a SMME.

2.4 CHARACTERISTICS OF SMMEs

Even though no commonly accepted definition of what constitutes SMMEs exists, there are numerous, typical, shared characteristics among these enterprises. These characteristics relate to ownership, management, resources, and economic sector of the activity, as well as flexibility to change (Bvuma and Marnewick 2020: 1-17). SMMEs comprise an independent property, individually owned by the owner/manager and which is active in a narrow market place (Van Der Linde 2018: 849-868). Consequently, SMMEs focus on a small variety of products or services, sold mainly on the local domestic market. The ownership structure of this kind of enterprise revolves around one person or family members. Therefore, the majority of SMMEs are either individual proprietors or partnerships.

These enterprises are usually managed and operated by the owner(s). The founder or owner of the enterprise usually leads the business and acts as both the manager and worker. The development of the business is influenced by the owner; thus, decisions are usually made by the owner (Van Der Linde 2018: 849-868). Generally, these enterprises are regarded as a set of activities that are not part of larger cooperatives.

SMMEs are usually characterised by intensive labour production with low entrepreneurial skills, inadequate educational or technical background and low capital investment (Hoeyi 2016). Moreover, there is little or no training and development offered to employees in these enterprises (Botha, Smoulders, Combrink and Meiring 2020). In terms of the sector of activities, SMMEs are mostly engaged in retailing, service and manufacturing. However, the proportion of SMME activities that takes place in these sectors varies considerably between countries and/or between rural and urban areas within a country. SMMEs in retail and services can be found in urban areas, while SMMEs in the manufacturing sector can be found in either rural or urban areas (Phikiso and Tengeh 2017).

The extent of SMME engagement in manufacturing depends on several factors including availability of raw material, experience, and consumption pattern of local consumers and the level of development of the export market (Botha *et al.* 2020). SMMEs have more flexibility to adapt to changes in the environment due to their size and predominant informal structures. However, they are also vulnerable to developments in the business environment, since changes in technology or government policy might have a great impact on the business, with immediate

changes mostly requiring additional capital or resources. This might become a constraint to the business to contend and maintain itself in the market (Harrington 2016: 365-382).

2.5 SMMEs IN THE CONTEXT OF SA

The SA National Small Business Act, 102 of 1996, defines a small business as a separate entity that can be within any sector or sub-sector of the economy and which can be classified as a micro-enterprise, a very small enterprise, a small enterprise, or a medium enterprise. The National Small Business Amendment Acts of 2003 and 2004 further define an SMME as a distinct business entity managed by one or more persons which must meet certain specified criteria. Table 2.1 illustrates the definition of SMMEs used by the National Small Business Act of SA.

Table 2.1: Classification of SMMEs according to the National Small Business Act of SA

Size	Number of employees (n)	Annual turnover in South African Rands (r)	Gross assets excluding fixed property (r)
Micro	$n \leq 5$	$r \leq 150\,000$	$r \leq 100\,000$
Very small	$5 < n \leq 20$	$150\,000 < r \leq 500\,000$	$100\,000 < r \leq 500\,000$
Small	$20 < n \leq 50$	$500\,000 < r \leq 25\,000\,000$	$500\,000 < r \leq 4\,500\,000$
Medium	$50 < n \leq 200$	$25\,000\,000 < r \leq 50\,000\,000$	$4\,500\,000 < r \leq 18\,000\,000$

Source: Compiled by author

It becomes evident that within the South African context, an SMME is classified as a business with no more than 200 employees and certain turnover criteria based on the sector. Thus, when a business has fewer than 200 employees, but the revenue is more than the indicated value per industry, the argument by Bvuma and Marnewick (2020: 1-17) that SMMEs are not only based on size but also their complexity, would appear to have some merit. Logically, it can then be posited that formulating a clear definition of an SMME is a multi-dimensional function with many variables to consider, given the context in which a perceived SMME operates.

Other studies conducted in SA have also grouped these enterprises and referred to them as small businesses (Bvuma and Marnewick 2020). These small enterprises comprise the following:

- Survivalist: Income generated is below the poverty line, poor capital is invested, and there are hardly any assets. Often referred to as hawkers, vendors, and subsistence farmers, without much training;
- Micro: Lack formality in terms of registration. Employ between one and five employees include spaza/tuck shops, as well as minibus taxis, and these may be located on or operated from household premises;
- Very small: May employ fewer than 10 employees, business types include artisans (electricians, plumbers) and other professionals. However, this does not include sectors such as mining and construction, manufacturing and electricity;
- Small: Seen as more established compared to the very small businesses and may be formal and registered businesses, owner-managed but with more complex structures;
- Medium: Employ a maximum of 100 or 200 people for various sectors, which include the mining, electricity, manufacturing, and construction sectors, in which the maximum is 20 employees. They operate on fixed premises with formal requirements.

The survivalist, micro, and very small enterprises in SA are often grouped together and referred to as small businesses. While many countries do not have micro-businesses as part of the small business definition, this indicates the diversity of the small business definitions, particularly in SA, because micro-businesses are also classified as survivalists (Lekhanya 2018). However, the literature also points out that SMMEs can be classified as small businesses. In addition, other studies conducted in SA have grouped these enterprises and referred to them as small businesses (Bvuma and Marnewick 2020), due to these small businesses sharing common challenges (Lekhanya 2016).

This study groups the classifications of survivalist, micro, very small, small, and medium businesses together to refer to them as SMMEs, which means small businesses. The study adopts the new definition as described by the SA government in 2019. According to the SA Government Gazette (cited in Bvuma and Marnewick 2020), the new definition of SMMEs uses two proxies (employees and annual turnover) and excludes the original third proxy (total gross asset value). The study thus defines an SMME as any small business, regardless of its registration under law or tax and it can be any entity or organisation, which includes any person conducting small business activities in any sector.

In general, the categories of SMMEs consist of different types of enterprises and can embrace a variety of firms from village handicraft maker, shoe maker, general dealer, and internet café, to spaza shop, mini bus taxi, hair salon, and dressmaker, as well as small tourism, textile, supermarket, and restaurant, in addition to wholesaler, vehicle repair, metal working, and brick making, along with electronic store, and owning public phones (Phikiso and Tengeh 2017: 1-3). Some of these enterprises can be considered as dynamic, innovative and growing, while others have little chance of developing into larger enterprises that are able to access bank finance and becoming internationally competitive (Bvuma and Marnewick 2020). Additionally, SMMEs could be characterised as, among others having ease of entry, small scale of activity, use of labour-intensive technology, and an elevated level of self-employment, with a high percentage of family workers (Van der Linde 2018: 849-868).

2.6 FACTORS INFLUENCING START-UP OF SMMEs

The literature on SMMEs highlights several reasons why people engage in these types of entrepreneurial activities, for example, an individual may start a business in order to take advantage of an opportunity that exists in the market. These opportunities could include, among others, greater demand for a particular product, use of more intensive labour than larger firms, low capital costs associated with job creation, easy entry, and that SMMEs can easily adapt to market conditions (Bvuma and Marnewick 2020).

Alternatively, individuals may start a business as a way of supporting themselves and their families. In this instance, necessity is more likely to motivate women than men to start a small business and such a business is likely to operate in the informal sector, while men are more likely to engage in opportunity motivated SMMEs (Van De Linde 2018). One of the important roles undertaken by women entrepreneurs is in operating small and micro enterprises. This enterprise group is more favourable to women since it supports the family, enhances self-realisation and unlocks the opportunity to enhance the level of family well-being.

In other words, small and micro enterprises become a strategy for women entrepreneurs to assist themselves in alleviating economic difficulties in their households. However, the participation of women in SMMEs is, in general, relatively low between different countries. This can be attributed to factors such as minimal education, lack of capital, and cultural or religious constraints (Van De Linde 2018).

Conversely, the performance and strength of the formal sector also has an influence on SMME start-up and sustainability (Chimucheka and Madipaka 2015). Difficulties in the formal sector in terms of slow growth, the high level of inflation and low foreign investment can be encouraging to SMMEs starting-up. Lind and Ungerer (2018) stated that lack of employment in the formal sector motivates many workers to venture into the SMME sector. Some people have been unemployed for a long period of time and for them to be self-sufficient and to earn income, they eventually enter the SMME sector to create opportunities for themselves.

Therefore, SMMEs are created in both the formal and informal sectors to reduce unemployment and create opportunities (Phikiso and Tengeh 2017: 1-3). Nonetheless, starting SMMEs is the result of an attempt to break out of the difficulties of unemployment and poverty, rather than the exploitation of prosperous business opportunities. The SMME sector is thus often regarded as a form of ‘safety net’, in that it creates employment and opportunities for those excluded from formal sector employment (Lind and Ungerer 2018). Many of those engaged in the SMME sector would, in its absence, be unemployed and unable to access any alternative form of income, including state grants.

Once the reasons that force people to embark into SMMEs manifest in a country, the circumstances for entrepreneurship to perform better would have been created. However, a range of economic and non-economic, social and personal requirements needs to be accessible for SMMEs to grow. Economic requirements would include the accessibility of capital, support from government, financial institutions and use of new technologies, whereas non-economic conditions include the desire for personal achievement, ambition for social contribution, opportunity to advance personal wealth and social status, as well as research and development, a good education system and supporting infrastructure (Phikiso and Tengeh 2017: 1-3). These required conditions emphasise the need to develop business solutions that would support and integrate the informal SMMEs with formal sector activities. A support regulation that creates too many formalities to take advantage of the measure prevents many entrepreneurs from applying for support (Jacquemin and Janssen 2013)

2.7 CHALLENGES FACED BY SMMEs

SMMEs constitute a fundamental element in both developed and developing economies (Bvuma and Marnewick 2020). Despite the potential role they have in promoting growth and

job creation in developing countries, SMMEs usually encounter numerous challenges that negatively affect their prosperity and their contribution to economic development. Owners of SMMEs frequently point to a variety of concerns when required to identify the most significant challenges facing their businesses at a given point in time.

As Maebane (2015) explained, external environment of the SMMEs and individual characteristics of the entrepreneur affect business success and economic development. Therefore, the challenges to SMME survival and growth are to be found in four practical areas of operation namely, management, marketing, operations, and finance and may relate to the size and start-up circumstances of the enterprise. This means the analysis of challenges to SMME success and economic development must also consider firm level or the internal business environment. The section below provides a discussion of the challenges that confront SMMEs. The focus is placed both on the international experience and the South African context.

2.7.1 Challenges faced by SMMEs internationally

SMMEs are significant to economic development in terms of employment, income generation and poverty reduction internationally and in SA. Yet, they are confronted with several challenges that negatively affect their development and contribution towards local economies. According to Van Der Linde (2018: 849-868), a recurring challenge for SMMEs is the lack of access to finance. The issue of access to finance is important, mostly for SMMEs that show great growth potential. This challenge is initiated from the breakdown in the capital market, such as the low level of SMME capital financing, excessive bureaucracy, high rates and short repayment schedules.

Furthermore, SMMEs present a high risk to creditors as many have inadequate assets and suffer from low capitalisation. In addition, poor accounting records and the lack of other financial records make it difficult for banks to assess the creditworthiness of prospective SMME borrowers (Botha *et al.* 2020). Evidently, an empirical study conducted in Europe shows that approximately 21 percent of SMMEs stated that access to finance is problematic and, in many member-states, the percentage is much higher for micro enterprises (Rambe and Mpiti 2017).

It appears that a lack of management skills is also one of the most widespread challenges. Phikiso and Tengeh (2017: 1-3) stated that the majority of SMME owners do not have the

required skills to operate their businesses successfully. The lack of capacity and exposure to management experience impinge on SMME operations. Typical skills lacking include financial management, business management, personnel management and marketing. Moreover, these enterprises cannot afford qualified employees to operate them.

Reasons why SMMEs cannot afford qualified employees include their failure to provide equal employee benefits and wages, when compared to large businesses, where assurance and prestige provided by large enterprises cause people to work in these businesses (Van Der Linde 2018: 849-868). In a global survey carried out by consulting groups, several small businesses surveyed reported that finding and retaining qualified workers are the most frequent obstacles in their business development (Booyens 2017).

According to Shah, Othman and Mansor (2016), government regulations for SMMEs are also viewed as a major challenge to business expansion. A legal and regulatory system that entails complex registration, licensing requirements and costly reporting practices imposes profound costs on these entrepreneurial activities. SMME owners having to adhere to laws as they apply to employees and customers, find it difficult to operate effectively and efficiently.

This confirms findings by Jacquemin and Janssen (2013: 497) who stated that, “A support regulation that creates too many formalities to take advantage of the measure prevents many entrepreneurs from applying for support.” They add that any knowledge the SMME owner may have regarding regulations “may be usefully reinforced by the support regulations themselves.” The results of this Belgian study further showed that the positive effect a support regulation may have, depends in part on the regulation’s characteristics. As the authors explain: “When adopting a support regulation, it is important to “make it transparent on its conditions and clear on the potential gains associated with the measure” Jacquemin and Janssen (2013: 497).

In addition, SMME owners may often not understand the laws and as a result, could end up paying penalties and fines because of this (Maebane 2015). In Canada for instance, a study conducted into SMMEs documented in the Small Business Research Policy, found the challenges alluded to by the small businesses surveyed related to taxation, government regulations and the cost of compliance as these increase the costs of running a business, customer service and the state of the economy (Shah *et al.* 2016).

Jeong, Irby, Boswell and Pugliese (2018: 355-357) state that lack of access to market can also negatively impact SMME development. According to Jakubik, Eliades, and Weese (2016), the market-related problems that affect SMMEs include issues such as marketing locality, lack of knowledge of the market, product demand and competition associated with the industry in which the enterprise operates. Therefore, the ability of SMMEs to enter the market depends on their internal conditions, such as the quality of their product, price and market access opportunities.

In India, for example, there is a challenge of competition from Chinese businesses that are selling products at much lower prices, a situation which affects the Indian SMME sector. Additionally, the lack of access to public infrastructure is viewed as a preventative factor to SMME establishment (Jeong *et al.* 2018). Logically, it can be argued that the ability to operate a business requires the presence of important infrastructural services, such as electricity, roads, telecommunication, and water, as well as sanitation. Public infrastructure is needed in order to support the internal operations of the enterprise. However, these services can neither be provided within the small enterprise nor provided and controlled by owners of enterprises. This lies within the domain of government or local authorities within which the business operates. The lack of access to these services can challenge entrepreneurial activities, which means the performance and competitiveness of these enterprises are determined by the accessibility of public infrastructural services (Leigh and Blakely 2016).

In Africa, SMMEs are confronted with several challenging problems. Through inference, many of these challenges could be reckoned as an impediment to SMME growth on the continent. In a paper presented to the international trade conference on NEPAD priorities in SA, Bvuma and Marnewick (2020) identified several challenges concerning SMME management and development. Nevertheless, the critical challenge facing SMMEs in African countries is being globally competitive. In a study conducted in Ghana and South Africa it was established that the responsibility of businesses goes beyond profit-making to include social and environmental objectives and has found a positive relationship between business social responsibility (BSR) and firm performance (Hoeyi 2016).

Competitiveness in developing countries is hindered by the lack of human resources, development skills and access to finance. Under such circumstances, in order for SMMEs to maintain at least a small profit margin, they are unable to initiate innovative improvements to

products and processes. This negatively impacts their ability to take advantage of new market opportunities. The three most important reasons for small business failure were cited as the lack of business knowledge and skills, poor culture of the enterprise, and the lack of working capital (Rajaram 2017).

Moreover, education and training are seen as contributors to entrepreneurial development due to their ability to assist in bringing about an advantage in a competitive environment. Nonetheless, technology development and transfer were also emphasised. Access to appropriate technology is another significant challenge among SMMEs. Technological accessibility requires large expense that might not be accessible to SMMEs (Rajaram 2017). As a result, SMMEs do not exploit the latest technology trends to gain competitive advantage over big businesses. This can lower customer satisfaction and critically lower growth in SMMEs.

Vital issues that could be challenges to SMME development in Africa are also identified as industrial policies and incentives favouring large businesses, difficulties in raising finance, lack of knowledge on government regulations, and insufficient physical and institutional support infrastructure (Bvuma and Marnewick 2020). The authors point out that in countries such as the Democratic Republic of Congo (DRC), Sudan and Liberia, SMMEs are initiated from nothing because of wars.

2.7.2 Challenges faced by SMMEs in the context of SA

SMMEs in the new democratic SA are additionally perceived as a solution for employment creation, generation of income-earning opportunities, economic development and poverty reduction. However, pragmatic studies show that SMMEs in the country fail to achieve the intended objectives. According to Central Statistics Services (cited in Moos and Sambo 2018: 467–494), 40 percent of SMMEs fail in their first years, 60 percent in their second year and 90 percent in their first 10 years of existence. Therefore, this section identifies and discusses critical challenges that confront SMMEs in SA. The challenges are classified into three categories, namely, socio-economic, institutional and firm-level challenges.

2.7.2.1 Socio-economic challenges

Harrington (2016) stated that socio-economic challenges entail:

- Lack of access to public infrastructure services,

- Access to profitable market and spatial distance from urban areas within demarcated municipal boundaries.
- Lack of access to finance,
- Technological challenges, and,
- Crime.

Lack of access to public infrastructure services: Access to public infrastructure services for business operation includes access to water, electricity, serviceable roads, and telecommunication and postal services. A limited public infrastructure is a common concern to SMMEs, as it restricts operation and hampers access to markets and raw material (Bvuma and Marnewick 2020). Therefore, the majority of SMMEs in SA do not have access to public infrastructure services.

Access to profitable markets: limited access to profitable markets also prevents SMME development and growth. The lack of access to markets in a SA context cannot be explained and understood without reference to the history of displaced communities that have been separated from mainstream markets (Justino 2015). Market-related problems highlighted by Justino (2015) include issues such as marketing area, lack of information about markets, products required and competition connected with the industry in which the SMME operates. These SMMEs have been spatially remote in areas that have a slight resource base, limited cash circulation and little information about product opportunities outside survivalist trading, services or production activities.

Consequently, rural entrepreneurs often compete within a small location with low-income customers, where fewer customers may afford their products. Larger markets may be situated at long distances from the entrepreneur's home and the entrepreneur's proximity to both buyers and suppliers constrains business performance. Further to this, the lack of own transport increases operational costs for SMMEs operating from rural areas or at long distances from main roads (Bvuma and Marnewick 2020: 1-17).

Lack of access to finance: The inability of SMMEs' owners to access resources and capital are also perceived as challenges in SA. This hampers the ability of SMMEs to secure the necessary skills and raw materials to put entrepreneurial ideas into practice, to be competitive, to survive

and grow. As a result, the lack of capital and limited access to finance affects business negatively. In the disadvantaged communities of the country, access to finance remains limited.

Bvuma and Marnewick (2020: 1-17) additionally stated the difficulties in accessing finance emanates from SMME owners' lack of understanding of loans application procedures or bias against SMMEs by private lending institutions, due to the relatively high cost of administration and small number of loans. Access to finance includes, among others, physical access, provision of credit, affordability, as well as appropriate terms and conditions. These accessibility challenges are often most severe in rural areas among start-up SMMEs and those controlled by women (Van Der Linde 2018). Lekhanya (2017) indicated that SMME's cannot survive and grow without finances which may lead to poor economic contribution, these include those operating in rural and remote areas such as Alfred Nzo rural district. This gap is also noted by the SEDA report (2021) that many SMME's in South Africa lack financial support to grow and need policy support to enable them to contribute in the economy of the country.

Technological challenges: According to Entrepreneurship Global (2021), it has been established that adoption of technology by the rural entrepreneurs is faced with a number of challenges in South Africa especially those in remote rural districts such as Alfred Nzo. A study presented by Duminy, Odendaal and Sanders (2008) revealed the distribution of internet access in South Africa was mainly limited to the big cities dominated by white people, and relatively affluent and well-educated individuals, with factors such as income, age, race, and education being an essential determination for computer access. The authors further stated the likelihood of regular access to computers is mainly thrust on the demographic of Asian, Indian, and White people who are 50 years of age or younger, hold at least a Grade-12 certificate, earn above R5 000 monthly, and live in specific geographical locations (Odendaal 2006). According to the former South African Minister of Communication in 2020, honourable Stella Ndabeni-Abrahams, "the history of ICT policies in SA did not address the needs of all people due to the apartheid era which skewed how telecommunication infrastructure was established in South Africa". This is a challenge that continues to bedevil the Alfred Nzo region because until this very day, there are still areas that have no technological infrastructure.

Crime: Crime is also seen as a challenge to individuals and SMMEs in SA. Nevertheless, SMMEs are directly affected with the theft of property and money, which indirectly reduces business confidence and loss of investment, causes emigration and destroys the foundation upon

which the economy is built (Hoeyi 2016). Furthermore, crime is a challenge to the development and growth of SMMEs. A crime infested area is not conducive to SMME development and growth, therefore, entrepreneurs are thus not attracted to establish and invest their business in an area prone to crime as it has negative consequences for progression and expansion.

2.7.2.2 Institutional challenges

Enterprise start-up and operations are influenced not only by markets, but also by the regulatory and institutional environment established by governments, while the impact of regulations originating in many areas of government may also discourage entrepreneurship (Botha *et al.* 2020). Appropriate labour, investment, tax law and regulations can create an enabling environment that encourages investment and sustainability of SMMEs as a source of wealth and job creation in the economy (Chalera 2017). However, inappropriate regulation may hold business back and increase the cost of doing business.

According to Van Der Linde (2018), institutional challenges arise from an apparent lack of government support for SMMEs. Having to conform to government policies and laws is seen by SMME owners as a lack of government support for the sector. They may also be discouraged to start a business when they have to act in accordance with a number of rules and procedures. Therefore, the level of procedural requirements for registration and licensing, taxes and financial reporting may hinder SMME development. Studies in SA show that the majority of SMME owners consider paperwork as time-consuming and cumbersome (Van Der Linde 2018).

The freedom for entrepreneurs to do business and be their own bosses is considered one of the reasons why many entrepreneurs are self-employed (Botha *et al.* 2020). However, this freedom is destroyed as entrepreneurs become obedient to several regulations introduced by government. Lekhanya (2015) stated that entrepreneurs view regulatory frameworks as increasing the costs of doing business in SA. One particular example is the requirement to register employees working in SMMEs and to pay them in accordance with government guidelines. This is viewed as a challenge as most entrepreneurs make minimal profit on their operations and employers are unable to pay their employees according to the minimum level set by the Employment Conditions Commission (ECC).

As explained by the Department of Employment and Labour (2019), this commission was replaced by the National Minimum Wage Commission, which took over from the ECC with the introduction of the National Minimum Wages Act (Section 8). The Commission presides on the Sectoral Determinations (SDs) that it advises the Minister on, along with any matter concerning basic conditions of employment.

The regulatory environment in which SMMEs operate can have a huge impact on a country's competitiveness and capacity to create jobs as well as on the well-being of the SMMEs. According to Mutezo (2015), informal SMMEs respond differently to the regulatory environment by ignoring taxes, levies, and health and safety standards. This comes at a cost to the local economy and informal entrepreneurs, in that inappropriate regulations act as a barrier to development by keeping a large proportion of SMMEs out of the formal economy, resulting in a loss of tax revenue and lack of compliance.

Kalane (2015) confirmed that some SMMEs operate outside the law by under-reporting or not reporting employment, avoiding taxes, infringing copyright and even failing to register as legal entities. Furthermore, the author maintained that the main causes of becoming informal in the modern economy are the burden of direct and indirect taxation and government regulations. Both these elements provide a strong incentive to business failure.

2.7.2.3 Firm level challenges

According to Lekhanya (2018), firm level challenges are often referred to as enterprise-based issues, which are the internal factors of a business, including:

- lack of management skills,
- poor physical premises and technological application.

Lack of management skills: The shortage of business management skills is a challenge for SMMEs in SA (Rajaram 2017). A skills shortage is defined as a situation where there is a definite scarcity in the accessible labour market of the type of skills required. SMMEs would not exist without productive human skills and a product demand. It is the entrepreneur's responsibility to hire and manage labour and other resources within the enterprise. However, recruitment and retention of labour are affected by internal and external factors (Mutezo 2015).

Internally, should SMMEs operate near full capacity, the increase in demand for the firm's products may require additional labour. Although internal conditions necessitate the hiring of additional workers, the complexity of labour laws, such as the Labour Relations Act, Employment Equity Act and Minimum Wage Regulations, may prevent employers from hiring additional labour (Phikiso and Tengeh 2017). The authors explained that such legislation denies the market of its flexibility, making hiring or firing costly. Furthermore, when there is a shortage of skilled workers, retention of labour is also a challenge, as skilled workers often hop from one firm to another in response to incentives that could range from higher salaries to better benefits.

Poor physical premises and technological application: The physical facilities and business premises used by many SMMEs are often inadequate to provide any long-run competitive threat to larger, established enterprises and many cannot afford sufficient technology. Bvuma and Marnewick (2020) identified lack of innovation and modern technology as challenges facing SMMEs in SA. All businesses, regardless of their size, need to innovate and use new ideas and practices to satisfy the changing needs of the market in the local environment.

Outcomes of innovation include, introducing new products or services in new and existing markets, developing new organisational structures, competing in new ways and using new production functions and technology in creative ways to service customer needs (Mutezo 2015). Although the use of technology can be a source of competitive advantage, some old-fashioned entrepreneurs often view technology as expensive and may still prefer the conventional way of doing business. Such a traditional view constrains growth prospects, as the firm will likely not benefit from opportunities in the changing environment.

2.8 GOVERNMENT SUPPORT FOR SMMEs

Globally, SMMEs are viewed by scholars and policymakers as the ideal way to promote sustainable development. These enterprises are critical to initiate growth and development of the economy in a given country and are inextricably linked to economic empowerment, job creation and income generation within disadvantaged communities (Chimucheka and Madipaka 2015: 309-316). However, these economic activities face a wide range of constraints that limit them from realising and maintaining a competitive advantage in their respective industries. As a result, support measures of SMMEs have become the centre of attention for governments in many countries, including SA. Since SMMEs have significance in emerging economies, strategies have been developed worldwide to expand and integrate them into the mainstream of

economic activities. This section, therefore, provides a discussion of global trends on SMME support, the principles that guide SMME support and SMME support interventions in SA.

The promotion of SMMEs is the focus of considerable interest in the world (Van der Linde 2018: 849-868). Different countries have recognised the importance of SMMEs in their economies and have put various governmental policies and strategies in place to support these small enterprises. In European countries, for instance, policies have been put in place to create an enabling environment for SMMEs, with the role of SMMEs in the European economy having repeatedly been acknowledged at the highest political level.

The EC expressed strong support for an initiative to further strengthen sustainable growth and competitiveness of SMMEs in March 2008, with the Small Business Act (SBA) for Europe and requested its rapid adoption. The SBA aims to improve the overall policy approach to entrepreneurship, to permanently anchor the ‘Think Small First’ principle in policy-making, from regulation to public service, and to promote SMME growth by helping them tackle problems that hamper their development (Chimucheka and Madipaka 2018: 309-316).

In other Asian countries such as Singapore, Brunei and Bangladesh, governments have shown immense commitment to the SMME sector by instituting support measures. In Singapore, SME 21 was introduced as a 10-year strategic plan aimed at building up the capability of Small to Medium Enterprises (SMEs) to enhance their contribution to Singapore’s competitiveness and economic growth. In East Asia in Brunei, the government’s primary role is to create good business conditions to strengthen the competitiveness of such enterprises, through the provision of different support mechanisms such as administrative support, investment and trading opportunities, technical and financial assistance, as well as incentives (Phikiso and Tengeh 2017: 1-3).

Moreover, the Bangladeshi government is creating an investment-friendly environment, encouraging entrepreneurship development, restoring confidence among small business owners and training prospective and potential entrepreneurs to set up new business; this appears to have promoted approximately six million SMMEs (Maebane 2015). Different organisations such as Bangladesh Industrial Technical Assistance Centre, Bangladesh Council for Scientific and Industrial Research, Micro Industrial Development Assistance Service and Non-governmental organisations (NGOs) have become active in the development of SMMEs.

Governments in African countries have also shown commitment by instituting measures in an attempt to promote SMMEs. Countries such as Ghana, Malawi, Nigeria and Tanzania have realised the importance of SMMEs in term of economic growth and development, with various interventions formulated to resolve the challenges SMMEs face, thus strengthening the sector (Rambe and Mpiti 2017).

In Ghana, for example, the government, to respond to SMME challenges, introduced numerous measures since 1992; popular among them is the setting up of the Private Sector Advisory Group. The Ghanaian government also provided equipment leasing, an alternative and flexible source of long-term financing of plants or factories and equipment for SMMEs that cannot afford their own (Van Der Linde 2018: 849-868). Therefore, SMME interventions are significant for these small enterprises to flourish in any country, when they are well implemented. Following from the above discussion, the subsequent section presents a discussion of government interventions in SA. However, it becomes necessary to first outline the fundamental principles that guide SMME support in the country.

2.8.1 Government support for SMMEs in the South African context

The NSDP of 2006 argues that government must identify areas with economic potential and invest in human capital, infrastructure and address spatial disparities owed to apartheid. Furthermore, ensure that people are developed through educational programmes, projects and training and they should not be denied access to these initiatives, therefore, local authorities must ensure that people in local communities have access to information of these initiatives; the argument is that a success of any economy is achieved through focused investment.

The requirement for an inclusive SMME-strategy became noticeable even before democratic elections in 1994. This was mainly because of research conducted particularly on black-owned businesses in SA (Makhado 2015). These studies identified several constraints that hampered the growth and development of these enterprises. Constraints included a wide variety of issues, from lack of access to markets, finance, infrastructure, and appropriate technology, to government regulations, tax, skills and training (Mutezo 2015).

There was also a realisation of the general disregard of the potential of black-owned SMMEs by the apartheid government and active measures were instituted to discourage SMME

development in this regard. As a result, the reaction to these challenges was the development of a policy that would place SMMEs high on the development agenda and to also address the past legacy of the omission of black-owned enterprises from the principal aim of SMME policy (Makhado 2015).

In 1995, the Department of Trade and Industry (DTI) released the National Strategy for the Development and Promotion of Small Business together with the Small Business Act 102 of 1996. This strategy was seen in the context of a post-apartheid SMME policy that identified key developmental objectives such as employment creation, redistribution and the improvement of competitiveness. The introduction of the strategy was viewed as an important part of the democratic government's effort to create a better life for all and government's commitment to the process of stimulating and promoting small business and the creation of an enabling environment (Mutezo 2015).

As cited in Phikiso and Tengeh, the White Paper on Small Business (1995) put forth the national objectives for the SMME sector. The primary aim is to create an enabling environment in terms of the national, regional and local policy frameworks for SMME development (Phikiso and Tengeh 2017: 1-3). More specific policy objectives were identified to support the basic aim, which included the facilitation and equal distribution of income, wealth and economic opportunities indivisible from increasing the absorption of labour in the micro enterprise and survivalist segments, rectifying of discrimination among black Africans, as well as women's access to economic activities. Moreover, the national objectives for the SMME sector included facilitating growth in black-owned and small enterprises in rural areas.

Additionally, the strategy intended to create long-term jobs that required policy interventions designed to upgrade human resource skills and to support the use of appropriate technologies, while also stimulating economic growth through resolving the challenges that prevent SMMEs from contributing to overall growth. Lastly, it aimed at strengthening the cohesion between SMMEs, to overcome their remoteness by promoting the networking of SMMEs to build shared efficiency and to level the playing fields, both between large enterprises and SMMEs and between rural and urban businesses (Phikiso and Tengeh 2017: 1-3).

This strategy was the first and most important attempt by the SA government to bolster the SMME sector. This policy framework design particularly targeted a wide range of enterprises

within the SMME sector. The overall strategy objective was to create an investment friendly environment for SMME growth in the country, as a way of reducing basic inequalities in the economy. However, the strategy did not yield the required expectation (Kalane 2015).

As a result, a decade later in 2005, the DTI released the Integrated Small Enterprise Development Strategy that takes the successes and failures of the first ten years of the implementation of the 1995 strategy into account (Justino 2015). The strategy focuses on three key areas that include the increase in the supply of financial and non-financial support services, creating demand for small enterprise products and services and reducing small business constraints (Justino 2015).

2.8.1.1 Government arrangements for SMME support in SA

Subsequent to the introduction of the White Paper on the National Strategy for the Development and promotion of Small Business (1995) as cited in Kalane 2015, the DTI started with the process of building institutions to service the SMME economy (Kalane 2015). The DTI vision for SMMEs was to integrate small business into the SA mainstream economy. In terms of the National Strategy, a framework for SMME development was created and linked to the introduction of a set of key intervention programmes targeted to support the national objectives for SMME development. These intervention programmes involved both the introduction of a new set of programmes for SMME promotion and reforming of existing programmes that will effectively embrace SMMEs (Mutezo 2015).

As a result of SMME legislation, institutional structures have been created to address the needs of SA as a whole, including both urban and rural SMMEs. The key actors are the Centre for Small Business Promotion (CSBP), established through the DTI at the national sphere of government, Ntsika Enterprise Promotion Agency (NEPA), Khula Enterprise Finance Limited (KEFL) and Provincial SMME Desks (Bvuma and Marnewick 2020: 1-17).

CSBP is a Chief Directorate that falls directly under the DTI and is responsible for policies related to SMMEs and support programmes assisted by government. The centre also coordinates the implementation of the framework within national government, mobilises funds and supervises establishment of other new institutions proposed in the White Paper on Small Business. The centre gave birth to NEPA, which has since been replaced by the SA Small Enterprise Development Agency (SEDA). Established in 2004, when the National Small

Business Act was amended to merge NEPA with the national Manufacturing Advisory Centre, the strategic objectives of SEDA relate to the promotion of competitiveness and capabilities of small business, through co-ordinated service programmes and projects. The key services provided by SEDA include assistance with business registration, compilation of business plans, facilitating access to market for local SMMEs, and finance, as well as technology, and providing small business training and mentoring (Bvuma and Marnewick 2020).

The institutional structure for implementing support to SMMEs as a central role was carried out by NEPA, as the implementing agency for non-financial entrepreneurial services, meant to facilitate and act as a wholesaler of delivery programmes to support SMMEs in SA (Van Der Linde 2018: 849-868). The agency was committed to the objective of developing a thriving and vibrant SMME sector and ensuring small businesses are not deprived of economic benefits. Through its intervention, the agency was to create an environment conducive to the development of South African society through, for example, empowering black Africans, women, youth and the disabled. NEPA was responsible for services such as marketing, training programmes, procurement advice and technology assistance, as well as mentoring, to businesses (Hoeyi 2016).

Whereas NEPA's activities were to provide non-financial support to SMMEs through intermediary organisations, the central activities of KEFL are to facilitate and expand access to finance for SMME development (Van Der Linde 2018: 849-868). Overall, KEFL functions as the national, wholesale, SMME funding facility; providing loans, grants and guarantees for retail banking institutions servicing the SMME market. In common with NEPA, KEFL works through a number of intermediary organisations such as micro credit outlets, banks and NGOs by providing loans, the national credit guarantee fund, seed loans, and equity funds, as well as institutional capacity building.

Furthermore, the National Youth Development Agency (NYDA) was initiated to promote entrepreneurship, job creation and skills development among South Africans between the ages of 18 and 35. It is dedicated to innovation, which is promoted and encouraged by creating opportunities for young people to acquire appropriate skills, find job opportunities or even start their own businesses (Botha *et al.* 2020). The NYDA was launched in June 2009 through the fusion of the Umsobomvu Youth Fund and the National Youth Commission.

One of the strategic objectives of NYDA is economic participation, which aims to improve the involvement of the youth in the economy through targeted and integrated programmes (Van Der Linde 2018: 849-868). This economic engagement programme includes enterprise finance as one of its products. The central objective of enterprise finance is to promote entrepreneurship among young people by providing loan finance so they may expand, buy into or buy out existing businesses or start new businesses.

The CSBP gave instructions to all nine provinces to form Provincial SMME Desks at the provincial sphere of government. The purpose of these desks is to give SMMEs support in all the provinces. SMME desks have been established with the goal of becoming one-stop information units, which would speed-up communication and simplify the conduit with government (Botha *et al.* 2020). Essentially, the role of these provincial SMME desks is to coordinate SMME support programmes and activities within provinces. Provincial development planning for SMME development is, therefore, geared towards transforming the national policy guidelines and changing them to local circumstances. In line with national SMME support, various support structures have been put in place for strengthening SMME growth and survival in the Eastern Cape Province.

2.8.1.2 Essential principles guiding SMME support in SA

There are three essential principles that guide SMME support in SA. These include SMMEs as a basis of employment promotion, economic redistribution and economic competitiveness.

Employment Creation

The initial foundation for government intervention in the SMME sector is that SMMEs are seen as the most important source of employment. Bvuma and Marnewick (2020) point out that formal sector unemployment forces many workers into the SMME sector. As noted earlier in this chapter, some people have been unemployed for long periods of time. For them to be self-sufficient, they have no choice but to enter the SMMEs sector to create opportunities for themselves.

Mutezo (2015) states that small businesses in the formal economy are created due to the lack of employment and option of income possibilities. The establishment of SMMEs is, therefore, the consequence of an effort to escape the difficulties of unemployment and poverty, rather than the exploitation of prosperous business opportunities. Despite the prompt for the origin of

SMMEs, mainly micro enterprises, most authors view SMMEs as having the ability to contribute positively to employment creation, given the establishment of proper enabling conditions.

Contrary to the views that SMMEs promote employment, authors such as Shah *et al.* (2016) and Bvuma and Marnewick (2020) see the contribution of SMMEs to the creation of employment as low. According to these authors, the quality of the jobs created through SMMEs, including micro enterprises, is poor. Furthermore, a study carried out in Cape Town and Durban, identified poor wages and work conditions among groups of women home-based workers (Justino 2015).

In the informal taxi operation, studies show the existence of unfair labour practices, including the use of children as queue marshals and car cleaners, long working hours, and the struggle to meet daily targets, as well as the tendency for taxi-fleet-owners to employ new drivers from rural areas, to cheapen their labour cost. In the case of survivalist SMMEs, the wages and work conditions are worse. According to Shah *et al.* (2016), most survivalist activities cannot be viewed as being opportunities for employment creation, since they are essentially poverty traps.

Economic redistribution

SMMEs are seen as important mechanisms of facilitating economic redistribution. Generally, the SMME strategy is seen in the context of being able to redress inequalities that were created by apartheid (Botha *et al.* 2020). However, it must be considered that whilst SMMEs do not represent a single method for redressing racial income inequalities, it would be wrong for policy-makers to depend on SMMEs as the main agent for economic redistribution in SA, for at least three reasons (Bvuma and Marnewick 2020: 1-17).

Firstly, it must be acknowledged that reliance on SMMEs to redistribute wealth does not meddle with the economic powers of South Africans, most of which is concentrated in the ownership of whites. Secondly, the majority black-owned businesses are very small and yield only minimal income to their owners; SMMEs alone cannot be expected to considerably shift the pattern of income distribution. Lastly, even were SMMEs able to successfully direct wealth to black African entrepreneurs, this does not necessarily mean income inequalities would be reduced; instead, as Bvuma and Marnewick (2020) point out, one likely outcome may be the enrichment of fewer black South Africans, at the expense of most black Africans.

Economic competitiveness

The third principle that guides SMMEs in SA, is that they promote economic competitiveness of local industries, in terms of growth and even towards exports (Njiro and Compagnoni 2017). This specific issue has attracted controversy and debate. In terms of the ongoing discussion regarding flexible specialisation and development of industrial districts, it is argued that the introduction of flexible production into SA manufacturing embraces substantial promise for a regeneration of the small-scale industrial sector. More specifically, it is argued by Njiro and Compagnoni (2017: 146-166) that through subcontracting arrangements, groups of small-scale producers may experience growth and increased levels of competitiveness, as they become more integrated into industrial mainstream activity.

The authors highlight that the other side of flexibility is, however, the risk of the emergence of extended informalisation of formal enterprises, resulting in high, unfair labour practices and poor work relationships under subcontracting. Existing evidence suggests that whilst outsourcing by formal enterprises and casualisation may be increasing in the SA economy, the actual proportion of subcontracted home-based workers is very small (Njiro and Compagnoni 2017: 146-166).

2.9 SMMEs AND LED

The responsibilities of local government in SA include the promotion of social, economic, cultural and political development of all communities. Hence, the concepts of SMMEs and LED become acceptable as a locality-based planning to respond to poverty, inequality and unemployment challenges (Nel and Rogerson 2015: 15-20). It is generally considered that sustainable economic activities are necessary for the development of any community (Phago and Tsoabisi 2020).

Therefore, LED is usually considered as a participatory approach based at the local sphere of government to encourage sustainable growth, income generation and employment (Pretorius and Blaauw 2018: 155-183). Accordingly, the government has developed various initiatives in all spheres of government to respond to development challenges. Some of these initiatives include, among others, promoting LED through public private partnerships and SMMEs.

2.9.1 The concept of LED

The concept of LED has been promoted as a critical solution for poverty alleviation, unemployment and economic development in developing countries (Phago and Tsoabisi 2020: 153-164). Economic development has advanced from being merely considered in economic terms such as GDP, which did not essentially quantify the distribution of income and well-being (Blakely and Leigh 2019).

Development concepts have become premises with a human feature, in which development is not viewed simply as economics, with aspects such as the level of education, gender-based development, quality of water, and health, employment and poverty levels included (Blakely and Leigh 2019). Therefore, LED not only links the economic measures and human aspects of development, but goes further to focus on development at the micro level. LED is a conscious process in which communities are assisted by well-advanced organisations, to work on improving social and economic well-being standards (Cunningham and Meyer-Stamer 2015: 4-14). In essence, LED thus promotes joint development between the local government, community, private sector, and NGOs, along with any other stakeholders (Van Der Linde 2018: 849-868).

LED is concerned with building partnerships between different stakeholders to control local resources and stimulate employment and the economy of a locality (Cunningham and Meyer-Stamer 2015). Regarded as a participatory development process that stimulates partnership between the private and public stakeholders of a locality (Bvuma and Marnewick 2020), LED is often referred to as a ‘territorial development strategy’ based on endogenous factors, such as the local economic structure, human resources and institutional setting at the local sphere of government (Kalane 2015).

Local resources are frequently underused in communities in developing countries and this is where local capacity is significant, as there are different types of local resources that local communities possess. The greater the ability of the local community to translate these resources into development opportunities, the greater the benefits of development outcomes (Meyer-Stamer 2018). For instance, a community requires an economic development institution, such as a business society, economic development corporation or government institution to effectively resolve the issues and problems of underdevelopment and improve available resources. The department of small business development in South Africa was established to

coordinate, integrate and mobilise efforts and resources towards the creation of an enabling environment for the growth and sustainability of small businesses and cooperatives (Department of Small Business Development 2018).

Additionally, there is no single action or strategy which embraces LED; however, it is a concept that describes local initiatives that respond to the needs of communities at the local sphere of government. Alternatively, the focus is on using local people with local approaches for local outcomes. Therefore, LED seeks to manage and structure economic transformation at the local sphere. Ultimately, the primary aims of LED are: to improve the quality of life of the people; alleviate poverty; create job opportunities; and improve skills, in addition to building capacity within the communities (Lekhanya 2018).

There are numerous advantages associated with LED; these incorporate social and economic issues such as empowerment of local communities, creation of dialogue, enhancing transparency and accountability among local institutions (Bvuma and Marnewick 2020). In economic aspects, LED helps to create sustainable employment in business, given the promotion of economic activities at the centre of specific economic circumstances and comparative advantages of a locality (Meyer-Stamer 2018). The emphasis of LED is to build economic activity within a territory, dependent on the area's economic and social environment (Lekhanya 2018).

Generally, LED contributes to renewal of the local economy and the improvement of the monetary capacity of the local government. LED can assist in the formulation of balanced development strategies, as a result of dynamic participation of crucial stakeholders in the planning and implementation processes (Bvuma and Marnewick 2020).

2.9.1.1 LED at municipal level in SA

Municipalities in SA cannot ignore the fact that they are experiencing economic changes in their localities, either through the increase or closure of businesses. This is because the increase or closure of businesses has a consequence on job creation, poverty and municipal revenue sources. For this reason, municipalities are mandated to be developmental in nature and designated to improve social and economic conditions conducive to business development and promotion (Lekhanya 2018).

Therefore, LED is inextricably linked to developmental local government in SA. It is a product based on local initiatives and motivated by local stakeholders. LED, in this context, is a municipal-driven plan, through individuals and sectors, thus attracting and strengthening public-private partnerships (Malefane 2019: 156-168). The sectors referred to are local government, business and civil sectors. Contributions of the three sectors have an impact on distinct municipalities within the provincial jurisdiction. LED is a bottom-up, socio-economic strategy within a broader Provincial Growth and Development Strategy to create conducive business environments to improve their competitiveness (Phago and Tsoabisi 2020: 153-164).

As implied above, LED recognises that people, business and government are best placed to change economic conditions that will stimulate growth, which is required to create jobs and therefore, reduce poverty in SA. LED is described as focused on the development of local areas as opposed to regional or national development. This form of development is the responsibility of the local council and community that are willing to promote development in the area (Malefane 2019: 156-168).

The aim of LED is to create employment in the local government sphere, alleviate poverty and redistribute resources and opportunities to the benefit of all community members (Malefane 2019; Phago and Tsoabisi 2020). Chimucheka and Madipaka (2018: 309-316) define LED as the process by which the public, business and non-governmental sector partners work together to create better conditions for economic growth and employment generation.

The Department of Provincial and Local Government (DPLG), now the Department of Cooperative Governance and Traditional Affairs (COGTA), defines LED as an outcome based on local initiatives driven by local stakeholders. This involves identifying and using local resources, skills and ideas to promote economic growth and development. The focus of LED is on socio-economic development of communities using local resources. Based on the World Bank definition, using the number of employees as a measurement, it is expected that businesses within municipalities achieve sustainable economic growth to improve the quality of life. Within the LED framework quality of life is informed by poverty reduction, employment, income and literacy improvement (Malefane 2019: 156-168).

The focus of LED should be on the needs of communities and creating an environment for private sector investment through public sector investment, while supporting the retention,

growth and development of enterprises (Chimucheka and Madipaka 2018: 309-316). The growth of businesses that use local resources, including labour and materials for production, will generate local wealth and jobs. Therefore, LED must aim to create jobs by making the local economy grow. This means that more businesses and factories should be established in the municipal areas.

As part of the Integrated Development Plan (IDP), key stakeholders in a municipality must come together to reach agreement and take decisions to make the economy grow and create income opportunities for more people, especially the poor (Bouare 2017: 43-60). The former DPLG identified the following key principles underlying LED:

- LED strategies must prioritise job creation and poverty reduction as poverty and unemployment are the main challenges facing SA.
- LED must target previously disadvantaged people, marginalised communities and locations, black economic empowerment enterprises and SMMEs, to allow them to fully participate in the country's economic life.
- LED promotes local ownership, community involvement, local leadership and joint decision-making.
- LED involves local, national and international partnerships between community, businesses and government to solve problems, create joint business ventures and build local areas.
- LED uses local resources and skills to maximise opportunities for local development.
- LED involves the integration of diverse economic initiatives in an all-inclusive approach to local development.
- LED relies on flexible approaches to respond to changing circumstances at local, national and international level.

In SA, LED is perceived by government as the approach to pursue within the context of empowered local government, pro-active actions by local communities and the need to ensure development is pro-poor in focus and outcomes. As Nel (2017) points out, LED tends to have a different, more pro-poor approach. On the one hand, LED is both a spatial and sectoral strategy focusing as one, on the level of employment improvement levels and comparative and

competitive advantages of a given locality. On the other hand, it relates to development of specific economic sectors such as SMMEs and tourism.

According to Nel and Rogerson (2015: 15-20), LED can also have either a pro-poor approach aimed at poverty alleviation as supported by the DPLG, or a pro-growth approach that seeks economic growth as encouraged by the DTI. LED strategies in SA form part of a relatively new approach to development. Economic and social development has been mandated by the national government to local government and even though policies are in place, LED strategy has produced little success for different reasons, but mainly as a result of lack of capacity within municipalities as well as resource challenges (Nel 2017).

2.10 APPROACHES TO LED IN SA

Recent debates with regard to LED revolve around two approaches, pro-poor and pro-growth or market-led LED. The pro-growth approach places emphasis on the promotion of economic growth through market competitiveness and investment attraction. The pro-poor LED approach focuses on poverty alleviation strategies (Helmsing 2018: 67-76). The literature on LED shows that it is usually in Western Europe and North America where pro-growth approaches are concentrated, whereas in developing countries there is a need to focus on poverty reduction, thus a pro-poor LED approach (Nel and Rogerson 2015: 15-20).

Pro-poor LED planning in developing countries supports and enables local stakeholders to empower the poor to gain access to and take advantage of economic activities, assisting the poor to become entrepreneurs. AS Nel, Hill and Eising (2019) explain, these approaches are evenly important and can be practiced together to achieve greater socio-economic objectives. These approaches provide for balanced growth by ensuring large businesses can generate spin-offs to the small and emerging business sectors.

In examining the difference between pro-poor and pro-growth LED approaches, it is clear the pro-growth approach aims at improving local economies by stressing the goals of stimulating self-reliance, entrepreneurship, expansion of market competitiveness and reducing unemployment (Chimucheka and Madipaka 2018: 309-316). The pro-poor approach of LED is, however, characterised by a bottom-up approach towards achieving empowerment, participation, local co-operation and environmental sustainability (Nel and Rogerson 2015: 15-

20). A pro-poor approach to LED basically suggests a shift towards poverty alleviation and supports poor and marginalised groups to take advantage of economic activities.

The idea behind this approach is to ensure poor people take advantage of economic activities within local areas through socio-economic consideration. The difference is that this approach does not only look at business development, but also focuses on initiating plans that will assist the poor to take advantage of available economic opportunities. This can be done by introducing possible economic strategies to allow the poor access to either economic activities or support and information to build capacity for potential economic opportunity (Pretorius and Blaauw 2018: 155-183).

The current approach, in terms of LED in SA, shows bias towards pro-growth strategies, especially in urban areas. In SA, the LED approach continues to be dominated by pro-growth activities geared towards achieving sustainable economic growth (Nel and Rogerson 2015: 15-20). Present interventions across urban areas in SA are similar to the international record, with these areas having initiated LED activities in support of building local competitiveness. LED seeks to provide support on local competitiveness through stimulating growth potential SMMEs.

Entrepreneurship is also supported by viewing localities as competitive spaces for production, consumption and information-processing activities. Despite growing global competition, the retention and promotion of manufacturing continues to be significant (Chimucheka and Mandipaka 2015). Regardless of the growing amount of LED literature, there seems to be only a limited focus on the contribution of LED on poverty alleviation. Without any doubt, LED provides the means to improve economic activities, nonetheless, without the inclusion of social development goals, it would seem to be unsustainable. Nel and Binns (2018: 165-184) state that policy imperatives in SA are in parallel to the social responsibility of promoting social development; whether the resources placed in municipalities achieve social objectives is unknown (Nel and Binns 2018).

2.10.1 Policy and legislative background of LED in SA

In the new government of SA, several national policies and laws have been introduced and implemented to address poverty and exclusion. These policies have led to the development of LED at the local sphere of government to improve service delivery since 1994.

The National Framework in SA aims to support the development of sustainable local economies through inclusive government action. This government action is developmental and stimulates the economy, which comprises those enterprises that operate in local municipalities (Pretorius and Blaauw 2018: 155-183). Municipalities should, therefore, ensure all their activities are in line with national policies and legislations. This section thus attempts to provide an overview of national and provincial policies and legislation that laid the foundation for LED planning and implementation in SA.

2.10.1.1 Reconstruction and Development Programme

The Reconstruction and Development Programme (RDP) is one of the national policies that attempts to mobilise the country's resources towards eradicating apartheid, by building a democratic and non-racial society in SA. According to Phikiso and Tengeh (2017: 1-3), the RDP was designed to reform the economy by addressing challenges of racial and gender inequalities in ownership, employment, skills, and past industrial policies. The RDP was intended to be people-driven, facilitate employment and reduce inequalities, in addition to providing municipalities with the responsibility to seek investment in research and skills development as the strategy to deal with low productivity and declining employment.

The government argues that the objectives of the RDP can be attained by giving responsibility of development to local government, which is viewed as the primary level of democratic representation (Phikiso and Tengeh 2017: 1-3). The authors further stress that, as stipulated by the RDP, the democratic government is supposed to reduce the load of implementation through allocation of powers and functions to local government and active involvement of civil society. Therefore, the RDP laid the foundation for promoting participation through local governments and support for local actions. LED thus serves as means to an end for the municipality to realise RDP objectives.

2.10.1.2 Growth, Employment and Redistribution

The Growth, Employment and Redistribution (GEAR) policy is a macro-economic document of the state introduced in 1996. According to Kalane (2015), the government introduced GEAR to address macro-economic inequalities, including a budget shortfall inherited from the apartheid government. GEAR was seen as the strategy to finance development with government resources, rather than depending on loans from international institutions. It was recognition that

development and poverty reduction would have to be influenced by market-led economic growth, shifting the focus to structural economic reforms. In addition, social spending would be reduced, while the country tries to diminish its international debt, accumulated during the apartheid era (Kalane 2015).

The role of government has moved from being a major role player in socio-economic development to that of facilitator. GEAR is a strategy to produce a growing economy and create more jobs. With local government reform in SA therefore part of an inclusive transformation programme, municipalities are thus required to strategically include GEAR in their institutional policies and programmes. This will enhance local economic processes aimed at promoting sustainable economic growth and development.

2.10.1.3 Accelerated and Shared Growth Initiatives for South Africa (ASGISA)

Developed to successfully deal with the growth, competitiveness and development challenges experienced during the GEAR period, ASGISA was viewed as a policy that allowed the government to address the cost of doing business, which prohibited SMMEs in different municipal areas from restraining growth. ASGISA aims at speeding up economic growth and the rate of investment productive capacity, promoting participation of marginalised communities and improving the livelihood quality of the poor, as well as human development.

The argument is that the policy would broaden economic growth and development, while also recognising all three spheres of government as the crucial stakeholders in achieving high levels of growth. Other important role players in achieving accelerated growth include business, civil society and citizens. By implication, both the making and accelerating of growth are shared growth. Municipalities should, therefore, ensure ASGISA principles are included in their policies and promote participation of various stakeholders in LED (Kalane 2015).

2.10.1.4 The White Paper on Local Government (1998)

The new developmental role of local government was further expressed in the White Paper on Local Government (WPLG), which indicates that the responsibility of municipalities is to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives. In order for this to be realised, local authorities are expected to maximise social development and economic growth and ensure local economic and social conditions are favourable for the creation of employment opportunities (Nel and Binns 2018).

In addition, local government is required to take a leadership role, involving citizens and stakeholders in the development process to build social capital and to generate a sense of common purpose in finding local solutions for sustainability. Local municipalities thus have a role to play as policy-makers and as institutions of local democracy, while advised to become more strategic, visionary and influential in the way they operate (Phago and Tsoabisi 2020: 153-164).

2.10.1.5 Constitution of the Republic of South Africa (1996)

In SA, the supreme law upon which all other laws are based is the Constitution of the Republic of South Africa (Malefane 2019). The Constitution views local government as a distinctive sphere of government and mandates them to prioritise the basic needs as well as promote social and economic development of the community and participate in national and provincial development programmes.

In terms of section 152(c) of the Constitution, municipalities are required to promote social and economic development. In section 153(a), municipalities are obliged to structure and manage their administration and planning processes to give precedence to basic community needs and to promote the community's social and economic development. The Constitution requires local government to encourage the involvement of communities and community organisations in matters of local government. This implies that the Constitution promotes locality-based planning and therefore, LED is an important tool to address local economic issues and promote sustainable economic development (Malefane 2019: 156-168).

2.10.1.6 The Local Government Transition Act (1993)

The *Local Government Transition Act of 1993* and its 1996 amendment are major post-apartheid local government legislation, and they refer to LED as a municipal strategy in promoting economic and social development. The *Local Government Transition Act of 1993* states that municipalities should be open to review by concerned residents and other stakeholders within their municipal jurisdiction.

The Act further identifies that municipal change arrangement that allows for the promotion of economic development and job creation. The Act assigned various powers and functions to local governments relating to service provision and requires municipal councils to promote

integrated economic development, the equitable distribution of municipal resources and the delivery of services, with a developmental focus in mind (Nel and Binns 2018).

2.10.1.7 The Local Government, Municipal Systems Act (2000)

Municipal Systems Act 32 of 2000 requires municipalities to realise that the idea of developmental local government, through the formulation and adoption of a single and inclusive IDP, contains LED objectives. The Act assigns municipalities with the responsibility to create and promote economic development in a participatory way that allows for informed municipal decisions and strategies. IDP guide packs suggest that municipalities should be involved in formulating policies for improving their local economy.

According to the Act, LED is a means to address spatial inequalities created by apartheid planning. In terms of the Municipal Systems Act, LED represents a municipal development process that involves the mobilisation of local resources, encouraged by the need to solve local economic and social problems (Nel and Binns 2018).

2.11 PARTNERSHIPS IN LED

The international literature suggests that the creation of partnerships between local government and businesses is an important process to enhance LED (Phikiso and Tengeh 2017: 1-3). Basically, LED is about people working together at the local sphere of government to improve the local economy. The public sector has been the driver in the provision of public services in most countries up to the mid-1980s. However, in the mid-1990s the role of the public sector in development process has changed.

Currently its role is to facilitate the private sector to achieve sustainable economic development and growth (Ngowi 2019). The role of the private sector in most economies has been acknowledged for the achievement of sustainable economic development and growth. According to Ngowi (2019), the concept of Private Public Partnerships (PPPs) is an important form of cooperation between public and private organisations in public service delivery within LED. The objective is to improve public funded goods and services. PPPs in service delivery may involve the nation, provincial or local government, the private sector, NGOs, CBOs and civil society.

Since LED supports the involvement of stakeholders, both private and community sectors are well positioned to promote networks and partnerships within municipalities. Phikiso and Tengeh (2017: 1-3) stated that LED is, in essence, not the responsibility of municipalities to their people. Instead, LED is the introduction of economic development through sustainable business means such as community self-help and entrepreneurial activities. Self-help and entrepreneurial activities need local economic transformation and social inclusion through networks and partnerships. LED is, therefore, not only an action of a single organisation, but involves the collective effort of different stakeholders with a single plan and purpose. As a result, pursuing partnership and network arrangement forms an important part of strengthening LED initiatives (Breitenbach 2016).

It is posited by Phago and Tsoabisi (2020: 153-164) that the presence of a municipality does not assure the achievement of government goals, including the general improvement of the welfare of society. However, the purpose of the presence of municipality is the accessibility of municipal services to its community. Municipalities should not only be close to the community because of their constitutional mandate, but also be accessible to work together with municipal stakeholders, such as the private, public and community sectors, to make informed decisions.

The private and community sectors as municipal stakeholders play an important role in LED, in which partnership and networks can be enhanced. The private stakeholders include individual manufacturing or service sector commercial businesses, private developers, local and informal sectors, while the community sector includes individuals, CBOs and NGOs.

LED initiatives include service partnership, whereby local businesses are empowered by being given municipal service contracts. Municipalities have the responsibility to ensure that business activities are generated and people are encouraged to start their own businesses (Breitenbach 2016). According to the *Preferential Procurement Policy Act 5 of 2000*, when municipalities prepare procurement deals, the above stakeholders should be given a chance to bid for the contracts, in fact, preferences should be given to these stakeholders as opposed to those that are not within the municipal area (Phago and Tsoabisi 2020: 153-164).

The reason is that local stakeholders frequently engage with local municipalities and understand local needs and challenges. The municipal tenders and policies must favour small contractors and emerging businesses. Where these companies cannot provide the required services, steps

must be taken to motivate larger businesses to enter joint ventures with small partners. The following section focuses on the role that local government and businesses play to enhance LED.

2.12 GOVERNMENT'S ROLE IN LED IMPLEMENTATION

The sphere of local government has traditionally been seen as a subservient sphere of government in SA. Dominated by provincial and national government, local government was forced to implement development plans developed by provincial or national government. During the apartheid period, local government played an administrative role in economic development (Lekhanya 2018). After 1994, however, there was a change in the way in which local government was viewed. It was designated as a separate sphere of government that has to play a critical role in the economic development of the country. This change in the role of local government meant that LED became crucial to development planning.

The introduction of a new system of local government in SA is the product of the Constitution of South Africa (1996), WPLG (1998) and Municipal Structures Act (1998) as well as the Municipal Systems Act (2000), all of which were introduced to give guidelines to local government on how to implement sustainable ideals of developmental local government (Tshishonga and Mafema 2018: 360 -372).

The WPLG (1998) identifies the SA local government sphere as being developmental in the sense that it is committed to working with citizens and groups within communities to find sustainable ways to meet social, economic and material needs and improve the quality of their lives. Bvuma and Marnewick (2020) define developmental local government as one that puts economic development as its main priority and can formulate mechanisms to promote such objectives.

Given the new role of municipalities, there is a need for municipalities to develop LED strategies aimed at:

- creating an environment that is conducive to business establishment, growth and development;
- investing in hard infrastructure and maintenance of roads, developing, improving and expanding industrial and commercial sites and buildings;

- promoting the development of new enterprises and encouraging growth in existing enterprises to access finance, provision of business advisory services, promoting procurement policy that enhance access by emerging SMEs;
- provision of soft infrastructure such as access to finance, skills training, mentorship and developing business-focused education programmes; and
- Supporting quality of life improvement initiatives (Cogta 2014).

Tshishonga and Mafema (2018) state that municipalities realise they are one of the many actors involved in LED, even though only part of their budget is spent on direct economic development support. The importance of municipalities lies in the way they discharge their main functions and their significance as not only a source of economic opportunities but also a service that enhances enterprise-based development and competitiveness. Municipalities should play a critical role in supporting social and economic activities (Tshishonga and Mafema 2018: 360-372). Moreover, the authors maintain that municipalities should play an enabling and supportive role by providing economic activities, infrastructure and services; however, most poor communities depend on municipalities for guidance to initiate LED.

2.13 SMME ROLE IN LED

Businesses need to realise the importance of cooperation with government and civil society in LED, arranging themselves to participate in building the economy of the area concerned. Though observant of environmental management, businesses additionally need to work on extension strategies and work in collaboration with municipalities to create encouraging conditions for investment. Tshishonga and Mafema (2018: 360-372) add that larger businesses could support small business through advisory means and help to grow the economy by subcontracting to and tendering from local businesses, while developers of trading areas should ensure micro-enterprises are incorporated into their spatial planning frameworks.

In the majority developing countries such as SA, successful local economy is grounded on policy arrangements made up of diverse government institutions, the private sector, trade unions, and NGOs, as well as other players (Phago and Tsoabisi 2020: 153-164). Partnerships have been viewed as a success instrument in general, since it seems to be an organisational form of creativity, innovation and social coherence necessary for local development. However, the authors point out that networks require a certain amount of trust in developing countries such as SA, which has been destroyed due to ethical or racial pressure, lack of trust between public

and the private sector or governance issues, such as corruption or the absence of the rule of law (Phago and Tsoabisi 2020: 153-164).

Whereas the idea of SMMEs has been recognised in the SA economy, the opportunity to improve economic development and growth is immense. Municipalities in the country are faced with poverty and unemployment, which requires state involvement to improve the conditions of the poor (Phago and Tsoabisi 2020: 153-164). Therefore, the role of municipalities has to be clarified, not as business owners, but as facilitators of an environment favourable to business owned by community members. This application of the notion of SMMEs is important for the development of LED activities in the country's local government. In this regard, community expectations of SA municipalities, most specifically SMME owners, are that they become the role players in LED that create a favourable policy environment for SMME activities.

The relationship between municipal LED strategies and the existence of SMMEs should be clear, as LED strategies provide municipalities and the private sector, including SMMEs, with opportunities to work together to improve the local economy (Chalera 2017). According to Cunningham and Meyer-Stamer (2015: 4-14), the purpose of this relationship is, on the one hand, to promote competitiveness of different SMMEs, which should encourage inclusive and participatory growth for the community. On the other hand, LED is a result of local government action and improvement, as well as inclusion of national priorities and programmes in local spheres. SMME development and operations are also the result of LED strategy aimed at improving community living conditions.

Poverty and unemployment are viewed as the most disturbing challenges affecting many communities in SA (Njiro and Compagnoni 2017). SMMEs are, therefore, inextricably connected to economic growth, job creation and income generation within poor and disadvantaged communities in the country. These enterprises are purported to have the ability to create jobs for the poor and enable them to earn the income required to buy goods and services (Lekhanya 2018). SMMEs are also regarded as the primary source of tax revenue that allows governments to fund pro-poor services, such as health care, clean water and education.

In an attempt to enable the sector to perform its role effectively, several technical and financial support mechanisms were introduced in SA (Meyer-Stamer 2018; Hoeyi 2016). This support came from government institutions, parastatals, private institutions and NGOs. The principal

intention of such interventions is to achieve greater socio-economic objectives, including poverty reduction through small businesses development in the country. The section below attempts to provide literature on how SMMEs contribute to the SA economy and LED.

SMMEs, rather than large enterprises, are seen as the engine to the country's economy and LED. These enterprises, ranging in size from a business employing less than 200 people, to micro enterprises employing less than five people, are the largest source of employment and income for many SA communities and are the source of most new jobs. Thus, SMMEs are viewed as the solution to growing levels of poverty, unemployment and inequality in most rural areas and townships in the country (Cunningham, S. and Meyer-Stamer, J. 2015).

According to Phago and Tsoabisi (2020: 153-164), SMMEs in SA generate approximately 35 percent of GDP; contribute 43 percent of total salaries and wages, and employ roughly 54 percent of all private sector employees. Indeed, the development and promotion of these small enterprises could be critical in advancing the economic performance in the local and overall economy of the country. Additionally, Phago and Tsoabisi (2020: 153-164) point out that the SA white paper on Small Business and National Small Business Act both view SMMEs as the "engine for socio-economic development".

These enterprises are purported as having the ability to (Phago and Tsoabisi 2020: 153-164):

- Address high unemployment in SA as they have huge labour absorptive ability;
- Promote local competition by creating marketplaces, in which they grow by identifying new places, as they respond to demand changes and international competitiveness because of their flexibility;
- Redress inequalities created during the apartheid era in terms of patterns of economic ownership and limited career opportunities for black African employees;
- Contribute to black economic empowerment by having SMMEs initiated, owned and controlled by those who were excluded in the past; and
- Play a vital role in people's effort to meet their needs in the absence of social support systems.

Since national economies experience the predominance of SMMEs, this predominance is even more evident at the local economies (Phikiso and Tengeh 2017: 1–3). According to Kalane

(2015), SMMEs are at the centre of any LED process; regarded as the first and primary source of direct employment, income generation and innovation in their area of establishment. As Harrington (2016: 365-382) explained, the level of employment in local economies could influence a range of other standard of living conditions, such as disposable income, home foreclosure rates and new small business start-ups.

Additionally, SMMEs contribute to a significant proportion of all taxes in the local economy, such as income tax, property tax and employment tax. Thus, having more businesses in the local economy can enhance tax revenue for local governments, bringing in more revenue to repair roads, develop schools and improve public services (Phikiso and Tengeh 2017: 1–3).

There is also increasing recognition of the role SMMEs play in poverty reduction within local economies in SA (Van Der Linde 2018: 849-868). These enterprises are understood to create and sustain the jobs necessary for poor people to work and earn the income needed to purchase goods and services. Therefore, the small enterprise contributes to poverty reduction by creating employment; either through the start-up of new enterprises or the expansion of existing ones, thus providing income to the poor.

In this regard, the poor refers to individuals who own micro and small enterprises, employees, the dependents of such poor employees or owners, and the unemployed who may obtain employment from these enterprises, as well as poor people who purchase goods and services from small enterprises in the community. In most cases, poor people opt for such enterprises because they have little choice, or adequate paid employment is not available. They attempt to move out of poverty by working for themselves. The conclusion is thus that SMMEs are vital to LED.

Basically, the idea is that survivalist enterprises will firstly meet the needs of the owner and grow into micro enterprises, which will not only increase the income of the owner, but also create jobs for others. SA could achieve the goal of improving economic development and creation of wealth and employment, should the sector be prepared to improve business performance (Njiro and Compagnoni 2017: 146-166).

2.14 CONCLUSION

This chapter provided a discussion on the nature of SMMEs and the challenges they face both in SA and the international community. The concept of LED and the roles of SMMEs on LED were also discussed. It is generally accepted that SMMEs make an important contribution to any country's development. Therefore, the development and promotion of this sector is fundamental to actualising the standards they are capable of. As agents of change, municipalities should develop their local economies by incorporating SMMEs into their LED strategies. While literature is clear about the challenges faced by SMMEs in general, most studies were conducted using a sample of SMMEs in urban areas. To ensure pro-poor growth strategy in economic development, SMMEs in rural areas have to be prioritised and yet there are little studies that focussed on rural SMMEs especially in the context of South Africa. This is the gap which the current study seeks to address. The following chapter provides a discussion on the research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

In the previous chapter the literature on SMMEs was reviewed, while an overview of the research methodological procedures and techniques utilised are provided in this chapter. As explained by Rajasekar, Philominathan and Chinnathambi (2013: 5), research methodology is “the procedure by which researchers go about their work of describing, explaining, and predicting phenomena”. These procedures include data collection and data analysis. Bryman and Bell (2011) argue that the validity of the research findings depends on the quality of the data collection and analysis methods chosen to answer the questions and achieve the aim and objectives of the research. Hence, the chapter discusses the research design, data collection and data analysis techniques, with a discussion on the limitations of the study and ethical considerations also provided.

3.2 RESEARCH DESIGN

Research covers a wide range of phenomena and is the application of the scientific method in searching for the truth about a phenomenon (Zikmund, Babin, Carr and Griffin 2013). Moreover, research involves the systematic investigation of a phenomenon to develop or increase knowledge of that phenomenon (Bryman and Bell 2011). The importance of research lies in its contribution to knowledge, which is valued at various levels of social life. Throughout society, the outcomes of research are heavily relied on to form judgments, make decisions, and take actions that involve people's lives and the expenditure of valuable resources (Bryman and Bell 2011).

The research design of this study was exploratory in nature using both qualitative and quantitative techniques. This approach allows in-depth exploration of complex issues in real-life settings, with the approach well-recognised in the fields of business, law, and policy (Crowe *et al.* 2017). This method was chosen in accordance with Williams (2007), who outline that data collection is extensive and draws from multiple sources such as direct or participant observations, interviews, archival records or documents, physical artefacts, and audio-visual materials. In addition, the researcher spends time on-site interacting with the people studied.

According to Sekaran and Bougie (2010), exploratory study is undertaken when not much is known about the situation at hand, or no information is available on how similar problems or

research issues have been solved in the past. Hence, the research was also exploratory because it sought to understand the limited body of knowledge about the challenges faced by SMMEs and their contribution to LED at the ANDM. As the name implies, exploratory research is not intended to provide conclusive evidence from which to determine a particular course of action; in this case, the aim was to clarify ambiguous situations or discover ideas that may be potential business opportunities (Zikmund *et al.* 2013).

3.3 RESEARCH APPROACH

Grover (2015: 5) avers that there are three research approaches, namely qualitative, quantitative and mixed methods research. This study adopted a mixed methods research approach, which is a combination of qualitative and quantitative research.

3.3.1 Qualitative Research

Higgs, Horsfall and Grace (2009) state that qualitative research methodology is a systematic process of investigation, the general purpose of which is to contribute to the body of knowledge that shapes and guides academic practice in disciplines. It can be argued that qualitative research methodology is increasingly regarded as a powerful tool for revealing and understanding the human world. Furthermore, the rich range of qualitative research methodologies provides multiple ways of understanding the inherent complexity and variability of human behaviour and experience (Higgs *et al.* 2009).

Choy (2014: 99-104) shares the same sentiment as Higgs *et al.* (2009), stating that qualitative research methodology enables the researcher to share his/her human perception and beliefs, apply logic in practice, and conduct a detailed examination of the problem. Zikmund *et al.* (2013) noted that qualitative research is more apt to stand on its own, in the sense that it requires less interpretation. Lastly, qualitative research emphasises that the researcher takes a more personal role, generates theory (inductive approach), and collects words and images in an in-depth manner, in order to achieve a subjective description, exploration, or an empathic understanding (Fiorini, Griffiths and Houdmont 2016: 39).

3.3.2 Quantitative Research

Quantitative research addresses research objectives through empirical assessments that involve numerical measurement and analysis approaches (Castellan 2010). The author finds that

quantitative researchers are concerned with an objective reality that is out there to be discovered and the researcher is independent of that which is being researched (Castellan 2010: 1-14).

Fassinger and Morrow (2013: 75) state:

Quantitative approaches can help to provide large, representative samples of cultural communities, reliably assert cause-and-effect relationships among constructs as well as confirm or disconfirm theoretical hypotheses; and summarise numerical data in ways that are clear and persuasive to leaders and policy-makers.

Researchers who follow quantitative paradigms have been referred to as positivists and qualitative researchers engage with hermeneutics, which is considered a method of interpretation (Caruth 2013). Furthermore, quantitative researchers have often claimed that qualitative research is difficult to generalise, interpret, and duplicate. Then again, qualitative researchers have claimed that quantitative researchers utilise immaterial hypotheses and shallow descriptions (Caruth 2013: 112-122). According to Fiorini *et al.* (2016: 39), quantitative research emphasises that the researcher takes an impersonal role, tests theories (deductive approach), collects variables in a structured and validated manner, and obtains findings that can be generalised to describe numerically, predict and/or achieve causal explanations.

3.3.3 Mixed Methods Research

When the researcher combines or integrates quantitative and qualitative approaches in the design, it creates a third research model that allows using the two in an articulated and harmonic manner (Ponce and Maldonado 2015). This approach is referred to as mixed methods research. A mixed method approach is time-consuming, there is the possibility of unequal evidence, discrepancies between different types of data, and the risk participants might not be willing or able to participate in both phases (Almalki 2016).

Despite these shortcomings, mixed methods allow a researcher to view problems from multiple perspectives, in order to enhance and enrich the meaning of a singular perspective (Creswell, Klassen, Clark and Smith 2011). Small (2011) provides motivation as to why researchers employ more than one kind of data in a single study. This can be subsumed under one of two categories namely, confirmation or complimentary. Researchers have, on the one hand, used confirmatory designs when attempting to ensure their findings do not depend primarily on the

particular kind of data collected. On the other hand, researchers have used complementary designs when they are reluctant to limit the kind of knowledge gained, to that which a type of data can produce (Small 2011: 63-66).

As stated, this research was a case study and exploratory in nature. Kitchenham (2010) argues that mixed methods research works particularly well for case study research, as it allows the researcher to take the rich empirical data yielded from case studies and apply either quantitative or qualitative methods to the data. Given the exploratory nature of the study, a mixed method design was used to collect primary data. It assisted the researcher to obtain deeper insights and allowed the quantitative results to complement the qualitative findings. The researcher collected the qualitative data first, followed by the quantitative, after which data were analysed separately and the results combined to corroborate findings.

The mixed method approach was chosen relative to merely only using a qualitative or quantitative approach, because the researcher wanted to complement the strengths of a single design and gain deeper insights and enhance the understanding of the research problem. This is consistent with De Lisle (2011), who provides complementary strengths as one of the reasons to use mixed methods. The use of a mixed method also allowed the researcher to better explain, elaborate, and illustrate the research problem.

Triangulation was used in this study, where the researcher conducted semi-structured interviews, audio-recorded the sessions and took notes. Additionally, a questionnaire was used to collect quantitative data. Lawlor, Tilling and Smith (2016: 1886) define triangulation as the practice of obtaining more reliable answers to research questions through integrating results from several different approaches, where each approach has different key sources of potential bias unrelated to each other. In this study, both qualitative and quantitative techniques were used to supplement the information that might be left out from the Likert scale questionnaire.

3.4 TARGET POPULATION

A population is any complete group of entities that shares some common characteristics (Zikmund *et al.* 2013). It is a group of people from whom the researcher wants to draw a conclusion about once the research study is finished (Korb 2012). The word population in this research was not limited to the demographic meaning of an entire group of people living within a certain geographic or political boundary (Banerjee and Chaudhury 2010). The target

population for this study included owner-managers of SMMEs operating in the ANDM, which consists of four local municipalities, namely Matatiele, Mbizana, Ntabankulu and Umzimvubu, most of which were retrieved from the Alfred Nzo District Municipality database.

3.5 SAMPLING

The population is too large for the researcher to survey all its members. A small, but carefully chosen sample was thus used to represent the study population. The sample reflects the characteristics of the population from which it is drawn. Therefore, sampling is the process of selecting units from a population of interest so that by studying the sample, researchers may fairly generalise their findings back to the population from which they were chosen (Bryman and Bell 2011).

Sampling comprises two strategies, namely probability sampling and non-probability sampling. Probability sampling constitutes simple random sampling, systematic sample, stratified random sampling and multi-stage cluster sampling, whereas non-probability sampling comprises convenience sampling, snowball sampling, and quota sampling. This study utilised probability sampling design. Probability sampling is referred to as a method for selecting a subset of units from a larger set of these units (population), so that each unit or subset of units of the population has a known probability of being included in the subset or sample (Cresswell *et al.* 2011).

The researcher used a stratified sampling method, which is a commonly used probability method, superior to random sampling because it reduces sampling error (Cresswell *et al.* 2011). Prevailing lockdown regulations at the time, due to the Covid-19 pandemic, were also considered. A structured questionnaire used to gather data from participants. The questionnaire was meant to gather data mainly with regard to the elements of the study, such as innovation strategies, SME growth and performance and SME awareness in respect of the Covid- 19 relief fund. In addition, a pilot study enabled the researcher to identify vague statements and refine them for logical flow and clarity prior to administering the questionnaire.

Validity was ensured by administering the questionnaire to the researcher's supervisor, who is also an SME expert. The researcher was then given the green light to conduct the study as there were no areas of concern. Through subjecting responses to Cronbach's Coefficient Alpha computing software, which is widely used in similar studies, reliability was ensured in this study. For this study the researcher received ethical clearance from the DUT. The researcher

personally coded the responses from the questionnaire and the data were then analysed by a qualified statistician. Statistical analysis software, SPSS version 26.0 for Windows, was used to establish the characteristics of the target population.

First the population was divided into a stratum or a subset of the population that shares at least one common characteristic. The researcher then identified the relevant strata and their actual representation in the population. The strata in this study were based on type and size of business, whether small, medium or micro enterprise as well as the local municipalities in which they are situated. Random sampling was then used to select a sufficient number of subjects from each stratum. The term ‘sufficient’ refers to a sample size large enough for the researcher to be reasonably confident that the stratum represents the population. The non-probability purposive sampling method was also used to accommodate the qualitative approach in this study. Cresswell *et al.* (2011) state that a purposive sampling method has the advantage that the researcher may use his/her knowledge, skills and experience to select appropriate participants for the study.

A sample of 265 SMMEs was deemed sufficient for the research to represent the target population and draw general conclusions. Based on the quality of questionnaire feedback, ten participants were purposively chosen from the main sample to participate in semi-structured interviews. In choosing these participants the following aspects were considered:

- All classes of SMMEs were incorporated.
- Predominant types of SMMEs across all municipalities in the ANDM were prioritised.

Table 3.1 illustrates the target population distribution according to the local municipalities in the ANDM.

Table 3.1: Target sample according to local municipalities in the ANDM

Local Municipality	Targeted SMMEs
Matatiele Local Municipality	66
Mbizana Local Municipality	66
Ntabankulu Local Municipality	66
Umzimvubu Local Municipality	67
Total	265

Source: Compiled by author

The targeted SMMEs across all municipalities in the ANDM include, among others:

- Spaza Shops
- Vendors
- Subsistence Agriculture
- Mini-bus taxis
- Bricklaying
- Artisan
- Plumbing
- Electrician
- Vehicle repair
- Tavern
- Dressmaker
- Hair dressing
- General dealer
- Construction
- Retailing
- Mining
- Manufacturing
- Commercial farming
- Goods transport

3.6 DATA COLLECTION METHODS

Data collection is a process of gathering facts presented to the researcher from the study environment (Blumberg, Cooper and Schindler 2008). The data collection methods that worked best under this study were semi-structured interviews and a questionnaire, therefore, data collected included primary sources. According to Harris and Brown (2010: 1-9), structured questionnaires and semi-structured interviews are often used in mixed method studies to generate confirmatory results, despite differences in methods of data collection, analysis, and interpretation.

The aim of using a questionnaire is to achieve common meaning through the exchange of questions and answers. This can be achieved by asking questions in the simplest form possible,

ensuring the questions are clear, precise, unambiguous, and as intelligible as possible (Hurry 2014). Nevertheless, the value of using semi-structured interviews is to build a holistic snapshot, analyse words, report detailed views of informants, but most importantly, enable the interviewees to speak in their own voice and express their own thoughts and feelings (Alshenqeeti 2014: 39-45). The study used the following data collection methods:

3.6.1 Semi-structured interviews

Semi-structured interviews were used and designed to bring some preliminary issues to the surface. They allowed the researcher to determine what variables needed further, in-depth investigation. This type of interview explores the participant's own perceptions and accounts in detail. Semi-structured interviews are often preceded by observation, informal and unstructured interviewing, in order to allow the researcher to develop a keen understanding of the topic of interest, necessary for developing relevant and meaningful semi-structured questions (Northcote 2012: 98-110).

It is generally best to record interviews and later transcribe these audio recordings for analysis. Data collected during semi-structured interviews were recorded on the researcher's smartphone, along with separate notes that were also made. Original comments, observations, and feelings were reconstructed. Furthermore, patterns were explored. Interviews were 15-25 minutes long.

Documentation and recordings were crucial to this study for the following reasons:

- Keeping track of what was a rapidly growing volume of notes, audio recordings, and documents.
- Providing a way of developing and outlining the analytic process.

Semi-structured interviews were able to extract more information and led to an in-depth discussion with participants. Furthermore, there was the flexibility to probe questions under interviews, thus allowing the researcher to fully obtain responses to all questions asked (Murgan 2015).

3.6.2 Questionnaire

A questionnaire was designed to measure perceptions and attitudes of SMME owners regarding the challenges they are facing and their contribution towards LED at the ANDM, thereby giving the researcher an opportunity to compare the data collected. It has been observed that the

independence and quality of opinion of each participant, guaranteed by the questionnaire, helps tremendously to enhance the reliability of data (Murgan 2015: 226-274).

A questionnaire can only produce valid and meaningful results when the questions are clear and precise and when asked consistently across all participants. Therefore, careful consideration needs to be given to the design of the questionnaire (Mathers, Fox and Hunn 2009). Sansoni (2011) defines a questionnaire as a document designed with the purpose of seeking specific information from the participants and is best used with literate people (assessed readability level). The questionnaire used by the researcher in this study included closed-ended questions. The reason behind including this type of question is that they are easy to administer, easily coded and analysed, allow comparisons and quantification, and are more likely to produce fully completed questionnaires, while avoiding irrelevant responses.

A Likert scaled range of responses was used to allow participants to rate how strongly they agree or disagree with carefully constructed statements, with responses ranging from positive to very negative attitudes towards some of them. The disadvantages of a Likert scale are that true attitude cannot be effectively measured because of limited responses, there is no elaboration on the discussion, and when early questions influence responses to any further questions, people tend to ignore these (LaMarca 2011). However, this scale was chosen because it offered the advantage of enabling the researcher to manipulate the data mathematically and apply various techniques in its analysis (Shayamunda 2015).

3.7 RELIABILITY AND VALIDITY

To ensure the researcher had not overlooked some important dimensions and elements, it was worthwhile to develop reliable and valid measures. Validity refers to the extent to which a test measures what it says it measures, whereas, reliability refers to the degree to which a measurement and procedure can be replicated or can produce the same results consistently, over time, in different studies (Bryman and Bell 2011). However, as explained by Singh (2014), some qualitative researchers have argued that the term validity is not applicable to qualitative research while, at the same time, realising the need for some kind of measure for their research.

Reliability was maintained by minimising sources of measurement errors and bias. This was done by the researcher having no influence on participant answers or opinions. In making sure the findings were reliable, the researcher had to overcome the following bias and errors:

- Participant bias: to overcome this bias the researcher always ensured the anonymity of participants during the interview process.
- Interview bias: to overcome this problem, the researcher made fewer comments and non-verbal expressions, in order for the researcher to not influence the way interviewees responded to questions asked.
- Participant error: the researcher minimised this problem by conducting interviews whenever the participant was ready to respond to questions.

To measure the validity of the findings in this study, content validity was used. Content validity refers to the degree that a measure covers the domain of interest. To this end, interview questions and the questionnaire were sent to the supervisor of this dissertation who offered expert opinion. Furthermore, a pilot study was conducted with two participants who completed the questionnaire and participated in the interviews. These participants were not included in the main study. Based on the expert comments from the supervisor and the results of the pilot study, unclear and obscure questions were revised and complex items reworded. In addition, content validity was maintained by constructing questions based on the information gathered during the literature review.

To help and improve reliability and validity, the researcher adopted the following techniques and considerations, suggested by Alshenqeeti (2014: 39-45):

- avoid asking leading questions;
- minimise the attitude, views, and prospects of the interviewer;
- minimise the tendency to seek answers that lead to the researcher's own preconceived notions;
- take notes, do not just depend on tape recorders; and
- give an interviewee a chance to sum up and clarify the points they have made.

3.8 PILOT STUDY

Justino (2015) defines a pilot study as a small study that utilises a prototype of the research instrument, with the objective to test the asserted variables prior to the larger study being conducted. Bryman and Bell (2011) indicate that piloting has a role of ensuring that the research

instrument functions well. This helped to test the interview guide and the quality of the questionnaire.

The pilot study was conducted using two participants (a vendor and a retailer), who did not form part of the main study, although they were selected from the ANDM. Both interviews took place in the participant's workplaces, lasting between 20 and 25 minutes. The retailer has been in the market for 17 years and now has six employees in his shop. The vendor has been in operation for ten years as a one-man owned business.

The interview guide provided guidance on which questions to be asked. The researcher had to restructure the questions to be easily understood in the participant's language (isiXhosa language). Van der Linde (2018: 849-868) revealed that a qualitative research method allows data collection in the spoken language, through observation and in writing. This process has provided an insight into challenges relating to the recruitment of participants and existing deficiencies of the interview guide. This has also been vital in identifying the need to change and adjust some questions. In terms of the questionnaire, all the questions were understood and attempted. Overall, the pilot study went smoothly with no major interruptions. The pre-determined questions helped to answer the research questions.

3.9 DATA ANALYSIS

Blumberg *et al.* (2008) define data analysis as reducing accumulated data to a manageable amount, developing summaries, looking for patterns, and applying statistical techniques. Moreover, data analysis is the application of reasoning to understand data that has been gathered in its simplest form (Zikmund *et al.* 2013). Basic data analysis begins with a close reading of the data. To achieve this, the researcher read the data repeatedly.

3.9.1 Thematic Analysis

A thematic analysis technique was used to analyse data gathered through semi-structured interviews. Thematic analysis involves a thorough reading of collected data, identifying key areas of focus, and categorising information to make a conclusive analysis (Quinlan 2011). Data collected from the field were raw, in other words, data were unedited and gathered from participants in the exact form provided by the participant (verbatim). Prior to uploading the transcripts into the NVivo software, the following activities were performed: data editing, coding, data filing, and error checking. NVivo is designed to help the researcher organise,

analyse, and find insights in unstructured, or qualitative data, such as interviews, open-ended survey responses, articles, social media, and web content (QSR International 2016).

3.9.2 Descriptive statistics

Data gathered from completed questionnaires were analysed using descriptive data analysis. Descriptive statistics are used to describe variables in the data using percentages, ratios, ranges, averages, and standard deviations (Quinlan 2011). Used to describe the basic features of the data in a study, descriptive statistics provide simple summaries with regard to the sample and the measures (Trochim 2006).

3.10 ETHICAL CONSIDERATIONS

Rajaram (2017) describes ethics as sensitivity to the right of others. To render the study ethical, the rights of participants to self-determination, anonymity, confidentiality, and informed consent were observed. Written permission to conduct the research study was obtained from DUT.

3.10.1 Informed consent

The researcher handed out the covering letter detailing the purpose of the study and verbally explained the process to participants, along with its methods and possible risks. The researcher therefore took measures to eliminate the risk, thereby ensuring participants comprehend the information and make an informed decision whether to participate in the study or not (Rajaram 2017). As a general principle, the study involved only participants informed about the study who participated voluntarily.

The use of voice recording during interviews was discussed with participants, affording them an opportunity to voluntarily participate in the study. Participants were assured that the recordings were to be transferred to the researcher's personal laptop and kept in a password protected folder until the researcher attains his degree, then permanently erased. This view is supported by Polonsky and Waller (2018) who confirm that tapes may be erased once the data has been transcribed.

3.10.2 Ensuring participants are free from harm

The researcher took precautionary measures to ensure there was no room for any sort of harm related to the research. Bryman and Bell (2011) indicate that research, which is likely to harm

participants, is regarded by most people as unacceptable. Flick (2011) supports the view that the risk of harm for participants is a major ethical issue in social research. According to Bryman and Bell (2011), harm can entail several facets: physical harm, harm to participant development or esteem; stress; harm to career prospects or future employment; and inducing subjects to perform reprehensible acts. Participants were guaranteed verbally and using a covering letter that the identities of and records of individuals and organisations would be maintained as confidential.

3.10.3 Confidentiality and Anonymity

The researcher assured participants with regard to the confidentiality of responses provided by them, as well as the anonymity of their identities. According to Rajaram (2017), anonymity is when the identities of participants are not disclosed; this helps to protect participants from any harm related to research. The issue of harm to participants is addressed in ethical codes by advocating care over maintaining the confidentiality of records and anonymity. The issue applies in instances where research involves several participants in a specific, very small setting (Flick 2011). Participants were assured that their participation in the study was strictly confidential and will remain anonymous.

However, the researcher considered that although protecting the anonymity of research participants is considered an integral feature of ethical research, there could be circumstances wherein research participants do not wish to remain anonymous, as making their identity explicit is an important way of retaining ownership of their stories (Bryman and Bell 2011). Where confidentiality and anonymity are requested, this will be honoured, with neither such participants nor organisations disclosed. The data collected during the study will not be used for any non-research purpose (Bryman and Bell 2011).

3.10.4 Ensuring that permission is obtained

The letter requesting permission to conduct a study was obtained from DUT, with the letter attached as annexure to the study. The above, elemental, ethical principles were adhered to and the researcher ensured the study was undertaken in an ethical and acceptable manner.

3.11 CONCLUSION

A mixed methods research methodology was chosen for this study, as it was an ideal mechanism to examine the experiences and perceptions of the challenges faced by SMMEs and their

contribution towards LED of the ANDM. Since the researcher ventured into a topic that has not been empirically explored at the ANDM, an exploratory case study research design was appropriate, as the researcher wanted to add new information to the existing body of knowledge. This research design was useful because it explored often neglected areas and yet, are important to an organisation, thereby allowing the researcher to better comprehend the nature of the problem.

CHAPTER FOUR: RESULTS PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

The previous chapter illustrated the research methods and techniques used by the researcher. The current chapter presents an analysis of participant responses to the semi-structured questions and questionnaire. The research results presented in this chapter are the product of the research questions and objectives highlighted in Chapter One. Qualitative data collected was analysed, using thematic analysis, whereas data collected from administering the questionnaire were analysed using descriptive statistics.

4.2 RESPONSE RATE

The response rate for the questionnaire was 92.45 percent.

Table 4.1: Response rate to questionnaire

TYPE OF SMMEs	QUESTIONNAIRE	
	Targeted Sample	Number of participants
Spaza Shops	15	15
Vendors	15	15
Subsistence Agriculture	15	15
Mini-bus taxis	15	15
Bricklaying	15	15
Artisan	10	10
Plumbing	10	10
Electrician	10	10
Vehicle repair	15	15
Tavern	15	15
Dress maker	15	15
Hair dressing	15	15
General dealer	15	15
Construction	10	6
Retailing	15	15
Mining	10	3
Manufacturing	10	4
Commercial farming	10	4
Goods transport	15	13
Others	15	15
Total	265	245

Source: Compiled by Author

The sample of this study was dynamic and heterogeneous, with participants from different lines of business, backgrounds and professions. The range shown (Table 4.1) indicates that information gathered regarding SMMEs at the ANDM covered all types of SMMEs across the district. Therefore, the researcher was provided with an overall view of the nature, challenges and contribution of SMMEs at the ANDM.

The second aspect evaluated was that of reliability of the questionnaire and by extension, the data. This was achieved by calculating the Cronbach's Alpha measure; usually accepted as a defensible statistical measure of reliability. There is a generally held premise that when an instrument, such as a questionnaire, and the data it procures are found to be statistically significant, the validity of the data can also be presumed. The rebuttable presumption is therefore that only valid data will produce an acceptable level of reliability.

Table 4.2: Cronbach's Alpha reliability statistic for entire questionnaire

Cronbach's Alpha	N
0.87	245

Source: Author's estimation using SPSS version 25

It is clear from the finding of a Cronbach's Alpha statistic of 0.87 that the statistical reliability of the research questionnaire and therefore, data procured by it, can be accepted as being reliable because the Alpha statistic is above the threshold of 0.8, which is generally regarded as the lowest acceptable level of reliability.

Based on this finding of a Cronbach's Alpha value in excess of the threshold, the research questions and therefore, the research questionnaire, are reliable and the findings of the investigation are scientifically defensible. Concomitantly, the conclusions drawn from these findings can, in fact, be extrapolated to the research population with some confidence. The small number of coefficients found to be marginally below the minimum threshold can safely be said to be so small as to be relatively insignificant, and can also be said with some certainty not to have affected the findings or reliability adversely.

Having determined that the data collected by means of the research questionnaire was reliable and after having found by means of *prima facie* evaluation that the sample was, at least

numerically, representative of the research population, it was considered necessary to determine the statistical adequacy of the research sample, in order to accept the representativity of the research sample. This was achieved calculating the Kaizer-Meyer-Olkin (KMO) measure of sampling adequacy, which was found to be 0.782. Whereas the lowest threshold for sampling adequacy is generally held to be 0.70, it can be concluded with some degree of certainty that the sample size and structure were adequate.

Table 4.3: KMO and Bartlett’s test for sphericity for all questions in the questionnaire

Kaizer-Meyer-Olkin measure of sampling adequacy	0.782
Bartlett’s test of sphericity: Approximate Chi-square	12.416
df	6
Significance level	0.05

Source: Author’s estimation using SPSS v. 25

This suggests that the data collected from this sample is, at least statistically, valid and reliable and therefore, the findings extracted from this data and the conclusions drawn from these findings, are scientifically defensible. When this statistical finding is read together with that of a Cronbach’s Alpha measure of 0.87, which equally suggests statistical reliability, it suggests an acceptable level of scientific defensibility of the conclusions drawn from the investigation.

The final statistical measure calculated with the view to extracting initial meaning from the raw data collected, was the Chi-square measure of the premise of a positive association between the variables being investigated, as well as the direction and strength of any such association. The finding of the Chi-square measure of association of 12.416 suggests a strong, positive, causal association or relationship between the variables, in other words, the strength and direction of the association found indicates the association is not due to chance.

4.3 PRESENTATION OF QUESTIONNAIRE RESULTS

This section contains quantitative findings derived from conducting questionnaire sessions. The findings are presented in accordance with the questionnaire in Appendix C.

4.3.1 Demographics of the participants

This section presents the results on participants’ demographic information according to gender, race, age, educational status and geographical location, in terms of local municipalities.

4.3.1.1 Gender of the participants

The gender composition of SMME ownership at the ANDM (Figure 4.1) indicates that 65 percent of the surveyed participants are male, while 35 percent are female. In general, male-owned SMMEs are more numerous than female owned SMMEs. This finding is consistent with research on gender-based SMME ownership in SA, where men dominate as entrepreneurs. The findings reflect the traditional African profile, wherein women are found to be interested in SMMEs only when there is a need, as opposed to men, who take part in SMMEs to make use of opportunities in the market.

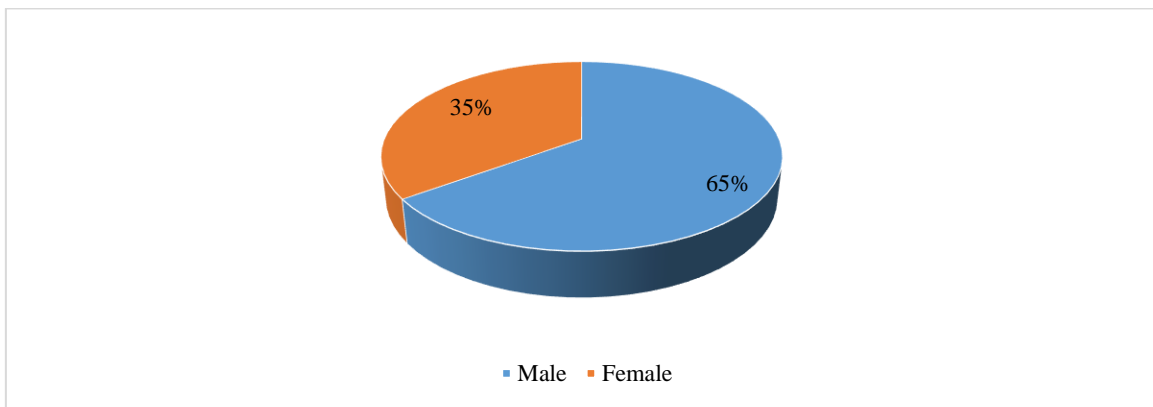


Figure 4.1: Gender composition of SMME ownership at the ANDM

4.3.1.2 Race of the participants

In terms of race, 95.92 percent of the surveyed SMMEs are black Africans, 1.57 percent are white and 2.45 percent are Indians (Figure 4.2). These results indicate that black Africans constitute a large proportion of individuals engaged in SMMEs at the ANDM.

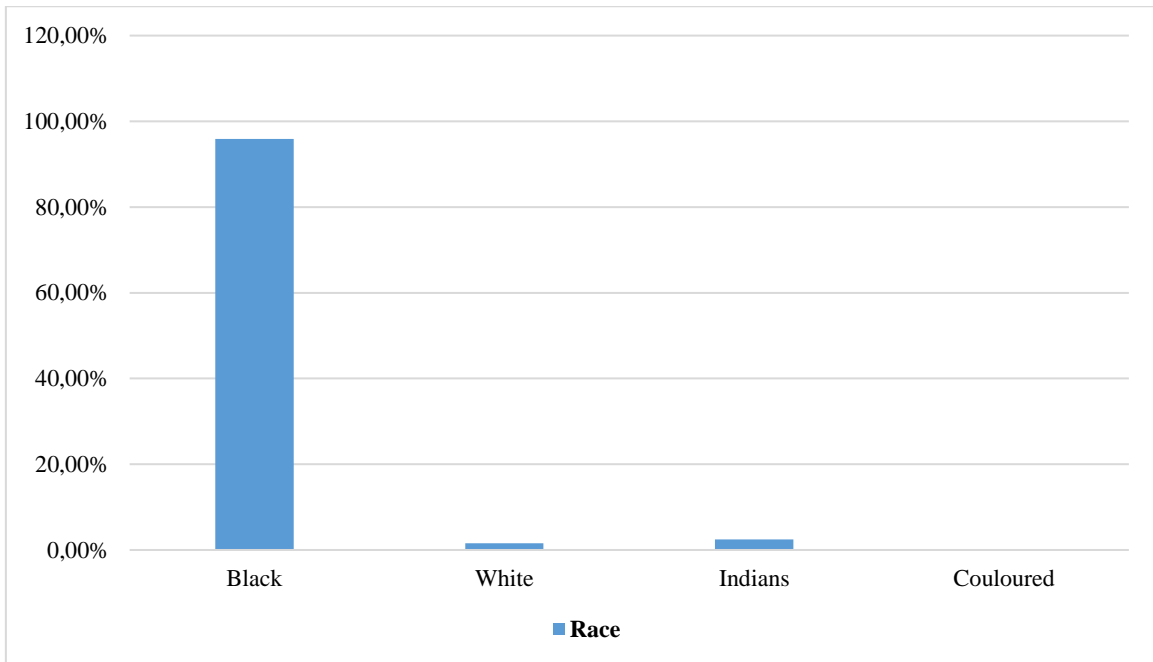


Figure 4.2: Race composition of SMME ownership at the ANDM

4.3.1.3 Age of the participants

The results show that 44.9 percent of SMME owners are aged between 30 and 39 years, 34.69 percent are aged between 16 and 29 years and the rest fall within the category of 40-59 years. These findings indicate that the majority of SMME owners are young entrepreneurs. Based on these findings, it can be argued that SMMEs are a source of employment for youths.

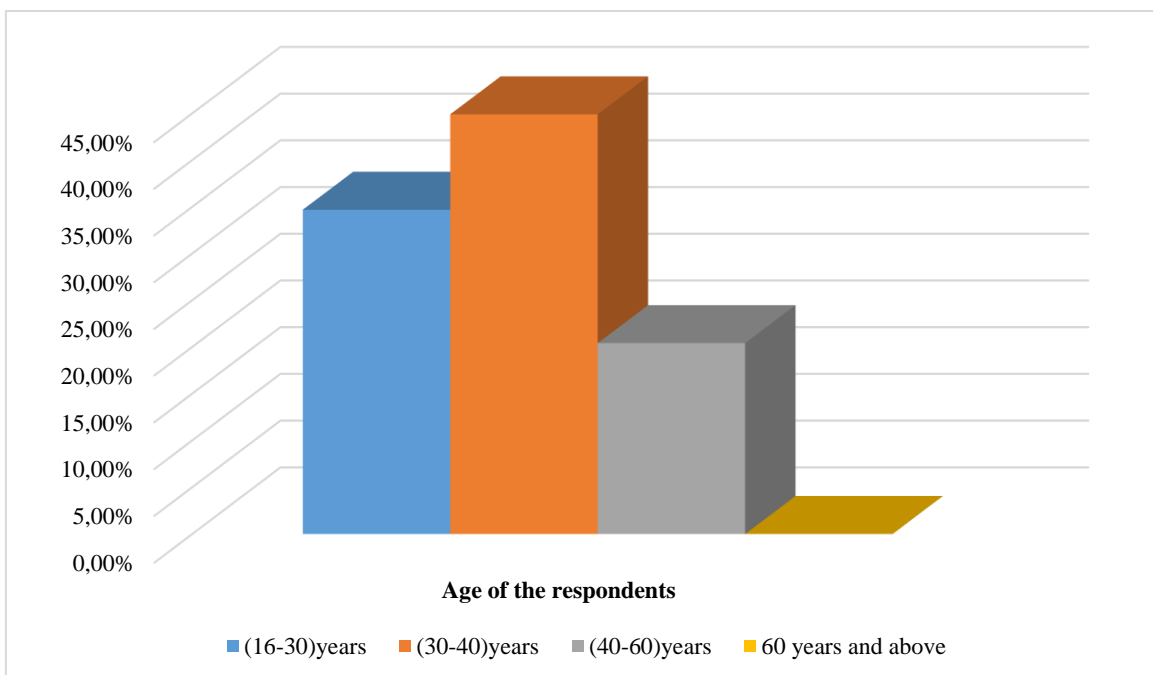


Figure 4.3: Age composition of SMMES ownership at the ANDM

4.3.1.4 Education status of SMMEs owners

The results show that 51.02 percent of the surveyed SMME owners have matriculated, 14.29 percent have achieved a national certificate, 11.02 percent have diplomas and 4.49 percent have degrees. Some participants (15.10 percent) indicated that they completed short-term professional courses. Those with a primary education only constitute the smallest segment of the sample (4.08 percent). Based on these findings, the notion that SMME owners are characterised by a poor education is disputed in this study.

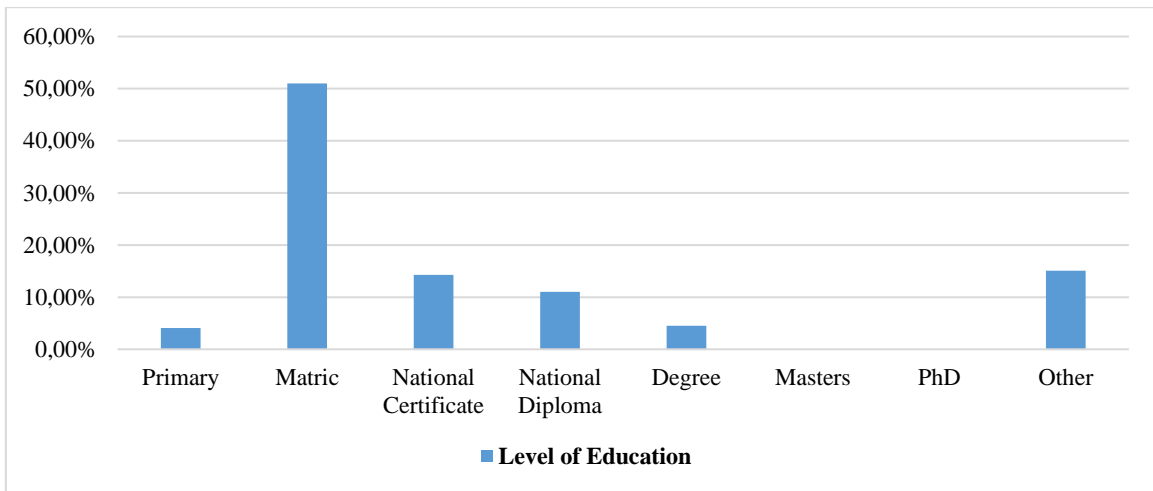


Figure 4.4: Education status of SMMEs ownership at the ANDM

4.3.1.5 Distribution of participants

Table 4.4 shows that the survey was fairly distributed across all local municipalities within the parameters of the ANDM.

Table 4.4: Distribution of participants

Local Municipality	Response Frequency
Matatiele Local Municipality	61
Mbizana Local Municipality	61
Ntabankulu Local Municipality	61
Umzimvubu Local Municipality	62
Total	245

4.3.2 Nature of SMMEs at the ANDM

This section analyses the classification and features of SMMEs at the ANDM. In line with literature, SMMEs in this study were classified based on the total number of employees and total annual turnover. The analysis relating to the characteristics included aspects such as the type of the enterprise, their sectoral distribution, qualification required for employment and motives for setting up the SMMEs in the area.

4.3.2.1 Number of employees

Study findings (Figure 4.5) indicate that 59.18 percent of the surveyed SMMEs had less than five employees, 16.33 percent had six to nine employees, nine percent had 10-19 employees, 8.16 percent had 20-49 employees and 7.45 percent had 50-200 employees. According to Bvuma and Marnewick (2020), SMMEs can be classified into five categories namely: survivalist, micro, very small, and small, as well as medium. Literature suggests that this classification is based on the number of employees. Thus, survivalist SMMEs have less than five employees, micro SMMEs have six to nine employees, very small SMMEs have 10-19 employees, and small SMMEs have 20-49 employees, while medium SMMEs have 50-200 employees. The results, therefore, indicate that survivalist and micro SMMEs dominate the SMME sector in the ANDM.

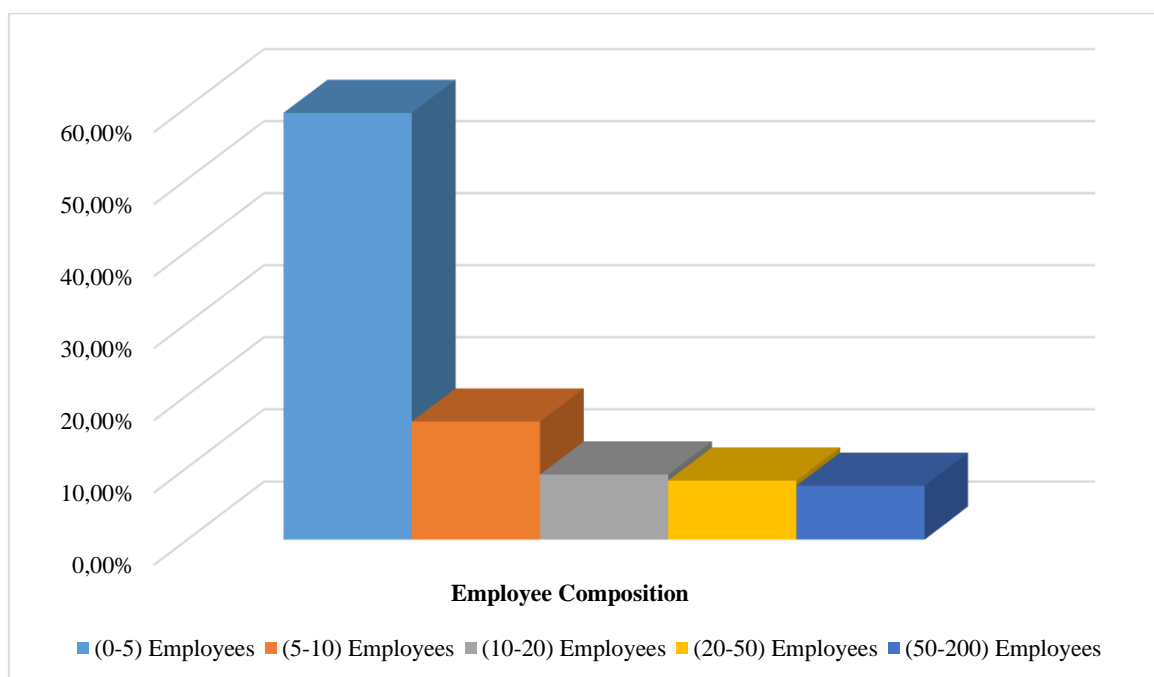


Figure 4.5: Employee composition of SMMEs at the ANDM

4.3.2.2 Annual turnover

Literature also suggests that SMMEs can be classified based on their annual turnover. According to Bvuma and Marnewick (2020), the annual turnover of survivalist SMMEs does not exceed R150 000, that of micro-SMMEs ranges between R150 000-R500 000 and R500 000 to R1 million for very small SMMEs. Small SMMEs attain annual turnover that ranges between R1 million and R25 million, while that of medium SMMEs ranges between R25 million and R50 million. These ranges concur with the annual turnovers stipulated in the SA SBA 102 of 1996. In line with the results of the classification based on the number of employees (section 4.3.2.1), classification of SMMEs using their annual turnover indicates that the majority (61.45 percent) of the SMMEs are survivalists, followed by micro (17.14 percent), very small (7.90 percent), small (7.33 percent) and medium (6.18 percent).

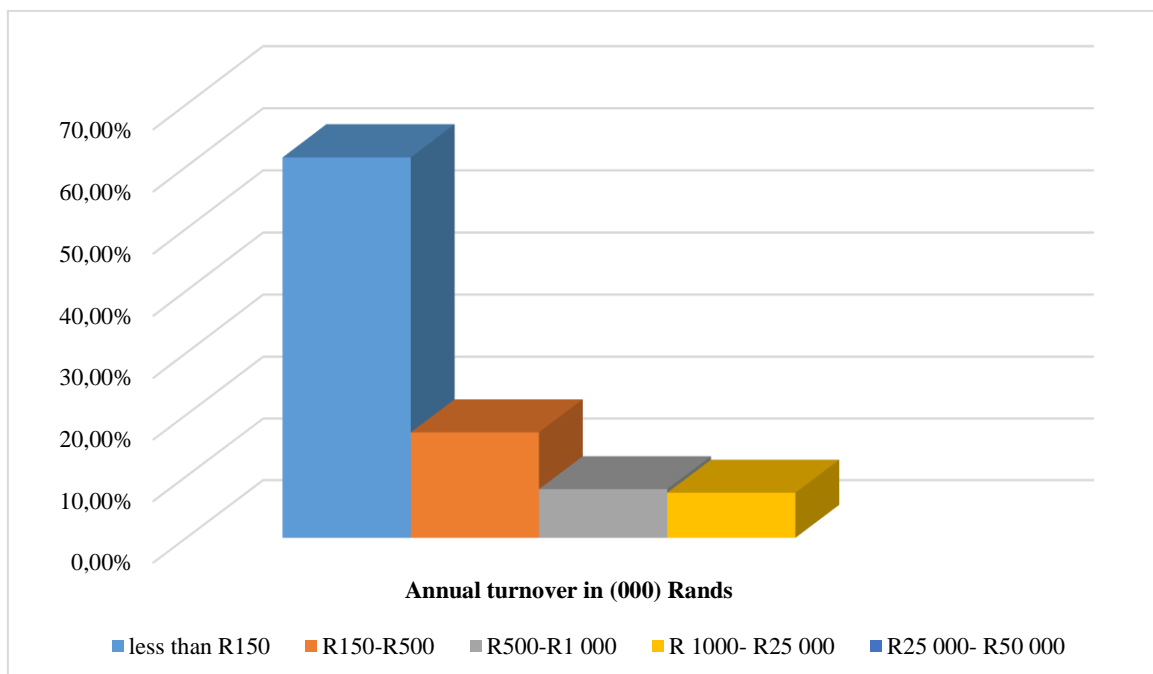


Figure 4.6: Annual turnover of SMMEs at ANDM

4.3.2.3 Registration

In terms of registration, the results of this study show that 80 percent of the surveyed SMMEs are not registered as companies, while 20 percent are registered. According to literature (Phikiso and Tengeh 2017), SMMEs operate either formally or informally. Unlike informal SMMEs, formal SMMEs are registered, pay tax and comply with legislation. Based on the results of this study, it can be argued that the majority of SMMEs at ANDM operate in the informal sector and therefore, neither pay tax nor comply with legislation.

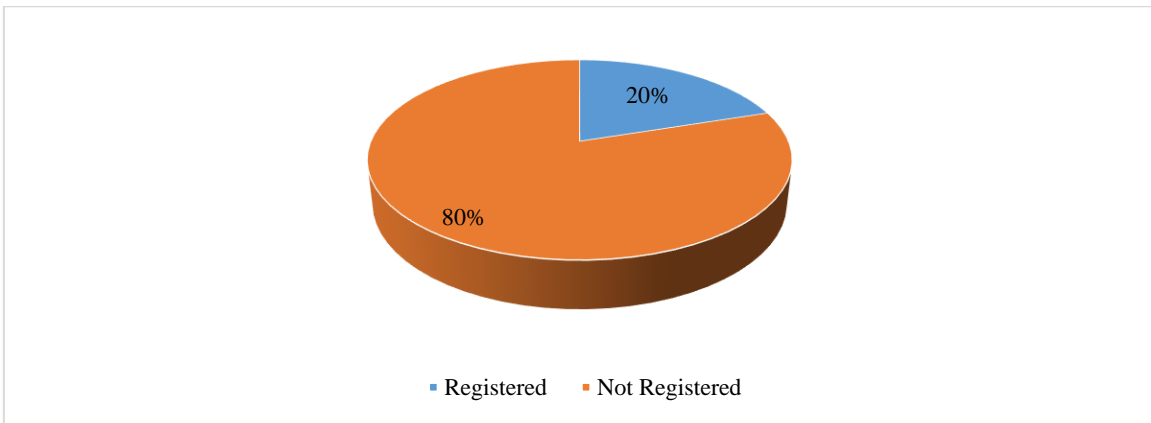


Figure 4.7: Registration status of the SMMEs at the ANDM

4.3.2.4 Qualifications required for operating SMMEs

In general, education is perceived as a prerequisite of entrepreneurship start-up and development. SMMEs too are subject to the same notion. The majority (63 percent) of the surveyed SMMEs owners indicated that matric is the basic qualification required for operating SMMEs. Some SMMEs owners (17 percent) were of the view that other professional qualifications are required, while others (13 percent) indicated that operating SMMEs does not require any qualification. Only seven percent of the participants indicated that tertiary education is required for operating SMMEs.

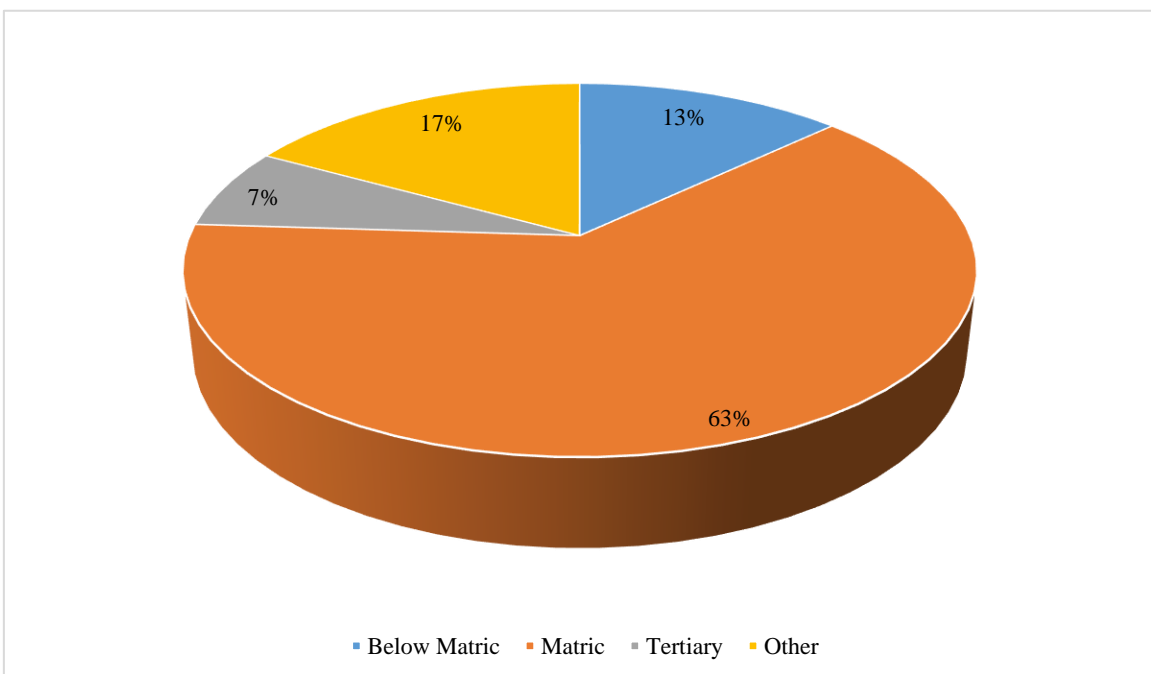


Figure 4.8: Qualifications required to operate SMMEs

4.3.2.5 Motives for setting up SMMEs

A larger proportion of the sample (62.50 percent) indicated that they started operating SMMEs because of unemployment. These are predominantly survivalist and micro-SMMEs operated by youths and those aged between 16 and 40 years. This finding cements the argument that SMMEs are a source of employment for the young generation. Some indicated they inherited from their families (15.73 percent) while others were motivated by market opportunities (11.03 percent). These are mostly small and medium SMMEs. Only a small proportion of the sample indicated that they started SMMEs to supplement their disposable income (6.24 percent) and as a result of retrenchment (4.50 percent). However, this finding implies that SMMEs are a source of income both to the unemployed and as employment.

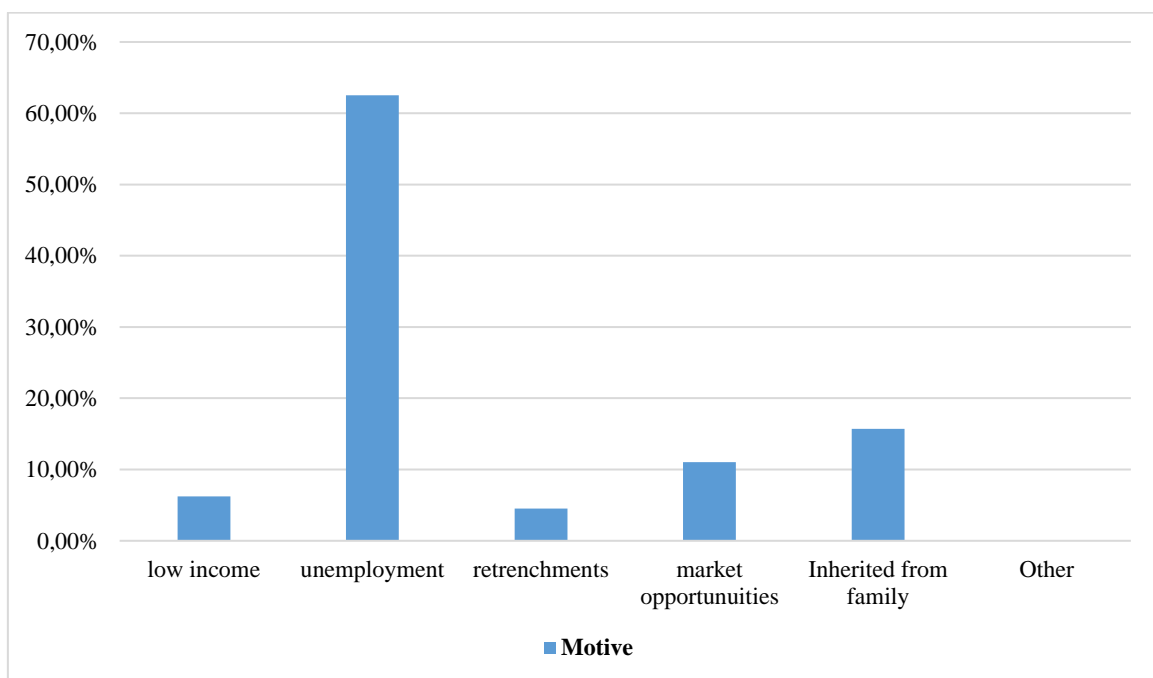


Figure 4.9: Motives for setting up SMMEs

4.3.2.6 Operation time span

Duration of operation in the SMME sector were gathered to determine both the experience of SMME owners and the establishment of SMMEs. The results (Table 4.10) indicate that most SMMEs (81.62 percent) have a long operating period of at least five years. Although a small proportion of the sample (18.38 percent) had existed for only three to five years, none of SMMEs surveyed had an operational history of less than three years. These findings indicate that the surveyed SMME owners had considerable experience in their line of business and are representative of entrepreneurship business.

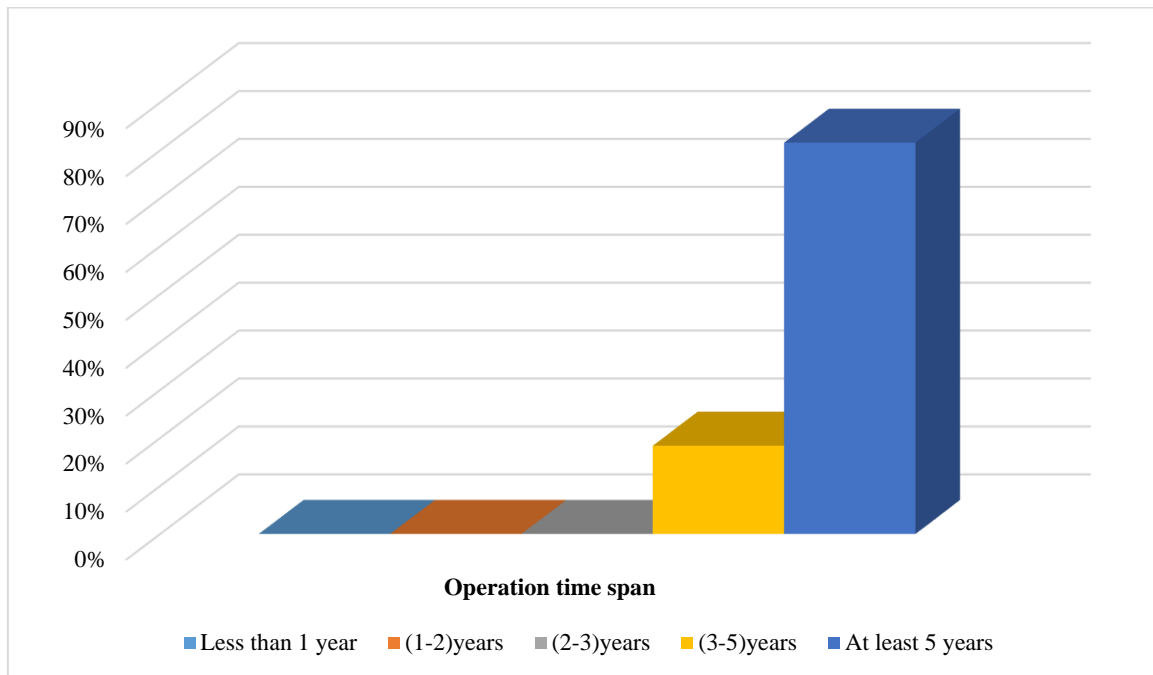


Figure 4.10: Operation time span

4.3.3 Challenges faced by SMMEs in the ANDM

The results (Table 4.5) show that limited access to finance and lack of public infrastructure services are the top challenges with a high impact on the success of SMMEs at the ANDM. Furthermore, the results also indicate that these challenges are experienced more by survivalist and micro SMMEs. It can, therefore, be urged that survivalist and micro SMMEs lack collateral security and proper financial records to access funds from financial institutions. In addition, since survivalist and micro-SMMEs have less annual turnover, their savings are deemed inadequate to acquire or build infrastructure for their operations.

Participants who were highly impacted by taxation, government regulations and cost of technology challenges reflect the composition of SMMEs that operate in the formal sector (Figure 4.7). Accordingly, taxation and government regulations levied to registered SMMEs can be thought of as being harsh and stringent relative to their capacity. In terms of technology, the cost might be high relative to their income. Market competition is another challenge with significant impact on the progress of SMMEs, while crime and market access have a moderate impact. This implies limited barriers to entry into the SMME market; however, this can be argued as a pro for the informal SMME sector.

In line with the results of qualifications required for employment in SMMEs (Figure 4.8), the majority participants indicated lack of business management skills does not significantly impact the success of their SMMEs. However, to some extent, it can be argued this finding relates to non-technical SMMEs.

Table 4.5: Challenges faced by SMMEs at the ANDM

Challenges faced by SMMEs at Alfred Nzo District Municipality		Frequency distribution		
		Low	Medium	High
Question 1	Limited access to finance		6.50%	93.50%
Question 2	Limited access to market	56.25%	37.50%	6.25%
Question 3	Market Competition		43.75%	56.25%
Question 4	Lack of business management skills	68.75%	18.24%	13.01%
Question 5	Lack public infrastructure services	2.73%	7.94%	89.33%
Question 6	Crime	31.60%	55.30%	13.10%
Question 7	Tax	80.00%		20.00%
Question 8	Government regulations	78.91%		21.09%
Question 9	Cost of technology	78.80%	2.09%	19.11%

Other challenges highlighted by participants include the lack of government support, which is in line with the findings illustrated (Figure 4.11). Most participants (85.71 percent) highlighted they do not receive support from their local municipalities.

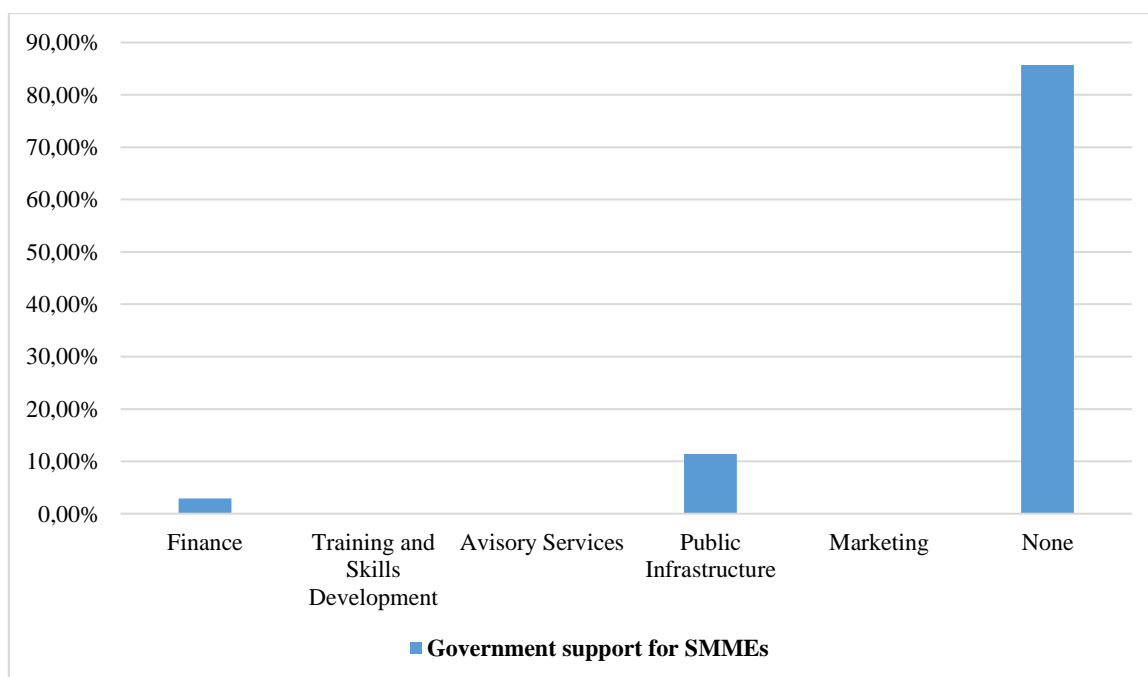


Figure 4.11: Municipal Support for SMMEs at the ANDM

4.3.4 Participant perceptions of LED

The concept of LED, as described by various institutions and governments internationally and locally, varies considerably. Driven dynamism, consisting of a set of elements, reflects the absence of a single theory or understanding. However, there is general consensus on what LED is, both as a product and a mechanism, which mainly stresses the use by stakeholders, including private sectors such as SMMEs, of local resources for local growth. Participant opinions of LED as the main player are illustrated (Figure 4.12). The results indicate that the majority (86.25 percent) of the surveyed participants understand the meaning of LED, however, the fact that only a small proportion of the participants (11.33 percent) participated in local economic planning forums, is disappointing.

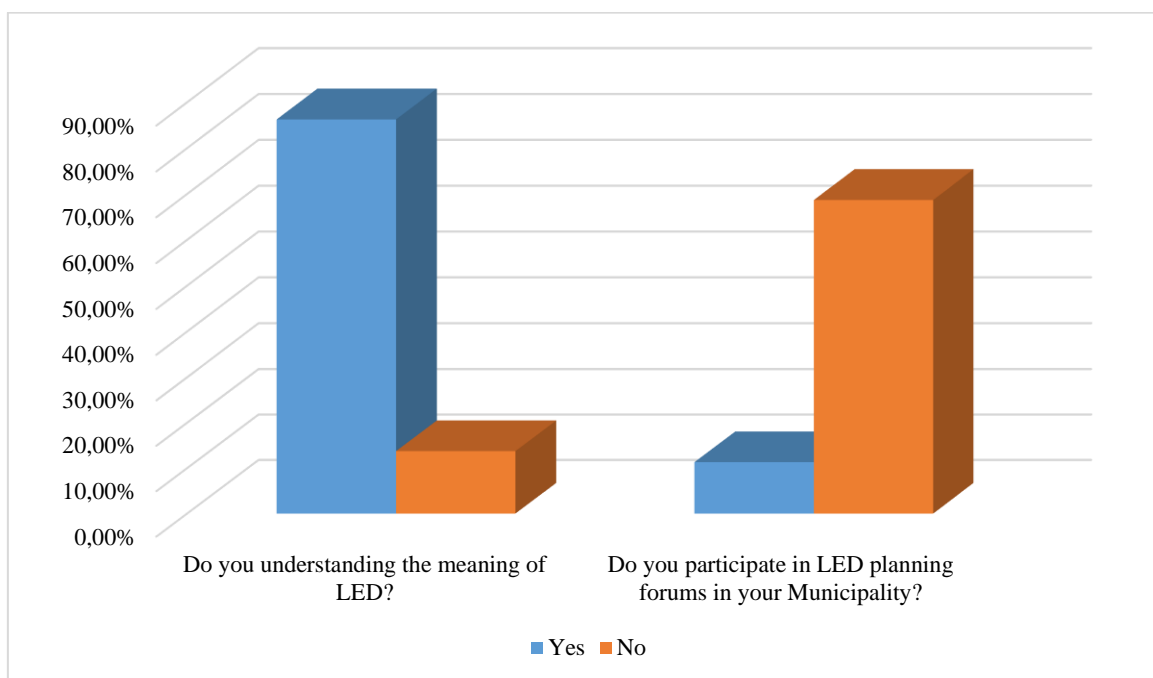


Figure 4.12: Participant perceptions of LED

4.3.4.1 SMMEs partnership

In LED initiatives, partnerships are not only considered an essential, but also an absolute necessity. SMMEs are supposed to partner amongst themselves and with large corporations through the supply chain to improve the local economy. Partnerships can improve the capacity of SMMEs, minimise competition and therefore help SMMEs to grow independently. However, it appears as if SMMEs at the ANDM do not appreciate the concept of partnering with other businesses, with a larger proportion of the sample (81.27 percent) that indicated they do not

work in partnership with other stakeholders in the area to improve their operations. These are mostly survivalist, micro and very small SMMEs.

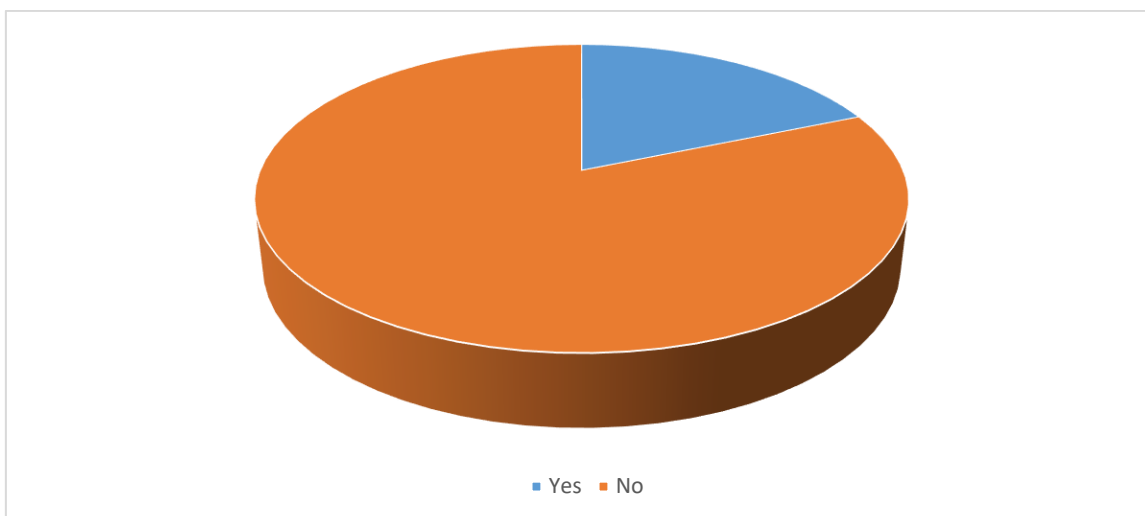


Figure 4.13: Working in partnership

4.3.4.2 Procurement policies of local municipality

It is the duty of municipalities to ensure commercial activities take place and to inspire people to start their own businesses. This can be accomplished by providing municipal service contracts to small businesses, particularly local businesses. The municipal procurement strategy is intended to provide the SMME sector with rewarding market opportunities, with the advantages of LED and social and economic growth resulting in this.

The results (Table 4.6) show that 86.93 percent of participants indicated neutral with regard to municipal procurement policies, implying that they do not know about it. This finding concurs with the results attained regarding municipal support for SMMEs (Figure 4.11), where the majority participants indicated they do not receive support from their local municipalities.

Table 4.6: Municipal procurement policies

Municipal procurement policies		Frequency distribution				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Question 4	Procurement policies within the Alfred Nzo District Municipality favour local businesses		4.01%	86.93%	9.06%	

4.3.5 SMME contribution to LED at the ANDM

This section provides an analysis of the contribution made by SMMEs towards LED at the ANDM. The analysis is based on participant perceptions that were measured through various indicators, such as employment creation, income generation, poverty reduction, and local competitiveness, as well as SMMEs, as a means to economic redistribution. Results on the contribution of SMMEs to LED at the ANDM are presented (Table 4.5). All participants concurred SMMEs are a source of employment and income and therefore, help to alleviate poverty. These are key factors of local competitiveness, economic growth and development. However, for SMMEs to contribute significantly to economic growth, this study urges that they ought to be registered.

Table 4.7: Contribution of SMMEs to LED at the ANDM

Contribution of SMMEs to LED		Frequency distribution				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Question 1	SMMEs contribute significantly to employment creation				15.90%	84.10%
Question 2	SMMEs contribute significantly to income generation				62.47%	37.53%
Question 3	SMMEs contribute significantly to poverty alleviation				50.12%	49.88%
Question 4	SMMEs contribute significantly to local competitiveness			3.08%	78.62%	18.30%
Question 5	SMMEs serve as a means to economic redistribution			2.98%	80.50%	16.52%
Question 6	SMMEs contribute to the district economic growth and development				88.63%	11.37%

4.4 PRESENTATION OF SEMI-STRUCTURED INTERVIEW RESULTS

This section contains qualitative research findings and insights derived from conducting semi-structured interviews. The following themes emerged and are presented according to the research objectives:

4.4.1 Theme 1: SMME Demographic Profile at the ANDM

In this section SMME classification in the ANDM, in addition to their status of registration, as well as participant gender and race are reported. In conducting this exercise, the researcher did not include established businesses that had already received assistance from government led initiatives. To preserve participant anonymity, all who participated in the study were assigned a number, from 1-10. The distribution of participants among all local municipalities within the ANDM was considered fair, with one each from the Matatiele Local Municipality, Mbizana Local Municipality, and Ntabankulu Local Municipality, as well as two from the Umzimvubu Local Municipality.

4.4.1.1 Sub-Theme 1.1: Classification of SMMEs

To classify SMMEs in the ANDM, the criteria used comprised questions on employee numbers and annual turnover. Several participants were uncomfortable to reveal their annual turnover, with others indicating they were unsure. For those who were not at ease with disclosing the exact figure, it was requested they provide a range. Where participants indicated they did not know their annual turnover, it was requested they provide a daily income estimate. The following responses were obtained:

Participant 1 is a mechanic by profession who previously worked for Ford and started his own business: *“...I operate this business with only seven (7) employees.....I also take students for apprentice sometimes. In terms of the total amount of money we make per year, it is not much but we can survive. I’m not sure about the exact figure because we don’t do any accounts here but the range is about R250 000 to R300 000.”*

Participant 2 is a retailer: *“...when I started I had one employee but now they are about 15 because we have grown but not much. The total turnover that we make in one year is not much and it depends with how business would have been during that year but on a good year we can make about say R250k-R300k.”*

Participant 3 operates a business in the catering sector: *“....my employees are all here, those 4 ladies and these 2 guys here.....I don’t know about the annual sales but in a good day we can make about R2 000 and we open every day, so yah you can make your calculations...”*

Participant 4 owns a convenience store: *“I have 11 permanent employees but when it’s busy I do source for some part time employees.....the turnover.....about a R1 M annually.”*

Participant 5 is a vendor who sells vegetables: *“I do this business with my husband and my brother.....we don’t do a lot of money, per day I can sell vegetables for R200-R300. Sometimes I make more especially month end there is business...”*

Participant 6 operates a transport company: *“I have 10 truck drivers, 2 Mechanics, 1 receptionist and 1 Auto-electrician.....This business is difficult to make an estimate on how much one can make per year. Sometimes there is business sometimes it’s dry but on a good year, we can make plus or minus R1.5 Million...”*

Participant 7 owns a spaza shop: *“I have only one employee who is responsible for selling...in a year we can get about R50 000-R80 000.”*

Participant 8 is a hair salon proprietor: *“My hair dressers here are 10.....you know with competition in this industry we don’t make much money but plus R100 000 on a year.”*

Participant 9 operates as a bricklayer and also does paving: *“yah man this thing started with my late father then I took over and yah we are trying to grow now we are about 25. Well, on a good year we make plus minus R4.5 M.”*

Participant 10 operates in the building sector: *“This is a family business but we have about 30 employees responsible for different activities.....in terms of annual turnover about R10 M in a good year...”*

The quantitative study findings show five categories of SMMEs, these are: survivalist, micro, very small, and small, as well as medium. Survivalist SMMEs employ fewer than five staff, as participants 5 and 7 indicated. The study findings reveal the annual turnover does not exceed R150 000 for these SMMEs. Micro-SMMEs have 6-10 employees, while very small SMMEs have 10 and not more than 20 employees.

Micro and very small SMMEs constitute most participants in this study (Participants 1- , 6, and 8). According to the literature annual turnover for these SMMEs varies from R150 000–R500

000. Nonetheless, the qualitative study findings suggest an annual turnover beyond R1 000 000 for very small SMMEs, which implies that SMME turnover is contingent on the nature of the business and type of industry. SMME classification by means of annual turnover may, therefore, produce results that are biased. Furthermore, SMME categorisation according to annual turnover is difficult due to non-disclosure of annual sales by some participants, without record-keeping of sales by others adding to the problem. The number of employees ranges from more than 20 but less than 50 where SMMEs of a small size are concerned, with participants 9 and 10 in this category. Lastly, while SMMEs in the medium-sized category operate with between 50 and 200 employees, these were not included in the study's qualitative session.

4.4.1.2 Sub-Theme 1.2: Registration

The premises from where Participant 5 traded will be indicated by "X" for ethical reasons.

Insofar as registration is concerned, Participant 5 stated: *"My customers now know that I sell my vegetables here in front of this shop X, we don't pay anything to the shop owners, I just clean in front here every day.....we are not registered as a company..."*

Participant 7: *"I operate this spaza in my homestead as you can see, I'm not registered to anyone...."*

These findings, with regard to the registration status of Participants 5 and 7, indicate informal operations by most survivalist and micro SMMEs. This corroborates the findings of several studies, including Chimucheka and Madipaka (2018) and Pretorius and Blaauw (2018), who argued that in terms of registration, there is a lack of formality in the operations of survivalist and micro SMMEs; the most common being vendors, spaza shops, and minibus operators/owners.

The responses below were gathered from participants with regard to very small SMMEs:

Participant 1: *"I registered this company to get some discounts when buying parts but not for paying tax....but SARS will always trace you if you don't make submissions so sometimes I pay sometimes I don't."*

Participant 2: *“I prefer not to say whether I’m registered or not but I’m not doing anything illegal. I take my stock from Johannesburg then come and sell it here...”*

Participant 3: *“I am not registered as a company but the municipality knows that I operate here because I pay a certain amount of money to them every month....”*

Participant 4: *“I am registered and I make submission to have a clean record because sometimes I apply for government tenders and other big tenders you see...”*

Participant 6: *“You can hardly operate this kind of business if you are not registered because every time we get loads you need to submit company documents.....of course sometimes it’s hard but I do my tax submissions to have a clean record with SARS...”*

Participant 8: *“This salon is registered and we comply with health standards and requirements.....our taxes are up to date you see the certificate up there.”*

Based on the findings, with regard to the registration status of very small SMMEs, it can be argued that some very small SMMEs are more established than others and registration depends on the industry. As Bvuma and Marnewick (2020) highlight, some sectors do not allow SMMEs of any size to operate informally unless properly registered. Information and observations of Small SMMEs show them as better established, with more structures and assets, compared with very small SMMEs.

Participant 9: *“...we cannot ran away from SARS given the volume of our financial transactions...”*

Participant 10: *“...you cannot escape SARS with all these assets, purchases of equipment that we make as well as the income that we sometimes receive from our clients.....we buy our equipment and supplies using company name to benefit some discounts and rebates from SARS...”*

4.4.1.3 Sub-theme 1.3: Race and Gender

It was observed that in terms of race, black Africans are shown to be the owners of most survivalist, micro and very small SMMEs, while whites own the majority of small SMMEs,

with some indicating their parents had bequeathed the enterprise to them. As example, a small SMME owner, Participant 9, stated, *“yah man this thing started with my late father then I took over...”* while it was indicated by the vendor, Participant 5, that, *“We do this to survive...”* Participant 8, the hair salon owner, explained: *“I started as a hair dresser working in the streets...”*

Consistent with the quantitative findings of this study, the results indicate that SMME gender distribution in the ANDM is dominated by males. Only two of the ten participants were female (Participants 5 and 8). Noteworthy is that female-owned SMMEs are viewed as feminine; for instance, hair dressing and vegetable sales.

4.4.1.4 Sub-Theme 1.4: Experience

With regard to the SMME owner participants' experience, the findings reflect that all are well-experienced in their businesses, while a few indicated they had chosen to retire from their professions and become entrepreneurs:

Participant 1: *“Many people who bring their cars here know me from Ford. I was one of the senior mechanics at Ford in Kokstad...”*

Others had started their entrepreneurial activities to add to their earnings:

Participant 7: *“I started this spaza shop long ago about 15 years back and then my wife was selling while I go to work...”*

In certain instances, a few of the participants indicated they had received mentoring from their parents:

Participant 10: *“Like I said my friend this is a family business that started long time ago with our parents, so we grew up seeing how things are done here. I did not go to university after matric I came straight here.....now our parents are retired and we are running the business.”*

However, other participants indicated having to start their own business because they were unemployed:

Participant 3: *“I'm not educated, and I know no one can employ me so I saved some money while I was working as a gardener and started this thing. At first we were just two with my son...it's over ten years now.”*

In general, the demographic study findings show that for the poor, informal SMMEs are a strategy for survival. Further to this, the majority of the informal SMMEs were started on account of unemployment and to supplement below the poverty line, disposable income. Although the strategy might be the same for formal SMMEs, the motives nonetheless exceed operating merely as a means of support. The study findings indicate that either formal SMMEs were inherited from parents or they were established to make the most of potential opportunities in the market, with growth as motivation.

The literature is generally found to argue that informal SMMEs survive, while formal SMMEs grow (Moos and Sambo 2018). Nevertheless, SMME owners, both informal and formal, would obviously want their business to grow; however, they face constraints as a result of various challenges. These challenges faced by SMMEs at the ANDM are analysed with findings as follows:

4.4.2 Theme 2: SMME challenges at the ANDM

The findings of the study suggest SMME growth at the ANDM is deterred by challenges that can be grouped into seven categories, comprising access to finance (capital), technology, as well as type of market, along with management skills, infrastructure, government regulations, and crime.

4.4.2.1 Sub-Theme 2.1: Access to finance

Participant 1: *“...I started this from my own savings.....I wish to see the business growing but there is no money....I pay rent for here, I pay employees and myself and other bills we are left with nothing....if you go to the bank for loan they demand a lot of things, accounts statements what what what that we don't have....these matshonisa's have high repayment rates.”*

Participant 5: *“...I don't have money to stock more...if I can get money to stock more I can sell more...”*

4.4.2.2 Sub-Theme 2.2: Type of Market

Responses form a picture of the market in which SMMEs operate, dependent on their industry.

Participant 2: *“Retailing is highly competitive my friend, we sell clothes here you see and everyone else in the street do that...”*

Participant 5: *“...another problem is that we are many you see and we sell same things.”*

Participant 7: *“...count and see how many spaza shops are in this street, they are many...when I started, we were only two so now there is competition thank God people are used to coming here...”*

Participant 8: *“...there is high competition in this hair dressing business. You can see hairdressers are all over....”*

4.4.2.3 Sub-Theme 2.3: Management Skills

It was acknowledged by some participants that their management skills were not yet fully developed. Participant 9: *“I’m not yet experienced as my father in term of management. Thanks to him for laying the base for me....”*

Certain participants stated that business transaction accounting records were not kept. Participant 1: *“...about the exact figure because we don’t do any accounts here...”*

Various others indicated the complexity of managing a family business, as there is no identifiable chain of command. Participant 10: *“...this is a family thing everyone has a say and we don’t have a proper reporting structure...”*

4.4.2.4 Sub-Theme 2.4: Infrastructure

Infrastructure is the main problem for vendors, since they operate in front of busy shops and along the streets. This is apparent from the comments by Participant 5, who states: *“...we don’t have anywhere to sell our vegetables that is why you see us here in the street....the shops managers here allow us to sell in front of their shop”,* as well as Participant 3: *“You see this shade, it’s me I build, municipality just collect money and they don’t care about us where we operate. We struggle now during rains because we don’t have proper structures...”*

4.4.2.5 Sub-Theme 2.5: Crime

Participant response on the topic of crime centred around theft. Participant 7: “*Haaa here they steal you see I put steel burglars, if you don’t do that all stock will be gone at night...*” The same complaint was raised by Participant 6, “*...transporters experience serious challenges from these guys who drain fuel from our trucks and some even go as far as hijacking the truck to steal the load (goods in transit)*”. Based on this finding, it can be inferred that crime seriously impedes small SMME development. In this case, theft results in loss of money, discourages investment, and leaves SMME owners desolate.

4.4.2.6 Sub-Theme 2.6: Government regulations

A number of participants objected to taxes, “*...taxes are high my friend, we still growing and if we pay a lot of taxes we are left with nothing to reinvest back to the business...*” (Participant 9), with several complaining about bureaucracy, “*...government departments are complicated they take time to approve our operating licence, permits and some documentation...*” (Participant 10).

4.4.2.7 Sub-Theme 2.7: Access to technology

Participant 9 stated that, “*...we are overtaken by technology my friend and it’s hard to cope due to lack of funding to some extent. For example, we still using manual labour for paving and that can take us days to finish a small area. In developed countries all that is done using machines...*” Participant 10 agreed: “*Our machines are outdated and old, the cost us in terms of maintenance and fuel...*”

In line with the quantitative findings, the current results suggest that the challenges faced by SMMEs at the ANDM differ according to the class of SMMEs and to some extent, the industry. Generally, without a record of past performance, informal SMMEs face capital challenges with banks declining loan applications that do not offer the correct financial records. In addition, the majority of informal SMMEs are found to be survivalist and micro in nature and size, without material goods that could serve as collateral security in applying for a bank loan. Due to the low SMME income and capital base, infrastructure is a challenge to survivalist and micro SMMEs, with the majority solely dependent on public infrastructure. Where formal and established SMMEs are concerned, the challenges they face are mostly growth-related, for example, funds to finance technology to boost productivity. Nevertheless, all SMMEs face challenges associated with managerial skills, market competition, and crime.

Winks (2018: 20-21) argues that while some formal SMEs continue to expand, informal SMMEs only survive, that is, only obtain money in order to meet the everyday needs of the family. In addition, Lekhanya (2016) found that SMMEs are faced with both internal and external problems that have a significant effect on their survival and sustainability.

As a result of SMME operations being informal and formal, in diverse environments, they face unique challenges, which include:

- knowledge and skills (Mrasi, Mason and Jere 2018);
- insufficient finance, lack of applicable government support information, and infrastructure, in addition to crime (Myeko and Iwu 2019);
- lack of stakeholder support, insufficient legal knowledge, funding, and business acumen, as well as poor technological skills (Bvuma and Marnewick 2020);
- limited, if any, business expertise (Mukwarami, Tengeh and Iwu 2019)
- deficiency in management skills, obtaining finance and credit, market access, and developing customer relationships; insufficient training, as well as education, and unsatisfactory support from the government (Bhorat, Asmal, Lilenstein, and van der Zee 2018);
- ICT education, lack of ICT awareness (Marnewick 2014);
- lack of infrastructure, poor access to funding, management skills, and insufficient government support (Moos and Sambo 2018);
- from poor marketing of the business, to competition, and product as well as high inventory and rental costs (Makhitha 2016);
- need for marketing, financial and management training, with adequate training provided by government and stakeholder collaboration (Cant, Wiid and Hung 2015);
- insufficient business sustainability skills (Phikiso and Tengeh 2017); and
- lack of information and inadequate resources (Lekhanya 2016).

4.4.3 Theme 3: Support needed by SMMEs owners

According to the participants, support required by SMMEs at the ANDM is as follows:

Participant 1: *“We need the government to support us with capital to buy equipment that we want.....some jobs we can’t do because we don’t have the right equipment. I am not saying they should give this money for free, they can buy us the machines that we want and give us a reasonable time to pay back their money with lower interest charges than the banks.”*

Participant 3: *“...municipality should build us good places to do our business not just take our moneys...”* Likewise, Participant 5 agreed and added that proper infrastructure is what they need, *“If the government build us shades we can go there because here it’s hot for us and our vegetables and during rains we don’t make money because we don’t sell as you can see this is an open space.”*

Participant 4 suggested that very small SMMEs should also be considered by the government when tendering for jobs, *“...I have a problem with the government departments because they don’t consider us when tendering some works. They only go for well-established business.....so where will we get the money to be established then?”*

Participant 6 appealed to the SA Police Service (SAPS) for help in fighting against truck hijackers, *“We need SAPS to help us fight crime of theft and hijacking our trucks.....we feel neglected sometimes because even if we can report the suspects nothing is done about them.”*

Participant 7 also pleaded for community support with regard to crime, *“we are doing this business because our community support us, we need them to support us even in fighting those who steal our stocks at night....we know them yes we do.....”*

Participant 9 responded to taxes, stating: *“Taxes are too heavy for us my friend, SARS should revise their tax bracket for small businesses like us. Another thing is that government should establish a financial institute which can assist small business with finances to grow because bank rates are very hash you know that. Remember I told you that we need machinery to speed up production and our works but sometimes we are constrained financially.”*

The same issue of taxation was raised by participant 10, in addition to funding, and the need for efficiency from government departments, *“My friend taxes are killing us here, you don’t pay they (SARS) are after you, they don’t care what you are going through. At some point government should consider tax holidays for SMMEs for a certain period of time.....and we*

need money man to buy new equipment. Another thing, the government departments should speed up their documentation processing time, time is money...”

Support needed by SMMEs are consistent with the challenges faced. All the SMMEs at ANDM generally perceive the government does not support them as anticipated. Access to public infrastructure and services is seen to be of great assistance to survivalist and micro SMMEs in particular; which concurs with findings by Bvuma and Marnewick (2020); the survival rate of infant SMMEs without infrastructure is relatively low. This highlights that without infrastructure, survivalists and micro SMMEs are unable to operate effectively.

Key parameters to the growth strategy of SMMEs operating in the formal sector include, access to funding that is affordable and tax holidays. This finding supports Bvuma and Marnewick (2020), in suggesting that the prediction of SMME success depends on access to finance, its related costs, and taxation. The researcher expected at least one participant to mention support from the Local Economic Development Agency (LEDA), however, no one did. This could be an indication that the support provided by LEDA is concentrated in a small group of SMMEs, to the extent that the majority of SMMEs are not aware that such organisations exist to support them and address any challenges they may have.

4.4.4 Theme 4: Economic roles of SMMEs

Regardless of their size, through paying taxes once registered (sub-theme 1.2), SMMEs create employment and contribute to government expenditure. Regarding the roles of SMMEs in the economy, the perceptions of other participants were clear: “*SMMEs are important sources of employment...*” (Participant 4), “*small businesses reduce poverty...*” and “*...by paying taxes we contribute to economic development of the country....*” (Participant 10).

In SA, SMMEs fulfil a vital role in the economy of the country, contributing roughly 41 percent of GDP and up to 61 percent of SA’s employment overall (SEDA 2018). As shown by the Small Business Promotion (SBP) 2013 SME Growth Index review, a very ambitious aim has been set by the country’s National Development Plan (NDP) to increase its economy size by at least 5.4 percent per annum, for a period of 15 years. With SAs high unemployment rate on the rise, this initiative has become a much-needed challenge.

The state of employment in the country remained unchanged at 43.10 percent in the third quarter of 2018, from 43.10 percent in the second quarter of 2018. In addition, from the year 2000 until 2018 the employment rate in SA averaged 43.21 percent, with a high of 46.17 percent attained in the 2008 fourth quarter and a record low 41 percent in the 2004 first quarter (Booyens 2017); aggravated, in part, by a chronic skilled labour shortage. It is the aim of the government, against this backdrop, to create an enabling environment for SMMEs to by implementing programmes from developed strategies and policies.

4.5 CONCLUSION

There is some uncertainty regarding SMMEs being part of the local ANDM development economies. Vibrant SMME development is the focal point of progress in job creation, earnings, as well as assisting with poverty alleviation and local competitiveness. The evidence indicates that SMMEs play a key role in local economic growth and development of the ANDM. The results of this study show that SMMEs are mechanisms to create jobs, income, alleviate poverty, productivity at local level and redistribution.

In the field, SMMEs face multiple challenges of financial access, infrastructure, criminality, and marketing, along with management ability and technology, as well as government legislation, regardless of the commendable contribution they make to local economic growth. Assistance for overcoming these challenges will help SMMEs to grow. The next chapter ends the report with a review of the results and recommendations, based on the study results of SMMEs at the ANDM.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This study sought to investigate the challenges faced by SMMEs and their contribution towards LED in the ANDM. The previous chapter provided answers to the research questions stipulated in Chapter One. Thematic analysis and descriptive statistics were used to analyse the nature, challenges and role of SMMEs in the ANDM. For recommendation purposes, the study also gathered information concerning the support SMMEs expect from the government and its agencies. This chapter provides a summary of the previous chapters and briefly describes the main observations and deductions. In addition, the chapter proposes possible steps to assist SMMEs to achieve success.

5.2 SUMMARY OF THE STUDY

The analysis contains five chapters. The first chapter presented the overview and introduction to this research. This chapter was the basis for other discussions. The statement of the problem, key investigative questions and objectives that led to this study, as well as a brief overview of the area of study, were among the topics discussed. Chapter One also identified the main concepts and the importance of the study. Chapter two reviewed literature relating to the nature of SMMEs in the context of SA, their contribution to the economy and the challenges faced by SMMEs in general. Chapter two also covered the government programmes available to support SMMEs.

The approach used to carry out this study was discussed in Chapter three. This chapter described the research design, target population, the data types and the analysis unit needed, along with the sample design, the study field definition, data collection methods and analytical procedures. The definition used was accurate and reliable, as were data collection and analytical methods. Finally, the chapter addressed the drawbacks and ethical issues of the report. This study used a qualitative research method, employing semi-structured interviews to collect data.

The study results, analyses and explanations were discussed in Chapter 4. The study was based on the experiences and perceptions of participants. This chapter was guided by semi-structured interviews and a questionnaire, respectively conducted on a total sample of ten and 245 SMME owner-managers in the ANDM. The sample used for semi-structured interviews was extracted from the main sample of 245 SMME owner-managers. The researcher also used observations

while data were collected. The results have been interpreted and discussed in accordance with the respective literature.

5.3 FINDINGS FROM THE STUDY

The study findings follow:

5.3.1 Findings from literature

The literature indicates that the classification and characterisation of SMMEs is not clear universally. Most countries and various organisations identify small- and medium-sized companies globally using the number of workers as a business criterion. The review found that the most common reasons SMME owner participants would take part in entrepreneurial activities are unemployment, poverty, inheritance and market opportunities. The challenges faced by SMMEs in developed and developing countries, such as SA, have proven to be extensive. SMME owner-managers face a wide range of challenges, including lack of expertise, access to financing, market access, and sufficient technology, as well as public regulations and public infrastructure services.

The literature review indicated that SMMEs in SA can be assisted and supported through various agencies, including LEDA, NYDA, Small Enterprise Finance Agency (SEFA), and the Industrial Development Corporation (IDC), along with the National Empowerment Fund, National Small Business Advisory Council and KEFL. SMMEs are generally acknowledged to play an important role in any country's growth. The promotion and development of this sector is therefore considered central to achieving maximum potential for LED. Municipalities, as agents of change, should include SMMEs in LED policies, in order to grow local business.

5.3.2 Findings from primary research

5.3.2.1 Challenges faced by SMMEs at the ANDM

The findings with regard to this objective, suggest that the challenges faced by SMMEs in the Alfred Nzo District differ with the size of the SMMEs and to some extent the industry. In general, informal SMMEs face capital challenges due to the lack of a record of accomplishment as banks do not grant them loans because they do not have financial statements to track their financial performance over time.

Moreover, most informal SMMEs are micro-sized and do not have assets to serve as collateral security when obtaining a loan from the banks. Infrastructure is an added challenge to micro SMMEs due to their poor income and capital base, with most solely dependent on public infrastructure. Conversely, formal and established SMMEs face growth-related challenges, such as funds to finance technology so that productivity can be boosted. Nonetheless, market competition, managerial skills and crime are challenges to all SMMEs.

5.3.2.2 Support needed by SMMEs in the ANDM

Findings regarding this objective indicate that support required by SMMEs corresponds to the challenges they are facing. The general perception of all the SMMEs in the ANDM is that the government is not supporting them, as expected. For micro SMMEs, access to public infrastructural services is viewed as a great support. It is, therefore, reasonable to emphasise that micro SMMEs do not operate effectively without infrastructure.

For very small and small SMMEs, access to affordable funding and tax holidays are key parameters to their growth strategy. Not even a single participant mentioned support from LEDA or any of the other agencies. This could be an indication that support provided by LEDA and the municipalities is concentrated in a particular group of SMMEs, to where most SMMEs are unaware of these organisations' existence or that they can be assisted in addressing their challenges.

5.3.2.3 To identify the contribution of SMMEs in LED of Alfred Nzo District

The study findings indicate that SMMEs create employment regardless of their size. SMMEs also contribute to government expenditure through paying taxes and hence, contribute to the LED and the consequent economic development of the country. SMMEs thus contribute to minimising poverty.

Table 5.1: Consistency Matrix table

Research question	Research Objectives	Data collection method	Data analysis	Results
Research Question 1	Research Objective 1	Semi-structured interviews and questionnaires	Thematic Analysis and descriptive statistics	Challenges faced by SMMEs in the ANDM differ according to SMME size and to some extent, the industry. In general, informal SMMEs face capital challenges due to lack of a track record,

				with infrastructure a challenge to micro SMMEs, due to a poor income and capital base. Formal and established SMMEs face growth-related challenges; funds to finance technology to boost productivity. Market competition, managerial skills and crime are challenges for all SMMEs.
Research Question 2	Research Objective 2	Semi-structured interviews and questionnaire	Thematic Analysis and descriptive statistics	Micro SMMEs consider access to public infrastructural services is viewed as a great support. For very small and small SMMEs, access to affordable funding and tax holidays are key parameters to their growth strategy.
Research Question 3	Research Objective 3	Semi-structured interviews and questionnaire	Thematic Analysis and descriptive statistics	SMMEs create employment regardless of their size. SMMEs contribute to government expenditure by paying taxes and thus contribute to economic development of the country. SMMEs minimise poverty.

5.3.3 Conclusions

The study explored the problems facing SMMEs within the ANDM. This thesis explored different meanings of SMMEs, as well as the characteristics of SMMEs. A study of definitions for SMMEs found no generally acceptable single description for these businesses. In order to describe the SMME market, several measures or indicators have been implemented. The number of employees that works for the company is the most common. The definition was further extended to the field of study and, given that this research is focused on the area, the characteristics of SMMEs within the ANDM context were also studied. SMMEs are further divided into two groups, informal and formal. Consequently, most SMMEs fall into the informal category, with these companies not registered or licensed under the SA Revenue Service (SARS).

In addition, the study revealed that SMMEs are an integral part of local economic growth and that their jobs, income and poverty alleviation contributions are generally recognised. Despite the acknowledgement, SMME growth is constantly restricted through several factors, such as the lack of access to adequate technology, limited market access, the existence of regulations, regulatory and regulatory provisions which hamper the industry's development, and poor institutional capacity, as well as a lack of management and training skills. However, most SMEs continue to be most concerned about access to finance.

5.4 RECOMMENDATIONS

Based on the findings of the research, the following recommendations are suggested:

5.4.1 Awareness

Details concerning the national SA government SMME support programmes must be distributed to the SMMEs of the ANDM, since most entrepreneurs are not entirely aware of the services. By encouraging small business owners to access this vital funding stream, local authorities could play a crucial role. Collecting and disseminating information, outsourcing opportunities from/or to micro-enterprises and tendering processes should be the responsibility of local authorities. The knowledge can be exchanged by the municipality, LED forums and processes, community centres, and libraries, as well as centres of business operation.

5.4.2 Financial Support

Access to financial assistance for SMMEs in the ANDM is a major issue. Many financial institutions need collateral for loan applications. To enable a broad lending institution to loan funds to small businesses, KEFL and several NGOs have formed a guarantee regime. In reminding SMMEs of the help available by these organisations, local authorities could assist local businesses. As local authorities are prevented from offering direct financial aid by existing law, local governments can facilitate funding organisations by providing them with access to public infrastructure and other ‘in-kind’ support.

5.4.3 Efficiency of government departments

SMMEs continually need municipal information and assistance on a range of issues, including authorisations, tendering, fees, and licenses, in addition to zoning and infrastructure approvals. These procedures can create difficult challenges when they require long delays and confusing procedures. A central information centre is the main point of communication for all forms of business in the ANDM and would be one of the best ways for local councils to facilitate SMMEs. This centre would effectively simplify relations between SMMEs and government by streamlining and speeding up approval and other procedures.

5.4.4 Communication

While obvious, it is necessary to state that there should be an open channel of communication between SMMEs and government. The more enthusiastic and sensitive the government shows

itself in taking cognisance of the problems SMMEs experience, the more their willingness would indicate solutions to the problems. However, it is important that the state sensitises SMMEs concerning the nature of these opportunities and provides much-needed financial and non-financial support to small business owners to make optimal use of SMME government-support. It is further proposed that the exchange of knowledge should be promoted via networks and by means of workshops for improved access by SMME owners/managers to information in the district.

5.5 CONCLUSION

Several studies were undertaken in SA providing vital information on SMMEs, in addition to suggestions to enhance business activities of these enterprises. Regardless of the recommendations put forward for the development of these enterprises, it is imperative the findings and suggestions are seriously considered and actioned. Even though apparent changes are evident when comparing current conditions with the past, the effects of these studies have, nevertheless, not been accurately explained. It had become apparent that SMMEs had lost hope that numerous research studies would change their lives in some way, this could be a new path for future studies.

REFERENCES

- Almalki, S. 2016. Integrating Quantitative and Qualitative Data in Mixed Methods Research- Challenges and Benefits. *Journal of Education and Learning*, 5(3): 288-295.
- Alshenqeeti, H. 2014. Interviewing as a Data Collection Method: A Critical Review. *English Linguistics Research*, 3(1): 39-45.
- Banerjee, A. and Chaudhury, S. 2010. Statistics without tears: Populations and samples. *Industrial Psychiatry Journal*, 19(1): 60-65.
- Blakely, E. J. and Leigh, N. G. 2019. *Planning local economic development: Theory and practice*, 4th ed. Thousand Oaks: Sage Publications.
- Blumberg, B., Cooper, D. R., and Schindler, P. 2008. *Business Research Methods*. 2nd ed. London: McGraw-Hill.
- Booyens, I. 2017. Are small, medium- and micro-sized enterprises engines of innovation? The reality in South Africa. *Journal for Science and Public Policy*, 38(1): 67-78.
- Bouare, O. 2017. Shortage of effective employee and integrated local economic development: The South African case study. *Journal of Public Administration*, 36(1): 43-60.
- Bhorat, H., Asmal, Z., Lilenstein, K., and van der Zee, K. 2018. *SMMES in South Africa: Understanding the Constraints on Growth and Performance*; Development Policy Research Unit Working Paper 201802; DPRU, University of Cape Town: Cape Town, South Africa.
- Breitenbach, M. C. 2016. Paying lip service to local economic development (LED)? – A city of Tshwane metropolitan municipality case study. *Journal of Public Administration*, 41(1): 4-20.
- Botha, A., Smoulders, S. A., Combrink, H. A., and Meiring, J. 2020. Challenges, barriers and policy development for South African SMMES – does size matter? *Development Southern Africa*. <https://doi.org/10.1080/0376835x.2020.1732872>

Bryman, A. and Bell, E. 2011. *Business Research Methods*. 3rd ed. New York: Oxford University Press.

Bvuma, S., and Marnewick, C. 2020. Sustainable Livelihoods of Township Small, Medium and Micro Enterprises towards Growth and Development. *Sustainability*, 12(3149): 1-17. <http://doi:10.3390/su12083149>.

Cant, M. C., Wiid, J. A., and Hung, Y. 2015. Internet-based ICT usage by South African SMEs: Are the benefits within their reach? *Probl. Perspect. Manag.* 13, 444–451.

Castellan, C. M. 2010. Quantitative and Qualitative Research: A view for clarity. *International Journal of Education* 2(2): 1-14.

Chalera, C. S. 2017. *International, regional and local experience in SMMEs development*. Available: <http://www.upetd.up.ac.za> (Accessed 19 January 2020).

Choy, L. T. 2014. The strengths and Weaknesses of Research Methodology: Comparison and Complimentary between Qualitative and Quantitative Approaches. *Journal of Humanities and Social Science*, 19(4): 99-104.

Chimucheka, T., and Mandipaka, F. 2015. Challenges Faced by Small, Medium and Micro Enterprises in the Nkonkobe Municipality. *International Business & Economics Research Journal (IBER)*, 14(2): 309-316. <https://doi.org/10.19030/iber.v14i2.9114>.

Cunningham, S. and Meyer-Stamer, J. 2015. Planning or doing local economic development? Problems with the orthodox approach to LED. *Africa Insight*, 35(4): 4-14.

Caruth, G. D. 2013. Demystifying Mixed Methods Research Design: A Review of the Literature. *Mevlana International Journal of Education*, 3(2): 112-122.

Creswell, J. W., Klassen, A. N., Clark, V. L. P., and Smith, K. C. 2011. Best Practices for Mixed Methods Research in the Health Sciences. *Office of the Behavioural and Social Sciences Research*, pp. 1-9.

Crowe, S., Cresswell, K., Robertson, A., Huby, G., Avery, A., and Sheikh, A. 2017. The case study approach. *SpringerLink*. Available: link.springer.com/article/10.1186/1471-2288-11-100 (Accessed 23 September 2020).

De Lisle, J. 2011. The Benefits and Challenges of Mixing Methods and Methodologies. *Caribbean Curriculum*, 18, 87-120.

Department of Employment and Labour. 2019. National Minimum Wage Commission. Available: http://www.labour.gov.za/AboutUs/Pages/National_Minimum_Wage_Commission.aspx (Accessed 4 June 2021).

Department of Small Business Development. 2018. A radically transformed economy through integrated and effective enterprise development and entrepreneurship promotion. <http://www.dsbd.gov.za>

Duminy, J., Odendaal, N. & Sanders, P. 2008. Is digital technology urban? understanding inter-metropolitan digital divides in South Africa. In Vetere, F, Graham, C, & Satchell, C (Eds.) *Proceedings of the Conference of the Computer-Human Interaction Special Interest Group (CHISIG) of Australia on Computer-Human Interfaction*, 8 - 12 December 2008, Cairns, Qld.

Fassinger, R. and Morrow, S. L. 2013. Towards Best Practices in Quantitative, Qualitative, and Mixed Method Research: A Social Justice Perspective. *Journal for Social Action in Counselling and Psychology*, 5(2): 69-83.

Fiorini, L., Griffiths, A., and Houdmont, J. 2016. Mixed Methods Research in the Health Science: A Review. *Journal of Health Sciences*, pp. 37-45.

Flick, U. 2011. *Introducing Research Methodology: A beginner's Guide to Doing a Research Project*. SAGE Publications Ltd.

Grover, V. J. 2015. Research Approach: An Overview. *International Multidisciplinary Research Journal*, 4(8): 1-8.

Harrington, L. M. 2016. Sustainability Theory and Conceptual Considerations: A review of key ideas for Sustainability, and the Rural Context. *Papers in Applied Geography*, 2(4): 365-382. <https://doi.org/10.1080/23754931.2016.1239222>.

Harris, L. R. and Brown, G. T. L. 2010. Mixing interview and questionnaire methods: practical problems in aligning data. *Practical Assessment, Research, and Evaluation*, 15(1): 1-9.

Helmsing, A. J. 2018. *Local economic development: New generators of actors, policies and instruments for Africa in public administration and development*, (23): 67-76.

Hess, A. A. and Rust A. A. 2020. The constraints SMMEs experience whilst attempting to recover skills levies from the W&RSETA in South Africa. *African Journal of Business Management*, 4(17): 3691-3696.

Higgs, J., Horsfall, D., and Grace, S. (eds.) 2009. *Writing Qualitative Research on Practice*. Rotterdam: Sense Publishers.

Hoeyi, P. K. 2016. *Validating the social responsibility of SMMEs in the African context: A comparative analysis of SMMEs in Ghana and South Africa. Doctor of Business Administration*. Central University of Technology, Free State. Available: <https://hdl.handle.net/11462/1389> (Accessed 09 April 2020).

Hurry, J. 2014. *Research Methods*. University of London. Available: http://www.londoninternational.ac.uk/sites/default/files/programme_resources/ioe/mres/research_methods_sample_lecture_pack.pdf (Accessed 8 August 2020).

Jacquemin, A. and Janssen, F. 2013. Role of regulation in facilitating entrepreneurship: a study of incubation in Belgium. *Int. J. Entrepreneurship and Small Business*, 20(4): 497-519.

Jakubik, L. D, Eliades, A. B., and Weese, M. M. 2016. Part 1: An Overview of Mentoring Practices and Mentoring Benefits. *Paediatric Nursing/January-February*, 42(1).

Jeong, S., Irby, B., Boswell, J. and Pugliese, E. 2018. Editor's overview: outcomes and benefits of mentoring. *Mentoring & Tutoring: Partnership in Learning*. 26(4), 355-357. <https://doi.org/10.1080/13611267.2018.1530090>.

Justino, M. V. 2015. *Factors influencing failure of Small Enterprises in a selected Municipality in Luanda, Angola*. Master of Technology in Business Administration. Cape Peninsula University of Technology.

Kalane, L. 2015. *Reasons for Failure of SMEs in the Free State*. Magister in Business Administration. University of Free State. Available: <https://scholar.ufs.ac.za/handle/11660/4557>. (Accessed 19 March 2020).

Kitchenham, A. D. 2010. *Mixed Methods in Case Study Research*. Available: <http://sk.sagepub.com/reference/download/casestudy/n208.pdf> (Accessed 21 October 2020).

Korb, K. A. 2012. *Conducting Educational Research*. Available: korbedpsych.com/R05Population.html (Accessed 27 October 2020).

LaMarca, N. 2011. *The Likert Scale: Advantages and Disadvantages*. Available: <https://psyc450.wordpress.com/2011/12/05/the-likert-scale-advantages-and-disadvantages/> (Accessed 25 May 2020).

Lawlor, D. A., Tilling, K., and Smith, D. G. 2016. Triangulation in aetiological epidemiology. *International Journal of Epidemiology*, 45(6): 1866-1886.

Lekhanya, L. 2015. Public outlook on small and medium enterprises as a strategic tool for economic growth and job creation in South Africa. *Durban University of Technology Journal of Governance and regulation*, 22(4): 90-92.

Lekhanya, L. M. 2016. *Rural Entrepreneurship Promotional Strategy in South Africa: Concepts, Practice and Theories*; Virtus Interpress: Gagarina, Ukraine.

Lekhanya, L. 2018. The Digitalisation of Rural Entrepreneurship. *Researchgate entrepreneurship trends and challenges*, 10(3): 80-83.

- Lind, P. and Ungerer, M. 2018. SMEs as job creators a global myth. *Management Today*, 64.
- Maebane, M. M. 2015. *The factors influencing the performance of Youth Entrepreneurship in the Capricorn District Municipality*. Master of Technology in Business Management. University of South Africa. Available: <http://uir.unisa.ac.za/10500/21170>. (Accessed 19 March 2020).
- Makhado, A. E. 2015. *The effectiveness of mentorship programme of Mogale City Local Municipality for Small, Medium and Micro Enterprises*. Master of Technology in Business Administration. University of South Africa. Available: <http://uir.unisa.ac.za/browse?authority=abbc6b98-2032-4a51-a107-6b9ac89504f3&type>. (Accessed 19 March 2020).
- Makhitha, K. M. 2016. Challenges impacting on small independent retailers' performance in Soweto, Johannesburg in South Africa. *Invest. Manag. Financ. Innov.* 13, 258–266.
- Mathers, N., Fox, N., and Hunn, A. 2009. *Surveys and Questionnaires*. Yorkshire: National Institute for Health Research.
- Malefane, S. R. 2019. Structuring South African municipalities for effective local economic development implementation. *Journal of Public administration*, 44(1): 156-168.
- Marnewick, C. 2014. Information and communications technology adoption amongst township micro and small business: The case of Soweto. *S. Afr. J. Inf.* 16.
- Meyer-Stamer, J. 2018. *Why is local economic development so difficult, and what can we do to make it more effective?* Meso Partner Working Paper, Duisburg.
- Moos, M. and Sambo, W. 2018. An exploratory study of challenges faced by small automotive business in townships: The case of Garankuwa, South Africa. *J. Contemp. Manag.* 14, 467–494.

- Mrasi, A. P., Mason, R. B. and Jere, A. 2018. Critical Skills and Knowledge to succeed in the township Liquor retail industry. *Journal of Business Management and Retail Research (JBRMR)*, 12(3): 26-35.
- Mukwarami, J., Tengeh, R. K., and Iwu, C. G. 2019. Success factors of immigrant-owned informal grocery shops in South African townships: Native shop-owners' account. *J. Distrib. Sci.* 16, 49–57.
- Murgan, M. G. 2015. A Critical Analysis of the Techniques for Data Gathering in Legal Research. *Journal of Social Sciences and Humanities*, 1(3): 226-274.
- Mutezo, A. T. 2015. *Small and Medium Enterprise Financing and Credit Rationing: the role of banks in South Africa*. Doctor of Commerce in Business Management. University of South African. Available: <http://uir.unisa.ac.za/handle/10500/23479> (Accessed 19 March 2020).
- Myeko, Z., and Iwu, C. G. 2019. Obstacles faced by African Copreneurs in Black Townships of the Western Cape, South Africa. *J. Rev. Glob. Econ.* 8, 1–11.
- Njiro, E. and Compagnoni, M. 2017. Institutions providing services to small micro and medium enterprises (SMMEs) in South Africa. *Journal of Contemporary Management*, 7: 146-166.
- Nel, E. 2017. Initiating 'developmental local government' in South Africa: evolving local economic development policy, *Regional Studies*, 35, 355-362.
- Nel, E. L. and Binns, T. 2018. Putting "development local government" into practice: The experience of South Africa's towns and cities. *Urban Forum*, 14(2-3): 165-184.
- Nel, E. L. and Rogerson, C. M. 2015. Pro-poor local economic development in South Africa's cities: policy and practice. *Africa Insight*, 35(4):15-20.
- Nel, E. L., Hill, T. R. and Eising, W. 2019. Evaluation of local economic development in Cato Mano. *Unpublished report for the Cato Manor Development Association*, Durban.

Ngowi, H. P. 2019. Public-private partnership (PPP) in service delivery: Application, reasons, procedures, results and challenges in Tanzania local government authority (LGAs). *African Growth Agenda*.

Northcote, M. T. 2012. Selecting Criteria to Evaluate Qualitative Research. *Education Papers and Journal Articles*, 38, 98-110.

Odendaal, N. 2006. Towards the Digital City in South Africa: Issues and Constraints. *Journal of Urban Technology*, 13(3): 29-48. Copyright 2006 The Society of Urban Technology. DOI: 10.1080/10630730601145997.

Phago, K. G. and Tsoabisi, S. J. 2020. Small, medium and micro enterprises in the South African local government. *Africa Insight*, 40(2): 153-164.

Phikiso, Z., and Tengeh, R. K. 2017. Challenges to inter-family succession in South African townships. *Acad. Entrep. J.* 23, 1–3.

Polonsky, M. J. & Waller, D. S. 2018. *Designing and managing a research project: A business student's guide* 4th ed. SAGE Publication Inc.: London

Ponce, O. A. and Maldonado, N. P. 2015. Mixed Methods Research in Education: Capturing the Complexity of the Profession. *International Journal of Educational Excellence*, 1(1): 111-135.

Pretorius, A. M. and Blaauw, P. F. 2018. Local economic development agencies in South Africa, 23: 155-183.

Quinlan, C. 2011. *Business Research Methods*. Andover: Cengage Learning.

QSR International. 2016. *What is NVivo*. Available: <http://www.qsrinternational.com/what-is-nvivo> (Accessed 18 October 2020).

Rajaram, D. S. 2017. *Unlocking training and skills development for sustainability in small and medium size enterprises: An explorative South African study*. Master's. University of South

Africa. Available: <http://uir.unisa.ac.za/browse?authority=5a05e794-4dc6-4104-a3e9-8b2c1c38e6e0&type=author> (Accessed 19 March 2020).

Rajasekar, S., Philominathan, P., and Chinnathambi, V. 2013. Research Methodology. *Cornell University Library* [online]. Available: <https://arxiv.org/abs/physics/0601009v2> (Accessed 10 November 2020).

Rootman, C. and Kruger, J. 2016. Adapting SMME business functions during economic turmoil. *Acta Commercii*, 107-119.

Sansoni, J. E. 2011. *Questionnaire design and systematic literature reviews*. Australia: Australian Health Services Institute Faculty of Business.

Sekaran, U. and Bougie, R. 2010. *Research Methods for Business: A Skill Building Approach*. 5th ed. New York: John Wiley and Sons, Ltd.

Shah, M. H, Othman, A. R and Mansor, M. N. 2016 Mentoring and Organizational Performance: A Review of Effects of Mentoring on Small and Medium Enterprises. *Journal of Business and Social Review in Emerging Economies*, 2(2): 143-158. <https://doi.org/10.26710/jbsee.v2i2.31>

Shayamunda, C. Y. 2015. *Consumer-Based Brand Equity of Luxury Car Brands in Pietermaritzburg: A Gender Perspective*. M Com. University of KwaZulu-Natal.

Singh, S. 2014. *Financial Sustainability of Non-Profit Organisations in the Environmental Sector*. MSc. University of South Africa.

Small, M. L. 2011. How to Conduct a Mixed Methods Study: Recent Trends in a Rapidly Growing Literature. *Annual Review Sociology*, 37, pp. 57-86.

Trochim, W. M. K. 2006. *Descriptive Statistics*. Available: <https://www.socialresearchmethods.net/kb/statdesc.php> (Accessed 10 November 2020).

Tshishonga, N. and Mafema, E. D. 2018. Towards engendering developmental local government: an imperative for multi-skilled, conscientised and empowered development workers. *Journal of Public Administration*, 43(3.1): 360 -372.

Van Der Linde, B. A. 2018. Barriers faced by MSEs: Evidence from Mozambique. *Journal of Industrial Management and Data Systems*, 111(6): 849-868.

Van De Linde, B. A. 2018. *Exploring the employee wellness practices of SMMEs in the Gauteng Region*. Master of Commerce in Human Resource Management. University of South Africa. Available: <http://uir.unisa.ac.za/handle/10500/25654> (Accessed 30 March 2020).

Winks, S. 2018. Aiding SMMEs in SA: Small business. *Enterprise Risk*, 2(4): 20-21.

Zikmund, W. G., Babin, B. J., Carr, J. C., and Griffin, M. 2013. *Business Research Methods*. 9th ed. Canada: South-Western, Cengage Learning.

APPENDICES

APPENDIX A: Cover letter



Faculty of Management Sciences
Durban University of Technology
Date: 16 September 2019

Dear Participant

My name is Zukile Sivuyile Mazwi, a Master of Technology in Business Administration student at the Durban University of Technology. The research I wish to conduct for my Masters dissertation is titled 'The perceived effectiveness of Local Economic Development, a Strategy of the Alfred Nzo District Municipality on Entrepreneurship'.

I would like to invite you to participate in my study. Participation will require you to complete a questionnaire. The questionnaire should take approximately five to ten minutes to complete and I request that you do this within ten days.

Participation is voluntary. There are no direct benefits or risks for participating in the study or choosing not to participate. Submission of the completed questionnaire will be regarded as consent to participate in the study. Your responses will remain confidential and your anonymity is guaranteed.

If you have any questions or concerns, please feel free to contact my supervisor or me as per the details below.

Yours sincerely,

Zukile Sivuyile Mazwi – zuksm@yahoo.com 0681844015 (Researcher)

Dr L Lekhanya – lawrencel@dut.ac.za (Supervisor)

APPENDIX B: Consent Note

Consent: By signing this consent form, I confirm that I have read and understood the content of consent form and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form if need be. I voluntarily agree to take part in this study without expecting any form of payment in return.

Signature: _____ Date: _____

Thank you for your interest in participating in the research.

APPENDIX C: Questionnaire

Section A: Demographic Information of the Owner-Managers of SMMEs at Alfred Nzo District Municipality (This section is only for statistical purposes)

General instruction: Please answer the following questions by circling the relevant pre-prepared response in pen or pencil.

Q1 Gender

Male	Female
1	2

Q2 Race

African	White	Coloured	Indian	other
1	2	3	4	5

If 'Other', please specify:

Q3 Age

(16-29) years	(30-39) years	(40-59) years	Above 60 years
1	2	3	4

Q4 Which of the following best describe your education status?

Primary	Matric	National Certificate	Diploma	Degree	Masters	PhD	Other
1	2	3	4	5	6	7	8

If 'Other', please specify:

Q5 Please tick below the local municipality in which you operate your business

Matatiele Local Municipality	Mbizana Local Municipality	Ntabankulu Local Municipality	Umzimvubu Local Municipality
1	2	3	4

Section B: Nature of SMMEs at Alfred Nzo District Municipality

General instruction: Please answer the following questions by circling the relevant pre-prepared response in pen or pencil.

Q1 Please specify below the type of business you are engaged in

Spaza Shop/Tuck Shop	Vendor/Hawker	Subsistence Agriculture	Mini bus taxis	Bricklaying
1	2	3	4	5

Artesian	Plumbing	Electrician	Vehicle repair	Tavern
6	7	8	9	10

Dress maker	Hair dressing	General dealer	Construction	Retailing
11	12	13	14	15

Mining	Manufacturing	Commercial farming	Goods transport	Other
16	17	18	19	20

If 'Other' please specify:

Q2 What is the total number of people employed in your business?

(0-5)	(6-9)	(10-19)	(20-49)	(50-100)	Above 100
1	2	3	4	5	6

Q3 Is your business formally registered?

Yes	No
1	2

Q4 According to your knowledge or experience, what qualification do you think is required to operate a business like yours?

Below Matric	Matric	Tertiary	Other
1	2	3	4

If 'Other', please specify:

Q5 What is the total annual turnover of your business?

Less than R 150 000	R 150 000-R 500 000	Over R 500 000 - R 1 000 000	Over R 1 000 000 - R 25 000 000	Over R 25 000 000 - R 50 000 000
1	2	3	4	5

Q6 What are/ were the motives for setting up your own business?

low income	unemployment	retrenchments	market opportunities	Inherited from family	Other
1	2	3	4	5	6

If 'Other', please specify:

Q7 How many years have you been operating this business?

Less than 1 year	(1-2) years	Over 2 -3 years	Over 3-5 years	Over 5 years
1	2	3	4	5

Section C: Challenges facing SMMEs at Alfred Nzo District Municipality

General Instruction: Please indicate the impact that the challenges provided below have on your business, by making an ‘X’ in the relevant pre-prepared response space, in pen or pencil.

Note: low represent the least serious challenge, medium represent moderate and high represent most serious challenges.

	Challenges	Impact		
		Low (1)	Medium (2)	High (3)
Q1	Limited access to finance			
Q2	Limited access to market			
Q3	Market Competition			
Q4	Lack of business management skills			
Q5	Lack public infrastructure services			
Q6	Crime			
Q7	Tax			
Q8	Government regulations			
Q9	Cost of technology			
Q10	Other			

If ‘Other’, please specify:

Q11 Please tick the kind of support that you receive from the government/municipality.

Finance	Training and Skills Development	Advisory	Public Infrastructure	Marketing	None	Other
1	2	3	4	5	7	8

If ‘Other’, please specify:

Section D: Local Economic Development (LED) at Alfred Nzo District Municipality

General instruction: Please answer the following questions by circling the relevant pre-prepared response in pen or pencil.

Q1 Do you understand the meaning of local economic development?

Yes	No
1	2

Q2 Do you participate in local economic planning forums within your municipality?

Yes	No
1	2

Q3 Does your business work in partnerships with other businesses or stakeholders in the area to improve its operations?

Yes	No
1	2

Q4 Procurement policies within the Alfred Nzo District Municipality favour local businesses

Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

Section E: The contribution of SMMEs to LED at Alfred Nzo District Municipality

General Instruction: Please indicate how SMMEs contribute to LED as provided below, by making an ‘X’ in the relevant pre-prepared response space, in pen or pencil.

		Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Q1	SMMEs contribute significantly to employment creation					
Q2	SMMEs contribute significantly to income generation					
Q3	SMMEs contribute significantly to poverty alleviation					
Q4	SMMEs contribute significantly to local competitiveness					
Q5	SMMEs serve as a means to economic redistribution					
Q6	SMMEs contribute to the district economic growth and development					

End. Thank you for your time

APPENDIX D: Semi-structured interview guide

1. In your own understanding, what are SMMEs?
2. Why do people establish SMMEs?
3. What drove you to establish your business?
4. Where did you get capital?
5. Did you have prior experience and knowledge in this line of business?
6. Do you think there is a need for specific skills and knowledge to run your business effectively?
7. Do you attend any business workshops or training for the benefit of your business?
8. How long have you been operating this business?
9. How many employees do you have?
10. How much sales do you get per week?
11. Do you keep records of your business transactions?
12. What challenges are you facing in your business?
13. Do you receive any support from the government or local authorities? If 'Yes', kindly state the kind of support and how effective it is.
14. Do you know of any organisation that support SMMEs?
15. Are you aware that your local municipality have support programmes for SMMEs? If 'Yes', please state them.
16. What do you think the government and your local authorities should do to support your business?
17. In your own understanding, what is local economic development?
18. How does your business contribute to local economic development?
19. Do you participate in local economic planning forums within your municipality? If 'Yes' How? If 'No' Why not?
20. Does your business work in partnerships with other businesses or stakeholders in the area to improve its operations? If 'Yes', explain how.
21. What contributions does your business have to both you and your community?

APPENDIX E: Turnitin Report

THE PERCEIVED EFFECTIVENESS OF LOCAL ECONOMIC DEVELOPMENT, A STRATEGY OF THE ALFRED NZO DISTRICT MUNICIPALITY ON ENTREPRENEURSHIP

ORIGINALITY REPORT

7 %	2 %	1 %	6 %
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

MATCH ALL SOURCES (ONLY SELECTED SOURCE PRINTED)

6%

★ Submitted to Mancosa

Student Paper

APPENDIX F: Editor's Report