

The identification of socio-economic challenges: A regional comparative study of the Emfuleni and Midvaal local municipal areas

KN Molefe

 **orcid.org/0000-0002-2532-5595**

Dissertation submitted in fulfilment of the requirements for the degree *Master of Commerce* at the
North-West University

Supervisor: Ms. N Meyer

Co-supervisor: Mr. J de Jongh

Graduation May 2018

Student number: 23209496



DECLARATION

I declare that

**THE IDENTIFICATION OF SOCIO-ECONOMIC CHALLENGES: A REGIONAL
COMPARATIVE STUDY OF THE EMFULENI AND MIDVAAL LOCAL MUNICIPAL
AREAS**

is my own independent work and that all resources that have been quoted or used have been fully acknowledged and indicated by means of complete references, and that this dissertation has in no manner either in its entirety or in part, been submitted for degree purposes at another university.

Karabo Molefe

ACKNOWLEDGEMENTS

With the submission of the dissertation, I would first like to acknowledge the assistance, encouragement and support of all those involved in this study. The following people and institutions deserve special mention:

- My Heavenly Father who throughout my life has protected and blessed me in abundance during the course of this study. You are always by my side, providing me with the guidance and wisdom to prosper.
- My supervisor, Mrs. Natanya Meyer, I could not have done this without you. I owe you my deepest gratitude. Your patience and tireless efforts in guiding me throughout this journey is immeasurable. You sacrificed your time and thesis to help me completed this study. All I can say is thank you and may the good Lord continue showering you with blessings.
- Mr Jacques de Jongh, thank you, thank you and thank you. Your assistance in the study is beyond any sort of measure. Thank you for always helping me without seizing and opening the door to your office whenever I needed to work.
- My beautiful mother (Rosinah Kgasi), I wouldn't be where I am in life it wasn't for your discipline, the love that you have shown me and the sacrifices that you have made to ensure that my life is a success. Thank you for the support and encouragement throughout this journey.
- My grandmother (Dorcas Kgasi) thank you for the prayers and the continuous support.
- My little sister (Kamogelo Kgasi), we spent most nights studying together. I thank you for always cheering me on.
- Ms. Mbali Blaai and her data capturing team, who carried out the primary data collection of the study. Thank you ladies.
- The North West University for the Postgraduate Bursary. Thank you.
- Finally, the business owners in Emfuleni and Midvaal local municipal areas that partook in this study. Without you, none of this would be possible. Thank you.

OPSOMMING

Die belangrike en noemenswaardige rol wat KMMO's speel in ekonomiese ontwikkeling en groei kan nie oorbeklemtoon word nie. KMMO's word beskou as 'n kern oplossing met die toenemende epidemie van armoede en werkloosheid. Alhoewel, KMMO's sukkel om voort te bestaan en te groei as gevolg van sosio-ekonomiese uitdagings wat 'n negatiewe uitwerking op hulle het. Die sosio-ekonomiese uitdagings wat geïdentifiseer is, het interne (finansiële en besturende uitdagings) en eksterne (ekonomiese, markte en infrastrukturele uitdagings) uitwerkings op die oorlewing en groei van die KMMO's. Om sodoende KMMO's in die land te laat groei, moet daar 'n entrepreneuriese kultuur gevestig word aangesien Suid-Afrika van die laagste entrepreneuriese aktiwiteite toon. Alhoewel, 'n bemagtigende omgewing geskep kan word vir die voortbestaan en welvaart van KMMO's in Suid-Afrika en op 'n plaaslike vlak. 'n Bemagtigende omgewing kan deur die regering geskep word op beide 'n nasionale en plaaslike vlak.

Die studie se primêre doelwit was om die verskillende sosio-ekonomiese uitdagings wat 'n uitwerking op KMMO's het te identifiseer en die verband daarvan in die Emfuleni en Midvaal plaaslike munisipale areas. Dit behels die identifisering van die verskillende sosio-ekonomiese uitdagings op 'n plaaslike vlak. Om die primêre doelwit te versterk het die studie verder geïdentifiseer of 'n bemagtigende omgewing geskep word vir klein besighede in die twee studie-areas. Verder het die studie die persepsie van klein besigheidseienaars in die twee studie-areas bestudeer aangaande die sosio-ekonomiese uitdagings en verder geanaliseer of die regering 'n bemagtigende omgewing vir die voortbestaan en groei van die besighede skep. 'n Steekproefgrootte van 200 is gekies. Data is versamel deur die gebruik van gestruktureerde vraelyste wat uitgedeel is deur twee opgeleide veldwerkers. 'n Totaal van 200 vraelyste is teruggestuur en slegs 198 was as bruikbaar beskou. Die steekproef was gelyk tussen klein besighede en twee gekose studie-areas verdeel naamlik die Emfuleni (steekproefgrootte = 100) en Midvaal (steekproefgrootte = 98) munisipale areas, wat geskikte en konsekwente statistiese resultate tot gevolg gehad het. Die statistiese tegnieke wat gebruik is om die data te analiseer het die gebruik van frekwensie distribusie en kruistabulering ingesluit.

Frekwensie distribusies was gebruik om die demografiese gegewens te interpreteer in die resultate naamlik; ras, ouderdom, geslagsidentiteit, vlak van onderrig en die tydperk wat die deelnemers al selfwerkzaam is. Die resultate het gedui dat die meerderheid van besigheidseienaars in die Midvaal area Blank is en in die Emfuleni area Swart is. Die meerderheid van die deelnemers in die Midvaal area was tussen die ouderdom van 51 en 60 en in die Emfuleni area is hulle tussen die ouderdom van 31 en 40 en die meerderheid van die deelnemers was manlik in beide studie-areas. Boonop is

daar 'n lae persentasie deelnemers wie 'n nagraadse kwalifikasie verkry het in beide munisipale areas en die tweede laagste persentasie is die hoeveelheid deelnemers wie 'n voorgraadse kwalifikasie verkry het. Frekwensie distribusies was ook gebruik om die resultate aangaande die besighheidsinligting van die deelnemers te interpreteer. Die resultate het daarop gedui dat die meerderheid deelnemers nie een of ander ondernemingsopleiding in die twee areas ontvang het nie, terwyl 'n groot gedeelte van die deelnemers voel dat 'n bemagtigende omgewing nie vir besighede in hulle areas geskep word nie. Eweneens bestuur amper die helfte van die deelnemers hulle besighede in die SSB areas.

Beskrywende kruistabulerings was gebruik om die resultate aangaande die verskillende sosio-ekonomiese uitdagings wat geïdentifiseer is te interpreteer en om ook te identifiseer of 'n bemagtigende omgewing vir KMMO's geskep word. Dit was duidelik, gebaseer op die algehele resultate, dat die deelnemers in die Emfuleni area 'n hoër volume van beide interne (finansiële en besturende) en eksterne (ekonomiese en infrastrukturele) uitdagings ervaar, die Midvaal area ervaar hoër volumes mark uitdagings (ontoereikende aanvraag, hoë mededinging en hoë vervoerkoste). Die resultate het ook gedui dat 'n beter bemagtigende omgewing vir besighede in die Midvaal area geskep word in vergelyking met die Emfuleni area. Die resultate aangaande hierdie hoofstuk dui dat die Midvaal omgewing minder sosio-ekonomiese uitdagings ervaar en het ook 'n beter bemagtigende omgewing in vergelyking met die Emfuleni area, wat verder 'n aanduiding gee dat KMMO's in die Midvaal plaaslike munisipale area meer geneig is om suksesvol te wees.

Oor die algemeen het die studie gevind dat die rede waarom KMMO's sukkel is as gevolg van die sosio-ekonomiese uitdagings wat in die studie geïdentifiseer is. Dus is daar 'n behoefte vir die regering en ander belanghebbendes om in te gryp om sodoende die risiko wat KMMO's teëstaan aangaande die sosio-ekonomiese uitdagings te verminder. Nog te meer het die studie geïdentifiseer dat daar 'n behoefte is om 'n bemagtigende omgewing vir KMMO's op 'n plaaslike vlak te skep. Die algehele resultate dui dat die Midvaal plaaslike munisipale area sterker is as die Emfuleni plaaslike munisipale area.

Sleutelwoorde: KMMO's, sosio-ekonomiese uitdagings, bemagtigende omgewing, Emfuleni, Midvaal, Suid-Afrika

SUMMARY

The importance and the significant role that SMMEs play towards economic development and growth cannot be overstated. With the growing epidemic of poverty and unemployment, SMMEs are seen as a key solution. However, SMMEs are struggling to survive and grow due to the socio-economic challenges that have a negative impact on them. The socio-economic challenges that were identified have an internal (financial and managerial challenges) and external (economic, markets and infrastructural challenges) impact on the survival and growth of the SMMEs. In order to grow SMMEs in the country, an entrepreneurial culture needs to be established as South Africa has one of the lowest entrepreneurial activities globally. However, an enabling environment can be created for the survival and prosperity of SMMEs in South Africa and more so on a local level.

The study had the primary objective to identify the different socio-economic challenges that have an impact on SMMEs and its link to economic development in the Emfuleni and Midvaal local municipal areas. This entailed identifying the different socio-economic challenges on a local level. In order to strengthen the primary objective, the study further identified whether an enabling environment is being created for small businesses in the two study areas. Moreover, the study analysed the perception of small business owners in the two study areas regarding the socio-economic challenges and further analysed if government is creating an enabling environment for the survival and growth of the businesses. A sample size of 200 were selected. Data were collected through the use of structured questionnaires that were administered through two trained fieldworkers. A total of 200 questionnaires were returned and only 198 were deemed usable. The sample was almost evenly split between small businesses in the two chosen study areas which was the Emfuleni (sample size = 100) and Midvaal (sample size = 98) local municipal areas, which has resulted in suitable and consistent statistical results. The statistical techniques employed in analysing the data included the use of frequency distribution and cross-tabulations.

Frequency distributions were used to interpret the demographics in the results which included; race, age, gender, level of education and the duration which the participants have been self-employed. The results indicated that the majority of business owners in the Midvaal area are White and in the Emfuleni area are Black/African. The majority of the participants in the Midvaal were between the ages of 51 and 60 and in the Emfuleni area they are between the ages of 31 and 40 while the majority of the participants were male in both study areas. Furthermore, there is a low percentage of participants who have obtained a post-graduate degree in both municipal areas and the second lowest percentage is the number of participants who have obtained an undergraduate degree. Frequency distributions were also used to interpret the results pertaining the business

information of the participants. The results indicated that majority of the participants have not received some sort of business training in the two areas while a large portion of the participants felt that an enabling environment is not being created for businesses in their areas. Likewise, almost half of the participants manage their business operations in the CBD areas.

Cross tabulations were used to interpret the results pertaining to the different socio-economic challenges which have been identified. Based on the overall results it was clear that participants in the Emfuleni area experience a higher volume of both internal (financial and managerial) and external (economic and infrastructural) challenges, however, the Midvaal area experiences a higher volume of market challenges (inadequate demand, high competition and high transportation costs). The results also showed that a better enabling environment is being created for businesses in the Midvaal area compared to the Emfuleni area. The results indicate that the Midvaal area experiences less socio-economic challenges and also has a better enabling environment compared to the Emfuleni area, which further gives an indication that SMMEs in the Midvaal local municipal area are more prone to be successful.

Overall the study found that the reason why SMMEs are struggling is because of the socio-economic challenges which were identified in the study. Therefore, there is a need for government and other stakeholders to intervene in order to minimise the risk encountered by SMMEs with regards to the socio-economic challenges. Furthermore, the study identified that there is a need to create an enabling environment for SMMEs on a local level. The overall results indicate that the Midvaal local municipal area is stronger than the Emfuleni local municipal area regarding the success of small business development.

Key words: SMMEs, socio-economic challenges, enabling environment, Emfuleni, Midvaal, South Africa

TABLE OF CONTENTS

DECLARATION.....	i
ACKNOWLEDGEMENTS.....	ii
OPSOMMING.....	iii
SUMMARY.....	v
TABLE OF CONTENTS.....	vii
LIST OF FIGURES	xiii
LIST OF TABLES	xiv
LIST OF ABBREVIATIONS.....	xvi
CHAPTER 1	1
INTRODUCTION AND BACKGROUND TO THE STUDY	1
1.1 INTRODUCTION	1
1.2 PROBLEM STATEMENT.....	4
1.3 THE OBJECTIVES OF THE STUDY	5
1.3.1 Primary objective	5
1.3.2 Theoretical objective	5
1.3.3 Empirical objectives	6
1.4 RESEARCH DESIGN AND METHODOLOGY.....	6
1.4.1 Literature review	6
1.4.2 Empirical study.....	6
1.4.2.1 Study area	7
1.4.2.2 Target population	7
1.4.2.3 Sampling frame	7
1.4.2.4 Sampling procedure.....	8
1.4.2.5 Sample size and element	8
1.4.2.6 Measuring instrument.....	8

1.4.2.7	Procedure method and data collection.....	9
1.4.3	Statistical analysis	9
1.5	ETHICAL CONSIDERATIONS.....	9
1.6	THE VALUE OF THIS RESEARCH STUDY.....	10
1.7	CHAPTER CLASSIFICATION	10
1.8	SYNOPSIS	11
	CHAPTER 2	13
	THEORETICAL PERSPECTIVES ON SOCIO-ECONOMIC CHALLENGES	13
2.1	INTRODUCTION	13
2.2	SETTING THE SOUTH AFRICAN SCENE	14
2.2.1	South Africa seen in the global context.....	14
2.2.2	The importance of economic growth and development	16
2.2.2.1	Economic growth	16
2.2.2.2	Economic development	18
2.3	A REVIEW OF THE SOUTH AFRICAN SOCIO-ECONOMIC POLICY LANDSCAPE.....	21
2.3.1	National Development Plan (NDP).....	22
2.3.2	The New Growth Path (NGP)	24
2.4	SMME DEVELOPMENT IN SOUTH AFRICA	26
2.4.1	South Africa's SMME status.....	26
2.4.2	The link between entrepreneurship, SMME development and economic growth	30
2.4.3	SMME Development.....	32
2.5	SOCIO-ECONOMIC CHALLENGES FACED BY SMMEs IN SOUTH AFRICA.....	34
2.5.1	Internal socio-economic challenges	35
2.5.1.1	Finance	35
2.5.1.2	Management skills.....	38

2.5.2	External challenges.....	39
2.5.2.1	Economic and market conditions	39
2.5.2.2	Infrastructure and labour	40
2.6	ECONOMIC DEVELOPMENT THEORIES.....	41
2.6.1	The industrial revolution	41
2.6.2	The industrial location theory.....	43
2.6.3	Structural change theory.....	44
2.6.4	The Solow growth model	45
2.7	SYNOPSIS	46
CHAPTER 3	49	
REGIONAL ANALYSIS OF THE EMFULENI AND MIDVAAL LOCAL MUNICIPAL AREAS	49	
3.1	INTRODUCTION	49
3.2	SOCIO-ECONOMIC CHALLENGES IN SOUTH AFRICA	50
3.3	REGIONAL ANALYSIS OF STUDY AREAS	52
3.3.1	Emfuleni local municipal area.....	53
3.3.2	Midvaal local municipal area	59
3.4	LOCAL ECONOMIC DEVELOPMENT (LED).....	65
3.4.1	Local Economic Development – Emfuleni Local Municipality	67
3.4.2	Local Economic Development – Midvaal Local Municipality	69
3.5	INTEGRATED DEVELOPMENT PLAN.....	69
3.5.1	The Integrated Development Plan process	71
3.5.2	Integrated Development Plan – Emfuleni Local Municipality	72
3.5.3	Integrated Development Plan – Midvaal Local Municipality	73
3.6	SYNOPSIS	75
CHAPTER 4	77	
RESEARCH DESIGN AND METHODOLOGY.....	77	

4.1	INTRODUCTION	77
4.2	RESEARCH PARADIGM AND PHILOSOPHICAL UNDERPINNING	77
4.3	RESEARCH DESIGN	79
4.4	RESEARCH APPROACH	81
4.5	SAMPLING STRATEGY	82
4.5.1	Target population	83
4.5.2	Sampling frame	83
4.5.3	Sampling technique	83
4.5.4	Sample size.....	84
4.6	DATA COLLECTION METHODS	85
4.6.1	Questionnaire design	86
4.6.2	Questionnaire format.....	87
4.6.3	Questionnaire layout.....	88
4.6.4	Pretesting of the questionnaire	89
4.6.5	Reliability and validity	90
4.6.6	Ethical considerations.....	91
4.7	ADMINISTRATION OF THE QUESTIONNAIRE.....	91
4.8	PRELIMINARY DATA ANALYSIS	92
4.9	STATISTICAL ANALYSIS.....	92
4.9.1	Descriptive statistics.....	93
4.10	SYNOPSIS	93
CHAPTER 5		95
EMPIRICAL RESULTS AND FINDINGS OF THE STUDY.....		95
5.1	INTRODUCTION	95
5.2	DEMOGRAPHICS OF THE PARTICIPANTS	95
5.2.1	Race	96
5.2.2	Age of the participants	96

5.2.3	Gender	97
5.2.4	Level of education	98
5.2.5	Duration of self-employment	99
5.3	BUSINESS DESCRIPTION DETAILS	100
5.3.1	Sector of the business	100
5.3.2	Legal form of the business	101
5.3.3	Size of the business	102
5.3.4	Business training	103
5.3.5	Place of business premises	103
5.3.5	Enabling environment	105
5.4	COMPARATIVE ANALYSIS: INTERNAL CHALLENGES FACED BY SMMEs	105
5.4.1	Financial challenges	106
5.4.2	Managerial challenges	109
5.5	COMPARATIVE ANALYSIS: EXTERNAL CHALLENGES FACED BY SMMEs	111
5.5.1	Economic challenges	112
5.5.2	Market challenges	114
5.5.3	Infrastructural challenges	115
5.6	COMPARATIVE ANALYSIS: FACTORS CONTRIBUTING TO AN ENABLING ENVIRONMENT	117
5.7	SYNOPSIS	119
CHAPTER 6		121
SUMMARY, CONCLUSION AND RECOMMENDATIONS		121
6.1	INTRODUCTION	121
6.2	OVERVIEW OF THE STUDY	121
6.3	MAIN FINDINGS OF THE STUDY	125

6.4	CONTRIBUTIONS TO THE FIELD OF STUDY	127
6.5	RECOMMENDATIONS	127
6.5.1	Improve infrastructure capacity for SMMEs.....	128
6.5.2	Establishing an enabling environment for SMMEs	128
6.5.3	Investment in business skills training.....	128
6.6	SYNOPSIS	129
	BIBLIOGRAPHY	130
	ANNEXURE A: QUESTIONNAIRE	159
	ANNEXURE B: LETTER FROM THE LANGUAGE EDITOR	164

LIST OF FIGURES

Figure 3.1:	Unemployment rate (2003-2017)	50
Figure 3.2:	A map of the Sedibeng district municipal area.....	52
Figure 3.3:	Human development index (HDI) trends in the Emfuleni local municipal area (2011-2016)	55
Figure 3.4:	The Gini coefficient trends in the Emfuleni local municipal area (2011-2016)....	56
Figure 3.5:	Number of people employed per sector in the Emfuleni municipal area (2016) ..	57
Figure 3.6:	GDP growth in the Emfuleni local municipal area (1996–2016).....	57
Figure 3.7:	Number of people living in poverty in the Emfuleni local municipal area (2011–2016).....	58
Figure 3.8:	Number of people who are unemployed in the Emfuleni local municipal area (2011–2016).....	59
Figure 3.9:	Human development index (HDI) trends in the Midvaal local municipal area (2011-2016).....	61
Figure 3.10:	The Gini coefficient trends in the Midvaal local municipal area (2011-2016)	62
Figure 3.11:	Number of people employed per sector in the Midvaal municipal area.....	62
Figure 3.12:	GDP growth in the Midvaal area (1996-2016).....	63
Figure 3.13:	Number of people living in poverty in the Midvaal area (2011–2016).....	64
Figure 3.14:	The number of people who are unemployed in the area (2011-2016).....	64
Figure 5.1:	Percentage of different age groups in the Midvaal and Emfuleni local municipal areas	97
Figure 5.2:	Percentages regarding the gender of the participants	98
Figure 5.3:	The participants duration of self-employment.....	100

LIST OF TABLES

Table 2.1:	A brief summary of top performing economies in Africa.....	14
Table 2.2:	Broad definition on the different types of entrepreneurs	31
Table 2.3:	Broad definitions of SMMEs in the National Small Business Act	32
Table 2.4:	Financial challenges facing formal and informal entrepreneurs	35
Table 3.1:	Summary of the three local municipal areas	53
Table 3.2:	IDP process	71
Table 3.3:	Economic overview of the Emfuleni local municipality.....	73
Table 3.4:	Midvaal Local Municipality's IDP KPAs	73
Table 3.5:	Economic overview of the Midvaal local municipal area.....	74
Table 4.1:	Philosophical foundations included in the study.....	79
Table 4.2:	Advantages and disadvantages relating to cross-sectional designs.....	81
Table 4.3:	Likert scale response options for the scales used in the study	88
Table 4.4:	Summary of the pilot testing results.....	90
Table 5.1:	Frequency and percentages regarding the different race groups of the participants	96
Table 5.2:	Frequencies and percentages regarding the level of education of the participants .	99
Table 5.3:	Frequencies and percentages pertaining to the business sector in which their businesses operate in.....	101
Table 5.4:	Frequencies and percentages pertaining to the legal form of participants businesses	102
Table 5.5:	Frequencies and percentages pertaining to the size of the businesses	102
Table 5.6:	Frequencies and percentages pertaining to business training for the participants	103
Table 5.7:	Frequencies and percentages pertaining to the participants' place of business	104
Table 5.8:	Frequencies and percentages pertaining to an enabling environment being created	105
Table 5.9:	Reliability statistics – internal challenges	106

Table 5.10:	Descriptive statistics for financial challenges	107
Table 5.11:	Perceptions pertaining to the financial challenges	108
Table 5.12:	Descriptive statistics pertaining to managerial challenges	110
Table 5.13:	Perceptions pertaining to the managerial challenges.....	111
Table 5.14:	Reliability test – external challenges	112
Table 5.15:	Descriptive statistics pertaining to the participants’ economic challenges	112
Table 5.16:	Perceptions pertaining to the economic challenges.....	113
Table 5.17:	Descriptive statistics pertaining to market challenges	114
Table 5.18:	Perceptions pertaining to the market challenges	115
Table 5.19:	Descriptive statistics pertaining infrastructural challenges	116
Table 5.20:	Perceptions pertaining to the infrastructural challenges	117
Table 5.21:	Reliability statistics – enabling environment	118
Table 5.22:	Descriptive statistics pertaining to an enabling environment.....	118

LIST OF ABBREVIATIONS

ASGISA:	Accelerated and Shared Growth Initiative for South Africa
CBD:	Central Business District
CEOs:	Chief Executive Officers
ELM:	Emfuleni Local Municipality
EPWP:	Expanded Public Works Programme
ETU:	Education and Training Unit
FDI:	Foreign direct investment
GDP:	Gross domestic product
GEAR:	Growth, Employment and Redistribution
GEM:	Global Entrepreneurship Monitor
HDI:	Human Development Index
H_0 :	Null Hypothesis
H_1 :	Alternative Hypothesis
IDC:	Industrial Development Corporation
IDP:	Integrated Development Plan
JSE:	Johannesburg Stock Exchange
KPAs:	Key Performance Areas
LED:	Local Economic Development
MLM:	Midvaal Local Municipality
NAFCOC:	National African Federated Chamber of Commerce and Industry
NDP:	National Development Plan

NGP:	New Growth Path
NPC:	National Planning Commission
OECD:	Organisation for Economic Co-operation and Development
PPP:	Purchasing Power Parity
RDP:	Reconstruction and Development Programme
SALGA:	South African Local Government Association
SDM:	Sedibeng District Municipality
SEDA:	Small Enterprise Development Agency
SMMEs:	Small, Medium and Micro Enterprises
SPSS:	Statistical Package for the Social Sciences
SSA:	sub-Saharan Africa
StatsSA:	Statistics South Africa
TEA:	Total early entrepreneurial activity
USA:	United States of America
WEF:	World Economic Forum

CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Many South Africans face some sort of socio-economic challenge on a daily basis. In addition, small, micro and medium enterprises (SMMEs) are also confronted by some of the same challenges and ultimately, this affects their day-to-day activities, for example finance, managerial, economic and market challenges (Wickert, 2016:792). This, in turn, can negatively affect SMMEs performance and decrease the contribution they can make towards local economic development (LED) (Kongolo, 2010:2288.). Economic growth and development are terms that are frequently misunderstood as the same concept, but in actual fact it is not. For example, Demetriades and Hussein (1996:387) state that economic growth and development go hand in hand, however, this is not always the case. Economic growth is related to the increase in productivity in relation to goods and services produced within a country's borders. This is generally measured as gross domestic product (GDP). GDP is a measurement globally used to quantify a country's economic output or productivity. It is defined by the value of goods and services produced within the borders of a country during a time period, usually annually (Dasgupta, 2008:1). GDP per capita is generally related to the measurement of income per person and it has a close correlation to the living standards of a country's citizens. GDP provides an overall picture of a country's economic performance in terms of growth (Aron & Muellbauer, 2002:185). There are two calculations used to calculate GDP namely the expenditure and income approach. The expenditure approach calculates the total sum of what citizens spend over a period of a year and the income approach calculates the total income earned. However, both the expenditure and income approach should bear the same result (Cullen, 2012). On the contrary, economic development can be defined as a process conducted by government officials, community members and leaders to improve the quality of life for citizens living in local community areas (Schumpeter & Backhaus, 2003:61). LED is an economic development tool that is used to improve quality of life. The LED approach is used as a tool to encourage local citizens and officials to work together to improve the economic conditions of a municipality. Many economists feel that the LED approach is a good strategy to uplift economic conditions of low income areas in the country (Nel, 2001:1003; Kongolo, 2010:2288.).

Socio-economic challenges are faced by both developed and developing countries on a global scale but, as these challenges are many times associated with issues such as unemployment and poverty, they are more prominent in developing countries, such as South Africa (Donner, 2008:140). South Africa has not performed as good in terms of economic growth as its citizens and government officials would have wanted in recent years as a result, many local communities are facing increased socio-economic challenges (Potts, 2008:151).

There are daunting socio-economic challenges that are faced within the borders of South Africa, which brings up a question if enough is being done to create an enabling environment. The creation of enabling environments entails the necessary steps taken by government to improve service delivery to businesses and the citizens of South Africa (Work, 2002:3). Local government is responsible for creating an enabling environment through multiple actions such as improving the quality of life, creating a sustainable environment and the creation of a democratic environment (Meyer, Meyer & Neethling, 2016:53).

As mentioned before, South Africa is faced with high unemployment and poverty rates causing many socio-economic challenges in the economy (Aliber, 2003:473). The increase in the unemployment rate plays a critical role in the growth of SMMEs in the country (Thurik, Carree, Van Stel & Audretsch, 2008:673). As such, government has placed much emphasis on SMMEs to help alleviate issues such as poverty and the reduction of inequality, in order to achieve basic standards of living (The Presidency, 2011:28). The emphasis on SMMEs to help improve the overall socio-economic challenges is two-fold. Firstly, hope is placed on SMMEs to employ more people and secondly, due to limited employment opportunities there is a need for more unemployed people to start new businesses (Feindt, Jeffcoate & Chappell, 2002:51). There are different motives for starting a business that include, but are not limited to, labour market flexibility, existence of profitable opportunities, and for survival purposes, as there may not be any alternative employment opportunities available (Pena, 2002:180).

Many South Africans find a means to survive by starting their own small business to provide for their daily basic needs (Aron & Muellbauer, 2002:185). Skilled and innovative entrepreneurs are needed for the survival and growth of SMMEs in the country. These individuals play a critical role towards job creation, economic growth, poverty alleviation and help target key socio-economic issues (Acs & Storey, 2010:871). Furthermore, an entrepreneur is known as a person who is proactive and willing to take on new challenges (Kelly, Singer & Herrington, 2016:12). Entrepreneurs are key role-players in an economy that is willing to take

the necessary risk to ensure the growth of a business venture (Meyer, Meyer & Molefe, 2016:121).

Starting up a new business may seem easy but being an entrepreneur is a rare skill as these individuals are resourceful, open-minded and show a lot of passion (Herron & Robinson, 1993:281). However, with the correct training and skills transfer many entrepreneurial and managerial skills can be taught. In fact, it is one of the factors considered by researchers, industry leaders and government officials that could aid in the reduction of unemployment through job creation (Reynolds, Hay & Bygrave, 2000:4). According to Meyer (2015:3) unemployment is negatively related to entrepreneurship development and when entrepreneurial development is low, higher unemployment rates exist. Citizens that usually operate their SMMEs in order to escape poverty are called “necessity entrepreneurs”, entrepreneurs who are forced into “survival” entrepreneurship (Makhoba, 2010:22). SMMEs are drivers in the creation of jobs in developing countries. According to Kelley, Singer and Herrington, (2016:111) and Herrington and Kew (2016:75), the South African SMME sector contributed 45 per cent of the GDP in 2015. The National Development Plan (NDP) estimates that the SMME sector will create 11 million new jobs by 2030 (Smith, 2016).

Government continues to support SMMEs in South Africa because it believes that the development of SMMEs may have a positive impact on the different socio-economic conditions in the country. There are different support structures that contribute towards small business development in South Africa (Helmsing, 2003:67). The South African government is funding small business entrepreneurs who come up with bright and innovative ideas (Lee, Hwang & Choi 2012:147). Possible funding from the government also takes place when entrepreneurs come up with business ideas that could contribute to the creation of future employment opportunities (Luiz, 2002:53).

There are many socio-economic challenges with regard to the growth of SMMEs in the country, which has led most citizens to create a negative stigma around the establishment and expansion of SMMEs in South Africa (Reynolds *et al.*, 2000:15). Though there is a rise in the number of SMMEs, the socio-economic challenges make it difficult for the enterprises to grow. Although government supports these businesses, the creation of an enabling environment is key to the growth of SMMEs. Many factors that contribute to the creation of an enabling environment could also be seen as challenges if not prevalent or provided at an acceptable level (Obitayo, 2001:16). These could include factors such as transport, policies, infrastructure and the creation

of jobs to name a few (Berger & Udell, 1998:613). Available access to finance for small businesses is a regular challenge that entrepreneurs face when wanting to start a business venture or expand due to the lack of information and stringent rules when applying (Bowen, Morara, & Mureithi, 2009:16).

According to Olawale and Garwe (2010:731) socio-economic challenges that impact SMMEs exist both internally and externally. Internal factors are mainly challenges that are usually controlled by the business itself such as access to finance, management skills, location and networking and investment towards innovation (Fatoki & Asah, 2011:170). External factors are usually those that a business has no control over and are usually determined by economic conditions that include various economic variables such as interest rates and other market conditions, crime and corruption and labour infrastructure and regulations. These factors may affect the growth and development of SMMEs and thus have an influence on the positive effects SMMEs may have on economic development. Therefore, the aim of this study is to determine the socio-economic challenges faced by SMMEs in the two study regions.

1.2 PROBLEM STATEMENT

Traditionally GDP and GDP per capita have been used to determine growth, as well as to indicate a country's prosperity, but in recent years more emphasis has been placed on a broader view of improvement referred to as economic development (Bosworth & Collins, 2003:113). Although the South African economy is currently ranked one of the top economies in Africa, the country still faces damaging socio-economic challenges that affect not only economic growth but also economic development (Rogerson, 2010:481). A considerable amount of research has been conducted on socio-economic challenges and how it affects the development of a country (Chimuchek & Mandipaka, 2015:309; Christina, Neelufer & Al Amri, 2014:2). However, little is known about the effect these socio-economic challenges have on SMMEs within South Africa and even less information is available on a local level (Abor & Quartey, 2010:215). SMMEs are often referred to as the drivers of economic growth and development especially in low income parts of a country (Acs, 2006:97). As more people earn a sustainable income, general economic development conditions should improve (Lall, 2001:1509). But as each area is faced with different socio-economic challenges further investigation into specific challenges on local level and how these challenges affect economic development is needed (Simmie & Martin, 2010:27).

Through the better understanding of the effects socio-economic challenges faced by SMMEs have on economic development on local level, improved policies and regulations could be formulated and implemented to target and improve the level of these socio-economic challenges (Okpara, 2011:156). Therefore, the problem addressed in the study is to identify the socio-economic challenges faced by SMMEs in the chosen study areas and how this relates to the local economic development within the two study areas of Emfuleni and Midvaal. These areas were chosen due to the fact that the Midvaal local municipal area has increased the quality of life through job creation and economic development while Emfuleni has been struggling for the past few years (Malaoa, 2011). The Emfuleni local municipal area has high unemployment rates (34.7 per cent) and there is a high percentage of individuals who lack basic services such as water and sanitation (Meyer, 2016:319).

The research questions addressed in this study included:

- What are the main socio-economic challenges faced by SMMEs in order to contribute to improved LED in the two study areas?
- How do the socio-economic challenges faced by SMMEs relate to economic growth and development?
- Does the existence of an enabling environment correspond with lower levels of socio-economic challenges faced by SMMEs?

1.3 THE OBJECTIVES OF THE STUDY

The following primary, theoretical and empirical objectives were identified for this study's purposes:

1.3.1 Primary objective

The aim of the study is to identify the socio-economic challenges faced by SMMEs and its link to economic development in the local municipal areas of Emfuleni and Midvaal.

1.3.2 Theoretical objective

In an effort to achieve the primary objective, the following theoretical objectives were formulated:

- To conduct a literature review relating to the concepts such as GDP, GDP per capita, economic development and the enabling environment
- Review the literature on the differences between economic development and economic growth
- To review the literature on economic development theories applicable to this study
- To provide a literature review on the various socio-economic challenges faced by SMMEs as identified from previous literature.

1.3.3 Empirical objectives

The main empirical objectives established in order to achieve the primary objective of the study were:

- To identify the different socio-economic challenges faced by SMMEs in the Emfuleni and Metsimaholo local municipal areas
- To compare the two selected study areas with each other regarding the specific findings relating to the socio-economic challenges and enabling environment status
- To provide recommendations based on the findings from this study.

1.4 RESEARCH DESIGN AND METHODOLOGY

The methodology of the study included a literature review as well as an empirical study. A quantitative research approach was followed through the use of primary data that were collected using the survey method.

1.4.1 Literature review

Secondary sources such as journals, theses, books, academic and commercial abstracts and bibliographic databases were used to access necessary information sources. The literature review includes both theoretical literature as well as empirical literature to help explain the impact of socio-economic challenges on SMMEs and the impact it may have on economic growth and local economic development.

1.4.2 Empirical study

The empirical part of this study comprised the following methodology dimensions:

1.4.2.1 Study area

The study was conducted in the Midvaal and Emfuleni local municipal areas. These areas were chosen because the Midvaal municipality has increased the quality of life through job creation and development while Emfuleni has been struggling for the past few years (Malaoa, 2010). The Emfuleni local municipal area have high unemployment rates, and there is a high percentage of individuals who lack basic services such as water and sanitation (Meyer, 2016:319).

The two municipalities form part of the Sedibeng District Municipality. The district is situated south of Johannesburg in the Gauteng province and its administrative seat is in Vereeniging. The two municipalities are located on the banks of the Vaal River and Vaal Dam, respectively. The Emfuleni local municipal area covers the west of the Sedibeng district. Among the many residential areas within the Emfuleni region, Vereeniging, Vanderbijlpark, Sebokeng and Sharpville are some of the towns that form part of the area (Local Government Handbook, 2017:103).

The Midvaal Local Municipality also forms part of the Sedibeng District Municipality. The Midvaal local municipal area is bordered by the Free State province towards the south and the Mpumalanga province towards the east. The two sample areas were chosen to expand the study as well as to provide notable comparisons with regard to the different socio-economic challenges faced by SMMEs (Krugell, Otto, & Van der Merwe, 2010:307).

1.4.2.2 Target population

The target population discusses the group of specific population elements that is applicable or appropriate to the study (Zikmund, 2000:342). The study targeted South African registered or non-registered businesses operating in the Emfuleni and Midvaal local municipal areas.

1.4.2.3 Sampling frame

The sampling frame of the study included SMMEs that were in existence for longer than 12 months and operates in either of the two study areas.

1.4.2.4 Sampling procedure

Sampling techniques can include either probability sampling or non-probability sampling (Sandelowski, 2000:246). As there is no available list or data for SMMEs in the specified areas, a non-probability sampling technique was utilised, which allowed the identification of the relevant target population. Together with this, snowball sampling was utilised in order to identify more small business owners. Local organisations such as the Golden Triangle chamber of commerce, SEDA and NAFCOC were also asked.

1.4.2.5 Sample size and element

A number of factors are considered when determining the sample size for instance the nature of the analysis, the sample size and resource restrictions that have been used in similar studies (Malhotra & Birks, 1999:385). A sample of 98 (Emfuleni) and 100 (Midvaal) SMMEs were collected from each of the two study areas. This sample size compares to and exceeds that of similar studies such as Buthelezi's (2011:66) study that had a sample size of 30 businesses, Stander's (2011:60) sample of 87 entrepreneurs and finally Kock (2008:71) and Rasego's (2011:57) studies that consisted of 80 and 58 participants respectively.

1.4.2.6 Measuring instrument

As the study focused on the collection of primary data, a self-administered questionnaire was compiled. The questionnaire consisted of questions pertaining to the study's objectives and mainly addressed the socio-economic challenges faced by the SMMEs. In addition, the provision of an enabling environment by local government for businesses to prosper was also included in the questionnaire. The questionnaire included a cover letter clearly explaining the scope of the study to the participant. The pilot study was done in the Metsimaholo municipal area to avoid participants from the main study areas completing questionnaires in the main and the pilot study. The pilot study allowed the testing of the adequacy of the research instrument and identified many logistical problems that arose by using the proposed method of data collection. The questionnaire comprised structured questions that made it easier for the participants to answer and for the data to be compared. The following two scales were used in the questionnaire; firstly, the enabling environment scale (Meyer & Keyser, 2017) and secondly, the socio-economic scale by Bairwa *et al.* (2012:185).

The questionnaire consisted of four sections. Section A aimed to collect the demographic information of the study. This section included questions such as race, age, level of education, and gender. Section B gathered the business information of the sample and included questions such as, the sector in which the business is operating in, legal form, and size of the business. Section C was composed using the enabling environment scale to gather information as to whether the local municipality creates an enabling environment by assessing the different enabling environmental factors. Finally, Section D included the socio-economic scale that assisted to assess the different socio-economic challenges faced by the SMMEs.

1.4.2.7 Procedure method and data collection

The study collected primary data by means of a survey. The questionnaire was distributed among trained fieldworkers with the relevant experience in data collection. The fieldworkers conducted the surveys among the different SMMEs in the various study areas. The business owners were not forced to take part in the survey, it was completely voluntary and anonymous with no incentives given towards the time taken to complete the survey.

1.4.3 Statistical analysis

The primary data that were collected were analysed using specific statistical or econometric software programs such as the Statistical Package for Social Sciences (SPSS) version 24. The questionnaire was constructed and the following methods were used to analyse the information that was collected:

- Reliability and validity analysis
- Descriptive analysis
- Significance tests.

1.5 ETHICAL CONSIDERATIONS

In order to ensure that the validity of the study aligns with the standards of a formal research dissertation, extensive measures were taken in order to prevent all forms of plagiarism, duplication and false information. The questionnaire and the study methodology were subjective to ethical clearance from North-West University's ethics committee (ECONIT-2017-030). The data used in this study were extracted from raw primary data, which boast to have the advantage of containing unutilised and raw information. This form of data ensures

that the information used is original and appropriately applied throughout the report as a whole (Glass, 1976:3). By this, the study was unbiased and did not lean to any form of stereotypical behaviour as the study only analysed the various socio-economic challenges of which any of the entrepreneurs within this category may face. The anonymity and the confidentiality of the participants were ensured. By concluding this study, it is hoped that the challenges these SMMEs face may be highlighted and new and innovative solutions may be found in order to facilitate these challenges.

1.6 THE VALUE OF THIS RESEARCH STUDY

Socio-economic challenges are faced by many developing and developed economies (O'Brien & Leichenko, 2000:221). Concerns have been raised with regard to the growing epidemic of unemployment and poverty in South Africa. There are job opportunities that are created through government and private entities but there is still not enough to cater for every individual who is seeking employment (Abrahamsson, 2006:21). Though individuals face a challenge of not finding employment, some of them still find the means to survive by starting their own businesses. SMMEs may seem as a solution to improve conditions but there are many socio-economic challenges that interrupt their growth and the positive impact they may have on an economy. Most studies, in this regard, have been narrowly focused on economic growth rather than economic development. By concluding this study, it is hoped that the challenges these SMMEs face may be highlighted and new and innovative solutions may be found in order to facilitate these challenges. Therefore, this study contributes to the existing body of literature on the impact of SMMEs on economic growth as well as the identification of the various socio-economic challenges faced by these businesses.

1.7 CHAPTER CLASSIFICATION

This study comprises the following chapters:

Chapter 1: Introduction and background to the study

The first chapter focuses on the introduction and the background to the study. It consists of the problem statement and the objectives that have been set forth for the study. These objectives include both theoretical and empirical objectives. The methodology used is also explained in this chapter.

Chapter 2: Literature review

The second chapter provides a thorough literature review based on the theoretical outcomes of this study. Various theoretical and empirical studies that have been conducted concerning the different socio-economic challenges affecting the growth of SMMEs are analysed.

Chapter 3: Comparative regional analysis

Chapter 3 focuses to conduct a comparative regional analysis of the two study areas. This chapter assists in the identification of the different socio-economic challenges faced in both study areas. Based on the findings from analysing both study areas, recommendations are provided on how to combat the given socio-economic challenges in the two study areas.

Chapter 4: Research design and methodology

Chapter 4 consists of the research methodology, which includes the design of the study, target population, the sampling frame and sample size. Furthermore, the method in which the data were collected in relation with the statistical procedure and management of the research instrument is discussed.

Chapter 5: Results and findings

Chapter 5 focuses on the explanation and analysis of the empirical findings emanating from the study. Results pertaining to the statistical analysis conducted through the use of the primary data are discussed.

Chapter 6: Conclusions and recommendations

Finally, Chapter 6 is dedicated to the conclusion of the study, and also discusses the possible policy recommendations while considering possible opportunities for further research on this topic.

1.8 SYNOPSIS

Socio-economic challenges have a negative influence and the growth and prosperity of a country. SMMEs also face socio-economic challenges of some sort which have a negative impact on their survival and growth. The SMME sector is being recognised as one of the key economic drivers towards the development and growth of the South African economy. The

government has started recognising the significant impact the SMME sector has. With this being said, the purpose of this chapter was provide an introduction and a brief background of the study.

A lot of research has been conducted on different socio-economic challenges and their impact on economic growth and development. However, there is not enough knowledge available on the impact of socio-economic challenges on SMMEs more especially on a local level. Therefore, a gap was identified for the purpose of this study. Hence, the study aims at identifying the different socio economic challenges that have an impact on SMME development. Furthermore, a questionnaire was designed to in order to get an in depth understand on the different socio-economic challenges and to further gain knowledge if an enabling environment was being created for the SMMEs.

The chapter further included an outline on the primary, theoretical and empirical objectives which were set for the purpose of the study. The chapter further provided a brief description of the methodology in order to achieve the various objectives which have been set out. The chapter concluded by addressing ethical considerations and followed by the value of the research pertaining to this study. The subsequent chapter, Chapter 2 aims at addressing the theoretical objectives which have been outlined in Section 1.3.2, which includes a broader of view of SMMEs and the different socio-economic challenges.

CHAPTER 2

THEORETICAL PERSPECTIVES ON SOCIO-ECONOMIC CHALLENGES

2.1 INTRODUCTION

South Africa is faced with many daunting socio-economic challenges such as poverty, unemployment and inequality, hence government has started bolstering the importance and development of SMMEs. The prevalence of these challenges does not only have an impact on emerging economies but also developed economies (Khemraj, Madrick & Semmler, 2006:3). Due to the increase in population sizes and decline in economic growth there are not enough formal employment opportunities for the current active economic population. The South African government has been trying to create jobs but still there are high levels of unemployment (Hendrickson, 2015). Developed economies have shown signs of improvement in terms of GDP but the high number of unemployed infers the issue of jobless growth (Victor, 2012:206).

Most developed economies such as the United States (US) have SMMEs playing a central role towards development and growth in their economies (Kongolo, 2010:2288). SMMEs have the ability to create employment and are therefore a possible solution to unemployment and jobless growth (Meyer, 2014:65). Developing countries such as South Africa are starting to adopt a culture of establishing more SMMEs in order to reduce the growing unemployment rate in the country (Kingdon & Knight, 2007:813).

The aim of this chapter is to provide a theoretical overview of the socio-economic issues that SMMEs face in the South African context. More specifically, this chapter addresses the theoretical objectives of the study as outlined in Chapter 1. In doing so, the chapter firstly provides a literature review relating to concepts such as GDP, GDP per capita, economic development and an enabling environment. Secondly, the importance of economic growth and economic development in relation to SMME development is discussed. The chapter finally concludes with a brief review on the various economic development theories applicable to this study.

2.2 SETTING THE SOUTH AFRICAN SCENE

The subsections below set the South African scene. The below subsections will further discuss and unfold South Africa in a global context. Furthermore, the importance of economic growth and economic development in the South African context is discussed.

2.2.1 South Africa seen in the global context

South Africa is classified as a middle income economy since the end of the apartheid era regime in 1994 (Carmody, 2012:223; Lewis, 2017). Though the country may be performing well compared to other countries on the African continent as shown in Table 2.1 as the second biggest economy in Africa, there are still restraints that hinder the country's growth and development (Nel, 2001:1003).

Table 2.1: A brief summary of top performing economies in Africa

Country	GDP level and summary (as in 2017)
Nigeria	Nigeria's GDP is estimated at 521 Billion US dollars. It is the largest country in the African context in terms of economy and population.
South Africa	Despite its socio-economic challenges and political instability, the South African economy survives as it is one of the top economies in the African context in terms of GDP. The country's economy has suffered due to the plunge in its precious minerals such as diamonds, gold and platinum. The economy's current GDP is 353 Billion US Dollars.
Egypt	Egypt's economic survival relies heavily on minerals such as iron ore, steel, aluminium and natural gas. The country is well-known as the jewel of the Nile and has a large tourism industry. The estimated GDP is at 292 Billion US dollars.
Algeria	Algeria is now recognised as the People Democratic Republic of Algeria and has an estimated GDP of 214 Billion US dollars. The country's economic growth is driven by investment by public enterprises and private demand. The unemployment rate in the country currently stands at 9,8 per cent, which fell in 2013.
Angola	The Republic of Angola has an estimated GDP of 131 Billion US Dollars. It is Africa's second largest oil producer and is also a member of the African Union. Economic growth in the country is boosted by fisheries, non-oil energy, agriculture, and the construction and manufacturing sector.

Source: Lewis (2017)

These restraints revolve around issues such as corruption, low skilled labour forces, the lack of adequate infrastructure and high crime rates that all have an impact on a country's growth, development and the progress of SMME establishment. These socio-economic challenges are issues that affect a country's economic and social performance negatively (Corrigan, 2009). South Africa should not be underrated regarding the importance of growth in the African context (Brown, 2014:425). Even though investors globally prefer to enter Nigerian and Kenyan markets, South Africa remains the key economic hub in sub-Saharan Africa (SSA) (The Economist, 2015). Since 2007, foreign direct investment (FDI) into SA's economy has grown by 17 per cent. In 2013, SA attracted twice as many FDI projects, showcasing the economy's competitiveness in international markets (Lederman, Mengistae & Xu, 2013:3637). Smith (2017) stated that the South African economy is more stable in terms of a long-term country risk perspective. Though there are positive trends with regard to the FDI, much effort is still required to articulate and market the country's position to international investors in order to grow the economy's low share of FDI growth.

The South African economy provides a stable platform to invest and does business in other parts of the African continent (Brand South Africa, 2016; Shen, 2015:83). South Africa's economy has comparative advantages such as a relatively large domestic economy, a strong services-based, strong financial and capital markets and also has a robust democracy. These advantages make the South African economy more attractive to both local and international investors. It has also led the country to be one of the most important sources of FDI in the African continent (Jonas, 2017).

Contrary to this underlining potential, South Africa is facing an intimidating epidemic of jobless growth, unemployment and poverty, which creates the need for SMME development in the economy (Davies, 2001:32; Graham & De Lannoy, 2017). SMMEs play an important role to solve the different socio-economic challenges faced by most developing economies (Okpara, 2011:157). SMMEs are recognised as playing a central role in economic growth and development. In fact, since the transition to democracy in 1994 it has been one of the central goals of the post-apartheid government to start developing small businesses (Mahadea & Pillay, 2008:431).

2.2.2 The importance of economic growth and development

According to the World Bank (2017), since South Africa's transition to democracy in 1994, there has been considerable strides towards improving the quality of life for its citizens, though the progression is slow. For the past few years, real GDP growth has been decelerating and reached only 0.3 per cent in 2016. A moderate up-tick of 0,6 per cent was expected during 2017. The following section discusses the importance of economic development and growth.

2.2.2.1 Economic growth

Economic growth is a term that is generally used to define an increase or a measure based on the goods and services produced within the borders of a country measured on an annual basis (Harrison, 1996:419). Economic growth can be measured in real or nominal terms, the measurement is adjusted for inflation (StatsSA, 2012:118). The measurement of economic growth is measured in terms of the gross domestic product (GDP) (Cullen, 2012). In other words, economic growth is the total aggregate productivity of an economy. Total gains in productivity often links with the marginal productivity of a country, meaning an average employee in an economy becomes more productive on average (Piana, 2001).

However, jobless growth is defined as economic expansion that takes place in an economy without the ability of creating jobs (Khemraj *et al.*, 2006:3). Jobless growth continues to be one of South Africa's most intimidating socio-economic challenges. The country is one of the top economies performing in Africa in terms of the GDP but the levels of job creation do not correlate with the levels of growth (Legassick, 2007:111; Menon, 2017). As stated before, jobless growth is a term used when growth takes place but the level of job creation is low, however, this issue affects a number of participants such as investors, employees and industries (Kaplinsky, 1995:179). When an economy is going through jobless growth, it means that structural changes are taking place. Structural changes infer that opportunities shift within an economy (Gros & Potter, 2003:1). Some economists argue that the increase in productivity in an economy that utilises more mechanised systems leads to jobless growth, while some economists feel that jobless growth is a result of structural changes (Bhorat, 2004:940; Kannan, 2007:17).

According to StatsSA (2017), the South African economy has shown positive signs of improvement in the second quarter of 2017. There have been positive trends across different industries in the economy, in particular in finance, mining and agriculture sector that lifted the

country's GDP by 2,5 per cent in the second quarter of 2017 as indicated in Figure 2.1. However, in 2015 GDP grew by 0.2 per cent which is low compared to 2017. Agriculture shows continuous progress since the last drought occurred, with production increasing by 33,6 per cent in 2017 and the rise in the production was driven by an increase in production in field crops, in particular wheat and maize also an increase in the production of gardening products such as fruit and vegetables (Omarjee, 2017).

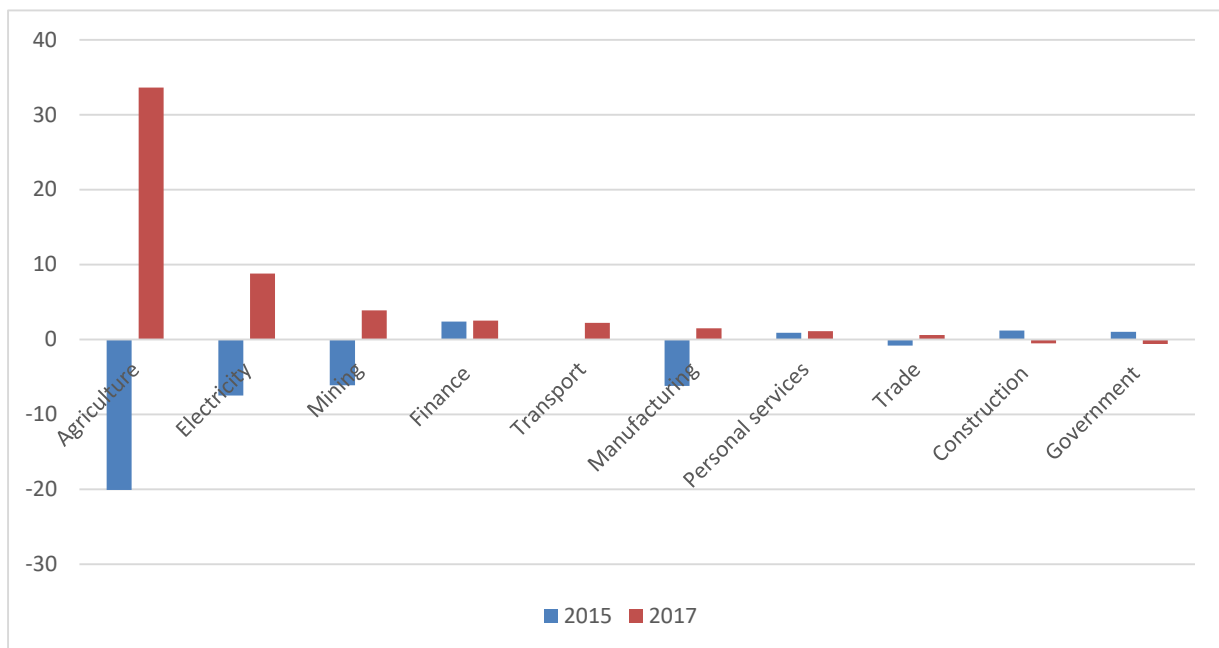


Figure 2.1: Different South African industries performance for the second quarter of 2015 and 2017

Source: StatsSA (2017)

Agriculture (-20.1 per cent), electricity (-7.5 per cent), mining (-6.1 per cent), manufacturing (-6.2 per cent) and trade (-0.8 per cent) industries show that there were negative growth trends during the second quarter of 2015, Figure 2.1 further indicates that there was no growth in the transport industry, however there were positive growth trends in the finance (2.4 per cent), construction (1.2 per cent) and government (1 per cent) industries. In comparison the second quarter of 2017 had more favourable growth trends than in 2015. However, construction (-0.5 per cent) and government (-0.6 per cent) industries had negative growth trends in 2017 as indicated in Figure 2.1. Furthermore, the agricultural (33.6 per cent), electricity (8.8 per cent) and mining (3.9 per cent) industries showed the highest growth trends during the second quarter of 2017.

The increase in crop production has provided relief for struggling South African households during the second quarter of 2017 and therefore the agriculture industry had the highest growth rate. According to StatsSA (2017) the increase in the stocks for maize and wheat has started to diminish prices, which has resulted in a decrease in the prices of bread and cereal. The increase in the production of coal, gold, iron ore and magnesium ore has resulted in an expansion in the mining industry by 3,9 per cent. After declining for three successive years, the manufacturing industry has shown a positive growth of 1,5 per cent. The finance (2.5 per cent) and transport (2.2 per cent) industries had moderate growths during the second quarter of 2017. The 2,5 per cent increase in GDP brought an end to South Africa's second recession since 1994. Although the increase in the country's productivity, long-term indicators show a submissive growth. Economic growth is considered to be among the most crucial economic indicators as it indicates the growth of the total economic output. Furthermore, a growth in economic output helps attract foreign investment.

2.2.2.2 Economic development

Economic development is defined as a process that strive to improve the well-being and quality of life for a community through the creation of an enabling environment and creation of jobs (Demetriades & Hussein, 1996:387). Furthermore, economic development can be defined as a process by which a country takes to improve economic, political, social well-being of its citizens (Woolcock & Narayan, 2000:225). Some argue that economic development is defined as the process of adopting new technologies, which shows a shift from the agricultural sector to a more industrialised sector (Porter, 2000:15). Though the definitions may differ, they bear the same meaning that indicates the importance of improving the political, social well-being and the general improvement of living standards (Dethier & Effenberger, 2012).

Economic development can be explained under three key areas (Sinding, 2009:3023). Firstly, governments are working on economic objectives such as improving living standards by creating enough jobs. In order for this objective to be achieved, laws need to be put in place, with needed regulations from industries and also the provision of tax incentives. Secondly, support programmes need to be introduced to help improve infrastructure and services in an economy. Finally, development programmes that enable job creation and business development should be included, which allows young entrepreneurs to gain the necessary skills and the education they require (Porter, 2000:15).

There are many different ways to measure whether the objectives of poverty alleviation and job creation have been met this far. A simple way to measure whether development is taking place is through the general increase in income levels of local families, a reduction in local unemployment levels and the improvement in their quality of lives (Pearce & Atkinson, 1993:103). An example of an economic development programme is the tax incentive that the government provides to local communities or a country as a whole (Porter, 2000:15). Local government can provide incentives to allow people to start their own businesses by giving them lower income tax rates.

Although there might be political instability in South Africa, its government is more stable compared to other African countries. (World Bank, 2017). Due to the current political instability in the country, attributing the withdrawal of many investors, many potential job opportunities are lost. Nevertheless, South Africa has come a long way to ensure stability since the end of the apartheid era, but improvement is needed. Improved focus is required especially towards the investment in more infrastructure, the improvement of education and business development (Cilliers & Aucoin, 2016:2). Two methods are used to measure a country's level of development, which is income per capita and the human development index (HDI). A country's level of development is measured by income per capita, the higher the income per capita the higher the levels of development (Moran *et al.*, 2008:470). Though income per capita is used to measure development, it is not the most efficient measurement (Knack & Keefer, 1997:1251). The HDI is the best measurement to be used to measure whether an economy is developing or not. The HDI measures the quality of life of citizens in a given country which include education, income per capita and life expectancy (Anand & Sen, 2000:83). Though there may be some instability in the country, South Africa has one of the highest HDI's in the African continent which is 0.666 (White & Kitimbo, 2017).

In addition to instability concerns, there is a huge equality gap between the rich and the poor in the country (Graven, 2014:1039). The Gini coefficient (Gini index) is a tool that is used to measure the degree to which the distribution of income (in some instances consumption expenditure and wealth) among citizens or households within an economy, deviates from a perfectly equivalent distribution (Atkinson & Bourguignon, 2000:2). A Lorenz curve plots the cumulative percentages of income against the number of recipients, starting from the poorest citizen or household. The country is known to have one of the highest income inequality levels in the world as the Gini index stands at 63.38 (out of a maximum of 100). Almost ten per cent

of the population earn about 55 to 60 per cent of all income compared to more developed economies that earn between 20 to 35 per cent of the national income (Orthofer, 2016).

The country shows signs of an unstable economy mainly due to these inequality concerns, joblessness, slow growth and the incompetence of government officials to change the status quo (Keeton, 2014:26). High inequality levels have critical economic, social and political consequences that raise serious concern (Thorbecke & Charumilind, 2002:1477). It is known that South Africa faces a growing epidemic of inequality. However, it is quite difficult to measure the distribution of wealth, therefore, there is a need to develop other methods that give a clear indication on the distribution thereof (Coudouel *et al.*, 2002:27).

South Africa has a number of low income areas such as informal and rural settlements (StatsSA, 2017c:109). These settlements are often not taken care of and there is a lack of access to resources (Jacobs & Slaus, 2010:53). This leads to an unequal allocation of resources, therefore resulting in a huge inequality gap. Due to the lack of resources that has been allocated to low income areas, the living conditions are unsatisfactory (Leibbrandt *et al.*, 2010:4). This results in socio-economic challenges such as poverty, unemployment, lack of infrastructure and jobless growth (Aliber, 2003:473).

Poverty is one of the biggest socio-economic challenges South Africa faces (Aliber, 2003:473). Most recent statistics suggest that more than half of the population is living below the poverty line (Besley & Burgess 2003:3; StatsSA, 2017:14). This is a growing epidemic as more citizens living below the poverty line normally infers that inequality is increasing between those who can afford to survive and those who are unable to provide for themselves (Nicolson, 2015). The South African government has put policies in place to help alleviate poverty but there are more significant strides to address these concerns if required.

According to the World Bank (2016) based on a poverty line of 1.90 dollars a day at Purchasing Power Parity (PPP), poverty decelerated from 33,8 per cent 1996 to 16,9 per cent in 2008. However, recent statistics indicate that South Africa's PPP is equivalent to 69 per cent of the world's average. Factors that drove this included real income growth, social safety nets, the expansion of credit, the growth of formal housing as well as a drop in housing inflation. Since the 2008 financial crisis there has been slow progress due to weak global growth and structural changes.

During the first quarter of 2017 the unemployment rate was recorded at 27,7 per cent, this was the highest reported rate in 14 years, which raises concerns about the future of the country (StatsSA, 2017a). Furthermore, unemployment can be defined as a person who is actively seeking a job but cannot find employment (Murphy & Topel, 1997:295). Many economists classify the growing epidemic of unemployment in South Africa as a ticking time bomb (Byrne & Strobl, 2004:465). The largest number of retrenchments took place during the year 2016 that further gave a rise to the current high unemployment rate (Writer, 2016). Some of the causes of unemployment include (Kingdon & Knight, 2007:813; Schmitt-Grohé & Uribe, 2016:1466):

- Some parts of the country such as rural and informal settlements, have poor levels of education. This is due to a result of a lack of access to resources that includes access to proper schooling facilities. As result there is a high number of unskilled citizens
- Employers cannot afford to pay certain sectorial minimum wages imposed by government, while strict labour regulations make it difficult to hire citizens
- Advancements in technology; new technological innovations are slowly replacing human labour
- Finally, there are more applicants than jobs available in the job market, which is known as *“demand-deficient unemployment”*.

According to StatsSA (2017a), approximately 433 000 citizens joined the unemployment pool in the second quarter of 2017. A total of 58 per cent of these individuals were young people between the ages of 15 and 34 years, which lead to an increase in the youth unemployment rate by 1,6 per cent. The amount of citizens in short-term employment (those who are seeking for employment for less than a year) increased by 2.4 per cent. The unemployment rate remains high among citizens without a matric qualification (Grade 12) while the number of graduates who are unemployed remains at 7.3 per cent.

2.3 A REVIEW OF THE SOUTH AFRICAN SOCIO-ECONOMIC POLICY LANDSCAPE

Since the transition to democracy, the South African government has placed significant emphasis on alleviating poverty, job creation and the reduction of inequality (The Presidency, 2012:24). This subsection focuses on two policies that include the National Development Plan (NDP) and the New Growth Path (NGP). Their purpose is to reduce poverty, promote job

creation and reduce income inequality. Furthermore, much emphasis has been placed on small business development and entrepreneurship.

2.3.1 National Development Plan (NDP)

The National Development Plan (NDP) was introduced in 2012 by the South African National Planning Commission (NPC). The purpose of the blueprint was to create an enabling environment in order to reduce poverty and inequality by the year 2030. The NDP has the aim to unite South Africans, build a comprehensive economy, enhance skills and improve the capability of the state in order to eradicate the socio-economic challenges faced by the country's citizens (Zarenda, 2013:3). The NPC identified the failures of the past policies such as the Growth Employment and Redistribution Programme (GEAR), Reconstruction and Development Programme (RDP) and the Accelerated and Shared Growth Initiative for South Africa (ASGISA), signifying the lack of partnerships that all contributed to slow progress. In light of these failures, the NDP was introduced to provide direction to South Africa's future socio-economic and development paths (Meyer, 2012:146). The following primary challenges were set out that provide the key objectives of the NDP's implementation and they include (The Presidency, 2012:15):

- South Africa remains a divided society, the inequality remains high. There are still citizens who lack access to basic resources and service delivery
- The unemployment rate remains high. However, SMMEs are seen as a solution for the growing epidemic of unemployment
- Corruption still remains a concern. Not only does it affect a country's well-being, but also it is one of the core socio-economic challenges that SMMEs face
- The current health care system cannot meet the demand and sustain the level of quality
- Public services are of poor quality in some parts of the country and the distribution is uneven
- Infrastructure is being poorly maintained, adding to the external socio-economic challenges that influence the growth and development of SMMEs
- The quality of education is poor in some parts of the country (informal and rural settlements). Due to the lack of education SMMEs face challenges that include the shortage of skilled labour and the lack of business skills training.

Over the past years the country has made some progress with the building of democratic institutions, basic services have been extended and economic conditions have stabilised to some extent (World Bank, 2017). Though there has been progress towards economic growth and development, there are still challenges that need attention. Many citizens are still living below the poverty line and the levels of inequality remain high (The Presidency, 2012:14). The unemployment rate is high and education levels in some parts of the country (rural and informal settlements) are unacceptable (Turok, 2015). According to StatsSA (2017b) the NDP has a number of targets to reach by the year 2030, which include:

- To reduce the number of citizens living below the poverty line, which was 39 per cent in 2009 and the aim of reducing the figure to 0 per cent in 2030
- To reduce income inequality from 0,7 per cent in 2010 to 0,6 per cent by 2030
- To ensure the distribution of income received by 40 per cent of citizens living below the poverty line, should rise from six to 10 per cent
- Lastly, to reduce poverty induced hunger to 0 per cent by 2030 (StatsSA, 2017b).

Despite the significant effort directed towards these objectives, progress in their achievement has been lacklustre. This suggests that the South African economy is still somewhat caught in a low-growth, middle income trap (Luiz, 2016:50). The overall effect of the mentioned features is high levels of unemployment, lack of investments and inequality. Given the current underlining socio-economic landscape, the importance of transforming the economy by creating an enabling environment is a much needed long-term solution. The creation of an enabling environment can be achieved through the enhancement of human capital, productive capacity and infrastructure to raise exports. This will assist towards increasing investment and a reduction in the reliance on capital inflows (Pilat & Schreyer, 2002:6).

An improvement in the public infrastructure and skill results in higher investments will allow the economy to grow faster and result in an increase in productivity (The Presidency, 2012:24). The rise in employment and productivity will enable the quality of life to increase, resulting in higher incomes and less inequality (Faulkner, Loewald & Makrelov, 2013:2). Long-term prosperity can be achieved by a shift towards more investments. Economic growth in the country needs to be accelerated in a comprehensive manner.

As mentioned before, the main purpose of the NDP is to reduce poverty and inequality by 2030 and this can be achieved through an economy that creates more jobs for the population (The

Presidency, 2012:14). The South African economy needs to be more inclusive towards the creation of jobs and sharing the job opportunities equally among the population in both the agricultural and industrial sectors. This can only be achieved if an enabling environment is created for small businesses to grow and the various socio-economic challenges these businesses face are reduced. According to the NDP, the economy should be close to full employment in 2030, equip the marginalised population with the proper skills they need in order to overcome poverty. Necessary resources need to be provided in order to invest in human and physical capital (The Presidency, 2012:25). The current economic trajectory is not satisfactory and much improvement will be needed in order for the 2030 NDP goals to be achieved.

According to the National Planning Commission (2011:92) unemployment is one of the most daunting socio-economic issues. Therefore, much emphasis has been placed on small business and entrepreneurial development by the NDP. Therefore, it is important to reduce socio-economic challenges faced by SMMEs. The following critical aspects were identified for small businesses and entrepreneurship to be improved (The Presidency, 2012:25):

- To ensure that the youth receive the necessary life skills and entrepreneurship training that will enable them to identify opportunities (The Presidency, 2012:30, 86)
- To endorse entrepreneurial development in schools (The Presidency, 2012: 114)
- To endorse and expand skills in the agricultural and tourism sector with entrepreneurial training as the key focus area (The Presidency, 2012:226)
- Due to the emergence of the third and fourth industrial revolution, skills development and training is needed for technology and innovation improvement (The Presidency, 2012:21).

The lack of experience relevant to business venture, the lack of business skills and the lack of business skills training form part of the socio-economic challenges that small business and entrepreneurs face. Skills training was the key focus area in the NDP on developing and growing small business. The following section discusses the NGP as economic policy that has been developed towards job creation.

2.3.2 The New Growth Path (NGP)

The New Growth Path (NGP) has been identified as a key tool for job creation, enhancing growth and equity. As previously mentioned, the NGP's main target is to create 5 million jobs

between 2010 and 2020 (The Presidency, 2012:28). There is a need for actions to take place with the current socio-economic challenges faced in the South African economy (Kotze, 2003:4). Therefore, there is a growing consensus that through the NGP the creation of decent jobs, reducing poverty and inequality could take place (The Presidency, 2012:30). There are 5 key investment areas that the NGP framework has identified, namely: housing, energy, transport, water and communication. Strategies need to be put in place to sustain public investment in order to create jobs in construction, maintenance and operation (The Presidency, 2012:34). There are 5 priority areas that have been identified by the NGP, which are (The Presidency, 2010):

- **Greening the economy:** Energy on the Integrated Resource Plan, has been drafted in to expand the construction and production of technologies for solar, wind and biofuels. An estimated 300 000 jobs are set to be created through clean manufacturing and environmental services.
- **Mining:** Mineral extraction should be increased, there is a need for improvement in infrastructure and skills development.
- **Agriculture:** There has been substantial growth in the agricultural sector, which may result in the creation of jobs. Additional jobs can be created by addressing input costs, upscaling processing and export marketing. The government needs to explore ways to improve the living conditions of the existing 660 000 farmers in the country and furthermore start distributing land that is not being used because it has been restricting investment.
- **Tourism:** Tourism holds the potential to create decent jobs in the country and stimulates economic growth. Citizens from local communities can find employment in hotels, restaurants and travel agencies. Many indirect jobs are also created through tourism activities. Many tourists visit rural areas, therefore, there are opportunities for rural development by developing tourism-related businesses.
- **Manufacturing:** There is a need for reindustrialisation in the manufacturing sector through innovation, skills development and reducing production costs. The NGP has set out a target to double South Africa's research and development investment to 2 per cent of GDP by 2018.

In order to achieve this goal the focus needs to be set on areas that have the potential for large scale employment, which are known as “job drivers” (The Presidency, 2011:24). The NGP projects that the majority of jobs will come from the private sector. There are two variables

that will affect the target that has been set out for job creation: economic growth and the employment intensity of that growth. Both these aspects are needed to boost economic growth and intensify employment. Employment intensity and economic growth is the relationship between growth in employment and the growth in GDP (The Presidency, 2011:23). The NGP proposes two strategies that enable job creation, firstly the domestic and regional market has to be deepened by growing employment, increase incomes and improve equity and income distribution. Secondly, South African goods and services need to be diversified mainly through export activity. While acknowledging the importance of these aspects, other significant job drivers that have been identified by the NGP for the South African economy include:

- Labour absorbing economic sectors need to be targets that include agriculture and mining chains, manufacturing and services
- Taking advantage of new technologies, opportunities, knowledge and green economies
- Intensive investment in infrastructure in order to create employment opportunities in construction, operation, maintenance and production of inputs. Efficiency in the economy will be improved indirectly
- Nurturing regional integration and rural development
- To ensure leverage on social capital in the social economy and public services (The Presidency, 2011:24).

From the above-mentioned job drivers, different economic sectors have been identified as key to the absorption of the labour force. These economic sectors are known as infrastructure, agriculture, mining, the green economy as well as the tourism sector (The Presidency, 2011:26).

2.4 SMME DEVELOPMENT IN SOUTH AFRICA

In light of the various socio-economic challenges faced by the country, SMME development has become one of the key focus areas in South Africa. Therefore, the section focuses on the current SMME status in the country that is followed by the link between entrepreneurship, SMME development and economic growth.

2.4.1 South Africa's SMME status

SMMEs have an important role to play in transitioning and developing countries such as South Africa (Sriram & Mersha, 2010:257). SMME development and promotion has been one of the

key policy focus areas in South Africa since 1995 (Rogerson, 2011:151). The SMME sector has the potential to reduce poverty and help to create jobs (Amra *et al*, 2013:1). A number of policies have been put in place in this regard, accompanied by different policy programmes and initiatives that have been introduced to develop SMMEs in the country (Lewis, 2001:3; World Bank, 2015).

South Africa's first general economic policy was the Reconstruction Development Plan (RDP), which was initiated in 1994. It highlighted that SMMEs are important to develop an economy and create employment (Kongolo, 2010:2288.). However, the policy did not receive enough support at that time and struggled to effectively achieve its predetermined objectives. Due to the high levels of poverty and unemployment back in 1994, the purpose for the RDP was to initiate employment creation, increase income distribution and economic growth (Ardington & Lund, 1995:557). The RDP was developed as a socio-economic policy that was aimed to unify the citizens of South Africa and its resources towards the final process of abolishing apartheid with the goal to build a democratic, non-racial, non-sexist nation (Rogerson, 2004:765).

Since the National Small Business Act 102 of 1996 was established a number of policies and programmes have been put in place to support the development of SMMEs. Nevertheless, the motivation behind SMME development in South Africa is complex. Firstly, SMMEs are seen as a solution to boost economic growth and secondly it can help reduce the growing epidemic of unemployment in the country, resulting in an improvement in the populations' quality of life (Kongolo, 2010:2288). This could increase the distribution of income in the country and try to minimise the equality gap among the population (Zulu, 2014).

SMME development is believed to be one of the key courses to help achieve the vision and goal that have been set out in key policies such as the NDP and the NGP. The country needs up and coming entrepreneurs who are innovative, ambitious, have the passion to lead and the necessary capabilities to create employment (Ratten, 2014:137). Policies such as the NDP and the NGP aim to reduce unemployment in the economy but have struggled to achieve their predetermined objectives. The ongoing challenges the country is facing is further aggravated by an ever-growing population and unemployment rate. SMMEs will allow business owners to become leaders of the next generation (Leibbrandt, 2010).

Though SMMEs are seen as a way to effectively address the issues of unemployment and jobless growth, their development faces daunting challenges partly due to the fact that

individuals struggle to establish their own enterprises. Additionally, those who have the capabilities to do so, find it difficult to maintain them (Rogerson, 2006:66). The growth and survival of new SMMEs are of importance to the future and growth of economies (Olawale & Garwe, 2010:736). The struggles SMMEs face to remain in business can be attributed to the different socio-economic challenges that business owners have to deal with either when they want to get into the market or their lack of funding (Tambunan, 2008:147).

SMMEs are classified as the backbone of any economy, whether developed or developing (Abor & Quartey, 2010:220). Economists and government officials believe that SMMEs can be the main drivers of economic growth (Ciubotariu, 2013:201). These small businesses have an important role to play especially towards creating jobs. About 50 per cent of the jobs that have been created in the economy are from small businesses. The SMME sector creates an estimate of 45 per cent towards the growth of the economy (Long, 2016). Moreover, it is evident that SMMEs have the potential to expand employment opportunities in the economy, develop young, up and coming entrepreneurs and increase market opportunities (Rogerson, 2014:205).

The World Bank (2016) has identified key benefits of SMMEs towards development. Firstly, SMMEs are recognised as stimulators of economic growth, mainly because the private sector has shown significant job losses in the market. Secondly, SMMEs are important for an efficient and competitive market. The increased competitiveness will boost efficiency and productivity in the economy. Thirdly, SMMEs are critical to decrease poverty, especially in low income areas. The fourth and final key benefit is that SMMEs have an important role to play especially in developing economies because they promote diversification and they are productive drivers of inclusive growth in developing countries (Makakane, 2014).

South Africa is ranked 64th according to the Global Entrepreneurship Index, which is one of the lowest in terms of entrepreneurial activity globally (Herrington & Kew, 2017:92). The country still has a long way to go and yet to see the true benefits of SMMEs. It is of importance that government officials take this into account, because there is a need for small business growth. Over the past 20 years government has put policies, programmes and strategies in place aimed at the development of these institutions. However, despite these efforts progress in the improvement of their establishment have been lacklustered. The government has to have more effective and practical executions from existing policies (Landsberg, 2014:3). Small business development can be sustained through different stakeholders and their involvement

which include, the government, private entities and civil society. This goal can be achieved through providing sufficient training, mentoring and counselling to small businesses (Peel, 2004:46). Another option is that retired business owners can help new business owners to enter the SMME sector (Writer, 2015).

According to Maas and Herrington (2006) the development of SMMEs is as two-stage process. The first stage involves the start-up phase where entrepreneurs try to identify products and services that the business will trade, which usually takes up to three months to establish. It gives small businesses time to access resources and put in place the necessary infrastructure in order for business operations to start. The second phase represents the initiation of business operations. This involves the business starting to compete with other existing businesses. The phase is usually measured between three to 42 months (Olawale & Garwe, 2010:735). Therefore, new SMMEs need to survive more than 42 months in order for them to become well established businesses.

Olawale and Garwe (2010:737) state that the likelihood of a new SMME surviving beyond 42 months is less likely in South Africa than in any GEM sampled country. This has a negative stigma towards the development of SMMEs. The low sustainability prospects of these businesses can partly be ascribed to their discouragement in light of the various socio-economic challenges entrepreneurs face. As previously highlighted it is imperative to start an entrepreneurial culture in the country in order to motivate young people to become entrepreneurs (Isenberg, 2010:40).

In order to sustain SMMEs in South Africa, the significance of business growth needs attention (Van Scheers, 2011:5048). Business growth can be defined and measured by using absolute or relative variations in sales, productivity and profit margins within a business (Wiklund, Patzelt & Sherpherd, 2009:351). Entrepreneurs usually feel that the best way to measure business performance is through sales. A growth in sales is easy to measure compared to the other measures of business growth, because it is believed that sales work as good indicator for size and growth (Hart & Oulton, 1996:1242). Sales is also an indication of how businesses are competing in their respective markets (Dobbs & Hamilton, 2007:296).

There are five stages of business growth that were identified by Churchill and Lewis (1983:30). These five stages of growth are referred to as the existence, survival, success, take-off and resource maturity of the entity. Each stage is critical for the growth and success of a business.

The challenge, however, from a South African perspective is that most new SMMEs do not move past the first stage mainly due to lack of funding and mismanagement (Sivertsson & Tell, 2015:1957). This goal can be achieved by providing sufficient training, mentoring and counselling to small businesses. Another option is that retired business owners can help new business owners to enter the SMME sector (Desouza & Awazu, 2006:32).

The development of new SMMEs brings about new innovation and technology in the economy. In this process these businesses assist towards increasing efficiency in the economy while likewise furthering competition between existing businesses (Lasagni, 2012:310). SMMEs are seen as a solution to South Africa's development issues and can help improve the quality of life of those who live below the poverty line. South Africa faces the risk of economic stagnation if new SMMEs are not being developed (Trimi & Berbegal-Mirabent, 2012:449).

2.4.2 The link between entrepreneurship, SMME development and economic growth

With the rise in unemployment levels in the country, young people who are striving to pursue their careers through tertiary studies face huge employment uncertainties in the future (Herrington *et al.*, 2010:13). The more motivated individuals among them seek to start new businesses. Young individuals who wish to venture into entrepreneurship face many of challenges such as the lack of funding, corruption and the lack of management skills, which will hinder their growth (Mikane, 2015).

An intervention needs to take place especially with regard to entrepreneurial activities in the country. According to the GEM, South Africa has one of the lowest turnover rates with regard to inherent entrepreneurial activities in the economy (Herrington *et al.*, 2010:21). The country needs to enhance its entrepreneurial spirit because there is a need for more entrepreneurs in the economy that can assist towards SMME development. The right entrepreneurial mindset will enhance small business development in the country, which at a later stage could create more employment (Kelley *et al.*, 2016).

Entrepreneurship is defined as the capability and willingness to develop a business and take the necessary risks in order to make a profit (Kunene, 2008:82). Furthermore, entrepreneurship can also be classified as an engine of economic growth. In economic terms entrepreneurship is related to the four factors of production which is, labour, land, natural resources and capital, which if utilised appropriately and efficiently can result in profits. In addition, an entrepreneur

is defined as a person who is innovative, motivated and is willing to take the necessary risks in order to see their businesses thrive. Table 2.2 below provides a brief discussion on the different types of entrepreneurs that includes a survivalist entrepreneur, lifestyle entrepreneurs and high growth entrepreneurs (Gürol & Atsan, 2006:25).

Table 2.2: Broad definition on the different types of entrepreneurs

Type of entrepreneur	Definition
Survivalist	A survivalist entrepreneur is often associated with the informal sector but also includes the formal sector. It is a person who is forced into entrepreneurship due to circumstances.
Lifestyle entrepreneurs	Lifestyle entrepreneurs open up businesses as hobby or to maintain a lifestyle.
High growth entrepreneurs	These entrepreneurs are able to generate profits quickly, which enable them to create a bulk of new jobs.

Source: Constable (2015)

Entrepreneurship and an entrepreneurial culture brings has a positive influence on an economy and social development (Westlund & Bolton, 2003:77). As previously highlighted, entrepreneurs bring steadiness into the economy through innovation, new technologies, enables them to create new markets and reduce unemployment in the process. An entrepreneur is a risk-taker who is willing to break through barriers and allow the business to grow (Kunene, 2008:82). The root of being an entrepreneur is being able to convert an idea into an economic opportunity (Llopis, 2013). History has shown that in order for an economy to progress it needs individuals who have an entrepreneurial spirit and who is innovative, who have the competences to find gaps and are able to exploit opportunities in the market. An example is that developed economies such as the USA, where almost half of its economic growth is from entrepreneurial activities (Wennekers & Thurik, 1999:27; Herrington & Kew, 2016:10).

An entrepreneur can also be classified as a national asset that needs to be polished, motivated and rewarded to the greatest possible degree (Zott & Huy, 2007:70). Entrepreneurs have the ability to change the way people live by improving the quality of life of those who are unemployed if their businesses are successful (Venkataraman, 2004:153). In simple terms, the success of an entrepreneur through the accumulation of wealth means that they will be able to create sufficient jobs and improve economic conditions. Economies with high levels of

entrepreneurship show increased productivity and efficiency that results in higher economic growth (Kramer & Porter, 2011:63). Furthermore, there is a positive correlation between entrepreneurship and economic growth, therefore entrepreneurial activity has been recognised as key contributing factor towards a country's wealth (Meyer & Meyer, 2017:7).

Entrepreneurs have the capabilities to come up with solutions that help economies face certain socio-economic challenges. Unlike any other individuals an entrepreneur is able to convert a problem or threat into an opportunity due to the fact that they are known as risk-takers (Mair & Marti, 2006:36). The main reason for encouraging entrepreneurship is to promote competitiveness in the business environment. The development of entrepreneurship is important and has the essential elements at a macro level to help achieve the reduction of poverty across the globe (Chibba, 2009:213). In recent times, the South African government has acknowledged the importance of entrepreneurs and the role they play towards development and the social well-being of its people (Martin *et al.*, 2013:211).

2.4.3 SMME Development

SMMEs are defined as small businesses or firms that are non-subsidary, independent, and normally employ a few employees compared to large firms with more employees (Kesper, 2001:171). Table 2.3 below provides broad definitions of a range of SMMEs according to the National Small Business Act 102 of 1996 which includes; medium, small, very small, micro and survivalist enterprises.

Table 2.3: Broad definitions of SMMEs in the National Small Business Act

Type of firm	Definition
Medium enterprise	Medium enterprises mainly operate in the mining, electricity, construction and manufacturing industry. They have between 100 and 200 employees.
Small enterprises	Has a limit of 50 employees. Small enterprises are more established than very small enterprises.
Very small enterprises	There are less than 10 to 20 employees depending on the industry.
Micro enterprise	Usually operates in the informal sector and includes enterprises such as spaza shops and minibus taxis.
Survivalist enterprise	Also characterised as the micro enterprise sector. The income generated is at times beneath the poverty line.

Source: Mahembe (2011)

Globally, SMMEs are seen as important contributors towards the development and increasing productivity and efficiency in an economy. SMMEs help to boost economic development (Abor & Quartey, 2010:217). Most developed economies have already implemented SMME policies in order to boost job creation (Rogerson, 2006:66). Most developing economies, especially in Africa are starting to adopt a policy of SMME development (Tambunan, 2008:147; Kurnia, Choudrie, Mahbubur & Alzougool, 2015:1906). The establishment of new, diverse and competitive SMMEs is key towards achieving sustainable economic growth (Rahman & Ramos, 2010:471). Developed economies continue to endure the success due to SMMEs playing a huge role and contribute highly towards job creation that increases the quality of lives later. That is why countries facing damaging socio-economic challenges such as high unemployment rates and jobless growth, need to start adopting an entrepreneurial culture and SMME development (Rogerson, 2014:203).

SMMEs are considered by global leaders as a possible solution to the current socio-economic challenges faced by many countries (Zahra *et al.*, 2008:117). The most common advantages of having, productive SMMEs in an economy is their ability to create jobs and also to help alleviate poverty. SMMEs have a more competitive nature and are able to adapt to new technologies, which increases productivity and efficiency in the sector (Smallbone *et al.*, 1995:44). Due to the increase in the efficiency of their production and operations, small businesses are able to keep up with new demands (Olawale & Garwe, 2010:29).

Unlike large businesses, SMMEs are rather complex, because of their flexibility (Gnyawali & Park, 2009:308). SMMEs have been leading business activities since the early 1960s in Western industrial areas (Marcati *et al.*, 2008: 1579). The sector is considered to have more success towards creating employment in an economy. Due to their small size, business owners can connect more with their employees and customers. This type of connection allows the enterprise to know more about the market in terms of threats and opportunities (Ndabeni, 2008:259). Furthermore, it allows SMMEs to have more resistance than larger firms in terms of production, marketing and services, therefore facing less expenses with regard to production (Simpson *et al.*, 2004:156).

SMMEs have the ability to react quickly to market changes and are able to make decisions in a short space of time because of their small size. Small businesses are identified as the source of innovation because they are able come up with fresh ideas and make new discoveries (Bougrain & Haudeville, 2002:735). Moreover, these businesses are able to provide proper

training to their employees because they are small in size, an advantage which allows the sector to grow through efficiency (Lange, 2000:5).

The development of SMMEs is seen as a solution to the current global crisis of unemployment, however, their success rate is low in developing economies. This is mainly ascribed due to a lack of resources and various other socio-economic issues that include, the struggles to obtain of the necessary finance, corruption and the lack of management skills (Kesper, 2001:171; Ramukumba, 2014:19.). Other additional challenges such as the inability to obtain finance and not having the appropriate skills to effectively manage the enterprise. Moreover, these business owners have a lack of patience towards to the growth of their business (Van Hemel & Cramer, 2000:439).

The importance of SMMEs in current economic circumstances can be ascribed to the new and fresh ideas that small businesses bring about through their new innovations (Trimi & Berbegal-Mirabent, 2012:449). Because of their small and medium sizes, it is easy for them to identify new trends and opportunities in the market, which enable the business owners to be more innovative. Innovations allow SMMEs to take over evolving technologies, making them forerunners of economic development and on the other hand SMMEs adapt to change much easier compared to large firms (Koudelková & Svobodová, 2014:12).

SMMEs are seen as a key to economic development and plays an important role in a country's economy. Hence, government officials of developing economies should try to focus on uplifting the development of SMMEs (Aremu & Adeyemi, 2011:200). As previously mentioned, South Africa is a country that suffers from a high unemployment rate, the government feels that one of the best ways to help reduce unemployment is through SMME development (Herrington *et al.*, 2010). Since SMMEs are seen as vital to the economy's prosperity, without the development of these institutions the economy can risk being stagnant (Snyman *et al.*, 2014:161).

2.5 SOCIO-ECONOMIC CHALLENGES FACED BY SMMEs IN SOUTH AFRICA

The SMME sector plays an important role in the growth and development of an economy. However, the sector is sensitive to both internal and external factors that influences its growth (Dobbs & Hamilton, 2007:296). According to Beck and Demirguc-Kunt (2006:2931) in order for SMMEs to grow it is important for them to retain strength both in the internal and external

business environment. Any changes that take place in the business environment, have either a negative or positive impact on both the success or failure of the SMME sector (World Bank, 2015).

2.5.1 Internal socio-economic challenges

Internal factors in the business environment relate to the factors that are largely controllable by the firm. These factors include finance (internal finance such as owners' equity and collateral) and managerial competency by the business owner (Fatoki & Asah, 2011:170).

2.5.1.1 Finance

Having the necessary financial capital resources is a prerequisite to start up a business and to fund its growth. Entrepreneurs who want to enter the SMME sector lack the necessary skills needed to access financial resources at times (Lofstrom *et al.*, 2014:232). The lack of access to financial resources is a huge constraint to the growth of businesses (Cassar, 2004:269; Filippaios & Stone, 2017:4). SMMEs can seek funding through different channels such as financial institutions, credit providers and different government programmes that are helping to finance new businesses. Other alternative methods of seeking finance involve personal savings, referred to as bootstrapping, family or friends. Once an entrepreneur has accessed finance they can further grow their business by using the profits gained through their business activities. Therefore, the lack of access to finance is a major problem (Kuzilwa, 2005:131; Carbó-Valverde *et al.*, 2016:113). Table 2.4 below gives a brief discussion in the financial challenges that both formal and informal entrepreneurs face. The chances of SMMEs to obtain finance from registered financial institutions are at a minimum, this is the reason why most of the entrepreneurs rely on personal finance to establish their SMMEs (Klapper, 2006:3111).

Table 2.4: Financial challenges facing formal and informal entrepreneurs

Formal entrepreneurs	Informal entrepreneurs
Banks are the main service providers to businesses seeking financial support.	Banks often find it difficult to provide financial assistance to businesses operating in the informal sector.
The success rate for entrepreneurs to access finance is at an average of 30 per cent.	Income generated in the informal sector is generally low.
The lack of collateral is a huge disadvantage for entrepreneurs in this sector.	Do not have any collateral because they are forced to become entrepreneurs due to unsatisfactory living conditions.
The service levels of the different finance programmes in this sector are high.	Service levels are low due to working conditions.

Source: Rogerson (2008)

The access to finance intended for SMMEs is determined by both micro-economic and macro-economic factors (Magara & Were, 2014:18). At a macro-economic level, a well-developed financial sector is needed as a legal and institutional framework is of importance when it comes to expanding access to finance for small businesses (National Treasury, 2016). Small businesses in developing economies are likely to struggle in obtain funding compared to those in more developed economies mainly due to a lack of resources and funds available in an economy.

Though the SMMEs sector has been hailed for improving economic conditions through job creation in South Africa, a lack of financial assistance is regarded as the main challenge that entrepreneurs encounter (Kamunge *et al.*, 2014:3). The SMME sector needs to establish decent practices for small business funding. A small minority of entrepreneurs receive funding from formal financial institution throughout the GEM environment (Kelley *et al.*, 2016:104). New entrepreneurs have challenges to obtain funding from banks due to administrative weight and excessive red tape. Furthermore, financial institutions are cautious to provide finance to entrepreneurs with no business records (Mwobobia, 2012:112).

The lack of access to finance is a serious restraint during the development process of a new business venture as well at a later stage, as businesses require capital inflows to support growth and expansion (Fraser *et al.*, 2015:70). Although there are support structures available, a number of small businesses and entrepreneurs through either their lack of information or awareness are still unknowledgeable about the accessibility and availability of the support structures. Despite their lack of knowledge on these initiatives, programmes such as Khula, the Industrial Development Corporation (IDC) and the Small Enterprise Development Agency (SEDA) all aim to provide finance, expansion, growth and competitiveness (Pretorius & Van Vuuren, 2003:519; Page & Söderbom, 2015:44). These are all factors that are more relevant for existing businesses rather than new businesses. There are very few financiers that are aimed at financing micro and small businesses that include the Angel Hub, the Rand Trust, The Supply Chain Fund and The Sebenza Fund (Business Partner, 2015:24). However, there are still gaps with regard to funding for these institutions. These gaps are further discussed in the finance gap theory below.

The finance gap theory was established by Bolton (1971). The theory has two components linked to it, which pertains the knowledge gaps as well as the supply gap challenges faced by SMMEs. The theory focuses on the lack of knowledge that small business owners have with

regard to access to financial resources (Chittenden *et al.*, 1996:59). Financial institutions find it difficult to issue loans to up and coming SMMEs, because at times they have difficulty satisfying the loans requirements from the institutions. Moreover, these institutions lack the necessary trust in SMMEs and their ability to repay them in due time. As a result, many SMMEs find alternative methods to fund themselves through friends, personal savings and family members (Watson *et al.*, 2009:42).

Agwa-Ejon and Mbohwa (2015:521) state that among all socio-economic challenges facing the SMME sector, a few have proved to be as difficult to breakthrough as much as finance. Even short-term funding is not easily accessible to small entrepreneurs in South Africa (Mensah & Benedict, 2010:138). Social, economic, banking, political and legislative factors make it difficult for SMMEs to obtain funding. The government aims not only to increase the number of small businesses in the country but also to ensure the growth and survival of existing businesses in the sector. In this regard, the National Small Business Act No. 102 of 1996 has proven to be a useful tool, used in provision to create an enabling environment (Gimede, 2004:379).

Nevertheless, challenges such as corruption continues to grow especially in low, middle income countries and has a major impact on the growth of SMMEs. This is due to the lack of regulations towards the development of SMMEs (World Bank, 2015). Types of corruption that occur within SMMEs are blackmail, deception, cronyism and bias (Watt, 2015:5). Corruption is seen as one of the leading challenges that SMMEs face with regard to obtain funding. At times, SMMEs struggle to process their sale of rights granted by the government that includes: licences, permits and contracts in order to operate their businesses in a legal manner. Additionally, new entrepreneurs trying to enter the business sector find it difficult to obtain finance even though they meet the necessary requirements. They are unable to afford to pay the bribery that is required by certain parties in order to obtain the necessary finance (Barr & Serra, 2009:488).

McElheran (2015:1197) postulates that in order for a business to grow and prosper both in the short- and long-run it needs to invest in technology. Technology plays an important role in the development of new SMMEs (Lalkaka, 2003:20). Technology helps SMMEs be more innovative which assists towards maximising business opportunities and increase sales. Though technology helps with the growth of a business, it is quite costly to acquire. Technology enables an increase in the production process but with it being expensive, new

ventures may not be able to afford it (Lee *et al.*, 2010:290). The access to technology gives businesses and entrepreneurs a competitive advantage.

As previously mentioned, an entrepreneur is defined as a person who is innovative and willing to take the necessary risks (Cunningham & Lischeron, 1991:45). They have the ability to identify new opportunities in markets through their innovativeness. Innovation in this regard is seen as a process of transforming an idea into a product or service that can carry value to enable customers to consume. In order for an idea to be an innovation it must be able to benefit the economy through satisfying certain needs (Cox, 2010:12).

Therefore, investing in innovative ideas allow more small businesses to develop. Innovation works in two ways; at first the idea must benefit the economy and secondly build businesses based on those innovations (Iturrioz, Aragón & Narvaiza, 2015:104). Consequently, economic growth and development will take place, due to an increase in a number of businesses, which increases productivity and creates jobs which ultimately result in an improvement in the quality of lives. Hence, it is important to invest towards innovation, to help young entrepreneurs build their businesses (Gürol & Atsan, 2006:25).

2.5.1.2 Management skills

For any business to thrive the right management skills are needed for day-to-day operations to run accordingly (Rauch & Hulsink, 2015:187). Pena (2002:180) postulates that the best asset for any business to thrive is human capital. Being a competent manager means that the entrepreneur must have a precise set of skills, knowledge and attitude that will contribute to personal effectiveness and growth of the business (Hellriegel *et al.*, 2008). The lack of such skills is one of the reasons why newly established SMMEs struggle to stay in business. More specifically, these failures relate to a lack of education and training, which mostly occurs in developing nations. Research has indicated that small business owners are less likely to receive training in management skills than larger firms in any given economy whether developing or developed (Mthabela, 2015).

SMMEs are small in size, meaning that with correct training, the business owners will be able to manage and control their business activities due to their flexibility (Perrini, Russo & Tencati, 2007:285). Though entrepreneurs in South Africa lack the necessary managerial skills to keep their business running, it is much easier for them to manage their businesses. This in part is due to SMMEs and their smaller size which makes it easy for the business owners to take risks.

There are less politics and dynamic entrepreneurs have the ability to identify these opportunities (Yew Wong & Aspinwall, 2004:44).

Also at times business owners find it difficult to get the right location for their businesses which has an impact on the market and growth of the business (Robb & Robinson, 2014:153). Location is of importance when it comes to attracting buyers or suppliers and it allows entrepreneurs to identify new opportunities and exploit them to enable growth for the business (Romero-Martínez & Montoro-Sánchez, 2008:315). Furthermore, networking plays a vital role towards the growth of an SMME. Both new and established SMMEs can benefit from networking, as it enables them to access finance (Olawale & Garwe, 2010:733). With the right networking skills, entrepreneurs are able to access resources from the external environment therefore networking promotes better relationship between creditors and debtors (Miller, Besser & Malshe, 2007:631).

2.5.2 External challenges

In addition to the internal challenges faced by SMMEs, these businesses are likewise influenced by their external environments. External challenges are factors over which the business has no control (Street & Cameron, 2007:239). External factors include; various economic variables, specific market conditions and infrastructural aspects.

2.5.2.1 Economic and market conditions

Economic and markets conditions have a significant impact on the day-to-day operations of SMMEs. SMMEs have no control over economic conditions (Smallbone & Welter, 2001:249). Economic factors that have an indirect impact on the growth of SMMEs include both fiscal and monetary aspects (Atawodi & Ojeka, 2012:87.). Economic variables included in both fiscal and monetary policies are inflation, interest rates and foreign exchange rates. These economic variables influence the demand and supply for goods and services in the market, therefore having a direct impact on the growth of SMMEs because of the uncertainty in economic and market conditions. The current economic conditions in South Africa pose a threat to the growth of SMMEs (Ehlers & Lazenby, 2007).

SMMEs in South Africa operate under a constantly changing economic environment whereby different socio-economic challenges impact the validity of businesses operations. Findings by Tshabalala and Rankumise (2009:149) reveal that changes in the exchange rate have a negative

impact on the success of small businesses (especially import and export businesses) and this could be due to the instability of the Rand. Furthermore, an appreciation on the currency could increase production efficiency and a depreciation could lead to a production deficiency. The value of the rand has depreciated in recent years, however, it can still appreciate depending on economic conditions. The changes in both the interest rates and inflation have had a negative effect towards the growth of small businesses (Gali & Monacelli, 2005:707). When interest rates increase the price of goods and services become more expensive, which reduces the spending power of consumers (Taylor & Taylor, 2004:135). This has a negative effect on the profitability of the business.

Unstable economic conditions force businesses to make difficult decisions both in the short and long run. Larger firms are more likely to survive when economic conditions are unstable and SMMEs are more affected due to their small size (Al-Hyari, Al-Weshah & Alnsour, 2012:188). It can reduce profits that could lead to retrenchments or worse may result in the shutdown of business operations. Uncertain economic conditions can further impact SMMEs and their obtainment of the necessary finance. This is because creditors are wary to offer credit in light of inherent economy uncertainty (Acs & Szerb, 2007:109).

2.5.2.2 Infrastructure and labour

Infrastructure can cause barriers that can have a negative impact on the day-to-day operations of a business. These barriers include; the lack of power supply, poor road infrastructures, poor transport systems as well as poor telecommunications and this could be due to location and the lack of access to finance which leads to the inability to afford the proper infrastructure (Runyan, 2006:12). Developing SMMEs find it difficult to find suitably skilled and motivated labour to assist with the day-to-day operations of the business, especially at the early stages of development (Fuller-Love, 2006:175). SMMEs can be attributed to the strict rules and regulations when it comes to hiring labour especially in the South Africa context (Vivier, 2013:68.). Labour comes at a cost and its almost improbable to afford suitable qualified individuals who are willing to work at a lower cost than the minimum wage. Also looking at the lack of infrastructure such as transportation, telecommunication and electricity. In recent years South Africa faced a major crisis with regard to electricity supply. The power outages (load shedding) had a major impact on the day-to-day operations of businesses across the country. This crisis in turn affected productivity, specifically in the private sector (Gunasekaran *et al.*, 2001:175).

2.6 ECONOMIC DEVELOPMENT THEORIES

The relevant internal and external socio-economic challenges have been discussed. Therefore, this subsection focuses on the economic development theories, which can be defined as different ideologies and philosophies which have been developed based on the science of economics on how an economy should operate.

2.6.1 The industrial revolution

The birth place of the industrial revolution was in England during the 1700s, which was as a vital point in the history of the world (Allen, 2011:357). The industrial revolution gave birth to new inventions and new ways of producing goods in a more efficient manner. It caused many citizens to migrate from rural areas to urban areas given the availability of the job opportunities that were created in those areas, which later became urbanely industrialised (Kaldor, 1977:193). In its explanation to the development of the current urbanised world the industrial revolution ascribes two advantages relating to the increased production and efficiency in firms. Despite these attributed advantages there are large a number of citizens across the globe who have lost their jobs due to technological advancements and not every firm can afford the technology (Hart, 1990:137).

As previously mentioned, one of the advantages of the industrial revolution was that production was more efficient, the prices of goods were relatively cheaper, an increase in job opportunities and there has been an increase in innovation for businesses especially in the manufacturing sector (Jensen, 1993:831). Though the industrial revolution improved economic conditions in many parts of the world there were still some shortcomings. These included farms being neglected due to people moving from rural to urban areas to seek employment. Additionally, since the industrial revolution began, more factories were built and gave rise to pollution (Nriagu, 1996:223). The working conditions in the factories were unsatisfactory, because businesses were focused more towards profits and employees were forced to work for long hours (Nef, 1943:13).

The world now revolves around the third industrial revolution, which is moving towards the fourth industrial era due to the rapid advancements of technology (Maynard, 2015:1005.). The world on its own is becoming a digital platform, including both developed and developing countries (Mowery, 2009:1). The use of technology has changed the behavioural patterns of both businesses and consumers. With the increased usage of technology, it has given insight

on consumer behaviour and trends that take place in manufacturing. The third industrial revolution has seen machinery and technology take over many daily operations of manufacturing and other different types of businesses (Wu & Wang, 2005:719; Markillie, 2012:3).

The fourth industrial revolution is characterised as a blend of technology that is distorting the link between physical, digital and biological spheres (Khyatin, 2016:19). Unlike the previous industrial revolutions, the fourth industrial revolution is growing at a much faster pace. It has influenced a number of industries across the globe. These influences have changed the way production, management and governance occur. The level at which people are connected across the globe will be intensified through artificial intelligence, robotics, quantum robotics, biotechnology and nanotechnology (Schwab, 2016).

In some parts of the world the fourth industrial revolution is currently underway and artificial intelligence has arrived from self-driven cars, drones, virtual assistants and software that assist individuals to invest (Moinudeen *et al.*, 2017:106). Individuals in their respective fields of knowledge such as engineering, architects and designers are trying to create an interaction between microorganisms and the products consumers' consume. This endeavour will be done through exploring computational designs and preservative manufacturing methods (Mak, 2016). The issue is that due to the lack of funding for new entrepreneurs and small business, they will not be able to afford the technology known as "artificial intelligence" in order to keep up with the modern trends of doing business, which mostly will be done through advanced technological methods.

It is believed that unlike previous industrial revolutions, the fourth industrial revolution has the potential to increase global income and improve the quality of life of individuals on a global scale (Jovane, Yoshikawa, Alting, Boër, Westkamper, Williams, Tseng, Seliger & Paci, 2008:641). However, despite its potential, one of the concerning short-falls of the industrial revolution is that it is mostly accessible to individuals who are able to afford it (World Economic Forum (WEF), (2016). Technological innovations have increased the efficiency and desire of personal livelihoods. The industrial revolution has evolved the world to such an extent that an individual can access various environments through the touch of a button. Individuals now do things remotely such as ordering a taxi, book a flight or watch a movie online (Davis, 2017).

Economists are arguing that the emergence of the fourth industrial revolution may cause uncertainties with regard to development. Schwab (2017) further states that the fourth industrial revolution will create an inequality gap especially in the labour markets. There will be a gap between returns to capital and returns to labour because as time passes machines will start replacing workers, leaving individuals unemployed. Though human labour will not be considered as time passes due to technology taking over, there will be an increase in productivity and efficiency in an economy, however, it will lead to high unemployment rates (Khyatin, 2016:19).

It is one of the leading economic concerns that the fourth industrial revolution will cause and contribute to income inequality. Technology and the access towards it in this regard is one of the main reasons why income will become stationary for the majority of the population in high income countries (Dutt, 2013:13). The demand for more educated and highly skilled workers has increased and those with no education and minimal skills are being cut. The largest beneficiaries of the revolution will be the service providers of intellectual property such as pacesetters and the people who invest in the property. This will result in a huge gap between those who depend on capital and those in labour (Kremer, 1993:681).

In hindsight, the industrial revolution attributes the origin to some efficacious entrepreneurs and innovators to date. The third and fourth industrial revolution have opened up a gateway to brand new innovations due to technological advancements (Carree & Thurik, 2005:437). Entrepreneurs have been able to start their small businesses through developing new innovative products and services that are convenient for consumers to utilise. The digital world has allowed new small businesses to challenge existing enterprises by introducing entirely new products and services (Johnson, Christensen & Kagermann, 2008:57). The digital revolution has amplified the importance of digitisation in the business environment and creates new prospects to overturn an economies status quo (Van Stel *et al.*, 2005:311).

2.6.2 The industrial location theory

Alfred Weber build the industrial location theory based on the assumptions such as the location of raw material, spatial distribution of consumption, distribution of labour and transportation (Weber, 1909). Firstly, the theory focuses on the sources of raw materials in production. Secondly, the distribution of consumption is centralised at a central purchase point that occurs for each production unit (Sorenson & Audia, 2000:424). The industrial location theory further

focuses on the distribution of labour that is fixed. However, income can vary at different locations. This infers that labour is not mobile. Furthermore, the theory deliberated that rail was the best form of transportation to transport goods and raw materials (Rodrigue, 2017). Therefore, in hindsight, Weber's theory assumes that political and economic variables should remain constant (McCann & Sheppard, 2003:649).

The short-falls of the location theory is that it was based on the wrong assumptions. There is no fixed central location where consumers can consume a given product or service, transportation costs were not constant and there were no fixed centres of an unlimited supply of labour. The industrial location theory therefore was not empirically established and multifarious mathematical calculations and the classification of raw materials were subjective (Massey, 1973:33).

The success of SMMEs is somehow dependent on the location of the business (Herstad & Ebersberger, 2015:1160). Location is one of the internal socio-economic challenges that SMMEs face as business owners find it difficult to place their enterprises in the most optimal locations. Location in this sense is important due to the fact that an entrepreneur is able to attract the right target market. The right location allows entrepreneurs to interact better with suppliers and buyers. As an entrepreneur, the distances of the business' suppliers and the associated costs of getting those supplies, is important an important concern given the location of the business. The right location in this sense, could lead to the success of a business (Yeoh & Koronios, 2010:32).

2.6.3 Structural change theory

The structural change theory, also known as the Lewis Model was presented in 1955, and started dominating between the 1960s and 1970s. The Lewis Model has two main focal points that refer to the two sector model and the surplus labour model (Hosseini, 2012:133). The structural change theory's central focus was to shift from agricultural activities towards industrial activities. From the model's perspective, the agricultural sector has a low productivity of labour while the industrial sector has a high productivity of labour (Fagerberg, 2000:393).

Though the Lewis model was dominant in the 1960s and 1970s there were a line of arguments with regard to the structural change theory. Usually an economy is divided into two sectors namely the agricultural sector and the urban industrial sector (Koo & Lou, 1997:1). The

agricultural sector usually under-employs personnel, which results in the marginal productivity of agriculture to be relatively zero with regard to labour (Gollin, 2014:939). This means by moving workers from the agricultural sector does not reduce productivity in the entire economy. Labour is better off in the urban industrialised sector because it increases productivity (Foster & Rosenzweig, 2004:509).

The Lewis Model believed in industrialisation to such an extent that Arthur Lewis, attributed that an influx of labour in the urban industrial sector will increase productivity, therefore increasing profit margins (Harris & Todaro, 1970:126). The increase in profit margins will allow an increase in investment and therefore building more urban industries, which in turn creates more employment. This continuous cycle of increasing profit margins shows an indication that economic development can take place (Kaldor, 1957:591).

Though the Lewis Model was highly praised at the time, it had a few short-falls as a few economic factors were not considered. The model fully supported urban industrialisation, the benefits were limited because at times profits may escape through a process called capital flight. This entails the movement of profits from developing to developed countries (Dooley, 1988:422). The financial benefits from urban industrialisation will at times be trickled down to the population (Tiwari, Shahbaz & Islam, 2013:151)

Most economic activities take place in urban industrial areas that is why it would make sense for small business to start in these areas (Pack, Potter & Gale, 2001). Urban industrial areas allow businesses to access resources and networks to a better extent and the access to resources is one the socio-economic challenges that entrepreneurs face when starting up their small businesses. The structural change theory in this regard suggests that economic activities should be moved from the agricultural sector to the more urban industrial sector. Developing economies have started to emphasise the importance of agriculture through farming. Meaning that there should be a balance between the agricultural and urban industrial sector (Thornton, 2008:243).

2.6.4 The Solow growth model

The Solow growth model also known as the neoclassic model was established in 1956 by Robert Solow and Trevor Swan (Boianovsky & Hoover, 2009:23). The Solow growth model states that there are three factors that drive economic growth, which includes technology, capital accumulation and the labour force. The theory suggests that the increase in economic

growth will be a temporary occurrence due to diminishing returns. For example, if a firm has only one worker and an additional worker is employed, the output in production will increase rapidly. On the other hand, if a firm has a hundred workers, an additional worker will not make a difference in the output in productivity. In addition, the model suggests that once a country reaches a steady state and resources are starting to diminish, the economy is required to start using innovative methods through technology to generate economic growth (Feldstein & Horioka, 1992:407).

This particularly resonates the need for innovative methods of production to boost economic growth and development in South Africa. Hence, the country needs to afford more attention towards the development of entrepreneurs and small businesses. One of the traits of becoming a successful entrepreneur is to be innovative and be able to generate income. Entrepreneurs also have the aptitude of enhancing a country's labour force, therefore boosting productivity and increasing economic growth (Olawale & Garwe, 2010:729).

2.7 SYNOPSIS

The main purpose of this chapter was to provide a theoretical overview of the socio-economic issues that SMMEs face in the South African context. More specifically the chapter had the aim of addressing the theoretical objectives outlined in Chapter 1. This involved the provision of a literature review related to economic concepts such as GDP, GDP per capita, economic development and an enabling environment. This was followed by a discussion on the importance of economic growth and development, which also included economic development theories, various socio-economic challenges facing SMMEs and finally an empirical review regarding the socio-economic challenges faced by SMMEs.

In hind sight, South Africa can be seen as a middle income economy in the global context and one of the top performing countries on the African continent. Though the country is still faced by daunting socio-economic challenges, which have an impact on the country's growth and development, however, it is still the key economic hub in SSA and the South African economy shows signs of stability in terms of long-term risks. Therefore, the country's economy provides a more stable platform for investment, the economy also has a comparative advantage with regard to its large domestic market, strong financial and capital markets.

Since the beginning of democracy in 1994, there has been progress towards improving the quality of life in South Africa though there is slow progress in terms of improving the growth

outlook of the economy. However, the economy, in more recent times, has shown improvement in terms of GDP in the second quarter of 2017. The finance, mining and agricultural sector showed positive indications of growth, therefore the country's GDP grew by 2,5 per cent. Nevertheless, there are still daunting socio-economic challenges that have a negative impact on the South African economy, which include jobless growth, a high unemployment rate, poverty and inequality.

In light of these challenges SMMEs development is one of the key focus areas in the country with the aim of enhancing the well-being of many citizens. SMMEs have the potential to reduce poverty through the creation of decent jobs in an economy. Moreover, they are seen as a solution to boosting economic growth. This will later result in the improvement of the living conditions of the country's citizens. In order to increase SMME development, the country needs to establish an entrepreneurial culture. The problem is that entrepreneurial activities in the country are low. However, there are challenges that somehow hinder the development and growth of SMMEs. They are known as internal and external socio-economic challenges. Internal challenges primarily faced by these businesses more likely include the lack of finance and managerial competency. On the other hand, external challenges included economic, market and infrastructural aspects. Finance is the biggest socio-economic challenge that SMMEs and entrepreneurs face in the South African context. Without the access to finance, SMMEs and entrepreneurs find it difficult to access the necessary resources to establish their business ventures.

Economic development theories are different ideologies and philosophies that were established by different economists based on how an economy should operate. Furthermore, economic development theories were discussed and their relevance towards socio-economic challenges and SMME development in South Africa. Therefore, it was established that even though some of the theories date back to the early 18th and 19th century, they are still relevant in how the current economy operates.

After the theoretical and empirical reviews, it was established that SMMEs and entrepreneurs have a significant role to play, not only in South Africa but also across the globe. South Africa needs to develop an entrepreneurial culture across all regions of the country. Through the establishment of an entrepreneurial culture and provision of an enabling environment for SMME development will have a positive outlook towards the country's prosperity. The

subsequent chapter, Chapter 3 will discuss the regional analysis of Emfuleni and Midvaal local municipal areas.

CHAPTER 3

REGIONAL ANALYSIS OF THE EMFULENI AND MIDVAAL LOCAL MUNICIPAL AREAS

3.1 INTRODUCTION

The South African economy is faced with daunting socio-economic challenges (World Bank, 2017). One could characterise the South African economy as an economy that is struggling to survive, but recent data proved to be somewhat positive as the GDP grew by 2,5 per cent, which indicates a favourable outlook (StatsSA, 2017:2a). South Africa's economy is highly reliant on export commodities and the demand for raw materials has reduced from countries such as China, which could lead to further restraints in the economy (Industrial Development Corporation, 2016:2).

Political uncertainty in the country is also one of the causes of the current socio-economic challenges that the economy is experiencing (Chibba, 2011:75). In addition, the drop in global commodity prices has also had a negative impact on the South African economy, which has resulted in a decline in consumer, business and investor confidence. Furthermore, a high unemployment rate and an unskilled labour force have placed a lot of pressure on the labour market (Rasool & Botha, 2011:1.). Despite the aforementioned economic challenges, South Africa still remains one of the top middle income economies in Africa (World Bank, 2017). However, there has been a recent positive outcome, the South African Reserve Bank has decreased the repo rate by 25 basis points, implicating that the purchasing power of consumers have increased slightly (Menon & Foyn, 2017).

With the levels of inequality in the country one could say that South Africa is divided into two economies. The one part of the country, the rich and wealthy, reside in a more developed economy whereby the access to resources is easy, opportunities are readily available and the living standard are of a satisfactory level. On the other hand, is the developing economy where living conditions are unsatisfactory because there are low levels of income, there is a lack of resources and the standard of education and opportunities are at an unacceptable level (World Bank, 2017).

The study areas chosen were the Midvaal and the Emfuleni local municipal areas. The purpose of this chapter is to provide an economic overview of the two chosen study areas through

outlining the different socio-economic challenges, small business trends as well as the different LED strategies that have been put in place by national, provincial and local government. The two areas were chosen because of their difference in economic performance and to determine if this has an impact on the creation of an enabling environment and the barriers that businesses face. Midvaal municipal area has a higher standard of living as the unemployment rate is lower while the Emfuleni local municipal area has been struggling in the past few years (Malaoa, 2011). The Emfuleni local municipal area has been faced with socio-economic challenges such as high unemployment levels and there is a high number of people that lack basic services such as water and sanitation (Meyer, 2016:319).

3.2 SOCIO-ECONOMIC CHALLENGES IN SOUTH AFRICA

South Africa is faced with several socio-economic challenges that not only affect the local population, economy and general living conditions but also have a major impact on business activities and success rates. As mentioned before, the South African unemployment rate has reached its ultimate high in 14 years as it stands at 27, 7 per cent as indicated in Figure 3.1 (StatsSA, 2017b). There is a need to find ways to combat this growing epidemic of unemployment (Chibba & Luiz, 2011:307). Much emphasis has been placed on education and entrepreneurial development in the country. The lack of an entrepreneurial culture and the present state of education in the country is alarming. Realistic policies and initiatives need to be implemented in order to enhance education and entrepreneurial development in the country.

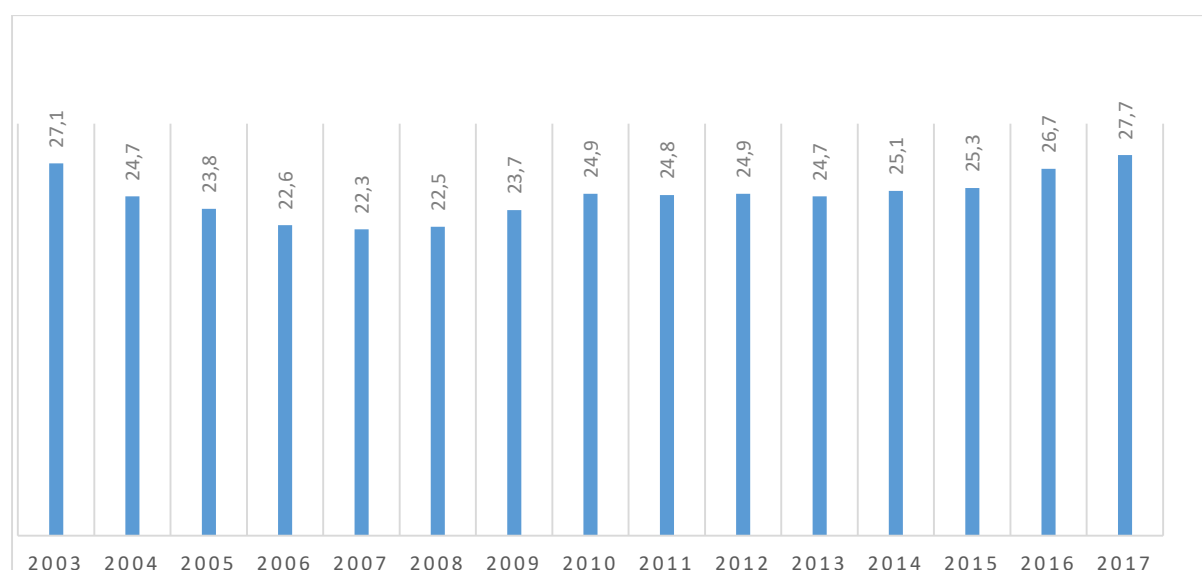


Figure 3.1: Unemployment rate (2003-2017)

Source: StatsSA (2017b)

Figure 3.1 graphically illustrates the unemployment rate from 2003 to 2017. It shows that the unemployment rate has hit its ultimate high since 2003, this could be a result of the retrenchments that took place from large firms which include; Telkom, Lonmin, South African Post Office, Absa, Harmony Golds and Samancor mines (Writer, 2016). The South African education system is facing many different issues. Compared to other countries the standard of education in South Africa is generally poor. This has resulted in challenges such as a lack in basic skills and knowledge when compared to other similar global countries, which could also be the reason for such high unemployment rates. There is still a huge division in the country's schooling system. Schools located in low income parts of the country receive less attention and resources compared to schools that are located in more suburban areas (The presidency, 2012:14). What is more concerning is that the number of graduates from universities is relatively low (Bhorat, 2007:16).

The lack of an entrepreneurial culture in South Africa could be considered one of the reasons why the economy is facing so many socio-economic challenges such as unemployment and jobless growth (Herrington *et al*, 2010:12). More developed economies have been able to reduce unemployment through entrepreneurship (Valliere & Peterson, 2009:459). It is of great concern that the level of entrepreneurship in the South African economy is low compared to the other countries across the globe, the TEA rate declined from 9 per cent in 2015/2016 to 6,9 per cent in 2016/2017 and this is due to issues such as poor infrastructure, corruption, lack of access to finance and the lack of skills in management and business training (Herrington & Kew, 2017:24; Kelley, Singer & Herrington, 2016:23). The need to establish an entrepreneurial platform in the country is of importance in order to reduce the growing epidemic of unemployment (Herrington *et al*, 2010:14).

The population continues to grow as well as the number of citizens who attend tertiary institutions and there are not enough formal employment opportunities to tend to the country's growing population. Hence, the need for entrepreneurs and small business development is needed in order to create sustainable jobs. Most developed economies have used entrepreneurship as a tool to heal the crisis of unemployment and growing population (Nkechi, Emeh Ikechukwu, & Okechukwu, 2012:88.).

Basic service delivery is an issue as well, especially in low income parts of the country for instance informal and rural settlements (Marutlulle, 2017:131). Sanitation, water and electricity still seem to be major service delivery issues in these settlements. Residents of these settlements

are regularly protesting due to the lack of service delivery in their areas. The reputation of the country keeps on deteriorating based on the aforementioned issues. It should be noted that not all informal and rural settlements have this issue and some do have access to basic service delivery (Alexander, 2010:25, 26).

3.3 REGIONAL ANALYSIS OF STUDY AREAS

Many municipal areas face a range of issues that include but are not limited to the lack of service delivery, lack of sanitation, the lack of access to resources and not being able to provide an enabling environment for their citizens and small businesses to grow in. Therefore, the following subsection will focus on providing a background of the Sedibeng District that will be narrowed down to the Emfuleni and Midvaal local municipal areas.



Figure 3.2: A map of the Sedibeng district municipal area

Source: Google Maps (2017)

The Sedibeng District Municipality (SDM) is one of the two district municipal areas in Gauteng and covers the entire southern region of the province as shown in Figure 3.2. Gauteng includes three large metropolitan areas (SALGA, 2017). Sesotho is the most spoken language in the district, which has a population of 957 528 citizens (Municipalities of South Africa, 2017). The district has a diverse settlement structure ranging from dense urban to farmland and rural settlements, which includes the historic township of Sebokeng, Sharpville, Everton, Meyerton,

Vanderbijlpark, Heidelberg and Vereeniging (Municipalities of South Africa, 2017). Furthermore, the district municipality is formed by three local municipal areas namely: Emfuleni, Lesedi and Midvaal local municipal areas and a brief summary of the three areas is provided in Table 3.1. The district has three main tertiary institutions namely the Vaal University of Technology, North-West University (Vaal Triangle Campus) and the Sedibeng College.

Table 3.1: Summary of the three local municipal areas

Municipal area	Offices	Area (km)	Dominant language	Population (2016)
Emfuleni	Vanderbijlpark	1276	Sotho, English, Afrikaans	733 445
Lesedi	Heidelberg	1042	Zulu	112 472
Midvaal	Meyerton	2312	Sotho, Afrikaans	111 612

Source: Municipalities of South Africa (2017)

The main economic sectors in the district include manufacturing, trade, government and business services (Vyas-Doorgapersad, 2014:327.). The predominant sector in the region is the manufacturing of chemicals and metal and this sector contributes approximately 30,8 per cent towards the district's economic growth (Van Vuren, Grobler & Pelupessy, 2008). The district is known to be the fourth largest economic contributor in Gauteng (Meyer, 2014:163). The following subsections will discuss a detailed regional analysis on the Emfuleni and Midvaal local municipal areas.

3.3.1 Emfuleni local municipal area

The Emfuleni Local Municipality is one of the three municipalities that form the Sedibeng district municipality. Its southern boundary is formed by the Vaal River, which affords it the opportunity to become a tourist attraction and enables economic development in the area. It has also given a platform to entrepreneurs to establish their small businesses around the borders of the river. Entrepreneurs are able to generate income through selling accessories and building small restaurants so that tourists can have a feel of what the country can offer in terms of food and many small businesses have benefited from tourists visiting the area.

Vanderbijlpark and Vereeniging are the two main business district areas in the area. The municipality forms the core of what was previously known as the Vaal Triangle, and is mostly

famous for its substantial contribution to the iron and steel industry in South Africa. The region itself has a large number of residential areas. These residential areas require considerable investments in infrastructure and environmental upgrading. The area still faces backlogs in terms of service delivery and sanitation (The Emfuleni Local Municipality, 2015:13).

The municipality has been struggling in terms of basic service delivery in some parts of the area. The municipality faces many socio-economic challenges such as high unemployment rates and an increase in the population in which there is a shortage of available housing. Within the area there is a large number of households which are headed by children and there has been an increase in women headed households (The Emfuleni Local Municipality, 2015:13).

Furthermore, the Emfuleni local municipal area has many comparative advantages that need to be optimised and promoted in order for the area to reach its economic goals (Emfuleni Local Municipality, 2015:6). These advantages are:

- There is much available land that can be used for development and agriculture
- The Vaal River is an internationally recognised tourist attraction and its location in the region. The river has not been used to its full capacity in terms of transport and tourism
- There is a considerable supply of labour in the area but there is a shortage of skills
- The agglomeration and specialisation advantages of petroleum, plastic, chemicals and the local steel industry.

The aforementioned discussed that comparative advantages have to be exploited in order for the municipality to grow economically. In order to support the Emfuleni Local Municipality analysis, economic development indicators will be discussed below with supporting figures. Trends pertaining to the Human development in the Emfuleni municipal area are graphically illustrated in Figure 3.3.

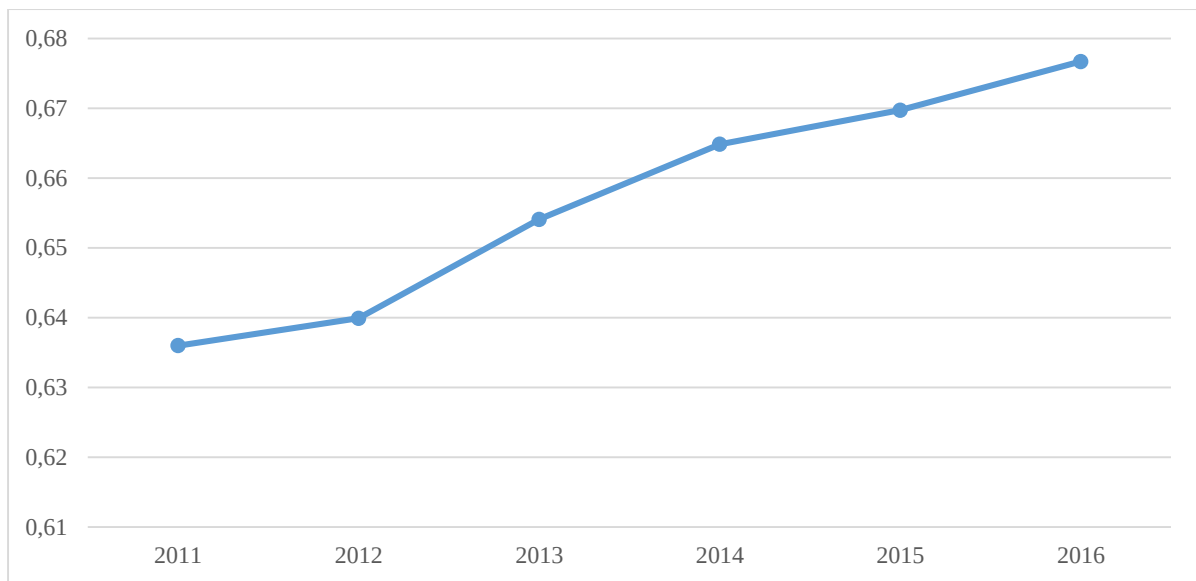


Figure 3.3: Human development index (HDI) trends in the Emfuleni local municipal area (2011-2016)

Source: Global Insight (2016)

The HDI is an economic development indicator that measures the life expectancy, income per capita and education for a specific area. Looking at Figure 3.5 there is a positive trend that gives an indication that for the past six years there has been an increase in the HDI each year in the municipal area. Therefore, it can be concluded that there is an improvement in life satisfaction in the area. However, the increase in HDI has also taken place on a national level. The HDI in South Africa has been on a continuous rise since 1990. Citizens in South Africa have decent living conditions, access to quality education and are enjoying a longer healthier life. Trends pertaining to the Gini coefficient in the Emfuleni Local Municipality are indicated in Figure 3.4.

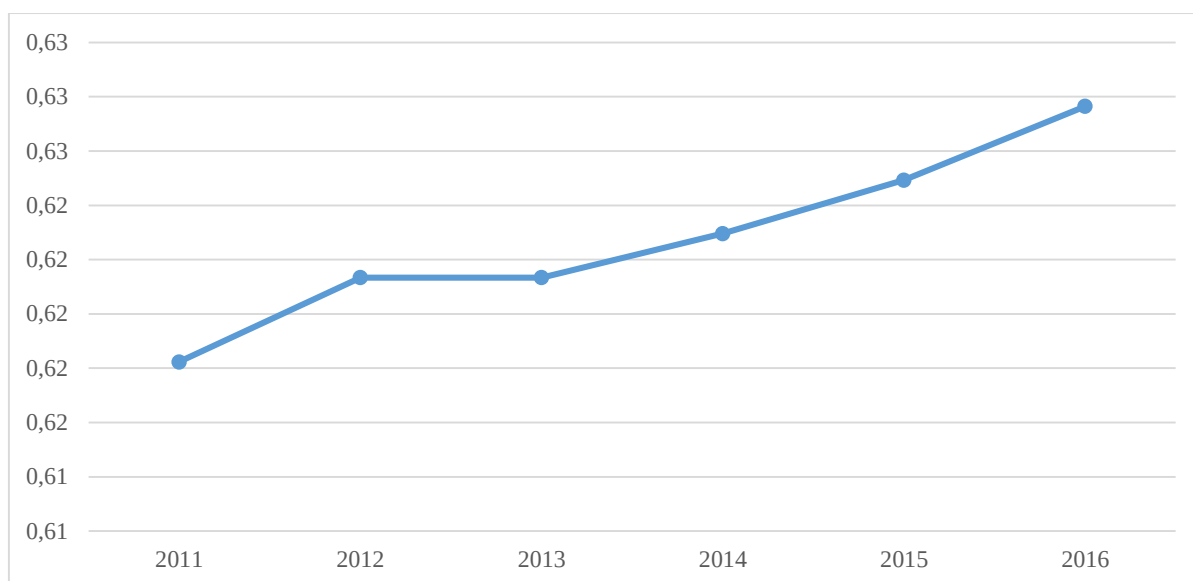


Figure 3.4: The Gini coefficient trends in the Emfuleni local municipal area (2011-2016)

Source: Global Insight (2016)

The Gini coefficient is an economic indicator that is used to measure inequality, which is usually the distribution of income. A measurement of zero represents perfect equality and meaning everyone in a given population receives the same income (Kotze, 2016). For example, when the Gini is at one it means that there is perfect inequality and a score of zero reflects perfect equality. Figure 3.6 gives an indication that inequality in the municipal area has been continuously growing over the past six years and the gap is getting wider in the municipal area. According to the World Bank (2016) inequality is also one of South Africa's key development challenges, the gap between the wealthy and the poor continues to widen. This could also be the reason why there is a continuous growth trend of inequality in the Emfuleni Local Municipality. The number of people employed per sector in the Emfuleni municipal area is graphically illustrated in Figure 3.5.

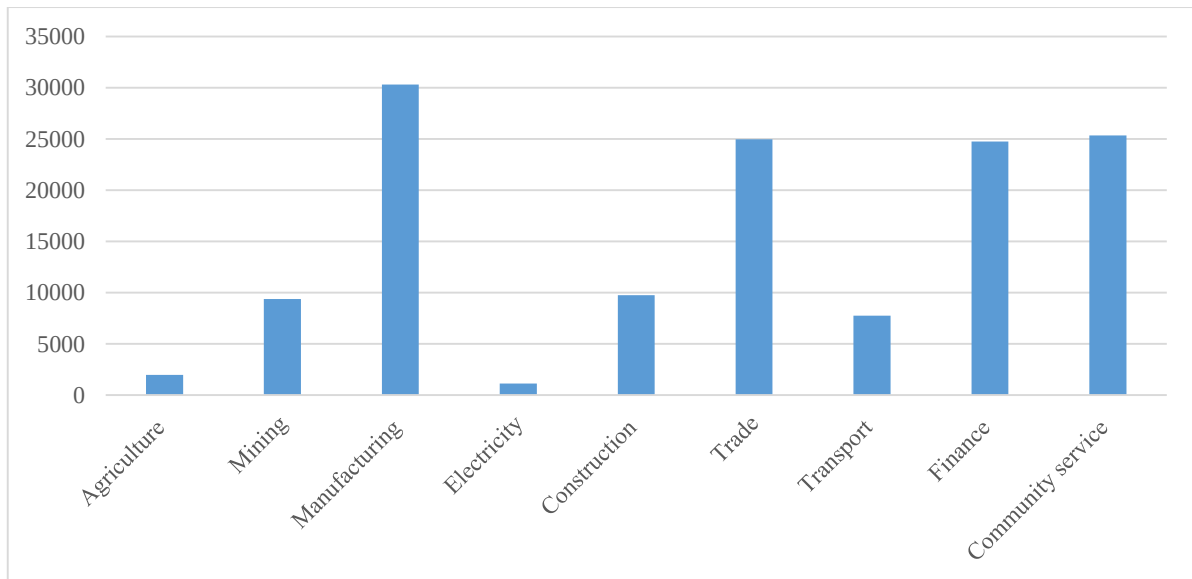


Figure 3.5: Number of people employed per sector in the Emfuleni municipal area (2016)

Source: Global Insight (2016)

Figure 3.5 shows the number of economic sectors that are active in the municipal area. The figure indicates that the manufacturing sector has the highest number of people employed in the sector during the year 2016. This gives an indication that the manufacturing sector is the biggest contributor to economic growth and development in the municipal areas. This would make sense since the most predominant sector in the area is the manufacturing sector. Furthermore, the manufacturing sector contributes 40,8 per cent towards the municipality's economic activities.

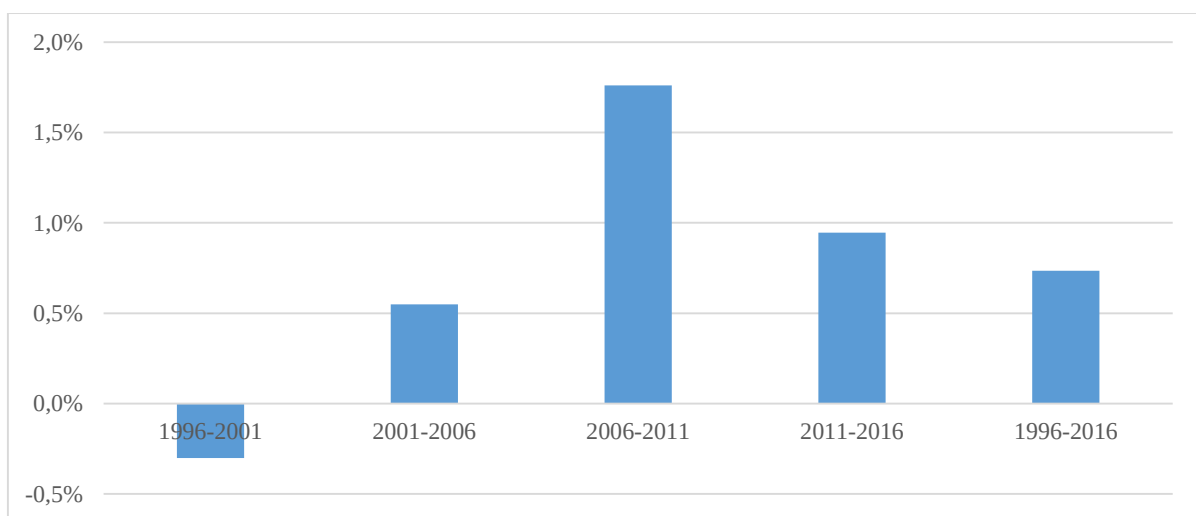


Figure 3.6: GDP growth in the Emfuleni local municipal area (1996–2016)

Source: Global Insight (2016)

As seen in Figure 3.6, GDP growth in the area was at its lowest between 1996 and 2001. During the 2006 and 2011 period it was at its peak. Growth within the municipal area started declining from 2011 and there has not been an indication of increased growth since then as reflected in Figure 3.8. The decline in GDP from 2011 gives an indication that the municipality had a delayed impact from the 2008 and 2009 global financial crisis that took place. During that period the South African was not, it was able to buffer the impact from the global crisis. However, economic growth was slow but was not in a recession during 2006 and 2011 (Baxter, 2008:112. The number of people living in poverty in the Emfuleni Local Municipality is graphically illustrated in Figure 3.7.

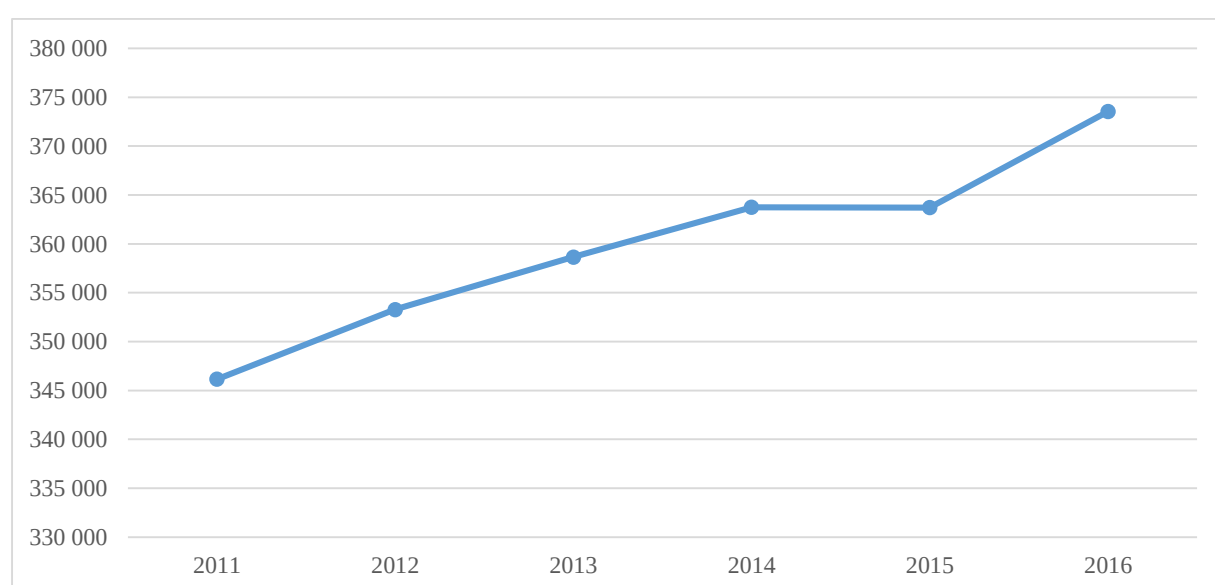


Figure 3.7: Number of people living in poverty in the Emfuleni local municipal area (2011–2016)

Source: Global Insight (2016)

According to Figure 3.7 over the past six years, there has been a continuous increase in the number of people who live in poverty in the area. This could result from people being unemployed that leads to citizens not being able to sustain their basic daily needs. Poverty continues to be on the rise in South Africa. According to StatsSA (2017c) there was a general decline in poverty levels between the 2006 and 2011, however the levels started rising in 2015. More than 55.5 per cent of the population lived in poverty in 2015 compared to the 53.2 per cent in 2011. The number regarding the people who are living in poverty in the Emfuleni local municipal area is graphically illustrated in Figure 3.7.

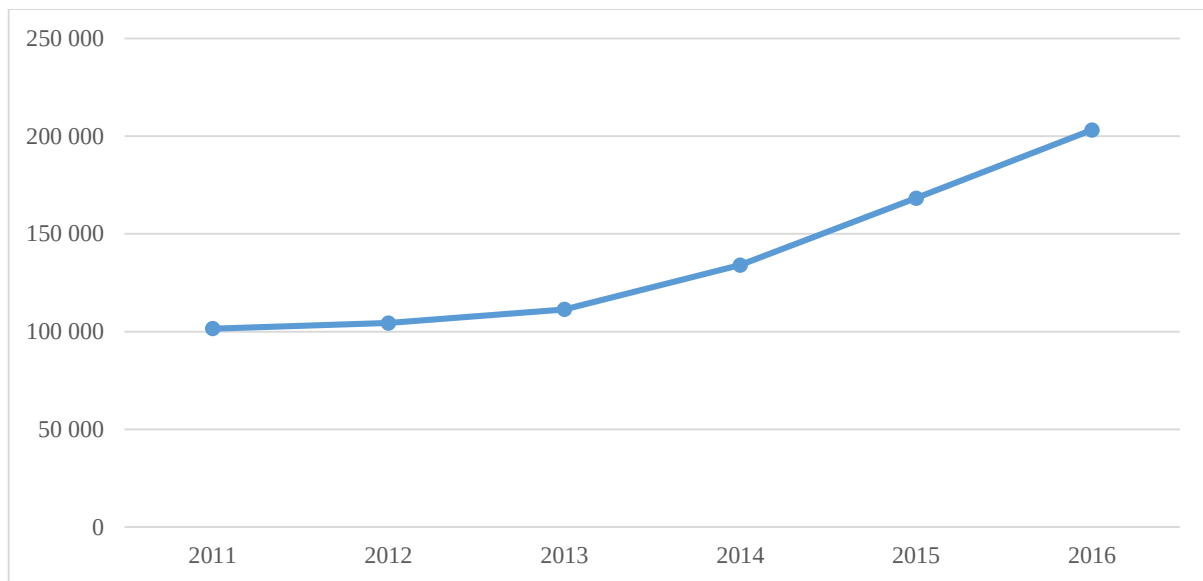


Figure 3.8: Number of people who are unemployed in the Emfuleni local municipal area (2011–2016)

Source: Global Insight (2016)

Each year the number of people who are unemployed continues to grow according to Figure 3.8. The growing epidemic does not only affect the municipal area but also South Africa as a whole. A number of reasons lead to an increase in the number of people who are unemployed, which include but are not limited to: businesses downsizing that leads to retrenchments and the lack of skills (Davies & Thurlow, 2010:437). High unemployment rates do not only affect the Emfuleni municipal areas but South Africa as a nation. The number of people who are unemployed in South Africa rose by 33 thousand to 6,21 million. Furthermore, 71 000 people lost their jobs in the informal sector and 25 000 people lost their jobs in the agricultural sector, however, 187 000 people gained jobs in the formal sector.

3.3.2 Midvaal local municipal area

The Midvaal Local Municipality forms part of the Sedibeng district municipality, which is located in the Southern area of Gauteng. The municipality's major employment sectors are in manufacturing, trade, finance and business services (Municipalities of South Africa, 2017). The land use in the area is predominately rural and approximately 50 per cent of the land is used for farming. The main towns and settlements in the area is Meyerton, Daleside, Randvaal, De Deur, Walkerville and Henley-on-Klip. The area has natural features such as the Klip River and Suikerbosrand Nature Reserve (Midvaal Local Municipality, 2014:8).

The local municipality has managed and promoted the development of the area through a Municipal Spatial Development Framework. A number of town planning policies and development policies support the framework. Out of the three municipalities in the Sedibeng district, the Midvaal Local Municipality has been performing exceptionally. The municipality is well-governed, sustainable, efficiently managed and financially viable compared to the Emfuleni and Lesedi Local Municipalities. The municipality is devoted to create an enabling environment conducive to growth (Midvaal Local Municipality, 2014:8).

The Midvaal Local Municipality is the fastest growing and developing municipality within the district and its vision is to attend to the needs of the community. Their mission is to improve the lives of their community members by adopting an attitude of innovation to transform the way they do their day-to-day operations, to promote a sustainable local ecosystem and grow their economy by establishing an entrepreneurial culture, socio-economic growth and environmental accountability. Finally, to offer the best service delivery to the community and focus on youth development (Local Government Handbook, 2017:103). In an attempt to achieve this mission several developmental principals were created that are listed as follows:

- **Development principle 1:** In order to sustain the steadiness between tourism, agriculture, industry and mining industries, including urbanisation burdens in the area. This could be achieved by protecting and actively managing the municipalities' natural resources (Midvaal Local Municipality, 2014:36).
- **Development principle 2:** Since 50 per cent of the land is used for agriculture in the area. In order to improve and facilitate agricultural activity in the area, all land reserved for agricultural processes needs to be actively preserved for agricultural purposes (Midvaal Local Municipality, 2014:36).
- **Development principle 3:** The Midvaal area needs to actively utilise tourism resources available. The area has four tourist attractions that have been endorsed as tourism attractions. The four tourist attractions are: the Vaal Marina precinct, the Klip River precinct, the Bass lake precinct and the world-renowned and proclaimed Suikerbosrand nature reserve (Midvaal Local Municipality, 2014:36).

One of the municipality's missions is to grow their economy by establishing an entrepreneurial culture. This could form part of the developmental principles in order to create an enabling environment for SMMEs in the area. In order to support the Midvaal local municipal area regional analysis, economic development indicators will be discussed below through the use

of graphical illustrations. The trends in the HDI in the Midvaal local municipal area is graphically illustrated in Figure 3.9.

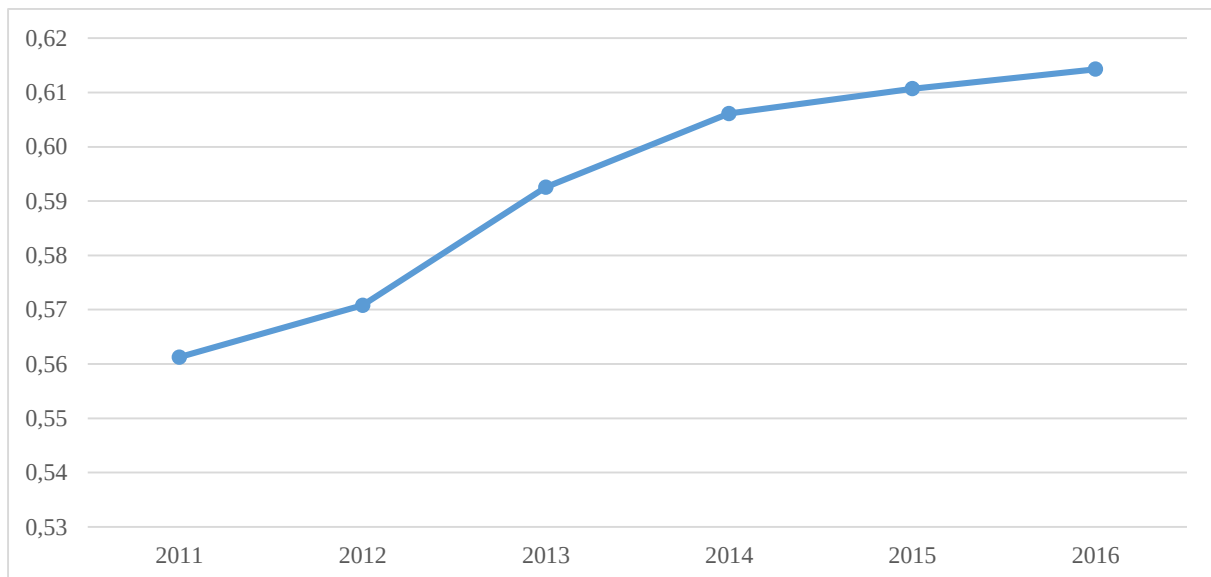


Figure 3.9: Human development index (HDI) trends in the Midvaal local municipal area (2011-2016)

Source: Global Insight (2016)

Figure 3.9 graphically illustrates the human development trends in the Midvaal local municipal area between 2011 and 2016. Variables that are used in the HDI are: life expectancy at birth, income per capita and the quality of education received. Figure 3.11 gives an indication that the quality of life in the area is increasing and also shows that development is taking place in the area. HDI levels have also been on the continuous rise on a national level too, since the end of the apartheid era regime in 1994. The Western Cape and Gauteng have the highest level of development in South Africa. The Midvaal falls under Gauteng that makes sense regarding the continuous increase in the index. Gini coefficient trends pertained in the Midvaal local municipal area are graphically illustrated in Figure 3.10.

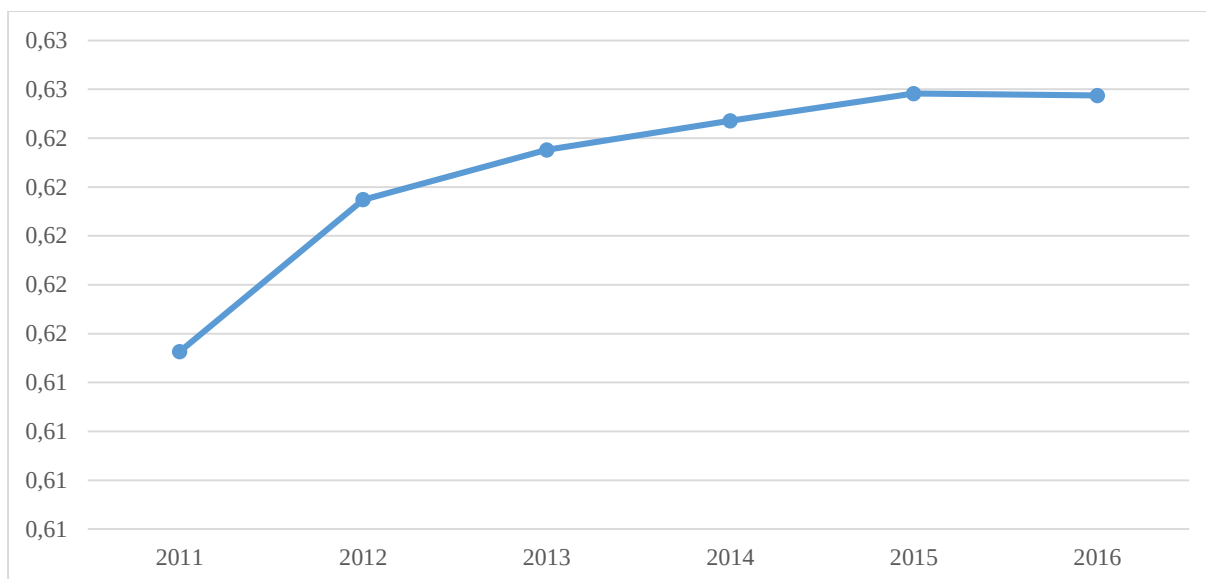


Figure 3.10: The Gini coefficient trends in the Midvaal local municipal area (2011-2016)

Source: Global Insight (2016)

Figure 3.10 graphically illustrates the Gini coefficient trends from 2011 till 2016. As seen in Figure 3.10, the inequality gap in the area has been growing. However, in 2015 the Gini coefficient flattened out suggesting a slight decline in the inequality gap in 2016. On a national level, South Africa is considered to be one of the most unequal countries in the world. Inequality is a results of an uneven distribution of wealth and resources, both on a national and local level. The number of people who are employed per sector is graphically illustrated in Figure 3.11.

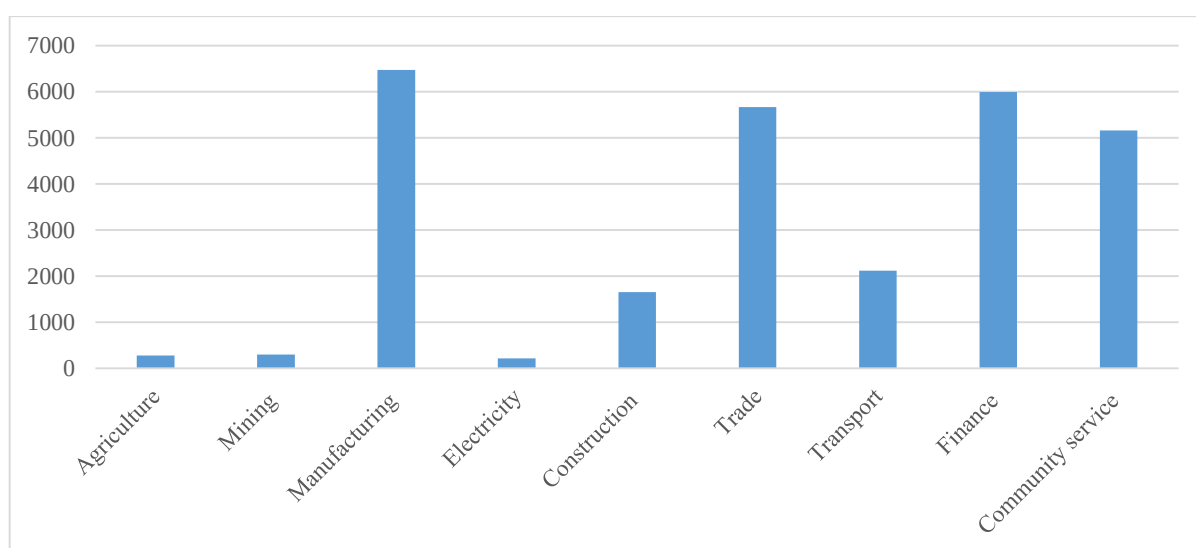


Figure 3.11: Number of people employed per sector in the Midvaal municipal area

Source: Global Insight (2016)

Figure 3.11 shows that manufacturing is the biggest contributor to employment in the Midvaal area, this would make sense since the manufacturing sector is the biggest economic sector in the SDM, which contributes 30,8 per cent towards the districts economic activities. Also manufacturing is the biggest contributor to economic activities in the Midvaal area as it contributes 25,1 per cent, despite this, the sector has the highest number of people who are unemployed in the municipal area. It is further followed by the trade, finance and community service sector. However, the smallest contributors to employment in the sector are; agriculture, mining and electricity sectors.

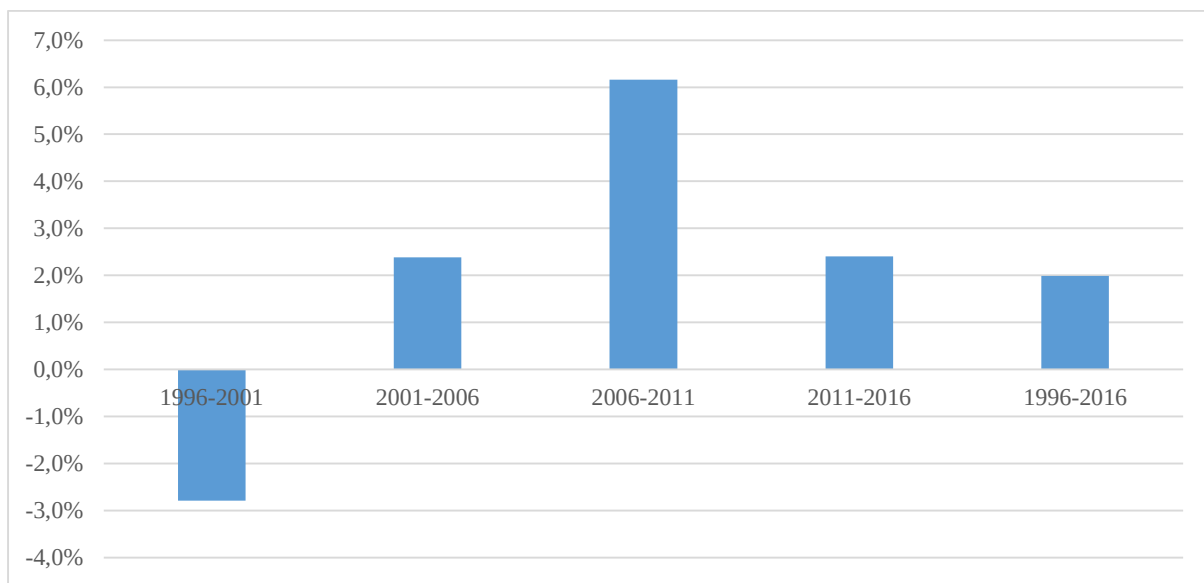


Figure 3.12: GDP growth in the Midvaal area (1996-2016)

Source: Global Insight (2016)

As seen in Figure 3.12, the GDP had a negative growth during the 1996 to 2001 period, however, from 2001 it started to improve again. During 2006 and 2011, the GDP was at its peak most probably due to the property market and development boom in the area during this time period. As a result of the lack of infrastructure and strict land use management policies, this high trend started declining from 2011. Furthermore, the decline in the GDP during 2016 was a result of a decline in mining and manufacturing production that lead to a contraction of 0,3 per cent during the second quarter of 2016. The number of people living in poverty in the Midvaal local municipal area is graphically illustrated in Figure 3.13.

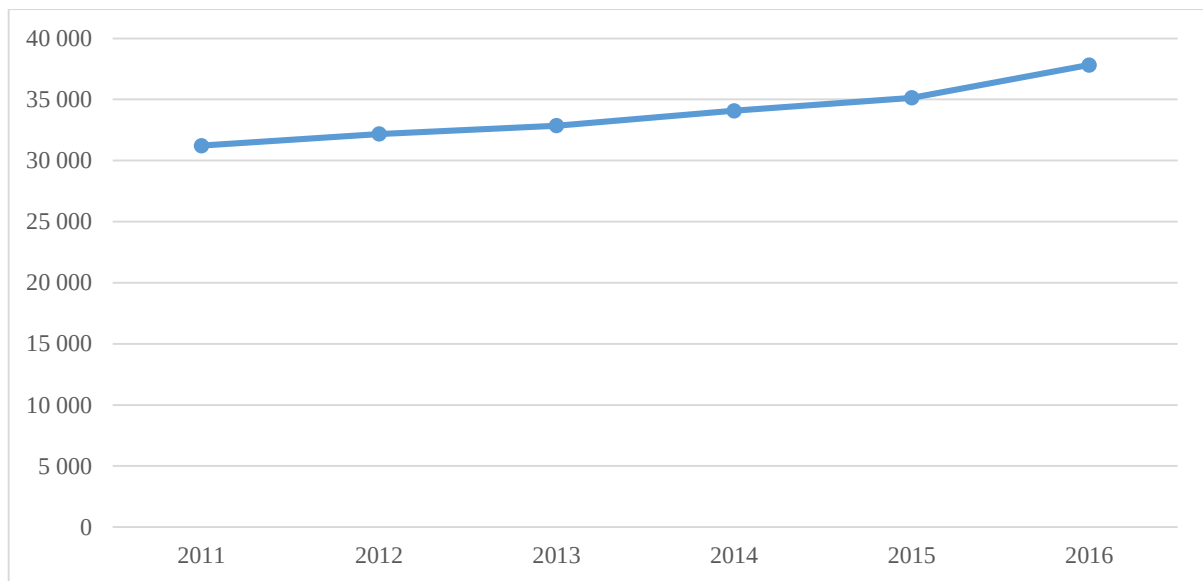


Figure 3.13: Number of people living in poverty in the Midvaal area (2011–2016)

Source: Global Insight (2016)

Figure 3.13 gives an indication that the number of people living in poverty in the area has been continuously increasing over the past six years. South Africa is also facing a rise in poverty levels. This results from weak economic growth, high consumer prices, high unemployment rates, low commodity prices and household dependency on credit could be possible reasons. The people who are mostly affected are females, black Africans, and people from rural areas. Growing up and living in poverty is a threat to any healthy childhood development and this is an unfortunate reality for over 13 million children in South Africa. The number of people who are unemployed in the Midvaal is graphically illustrated in Figure 3.14.

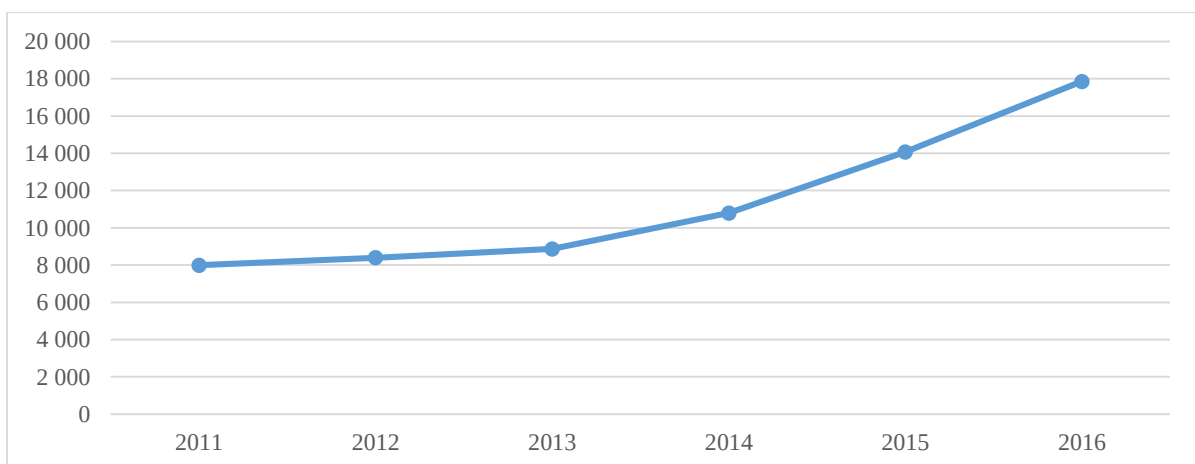


Figure 3.14: The number of people who are unemployed in the area (2011-2016)

Source: Global Insight (2016)

Figure 3.14 graphically illustrates the number of people who are unemployed in the Midvaal municipal area. There is a continuous growth each year of the number of people who are unemployed. The Midvaal local area is small geographically compared to the other two municipalities in the areas and the number of people who were unemployed in 2016 amounted to 18 000. This gives an indication of the growing epidemic of unemployment in the South African economy. The rise in unemployment does not only affect the local municipality but also the South African economy as a whole, as it is currently in the midst of its highest unemployment rate, which currently stands at 27,7 per cent.

The regional analysis provided for the two municipalities gives an indication that more implementation processes are need to be developed to eradicate the growing epidemic of the number of people who live in poverty and the number of people who are unemployed. However, the growing trends in the HDI give a positive indication regarding the prosperity of the country. The following subsection explains LED as an economic tool and also further discusses LED in the two study areas.

3.4 LOCAL ECONOMIC DEVELOPMENT (LED)

LED is an economic strategic tool that is used to combat socio-economic challenges faced in a local community. It is usually a partnership between local government officials and other internal and external private entities. It is a tool that is used to identify challenges within an area, thereafter different methods and strategies are discussed (Leigh & Blakely, 2016:1). Therefore, the different socio-economic challenges and LED strategies will be discussed for both the Emfuleni and Midvaal Local Municipalities. The purpose of a LED strategy is to enhance the economic capacity of a local community, in order to improve its economic future and quality of life. In order for a LED strategy to be successful and to create better economic conditions the public, non-governmental sector and businesses form a partnership to reach the end goal of the LED strategy (Porter, 2000:15).

Poverty alleviation and job creation remain one of the top priorities for South Africa (Meyer, 2014: 1). While people lack the necessary skills and educational background, job opportunities mostly occur in the secondary and tertiary sector. This gives an indication that there is a need to focus on projects that tend to the needs of the poor, people with a lack of skills, educational background and those from rural backgrounds, who are mostly affected by poverty. The

necessary steps and efforts in this regard need to be sustainable and feasible in the long term (McGrath & Akoojee, 2007:421).

Numerous LED initiatives focus on the promotion and support of SMMEs. It is a strategy often used to create job opportunities. There has been a decline in the number of jobs created by large firms, such as in the mining and manufacturing industries. With that in mind, municipalities are placing much emphasis on developing small businesses as a way to create jobs (Morrison, Breen & Ali, 2003:417). In South Africa SMME development is receiving a significant amount of attention because of its potential to create jobs (The Presidency, 2017).

The national government through the Department of Trade and Industry, has adopted a number of policies to help endorse the development of SMMEs. A number of programmes have been implemented to assist with the development of small businesses by facilitating training and development, funding, markets and linkages, research and information, incentives and new technology (The Presidency, 2015). While the national government is providing the necessary support for SMME development, local authorities can assist by ensuring that local small businesses have access to relevant resources and create an enabling environment for SMMEs (Rogerson, 2004:765; Meyer, Meyer & Neethling, 2016:55).

Local government can achieve the objective of small business development by using their resources, establishing a Local Business Service Centre, reforming tender processes, creating regulatory environment for SMME development and through the provision of public facilities in the form of small business incubators. Local government will possibly be able to create jobs by pursuing these initiatives for small business development (Department of Small Business Development, 2014).

There are a number of issues that local small businesses continually need information on and local government needs to take action. These issues include tendering, licensing, permits, rates and building approvals. These issues have extended delays and unclear steps associated with these procedures that can result in problematic barriers (Abor & Quartey, 2010:216). An effective method in which local government can support SMMEs, is by establishing a central information centre that will be the key contact point between businesses and local government. This initiative could simplify the interaction between small businesses and local government (Rwigema & Karungu, 1999:107). The following section will explain LED in the two study areas.

3.4.1 Local Economic Development – Emfuleni Local Municipality

An LED strategy has been formulated for the Emfuleni Local Municipality that is based on five reports. The first report was based on the status quo of the municipality, the second report focused more on the socio-economic analysis of the area, the third report was based on a survey done in the community and the fourth report was more of a statistical approach whereby economic modelling and strategic sectorial analysis was used. Finally, the fifth report included detailed approaches, programmes and projects.

The fifth report is the foundation on the different strategies that have been put in place to implement the LED strategy within the Emfuleni Local Municipality. The LED strategy includes pillars of the local economy, a detailed SWOT analysis, the vision, different strategies and comparative advantage of the local economy. The strategy has a ten-year vision including strategies and programmes with both short- and long-term time frames. The success for this strategy depends on the different stakeholders involved. Several economic development pillars have been identified for the local economy and they are as follows (Emfuleni Local Municipality, 2015:2-3):

- **Local economic development sectorial support:** There are different types of sectors in the area that need to be supported that include manufacturing, housing, transport and tourism. The growth of the mentioned sectors is important towards development in the area.
- **Initiatives on job creation:** Job creation is a sensitive topic when it comes to the global and local economy, hence all strategies and policies need to focus on creating jobs in some or other way. Skills development programmes have to be implemented and an improvement in the education system needs to be brought about.
- **Small business development:** Small business development is seen as one of the solution of the growing epidemic of unemployment. The need for the strengthening of business incubators and entrepreneurial development is important for growth and development in the area.
- **Service delivery:** Creating an enabling environment can be done by building a relationship between government and private entities as well as good governance and infrastructure development are needed.
- **Improved quality of life:** The whole purpose of a LED strategy is based around the fact that there is a need to improve quality of life within the municipality and other parts of the

country. Reducing poverty, providing basic needs to the community, improved safety and food security in the area are what is needed to improve quality of life.

The aforementioned pillars in the Emfuleni local municipal area also include the promotion of small business development. Small businesses in local communities and the country as a whole find it difficult to establish themselves, grow and prosper. Therefore, the LED strategy in Emfuleni aims to create an enabling environment for small businesses since they have been identified to be one of the solutions to growing epidemic of poverty and unemployment in the municipal area.

The vision of the Emfuleni Local Municipality's LED strategy has been erected from the abovementioned pillars of economic development in the area. The vision is that which local officials and other stakeholders aim to achieve in the long run. The vision of the Emfuleni local municipality aims to diversify its local economy and the main focus points are job creation and improved quality of life (Emfuleni Local Municipality, 2015:3). Emfuleni Local Municipality's strategies are based on the following approaches and principles:

- Firstly, the strategies that have been put in place have to be implemented in a manner that improves the quality of lives for all residents residing in the area, especially those living below the poverty line.
- The level poverty should be reduced through small business development and SMME support. SMMEs are seen as a solution for the growing epidemic of unemployment that leads to poverty. The ultimate goal of the LED strategy is to create jobs and this initiative could be achieved through entrepreneurial development and by establishing an entrepreneurial culture within the economy. Impeding socio-economic challenges restricts SMMEs from functioning at their full potential.
- The different strategies that have been developed need to be executed by means of projects. These projects need to be clearly defined and measurable and a competitive advantage must be optimised for the success of the projects.
- The execution and success of the LED strategy relies heavily on the local officials and different types of stakeholders such as politicians, business people and community leaders (Emfuleni Local Municipality, 2015:3).

In order for the area's socio-economic status to improve through LED initiatives, a proper integrated action plan needs to be followed in order to create a sustainable enabling

environment. All projects are to be implemented, from small scale projects to large scale projects (Local Government Handbook, 2017:103).

3.4.2 Local Economic Development – Midvaal Local Municipality

Creating employment opportunities in order to improve the quality of life for its residents has been a priority for the municipality resulting in a relatively low unemployment rate. The Midvaal Local Municipality believes in order to sustain an economy, employment opportunities need to be created (Vyas-Doorgapersad, 2014:327.). The municipality aims to achieve this goal of creating employment opportunities by implementing the Expanded Public Works Programme (EPWP) and the Community Works Programme. Through these initiatives the end goal is to promote local economic empowerment in the area (Midvaal Local Municipality, 2014:114).

The Midvaal Council adopted its LED strategy in 2013/2014 and the local municipality facilitated the training of 507 trainees. The Department of Rural Development and Land Reformation was appointed to run a full economic analysis of the Midvaal Local Municipality. The economic analysis will help guide the council to come up with the best practice initiatives that could be executed to build a sustainable economy in the area. This could also lead towards creating an enabling environment in the municipal area. One of the key factors in an enabling environment is entrepreneurial development which could further lead SMME development. An enabling environment assists to reduce some of the socio-economic challenges encountered by SMMEs on a local level such as access to finance, training and location.

The Midvaal Local Municipality's LED strategy has played an important role to promote and develop local SMMEs as a tool for job creation (McIlrath, 2004:3). As stated before in Chapter 2, SMMEs are seen as a solution for the growing epidemic of unemployment, not only locally but internationally. The promotion and development of SMMEs in the area has designed a marketing brochure to attract investors in the area. Community leaders and councillors anticipate that the LED strategy will give direction to sustainable initiatives and opportunities in the municipal area (Midvaal Local Municipality, 2014:116).

3.5 INTEGRATED DEVELOPMENT PLAN

The nature in which municipalities function has changed radically since the first democratic election in 1994, a lot of emphasis is being placed on role of local government with regard to

their developmental roles (Madumo, 2015:153). An Integrated Development Plan (IDP) is a tool that local municipalities in South Africa need to use as a technique to plan future development. During the apartheid regime a huge gap was left in cities and towns across the country. A racial division in business and residential areas, the cities and towns did not tend enough for the poor meaning that they had to travel long distances to work and there was a huge inequality gap between the rich and the poor in the sense of access to services (Africa, Magwaza & Patel, 2000:5).

The IDP is an approach to planning that includes the entire municipality and community members seeking the best solutions to achieve long-term development. The IDP is known as a “super plan” for an area as it gives a general framework of development (Nzimakwe, 2012:139). The IDP should concentrate on economic and social development, by determining current conditions and problems in an area. The plan should set out a framework on how different resources can be used to achieve long-term development goals (Harrison, 1996:175). The IDP can also support small businesses on a local level as they have the potential to create employment.

All municipalities have the responsibility to compile an IDP. It is the responsibility of the municipality to carry out the plan and to attract relevant stakeholders in the community who can make a difference towards the success of the IDP. It takes between six to nine months to draw an efficient IDP that should be reviewed every year and necessary changes can be made. The stakeholders in the IDP process are: municipalities, councillors, communities, including SMMEs in the area and other stakeholders, national and provincial departments. Below are reasons why the IDP process is necessary:

- **Effective use of scarce resources:** The IDP tool will help local authorities to pay attention to the most important needs of local communities, including that of SMMEs, considering the available resources in the area. Local authorities need to find the most cost effective way to provide basic service delivery and funds will be spent on more problematic causes.
- **It helps speed-up delivery:** The IDP helps to identify the least serviced and low income parts. It could indicate where municipal funds need to be spent, which would allow the implementation process to be easier.
- **It helps attract additional funds:** Private investors and government are willing to invest in municipalities that have a clear development plan.

- **Strengthens democracy:** Decisions can be made in a democratic and transparent manner when all stakeholders actively participate.
- **Helps to overcome the legacy of apartheid:** Resources in the municipality are used to unite rural and urban areas and to spread services to the poor.
- **Encourages coordination between local, provincial and national government:** In order to achieve development, different government spheres need to work together to reach the end goal.

Achieving the outcomes of the IDP could lead to the creation of a more stable enabling environment, which in turn can lead to the management of socio-economic challenges that restricts SMMEs to function at their full potential.

3.5.1 The Integrated Development Plan process

A process plan needs to be drawn up before starting with the planning process of the IDP. The process should include; different structures that will manage the planning process and how community members can contribute, a proper time schedule needs to be drawn up for the planning process. Furthermore, tasks need to be divided among different structures and how the process will be observed. The IDP planning process has five different phases which are: analysis, strategies, projects, integration and approval (Gueli, Liebenberg & Van Huyssteen, 2007:89). The different phases are discussed in Table 3.2.

Table 3.2: IDP process

Phases	Explanation
Analysis	Research and information are collected on economic and social conditions within a municipality. The first phase pays more attention to the different types of issues individuals face in the community and their causes.
Strategies	This is a phase whereby the municipality and other stakeholders work together to find solutions. This phase includes: developing a vision, defining various development strategies, development strategies and project identification.
Projects	Realistic projects need to be put in place in order to target different socio-economic challenges.
Integration	The projects need to be initiated by different stakeholder, community members and local government.
Approval	In order for the different initiatives and projects to be implemented, the projects need to be realistic and a timeframe needs to be determined.

Source: Van Huyssteen *et al.* (2007)

The Municipal Systems Act 32 of 2000 defines Integrated Development Planning (IDP) as one of the core functions of a municipality in the context of its developmental orientation. The Municipal Systems Act requires the IDP to be strategic and inclusive in nature. The IDP should link, integrate and coordinate other plans, while taking development proposals into account. It should be aligned with the municipality's resources and capacity, while forming a policy framework on which annual budgets are based. The IDP must be aligned with national and provincial development plans and planning requirements (Van Huyssteen *et al.*, 2007). Furthermore, the IDP process can also integrate SMME development, which could help to minimise the challenges that SMMEs encounter.

3.5.2 Integrated Development Plan – Emfuleni Local Municipality

As mentioned before, the Emfuleni Local Municipality has been facing a number of socio-economic challenges. Community members have pointed out a few issues that affect them on a daily basis. With a proper planned IDP framework, the issues faced by the community can be dealt with in a proper manner (Emfuleni Local Municipality, 2017:2). The issues that have been pointed out include:

- There is a lack of service delivery in some parts of the municipality that includes the water leakages, sewer leakage and dysfunctional public lighting (Emfuleni Local Municipality, 2017:52).
- There are high levels of unemployment in the area, which could lead to more issues such as crime (theft, selling of drugs and prostitution) just to survive (Emfuleni Local Municipality, 2017:53).
- There is a need to upgrade the health care system in the area, such as local clinics. This will enable individuals in the community to receive proper health care (Emfuleni Local Municipality, 2017:52).
- There is a need for more cemeteries in the area, and those that are available are underdeveloped (Emfuleni Local Municipality, 2017:52).
- There is a need to sustain the environment and the municipality does not have a clear programme on how to preserve trees in the area (Emfuleni Local Municipality, 2017:2).

The Emfuleni local municipal framework can also help identify and assess the different socio-economic challenges encountered by small businesses in the municipal area. This will further

make room for improvement through the development of different strategies that will assist to minimise the challenges.

Table 3.3: Economic overview of the Emfuleni local municipality

Economic indicator	Description
Age profile	The majority of the population in the municipal area is between the ages of 15 and 64, which is 68,2 per cent of the population.
Education	The majority of the citizens in the areas have a matric qualification (Grade 12), which is 36,1 per cent of the population. Only 4,1 per cent of the citizens in the area have no schooling.
Population	The total number of the people residing in the municipal area amount to 733 445 and 253 448.
Dwelling	The number of formal dwellings has increased in the areas. It has increased from 85.3 per cent to 87 per cent.

Source: Emfuleni Local Municipality (2017)

3.5.3 Integrated Development Plan – Midvaal Local Municipality

The Midvaal Local Municipality has developed a performance framework that comprise of Key Performance Areas (KPA's), which are the focus areas of the local municipality. These focus areas are required for the municipality to achieve different objectives, which have been set out and should also be aligned with the vision that has been identified by the local municipality. The Midvaal Local Municipality developed eight KPA's which are briefly discussed in Table 3.4 below.

Table 3.4: Midvaal Local Municipality's IDP KPA's

Key Performance Areas (KPA's)	Definition
Good governance and public participation	There is a need to promote participation and improve communication among internal and external stakeholders.
Safety and environment	To create a green economy and sustain the environment and keep it from harm.
Social development	To create an enabling environment that is aimed at improving the well-being of the youth and those who live in poverty.

Transformation	In order to achieve the objectives that have been set out, the municipality needs to align its people, systems and processes.
Financial sustainability	To improve financial stability while adhering to statutory requirements.
Infrastructure development	To ensure that there is sufficient infrastructure available to improve the lives of the population.
Economic growth and development	An increase in GDP of local municipality and improving economic conditions will lead to an improvement in living conditions.

Source: Midvaal Local Municipality (2017)

In 2016 the population was 111 612 in the Midvaal area and the population growth has been consistent in the area and the number of households has significantly increased. The racial profile of the area is dominated by white and African black citizens making up 90 per cent of the population. Approximately 70 per cent of the citizen in the area are of working age (15–64) and the population falls largely into the youth sector, which is approximately 58 per cent. In addition, there are more males (52 per cent) residing in the area than females (48 per cent). About 13,9 per cent of the population in the area earn no income and there is a broad distribution of income across households in the region (Midvaal Local Municipality, 2017:49).

Basic service delivery includes access to water, electricity, sanitation and providing waste removal services. Progress has been made regarding providing service delivery to all households in the area. The local municipality has managed to reduce the number of households not receiving basic minimum service delivery (Midvaal Local Municipality 2017:57). Table 3.5 provides a brief summary of the Midvaal’s economic overview.

Table 3.5: Economic overview of the Midvaal local municipal area

Economic indicator	Description
Age profile	Seventy per cent of the population is of working age and 58 per cent of the population are the youth.
Household income	The majority of the households in the region earn between R 21 350 and R 42 698 per annum.
Education	Forty-eight per cent of the population has completed matric (Grade 12).

Basic service delivery	There has been an increase in the number of households that receive adequate service delivery.
Population	The total number of people residing in the area amount to 111 612 and the number of households is 38 046.
Dwelling	Most dwellings are formal with a few informal settlements in the central and eastern Midvaal region.

Source: Midvaal Local Municipality (2017:58)

3.6 SYNOPSIS

This chapter reviewed the theoretical and empirical literature relating to a socio-economic overview of the two study areas, which were the Emfuleni and Midvaal local municipal areas. Furthermore, the chapter had an objective to understand the different socio-economic challenges, firstly, in the South African context and was narrowed to down to the Sedibeng District Municipal area, which was followed by an economic overview of the Emfuleni and Midvaal Local Municipality.

The main economic challenges that were identified in the chapter was unemployment, inequality and a poor education system in some parts of South Africa. It was indicated that unemployment is a daunting social concern as it continues to increase as the years go by, however, it could also be reduced through SMME development, as they have been identified to play an important role towards job creation. It was further identified that this due to a lack of skills in the country and that the education is lacking which results in unskilled labour. Inequality still remains an issue because the allocation of resources in the country is distributed unequal. Some parts of the country lack the access to income and resources.

The HDI, Gini coefficient, GDP growth trends, number of people employed per sector, number of people living in poverty and the number of people who are unemployed were some of the economic indicators that were used for the Emfuleni and Midvaal local municipal areas regional analysis. The HDI continues to show a positive trend in both municipal areas, however, the number of people who are unemployed and living in poverty continue to increase. It was identified that the main economic sector in both municipal areas is the manufacturing sector and GDP growth in both areas started declining in 2011.

Finally, the LED and the IDP process were used as economic tools to discuss for both study areas. It was identified that LED is an economic development tool that is used on a local

municipal level to identify socio-economic challenges within the area and thereafter solutions are formulated to overcome the challenges that have been identified in order to improve the quality of life for their citizens. The IDP process is a plan in which every local municipality should formulate in order to eradicate any issues within the municipality and therefore create an enabling environment. The LED process has identified small business development as one of the key areas of development. The process aims to create an enabling environment in the area for small business through coming up with strategies that can help to minimise issues encountered by business owners. Also, the IDP process can assist to identify and assess the challenges that small businesses encounter. Furthermore, the succeeding chapter, Chapter 4 will discuss the research design and methodology that were used in the study.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

Research has an important role to play in our modern day society. Though there is existing information and knowledge, contributions towards the understanding of certain aspects and their body of knowledge is still possible. It is in this regard that finding solutions for specific social and scientific issues through methodical and objective analyses proves to be pivotal (Rajaseka, Philomation & Chinnathambi, 2006:2). In order to conduct research, algorithmic processes have to be ascribed to a significant degree and specific methods have to be utilised. The methodology or framework chosen needs to have specific attributes that will direct the research towards a philosophical underpinning of the study and analytical procedures (Creswell, 2003:4). The aim of this chapter therefore is to unfold the precise methodology used and adopted throughout the study. The first section of the chapter begins with a philosophical background to provide a foundation for the methodology, followed by a research design and approach. The chapter further explains the different methods used to select an adequate sample and elaborates on the approaches used to collect the primary data from the selected participants. To conclude the chapter discusses the statistical techniques that were used to analyse the primary data.

4.2 RESEARCH PARADIGM AND PHILOSOPHICAL UNDERPINNING

A well-designed and grounded research study involves an insightful and meaningful discussion on the research approach or paradigm adopted by a researcher (Mason, 1996; Creswell, 1994). Research paradigms are often referred to as a set of assumptions or beliefs of the researcher that highlights the basis that drives the orientation of inquiry (Groenewald, 2004:44). It provides a clear world-view of the researcher, as well as the nature of an individual's knowledge of the world, how certain participants adapt in these surroundings and participants under consideration (Guba & Lincoln, 1994:107). As a clear objective is needed to make provision for sound and accurate research, these paradigms prove to be significant as they attribute certain characteristics of understanding the researcher's set of norms, judgements, values and standards that administer the researcher's way of thinking (Guba, 1990:17).

A paradigm can be described as a foundation or framework that enables the researcher to answer research questions in a proper manner (Creswell & Clark, 2006:21). The uniqueness of the researchers' method which is applied to conduct research is partially based on how he or she perceives the world based on a set of beliefs and norms (Patel, 2012:11). For example, researchers may have different philosophies with regard to how they view their interactions with the participants or more specifically what their main objective of these interactions is. In addition, researchers may differ in the manner in which they gain an understanding of the information that was gathered through the research process, primarily through how they view the world that in turn is based on different beliefs or norms. Therefore, in order to understand why researchers make certain choices and decisions during their research process, it is important to articulate and understand a researcher's paradigm or ideology as it provides clarity to the way they approach their research (Morgan, 2007:69).

Paradigms are built on three dimensions which include epistemological, methodological and ontological features (Healy & Perry, 200:118). As part of the epistemological feature, the researcher's beliefs are expressed based on a specific "theory of knowledge". This includes the individual's belief on whether knowledge can be viewed as something concrete that can be obtained or whether it is orientated towards subjective practices based on additional personal experiences (Ezell & Crowther, 2007:269). The ontological feature relates to an individual's beliefs that are based on how the researcher views reality. Furthermore, the ontological dimension revolves around whether researchers objectively regard themselves as independent to reality or whether they personally feel that reality exists due to their contributions or involvement (Orlikowski & Baroudi, 1991:7). The methodological dimension includes both ontological and epistemological dimensions. Therefore, these features along with different ideologies attempt to explain the significance of new knowledge by conducting research and a range of possibilities that exist to allow a researcher to be objective in certain approaches (Hammersley, 2006:273).

Throughout history, the inductive nature of any research process has seen a number of paradigms emerge over time (Bailey, 1987:25). These have ranged from interpretive understandings towards more pragmatic approaches. However, for the purpose of this particular research study a positive paradigm was chosen. Howlett, Ramesh and Perl (2009:21) state that these paradigms are subjective to the use of quantitative studies involving more social concerns and issues. From an optimistic view, research is scientifically quantifiable through the use of

statistical analysis, aimed towards the comprehension of specific casual relationships (Mouton, 2011:65). From this paradigm, the researcher ascribes that human behaviour can be understood through observation and reasoning (Clarke, 2009:29). Furthermore, the paradigm declares that it is empirically possible to observe real life events that can be explained rationally through proper statistical analysis. The research study set out to determine the socio-economic challenges through sampling SMMEs in the Emfuleni and Midvaal local municipal areas through means of a quantitative method. A philosophical summary is provided in Table 4.1, which explains the ontological, epistemological and methodological considerations of the study.

Table 4.1: Philosophical foundations included in the study

Paradigm dimensions	Features of positivism
Ontological aspects	The researcher is autonomous towards the subject of inquiry. Behavioural patterns are caused by underscoring factors that can be better understood through quantifiable methods. Therefore, the paradigm shows that existence of an objective reality is autonomous of the researcher and the knowledge that has been gained.
Epistemological aspects	True knowledge is gained through empirical data. Therefore, a theory can be falsified or verified through the recurrence of empirical results. To determine the quality of knowledge external and internal, reliability and validity testing may be done.
Methodological aspects	This dimension includes both ontological and epistemological aspects and adopts quantitative approaches using the survey data collection method. The research and results are entirely objective without any interference from the researcher.

Source: Guba and Lincoln (1994:112)

The succeeding subsection elucidates the exact research design that was used for the purpose of this study.

4.3 RESEARCH DESIGN

In order for a research study to be successful there has to be a range of prerequisites, which includes a well-established plan that outlines the different actions that has to be done and more specifically how these actions need to be done. In any research study, a planned research design has an important role to play to achieve the objectives which have been set. Research designs are defined as an outline on how research is conducted (Leedy, 1997:195). Planning plays an important role in order to extract accurate, clear and reliable results. The research design in this

regard outlines a clear understanding and acts as a guidance on how data are collected including the measurement and analysis. It is important to follow a detailed and precise design as it will direct the author to complete the research study (Malhorta, 2010:102). Furthermore, these designs allow the researcher to answer the study's objectives in the most accurate and efficient manner. There are different forms of research designs, which include casual research, exploratory research and descriptive research designs (McDaniel & Gates, 2013:37).

When the foundation of a research topic is “novel”, exploratory research designs are usually followed. This type of research design is chosen for the specific purpose of defining and clarifying a research study, therefore making provision for more defined enquiries (Struwig & Stead, 2010:7). These designs can also be characterised as relatively adaptable processes that aim to understand the different aspects of the problem under investigation. Exploratory research designs on the other hand, contain a more qualitative based method, which include in-depth interviews, focus group discussions and projective techniques. Finally, casual research designs are more explanatory and conclusive in nature (Bhattacharjee, 2012:6). The purpose of a casual research design is to examine the cause and effect of relationships to assess the impact that changes in one feature influences another (Creswell, 2013.).

Descriptive research designs are similar to explanatory designs, which are both conclusive in nature. Knupfer and McLellan (1996:1196) attribute these research designs to their ability to provide an understanding and description of their specific traits of people, objects and groups. These descriptions normally contain primary data, which focus on individuals' beliefs and perceptions regarding certain predicaments while accommodating a range of causes on certain incidences (Kumar, 2008:15). Descriptive research is either characterised as cross-sectional or continuous. A continuous design is best described as a repeated measurement or an investigation of the same sample over a certain time frame (Iacobucci & Churchill, 2010:86). Conversely, cross-sectional studies include the collection of data from any sample of a certain number of the population at a precise moment, which is subsequently analysed and reported on (Harrison & Riley, 2011:14). These studies involve the use of surveys to collect data using questionnaires. In comparison to other designs, cross-sectional designs boast of a number of advantages and disadvantages in their use. These are identified and explained in Table 4.2 below. Given the primary objective of this study, which is to determine the specific socio-economic challenges faced by SMMEs in the Emfuleni and Midvaal local municipal area, a cross-sectional design was adopted for this study. Primary data were collected by means of

questionnaires that were used to collect information from local business owners based on the various socio-economic challenges they face in the chosen study areas.

Table 4.2: Advantages and disadvantages relating to cross-sectional designs

Advantages	Disadvantages
Reliable results are obtained based on rational processes.	There is a possibility that the participants will not answer the questions truthfully.
Similar methodologies have the capability to produce similar results.	At times questions in the questionnaire may be unclear.
They have theoretical foundations; therefore, the research processes are supported theoretically.	Response from the sample can be lower than expected, which results in insignificant insights.
A quantitative description is provided for human behaviour, which makes provision for valid and structured interpretations.	Studies often lack the aptitude to determine and infer the cause of events given their investigation at certain points.

Source: Creswell (2013:123)

The following subsection will discuss the research approach that was used in the study.

4.4 RESEARCH APPROACH

The research approach can be defined as a method in which information and data of a study is accumulated and analysed (Wei, 2010:17). A research study can be categorised in three categories which can be either qualitative, quantitative or a mixed method approach (Williams, 2007:65). A research approach depends on the nature of the research questions in the study. The purpose of a quantitative approach is to answer questions regarding where, who and how, while a qualitative method is an approach directed towards why and how questions (Harrison & Riley, 2011:7). Furthermore, a qualitative approach is characterised as unstructured and relates to more exploratory methods as this approach uses non-numerical information because it is based on the use of words (McDaniel & Gates, 2013:117).

Unlike the qualitative approach, quantitative approaches rely mainly on numerical observations (Sukamolson, 2010:1). Quantitative approaches include statistical methods that are used to analyse data, which has been collected through research questions. The main purpose of a quantitative approach is to determine or confirm certain relationships. Quantitative approaches are methods used to formulate and test a hypothesis on the foundation of predetermined questions to allow well-structured responses (Hair, Wolfinbarger & Ortinau, 2013:77).

Quantitative approaches allow logical inquiries by using large samples to provide insight on the influence of a number of factors guided by a theoretical approach. Quantitative approaches come in a number of forms, which include correlation research, survey-based research through administered questionnaires and observational studies (Williams, 2007:67).

Though both quantitative and qualitative approaches have their own specific differences, these two research methods do not contradict. Both research methods have several strengths and weaknesses that ascribe a number of shortcomings and advantages (Choy, 2014:101). In some studies, a mixed method approach has been used, meaning that a combination of both quantitative and qualitative approaches were adopted in the study (Bryman, 2009:15).

For the purpose of this study a quantitative research approach was chosen through the use of a survey method using structured questionnaires. Data were collected by means of a self-administered questionnaire, hence, the quantitative approach was selected on the basis of a statistical analysis that objectively analysed the data. Survey methods that are used to collect primary data often show signs of strength by providing information on several variables without having an effect on the time period that has been allocated. This makes provision for more participant freedom and allows individuals to complete the questionnaire anonymously, further facilitating better responses (Smith, 1981).

4.5 SAMPLING STRATEGY

The designs and methods that are utilised with regard to drawing a sample size from a given population are encompassed in a sampling strategy to make provision for accurate and reliable conclusions (Zikmund & Babin, 2013:312). A sample is often referred to as a subset group that to some extent represents an entire population. It is somewhat impossible to include an entire population under a research study therefore sampling procedures deduces the justification that only a percentage of the population needed to conduct an investigation. Malhorta (2010:375) further states that an effective sampling strategy has five stages, which include defining the target population, identifying a sampling frame, selecting an appropriate sampling technique, determining an appropriate sampling size and lastly implementing an effective sampling process. The sampling strategy used for the study is discussed in the following subsections.

4.5.1 Target population

A target population is best described as a unit or group of elements that characterise the underlining present interest of the research methods (Charmaz, 2006:18). Target population is ascribed as the main source of information that is needed to address objectives that have been set out in the research. It is important to choose an appropriate sample size as it ensures that sufficient data are obtained that makes provision for reliable inferences and results. Various aspects need to be considered in order to provide a definition of a group (Kent, 2007:227). The aspects to be considered include, but are not limited to, the individual participants, geographical boundaries of the area where the research is conducted while also including a specified time frame of the study. The target population identified for the purpose of this study and answering the set out research objectives included small business owners who were both male and female, residing in the Sedibeng district municipal area which is in the southern borders of Gauteng. More specifically, businesses owners were included in the two areas within the district namely the Emfuleni and Midvaal local municipal regions.

4.5.2 Sampling frame

A list or a selection procedure is required in order to draw a sample from a targeted population, which is often referred to as a sampling frame (Warneck, 2005). Sample frames indicate the segments of the population from which the sample is drawn from (Adams, Khan, Raeside & White, 2007:88). Sample frames are broadly defined through the use of maps, geographical blocks, telephone directories and other forms of electronic formats to assist the researcher to draw an appropriate sample size (Feinberg, Kinnear & Taylor, 2013:302). For the purpose of this research study, a sample frame was chosen based on the geographical area of SMMEs within the Emfuleni and Midvaal local municipal regions where the density of business owners (small, large and medium enterprises) were relatively high. This included central business districts (CBDs) as well as industrial areas.

4.5.3 Sampling technique

Sampling techniques and methods are seen as the approaches that are followed in the selection of a study's sample units. There are two major sampling techniques or methods that are well-known and include either probability or non-probability sampling techniques (Berndt & Petzer, 2011:173). The probability sampling methods revolve around the selection of sample units that have a non-zero probability of being chosen from a sample frame (Zikmund & Babin,

2013:322). A complete objective mechanism can be used in a selection process through adopting probability sampling (Maree & Pietesen, 2012:173). There are four main methods that form part of probability sampling that include random sampling, stratified sampling, systematic sampling and a cluster sampling (Sekaran & Bougie, 2010:26).

Non-probability sampling techniques involves a significant degree of prejudice towards the selection of elements in the sample compared to the probability sampling techniques. The selection process depends on the researchers' discretion based on bias and judgement (Feinberg, Kinnear & Taylor, 2013:304). This technique does not aim to provide insight on an entire population, it is more directed towards a specific group. A random sampling technique will be used that will allow to randomly find the relevant target population. The random sampling technique is the most efficient and simplest methods to collect data from a population. However, the technique the does not represent the entire population and furthermore random sampling can also be classified as unbiased. The approach was considered appropriate given the study's primary focus on SMMEs within the Emfuleni and Midvaal local municipal areas.

The selection procedure of the sample technique involved the use of access of specific locations in the study area where the density of participants was known to be relatively high. As aforementioned, the random sampling technique is a simple form of data collection and is unbiased, however, the disadvantage pertaining to the technique is that participant are spread out across different locations, which makes the survey process somewhat difficult.

4.5.4 Sample size

A sample size refers to the quantity of elements that are included and therefore analysed in a research study. The characteristics of a population, the associated costs and the adequacy of the data are determined by sizes used for specific projects that depend on various factors that allow for effective and reliable statistical analysis (Blanche, Durrheim & Painter, 2006:34). There are no concrete or conclusive answers that exist with regard to what is deemed as an appropriate sample size based on either the complexity or diversity of the study (Fowler, 2014:39). Furthermore, Hair, Black, Babin and Anderson (2010:26) state that there is no single sampling technique that can be applied to non-probability samples in order to determine an adequate sample. Therefore, the determination of a sample size can be perceived as a highly biased procedure.

In order to determine the sample size of the study, a historical referencing approach was used. This approach entails determining the appropriate sample size by using similar or past studies that are related to the field of interest (Moutinho & Hutcheson, 2011:48). Furthermore, a sample size can also be determined by considering a range of factors that include but are not limited to the accessibility of resources, and the nature of the study (Malhotra & Birks, 1999:385). A similar study has been reviewed that also focused on challenges that are faced by SMMEs and was carried out by Olawale and Garwe (2010:733). It is anticipated that a sample of between 80 and 100 SMMEs will be collected from each of the two study areas. This sample size compares and exceeds that of similar studies such as Buthelezi's, (2011:66) study which had a sample size of 30 businesses, Stander's (2011:60) sample of 87 entrepreneurs and finally Kock (2008:71) and Rageso's (2011:57) studies which consisted of 80 and 58 respondents respectively. The sample was evenly split between small businesses in two chosen study areas which was the Emfuleni (sample size = 100) and Midvaal (sample size = 98) local municipal areas, which has resulted in suitable and consistent statistical results.

4.6 DATA COLLECTION METHODS

Data collection is a procedure that entails the manner in which data will be collected from the chosen sample elements. In a quantitative method, data collection entails the use of either an observation or survey method (Blumberg, Cooper & Schindler, 2008:278). An observation method refers to a process that involves collecting data through witnessing certain occurrences and recording them as they unfold (Zikmund & Babin, 2013:237). It relates to a systematic method that makes use of non-verbal responses by recording them, which ultimately provides insight to certain occurrences (Schmuck, 1997). Alternatively, the approach of using questionnaires to collect data, which enables the responses to be captured on a constructed measuring instrument, is referred to as a survey method. Cant, Gerber-Nel, Nel and Kotze (2008:95) state that the distribution of these instruments can either be through a traditional mailing system, via online platforms, by telephone interviews, one-on-one interviews or by means of self-administered questionnaires.

Bird (2009:1313) emphasises the use of one-on-one interactions in particular as it is more advantageous compared to impersonal data collection procedures. One-on-one interactions have a number of advantages that include more accuracy in the screening of research participants, maintaining a greater focus on the participants, more accurate data collection processes providing a clear view on the purpose of the study and lastly reducing the subjectivity

of the researcher (Sarantakos, 2005:464). However, there are disadvantages that include high costs associated with hiring and training fieldworkers and the probable constraints in the accuracy of the captured data (Mathers, Fox & Hunn, 2009:8). Despite these shortcomings, collecting data through questionnaires, is still the most efficient way to collect data, especially from larger samples (Drew, Hardman & Hosp, 2008:16).

For the purpose of this study and in order to achieve the empirical objectives, which have been set out in Chapter 1, the study made use of one-on-one interactions between trained fieldworkers and the participants (business owners). Several fieldworkers were selected based on their availability and previous experience in completing fieldwork. The fieldworkers merely served the role of administrator and did not influence the participants' responses in any way.

A pre-designed questionnaire was used to collect the raw data, which formed the base of the quantitative data analysis. The contents of the questionnaire were selected based on the predetermined primary objective and the subsequent secondary objectives of this study. Content was derived from a literature and empirical review that was discussed in Chapter 2 and Chapter 3 respectively, while two scales were adopted for the purpose of the study. The section that follows discusses the content and structure of the measuring instrument that was utilised.

4.6.1 Questionnaire design

The way in which a questionnaire is designed plays a significant role as a measuring instrument and also the manner in which the primary data is collected for the study. Oppenheim (2000) states that a well-designed questionnaire includes suitable questions and makes provision for efficient information collection, contributing to correct decision-making, testing of theories and providing accurate investigations towards the study. Lee (2006:760) further adds that questionnaires should guarantee a high degree of reliability, accountability and technicality that make provision for accurate collection procedures. Furthermore, Burgers (2001:7) states that well-structured questionnaires follow logical formats that involves questions that are kept short and direct, creating an ease in comprehension. The length of a questionnaire should be kept short in order for the participant to complete the questionnaire in a short time. As a guideline it should not exceed 20 minutes to complete. Struwig and Stead (2010:91) in their view, states that a well-constructed questionnaire should include clear and precise cover letters explaining the process and objectives of the study. These letters should include clear objectives and a motivation for the study as well as the researcher's contact details. This will allow participants

to provide the correct information that is relevant to the study and contact the researcher in an event of any uncertainty pertaining to the questions.

Taking the aforementioned discussion into consideration, the questionnaire used in this study was constructed to ensure clarity and reliable data collection. The questions included in the questionnaire were clear and easy to understand statements. The development process included a pre-test phase that was used to confirm that the administration process did not exceed the prescribed 20 minutes and also to ensure that the questions were understandable and correctly constructed. A cover letter was included that clearly stated the objectives and explained the purpose of the study to the participants, ensuring that they will remain anonymous while participating in the study. Furthermore, the researchers' and supervisors' contact details were made available on the questionnaire if there was any uncertainty.

4.6.2 Questionnaire format

The format of the questionnaire was prepared and developed according to the empirical objectives set out in Chapter 1. The scale that was adopted for the study was based on the literature and empirical reviews that were discussed in detail in Chapter 2 and 3 that relate to the impact of socio-economic challenges and their impact on LED through sampling SMMEs. The questionnaire made use of two previously validated and tested scales. These include the enabling environment scale (12 items), (Meyer, 2014), which identified 12 factors that have an impact on local government by means of creating an enabling environment for both businesses and the local community. The enabling environment scale was used in the study in order to determine whether an enabling environment is created and provide insight into the developmental state of the two chosen study areas. Secondly, the study adopted a socio-economic scale (30 items) by Olawale and Garwe (2010;730) on the challenges faced by SMMEs in South Africa that allowed the study to identify the different socio-economic challenges faced by small business owners in the two chosen study areas.

The questions that were included in the measuring instrument made use of a structured format. Well-structured question formats essentially require close-ended questions that afforded the respondents the choice of a set of predetermined responses. Structured questions included scale-based and multiple choice questions. The question format further subscribed to an unconcealed construction, where questions were clear with regard to the information required. The study made use of a Likert scale that was used in order to measure all scale-based responses

as a form of a non-comparative scaling technique. The technique frequently involves question that allow for a range of attitude-based measurements, which include the respondents' agreement, their evaluation of certain aspects and also the frequency of use. The two scales included in the questionnaire were likewise used according Likert scale-based format. A four-point Likert scale was chosen for the enabling environment and a five-point Likert scale was chosen pertaining the socio-economic challenges which have been associated with the lack of growth of SMMEs. Table 4.3 illustrates the different scales used and the format structure of the Likert responses.

Table 4.3: Likert scale response options for the scales used in the study

Factor measured	Scale used	Likert scale measurement
Enabling environment scale	Meyer (2014)	1= Very poor; 2= Poor; 3= Average; 4= Good; 5=Very Good
Socio-economic challenges associated with the development of SMMEs	Olawale and Garwe (2010)	1= Strongly disagree; 2= Disagree; 3=Agree; 4=Strongly agree

Source: Own compilation

4.6.3 Questionnaire layout

McDaniel and Gates (2013:258) suggest that the layout of a questionnaire should be logically constructed. A questionnaire should be constructed in such a manner that the measuring instruments induce less confusion for the participants as they will feel more comfortable during the interviewing process, which consequently could lead to improved response rates (Berndt & Petzer, 2011:196). Four sections were included in the questionnaire that were accompanied by a cover letter. The first section of the questionnaire, Section A, included the demographic information of the participants. Aspects in this section included the respondent's ethnic group, age, gender, level of education and the number of years they have been self-employed. Section B gathered the participants' business information, which included several questions pertaining to specific business-related aspects. This included questions pertaining the specific sector in which the business operates in, the company's legal form, the size of the business and the business premises in which they operate in.

This section also looked at the participants' business background, which included questions such as prior exposure to business, if they have received any entrepreneurial or business

management training and if they have inherited or if they are part of a family business. Section C aimed at gaining information based on the municipality in which the business operates in. The purpose of the section was to extract information pertaining to the local municipality's ability to create an enabling environment for businesses to operate in. Finally, Section D was specifically aimed at gathering information on the main socio-economic challenges for economic and business development. The main purpose of this section was to provide a clear overview of the main socio-economic challenges that SMMEs face in the two study areas.

4.6.4 Pretesting of the questionnaire

It is crucial to determine the adequacy and applicability of the questionnaire before the actual administration of it on the sample. Due to the importance of the measuring instrument regarding the collection of data needed to address the empirical objectives proper pretesting of the instrument is crucial. In light of this aspect, the questionnaire had to go through certain channels that included both a pre-test and pilot testing procedure. The pretesting of a questionnaire involves the completion thereof by different parties, which include experienced researchers and individuals who are not to be included in the final target population (Zikmund & Babin, 2013:183). Pretesting is done with the objective of assessing the design and structure of the measuring instrument, also evaluating if the individuals and experienced researchers understood the questions in the questionnaire (Burns *et al.*, 2008:248).

Furthermore, pretesting offers the opportunity to the researcher to identify any discrepancies in the questionnaire, therefore being able to detect questions that are not practically necessary. Furthermore, these procedures assist to determine the time required to complete the questionnaire. After the questionnaire went through a pre-test procedure a pilot study was conducted out. Arain, Campbell, Cooper and Lancaster (2010:5) clarify that a pilot study is an opportunity afforded to the researcher to identify any shortcomings through the collection etiquette and measuring instrument by conducting a trail of the main data collection procedure. The pilot test also helps the researcher to improve any included questions if needed follow proper data analysis procedures and to determine any possible resources that are necessary for the study (Van Teijlingen & Hundley, 2002:34). Furthermore, the pilot study allowed testing on the coding and tabulation of the questionnaire. A total of 48 questionnaires were extracted from a study that was previously conducted which focused on the obstacles encountered by SMMEs and the study was done by Olawale and Garwe (2010). The questionnaires were merely extracted for the purpose of the pilot study and participants that completed the

questionnaires were not included in the final study. The reliability of the results from the pilot study that relates to the different scales used is tabulated below in Table 4.4.

Table 4.4: Summary of the pilot testing results

Scale	Items	Mean	Average inter-item correlations	Cronbach's alpha
Enabling environment scale	12	2.163	0.491	0.920
Socio-economic challenges scale	30	3.074	0.175	0.864

Source: Survey data (2017)

From the results tabulated in Table 4.4, Cronbach's alpha coefficients computed from the enabling environment scale returned a 0.920 and the socio-economic challenges scale returned a value of 0.864, both above the 0.7 minimum threshold (Pallant, 2010:100). Furthermore, Table 4.4 shows computed inter-item correlations within the 0.15 and 0.50 range, inferring convergent and discriminant validity for both scales that were used.

4.6.5 Reliability and validity

Reliability and validity are central issues regarding the use of questionnaires in quantitative research studies (Brinkman, 2009:42). Reliability in a research study refers to the ability of the measuring instrument to produce results that are consistent in the measurement of the data that were collected (Scholtes, Terwee & Poolman, 2011:237). Furthermore, reliability of a questionnaire should also have the ability to provide similar outcomes if it was repeated under similar conditions. According to Karanicolas, Bhandari and Kreder (2009:103) four measures are used to determine the reliability of a questionnaire which include pre-test methods, the internal observer approach, parallel forms and an internal consistency method. The internal consistency method is considered as the most effective measure to ensure reliability (Hinkin, 1998:104). In order to determine the reliability of the questionnaire that was administered, an internal consistency measure was used namely the Cronbach's alpha coefficient. The Cronbach's alpha coefficient provides insight to an extent to which items in the scale are interrelated (Tavakol & Dennick, 2011:53). Values of the alpha range from 0 to 1, where higher values are indicative of better internal consistency. However, in most cases when the alpha value is greater than 0.7 it indicates an acceptable level of internal consistency (Pallant, 2010:183), which was the case for this study.

Karros (1997:144) stated that in order to ensure that the results are consistent, it is important to guarantee that the measuring instrument used has a reflection of what was set out to be measured. In so doing so, questionnaires should ascribe to a high degree of validity. Face and content validity were measured as validity measures throughout the pilot study. Face validity involves a more personal validation of the questionnaire, which is based on features such as feasibility, consistency and the reliability shown in the formatting and technicality of the questionnaire (Parsian & Dunning, 2009:3). Content validity on the other hand involves the evaluation of the questions included and if the questions reflect the subject of interest (DeVon *et al.*, 2007:157).

4.6.6 Ethical considerations

Ethical responsibility of a study should always be considered when conducting any form of research. It is important to prioritise the various ethical considerations of the study as these infer a number of advantages, which among others include promoting knowledge and truth while prohibiting falsified data from the research. Research conducted in an ethical manner assists to promote the values that are needed for collaboration that proves to be pivotal for any research study. To ensure the integrity and objectiveness of the study, all ethical standards of academic research were strictly followed. In order to achieve high standards of technicality in research, the study involved high standards of referencing in order to reject any form of plagiarism. Ethical clearance was granted for the questionnaire and the methodology from the North-West University's ethics committee (ECON-IT-2017-030). This was to ensure that the measuring instrument used did not request any sensitive information from the participants. High values, standards and norms were carried out throughout the data collection and research study process.

4.7 ADMINISTRATION OF THE QUESTIONNAIRE

The main survey of the research study took place during June and July of 2017. The questionnaire was distributed among several trained fieldworkers with prior experience in data collection. The surveys were carried out in the Emfuleni and Midvaal local municipal areas where the population density of business owners were known to be high. These areas included CBD's, small shopping and business clusters and industrial areas. In order to ensure clarity, the fieldworkers made sure that the participants understood the questions and explained any

uncertainties when deemed necessary. The participants were reassured that they could withdraw from participating in the survey at any moment.

4.8 PRELIMINARY DATA ANALYSIS

The data collection was subjective to data validation after the completed questionnaires were returned and the survey fieldwork was concluded. Wiid and Diggins (2011:228) postulate that these practices primarily entail the inspection of the data for any errors, ensuring accuracy and validity. In order to ensure validity, the data that were collected were edited. The data were examined during the editing process to determine whether the collected questionnaires were adequately completed and free from any inconsistencies (Malhotra, 2010:429). Furthermore, questionnaires that had missing values of more than 10 per cent were discarded from that statistical analysis.

After the editing process was concluded, the data collected was coded. Kolb (2008:198) states that the coding process involves assigning numerical values to each individual response for each question included in the questionnaire. The coding process allowed the participants to be adequately grouped (Iacobucci & Churchill, 2010:32). The collected data were tabulated accordingly and were captured on an Excel spreadsheet. The data went through a final screening and cleaning process whereby any errors and outliers were removed. Out of the 200 questionnaires that were distributed a total of 198 were returned attributing a 99 per cent response rate.

4.9 STATISTICAL ANALYSIS

The statistical package for the social sciences (SPSS 24.0) tool was used to code and tabulate the raw data that were analysed. The analysis was divided into four sections. The first section includes the demographics of the respondents, which included aspects such as age, race, gender, level of education and the duration of the respondents being self-employed, which included descriptive statistics and frequency distributions. The analysis was used to provide an overall framework of demographics in the two chosen study areas. The second section of the analysis focused on the comparison of internal socio-economic challenges the respondents encountered in the two study areas. These included various financial and management challenges SMMEs faced in the study areas. The third section focused and compared the external socio-economic challenges that participants encountered which included economic, market and infrastructural related challenges. The last section of the analysis pertained a

comparative analysis on the enabling environment in the two chosen study areas. A descriptive approach was used throughout the analysis. The descriptive analysis included cross tabulations to explain the difference between the challenges faced by SMMEs in the two chosen study areas. This was done for both the internal and external challenges.

4.9.1 Descriptive statistics

Descriptive statistics are methods used to define different aspects that form part of a study. These statistics provide a summary on the data that have been collected, provide descriptions in a manageable form and simplifies large quantities of data (Winner, 2009:7). The main descriptive statistical procedures used in the study included cross-tabulation and frequency distributions, which included the use of histograms, pie charts and tables. Frequency distribution is commonly used to simplify and display the number of incidences of a value or characteristics (Carsel & Parrish, 1988:755). Furthermore, their use is usually advocated when categorical variables are involved such as describing the demographics based on the study sample. Frequency distributions were used in the study to simplify the demographics of the respondents. Cross-tabulations were also included in the study to compare the two study areas (Emfuleni and Midvaal) based on the internal and external socio-challenges faced by the SMMEs.

In conjunction with the cross-tabulations, chi-square tests were included. Chi-square test are primarily used to measure the association between different categorical variables (Bolboacă, Jäntschi, Sestras, Sestras & Pamfil, 2011:528). For the purpose of this study, the chi-square test was utilised to indicate if the various socio-economic challenges were experienced similarly by SMMEs in the two study areas. More specifically, the chi-square tests that were used in the study tested the following hypotheses:

- H_0 : Socio-economic challenges faced by SMMEs in both municipalities are the same.
- H_1 : Socio-economic challenges faced by SMMEs in both municipalities are different.

4.10 SYNOPSIS

The main purpose of Chapter 4 was to unfold the research design and methodology used in the study in order to provide a clear viewpoint as to why certain actions and procedures were chosen during the research process. Throughout the process it was noticed that through proper data collection and statistical analysis, real life events can be explained logically. A descriptive

approach was used throughout the analysis of the data, which included cross-tabulation and frequency distributions. Furthermore, a quantitative approach was adopted throughout the study and the survey method was used to collect the primary data. This allowed the study to collect a large sample of data, which was collected in the two chosen study areas.

Respondents that formed part of the sample in the study were strictly business owners. Therefore, a random sampling technique was used for the purpose of the study. Furthermore, the participants that took part in the study were small business owners in the two chosen study areas, which excluded large firm. A final sample size of 200 was deemed appropriate for the purpose of achieving the objectives of the study. A self-administered questionnaire was used to collect the primary data and consisted of a range of sections that included the demographics of the respondents, business information on the participants, and the various socio-economic challenges faced by SMMEs in the local areas under consideration. All ethical considerations were adhered while also carefully ensuring that a valid and reliable instrument was used.

The different procedures that were used to analyse the collected data were carefully explained. The study made use of the IBM SPSS (version 24.0) software for the various statistical procedures. These procedures included descriptive statistics that primarily made use of cross tabulations and frequency distributions to analyse the collected primary data. The following chapter, Chapter 5 applies the methodology and statistical approaches that were discussed in this chapter. More specifically, the chapter presents the results and findings relating to the various socio-economic challenges faced by SMMEs in the Midvaal and Emfuleni local municipal areas.

CHAPTER 5

EMPIRICAL RESULTS AND FINDINGS OF THE STUDY

5.1 INTRODUCTION

The previous chapter discussed the research methodology of the study. The main purpose of this chapter is to analyse the primary data that have been collected and subsequently interpret the results. The primary quantitative data were collected from small business owners in the Emfuleni and Midvaal local municipal areas. The chapter consists of six sections. Firstly, the chapter provides an analysis on the demographic features of the participants. Secondly, this is followed by a descriptive overview of the specific features of the sampled businesses. The third and fourth section provide a comparative analysis on both the internal and external challenges the participants encountered in the two study areas. In doing so, these sections discuss the most prominent challenges faced by the SMMEs in the Emfuleni and Midvaal local municipal areas. Thereafter, the results pertaining to the perceived enabling environment conditions are compared and discussed for both the local regions. By analysing and discussing these results the study made use of descriptive statistics such as frequency distributions and cross-tabulations. Furthermore, chi-square tests were used to test if any significant differences pertaining to the various socio-economic challenges encountered by small businesses in two study areas existed. By applying these statistical techniques, the chapter aims to address the following empirical objectives as outlined in Chapter 1: To assess the different socio-economic challenges faced by SMMEs and to compare the two selected study areas with each other.

5.2 DEMOGRAPHICS OF THE PARTICIPANTS

Section A of the questionnaire mainly focused on the background of the participants and frequency distributions were used to extract the primary data. There are 5 factors that were considered in the demographics included:

- Race
- Age
- Gender
- Level of education
- Duration of the participants' self-employment

Therefore, the purpose of this section is to provide an overview of the demographic framework of the participants. In order to achieve this objective Section 5.2.1 to Section 5.2.5 outline and discuss the five demographic factors of the business owners in the Emfuleni and Midvaal local municipal areas. The collected data pertaining these demographic features are presented using various graphs, tables and figures.

5.2.1 Race

Table 5.1 gives an indication that the majority of the sampled business owners in Midvaal are White (48%) while in Emfuleni the majority were Black/African (36%). Furthermore, the number of Coloured business owners in both municipal areas are at a minority (2% in the Midvaal and 10% in Emfuleni). SMMEs in South Africa are widely dominated by the white minority, however, micro and survivalist enterprises are mainly characterised by Black ownership. According to Robert, Fairlie and Robb (2008) on average Black-owned businesses have lower sale outcomes and hire a few employees compared to White-owned entities. From a boarder perspective only 10 per cent of the businesses listed in the JSE are non-white. Furthermore, Writer (2016) states that the number of Black CEOs has declined from 15 per cent in 2014 to 10 per cent in 2015.

Table 5.1: Frequency and percentages regarding the different race groups of the participants

Race	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent (%)
Black / African	31	31.6	36	36.0
Coloured	2	2.0	10	10.0
White	47	48.0	35	35.0
Indian/Asian	18	18.4	19	19.0
Total	98	100	100	100.0

Source: Survey data (2017)

5.2.2 Age of the participants

The frequencies and percentages pertaining to the age groups of the participants are illustrated in Figure 5.1. The results indicate that for the Midvaal area most of the business owners are between the 51 and 60 years of age ($f=33$; 33.7%) compared to other categories. However, there were no business owners who are under 21 years of age (0%). In the Emfuleni area the

most dominant age group is between the ages of 31 and 40(26,3%). These findings suggest that there is a lack of business owners who are under the age of 21 and above 61 years. This could be an indication that those who are under 21 are still in school (high school or tertiary) and those older than 61 may have retired from their business. According to Tyrell (2015) the percentage of business owners who are younger than 35 years of age has dropped from 13,3 per cent in 1989 to 11,7 per cent in 2013. This is because they are unable to obtain funding from credit providers, which could be due to the lack of collateral. The lack of funding is one of the key internal socio-economic challenges that entrepreneurs encounter.

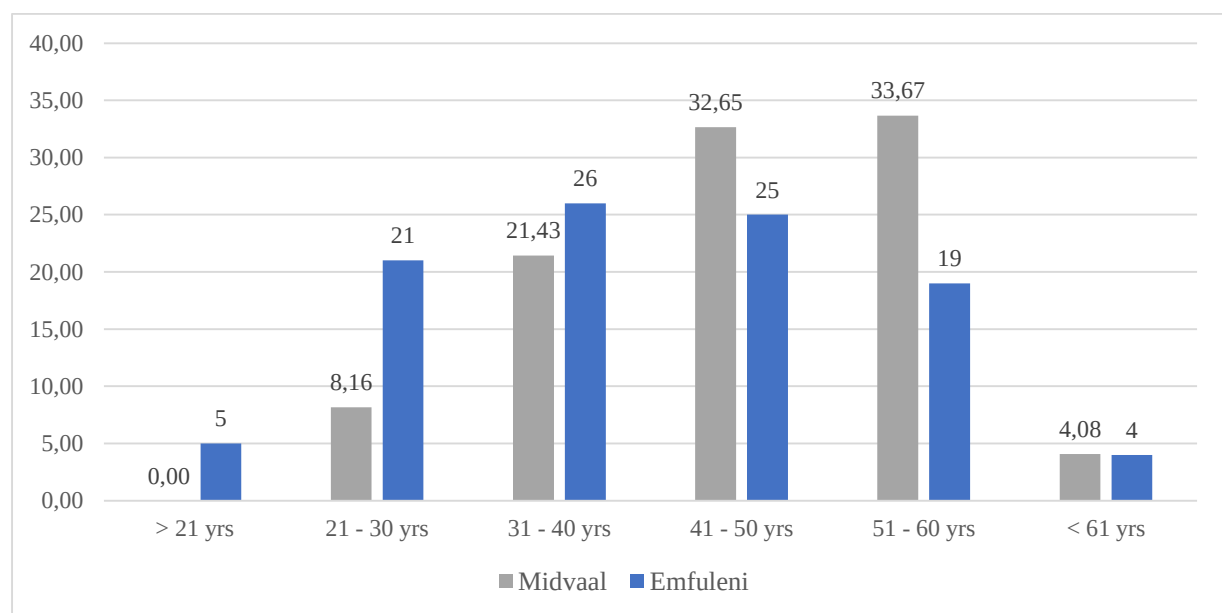


Figure 5.1: Percentage of different age groups in the Midvaal and Emfuleni local municipal areas

Source: Survey data (2017)

5.2.3 Gender

The distribution pertaining to the participants based on their gender is indicated in Figure 5.2. The figure indicates that there are more male business owners (f=76; 75.5%) than females (f=22; 20.4%) in the Midvaal area as well as in the Emfuleni area (male business owners, f=67; 69%) female business owners (f=31; 31%). The male gender continues to be at the forefront of entrepreneurship in South Africa and they are normally between the ages of 25 and 44. Female entrepreneurs encounter more challenges compared to their male counterparts (Mordi, Simpson, Singh & Okafor, 2010:5). Female entrepreneurs face gender stereotypes because entrepreneurship is still seen as a male dominated platform. Furthermore, gender inequality in

South Africa has a negative impact because women in business often face discrimination with regard to obtain funding (Sharma, 2013:9). However, the number of female entrepreneurs in the country continues to grow and their involvement in industries such as manufacturing and construction have previously been dominated by males has been increasing. Furthermore, according to Thulo (2015) female entrepreneurs are more prone to be successful than male entrepreneurs.

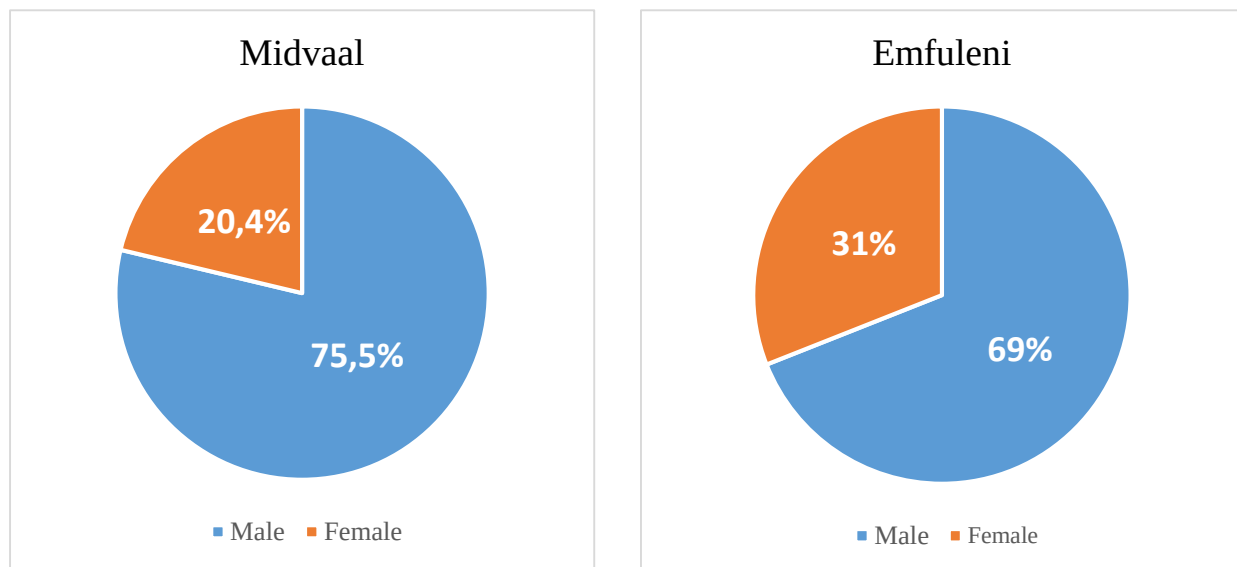


Figure 5.2: Percentages regarding the gender of the participants

Source: Survey data (2017)

5.2.4 Level of education

Table 5.2 gives an indication that in the Midvaal area there more participants with a secondary school (Grade 12) qualification (36,2%) and in the Emfuleni area participants have a certificate qualification (26,8%). However, there is a low percentage of participants who have obtained a post-graduate degree (MLM=2,1% and ELM=5,2%) in both municipal areas while the second lowest percentage is the number of participants who have obtained a normal degree (MLM=7,4% and ELM=13,4%) in the two study areas. It is interesting to note that the minority of business owners in both municipal areas have a degree and post-graduate degree. Education plays a positive role towards business as it provides the business owner with skills that will help evaluate and exploit business opportunities (Hynes & Richardson, 2007:732). The level of education does not have a significant impact on the success of a business. However, there is a significance between business education and having entrepreneurial intentions. Therefore this

gives an indication that entrepreneurs are more prone to be successful when they have the intention of obtaining a business qualification or going through business training. This will therefore instil the necessary skills needed for the success of their businesses.

Table 5.2: Frequencies and percentages regarding the level of education of the participants

Level of education	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent (%)
Not completed matric	13	13.8	11	11.3
Secondary school	34	36.2	22	22.7
Certificate	20	21.3	26	26.8
Diploma	18	19.1	20	20.6
Degree	7	7.4	13	13.4
Post-graduate degree	2	2.1	5	5.2
Total	94	100.0	97	100.0

Source: Survey data (2017)

5.2.5 Duration of self-employment

The frequency and percentage pertaining to the duration of self-employment of the participants is illustrated in Figure 5.3. The figure gives an indication that most of the participants have been self-employed for more than three years in both municipal areas. Business owners in the Midvaal area has a slightly higher percentage of participants with more than three years' experience (75.3%) than the Emfuleni area (74%). Being self-employed means having the responsibility of running your own entity. However, there is a low percentage of participants who have been self-employed for less than one year in both the Emfuleni and Midvaal municipal areas. Business owners with relatively more years of experience are prone to be more successful in their business ventures because they know how to minimise risk because they are able to somehow escape some of the socio-economic challenges (Ucbasaran, Westhead & Wright, 2009:99). Furthermore, experienced business owners can also assist young entrepreneurs with relatively low experience with regarding how to handle the different obstacles in the business environment.

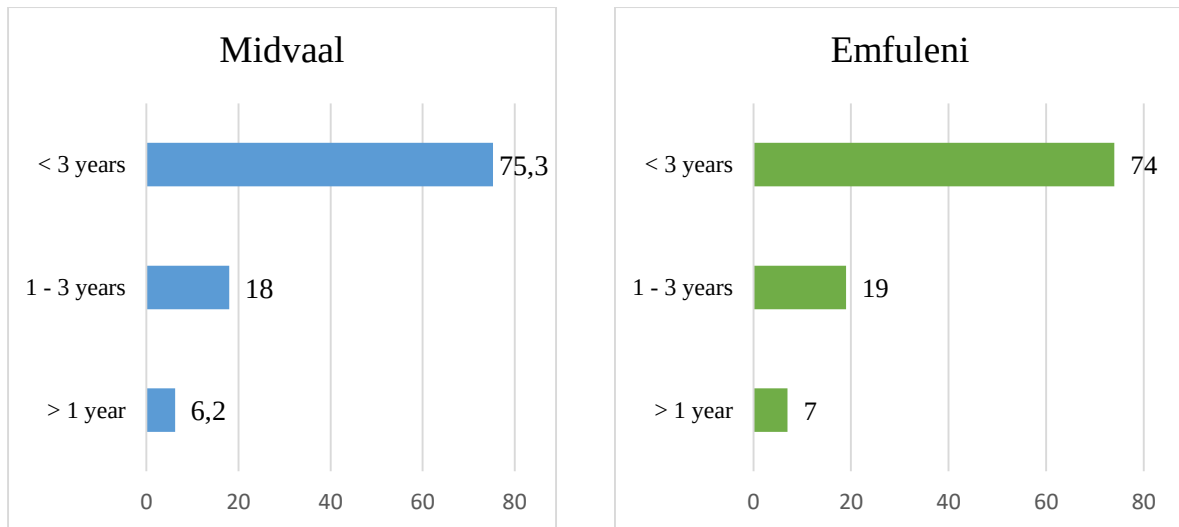


Figure 5.3: The participants duration of self-employment

Source: Survey data (2017)

5.3 BUSINESS DESCRIPTION DETAILS

This section of the chapter aims to interpret the results that include the details relating to the characteristics of the businesses of the sampled business owners. These details specifically pertained the sector in which the business is situated in, the legal form of the business, the size of the business and the business premises on which the participants operate in. Furthermore, the sections elaborate on the type of training the participants received prior to them starting a business while also providing an indication to the extent of the creation of an enabling environment for the businesses in the two study areas.

5.3.1 Sector of the business

Frequency and percentages pertaining to which business sector the participants operate in, is illustrated in Table 5.3. Results from the table shows that most of the participants in the Midvaal area were situated in the trade and retail sector (33,7%). Trade and retail businesses are easier to establish because most of their merchandise is pre-ordered from wholesalers and manufacturers. However, the trade and retail sector are prone to face high transportation costs and there is a high number of competition in this sector. The second largest cohort of participants were situated in the services sector (30,6%). Subsequently, the most dominant sector in terms of the sample participants in Emfuleni is also in trade (30,6%) while the second largest sector is in services (22,4%). It known that the most dominant sector in the Vaal triangle and in the Sedibeng district is the manufacturing sector (30,8%), however, this particular study

focused on small businesses in the Emfuleni and Midvaal areas that form part of the Sedibeng district. However, most subservient sectors in the Midvaal are financial (2%), production (2%) and agricultural sectors (2%). And most subservient sectors in Emfuleni are also financial (1%), production (2%) and agriculture (7%).

Table 5.3: Frequencies and percentages pertaining to the business sector in which their businesses operate in

Sector	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent (%)
Agriculture	2	2,0	7	7.1
Manufacturing	6	6,1	6	6.1
Construction	5	5,1	8	8.2
Trade	33	33,7	30	30.6
Education	2	2,0	6	6.1
Transport/Distribution	8	8,2	8	8.2
Health and safety	4	4,1	8	8.2
Financial services	2	2,0	1	1.0
Production	2	2,0	2	2.0
Services	30	30,6	22	22.4
Other	4	4,1	0	0.0
Total	98	100,0	98	100.0

Source: Survey data (2017)

5.3.2 Legal form of the business

Table 5.4 indicates the distribution of the businesses based on the entities' legal form. Results from the table show that the majority of small businesses in the Midvaal are not registered (30,6%) and the minority of the business in the area are public companies (7,1%). The majority of the businesses in Emfuleni are partnerships (41%) and the minority of the businesses are close corporations (3.1%).

Table 5.4: Frequencies and percentages pertaining to the legal form of participants' businesses

Legal form of the business	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent (%)
Sole proprietor	17	17,3	25	25,5
Partnership	17	17,3	41	41
Closed corporation	16	16,3	3	3,1
Private company	11	11,2	12	12,2
Public company	7	7,1	6	6,1
Not registered	30	30,6	11	11,2
Total	98	100,0	98	100,0

Source: Survey data (2017)

5.3.3 Size of the business

Table 5.5 provides results on the data collected based on the size of the business in both study areas. The majority of small businesses in the Midvaal have between one and five employees (46,9%) while only 6,1 per cent have between 50 and 249 employees. The majority of businesses (51%) in Emfuleni likewise only attributed between 1 and 5 employees (51%) while 13 per cent had six to 10 employees, 16 per cent employed between 11 and 49 workers and only 4 per cent employed between 50 and 249 employees.

Table 5.5: Frequencies and percentages pertaining to the size of the businesses

	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (%)	Per cent (%)
Only myself	13	13.3	16	16.0
1–5 employees	46	46.9	51	51.0
6–10 employees	16	16.3	13	13.0
11–49 employees	17	17.3	16	16.0
50–249 employees	6	6.1	4	4.0
Total	98	100.0	100	100.0

Source: Survey data (2017)

5.3.4 Business training

It can be assumed that in order for a business to thrive and in order to become a successful entrepreneur adequate training needs to be acquired. Training enables the small business owners to avoid some of the socio-economic challenges, which include managerial challenges. The success of a business depends on the skills acquired by the business owners on how to carry out certain activities and operations of the business. Furthermore, it can assist them on how to acquire and manage finance for the prosperity (Source). Table 5.6 indicates the percentage and frequency on the amount of participants who have received business training in the two selected study areas. The table indicates that the majority of both study areas which is in the Midvaal (78.4%) and Emfuleni (71%) did not receive any form of business training while they operated their business. Business training is crucial towards the growth and prosperity of an entity (Raffo, O'Connor, Lovatt & Banks, 2000:215). The reason why businesses tend to fail is because of the lack of training, which results in business owners not being able to run their businesses adequately, due to a lack of business skills. Moreover, the success of a business depends on how well employees perform and how they relate to the costumers. The lack of training can further lead to inefficiency that leads to a loss in revenue.

Table 5.6: Frequencies and percentages pertaining to business training for the participants

	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent (%)
No	76	78.4	71	71
Yes	21	21.6	29	29
Total	97	100.0	100	100.0

Source: Survey data (2017)

5.3.5 Place of business premises

Frequencies and percentages pertaining to the participants' place of business premises is illustrated in Table 5.7. The location of a business has an important role to play towards the growth and success of the entity. Location has an important role play towards the failure and prosperity of a business. A location is considered to be inappropriate when operational costs are high and sales volumes are low (Buss, 2001:90). The following factors to be considered when choosing a location are: proximity of costumers, proximity of raw materials and adequate

infrastructure. Furthermore, location is one of the external socio-economic challenges that small business encounter. In this regard, Table 5.7 gives an indication as to where most participants operate their businesses. The results shown in the table indicate that the majority of the participants operate their business in the central business district (CBD) areas both in Midvaal (42,9%) and in the Emfuleni local municipal areas (49%). The second most popular business premise in the two study areas is the outlying areas (business zoned) which accounts for 21,4 per cent of the participants in Midvaal and 22 per cent in the Emfuleni local municipal area.

The industrial area is the third largest place of business that small businesses operate in for both the study areas. A total of 10,2 per cent of the sampled participants in the Midvaal operate their businesses in the industrial area while 8 per cent of the participants in Emfuleni operate their business in the industrial area. Furthermore, Table 5.7 indicates that not a lot of businesses operate on agricultural land, which shows that not much agricultural activity takes place. Table 5.7 shows that agriculture is one of the most subservient sectors in both Midvaal (2%) and Emfuleni (7.1%). However, agriculture has been identified to be one of the key sectors that can help eliminate poverty through job creation in both municipal areas.

Table 5.7: Frequencies and percentages pertaining to the participants' place of business

Place of business premises	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent (%)
Home based	14	14.3	11	11.0
CBD	42	42.9	49	49.0
Industrial area	10	10.2	8	8.0
Outlying areas (business zoned)	21	21.4	22	22
Outlying areas (not business zoned)	10	10.2	5	5
Agricultural land	0	0.0	5	5
Other	1	1.0	0	0.0
Total	98	100.0	100	100.0

Source: Survey Data (2017)

5.3.5 Enabling environment

An enabling environment has to be created in order for a business to grow, therefore, the frequency and percentage pertaining to the participants' view if an enabling environment is being created is illustrated in Table 5.8 Local government can create an enabling environment by creating adequate training facilities, business incubators and workshop whereby entrepreneurs can be trained to establish and sustain their business ventures. One of the scales that were included in the questionnaire pertained to the creation of an enabling environment, which was adopted from an article by Meyer (2014). The scale has the purpose of identifying the factors that influence local government to provide an enabling environment for businesses. Table 5 indicates that the majority of participants in the Midvaal area (80%) and 78,8 per cent of the participants in the Emfuleni area did not believe that local government is creating a suitable environment for their businesses to grow. This is an indication that an enabling environment has not been created for the majority of the businesses in both study areas. Therefore, there is a need to create an enabling environment for the prosperity and growth for small businesses in both municipal areas.

Table 5.8: Frequencies and percentages pertaining to an enabling environment being created

	Midvaal		Emfuleni	
	Frequency (f)	Per cent (%)	Frequency (f)	Per cent
No	77	80,2	78	78,8
Yes	19	19,8	21	21,2
Total	96	100,0	99	100,0

Source: Survey data (2017)

5.4 COMPARATIVE ANALYSIS: INTERNAL CHALLENGES FACED BY SMMEs

Having shown the demographic composition of the sample, this section ensues by providing a comparative analysis on the various internal socio-economic challenges faced by the SMMEs in the two study areas. SMMEs are considered to be major role-players towards reducing the daunting challenges that are affecting the prosperity of the South African economy, which include but are not limited to poverty and unemployment (Lewis, 2002:338). However, their contribution is hampered by various factors, both internally and externally. Therefore, the

purpose of this section is to identify and compare the different internal socio-economic challenges that have an influence on the establishment and growth of SMMEs in the study area. The study made use of a four-point Likert scale to measure the responses of the participants, where options ranged from 1 = Strongly disagree to 4 = Strongly agree. .

1 = Strongly disagree	2 = Disagree	3 = Agree	4 = Strongly agree
-----------------------	--------------	-----------	--------------------

The reliability of the scale used has to be considered before the interpretation of the results. Internal consistency tests comprised the use of a Cronbach's alpha coefficient. The Cronbach's alpha coefficient is measured between the value of zero and one, with a value higher than 0.7 indicating sufficient reliability of the scale used (Peterson, 1994:381). For the purpose of the internal challenges a Cronbach's alpha coefficient was calculated at 0.723 shown in Table 5.9, indicating that the scale used was indeed reliable.

Table 5.9: Reliability statistics – internal challenges

Reliability Statistics	
Cronbach's alpha	Number of items
0.723	15

Source: Survey data (2017)

5.4.1 Financial challenges

Financial challenges are one of the key socio-economic challenges that SMMEs face. Finance has a major influence on the establishment and growth of any business no matter how big or small and therefore small business find it difficult to obtain the funding needed to start the business. Tables 5.10 gives a descriptive analysis on the different financial challenges that SMMEs encounter. A higher mean average shows that there is a higher degree of challenges. The financial challenges that will be discussed in this section include; funding, the lack of collateral, lack of equity, high crime rates, bad credit records, the lack of the needed government support, lack of information technology and lastly, corruption.

Table 5.10: Descriptive statistics for financial challenges

Aspect	Midvaal		Emfuleni	
	Mean	Std. deviation	Mean	Std. deviation
Access to finance	2.93	0.876	2.79	0.935
Collateral	3.70	0.677	3.21	0.933
Lack of equity	2.68	0.820	2.82	0.868
Crime	3.63	0.648	3.36	0.718
Credit record	3.32	0.638	3.18	0.716
Government support	3.21	0.677	3.27	0.777
High production costs	3.44	0.631	3.38	0.650
Lack of information technology	2.42	0.645	2.90	0.808
Corruption	2.39	0.750	2.90	0.835
Total average score	3.08	0.707	3.12	0.804

Source: Survey data (2017)

Table 5.10 indicates that overall SMMEs in the Emfuleni local municipal area (ELM) encounter a higher degree of financial challenges compared to the businesses in the Midvaal local municipal area (MLM). However, the tables also indicate that there are challenges that the MLM area encounters more dauntingly than the ELM area. These challenges included; funding, collateral, crime, credit record and high production costs. According to Table 5.10 most concerning challenges that SMMEs encounter in the two study areas include; collateral (mean= 3.70), crime (mean=3.63), the lack of government support (mean=3.21) and high production costs (mean=3.44). Corruption has the lowest mean average (2.39) in the MLM and the lack of funding has the lowest mean average (2.79) in ELM. Moreover, collateral has the highest mean average (3.70) in MLM and high production costs has the highest mean average (3.38) in ELM. Chi-square tests were also used to determine if any noticeable variances were significant.

Table 5.11 indicates results pertaining to the various financial challenges that the participants encounter in the two chosen study areas and the majority of the results in table indicate that the participants agree. For instance, 91,8 per cent (11,2 + 80,6) of the participants in the Midvaal area agree that the lack of collateral is a core aspect relating to the financial challenges and 73,4 per cent (21,4 + 52) of the participants also agreed with that perception. Furthermore, 92,7 per cent (41,1 + 51,6) of the Midvaal participants and 90,8 per cent (43,9 + 46,9) of the

participants in the Emfuleni are believe that production costs is a huge financial restraint towards the prosperity of the business. Most entrepreneurs lack the necessary security (collateral) to obtain the funding needed to establish a new business venture and the results indicate that collateral is the biggest issue regarding obtaining funding. High productions costs have a negative impact towards the prosperity of small businesses because it could result in owners not being able to keep up with their scheduled payments such as rent and labour payments.

P-values indicated in Table 5.11 indicate the significance levels of the different aspects pertaining to financial challenges therefore, p-value smaller than 0.01 is significant at 1 per cent, a p-value smaller than 0.05 is significant at 5 per cent and a p-value smaller than 0.1 is significant at 10 per cent. Relating to aspects such as not enough information technology and high corruption responses indicate high percentages of disagreement in the Midvaal, which is 64 (1,1 + 63,2) and 67,1 (4,9 + 62,2) per cent respectively from the two aspects (information technology and corruption). However, in Emfuleni the participants indicate high percentages of agreement as opposed to the high chi-square statistic of 19.660 and low p-value (0.000) for information technology and chi-square statistic of 17.025 and p-value (0.001) for corruption, indicate that these dissimilarities were significant at a 1 per cent significance level. In other words, business owners in the two areas experienced these challenges differently. Financial challenges are considered to be the most daunting socio-economic challenges any entrepreneur can encounter. Furthermore, finance is needed to start a business, hence, it is important for an enabling environment to be created for small business especially regarding funding.

Table 5.11: Perceptions pertaining to the financial challenges

Aspect	Midvaal				Emfuleni				χ^2 (p-value)
	Strongly disagree	Disagree	Agree	Strongly agree	Strongly disagree	Disagree	Agree	Strongly agree	
Access to finance	4.1	29.6	35.7	30.6	9.0	27.0	42.0	22.0	6.611 0.158
Collateral	2.0	6.1	11.2	80.6	4.1	22.4	21.4	52.0	18.965 (0.000)*
Crime	1.0	6.1	21.4	71.4	0.0	14.0	36.0	50.0	11.462 (0.009)*
Lack of equity	2.0	48.0	29.6	20.4	6.1	29.6	40.8	23.5	8.226 (0.042)**
Credit record	1.0	6.2	52.6	40.2	0.0	18.0	46.0	36.0	7.334 0.062***

Government support	1.0	11.2	53.1	34.7	1.0	17.0	36.0	46.0	5.975 0.113
Production costs	0.0	7.4	41.1	51.6	0.0	9.2	43.9	46.9	0.493 (0.781)
Information technology	1.1	63.2	28.4	7.4	1.1	34.4	37.6	26.9	19.660 (0.000)*
Corruption	4.9	62.2	22.0	11.0	1.1	36.6	33.3	29.0	17.025 (0.001)*

*Significance at 1 percent level; ** Significance at 5 percent level; *** Significance at 10 percent level

Source: Survey data (2017)

5.4.2 Managerial challenges

The lack of management skills is one of the reasons why most businesses tend to fail. Without the adequate and sufficient training could result in inefficiency. The key aspects that have been identified as part of managerial challenges include; lack of experience relevant to the venture, lack of networking, lack of business skills, shortage of skilled labour and lack of training relevant to venture.

Table 5.12 indicates that SMMEs in ELM (mean=3.32) experience a high volume of managerial challenges compared to MLM (mean=3.28). Nonetheless, there are managerial challenges that the businesses in the MLM area experience more than the ELM such as the lack of networking, the shortage of skilled labour and the lack of training relevant to the venture. The most concerning managerial challenges in the two study areas include; lack of experience relevant to the venture, lack of networking, shortage of skilled labour and lack of training relevant to the venture. The lack of experience makes the business and the owner somehow vulnerable and exposed to failure, which is the reason why some SMMEs tend to fail at the early stages of development. Moreover, at times business owners lack the ability to network with other business owners that could result in business expansion and partnership formation. Therefore, the lack of networking is the reason why most business ventures remain stagnant for a while, which further results in business failure. The shortage of skilled labour and the lack of training relevant to the venture leads to inefficiency and therefore consumer demand cannot be met. The lack of training relevant to the venture has the highest mean (3.64) in MLM and shortage of skilled labour has the highest mean (3.44) in ELM. However, the lack of business skills has a low mean (2.89) in MLM, which gives an indication that an enabling environment is being created for business training in the region and founder not familiar with the industry has the lowest mean (3.15) in ELM. Therefore, this gives an indication that the business owners

do adequate research before starting a business within the industry they operate in. Furthermore, the results in Table 5.12 give an indication that the participants in Emfuleni suffer more with regard to managerial challenges (five out of the six aspects) compared to the participants in the Midvaal (one out six aspects).

Table 5.12: Descriptive statistics pertaining to managerial challenges

Aspect	Midvaal		Emfuleni	
	Mean	Std. deviation	Mean	Std. deviation
Lack of experience relevant to the venture	3.00	0.812	3.30	0.785
Founder not familiar with the industry	2.82	0.817	3.15	0.796
Lack of networking	3.39	0.701	3.19	0.724
Lack of business skills	2.89	0.907	3.23	0.827
Shortage of skilled labour	3.63	0.709	3.44	0.759
Lack of training relevant to the venture	3.64	0.596	3.41	0.698
Total average score	3.28	0.757	3.32	0.765

Source: Survey data (2017)

Table 5.13 show results pertaining to the various managerial challenges that the participants experience in the two chosen study areas and the results in the table indicate that the majority of the participants agree with all the aspects that form part of the managerial challenges. For example, 93,9 per cent (23,5 + 70,4) of participants agree that the lack of training is the core aspect towards managerial challenges in MLM and in ELM 88 per cent (35 + 53) also agree training is the core aspect towards managerial challenges. Lack of training has a chi-square value of 6.562 and p-value of 0.038, which gives an indication that the difference in their perceptions is significant at a 5 per cent significance level. The null hypothesis that business owners in the study areas experience this challenge the same can be rejected. Moreover 87,9 per cent (29,3 + 58,6) of the participants in ELM agree that the shortage of skilled labour plays a huge role towards managerial challenges and 89,7 (39,2 + 50,5) per cent of the participants in MLM agree that a lack of networking plays a major role towards managerial aspects. Furthermore, the table indicates that the participants agree with all aspects in the two study areas.

Table 5.13: Perceptions pertaining to the managerial challenges

Aspect	Midvaal				Emfuleni				χ^2 (p-value)
	Strongly disagree	Disagree	Agree	Strongly agree	Strongly disagree	Disagree	Agree	Strongly agree	
Lack of experience relevant to the venture	1.0	29.6	37.8	31.6	0.0	20.0	30.0	50.0	7.822 (0.050)**
Founder not familiar with the industry	2.0	37.8	36.7	23.5	3.0	16.0	44.0	37.0	12.569 (0.006)*
Lack of networking	1.0	9.3	39.2	50.5	1.0	15.2	47.5	36.4	4.421 (0.219)
Lack of business skills	1.0	43.9	20.4	34.7	3.0	16.0	36.0	45.0	19.441 (0.000)**
Shortage of skilled labour	1.0	10.2	13.3	75.5	2.0	10.1	29.3	58.6	8.363 (0.039)**
Lack of training	0.0	6.0	23.5	70.4	0.0	12.0	35.0	53.0	6.562 (0.038)**

*Significance at 1 per cent level; ** Significance at 5 per cent level

Source: Survey data (2017)

5.5 COMPARATIVE ANALYSIS: EXTERNAL CHALLENGES FACED BY SMMEs

After showing the results on the participants' internal challenges, this section of the chapter reports the results pertaining to the external challenges faced by SMMEs in the two study areas. External challenges are classified as challenges that SMMEs have no control over but have an influence on the establishment and prosperity of a business. Furthermore, the changes that take place in the external environment can either have a negative or positive influence on a business. These external issues include; economic, market and infrastructural challenges. Similar to the measurement on the internal challenges, the external challenges were measured using a four-point Likert scale. Ensuring that the scale used towards measuring the external challenges was reliable, internal consistency tests were run using a Cronbach's alpha coefficient. As indicated in Table 5.14 below, the computed Cronbach's alpha coefficient was estimated at 0.763, inferring that the scale used was indeed reliable.

Table 5.14: Reliability test – external challenges

Reliability Statistics	
Cronbach's alpha	N of Items
0.763	15

Source: Survey data (2017)

5.5.1 Economic challenges

Economic conditions are constantly changing, which could lead to uncertainties in some businesses (Hoppe, 2017). Businesses are forced to stay up to date due to these changing economic conditions and those who struggle to do so end-up having to close down their operations. Aspects that form part of economic challenges include among other; high interest rates, high taxes and tariffs, recession in the economy, high inflation rates, high exchange rates and the location of the business.

Table 5.15 shows that overall the participants in the ELM area (mean=3.62) experience the highest volume of economic challenges compared to the participants in MLM area (mean=3.50). Economic challenges pertained to the study include; high interest rates, high taxes and tariffs, recession in the economy, inflation rates, exchange rates and location of the business. The mean average for location of business in the Midvaal area is 2.63 and in the Emfuleni area it is 2.82, which is the lowest challenge encountered by businesses in the two study areas.

Table 5.15: Descriptive statistics pertaining to the participants' economic challenges

Aspect	Midvaal		Emfuleni	
	Mean	Std. deviation	Mean	Std. deviation
High interest rates	3.53	0.578	3.50	0.628
High taxes and tariffs	3.61	0.530	3.59	0.794
Recession in the economy	3.71	0.497	3.56	0.592
High inflation rates	3.79	0.503	3.73	0.643
High exchange rates	3.73	0.468	3.72	0.612
Location of the business	2.63	0.813	2.82	0.866
Total average score	3.50	0.564	3.48	0.689

Source: Survey data (2017)

As previously mentioned, location has an important role towards the prosperity of a business in terms of infrastructure and the access to resources. The results further indicate that high inflation rates are the highest economic challenges that are encountered by businesses in both MLM =3.79 and ELM=3.73. High inflation rates have a negative impact on the growth of a business. High inflation rates lead businesses to increase their prices through their products in order to sustain their day-to-day operations, which further leads to consumers not being able to afford the product and services rendered and therefore looking for alternatives.

Table 5.16 shows economic challenges pertaining to the participants' perceptions and according to the results a majority of them agree to all the aspects that are included in the economic challenges. Therefore, this gives an indication that economic challenges have a major influence on the establishment and prosperity of a business. A total of 98,9 per cent (27,7 + 74,2) of participants in the MLM area and 94 per cent (57,6 + 36,4) in the ELM area agree that exchange rates have an influence. Many small businesses are predisposed to exchange rate risks and at times some business owners do not realise it. A possible reason would be an increase in inflation that causes uncertainty with regard to the exchange rate. Furthermore, 95 per cent (34 + 61) of the participants in ELM and 98 per cent (24,5 + 73,5) of the participants in MLM agree that recession in the economy also has a major influence. Moreover, small businesses are often hit the hardest during an economic recession. The recession often has a huge impact on the cash flow of the business and could also lead to loss in demand. The most daunting part is that a recession leads to budget cuts that often results in businesses cutting down staff members, which leads to a further crisis of unemployment. The chi-square statistic of 3.900 and p-value (0.142) for recession in the economy and the chi-square statistic of 7.696 and p-value (0.021) for high exchange rates, give an indication that these differences are significant at a 1 per cent level of significance. Therefore, the null hypothesis that these challenges are experienced the same is rejected.

Table 5.16: Perceptions pertaining to the economic challenges

Aspect	Midvaal				Emfuleni				χ^2 (p-value)
	Strongly disagree	Disagree	Agree	Strongly agree	Strongly disagree	Disagree	Agree	Strongly agree	
High interest rates	0.0	4.1	38.83	57.1	0.0	7.0	36.0	57.0	0.861 (0.650)
High taxes and tariffs	0.0	2.0	34.7	63.3	3.1	11.5	38.5	46.9	12.039 (0.007)*

Recession in the economy	0.0	2.0	24.5	73.5	0.0	5.0	34.0	61.0	3.900 (0.142)
High inflation rates	0.0	4.1	13.3	82.7	0.0	8.0	31.0	61.0	11.495 (0.003)*
High exchange rates	0.0	1.0	24.7	74.2	0.0	6.1	36.4	57.6	7.696 (0.021)**
Location of the business	8.4	32.6	46.3	12.6	7.1	26.5	43.9	22.4	3.412 (0.332)

*Significance at 1 per cent level; ** Significance at 5 per cent level

Source: Survey data (2017)

5.5.2 Market challenges

Businesses often find it difficult to establish the right market and at times they cannot control certain aspects, which among other include; inadequate demand, the level of competition, transportation costs and inadequate research. Table 5.17 shows that participants in the MLM area has an average mean of 3.05, which is higher than ELM's average mean= 2.95. These results indicate that SMMEs in the MLM face a higher volume of market challenges than SMMEs in the ELM area. However, out of all these aspects SMMEs in the ELM (2.78) are facing a higher challenge of inadequate market research than SMMEs in the MLM area (2.72). High competition and high transport costs are the most daunting market challenges in both study areas respectively. Businesses tend to fail because of competition in the market because of better products and services being offered by other businesses in the market, which is a threat to some of the businesses in the same market. High transportation costs are influenced by the increase in fuel prices, which have a negative impact on businesses as they lead to inflation. As a result, in order for a business to break even or make a profit, business owners will have to increase the prices of their goods. Location has a significant role to play in terms of transportation, hence, it is important to locate a business venture where resources are easily accessible.

Table 5.17: Descriptive statistics pertaining to market challenges

Aspect	Midvaal		Emfuleni	
	Mean	Std. deviation	Mean	Std. deviation
Inadequate demand	2.48	0.763	2.37	0.851
High competition	3.50	0.692	3.32	0.875
High transport costs	3.52	0.630	3.34	0.712
Inadequate market research	2.72	0.774	2.78	0.917
Total average score	3.05	0.714	2.95	0.839

Source: Survey data (2017)

A total of 92,9 per cent (33,7 + 59,2) of the participants in the MLM area and 84 per cent (44 + 40) in ELM agree that high transportation costs are one of core market challenges. High transportation costs have a negative influence on the sustainability and growth of a business. Transportation is considered to be one of the determinants of goods. Therefore, high transportation costs result in inflation. Furthermore, most small businesses are highly dependent on hired transportation to transport goods from manufacturers and wholesalers. The chi-square value = 8.380 and the p-value = 0.015 suggest that although both groups agreed, their indifferences are significant at a 1 per cent significance level. Relating to the lack of demand for their products, 56,1 per cent (6,1 + 50,0) of the participants in the MLM area disagreed while 55,2 per cent (36,6 + 18,6) in the ELM area agreed that this is in fact a challenge affecting their business operations. The low chi-square statistic (3.730) and high p-value (0.292), however, suggest that these differences are not significant even at a 10 per cent level of significance. Similarly, responses relating to the presence of high competition and high transportation costs also showed no significant differences even at a 10 per cent level of significance. However, the strong agreement among both groups relating to these challenges suggest they are core market challenges in the MLM and ELM areas.

Table 5.18: Perceptions pertaining to the market challenges

Aspect	Midvaal				Emfuleni				χ^2 (p-value)
	Strongly disagree	Disagree	Agree	Strongly agree	Strongly disagree	Disagree	Agree	Strongly agree	
Inadequate demand	6.1	50.0	33.7	10.2	6.2	39.2	36.1	18.6	3.730 (0.292)
High competition	0.0	11.2	27.6	61.2	4.0	15.0	26.0	55.0	4.832 (0.185)
High transport costs	0.0	7.1	33.7	59.2	0.0	16.0	44.0	40.0	8.380 (0.015)**
Inadequate market research	3.1	38.1	42.3	16.5	8.0	31.0	36.0	25.0	5.058 (0.168)

** Significance at 5 per cent level

Source: Survey data (2017)

5.5.3 Infrastructural challenges

Table 5.19 shows that participants from the ELM area face a higher volume of infrastructural challenges compared to the participants in the MLM area. The mean average in ELM is 2.73 and the mean average in MLM is 2.20. However, participants in MLM (3.20) face a higher

volume of red tape and regulations compared to the participants in ELM (3.11). Aspects that pose a high threat in both study areas respectively, is the lack of business premises in the area and red tape and regulations. Okpara and Wynn (2007:24) state that adequate infrastructure is a foundation on any business, however, inadequate infrastructure can pose a serious challenge for the growth of a business. Furthermore, the lack of infrastructure delays the establishment and growth of small businesses and as a result some business owners leave their ventures.

Table 5.19: Descriptive statistics pertaining infrastructural challenges

Aspect	Midvaal		Emfuleni	
	Mean	Std. deviation	Mean	Std. deviation
Poor infrastructure capacity and maintenance	1.80	0.799	2.57	0.930
Poor service delivery	1.76	0.850	2.57	0.948
Poor telecommunications	2.04	0.731	2.69	0.955
Lack of business premises in the area	3.15	0.878	3.22	0.815
Red tape and regulations	3.20	0.829	3.11	0.895
Total average score	2.20	0.802	2.73	0.932

Source: Survey data (2017)

A total of 88,8 per cent (37,8 +51,0) of the participants in the MLM show a degree of disagreement towards aspects such as poor infrastructure capacity and maintenance. A further 87,8 per cent (43,9 + 43,9) of the participants also show a high degree of disagreement towards poor service delivery and also 83,7 per cent (18,4 + 65,3) of the participants show a high degree of disagreement of poor telecommunications (18,4 + 65,3 = 83,7). On the other hand, participants in ELM area responded otherwise. The chi-square = 34.962, p-value = 0.000 (poor infrastructure capacity), chi-square =34.124, p-value = 0.000 (poor service delivery) and chi-square = 32.141, p-value = 0.000 (poor telecommunications), all suggest that participants in the two study areas significantly differed in their perceptions. Therefore, the null hypothesis that these challenges were experienced similarly in both the study areas can be rejected at a 1 per cent significance level. Results from Table 5.20 further shows participants in both the MLM and ELM agree that the lack of available business premises and red tape regulations are key infrastructural challenges for businesses in both areas. Furthermore, Table 5.20 indicates that SMMEs in the Midvaal have better infrastructures compared to those in the Emfuleni area.

Table 5.20: Perceptions pertaining to the infrastructural challenges

Aspect	Midvaal				Emfuleni				χ^2 (p-value)
	Strongly disagree	Disagree	Agree	Strongly agree	Strongly disagree	Disagree	Agree	Strongly agree	
Poor infrastructure capacity and maintenance	37.8	51.0	5.1	6.1	22.0	28.0	21.0	29.0	34.962 (0.000)*
Poor service delivery	43.9	43.9	5.1	7.1	26.0	18.0	29.0	27.0	34.124 (0.000)*
Poor telecommunications	18.4	65.3	10.2	6.1	10.4	34.4	31.3	24.0	32.141 (0.000)*
Lack of available business premises	4.1	19.4	33.7	42.9	3.0	15.2	38.4	43.4	0.972 (0.808)
Red tape and regulations	1.0	22.9	31.3	44.8	4.1	22.4	31.6	41.8	1.844 (0.605)

*Significance at 1 per cent level

Source: Survey data (2017)

5.6 COMPARATIVE ANALYSIS: FACTORS CONTRIBUTING TO AN ENABLING ENVIRONMENT

After showcasing the various challenges SMMEs faced both internally and externally in the two study areas, this section of the chapter discusses the results pertaining to the perceived extent of the perceptions of the participants relating to their enabling environments. An enabling environment can entail to provide sufficient support from government with regard to creating a sustainable environment for the population. Furthermore, an enabling environment can also include a set of norms, customs, laws and regulations that are created towards the prosperity of small business development. The measurement of the participants' perceptions made use of Meyer's (2014) enabling environment scale. Responses were captured using a five point Likert scale, which ranged from 1 = Very poor to 5 = Very good. A Cronbach's alpha coefficient was used as a measure of internal consistency through estimating the reliability of the measurement instrument. The estimated coefficient, as shown in Table 5.21 was equal to 0.787 which exceeded the prescribed 0.7 level. Therefore, based on these results the scale used was indeed reliable.

Table 5.21: Reliability statistics – enabling environment

Reliability Statistics	
Cronbach's alpha	Number of items
0.787	12

Source: Survey data (2017)

Businesses encounter socio-economic challenges all the time, both internally and externally, hence, it is somewhat crucial for local government to create an enabling environment for their establishment and prosperity. The 12 factors that form part of an enabling environment were tested and will be evaluated for both the MLM and ELM areas. Table 5.22 shows that overall the Midvaal (mean= 2.47) has a higher degree of an enabling environment for businesses compared to Emfuleni (mean= 2.35). From the results that were obtained in the Midvaal area proved be stronger by scoring nine out of twelve factors while Emfuleni only scored three out of the twelve. Emfuleni was stronger in aspects such as environmental and spatial planning (mean=2.04), agriculture and rural development (mean= 2.27) and safety and security (mean=2.27) compared to the MLM. Both ELM and the MLM strongest aspect was improved with access to technology. This is a positive indication because technology boosts efficiency in production, however, access to technology reduces human labour. Therefore, there is a need to bridge the gap between technology and human labour. Overall the results indicate that the Midvaal local municipal area is performing well with regard to creating an enabling environment for SMMEs. However, there are still areas that need more focus such as environmental and spatial planning, agriculture and rural development and safety and security.

Table 5.22: Descriptive statistics pertaining to an enabling environment

Aspect	Midvaal		Emfuleni	
	Mean	Std. deviation	Mean	Std. deviation
Partnership formation	2.18	0.723	2.17	0.900
Structures, capacity and policies	2.98	0.859	2.52	0.959
Leadership	2.80	0.707	2.27	0.935
Poverty alleviation and social development	2.62	0.618	2.42	0.896
Economic development initiatives	2.71	0.718	2.52	0.903
Environmental and spatial planning	1.84	0.808	2.04	0.994
Infrastructure development and maintenance	2.45	3.832	2.23	1.043

HR skills development	2.36	0.680	2.32	0.915
Entrepreneurship development	2.61	0.730	2.45	0.875
Improved access to technology	3.35	0.801	2.75	1.077
Agricultural and rural development	2.17	0.630	2.27	0.884
Safety and security	1.67	0.894	2.27	1.081
Total average score	2.47	0.751	2.35	0.955

Source: Survey data (2017)

5.7 SYNOPSIS

The establishment and growth of SMMEs are somehow delayed by the aforementioned internal and external socio-economic challenges. The main purpose of this chapter was to determine the various socio-economic challenges experienced by SMMEs in the Midvaal and Emfuleni municipal areas. Also to further determine the different aspects included towards creating an enabling environment for small businesses in the two chosen study areas.

The study was also supported by a demographic analysis that included aspects such as ethnicity, age, gender, level of education and the duration of the participants being self-employed. The demographic results indicate that the majority of business owners in the Midvaal area are White and in the Emfuleni area are Black/African. The majority of the participants in the Midvaal were between the ages of 51 and 60 and in the Emfuleni area they are between the ages of 31 and 40. Furthermore, there is a low percentage of participants who have obtained a post-graduate degree in both municipal areas and the second lowest percentage is the number of participants who have obtained an undergraduate degree. The study was further followed by an analysis of the business description of the two study areas. The results indicate that the largest business sector in the two study areas is trade and the majority of the businesses in the study have a size of between one and five employees. The majority of the participants have not received some sort of business training in the two areas while a large portion of the participants felt that an enabling environment is not being created for businesses in their areas. Likewise, almost half of the participants manage their business operations in the CBD areas.

A descriptive analysis was used to interpret the results pertaining to the internal and external challenges that participants encounter. Based on these results it was clear that participants in the Emfuleni area experience a higher volume of both internal (financial and managerial) and external (economic and infrastructural) challenges, however, the Midvaal area experiences a

higher volume of market challenges (inadequate demand, high competition and high transportation costs). The results also showed that a better enabling environment is being created for businesses in the Midvaal area compared to the Emfuleni area. The results pertained in this chapter indicate that the Midvaal area experiences less socio-economic challenges and also has a better enabling environment compared to the Emfuleni area, which further gives an indication that SMMEs in the Midvaal local municipal area are more prone to be successful. The participants in the MLM had a more optimistic view towards the challenges and the enabling environment. This result from the fact that the MLM area economy is performing better in terms of basic service delivery and infrastructure compared to the ELM area.

The succeeding chapter, Chapter 6 summarises the study, which includes a revision of the theoretical and empirical objectives that were set out in Chapter 1 in order to determine if these were met. Based on the results shown in this chapter, the chapter further provides recommendations and strategies relating to the various socio-economic challenges that SMMEs encounter and how local role-players can best address these issues.

CHAPTER 6

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

South Africa is facing daunting socio-economic challenges, which include but are not limited to poverty and unemployment. SMMEs have been identified to be one of the key solutions to the issues faced in the country. However, SMMEs also face some sort of socio-economic challenges that hinder their growth and prosperity. The study aims to identify the different socio-economic challenges that these small businesses encounter on a local level. The purpose of this chapter is to summarise and conclude the study. Firstly, it provides an overview of the study through examining if the theoretical objectives that were set in Chapter 1 have been met and further highlight the main findings from the first five chapters of the study. In addition, the main findings of the study which are related to the empirical objectives as set out in Chapter 1 will be summarised. The chapter further discusses the recommendations and limitations of the study. The chapter finally concludes by providing closing remarks.

6.2 OVERVIEW OF THE STUDY

The primary objective of the study was to identify the various socio-economic challenges that SMMEs encounter in the Midvaal and Emfuleni local municipal areas. A literature and empirical review were conducted in Chapter 2 and 3 in order to achieve the objective that was set for the study. The chapters provided a framework on the role of SMMEs and the various challenges. Therefore, Chapter 6 provides the main findings that were outlined in the foregoing five chapters.

The sole purpose of Chapter 1 was to introduce the study. The chapter firstly starts off by providing a background on the GDP and economic development, which is followed by the different socio-economic challenges that are faced in South Africa, which is then followed by the current stance of SMMEs in South Africa. The chapter highlights the importance of SMMEs and the impact that socio-economic challenges have on them in the two selected study areas namely the Midvaal and Emfuleni local municipal areas. A primary objective was set which was supported by five theoretical and three empirical objectives, these objectives were based on the problem identified. The chapter further elucidated the research design and methodology used to select an adequate sample size and collect the primary data. Statistical

methods that were used in Chapter 5 were clarified in the empirical section and a further elaboration followed on the ethical consideration to conducting research.

A theoretical and global view on SMMEs was provided in Chapter 2. The aim of this chapter was to discuss the first four theoretical objectives of the study. The **first theoretical objective** aimed to provide an in-depth meaning of GDP, GDP per capita and development from a global and South African perspective (Section 2.2.1). South Africa is classified as a middle income country and is also rated the second top performing economy in the African context in terms of GDP and it is further regarded as a key economic hub in Sub-Saharan Africa. However, the economy is facing daunting socio-economic challenges such as jobless growth, unemployment and poverty. Therefore, there is a need for SMME development in the South African economy. SMMEs play an important role in possible solving economic issues and furthermore they are considered to be key role players in economic development and growth.

The **second theoretical objective** that was set out was to conduct a literature review on the importance of economic growth and development, and was addressed in Section 2.2.2.1 and section 2.2.2.2. Since the end of the apartheid regime in 1994 South Africa has made considerable strides towards economic growth and development, however, the progress has been slow. Economic growth was defined as an increase in the products and services produced within the borders of a country it was further defined as total aggregate of productivity. Jobless growth was further discussed as another form of economic growth. During the second quarter of 2017 the South African economy showed positive GPD growth of 2.5 per cent. The industries that contributed towards the increase in economic growth were predominately in finance, mining and agriculture. Jobless growth was defined as an economy that grows without the ability to create jobs. Economic development was also discussed as part of the literature and the term was defined as processes and efforts taken to improve the wellbeing and quality of life of citizens through the creation of an enabling environment. South Africa is a developing country that is classified as a middle income economy. The literature shows that the political instability that is currently taking place in the country has resulted in loss of investors' confidence, which has further caused a large amount of job losses. The HDI continues to increase, since there has been an improvement in the levels of education, income per capita and life expectancy. However, the economy faces high levels of inequality, as the gap continues to widen between the rich and poor in the country. Furthermore, South Africa has a large number of informal and rural settlements, which results in the country further suffering from high

poverty rates, which is considered to be a huge social issue. Unemployment continues to be a growing crisis in the economy, during the first quarter of 2017 the unemployment rate was recorded at 27,7 per cent which is the highest it has been in 14 years.

The **third theoretical objective** that was set out in Chapter 1 was to determine SMME development in South Africa and it has been identified as a key focus area in the economy. The SMME sector has the potential to reduce poverty and unemployment and further has the capability to create decent jobs for the public. The survival and growth of SMMEs are of importance towards the prosperity of an economy. Furthermore, SMME was identified to be one of the key aspects to help achieve the goals set out in the NDP and NGP. However, there are a number of socio-economic challenges that hinder the establishment and growth of SMMEs.

Young entrepreneurs who wish to start a business encounter challenges such as the lack of funding and managerial skills, therefore some intervention needs to take place to establish an entrepreneurial culture. South Africa is one of the lowest ranked economies in terms of entrepreneurial activities. Entrepreneurs are known to have a positive impact on social development and they are defined as individuals who are innovative and willing to take the necessary risks. Furthermore, they have the ability to improve the quality of life for individuals by reducing unemployment. It was identified that there is a positive correlation between economic growth and entrepreneurship. SMMEs employ fewer employees because they are small in size compared to larger firms. Furthermore, they are seen as major role-players in economic development and growth. SMME development plays a central role towards sustainable economic growth, poverty alleviation and job creation. Hence, government has started to boost SMME development.

The **fourth theoretical objective** aimed to identify the different socio-economic challenges that have an impact on SMMEs in the South African context. The SMME sector plays a significant role towards development and growth, however, there were internal and external challenges that were identified in the literature of the study. The internal socio-economic challenges included; finance and managerial challenges. Funding was considered to be the biggest constraint that entrepreneurs encounter and without the necessary funds they are unable to start their business ventures and at times this is due to a lack of collateral, crime, bad credit records and the lack of government support. Managerial challenges are often associated with the lack of skills by the entrepreneur to operate a business venture. It was further postulated

that the best asset a business can have is, human capital. The success of the business is somewhat reliant on the efficiency of the owner, staff members and most small business tend to fail to due lack of efficiency.

External socio-economic challenges are factors over which the business owners have no control, which include; economic and market conditions, infrastructure and labour. Economic and market challenges have a significant impact on the day to day operations of a business. Both monetary and fiscal components have a direct impact on the operations of a business. The literature also pointed out that SMMEs operate under constantly changing economic conditions and that the exchange rate can have a negative impact on small businesses. In addition, changes in interest rates and inflation can negatively impact the operation of a business. Furthermore, unstable economic conditions place pressure on business owners to make difficult decisions. Infrastructure plays a critical role towards the prosperity of a small business. Businesses tend show slow growth trends due to inadequate infrastructure. Furthermore, without the proper infrastructure small businesses tend to fail. Barriers that have a negative impact on SMMEs include; poor transport systems, the lack of power supply and poor telecommunications networks.

The **fifth theoretical objective** in the literature focused on the economic development theories linked to the study. They were further classified as philosophies and ideologies which were developed on the basis of economic sciences. The development theories addressed were the industrial revolution, the industrial location theory, the structural change theory and the Solow growth model. The industrial revolution has provided entrepreneurs the platform to be more innovative due to technological advancements. Furthermore, the industrial revolution has allowed small businesses to operate more efficiently and produce products that are convenient for consumers to utilise. The survival of SMMEs are somehow dependent on the location of business, which is related to the industrial location theory. The structural change theory further implies that economic activities should shift from the agricultural sector to a more urbanised industrial sector, however, the literature indicated that there should be a balance between the two sectors. The literature further states that entrepreneurs are prone to be successful through innovation and being able to generate income (Solow Growth Model).

6.3

MAIN FINDINGS OF THE STUDY

The purpose of this section is to provide the main findings of the study that were in accordance with the three empirical objectives as identified in Chapter 1. The **first and second empirical objectives** were to identify the different socio-economic challenges that SMMEs encounter in the Midvaal and Emfuleni municipal areas and compare the two selected study areas with each other regarding the specific findings relating to the socio-economic challenges and enabling environment status. A descriptive analysis of the primary data through the use of frequency distributions were conducted. Firstly, the demographics of the participants were analysed and it was found that the majority of the business owners in the Midvaal and the Emfuleni areas has a majority of African/Black business owners. Furthermore, the results showed that there are more male business owners in both study areas, however, similar studies have shown that female business owners are increasing and starting to take over industries that were previously dominated by males (Ramadani, Hisrich, & Gërguri-Rashiti, S. 2015:391; Ahl, & Nelson, 2015:273). The results also showed that the majority of business owners are between the ages 31 and 60 years. It was interesting to note that the majority of business owners in both areas do not have a degree or post graduate degree, which gave an indication that the level of education does not have a significant impact on the business. However, business education needs to be instilled for adequate business skills and the majority of business owners have three years or more experience (Garavan, & O' Cinneide, 1994:3.). The demographics were then followed by a descriptive analysis on the different business sectors the SMMEs operate in. The results showed that the dominant business sector in both study areas (Midvaal and Emfuleni) is the manufacturing sector, which would make sense since most economic activities in the Sedibeng district are from manufacturing.

Descriptive statistics were used to identify the different internal and external socio-economic challenges. The reliability of the results was confirmed by using the Cronbach's alpha coefficient and all the results came back reliable. Firstly, the internal challenges were analysed which included financial and managerial skills. The results showed that Emfuleni encounter a much higher degree of financial challenges compared to the Midvaal area. The most daunting financial challenges that SMMEs encounter in both study areas include; collateral, crime and lack of government support. Significant indifferences were noted in corruption and the access to information technology. Furthermore, financial challenges are considered to be one the most daunting socio-economic challenges encountered by SMMEs. Finance is considered the

biggest obstacle entrepreneurs encounter therefore is need to improve the access to finance in South Africa in order for small businesses to grow (Alexander 2011).

The results further indicate that SMMEs in the Emfuleni area face a higher degree of managerial challenges compared to Midvaal. However, lack of networking, the shortage of skilled labour and the lack of training relevant to the venture are challenges which are experienced more in Midvaal area compared to the Emfuleni area (Kgagarra, 2011). The most concerning managerial challenges in both study areas are the lack of experience relevant to the venture, lack of networking, shortage of skilled labour and lack of training relevant to the venture (Beaver & Hutchings, 2005:604.). SMMEs are due to fail when there is a lack of business training and experience because such issues make the business more vulnerable to failure. Furthermore, the lack of networking has a negative impact on the business because it could end up remaining stagnant. The results also showed there is a significant difference on the perception of the business owners based on the lack of skills. According to Brush (1992:5) business are exposed to failure due to a lack of skills from managers

External socio-economic challenges were also analysed for the purpose of the study. The reliability of the results was confirmed by using the Cronbach's alpha coefficient and all the results came back reliable. The external issues included economic, infrastructural and market challenges. SMMEs in the Emfuleni area face a higher degree of economic challenges compared to the Midvaal area. Economic conditions are unstable that could lead to uncertainties for the survival and prosperity of SMMEs. Significant differences were noted for aspects such as recession and exchange rates amongst the two study areas (Lekmat & Chelliah, 2011:18). However, the results indicate that SMMEs in the Midvaal area encounter a higher degree of market challenges compared to the Emfuleni area. The results further show that high competition and transportation costs are the most concerning issues for SMMEs in both study areas. Some businesses tend to fail because they are unable to keep up with new products and services that are entering the different markets. Christensen (2013) also states that the introduction of new technology has had a negative influence on both large and small businesses. The results further indicate that the participants in both study areas agree that transportation costs is a daunting concerning issue. High transportation costs have a negative impact towards the prosperity of the business. Olawale and Garwe (2010:736) stipulate that small business tend to fail due to high transportation costs

Infrastructural challenges were also analysed for the purpose of the study. The results showed that SMMEs in the Emfuleni area face a high degree of infrastructural challenges compared to the Midvaal area. The lack of business premises and ‘red tape’ and regulations are issues that pose to be threat to the prosperity of SMMEs in both study areas. Okpara and Wynn (2007:24) state that adequate infrastructure is a foundation of any business, however, inadequate infrastructure can pose to be a serious challenge towards the growth of a business. Results pertain to an enabling environment were also included to strengthen the main aim of the study. An enabling environment needs to be created for the prosperity of SMMEs as it can help to overcome the socio-economic challenges that have an impact on small businesses (Meyer & Keyser, 2017). The results that were obtained in the study revealed that the Midvaal area proved to be stronger than the Emfuleni area. However, the Emfuleni area proved to be stronger with regards to spatial planning, agriculture and rural development and also including safety and security (Meyer, Meyer & Neethling, 2016:52).

6.4 CONTRIBUTIONS TO THE FIELD OF STUDY

SMMEs in South Africa are considered vital towards alleviating poverty and creating decent jobs, however, they encounter a number of socio-economic challenges. These socio-economic challenges have a negative impact on the growth and prosperity of SMMEs. The study and its findings contribute to the existing body of knowledge based on the issues that SMMEs encounter in South Africa by empirically analysing and identifying the different socio-economic challenges encountered by SMMEs. Although there is evidence on the different challenges that SMMEs face on a national level this study provided insights on local level.

6.5 RECOMMENDATIONS

The **third objective** was to provide recommendations based on the findings from this study. The aforementioned findings of the study identified the different internal and external socio-economic challenges that SMMEs encounter. Much emphasise has been placed on the importance of SMMEs towards poverty alleviation, job creation and to overall improvement of economic conditions of a country, even in local areas. Therefore, there is a need for SMME growth in the country. The purpose of this section was to provide recommendations to possible help improve the current condition of SMMEs in South Africa.

6.5.1 Improve infrastructure capacity for SMMEs

Starting a business is a stressful process no matter how big or small, with the correct infrastructure in place, small businesses are prone to grow. Infrastructure is a foundation towards the prosperity of a business and the lack of infrastructural capacity hinders growth. Therefore, there is a need to improve infrastructure capacity for small businesses. SMMEs need to have access to more power supplies, access to proper transport systems and finally access to better and more affordable telecommunications networks. This could be done through government support both on a local and national level. Furthermore, with the proper funding small business owners can be able to afford the necessary infrastructure needed for the prosperity of their ventures.

6.5.2 Establishing an enabling environment for SMMEs

SMME development can be improved by creating an enabling environment through government support. An enabling environment is crucial for the prosperity of a business and can also assist to ease some of the aforementioned socio-economic challenges and can be created through government and other stakeholders support. Local and national government can create an enabling environment by creating a partnership with SMMES, creating the necessary infrastructure, providing finance, enabling access to the markets and providing sufficient training to citizens who are interested in becoming entrepreneurs. Furthermore, an enabling environment can also be created by including a set of customs, laws (including taxation laws) norms and regulations that are aimed towards the prosperity of small businesses.

6.5.3 Investment in business skills training

The survival and growth of a business is highly reliant on the efficiency of the business owner and its labourers. SMMEs are more likely to fail because of a lack of skills by business owners and staff members. Hence, government needs to make more provision for skills training by intensifying investment in business skills training and including technical skills. Furthermore, government can provide training for basic management and financial skills. Government can also provide business skills training through business incubators and workshops.

6.6 SYNOPSIS

The main aim of the study was to identify the socio-economic challenges faced by SMMEs and to the importance it has to economic development in the local municipal areas of Emfuleni and Midvaal. SMMEs are generally considered important towards the prosperity of a country by alleviating unemployment and creating decent jobs. However, in general SMMEs are struggling to survive and grow due to the socio-economic challenges they encounter. The study determined that the survival and growth of SMMEs are somehow dependent on the internal and external challenges. The socio-economic challenges that were identified in the two study areas were; financial, managerial, economical, market and infrastructural challenges. Furthermore, an enabling environment was considered for the purpose of the study.

Furthermore, it was identified that SMMEs in the Emfuleni area face a higher degree of the aforementioned socio-economic challenges compared to the Midvaal area. However, SMMEs in the Midvaal area face a high degree of market challenges. The regional analysis of the study also indicated that the Midvaal local municipal area is performing better economically compared to the Emfuleni local municipal area. The results further show that a higher degree of an enabling environment is being created in the Midvaal area compared to the Emfuleni area. The recommendations that were included in the study were; improving infrastructural capacity, establishing an enabling environment for SMMEs and investing in business skills training.

Overall the study found that the reason why SMMEs are struggling could be due to the various socio-economic challenges that were identified through the empirical portion of this study. Therefore, there is a need for government and other stakeholders to intervene in order to minimise the risk encountered by SMMEs with regard to the socio-economic challenges. Furthermore, the study identified that there is a need to create an enabling environment for SMMEs on a local level. The overall results indicate that the Midvaal local municipal area is stronger than the Emfuleni local municipal area considering the factors discussed in this study.

BIBLIOGRAPHY

- Abor, J. & Quartey, P. 2010. Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 39(6):215-228.
- Acs, Z. 2006. How is entrepreneurship good for economic growth? *Innovations*, 1(1):97-107.
- Acs, Z.J. & Szerb, L. 2007. Entrepreneurship, economic growth and public policy. *Small Business Economics*, 28(2-3):109-122.
- Adato, M., Carter, M.R. & May, J. 2006. Exploring poverty traps and social exclusion in South Africa using qualitative and quantitative data. *The Journal of Development Studies*, 42(2):226-247.
- Agwa-Ejon, J. & Mbohwa, J. 2015. Financial challenges faced by SMMEs in Gauteng, South Africa. Johannesburg: University of Johannesburg.
- Ahl, H. & Nelson, T. 2015. How policy positions women entrepreneurs: a comparative analysis of state discourse in Sweden and the United States. *Journal of Business Venturing*, 30(2):273-291.
- Alexander, A. 2011. Entrepreneurship in South Africa: improving access to finance. Cambridge: Massachusetts Institute of Technology. (Thesis - PhD).
- Alexander, P. 2010. Rebellion of the poor: South Africa's service delivery protests—a preliminary analysis. *Review of African Political Economy*, 37(123):25-40.
- Al-Hyari, K., Al-Weshah, G. & Alnsour, M. 2012. Barriers to internationalisation in SMEs: evidence from Jordan. *Marketing Intelligence & Planning*, 30(2):188-211.
- Aliber, M. 2003. Chronic poverty in South Africa: incidence, causes and policies. *World Development*, 31(3):473-490.
- Allen, R.C. 2011. Why the industrial revolution was British: commerce, induced invention, and the scientific revolution. *The Economic History Review*, 64(2):357-384.
- Amra, R., Hlatshwayo, A. & McMillan, L. 2013. SMME employment in South Africa. Paper presented at the biennial conference of the Economic Society of South Africa, Bloemfontein,

25-27th September 2013, 1-22. http://www.essa2013.org.za/fullpaper/essa2013_2768.pdf

Date of access: 29 Aug. 2017.

Anand, S. & Sen, A. 2000. The income component of the human development index. *Journal of Human Development*, 1(1):83-106.

Ardington, E. & Lund, F. 1995. Pensions and development: social security as complementary to programmes of reconstruction and development. *Development Southern Africa*, 12(4):557-577.

Aremu, M.A. & Adeyemi, S.L. 2011. Small and medium scale enterprises as a survival strategy for employment generation in Nigeria. *Journal of Sustainable Development*, 4(1):200.

Arendse, J. 2014. What's being done for small business and entrepreneurship? *TAXtalk*. 2014(45):16-17.

Aron, J. & Muellbauer, J. 2002. Interest rate effects on output: evidence from a GDP forecasting model for South Africa. *IMF Economic Review*, 49(1):185-213.

Atawodi, O.W. & Ojeka, S.A. 2012. Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management*, 7(12):87-96.

Atkinson, A.B. & Bourguignon, F. 2000. Introduction: income distribution and economics. *Handbook of Income Distribution*, 31(1):1-58.

Bailey, K. 2008. Methods of social research. 4th ed. New York. The Free Press.

Barr, A. & Serra, D. 2009. The effects of externalities and framing on bribery in a petty corruption experiment. *Experimental Economics*, 12(4):488-503.

Beck, T. & Demirguc-Kunt, A. 2006. Small and medium-size enterprises: access to finance as a growth constraint. *Journal of Banking & Finance*, 30(11):2931-2943.

Beck, T. 2007. Financing constraints of SMEs in developing countries: evidence, determinants and solutions. Tilburg: Tilburg University.

- Berger, A.N. & Udell, G.F. 1998. The economics of small business finance: the roles of private equity and debt markets in the financial growth cycle. *Journal of Banking & Finance*, 22(6):613-673.
- Besley, T. & Burgess, R. 2003. Halving global poverty. *The Journal of Economic Perspectives*, 17(3):3-22.
- Bhorat, H. 2004. Labour market challenges in the post-apartheid South Africa. *South African Journal of Economics*, 72(5):940-977.
- Boadi, K.O. & Kuitunen, M., 2003. Municipal solid waste management in the Accra Metropolitan Area, Ghana. *Environmentalist*, 23(3):211-218.
- Boianovsky, M. & Hoover, K.D. 2009. The neoclassical growth model and twentieth-century economics. *History of Political Economy*, 42(1):1-23.
- Bosworth, B. & Collins, S.M. 2003. The empirics of growth: an update. *Brookings Papers on Economic Activity*, 2003(2):113-206.
- Bougrain, F. & Haudeville, B. 2002. Innovation, collaboration and SMEs internal research capacities. *Research Policy*, 31(5):735-747.
- Bowen, M., Morara, M. & Mureithi, S. 2009. Management of business challenges among small and micro enterprises in Nairobi-Kenya. *KCA Journal of Business Management*, 2(1):16-31.
- Brand South Africa. 2016. South Africa: open for business. <https://www.brandsouthafrica.com/investments-immigration/business/investing/open>. Date of access: 7 Sept 2017.
- Brown, D.E. 2014. Hidden dragon, crouching lion: how China's advance in Africa is underestimated and Africa's potential underappreciated. *Current Politics and Economics of Africa*, 7(4):425.
- Brush, C.G. 1992. Research on women business owners: past trends, a new perspective and future directions. *Entrepreneurship: Theory and Practice*, 16(4):5-31.

- Business Partners. 2015. Programmes that are aimed at financing micro and small businesses. <https://www.sanlam.co.za/businessblog/Documents/Small%20Business%20Financiers.pdf>. Date of access: 9 Oct. 2017.
- Buthelezi, T.T.B. 2011. Exploring women entrepreneurship in the construction industry. Potchefstroom: North-West University. (Mini-dissertation – MBA).
- Byrne, D. & Strobl, E. 2004. Defining unemployment in developing countries: evidence from Trinidad and Tobago. *Journal of Development Economics*, 73(1):465-476.
- Carmody, P. 2012. Another BRIC in the wall? South Africa's developmental impact and contradictory rise in Africa and beyond. *The European Journal of Development Research*, 24(2):223-241.
- Carree, M.A. & Thurik, A.R. 2005. The impact of entrepreneurship on economic growth. New York, NY: Springer.
- Cassar, G. 2004. The financing of business start-ups. *Business Venture*, 19(2):269-298.
- Chibba, M. & Luiz, J.M. 2011. Poverty, inequality and unemployment in South Africa: context, issues and the way forward. *Economic Papers: A Journal of Applied Economics and Policy*, 30(3):307-315.
- Chibba, M. 2009. Financial inclusion, poverty reduction and the millennium development goals. *The European Journal of Development Research*, 21(2):213-230.
- Chibba, M. 2011. The millennium development goals: key current issues and challenges. *Development Policy Review*, 29(1):75-90.
- Chimucheka, T. & Mandipaka, F. 2015. Challenges faced by small, medium and micro enterprises in the Nkonkobe Municipality. *The International Business & Economics Research Journal*, 14(2):309.
- Chittenden, F., Hall, G. & Hutchinson, P. 1996. Small firm growth, access to capital markets and financial structure: review of issues and an empirical investigation. *Small Business Economics*, 8(1):59-67.

- Christensen, C. 2013. The innovator's dilemma: when new technologies cause great firms to fail. London: Harvard Business Review Press.
- Christina, B., Neelufer, A. & Al Amri, S. 2014. Challenges and barriers encountered by the SMEs owners in Muscat. *International Journal of Small Business and Entrepreneurship Research*, 2(3):1-13.
- Churchill, N.C. & Lewis, V.L. 1983. The five stages of business growth. http://www.tameer.org.pk/images/The_Five_Stages_of_Business_Growth.pdf. Date of access: 10 May 2017.
- Cilliers, J. & Aucoin, C. 2016. Economics, governance and instability in South Africa. ISS Paper No. 223. Pretoria: Institute for Security Studies
- Clarke, C. 2009. Paths between positivism and interpretivism: an appraisal of Hay's via media. *Politics*, 29(1):28-36.
- Constable, K. 2015. The 5 types of entrepreneurs. <https://www.entrepreneur.com/article/244210>. Date of access: 18 Nov 2017.
- Corrigan, T. 2009. Socio-economic problems facing Africa: insights from six APRM country review reports. <http://www.saiia.org.za/occasional-papers/socio-economic-problems-facing-africa-insights-from-six-aprm-country-review-reports>. Date of access: 7 June 2017.
- Coudouel, A., Hentschel, J.S. & Wodon, Q.T. 2002. Poverty measurement and analysis. A sourcebook for poverty reduction strategies. Washington, D.C.: World Bank.
- Creswell, J.W. & Clark, V.L.P. 2007. Designing and conducting mixed methods research. London: Sage Publications.
- Creswell, J.W. 1994. Research design: qualitative and quantitative approaches. London: Sage Publications.
- Creswell, J.W. 2003. Research design: qualitative and quantitative approaches. 2nded. London: Sage Publications.
- Creswell, J.W. 2013. Research design: qualitative and quantitative approaches. 4th ed. London: Sage Publications.

- Cullen, M., Calitz, A. & Chandler, L. 2014. Business incubation in the Eastern Cape: a case study. *International Journal for Innovation Education and Research*, 2(5)76-89.
- Cullen, T. 2012. Gross domestic product: an economy's all. <http://www.imf.org/external/pubs/ft/fandd/basics/gdp.htm>. Date of access: 15 March 2017.
- Cunningham, J.B. & Lischeron, J. 1991. Defining entrepreneurship. *Journal of Small Business Management*, 29(1):45-61.
- Dasgupta, P. 2008. Nature in economics. *Environmental and Resource Economics*, 39(1):1-7.
- Davies, R. & Thurlow, J. 2010. Formal-informal economy linkages and unemployment in South Africa. *South African Journal of Economics*, 78(4):437-459.
- Davies, T.A. 2001. Entrepreneurship development in South Africa: redefining the role of tertiary institutions in a reconfigured higher education system. *South African Journal of Higher Education*, 15(1):32-39.
- Davis, G.F. & Adam Cobb, J. 2010. Resource dependence theory: past and future. (In Schoonhoven, C.B & Dobbin, F. eds., *Stanford's organization theory renaissance, 1970–2000*. Bingley: Emerald Group Publishing Limited. p.21-42).
- Davis, N. 2017. Advancing human-centred economic progress in the fourth industrial revolution: a leadership agenda for G20 governments. <http://www.g20insights.org/policy/briefs/advancing-human-centred-economic-progress-fourth-industrial-revolution-leadership-agenda-g20-governments/> Date of access: 12 June 2017.
- Dayal, V. 2015. *An introduction to R for quantitative economics: graphing, stimulating and computing*. Berlin: Springer.
- De Haan, L.& Zoomers, A. 2005. Exploring the frontier of livelihoods research. *Development and Change*, 36(1):27-47.
- Deakins, D. & Freel, M. 1998. Entrepreneurial learning and the growth process in SMEs. *The Learning Organization*, 5(3):144-155.
- Deaton, A. 1999. Commodity prices and growth in Africa. *The Journal of Economic Perspectives*, 13(3):23-40.

Demetriades, P.O. & Hussein, K.A. 1996. Does financial development cause economic growth? Time-series evidence from 16 countries. *Journal of Development Economics*, 51(2):387-411.

Department of Small Business Development. 2014. Department of Small Business Development: 2014. Date of access: 15 Nov 2017.

Desouza, K.C. & Awazu, Y. 2006. Knowledge management at SMEs: five peculiarities. *Journal of Knowledge Management*, 10(1):32-43.

Dethier, J. & Effenberger, A. 2012. Agriculture and development: a brief review of the literature.http://siteresources.worldbank.org/DEC/Resources/847971114437274304/Dethier_ES_Agriculture%26Development2012.pdf. Date of access: 12 June 2017.

Djankov, S., Lieberman, I., Mukherjee, J. & Nenova, T. 2003. Going informal: benefits and costs. Maryland: Center for the Study of Democracy.

Dobbs, M. & Hamilton, R.T. 2007. Small business growth: recent evidence and new directions. *International Journal of Entrepreneurial Behavior & Research*, 13(5):296-322.

Donner, J. 2008. Research approaches to mobile use in the developing world: a review of the literature. *The Information Society*, 24(3):140-159.

Dooley, M.P. 1988. Capital flight: a response to differences in financial risks. *Staff Papers*, 35(3):422-436.

Dutt, A.K. 2013. Growth and income distribution with managers and financiers: issues and heterodox models. Notre Dame: University of Notre Dame.

Duval-Couetil, N. 2013. Assessing the impact of entrepreneurship education programs: challenges and approaches. *Journal of Small Business Management*, 51(3):394-409.

Ehlers, T. & Lazenby, K. 2007. Strategic management. South African concept and cases 2nd edition. Van Schaik. Pretoria.

Ezell, B.C. & Crowther, K.G. 2007. Philosophical issues and their implications for the systems architect. *Foundations of Science*, 12(3): 269-276.

- Fagerberg, J. 2000. Technological progress, structural change and productivity growth: a comparative study. *Structural Change and Economic Dynamics*, 11(4):393-411.
- Fatoki, O.O. & Asah, F. 2011. The impact of firm and entrepreneurial characteristics on access to debt finance by SMEs in King Williams' Town, South Africa. *International Journal of Business and Management*, 6(8):170-179.
- Faulkner, D., Loewald, C. & Makrelov, K. 2013. Achieving higher growth and employment: policy options for South Africa. *South African Reserve Bank Working Paper*, 13(03):1-34.
- Feindt, S., Jeffcoate, J. & Chappell, C. 2002. Identifying success factors for rapid growth in SME e-commerce. *Small Business Economics*, 19(1):51-62.
- Feldstein, M. & Horioka, C. 1992. The Solow growth model. *Quarterly Journal of Economics*, 107(2):407-437.
- Filippaios, F. & Stone, Z. 2017. Kent SME internationalisation study. Canterbury: Kent Business School.
- Foster, A.D. & Rosenzweig, M.R. 2004. Agricultural productivity growth, rural economic diversity, and economic reforms: India, 1970–2000. *Economic Development and Cultural Change*, 52(3):509-542.
- Fraser, S., Bhaumik, S.K. & Wright, M. 2015. What do we know about entrepreneurial finance and its relationship with growth? *International Small Business Journal*, 33(1):70-88.
- Fuller-Love, N. 2006. Management development in small firms. *International Journal of Management Reviews*, 8(3):175-190.
- Gali, J. & Monacelli, T. 2005. Monetary policy and exchange rate volatility in a small open economy. *The Review of Economic Studies*, 72(3):707-734.
- Garavan, T.N. & O' Cinneide, B. 1994. Entrepreneurship education and training programmes: a review and evaluation. *Journal of European Industrial Training*, 18(8):3-12.
- Gibb, A. 1999. Creating an entrepreneurial culture in support of SMEs. *Small Enterprise Development*, 10(4):27-38.

- Gimede, V. 2004. Export propensities and intensities of small and medium manufacturing enterprises in South Africa. *Small Business Economics*, 22(5):379-389.
- Ginneken, W. 2003. Extending social security: policies for developing countries. *International Labour Review*, 142(3):277-294.
- Global Insight. 2017. Regional explorer. Johannesburg. Date of access: 18 Aug 2017.
- Gnyawali, D.R. & Park, B.J.R. 2009. Co-opetition and technological innovation in small and medium-sized enterprises: a multilevel conceptual model. *Journal of Small Business Management*, 47(3):308-330.
- Gollin, D., Lagakos, D. & Waugh, M.E. 2014. The agricultural productivity gap. *The Quarterly Journal of Economics*, 129(2):939-993.
- Graham, L. & De Lannoy, A. 2017. What South Africa can do about youth unemployment in the short run? <http://www.sowetanlive.co.za/news/2017/02/14/what-south-africa-can-do-about-youth-unemployment-in-the-short-run>. Date of access: 28 Aug. 2017.
- Graven, M.H. 2014. Poverty, inequality and mathematics performance: the case of South Africa's post-apartheid context. *ZDM Mathematics Education*, 46(7):1039-1049.
- Groenewald, T. 2004. A phenomenological research design illustrated. *International Journal of Qualitative Methods*, 3(1): 42-55.
- Groshen, E.L. & Potter, S. 2003. Has structural change contributed to a jobless recovery? *Current Issues in Economics and Finance*, 9(8):1-8.
- Guba, E.G. & Lincoln, Y.S. 1994. Competing paradigms in qualitative research. (In Denzin, N. K. & Lincoln, Y.S. eds. *Handbook of qualitative research*. Thousand Oaks: Sage Publications. p. 105-177).
- Guba, E. G. 1990. The alternative paradigm dialog. (In Guba, E.G., ed. *The paradigm dialog*. London Sage Publications. P. 17-30).
- Gueli, R., Liebenberg, S. & Van Huyssteen, E. 2007. Integrated development planning in South Africa: lessons for international peacebuilding. *African Journal on Conflict Resolution*, 7(1):89-112.

- Gürol, Y. & Atsan, N. 2006. Entrepreneurial characteristics amongst university students: some insights for entrepreneurship education and training in Turkey. *Education and Training*, 48(1):25-38.
- Hammersley, M. 2006. Philosophy's contribution to social science research on education. *Journal of Philosophy of Education*, 40(2):273-286.
- Harris, J.R. & Todaro, M.P. 1970. Migration, unemployment and development: a two-sector analysis. *The American Economic Review*, 60(1):126-142.
- Harrison, A. 1996. Openness and growth: a time-series, cross-country analysis for developing countries. *Journal of Development Economics*, 48(2):419-447.
- Hart, K. 1990. The idea of economy: six modern dissenters. Beyond the marketplace. *Rethinking Economy and Society*, 1(5):137-160.
- Hart, P.E. & Oulton, N. 1996. Growth and size of firms. *The Economic Journal*, 1242-1252.
- Healy, M. & Perry, C. 2000. Comprehensive criteria to judge validity and reliability of qualitative research within the realism paradigm. *Qualitative Market Research: An International Journal*, 3(3): 118-126.
- Helmsing, A.H.J. 2003. Local economic development: new generations of actors, policies and instruments for Africa. *Public Administration and Development*, 23(1):67-76.
- Helriegal, D., Jackson, S.E., Slocum, J., Staude, G., Amos, T., Klopper, H.P., Louw L. & Oostuizen, T. 2008. Management. 2nd edition. Oxford University Press. Oxford. London.
- Hendrickson, M. 2015. The 'not enough jobs' scenario: an economic fallacy (but possibly an accurate forecast). <https://www.forbes.com/forbes/welcome/?toURL=https://www.forbes.com/sites/markhendrickson/2015/07/30/the-not-enough-jobs-scenario-an-economic-fallacy-but-possibly-an-accurateforecast/&refURL=https://www.google.co.za/&referrer=https://www.google.co.za/> Date of access: 15 Jun. 2017.
- Herrington, M. & Kew, P. 2016. Is South Africa heading for an economic meltdown? University of Cape Town. Cape Town.

- Herrington, M. & Kew, P. 2017. Global entrepreneurship monitor (GEM): global report 2016/2017. London: Global Entrepreneurship Research.
- Herrington, M., Kew, J. & Kew, P. 2010. Global Entrepreneurship Monitor: 2010. Graduate School of Business, Centre for Innovation and Entrepreneurship, University of Cape Town.
- Herrington, M., Kew, J., Kew, P. & Monitor, G.E. 2010. Tracking entrepreneurship in South Africa: a GEM perspective. Cape Town: Graduate School of Business, University of Cape Town.
- Herron, L. & Robinson, R.B. 1993. A structural model of the effects of entrepreneurial characteristics on venture performance. *Journal of Business Venturing*, 8(3):281-294.
- Herstad, S.J. & Ebersberger, B. 2015. On the link between urban location and the involvement of knowledge-intensive business services firms in collaboration networks. *Regional Studies*, 49(7):1160-1175.
- Hosseini, H. 2012. Arthur Lewis' Dualism, the literature of development economics, and the less developed economies. *Review of European Studies*, 4(4):132-140.
- Howlett, M., Ramesh, M. & Perl, A. 2009. Studying public policy: policy cycles and policy subsystems. 3rd ed. Canada: Oxford University Press.
- Isard, W. 1949. The general theory of location and space-economy. *The Quarterly Journal of Economics*, 63(4):476-506.
- Isenberg, D.J. 2010. How to start an entrepreneurial revolution? *Harvard Business Review*, 88(6):40-50.
- Iturrioz, C., Aragón, C. & Narvaiza, L. 2015. How to foster shared innovation within SMEs' networks: social capital and the role of intermediaries. *European Management Journal*, 33(2):104-115.
- Jacobs, G. & Slaus, I. 2010. Indicators of economics progress: the power of measurement and human welfare. *Cadmus*, 1(1):53-72.
- Jensen, M.C. 1993. The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance*, 48(3):831-880.

Johnson, M.W., Christensen, C.M. & Kagermann, H. 2008. Reinventing your business model. *Harvard Business Review*, 86(12):57-68.

Jonas, M. 2017. Moving SA out of its low-growth and high-inequality trap. <http://citypress.news24.com/Voices/moving-sa-out-of-its-low-growth-and-high-inequality-trap-20170219>. Date of access: 7 Sept. 2017.

Jovane, F., Yoshikawa, H., Alting, L., Boër, C.R., Westkamper, E., Williams, D., Tseng, M., Seliger, G. & Paci, A.M. 2008. The incoming global technological and industrial revolution towards competitive sustainable manufacturing. *CIRP Annals-Manufacturing Technology*, 57(2):641-659.

Kaldor, N. 1957. A model of economic growth. *The Economic Journal*, 67(268):591-624.

Kaldor, N. 1977. Capitalism and industrial development: some lessons from Britain's experience. *Cambridge Journal of Economics*, 1(2):193-204.

Kamunge, M.S., Njeru, A. & Tirimba, O.I. 2014. Factors affecting the performance of small and micro enterprises in Limuru Town market of Kiambu County, Kenya. *International Journal of Scientific and Research Publications*, 4(12):1-20.

Kannan, K.P. 2007. Interrogating inclusive growth: some reflections on exclusionary growth and prospects for inclusive development in India. *The Indian Journal of Labour Economics*, 50(1):17-46.

Kaplinsky, R 1995. Capital intensity in South African manufacturing and unemployment, 1972–90. *World Development*, 23(2):179–192.

Keeton, G. 2014. Inequality in South Africa. *The Journal of the Helen Suzman Foundation*, (74):26-31.

Kelley, D., Singer, S. & Herrington, M. 2016. Global entrepreneurship monitor. 2015/16. London: Global Entrepreneurship Research.

Kesper, A. 2001. Failing or not aiming to grow? Manufacturing SMMEs and their contribution to employment growth in South Africa. *In Urban forum*, 12(2):171-203.

- Kgagara, M.R. 2011. An assessment of the attitude towards entrepreneurship among higher education students in Sedibeng district. Vanderbijlpark: North West University. (Thesis - PhD).
- Khemraj, T., Madrick, J. & Semmler, W. 2006. Okun's law and jobless growth. Munich: Munich University.
- Khyatin, A. 2016. The fourth industrial revolution. *Steel Times International*, 40(6):19-35.
- Kingdon, G. & Knight, J. 2007. Unemployment in South Africa, 1995–2003: causes, problems and policies. *Journal of African Economies*, 16(5):813-848.
- Knack, S. & Keefer, P. 1997. Does social capital have an economic payoff? A cross-country investigation. *The Quarterly Journal of Economics*, 112(4):1251-1288.
- Kock, A. 2008. A framework for the development of women entrepreneurship in the Ekurhuleni district. Potchefstroom: North-West University. (Mini dissertation - MBA).
- Kongolo, M. 2010. Job creation versus job shedding and the role of SMEs in economic development. *African Journal of Business Management*, 4(11):2288-2306.
- Kotze, H. 2003. Responding to the growing socio-economic crisis? A review of civil society in South Africa. *Development Update*, 4(4):4-18.
- Kotze, H. 2016. Factsheet: Inequality in South African cities. <https://africacheck.org/factsheets/factsheet-inequality-south-african-cities/>. Date of access 9 Nov 2017.
- Koudelková, P. & Svobodová, A. 2014. Knowledge creation and sharing as essential determinants of SMEs innovation. *International Economics Letters*, 3(1):12-20.
- Kramer, M.R. & Porter, M. 2011. Creating shared value. *Harvard Business Review*, 89(1/2):62-77.
- Kremer, M. 1993. Population growth and technological change: one million BC to 1990. *The Quarterly Journal of Economics*, 108(3):681-716.
- Krugell, W., Otto, H. & Van Der Merwe, J. 2010. Local municipalities and progress with the delivery of basic services in South Africa. *South African Journal of Economics*, 78(3):307-323.

- Kunene, T.R., 2008. A critical analysis of entrepreneurial and business skills in SMEs in the textile and clothing industry in Johannesburg, South Africa. University of Pretoria. (Thesis - PhD).
- Kuzilwa, J.A. 2005. The role of credit for small business success: a study of the National Entrepreneurship Development Fund in Tanzania. *Journal of Entrepreneurship*, 14(2):131-161.
- Lalkaka, R. 2003. Technology business incubation: role, performance, linkages, trends. Washington, D.C.: UNESDOC.
- Lall, S. 2001. Competitiveness indices and developing countries: an economic evaluation of the global competitiveness report. *World development*, 29(9):1501-1525.
- Lange, T., Ottens, M. & Taylor, A. 2000. SMEs and barriers to skills development: a Scottish perspective. *Journal of European Industrial Training*, 24(1):5-11.
- Lasagni, A. 2012. How can external relationships enhance innovation in SMEs? New evidence for Europe. *Journal of Small Business Management*, 50(2):310-339.
- Lederman, D., Mengistae, T. & Xu, L.C. 2013. Microeconomic consequences and macroeconomic causes of foreign direct investment in southern African economies. *Applied Economics*, 45(25):637-3649.
- Lee, S.M., Hwang, T. & Choi, D. 2012. Open innovation in the public sector of leading countries. *Management Decision*, 50(1):147-162.
- Leedy, P.D. 1997. Practical research: planning and design. 7th ed. Upper Saddle River, NJ: Merrill Prentice Hall.
- Legassick, M. 2007. Flaws in South Africa's' first'economy: part one: historical, theoretical and empirical diagnostics. *Africanus*, 37(2):111-144.
- Leibbrandt, M., Woolard, I., McEwen, H. & Koep, C. 2010. Employment and inequality outcomes in South Africa. Southern Africa Labour and Development Research Unit. University of Cape Town. Cape Town.

Lewis, C. 2017. Top 5 African economies. <http://www.africanbusinessreview.co.za/finance/2673/Top-5-African-economies>. Date of access: 28 Aug. 2017.

Lewis, J.D. 2001. Policies to promote growth and employment in South Africa. Informal discussion papers on aspects of the economy of South Africa. Washington, D.C.: World Bank.

Llopis, G. 2013. The 12 things that successfully convert a great idea into a reality. <https://www.forbes.com/sites/glennllopis/2013/04/01/12-things-successfully-convert-a-great-idea-into-a-reality/#7d387b4f4e86>. Date of access: 9 June 2017.

Local Government Handbook. 2017. Local government handbook - South Africa, 2017. Claremont: Yes Media.

Luiz, J. 2002. Small business development, entrepreneurship and expanding the business sector in a developing economy: the case of South Africa. *Journal of Applied Business Research*, 18(2):53-69.

Maas, G. & Herrington, M. 2006. Global entrepreneurship monitor: South African report. Cape Town: Graduate School of Business. University of Cape Town.

Madumo, O.S. 2015. Developmental local government challenges and progress in South Africa. *Administratio Publica*, 23(2):153- 164.

Magara, V.P. & Were, S. 2014. Influence of business development services and policy factors on small and micro enterprise growth: a case of Nyakach constituency. *The Strategic Journal of Business & Change Management*, 2(2):18-37.

Mahadea, D. & Pillay, M.K. 2008. Environmental conditions for SMME development in a South African province: management. *South African Journal of Economic and Management Sciences*, 11(4):431-448.

Mahembe, E. 2011. Literature review on small and medium enterprises' access to credit and support in South Africa. Pretoria: National Credit Regulator.

Mair, J. & Marti, I. 2006. Social entrepreneurship research: a source of explanation, prediction, and delight. *Journal of World Business*, 41(1):36-44.

- Mak, A. 2016. Britain must be boldly pro-enterprise to master the Fourth Industrial Revolution. <https://www.alanmak.org.uk/cityam-britain-must-be-boldly-pro-enterprise-master-fourth-industrial-revolution>. Date of access: 16 Jun. 2017.
- Makhoba X.S. 2010. A study of informal sector entrepreneurial activity within the townships in Emfuleni Local Municipality. Potchefstroom: North-West University. (Mini-dissertation – MBA).
- Malecki, E.J. 2003. Digital development in rural areas: potentials and pitfalls. *Journal of Rural Studies*, 19(2):201-214.
- Malhotra, N. & Birks, D. 1999. Marketing research: an applied approach. Upper Saddle River, NJ: Prentice Hall.
- Marcati, A., Guido, G. & Peluso, A.M. 2008. The role of SME entrepreneurs' innovativeness and personality in the adoption of innovations. *Research Policy*, 37(9):1579-1590.
- Markillie, P. 2012. A third industrial revolution. *The Economist*, 21:3-12.
- Marutlulle, N.K. 2017. Causes of informal settlements in Ekurhuleni Metropolitan Municipality: an exploration of Africa's Public Service Delivery and Performance Review. Date of access: 17 Aug. 2017.
- Massey, D. 1973. Towards a critique of industrial location theory. *Antipode*, 5(3):33-39.
- Maynard, A.D. 2015. Navigating the fourth industrial revolution. *Nature Nanotechnology*, 10(12):1005.
- Mbele, L. 2014. South Africa's economic challenges. <http://www.bbc.com/news/business-27291242>. Date of access: 7 June 2017.
- McCann, P. & Sheppard, S. 2003. The rise, fall and rise again of industrial location theory. *Regional Studies*, 37(6-7):649-663.
- McElheran, K., 2015. Do market leaders lead in business process innovation? The case (s) of e-business adoption. *Management Science*, 61(6):1197-1216.

- McGrath, S. & Akoojee, S. 2007. Education and skills for development in South Africa: reflections on the accelerated and shared growth initiative for South Africa. *International Journal of Educational Development*, 27(4):421-434.
- Menon, S. & Foyn, T. 2017. Reserve bank surprises by cutting interest rates. <https://www.businesslive.co.za/bd/economy/2017-07-20-reserve-bank-springs-interest-rate-surprise-cuts-for-first-time-in-16-months/>. Date of access: 18 Nov 2017.
- Mensah, S.A. & Benedict, E. 2010. Entrepreneurship training and poverty alleviation: empowering the poor in the Eastern Free State of South Africa. *African Journal of Economic and Management Studies*, 1(2):138-163.
- Meyer, D. F. 2014. Job creation, a mission impossible? The South African case. *Mediterranean Journal of Social Sciences*, 5(16):65-77.
- Meyer, D.F. 2007. The role of local economic development in poverty alleviation: the case of Sicelo, Midvaal local municipality. North West University. Vanderbijlpark: (Dissertation – M.Com).
- Meyer, D.F., Meyer, N. & Neethling, J.R. 2016. Perceptions of business owners on service delivery and the creation of an enabling environment by local government. *Administratio Publica*, 24(3):52-73.
- Meyer, N. 2017. South Africa's youth unemployment dilemma: whose baby is it anyway? *Journal of Economics and Behavioral Studies*, 9(1):56-68.
- Meyer, N., Meyer, D.F. & Molefe, K.N. 2016. Barriers to small informal business development and entrepreneurship: the case of the Emfuleni region. *Polish Journal of Management Studies*, 13(1):121-133.
- Midvaal local municipality. 2014. Draft annual report 2013/2014. <http://www.emfuleni.gov.za/index.php/documents-77289/list-of-documents/annual-reports.html>. Date of access: 18 Nov 2017.
- Midvaal Local Municipality. 2017. Municipalities of South Africa. <https://municipalities.co.za/locals/view/62/Midvaal-Local-Municipality>. Date of access: 18 Nov 2017.

- Mikane, S. 2015. The real barriers to entrepreneurship in South Africa. <https://www.howwemadeitinafrica.com/the-real-barriers-to-entrepreneurship-in-south-africa/>. Date of access. 9 Jun. 2017.
- Miller, N.J., Besser, T. & Malshe, A. 2007. Strategic networking among small businesses in small US communities. *International Small Business Journal*, 25(6):631-665.
- Minniti, M. 2008. The role of government policy on entrepreneurial activity: productive, unproductive, or destructive? *Entrepreneurship Theory and Practice*, 32(5):779-790.
- Moran, D.D., Wackernagel, M., Kitzes, J.A., Goldfinger, S.H. & Boutaud, A. 2008. Measuring sustainable development nation by nation. *Ecological Economics*, 64(3):470-474.
- Morgan, D. L. 2007. Paradigms lost and paradigms regained methodological implications of combining qualitative and quantitative methods. *Journal of mixed methods research*.
- Morrison, A., Breen, J. & Ali, S. 2003. Small business growth: intention, ability, and opportunity. *Journal of Small Business Management*, 41(4):417-425.
- Moru, D. 2008. SAB's enterprise development programmes: an evaluation of KickStart and Mahlasedi projects. Stellenbosch University. (Thesis - PhD).
- Mouton, J. 2011. How to succeed in your master's and doctoral studies: a South African guide and resource book. Pretoria: Van Schaik Publishers.
- Municipalities of South Africa. 2017. Emfuleni Local Municipality <https://municipalities.co.za/locals/view/60/Emfuleni-Local-Municipality>. Date of access: 18 Nov 2017.
- Municipalities of South Africa. 2017. Sedibeng District Municipality (DC42). <https://municipalities.co.za/overview/114/sedibeng-district-municipality>. Date of access: 18 Nov 2017.
- National Treasury. 2016. Financial Sector Regulation Bill, Impact Study of the Twin Peaks Reforms. <https://www.fsb.co.za/departments/twinpeaks/documents/impact%20study%20on%20twin%20peaks%20reforms%20050416.pdf>. Date of access: 12 June 2017.
- Ndabeni, L.L. 2008. The contribution of business incubators and technology stations to small enterprise development in South Africa. *Development Southern Africa*, 25(3):259-268.

- Nef, J.U. 1943. The industrial revolution reconsidered. *The Journal of Economic History*, 3(1):1-31.
- Nel, E. 2001. Local economic development: a review and assessment of its current status in South Africa. *Urban Studies*, 38(7):1003-1024.
- Nicolson, G. 2015. South Africa: where 12 million live in extreme poverty. <https://www.dailymaverick.co.za/article/2015-02-03-south-africa-where-12-million-live-in-extreme-poverty/#.WTlwAMaxXIU>. Date of access. 8 June 2017.
- Nkechi, A., Emeh Ikechukwu, E.J. & Okechukwu, U.F. 2012. Entrepreneurship development and employment generation in Nigeria: problems and prospects. *Universal Journal of Education and General Studies*, 1(4):88-102.
- Nriagu, J.O. 1996. A history of global metal pollution. *Science*, 272(5259):223-233.
- Nzimakwe, T.I. 2012. Alignment between municipal development planning, budgeting, performance management and public participation. *Administratio Publica*, 20(4):139-155.
- Obitayo, K.M. 2001. Creating an enabling environment for Small Scale Industries. *CBN Bullion*, 25(3):16-26.
- O'Brien, K.L. & Leichenko, R.M. 2000. Double exposure: assessing the impacts of climate change within the context of economic globalization. *Global Environmental Change*, 10(3):221-232.
- Okpara, J.O. 2011. Factors constraining the growth and survival of SMEs in Nigeria: Implications for poverty alleviation. *Management Research Review*, 34(2):156-171.
- Olawale, F. & Garwe, D. 2010. Obstacle to the growth of new SMEs in South Africa: a principle component analysis approach. *African Journal of Business Management*, 4(5):729-738.
- Orlikowski, W.J. & Baroudi, J.J. 1991. Studying information technology in organizations: research approaches and assumptions. *Informations Systems Research*, 2(1):1-28.

- Orthofer, A. 2016. South Africa needs to fix its dangerously wide wealth gap. <http://theconversation.com/south-africa-needs-to-fix-its-dangerously-wide-wealth-gap-66355>. Date of access: 8 June 2017.
- Page, J. & Söderbom, M. 2015. Is small beautiful? Small enterprise, aid and employment in Africa. *African Development Review*, 27(1):44-55.
- Patel, Z. 2012. Critical evaluation of different research paradigms. *CIVITAS: Journal of Citizenship Studies*, 3(1):9-17.
- Pauw, K., Oosthuizen, M. & Van Der Westhuizen, C. 2008. Graduate unemployment in the face of skills shortages: A labour market paradox. *South African Journal of Economics*, 76(1):45-57.
- Pearce, D.W. & Atkinson, G.D. 1993. Capital theory and the measurement of sustainable development: an indicator of “weak” sustainability. *Ecological Economics*, 8(2):103-108.
- Peberdy, S. & Rogerson, C. 2000. Transnationalism and non-South African entrepreneurs in South Africa’s small, medium and micro-enterprise (SMME) economy. *Canadian Journal of African Studies*, 34(1):20-40.
- Peel, D. 2004. Coaching and mentoring in small to medium sized enterprises in the UK: factors that affect success and a possible solution. *International Journal of Evidence Based Coaching and Mentoring*, 2(1):46-56.
- Pena, I. 2002. Intellectual capital and business start-up success. *Journal of Intellectual Capital*, 3(2):180-198.
- Perez, C. 2004. Technological revolutions, paradigm shifts and socio-institutional change. (In Reinert, E. ed., *Globalization, economic development and inequality: An alternative perspective*. Cheltenham: Edward Elgar. p. 217-242).
- Perrini, F., Russo, A. & Tencati, A. 2007. CSR strategies of SMEs and large firms: evidence from Italy. *Journal of Business Ethics*, 74(3):285-300.
- Piana, V. 2001. Productivity. <http://www.economicwebinstitute.org/glossary/prdctvt.htm>. Date of access: 12 Jun. 2017.

Pilat, D. & Schreyer, P. 2002. Measuring productivity. *OECD Economic Studies*, 2001(2): 127-170.

Porter, M.E. 2000. Location, competition, and economic development: local clusters in a global economy. *Economic Development Quarterly*, 14(1):15-34.

Porter, M.E., Ketels, C. & Delgado, M., 2007. The microeconomic foundations of prosperity: findings from the business competitiveness index. The Global Competitiveness Report 2007–2008. Washington, D.C.: World Bank.

Potts, T. & Schofield, C. 2008. The Arctic. *International Journal of Marine & Coastal*, 23:151-166.

Pretorius, M. & Van Vuuren, J., 2003. Contribution of support and incentive programs to entrepreneurial orientation and start-up culture in South Africa. *South African Journal of Economic and Management Sciences*, 6(3):514-528.

Rahman, H. & Ramos, I. 2010. Open Innovation in SMEs: From closed boundaries to networked paradigm. *Issues in Informing Science and Information Technology*, 7(4):471-487.

Rajaseka, S., Philominathan, P. & Chinnathambi, V. 2006. Research methodology. *Research Anesthesia and Pain Medicine*, 36(4):23-35.

Ramadani, V., Hisrich, R.D. & Gërguri-Rashiti, S. 2015. Female entrepreneurs in transition economies: insights from Albania, Macedonia and Kosovo. *World Review of Entrepreneurship, Management and Sustainable Development*, 11(4):391-413.

Ramukumba, T. 2014. Overcoming SMEs challenges through critical success factors: a case of SMEs in the Western Cape Province. *South Africa. Economic and Business Review for Central and South-Eastern Europe*, 16(1):19-36.

Rasego, C.M. 2011. A comparative study between white and black women entrepreneurs in selected areas in South Africa. Potchefstroom: North-West University. (Mini-dissertation - MBA).

Rasool, F. & Botha, C.J. 2011. The nature, extent and effect of skills shortages on skills migration in South Africa. *SA Journal of Human Resource Management*, 9(1):1-12.

Ratten, V. 2014. Collaborative entrepreneurship and the fostering of entrepreneurialism in developing countries. *International Journal of Social Entrepreneurship and Innovation*, 3(2):137-149.

Rauch, A. & Hulsink, W. 2015. Putting entrepreneurship education where the intention to act lies: an investigation into the impact of entrepreneurship education on entrepreneurial behaviour. *Academy of Management Learning & Education*, 14(2):187-204.

Reynolds, P., Hay, M., Bygrave, W.D., Camp, S.M. & Autio, E. 2000. Global entrepreneurship monitor. Executive Report.

Robb, A.M. & Robinson, D.T. 2014. The capital structure decisions of new firms. *The Review of Financial Studies*, 27(1):153-179.

Rodrigue, J. 2017. The geography of transport systems. 4th Ed. New York. Routledge.

Rogerson, C.M. 2014. Reframing place-based economic development in South Africa: the example of local economic development. *Bulletin of Geography: Socio-Economic Series*, 24(24):203-218.

Rogerson, C.M. 2004. The impact of the South African government's SMME programmes: a ten-year review (1994–2003). *Development Southern Africa*, 21(5):765-784.

Rogerson, C.M. 2006. Developing SMMEs in peripheral spaces: the experience of Free State province, South Africa. *South African Geographical Journal*, 88(1):66-78.

Rogerson, C.M. 2008. Tracking SMME development in South Africa: issues of finance, training and the regulatory environment. *In Urban Forum*, 19(1):61-81.

Rogerson, C.M. 2010. Local economic development in South Africa: strategic challenges. *Development Southern Africa*, 27(4):481-495.

Rogerson, C.M. 2014. Reframing place-based economic development in South Africa: the example of local economic development. *Bulletin of Geography: Socio-Economic Series*, 24(24):203-218.

- Romero-Martínez, A.M. & Montoro-Sánchez, Á. 2008. How clusters can encourage entrepreneurship and venture creation: reasons and advantages. *International Entrepreneurship and Management Journal*, 4(3):315-329.
- Rossouw, J. 2016. South Africa is Africa's largest economy (again). But what does it mean? <https://mg.co.za/article/2016-08-15-south-africa-is-africas-largest-economy-again-but-what-does-it-mean>. Date of access: 7 Jun. 2017.
- Rostow, W.W. 1983. The fifth upswing and the fourth industrial revolution. *Economic Impact*, 44:58-63.
- Runyan, R.C. 2006. Small business in the face of crisis: identifying barriers to recovery from a natural disaster. *Journal of Contingencies and Crisis Management*, 14(1):12-26.
- Rwigema, H. & Karungu, P. 1999. SMME development in Johannesburg's Southern Metropolitan Local Council: an assessment. *Development Southern Africa*, 16(1):107-124.
- Saez, E. 2016. Income and wealth inequality: evidence and policy implications. *Contemporary Economic Policy*, 35(1):7-25.
- SALGA. 2017. Municipalities. <https://www.salga.org.za/Municipalities%20MCD%20Gauteng.html>. Date of access: 8 Nov 2017.
- Sandelowski, M. 2000. Combining qualitative and quantitative sampling, data collection, and analysis techniques in mixedmethod studies. *Research in Nursing & Health*, 23(3):246-255.
- Schaeffer, M. 2013. The social meaning of inherited financial assets. Moral ambivalences of intergenerational transfers. *Forum: Qualitative Social Research*, 15(1):12-28.
- Schmitt-Grohé, S. & Uribe, M. 2016. Downward nominal wage rigidity, currency pegs, and involuntary unemployment. *Journal of Political Economy*, 124(5):1466-1514.
- Schumpeter, J. & Backhaus, U. 2003. The theory of economic development. Berlin: Springer.
- Schwab, K. 2016. The Fourth Industrial Revolution: what it means, how to respond. <https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>. Date of access: 12 June 2017.

- Shen, X. 2015. Private Chinese investment in Africa: myths and realities. *Development Policy Review*, 33(1):83-106.
- Simmie, J. & Martin, R. 2010. The economic resilience of regions: towards an evolutionary approach. *Cambridge Journal of Regions, Economy and Society*, 3(1):27-43.
- Simpson, M., Taylor, N. & Barker, K. 2004. Environmental responsibility in SMEs: does it deliver competitive advantage? *Business Strategy and the Environment*, 13(3):156-171.
- Singh, G. & Belwal, R., 2008. Entrepreneurship and SMEs in Ethiopia: evaluating the role, prospects and problems faced by women in this emergent sector. *Gender in Management: An International Journal*, 23(2):14-31.
- Sivertsson, O. & Tell, J. 2015. Barriers to business model innovation in Swedish agriculture. *Sustainability*, 7(2):1957-1969.
- Smallbone, D. & Welter, F. 2001. The distinctiveness of entrepreneurship in transition economies. *Small Business Economics*, 16(4):249-262.
- Smith, C. 2017. SA foreign direct investment jumps 38% in 2016. [http://www.fin24.com / Economy/sa-foreign-direct-investment-jumps-38-in-2016-unctad-20170209](http://www.fin24.com/Economy/sa-foreign-direct-investment-jumps-38-in-2016-unctad-20170209). Date of access: 7 Sept. 2017.
- Snyman, H.A., Kennon, D., Schutte, C.S. and Von Leipzig, K. 2014. A strategic framework to utilise venture capital funding to develop manufacturing SMEs in South Africa. *South African Journal of Industrial Engineering*, 25(2):161-181.
- Sorenson, O. & Audia, P.G. 2000. The social structure of entrepreneurial activity: geographic concentration of footwear production in the United States, 1940–1989. *American Journal of Sociology*, 106(2):424-462.
- Sriram, V. & Mersha, T. 2010. Stimulating entrepreneurship in Africa. *World Journal of Entrepreneurship, Management and Sustainable Development*, 6(4):257-272.
- Stander, C.J. 2011. Exploring women entrepreneurship in selected areas in South Africa. Potchefstroom: North West University. (Mini-dissertation - MBA).

- StatsSA (Statistics South Africa). 2012. Measuring South Africa's economic growth. https://www.statssa.gov.za/economic_growth/15%20Measuring%20GDP.pdf. Date of access: 12 June 2017.
- StatsSA (Statistics South Africa). 2017a. Gross domestic product. Second quarter 2017. Pretoria: Government Printer.
- StatsSA (Statistics South Africa). 2017b. Quarterly employment statistics. <http://www.statssa.gov.za/?p=10530>. Date of access: 18 Sept. 2017.
- StatsSA (Statistics South Africa). 2017c. Poverty rise in South Africa. <http://www.statssa.gov.za/?p=10334>. Date of access: 18 Sept. 2017.
- Stockil, A.D. 2015. Construction and validation of a theoretically derived PEST analysis type tool for LED and community entrepreneurship programmes in South African rural economies. University of the Witwatersrand. (Thesis - PhD).
- Street, C.T. & Cameron, A.F. 2007. External relationships and the small business: a review of small business alliance and network research. *Journal of Small Business Management*, 45(2):239-266.
- Tambunan, T. 2008. SME development, economic growth, and government intervention in a developing country: The Indonesian story. *Journal of International Entrepreneurship*, 6(4):147-167.
- Taylor, A.M. & Taylor, M.P. 2004. The purchasing power parity debate. *The Journal of Economic Perspectives*, 18(4):135-158.
- The Economist. 2015. Beyond commodities Gulf investors and the new Africa. http://globalbusinessforum.com/africa/pdf/Beyond_Commodities.pdf. Date of access: 7 Sept. 2017.
- The Presidency, 2012. National Development Plan 2030. <http://www.gov.za/issues/national-development-plan-2030>. Date of access: 12 June 2017.
- Thompson, J., Alvy, G. & Lees, A. 2000. Social entrepreneurship—a new look at the people and the potential. *Management Decision*, 38(5):328-338.

- Thorbecke, E. & Charumilind, C. 2002. Economic inequality and its socioeconomic impact. *World Development*, 30(9):1477-1495.
- Thornton, A. 2008. Beyond the metropolis: small town case studies of urban and peri-urban agriculture in South Africa. *In Urban forum*, 19(3):243.
- Thurik, A.R., Carree, M.A., Van Stel, A. & Audretsch, D.B., 2008. Does self-employment reduce unemployment? *Journal of Business Venturing*, 23(6):673-686.
- Tiwari, A.K., Shahbaz, M. & Islam, F. 2013. Does financial development increase rural-urban income inequality? Cointegration analysis in the case of Indian economy. *International Journal of Social Economics*, 40(2):151-168.
- Toulmin, C. 2009. Securing land and property rights in sub-Saharan Africa: the role of local institutions. *Land Use Policy*, 26(1):18-37.
- Trimi, S. & Berbegal-Mirabent, J. 2012. Business model innovation in entrepreneurship. *International Entrepreneurship and Management Journal*, 8(4):449-465.
- Tshabalala, D.B. & Rankumise, E.M. 2009. What impact do economic issues have on the survival of SMEs Entrepreneurs? *Proceedings of the 10th Annual Conference*, 142-146.
- Urban, B. 2008. Social entrepreneurship in South Africa: delineating the construct with associated skills. *International Journal of Entrepreneurial Behavior & Research*, 14(5):346-364.
- Valliere, D. & Peterson, R. 2009. Entrepreneurship and economic growth: evidence from emerging and developed countries. *Entrepreneurship & Regional Development*, 21(5-6):459-480.
- Van Hemel, C. & Cramer, J. 2002. Barriers and stimuli for ecodesign in SMEs. *Journal of Cleaner Production*, 10(5):439-453.
- Van Parijs, P. 2000. A basic income for all. *Boston Review*, 25(5):4-8.
- Van Scheers, L. 2011. SMEs' marketing skills challenges in South Africa. *African Journal of Business Management*, 5(13):5048.

- Van Stel, A., Carree, M. & Thurik, R. 2005. The effect of entrepreneurial activity on national economic growth. *Small Business Economics*, 24(3):311-321.
- Van Vuren, L., Grobler, W. & Pelupessy, W. 2008. Globalization and Local Development: the Sedibeng Steel Industry in South Africa. In African Studies Centre (ASC)–Leiden University (The Netherlands), Seminar.17.
- Venkataraman, S. 2004. Regional transformation through technological entrepreneurship. *Journal of Business Venturing*, 19(1):153-167.
- Victor, P.A. 2012. Growth, degrowth and climate change: a scenario analysis. *Ecological Economics*, 84(1):206-212.
- Von Broembsen, M. 2005. A global perspective. General Entrepreneurship Monitor. South African Report. London: Global Entrepreneurship Research.
- Vyas-Doorgapersad, S. 2014. Gender equality, pro-poor growth and MDG Goal 1 in South African municipal governance: the case of Sedibeng District Municipality. *Mediterranean Journal of Social Sciences*, 5(21):327.
- Wade, R.H. 2004. Is globalization reducing poverty and inequality? *World Development*, 32(4):567-589.
- Watson, J., Newby, R. & Mahuka, A. 2009. Gender and the SME “finance gap”. *International Journal of Gender and Entrepreneurship*, 1(1):42-56.
- Watt, B. 2015. Corruption in government and business. *Busidate*, 23(2):5-7.
- Weber, A. 1982. On the location of industries. *Progress in Geography*, 6(1):120-128.
- WEF (World Economic Forum). 2016. The fourth industrial revolution: what it means, how to respond. <https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/>. Date of access: 6 Oct. 2017.
- Wennekers, S. & Thurik, R. 1999. Linking entrepreneurship and economic growth. *Small Business Economics*, 13(1):27-56.
- Westlund, H. & Bolton, R. 2003. Local social capital and entrepreneurship. *Small Business Economics*, 21(2):77-113.

- White, L & Kitimbo, A. 2017. Governance in Africa: what do the numbers tell us? <https://www.dailymaverick.co.za/article/2017-02-27-governance-in-africa-what-do-the-numbers-tell-us/#.WTksQMaxXIU>. Date of access. 8 June 2017.
- Wickert, C. 2016. Political corporate social responsibility in small-and medium-sized enterprises: a conceptual framework. *Business & Society*, 55(6):792-824.
- Wiklund, J., Patzelt, H. & Shepherd, D.A. 2009. Building an integrative model of small business growth. *Small Business Economics*, 32(4):351-374.
- Williams, C.C. 2010. Spatial variations in the hidden enterprise culture: some lessons from England. *Entrepreneurship & Regional Development*, 22(5):65-89.
- Woolcock, M. & Narayan, D. 2000. Social capital: Implications for development theory, research, and policy. *The world bank research observer*, 15(2):225-249.
- Work, R. 2002. Overview of decentralisation worldwide: a stepping stone to improved governance and human development. Second International Conference on Decentralization, "Federalism: *The Future of Decentralizing States*, 25.
- World Bank. 2015. Small and medium enterprises (SMEs) finance. <http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>. Date of access: 7 Oct. 2017.
- World Bank. 2016. Entrepreneurs and small businesses spur economic growth and create jobs. <http://www.worldbank.org/en/news/feature/2016/06/20/entrepreneurs-and-small-businesses-spur-economic-growth-and-create-jobs>. Date of access: 7 Sept. 2017.
- World Bank. 2016. World development indicator database. <http://worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS>. Date of access: 10 May 2017.
- World Bank. 2017. Where we work South Africa: overview. <http://www.worldbank.org/en/country/southafrica/overview>. Date of access: 7 June 2017.
- Writer, S. 2015. South Africa is alarmingly bad at entrepreneurial activity. <https://businesstech.co.za/news/general/97353/south-africa-is-alarmingly-bad-at-entrepreneurial-activity/>. Date of access: 12 Jun. 2017.

- Writer, S. 2016. Massive job cuts at South Africa's largest clothing retailer: report. <https://businesstech.co.za/news/business/111765/massive-job-cuts-at-south-africas-largest-clothing-retailer-report/>. Date of access. 8 Jun. 2017.
- Wu, J.H. & Wang, S.C. 2005. What drives mobile commerce? An empirical evaluation of the revised technology acceptance model. *Information & Management*, 42(5):719-729.
- Yeoh, W. & Koronios, A. 2010. Critical success factors for business intelligence systems. *Journal of Computer Information Systems*, 50(3):23-32.
- Yew Wong, K. & Aspinwall, E. 2004. Characterizing knowledge management in the small business environment. *Journal of Knowledge Management*, 8(3):44-61.
- Zahra, S.A., Rawhouser, H.N., Bhawe, N., Neubaum, D.O. & Hayton, J.C. 2008. Globalization of social entrepreneurship opportunities. *Strategic Entrepreneurship Journal*, 2(2):117-13.
- Zikmund, W.G. 2000. Business research methods. 6th ed. Oak Brook: The Dryden Press, Harcourt Brace College Publishers.
- Zott, C. & Huy, Q.N. 2007. How entrepreneurs use symbolic management to acquire resources. *Administrative Science Quarterly*, 52(1):70-105.
- Zulu, L. 2014. Importance of SMMEs is big business for country. [http://www.iol.co.za / business-report /opinion/importance-of-smmes-is-big-business-for-country-1768670](http://www.iol.co.za/business-report/opinion/importance-of-smmes-is-big-business-for-country-1768670). Date of access: 12 June 2017.

ANNEXURE A: QUESTIONNAIRE



THE IMPACT OF SOCIO-ECONOMIC CHALLENGES ON LOCAL ECONOMIC DEVELOPMENT (LED): A COMPARATIVE STUDY BETWEEN EMFULENI AND MIDVAAL LOCAL MUNICIPAL AREAS

My name is Karabo Molefe and I'm currently doing my Master's Degree (MCom) at the North-West University (Vaal Campus). My study aims to determine the different socio-economic challenges and how they impact local economic development (LED) through sampling SMMEs. SMMEs were chosen as the sample group as they contribute significantly towards GDP and eliminating certain socio-economic barriers may impact on their success in turn improving LED through helping to alleviate poverty and promote job creation. .

Your assistance in completing this questionnaire as part of this important study would therefore be highly appreciated.

Please take a few minutes to complete the attached questionnaire. It should take approximately 5 to 10 minutes to complete. All information you supply will be treated as anonymous and confidential and the results will only be reported on in aggregate.

Thank you for your contribution to the study.

Mr. Karabo Molefe

North-West University (Master Student)

Kmolefe6@gmail.com

Ms. Natanya Meyer (Supervisor)

016 910 3373 / 082 347 6611

natanya.meyer@nwu.ac.za

QUESTIONNAIRE

Section A: Demographic information

Please mark each question with a cross (x) in the appropriate box with a **PEN**.

A1. Which ethnic group do you fall in?

- | | |
|---|-----------------|
| 1 | Black / African |
| 2 | Coloured |

- | | |
|---|----------------|
| 3 | White |
| 4 | Indian / Asian |

A2. What is your age?

- | | |
|---|-------------------------|
| 1 | Younger than 21 years |
| 2 | Between 21 and 30 years |
| 3 | Between 31 and 40 years |

- | | |
|---|-------------------------|
| 4 | Between 41 and 50 years |
| 5 | Between 51 and 60 years |
| 6 | Above 61 years |

A3. Gender?

- | | |
|---|------|
| 1 | Male |
|---|------|

- | | |
|---|--------|
| 3 | Female |
|---|--------|

A4. What is your highest level of education?

- | | |
|---|--|
| 1 | Primary and secondary school not completing matric |
| 2 | Secondary school completed matric |
| 3 | Certificate |

- | | |
|---|--|
| 4 | Diploma (Technical College or similar) |
| 5 | Degree (University) |
| 6 | Post Graduate degree |

A5. How long have you been self-employed?

- | | | | |
|---|---|---|-----------------------|
| 1 | Less than 1 year | 3 | Between 1 and 3 years |
| 2 | If more than 3 years, please indicate how long: | | |

Section B: Business information

B1. Which sector does your business operate in?

- | | | | |
|----|-------------------------|----|------------------------------------|
| 1 | Agriculture | 6 | Transport / Distribution |
| 2 | Manufacturing | 7 | Health Safety |
| 3 | Construction | 8 | Financial Services |
| 4 | Trade | 9 | Production |
| 5 | Education | 10 | Services (Salon, Hairdresser etc.) |
| 11 | Other: (Please specify) | | |

B2. What is your company's legal form?

1	Sole Proprietor	4	Private Company
2	Partnership	5	Public Company
3	Close Corporation	6	Not Registered
7	Other: (Please specify)		

B3. What is the size of your business?

1	Only myself (no employees)	4	Small (11-49 employees)
2	Micro (between 1 and 5 employees)	5	Medium (50-249 employees)
3	Micro (between 6 and 10 employees)	6	Large (More than 250 employees)

B4. Place of business premises:

1	Home based (working from home)	4	Outlying areas (business zoned premises)
2	CBD (Central Business District)	5	Outlying areas (Not business zoned premises)
3	Industrial area	6	Agricultural land / farm
7	Other: Please specify:		

B5. Have you had any exposure to business before starting your own business?

1	No	2	Yes, one of my parents owned a business
3	Yes, someone I am close to owned a business. Please indicate relationship e.g. brother, husband etc.		

B6. Have you ever received any entrepreneurial or business management training?

1	No
2	Yes, please indicate where and to what extent:

B7. Do you think that the current South African Government is creating an enabling environment for the development of new female owned business?

1	No
2	Yes, please indicate how:

B8. Are you part of, or inherited, a family business?

1	No
2	Yes, please indicate how long the business has been in the family:

Section C: Enabling Environment

Please provide a score for the municipality your business is situated in for each factor (5 for very good and 1 for very poor) (mark each line with one X at the selected level). Please complete in **PEN**.

	Factor	(1) Very Poor	(2) Poor	(3) Average	(4) Good	(5) Very Good
1	Partnership formation	1	2	3	4	5
2	Structures, capacity and policies	1	2	3	4	5
3	Leadership	1	2	3	4	5
4	Poverty alleviation and social development	1	2	3	4	5
5	Economic development initiatives	1	2	3	4	5
6	Environmental and spatial planning	1	2	3	4	5
7	Infrastructure development and maintenance	1	2	3	4	5
8	HR skills development	1	2	3	4	5
9	Entrepreneurship development	1	2	3	4	5
10	Improved access to technology	1	2	3	4	5
11	Agricultural and rural development	1	2	3	4	5
12	Safety and security	1	2	3	4	5

Sections D: Challenges faced by SMMEs

In terms of your local area, what are the main challenges for economic and business development? Please select **ONE** option per factor which most satisfies your opinion regarding the factors below by marking the block using a cross (x) where 1 = Strongly disagree and 4 = Strongly agree. Please complete in PEN.

	Socio Economic Challenges	(1) Strongly disagree with statement	(2) Disagree with statement	(3) Agree with statement	(4) Strongly agree with statement
1	Lack of access to finance	1	2	3	4
2	Lack of collateral	1	2	3	4
3	Lack of business ownership	1	2	3	4
4	Inadequate demand	1	2	3	4
5	Inadequate market research and information	1	2	3	4
6	Locality of the business	1	2	3	4

	Socio Economic Challenges	(1) Strongly disagree with statement	(2) Disagree with statement	(3) Agree with statement	(4) Strongly agree with statement
7	High levels of competition	1	2	3	4
8	Poor/bad credit record	1	2	3	4
9	High transport and logistics costs	1	2	3	4
10	Lack of networking	1	2	3	4
11	Crime	1	2	3	4
12	Insufficient government support	1	2	3	4
13	Lack of IT and innovation	1	2	3	4
14	High taxes and other tariffs	1	2	3	4
15	High levels of “red tape” and regulations	1	2	3	4
16	Corruption	1	2	3	4
17	Poor infrastructure capacity and maintenance (electricity, water, road)	1	2	3	4
18	Poor service delivery	1	2	3	4
19	Poor tele-communication including internet, Wi-Fi	1	2	3	4
20	High interest rates	1	2	3	4
21	High production cost	1	2	3	4
22	Recession and slow growth	1	2	3	4
23	High inflation rates	1	2	3	4
24	Weak exchange rate (weak rand)	1	2	3	4
25	Lack of business stands/ properties	1	2	3	4
26	Lack of experience relevant to business venture	1	2	3	4
27	Lack of knowledge of market/industry	1	2	3	4
28	Lack of business skills	1	2	3	4
29	Shortage of skilled labour	1	2	3	4
30	Lack of business skills training	1	2	3	4

THANK YOU

ANNEXURE B: LETTER FROM THE LANGUAGE EDITOR



Jomone' Müller

Language Practitioner
SATI No. 1002831
BA Hons (Language practice)

www.jmuller.co.za
Tel: +27 84 406 0029
jomone@jmuller.co.za

DECLARATION OF LANGUAGE EDITING

20 November 2017

To whom it may concern

This is to confirm that I, the undersigned, have language edited the completed research of *Karabo Molefe* for the *Magister Commercii in Economics* entitled: *The identification of socio-economic challenges: A regional comparative study of the Emfuleni and Midvaal local municipal areas.*

No changes were permanently affected and were left to the discretion of the student. The responsibility of implementing the recommended language changes rests with the author of the thesis.

Yours truly

A handwritten signature in black ink, appearing to read 'J Müller'.

Jomone Müller