



The development and sustainability of small and medium enterprises: the role of the Department of Small Business Development

 **A Mnguni**

[orcid.org/ 0000-0002-1862-4917](https://orcid.org/0000-0002-1862-4917)

Mini-dissertation submitted in partial fulfilment of the requirements for the degree *Masters of Arts in Public Administration* at the North-West University

Supervisor:

Dr L Vermeulen

Graduation ceremony May 2018

Student number: 26967367

DECLARATION

I **Anna Mnguni**, hereby:

Declare that: **The development and sustainability of small and medium enterprises: the role of the Department of Small Business Development** is my own work, that all sources used or quoted have been indicated and acknowledged by means of complete references, and that this dissertation was not previously submitted by me or any other person for degree purposes at this or any other university.

Signature

Date

ACKNOWLEDGEMENTS

Firstly, I would like to thank God the Almighty for giving me the strength and perseverance to complete my studies. Secondly, I would like to thank the following persons who supported me and gave me the encouragement to complete this dissertation during the times when I wanted to quit: my family, especially my sisters, Nompumelelo Joyce Mnguni, Paulinah Mnguni, Lindiwe Sibongile Thindisa, and my brother Icy Mlungisi Mnguni. Dr Luni Vermeulen, my supervisor, for the guidance, support and motivation when I felt like giving up; my colleague, whom I was studying with, Ms Nontokozo Nokhwali-Mboyi; thank you so much for the support, encouragement and words of advice. If it was not for you I doubt that I would have completed my studies. To my friends, thank you for encouraging me to push myself over the finish line and thank you for listening to me and advising me. Thank you to all the respondents for participating in the research and taking time to respond to the questionnaire, your invaluable time is sincerely appreciated. Most of all, I would like to thank my twin sons, Molemo and Tshepang, for understanding when I could not give them my attention during my studies.

MAY GOD BLESS YOU ALL!

ABSTRACT

The development and sustainability of small and medium enterprises (SMEs) is a priority of the South African government since SMEs contribute significantly to economic growth and employment opportunities. Subsequently, SMEs assist in the alleviation of unemployment, poverty, and inequality thus contributing towards the achievement of the objectives of the democratic developmental state.

The government has, through the establishment of the Department of Small Business Development (DSBD), as well as the strengthening of the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA), placed legislation, policies and mechanisms in place to promote the development and sustainability of SMEs. However, the high failure rate of SMEs (70 – 80%) reveals that the current legislation, policies and mechanisms are not successful in ensuring the development and sustainability of SMEs (Lekhanya, 2015:1). Therefore, it hinders socio-economic growth and fails to contribute to the attainment of the objectives of the democratic developmental state. Hence, it is necessary that the government, through the DSBD, provide improved support to SMEs to develop and become sustainable. The study was therefore guided by the following research question: *How can the DSBD improve its role in the development and sustainability of SMEs to contribute to the attainment of the objectives of the democratic development state?*

A theoretical framework for the development and sustainability of SMEs was established which included a review of suitable theories for economic development. An overview of the statutory and regulatory framework for the development and sustainability of SMEs was included in the study. Particular attention was paid to the statutory and regulatory guidelines pertaining to the role of the DSBD in this regard.

The study followed a qualitative research approach, based on a thorough literature review and an empirical investigation, with a case study as the research design. Personal semi-structured interviews were used as data collection instruments. The personal interviews were conducted in Refilwe, Cullinan with the owners of SMEs, and

the middle managers at the DSBD, responsible for the development and sustainability of SMEs.

The most significant findings of the study included the following: the current policies, programmes and mechanisms that are in place to promote the development and sustainability of SMEs do not create an enabling environment hence the majority of black-owned SMEs fail due to inadequate funding, poor infrastructure, a lack of access to markets, red tape and a lack of business management skills. Middle managers at the DSBD, responsible for the development and sustainability of SMEs, are unaware of the base on which SMEs should be funded. The training provided by the DSBD to SMEs is effective, but the majority of the owners of SMEs are not aware of the services provided by the DSDB, which include training and funding opportunities. The DSBD is not effectively communicating the services it provides to SMEs. Based on the findings of the study and the ensuing recommendations made, it is envisaged that the study will assist the DSBD to improve its role in the development and sustainability of SMEs, which will contribute to the attainment of the objectives of the democratic development state.

Key terms: Small and medium enterprises (SMEs); development and sustainability of SMEs; Department of Small Business Development (DSBD); objectives of the democratic developmental state; poverty; unemployment; inequality.

TABLE OF CONTENTS

DECLARATION OF OWN WORK	ii
ACKNOWLEDGEMENTS	iii
ABSTRACT	iv
LIST OF TABLES	67
LIST OF DIAGRAMS	86
ANNEXURES	174

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1	ORIENTATION AND PROBLEM STATEMENT	1
1.2	RESEARCH OBJECTIVES	11
1.3	RESEARCH QUESTIONS	12
1.4	CENTRAL THEORETICAL ARGUMENTS	12
1.5	RESEARCH METHODOLOGY	17
1.5.1	Research approach	17
1.5.2	Research design	18
1.5.3	Instrumentation	19
1.5.3.1	Literature review	19
1.5.3.2	Personal interviews	20
1.5.4	Population and sampling	21
1.5.5	Validity, reliability and dependability	22
1.5.6	Data analysis	23
1.6	ETHICAL CONSIDERATIONS	24
1.7	LIMITATIONS AND DELIMITATIONS OF THE STUDY	24
1.8	SIGNIFICANCE OF THE STUDY	25
1.9	PROVISIONAL CHAPTER LAYOUT	26

CHAPTER 2: THEORETICAL FRAMEWORK FOR THE DEVELOPMENT AND SUSTAINABILITY OF SMEs

2.1	INTRODUCTION	28
2.2	CONCEPTUALISING SMEs	29
2.3	CONTEXT OF THE DEMOCRATIC DEVELOPMENTAL STATE	30
2.3.1	A comparison of various developmental and developing states and their SMEs	35
2.3.2	SMEs and sustainable development	40
2.3.3	The importance of SMEs in the economy of South Africa	42
2.3.4	The sustainability of SMEs	44
2.3.5	Development and management of SMEs	46
2.3.5.1	Development of SMEs	46
2.3.5.2	Management of SMEs - life cycle and growth model	48
2.3.5.3	Management of SMEs – Performance	51
2.4	THEORIES OF ECONOMIC DEVELOPMENT	52
2.4.1	Solow’s Growth Model	53
2.4.1.1	Criticism on Exogenous Theory	54
2.4.2	New Growth Theory	55
2.4.2.1	Importance of human capital in economic growth	56
2.4.2.2	Importance of knowledge in economic growth	58
2.4.2.3	Importance of technology in economic growth	58
2.4.3	Classical Political Economy Theory	58
2.4.4	Jevons’ Theory of Political Economy	59
2.5	CONCLUSION	60

CHAPTER 3: THE STATUTORY AND REGULATORY FRAMEWORK FOR THE DEVELOPMENT AND SUSTAINABILITY OF SMEs

3.1	INTRODUCTION	62
3.2	THE ESTABLISHMENT OF SMEs AND OPERATING REGULATIONS FOR SMEs	62
3.2.1	Establishment regulations for SMEs	63

3.2.2	Operating regulations for SMEs	65
3.3	STATUTORY AND REGULATORY FRAMEWORK FOR THE DEVELOPMENT AND SUSTAINABILITY OF SMEs	66
3.3.1	White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995	68
3.3.2	National Small Business Act 102 of 1996	71
3.3.3	Broad Based Black Economic Empowerment Act 53 of 2003	72
3.3.4	National Development Plan (NDP): Vision for 2030 (2012)	72
3.3.5	National Informal Business Upliftment Strategy (NIBUS), 2014	74
3.3.6	National Youth Policy, 2015	74
3.4	ROLE OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT (DSBD) IN DEVELOPING AND SUSTAINING SMEs	75
3.5	INTERVENTIONS BY OTHER GOVERNMENT INSTITUTIONS IN THE PROMOTION OF SMEs	77
3.6	REGULATING SMEs	79
3.7	CONCLUSION	81

CHAPTER 4: EMPIRICAL RESEARCH: RESULTS AND FINDINGS

4.1	INTRODUCTION	82
4.2	RESULTS FROM INTERVIEWS	83
4.2.1	Biographical information – Middle managers	85
4.2.1.1	Designation	85
4.2.1.2.	Divisions and Units	85
4.2.1.3.	Period of employment in current posts	86
4.2.1.4.	Period of employment at the DSBD	87
4.2.1.5.	Gender	88
4.2.1.6.	Age	89
4.2.2.	Results obtained from the interviews with middle managers at the DSBD	90
4.2.2.1.	The role of the DSBD in the development and sustainability of SMEs	90

4.2.2.2.	The effectiveness of the DSBD's policies, programmes and mechanisms	91
4.2.2.3.	Reasons for the failure of black-owned SMEs	93
4.2.2.4.	Decision-making for the funding of SMEs	95
4.2.2.5.	Managing of the network of stakeholders by the DSBD	96
4.2.2.6.	The use of technology to promote SMEs	98
4.2.2.6.	Training provided to the owners of SMEs and measuring its success	100
4.2.3.	Primary findings from the interviews with middle managers at the DSBD	101
4.2.4	Biographical information – The owners of SMEs	103
4.2.4.1.	Type of SME (sector)	103
4.2.4.2.	Period of owning a SME	105
4.2.4.3.	Gender	106
4.2.4.4	Age	107
4.2.5.	Results from the interviews with the owners of SMEs	108
4.2.5.1	Financing of SMEs	108
4.2.5.2	Usefulness of training provided by the DSBD	109
4.2.5.3	Challenges faced by the owners of SMEs	111
4.2.5.4.	Experience of services supported by the DSBD	113
4.2.5.5.	Factors contributing to the survival of SMEs	115
4.2.6	Primary findings from the interviews with the owners of SMEs	116
4.3	CONCLUSION	117

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1	INTRODUCTION	119
5.2	SUMMARY OF THE CHAPTERS	120
5.3	PRIMARY FINDINGS OF THE STUDY	124
5.4	RECOMMENDATIONS	134
5.5	SIGNIFICANCE OF THE STUDY	139
5.6	FUTURE RESEARCH	140
5.7	CONCLUSION	140
	LIST OF REFERENCE	143

LIST OF DIAGRAMS

Diagram 4.1:	Divisions and Units	86
Diagram 4.2:	Period of employment in current posts	87
Diagram 4.3:	Period of employment at the DSBD	87
Diagram 4.4:	Gender	89
Diagram 4.5:	Age	89
Diagram 4.6:	The role of the DSBD	91
Diagram 4.7:	The effectiveness of the DSBD policies, programmes and mechanisms	92
Diagram 4.8:	Reasons for failure of black-owned SMEs	93
Diagram 4.9:	Decision-making for the funding of SMEs	96
Diagram 4.10:	Management of the network of stakeholders by the DSBD	97
Diagram 4.11:	The use of technology to promote SMEs	98
Diagram 4.12:	Measurement of the success of training to SMEs by the DSBD	101
Diagram 4.13:	Type of SME (sector)	104
Diagram 4.14:	Period of owning SMEs	105
Diagram 4.15:	Gender	106
Diagram 4.16:	Age	107
Diagram 4.17:	Financing of SMEs	109
Diagram 4.18:	Training received for the management of SMEs	110
Diagram 4.19:	Challenges faced by the owners of SMEs	112
Diagram 4.20:	Experiences of the services offered by the DSBD	114
Diagram 4.21:	Factors contributing to the survival of SMEs	115

LIST OF TABLES

Table 3.1:	National policies for the development of SMEs	67
Table 3.2:	The role of the DSBD in the development and sustainability of SMEs	76

ANNEXURES

ANNEXURE A:	The interviews schedule (middle managers)	177
ANNEXURE B:	The interview schedule (the owners of SMEs)	179

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1. ORIENTATION AND PROBLEM STATEMENT

The Constitution of the Republic of South Africa, 1996 (hereafter referred to as the Constitution, 1996), aims to transform South African society through healing the past of Apartheid and guiding the country towards the establishment of a society based on social justice, democracy and human rights (RSA, 1996a:1243; Fuo, 2014:25). The first democratic government, established in 1994, inherited a number of socio-economic challenges including poor infrastructure for service delivery in previously disadvantaged communities, unemployment, poverty, and a population that reflected vast inequalities across racial groups. (Herrington & Kew, 2010:12; Moseki, 2014:2-3) In the National Development Plan (NDP) Vision for 2030 (2012), these factors are identified as some of the central challenges obstructing the democratic and developmental rights of citizens (RSA, 2012a:3). Particularly detrimental to citizens' socio-economic advancement are poverty, unemployment and inequality (RSA, 2012a:2).

The post-1994 government committed itself to the improvement of the socio-economic circumstances of the majority of South Africans who were denied democratic rights and equal opportunities under Apartheid. One of the ways in which the rights and opportunities of the black population were trampled upon, was the right to own businesses in areas demarcated for 'whites only' (Magruder, 2010:6). These 'whites only' areas included the economically viable urban areas. The black population's entrepreneurship was therefore restricted to the townships and 'black rural areas' where the majority of the population lived in dire poverty; thus, preventing these businesses from financially flourishing.

In addressing these inequalities of the past, the Constitution, 1996, through its Bill of Rights, stipulates certain rights for all citizens in South Africa. Relevant to this study were the following sections of the Bill of Rights (RSA, 1996a:1247-1251):

- Section 9 – every citizen is equal before the law and enjoys equal rights and freedoms.

- Section 21 – every citizen has the right to freedom of movement.
- Section 22 – every citizen has the right to unreservedly decide on the trade, occupation or profession they wish to follow.

In its core, the human rights enshrined in the Bill of Rights reflect the democratic spirit of the Constitution, 1996, promoting a democratic society. South Africa is, however, in addition to being a democracy, also a developmental state. According to De Wet (2010:58), for a state to be regarded as developmental the following elements should be in place: equity, justice, a rapidly growing economy, and the improvement in the quality of life for all citizens. South Africa, as a developmental state, formulated strategies to address the socio-economic challenges of the country (Borole, 2013:19). Most notable of these strategies is the NDP, which aims to eliminate poverty and reduce inequality (RSA, 2012a:2; Fourie, 2013:8). The NDP indicates the following nine central challenges that contributed to the slow progress of the socio-economic development in South Africa (RSA, 2012a:14-15):

- Too few people work.
- The quality of primary and secondary education for black people is poor.
- Infrastructure is poorly located, inadequate and under-maintained.
- Spatial divides hinder inclusive development.
- The economy is unsustainably resource intensive.
- The public health system cannot meet demand or sustain quality healthcare.
- Public services are unequal and often of poor quality.
- Corruption levels are high.
- South Africa remains a divided society.

Of these challenges, most relevant to this study were (1) too few people work, and (2) South Africa remains a divided society.

(1) Too few people work

The NDP indicates that, together with improved education, the creation of employment opportunities should be the primary priority of government (RSA, 2012a:3-4). The unemployment rate in South Africa is continuously increasing, this can be seen in both

the first quarters of 2015 and 2016 as the number of unemployed people increased by more than half a million (626 000 and 521 000 respectively) (RSA, 2017e:1). In the first quarter of 2016 the unemployment rate was 26.7% (RSA, 2016a:14-15). Further to this, in 2015 up to 30.4 million South Africans were living in poverty (RSA, 2017e:1). In this regard, small and medium enterprises (SMEs) provide opportunities for employment and self-employment (Herrington & Kew, 2010:113; HSF, 2013:1). Considering the positive role that SMEs can play in employment creation, it is necessary to establish the meaning of the term *SME*.

The definition of a *small business* may differ from country to country. In some countries domestic considerations such as the number of business units and the value of assets define what SMEs are (Van der Westhuizen, 2014:21). In South Africa, the Department of Trade and Industry (DTI) defines SMEs according to a minimum asset base of 25 million, which excludes land and working capital (RSA, 1996b:3-4). The DTI further describes a *small business* as “a business, cooperative and non-governmental organisation owned by one or more people, including its branches in any sector or subsector, classified as a very small, small and medium enterprise” (RSA, 1996b:3-4). Maziriri and Chinomona (2016:130) denote that in the South African context, a SME refers to any business that is directly owned by an individual who has less than 200 employees, an annual turnover of less than five million Rand, and capital assets of less than two million Rand. The importance of SMEs in the alleviation of unemployment, poverty and inequality is elaborated upon below in chapter 2.

(2) South Africa remains a divided society

Among the priorities of government is the need for an inclusive economy in which the benefits of growth are shared equitably (RSA, 2012a:28). According to the Gini coefficient (used to measure levels of inequality between countries) South Africa remains a dual economy with one of the highest rates of inequality in the world (World Bank, 2017). The country’s income Gini ranges between 0.66 to 0.70, with the highest decile¹ of the population accounting for 58% of the country’s income, while the lowest

¹ A decile refers to each of ten equal groups into which a population can be divided according to the distribution of values of a particular variable (Webster, 2017).

decile accounts for 0.5%, and the bottom half less than 8% (World Bank, 2017). This makes South Africa one of the most consistently unequal countries in the world (World Bank, 2017; Borat, 2017).

Inequality, whether economic, political or cultural, is known to be associated with poverty (Lynch, Baker & Cantillon, 2000:1; Dodgson, 2017). Poverty refers to considerable deprivations in the wellbeing of a society (Haughton & Khandker, 2009:73). Poverty also signifies a deficiency in an individual's socio-economic capabilities with manifestations that include factors such as income, access to basic services, access to assets, information, social networks, and social capital (RSA, 2008a:4). In alleviating poverty it is essential to create economic opportunities, to provide citizens with accessibility to these opportunities, and to enable and empower communities to support themselves (RSA, 2008a:5). In this respect, the NDP places SMEs at the centre of the war against poverty, inequality, and unemployment (RSA, 2012a:2).

In addition to the NDP, the Medium Term Strategic Framework (MTSF), 2014-2019, also encompasses the policy objectives of the government to eradicate poverty. The MTSF, 2014-2019, commits to the implementation of the NDP's aim of increasing and sustaining the socio-economic development for all citizens (RSA, 2014:5-6). Also, the MTSF, 2014-2019, pledges to guide the government's policy agenda with the following (RSA, 2014:5):

- The New Growth Path (NGP) that sets the course for economic development.
- The National Infrastructure Plan (NIP) that guides the realisation of infrastructure to improve citizen's lives and support economic growth.
- The Industrial Policy Action Plan (IPAP) that focuses on encouraging investment and competitiveness in leading sectors and industries.

In committing to the abovementioned objectives, the MTSF supports the goals of the democratic developmental state. To achieve these goals, the government must translate political liberation into the economic wellbeing of all citizens to accelerate socio-economic progress, strengthen the democracy, and build a more inclusive

society (De Wet, 2010:58). A developmental state that is democratic and socially inclusive can confront the developmental challenges of the state by developing a thriving economy, reducing the high rates of poverty, inequality and unemployment, and bettering the livelihoods of all citizens (HSRC, 2010:1). As mentioned, SMEs can therefore play a significant role in addressing these challenges by accelerating the socio-economic growth in the country (RSA, 2012a:2; Fourie, 2013:8).

The Bureau for Economic Research (BER) supports the view that SMEs in South Africa are the driving force of economic growth and employment creation as they employ almost half of the formally employed population (BER, 2016:5). Statistics provided by the South African Reserve Bank (SARB) in 2015 indicated that SMEs contribute 60% to the country's employment (SARB, 2015:5). At the beginning of 2017 this percentage remained steadfast, confirmed by the Banking Association of South Africa (BASA), this shows that SMEs in South Africa provide employment for up to 60% of the labour force and account for more than 34% of the country's Gross Domestic Product (GDP) (BASA, 2017:1). Judging by these statistics, it is evident that SMEs have the potential to improve the economy of South Africa as they can contribute to employment creation. In turn, through the employment opportunities that SMEs provide, socio-economic challenges such as poverty, unemployment and inequality can be relieved.

The role of SMEs in the growth of a country's economy has been broadly acknowledged in the developed and developing world (Van Heerden, 2010:12; Lamprecht, 2011:86; Schutte, 2011:1; Smit & Watkins, 2012:2; Marivate, 2014:1). In developed countries such as Japan and South Korea, SMEs play a significant role in the growth of the economy (Van Heerden, 2010:12). Countries with emerging economies, such as Brazil, Israel, India, and Ireland have also recognised the significance of promoting and supporting the development of SMEs as a means to grow the national economy and alleviate unemployment and poverty among its citizens (Marivate, 2014:1). In Africa, the development of SMEs is also acknowledged as important in promoting employment opportunities, economic growth and poverty reduction (Smit & Watkins, 2012:2; Lekhanya & Mason, 2014:1-2). South Africa is therefore following an international trend in the acknowledgement of the importance of SMEs in economic growth.

In consideration of the above discussion, this study supports the notion that SMEs play an important role in entrepreneurship, economic growth and employment opportunities in the South African economy (Dubihlela, 2012:36; UN, 2016:2). Since SMEs elevate economic activity, employment opportunities and poverty alleviation (Smit & Watkins, 2012:2; Lekhanya & Mason, 2014:1-2), the economy can be transformed and accelerated as entrepreneurs start businesses and sustain them through continuous growth. In this way, SMEs will contribute, not only to the global sustainable agenda (UN, 2016:2), but more importantly to the South African developmental agenda (RSA, 2012a:2). The study highlights the role of SMEs in contributing to the national development objectives of reducing poverty, inequality and unemployment (RSA, 2012a:2:90-92). In acknowledging the role of SMEs in socio-economic development, the study focuses on the development and sustainability of SMEs and specifically, the role of the Department of Small Business Development (DSBD) in this regard.

Although SMEs have the potential to improve the economy of the country, as explained above, globally SMEs have a low survival rate (Van Scheers, 2010:1). In South Africa SMEs have a failure rate of 70%-80% (Lekhanya, 2015:1) placing South Africa with the highest rate of failed SMEs globally (Sibindi & Aren, 2015:1). Few SMEs survive beyond three and half years after establishment (BER, 2016:10). Research reveals that in most African countries there are more closures than expansions of SMEs and only a small number of SMEs grow from small to medium enterprises with five or less employees (Smit & Watkins, 2012:2).

Factors such as a lack of access to finances, inadequate entrepreneurship education' insufficient business skills' inadequate leadership, and poor market access can cause hindrances to the growth of SMEs (Dubihlela, 2012:37). Further to this, SMEs are faced with challenges including business registration, regulatory compliance' poor planning, a lack of business plan development, a lack of access to office space, and a lack of information (Dubihlela, 2012:37). Approximately 75% of new SMEs in South Africa do not become established businesses (Burger, 2016:1). Furthermore, SMEs are threatened and undermined by the increased penetration of Chinese businesses that force local companies out of business (Masarira, 2014:50). Moreover, the

likelihood of a start-up business surviving beyond 42 months is less likely in South Africa than in any other Global Entrepreneur Monitor sampled country (Fatoki, 2014:1).

In consideration of the contributing role of SMEs in the national development agenda, the government acknowledged the need for support for SMEs to increase their sustainability. In this respect, the National Small Business Act (NSBA) 102 of 1996, which promotes the interests and concerns of SMEs, was promulgated. The NSBA calls for the promotion of small businesses and provides guidelines for government entities in the national, provincial, and local spheres that are in line with this goal (RSA, 1996b:1;13-14).

Although SMEs are prioritised in the NSBA as a means to accelerate economic growth (RSA, 1996b:1;3), the high failure rate of SMEs (70%-80%) illustrates that the current legislation does not yield the desired results (Lekhanya, 2015:1). To support the above statement, Marivate (2014:4) indicates that SMEs fail in the first year of operation. Poor inventory and cash flow management were identified among the reasons why SMEs in South Africa fail (Aren & Sibindi, 2014:2). In order for SMEs to have the capacity to sustain their business operations, become more flexible, and improve business competition easy access to information is imperative (Dlodlo, 2011:20).

In 2014, the government established the DSBD to facilitate economic transformation through increased participation of SMEs in the mainstream economy (RSA, 2015b:15; SEDA, 2014:8). The DSDB aims to fulfil the following functions (RSA, 2015b:15):

- To facilitate the development and growth of SMEs, the contribution to inclusive and shared economic growth, and the creation of employment through public and private sector procurement.
- To facilitate radical economic transformation through increased participation of SMEs in the mainstream economy.
- To provide for a conducive regulatory environment for SMEs such as access to finances, investment and market access in an equitable and sustainable manner.
- To facilitate partnerships with all spheres of government and the private sector to ensure mutual cooperation that will benefit SMEs.

The Small Enterprise Development Agency (SEDA), an agency of the DSBD, is responsible for providing financial and non-financial support to SMEs (BER, 2016:6). SEDA's mandate and functions were transferred from the DTI to the DSBD with the establishment of the DSBD in 2014 (SEDA, 2014:17). In addition, the Small Enterprise Finance Agency (SEFA), transferred from the Department of Economic Development to the DSBD and is responsible for providing financial support to SMEs (SEFA, 2015:2). Through SEFA, government support for SMEs is implemented by assisting them to address the challenge of access to funding (SEFA, 2015:2). The financial initiatives to support SMEs by lowering company taxes are one of the ways in which SMEs are supported through SEFA (Ferreira, 2011:45).

As alluded to, the post-1994 dispensation was faced with extensive political and socio-economic challenges, of which a key challenge was the high rate of unemployment (Herrington & Kew, 2010:12; Moseki, 2014:2-3). The unemployment rate increased by more than half a million in the first quarter of 2015 and 2016 (RSA, 2016a:14). The causes behind the high unemployment rate are diverse (Steenkamp, 2015:15-16). These include the legacy of Apartheid, poor education and training, a labour demand-supply mismatch, the effects of the 2008/2009 global recession, the role of trade union federations in government, a general lack of interest in entrepreneurship, and slow economic growth (RSA, 2017a:1). To address the challenge of unemployment government, together with its social partners, should find sustainable solutions. In this respect, the NDP calls for all South Africans to work together in order to achieve the goal of reducing the unemployment rates to 14% by 2020 and 6% by 2030 (SAICA, 2015:3).

In light of the above, it is evident that addressing the challenge of unemployment is critical in South Africa. The government cannot afford to overlook the role that SMEs play in economic growth, thus the DSBD was established to develop SMEs and increase their sustainability. It is important that entrepreneurs who have the potential to create employment receive the relevant support as resources are scarce and need to be used effectively (Herrington & Kew, 2010:113). In this way, employment can be created with a high growth-oriented approach and in turn contribute to the growth of the economy (Xavier & Kelly, 2012:52).

The NDP envisioned a transformed economy which is inclusive, equitable and fast-growing (RSA, 2012a:1). Consequently, the DSBD developed a five-year strategic plan that contributes to the country's socio-economic transformation (RSA, 2015b:9). The DSBD works with all spheres of government expected to institutionalise guidelines on barriers to the attainment of the goals of the NDP (RSA, 1996b:2). In this regard, the DSBD proposed a joint planning mechanism with local government to review the by-laws that affect SMEs while promoting competitiveness and market access for SMEs (RSA, 2015b:39).

Ferreira and Strydom (2010:1) showed that even though the failure rate of SMEs in South Africa is between 70% and 80% and they fail within the first three and half years of their establishment (BER, 2016:10), SMEs do receive support from government, professionals, business advisors and consultants. Furthermore, offering excessive support services to SMEs may encourage non-entrepreneurs to go into business (Herrington & Kew, 2010:113). It is therefore important that the government, through the DSBD, provides support to SMEs, but can also gauge this support responsibly.

In order for South African citizens to grow and develop it is important to address the challenge of unemployment. Unemployment can be alleviated by entrepreneurship with emphasis on the development and sustainability of SMEs (Bezuindenhout & Nenungwi, 2012:2-3). This means that the owners of new SMEs must be trained in the area of business management skills (Bezuindenhout & Nenungwi, 2012:2-3; Fatoki, 2014:5).

In order for SMEs to have an impact on employment creation it is important to identify businesses with potential to create employment opportunities and to offer targeted support to these businesses (Herrington & Kew, 2010:113). SMEs play a critical role in the growth of the economy due to the following factors (Chere, 2014:34-35):

- SMEs can absorb a higher labour capacity than large businesses².

² A large business is a company which form part of a group of companies with a consolidated group turnover in excess of R1 billion, excluding financial services, mining or multinational companies with a national group turnover in excess of R250 million (SARS, 2016:1).

- The average capital cost of creating a job in an SME is lower than in the large business sector.
- Technical innovations are important to SMEs.
- SMEs provide opportunities for aspiring entrepreneurs.

According to January (2013:37), some owners of SMEs view the creation of employment as important and the only means of survival. In the second quarter of 2015, the number of registered SMEs in South Africa totalled 2 251 821, of which 667 433 were formal and 1 497 860 informal (BER, 2016:2). Although there are more informal SMEs, South Africa has a low rate of established SMEs compared to other economies and a high proportion of Total Early-Stage Entrepreneurial Activity (TEA) entities (67%), which are concentrated in the consumer sector (Herrington & Kew, 2015:37). These statistics show that it is likely to aggravate the poor sustainability of start-up SMEs in South Africa (Herrington & Kew, 2015:37).

Research on business enterprises has to date predominantly focused on large enterprises therefore; there is a need for more research to be conducted on SMEs specifically (Geldenhuis & Cilliers, 2012:1). The government may currently not be able to develop appropriate assistance and relevant programmes for SMEs due to a lack of accurate research data (Herrington & Kew, 2010:13). The unavailability of reliable periodic data is a key challenge within the SME sector in South Africa (RSA, 2015b:19). Considering the significant role that SMEs play in South Africa's economic growth and in the improvement of citizens' socio-economic circumstances (by the creation of employment opportunities) the importance of conducting research on the development and sustainability of SMEs is essential. Thus, in consideration of the national development objectives, updated and reliable research data can assist the DSBD in fulfilling its support role in the development and sustainability of SMEs.

From the discussion above, it can be deduced that the development of SMEs is one of the priorities of the South African government as it contributes to the growth of the economy and to the reduction of unemployment, poverty, and inequality. The government has put legislation and mechanisms in place to promote the development and sustainability of SMEs as shown by the promulgation of the NSBA and the

establishment of the DSBD, SEDA and SEFA. However, the high failure rate of SMEs reveals that the current legislation and mechanisms are not successful in ensuring the development and sustainability of SMEs. Therefore, it hinders socio-economic growth and fails to reduce the challenges of unemployment, poverty and inequality in the country. It is therefore, necessary that government, through the DSBD, provide improved support to SMEs to become sustainable. Thus, the study was guided by the following research question: *How can the DSBD improve its role in the development and sustainability of SMEs to contribute to the attainment of the objectives of the democratic development state?*

1.2. RESEARCH OBJECTIVES

In order to address the research problem and research question, the study aimed to fulfil the following objectives:

- To establish a theoretical framework that supports the development and sustainability of SMEs in a democratic developmental state.
- To determine the statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD in this regard.
- To establish, through an empirical investigation, the current circumstances, challenges and failures of SMEs.
- To establish, through an empirical investigation, the current challenges and shortcomings of the DSBD in developing and sustaining SMEs.
- To provide recommendations for the role of the DSBD in the development and sustainability of SMEs in order to contribute to the attainment of the objectives of the democratic development state.

1.3. RESEARCH QUESTIONS

In order to achieve the objectives, the study attempted to find answers to the following questions:

- Which theoretical framework supports the promotion and development of sustainable SMEs in a democratic developmental state?
- What are the statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD in this regard?
- What will an empirical investigation reveal about the current circumstances, challenges, and failures of SMEs?
- What will an empirical investigation reveal about the current challenges and shortcomings of the DSBD in developing and sustaining SMEs?
- Which recommendations can be provided for the role of the DSBD in the development and sustainability of SMEs in order to contribute to the attainment of the objectives of the democratic development state?

1.4. CENTRAL THEORETICAL ARGUMENTS

The study was guided by the following theoretical arguments:

- **The context of a democratic developmental state**

As the supreme law of the country and the cornerstone of South Africa as a **democratic state**, the Constitution, 1996, aims to transform South African society through healing the past of Apartheid and guiding the country towards the establishment of a society based on social justice, democracy, and human rights (RSA, 1996a:1243). Section 22 of the Constitution, 1996, stipulates that every citizen has the right to unreservedly decide on the trade, occupation, or profession they wish to follow and that the practice of trade, occupation, or profession may be directed and monitored by a statutory and regulatory framework (RSA, 1996a:1251).

The government realised that in order to confront the developmental challenges of the country a flourishing economy would have to be developed, and in turn this would diminish the high rates of poverty, inequality, and unemployment. Bettering the livelihoods of citizens demands a **developmental state** that is democratic and socially inclusive (HSCR, 2010:1). Government developed strategies to address the socio-economic challenges of the country (Borole, 2013:19), of which the NDP (2012) is the most notable. The NDP has the primary aim of eliminating poverty and reducing inequality (RSA, 2012a:2; Fourie, 2013:8).

- **The role of SMEs in economic growth and socio-economic challenges (poverty, unemployment and inequality)**

The role of SMEs in the growth of a country's economy has been broadly acknowledged in the developed and developing world (Van Heerden, 2010:12; Lamprecht, 2011:86; Schutte, 2011:1; Smit & Watkins, 2012:2; Marivate, 2014:1). Entrepreneurship is known to enhance economic growth (UN, 2016:2). In this respect, SMEs play an important role in entrepreneurship, **economic growth** and employment creation in the South African economy (Dubihlela, 2012:36).

SMEs provide opportunities for employment and self-employment (Herrington & Kew, 2010:113; HSF, 2013:1) and contribute more than 34% towards the country's GDP and 60% towards employment (SARB, 2015:5). Through the employment creation that SMEs can provide, **socio-economic challenges** such as **poverty, unemployment and inequality** can be reduced (cf Herrington & Kew, 2010:113; cf Dubihlela, 2012:36; cf HSF, 2013:1). SMEs also have the potential to substantially contribute to the attainment of the objectives of the NDP and the developmental state, which are mainly focused on socio-economic growth (SEDA, 2014:29).

- **Current challenges, faced by SMEs**

The following challenges hinder the growth of SMEs (Dubihlela, 2012:37): a lack of access to funding, inadequate entrepreneurship training, insufficient business skills, inadequate leadership, and poor market access. In addition, SMEs face challenges with (Dubihlela, 2012:37): business registration, regulatory compliance, poor planning, a lack of business plan development, a lack of access to office space, limited information on the advancement of their businesses, inadequate stock and inventories (Aren & Sibindi, 2014:2), and cash flow management (Aren & Sibindi, 2014:2).

- **The promotion and development of sustainable SMEs**

To contribute to sustainable development, governments must establish development-oriented policies in order to support productive activities, entrepreneurship creativity and innovation, growth of informal enterprises, and access to financial support (UN, 2016:3). In this respect, South Africa promulgated the **NSBA**, promoting the interests and concerns of SMEs (RSA, 1996b:1). Further to this, the NSBA calls for the promotion of SMEs and provides guidelines for government entities in the national, provincial and local spheres in order to reach this goal (RSA, 1996b:1;13-14). In 2014, the government established the **DSBD** to facilitate thorough economic transformation through the increased participation of SMEs in the mainstream economy (RSA, 2015b:15; SEDA, 2014:8).

Employment opportunities in most of the world's developed economies are as a result of **sustained growth in the SME sector** and are closely linked to the **growth of national economies and the GDPs** of states (Marivate, 2014:5). South Africa prioritised SMEs in order to contribute to the growth of the economy and to reduce unemployment and poverty (RSA, 2015b:8).

- **Theories of economic development**

A number of theories of economic development can be associated with the primary challenges (poverty, unemployment and inequality) that are highlighted in the NDP, 2012. The following theories are therefore relevant and applicable to the development and sustainability of SMEs in the democratic developmental state: Solow's Growth Model (as neo-classical, exogenous growth theory), New Growth Theory (as endogenous theory), Classical Political Economy Theory, and Jevons' Theory of Political Economy.

Solow's Growth Model predicts that the improvement of living standards depends on the economy's fundamental characteristics, which include the population growth rate, the savings rate, the rate of technical progress, and the rate of capital depreciation (Liu, 2004:6). According to Solow (1956:2), significant assumptions are those where results are reflected and assumptions are realistic. If the results of a theory flow specifically from a special fundamental assumption, the assumption is uncertain, and the results will also be uncertain. This means that if the government develops policies that are uncertain, the objectives or the results of these policies will not be realised and the challenges will persist.

The purpose of this model is to examine the challenge of economic growth and to determine where more flexible assumptions concerning production can lead to a simple model (Solow, 1956:28). In addition, according to Solow's Growth Model, technology is seen as continuously an enabler in coming up with solutions for the challenges in various economies (Cortright, 2001:3). Technological advancements are therefore seen as the best option for overcoming the challenges of slow economic growth (Grossman & Helpman, 1994:21). Kenis and Provan (2009:5) explain that **Exogenous Theory** is the belief that economic growth arises due to influences outside the economy or business of interest and that system participants may have little control over the external criteria.

The New Growth Theory was developed by Paul Romer and Robert Lucas in an effort to improve upon the neo-classical exogenous theory of economic growth. This

theory is an *endogenous theory*. **Endogenous Theory** deals with four main points which are: self-generating character of growth, the reduced role of traditional factors of production, the interplay of exogenous and endogenous elements, and the far-reaching implications of theory and policy (Currie, 1997:2). New Growth Theory, views technological progress as a product of economic activity (Cortright, 2001:6). New Growth Theory is often called Endogenous Growth Theory, because it incorporates technology into a model of market function (Cortright, 2001:6). New Growth Theory also views knowledge and technology as characterised by increasing returns that drive the process of growth (Cortright, 2001:6).

Furthermore, New Growth Theory places emphasis on the importance of human capital in the growth process. The presumption is that an educated workforce is better at creating, implementing, and adopting new technologies, which in turn generates growth (Benhabib & Spiegel, 1994:2). Moreover, the New Growth Model emphasises the importance of knowledge and technology in economic growth (Romer, 1986:3; Cortright, 2001:2; Kurz & Salvadori, 2003:8). According to Romer (1986:3), Endogenous Theory can be viewed as a stability model of technological change in which long-term economic growth is driven primarily by the accumulation of knowledge.

Classical Political Economic Theory states that the private sector is a self-regulating mechanism and that government, beyond the maintenance of law, will not interfere in the private sector. Downs (1957:17), however, emphasises that a truly useful theory of government action in a democracy must be both political and economic in nature. Both economists and politicians must depend on each other in order to analyse government decision-making (Downs, 1957:17).

According to **Jevons' Theory of Political Economy**, the science of political economy rests upon the characters that includes, utility, wealth, value, commodity, labour, land and capital (Jevons, 1957:1). Negishi (1989:7) further indicates that it is necessary to use mathematical models of contemporary economic theory to explain the challenges economists faced in the past and to analyse the theories they developed to solve such challenges. The challenges they could not solve with their techniques are now easily solved by modern techniques (Negishi, 1989:7).

The theories of economic development emphasise the importance of knowledge and technology to enhance economic growth. These theories are discussed in more detail in Chapter 2.

1.5. RESEARCH METHODOLOGY

According to Ohei (2014:59), research methodology refers to guidelines or steps taken to combine the research objectives, research questions, data collection, analysis and interpretation of all the information considered in a research study in a logical way. Mackey and Gass (2016:1) refer to research methodology as a systematic investigation into study materials and sources in order to establish facts and reach conclusions. In this section, the research methodology that was followed in this study is outlined by means of the research approach, the research design, the instruments for data collection, the population and sampling for the study, the data analysis process, and the limitations and delimitations of the study.

1.5.1. Research approach

The study followed a qualitative research approach. Qualitative research is based on an analysis of how situations and events influence people and events (Maxwell, 2013:29). Denzin and Lincoln (2011:66) argue that a qualitative research approach aims to understand social phenomena from participants own perspectives and study how they experience their world. Qualitative research produces descriptive data in which results are presented as discussions of trends (De Vos, Strydom, Fouche & Delport, 2010:308). These trends are established with words, not statistics, and are concentrated on an inquiry for meaning (De Vos *et al.*, 2010:308). With qualitative research, researchers tend to see the world according to the frame of reference of the people, events and processes that connect them, and reality is constructed by individuals in the context of their worlds (Modilim, 2016:54-55). Qualitative researchers are concerned with understanding and the interpretation of reality considering the context, time, and changes that take place over time (Ntema, 2014:34). It includes

data from interviews, focus groups, observations, and written materials (Modilin, 2016:56).

Qualitative research was suitable for this study as the focus was on understanding the social achievement and experiences of the development and sustainability of SMEs. The role of the DSBD in this respect was studied and the study aimed to understand the challenges and experiences of the DSBD in this regard. The study also considered the experiences and perceptions of the owners of SMEs with regard to the DSBD's role in the development and sustainability of SMEs. The research was conducted in the natural setting of the participants, as is usually the case with qualitative research (Mellish, 2016:4). For this research, the natural settings were Refilwe (Cullinan), with the owners of SMEs operating in the area and the DSDB (Head Office), with middle managers responsible for the policy formulation and implementation pertaining to SMEs.

1.5.2. Research design

Research design is defined as a process whereby decisions are made on the topic to be studied, who the population will be, which research methods must be used and for what purpose these methods will be used (Morgan, 2013:45). Research design involves a choice for a specific kind of study (e.g. a survey, experiment, case study) and includes the description of the sample and sampling procedures of the study (De Vos *et al.*, 2010:307). This study used a case study research design.

According to Thomas (2011:512), a case study is an in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular programme, project, policy, strategy, organisation or system in a real-life situation. The strategic value of a case study lies in its ability to draw attention and consideration to what can be learned from a single case (De Vos *et al.*, 2011:320). In this study, thorough research was conducted by means of personal interviews with (1) middle managers at the DSBD's Head Office, responsible for the development and sustainability of SMEs; and (2) the owners of SMEs in Refilwe, Cullinan, with a view to understand the challenges involved in the development and sustainability of SMEs. The insights gained from this research can assist the DSBD in understanding potential policy or implementation

amendments that can be made to ensure the effective development and sustainability of SMEs in Refilwe, Cullinan.

Further to a case study design, the research used a descriptive design. A descriptive study is defined as research in which a thorough examination of a specific event, group, individual, institution, or community occurs (Mellish, 2016:85). Therefore, a descriptive case study aims to describe, analyse and interpret a particular phenomenon (Creswell, Ebersohn, Eloff, Ferreira, Ivankova, Nieuwenhuis, Pietersen, Clark, Jansen & Van der Westhuizen, 2012:61). In this instance, SMEs are the phenomenon with specific emphasis on the development and sustainability of SMEs as a vehicle to alleviate poverty, unemployment and inequality.

Descriptive research aims to describe experiences, facts and circumstances accurately through narrative-type interpretation, categorisation or measurement of relationships (Durrheim, 2009:44). The participants' experiences and perceptions pertaining to the development and sustainability of SMEs (as revealed through the interviews) were interpreted and narrated to describe their understanding and experience thereof. Further to this, the personal interviews provided data that assisted in understanding the relationship between the DSBD and the owners of SMEs. The factors, support structures, and mechanisms affecting the development and sustainability of SMEs were classified in various categories to determine which categories have the greatest positive or negative effects in this regard.

1.5.3. Instrumentation

The study used a literature review and empirical research. For the data collection of the empirical investigation, personal, semi-structured interviews were conducted.

1.5.3.1. Literature review

A literature review is typically conducted to determine what is already written about a topic, the relevance of the material to the research, and to allow the researcher to engage with the ideas of others (Mcniff & Whitehead, 2011:111). A literature review is

therefore used to identify the critical knowledge gaps between the research already completed and future research possibilities (Xiong, 2016:32).

The literature review for this study focused on the factors, support structures and mechanisms necessary to develop and sustain SMEs and the role of the DSBD in this regard. In order to determine the statutory and regulatory guidelines for the development and sustainability of SMEs the statutory and regulatory framework in which the DSBD and SMEs function was reviewed. Sources for the literature review included books, scholarly journal articles, academic conference papers, online sources, government official documents, theses and dissertations, and official reports from the DSBD.

1.5.3.2. Personal interviews

Personal semi-structured interviews were conducted with (1) middle managers at the DSBD, responsible for the development and sustainability of SMEs, and with (2) the owners of SMEs in Refilwe, Cullinan. Therefore, two different interview schedules were drafted for the respective groups of interviewees.

According to Maxwell (2013:103), personal interviews are considered to be a way of gaining a description of actions and events that the researcher may not gain in an observational setting. A semi-structured interview is used to collect data by means of a face-to-face conversation to capture the views of participants on, for instance, a specific phenomenon, issue, structure or regulation (Bush, 2016:61). Semi-structured interviews are used to gain a thorough impression of participants' beliefs, experiences or perceptions on a specific topic being investigated (Welman, Kruger & Mitchell, 2012:187).

A semi-structured interview entails previously prepared questions, guided by identified themes in a logical manner, with subtle probes designed to prompt detailed responses from participants (Buowari, 2015:78). Further to this, semi-structured interviews comprise both open-ended and closed questions (Brynard & Hanekom, 2013:8). Closed questions provide a precise answer to a specific question (Kanjee, 2009:486). On the other hand, the use of open-ended questions allows the interviewer to probe

an interviewee to elaborate on an answer, in this way guiding the conversation and allowing participants to respond in detail in their own words (Kanjee, 2009:486).

For both interview schedules questions were informed by the literature review. The interview questions for the middle managers at the DSBD focused on their responsibilities, as outlined in the statutory and regulatory guidelines, as well as their challenges, views, and experiences in this regard. Further to this, the middle managers were prompted to indicate which factors, structures, and mechanisms (based on their personal views and experiences) contributed either positively or negatively to the development and sustainability of SMEs. For the interviews with the owners of SMEs questions focused on the owners' experiences of the assistance provided by the DSBD and the current policy on the development and sustainability of SMEs, as well as the implementation thereof. The owners of SMEs were prompted to indicate the factors, structures and mechanisms they believe to be most successful in the development and sustainability of SMEs, based on their personal experiences.

1.5.4. Population and sampling

A population refers to the entire group of individuals, organisations, communities or societies from whom data is needed (Van Der Westhuizen, 2014:102). A sample is a small number of units or individuals selected from a population and should be symbolic of the population (Leedy & Ormrod, 2010:205; Van Der Westhuizen, 2014:102). Thus, the aim is to select a sample that will be representative of the population about which the researcher aims to draw conclusions (Terre Blanche, Durrheim & Painter, 2012:133). The target population for this study was (1) middle managers at the DSBD's Head Office, responsible for the implementation of policies pertaining to SMEs, and (2) the owners of SMEs in Refilwe, Cullinan, in the City of Tshwane, Gauteng Province.

Purposive, non-probability sampling was used. Purposive sampling is defined as a sample based on the analyses regarding relevant traits necessary to study a phenomenon (Zikmund & Babin, 2013:393). With purposive sampling, participants are specifically selected because of their knowledge on the subject being studied (De Vos *et al.*, 2011:391). A researcher therefore uses his/her own judgement to select

participants who will best meet the purpose of the study (Buowari, 2016:75). Non-probability sampling refers to sampling where the selection of participants is not random (Terre Blanche *et al.*, 2012:139), but based on the target population's traits (Mellish, 2016:84).

The samples of the two respective populations were chosen based on their knowledge of and experience with the development and sustainability of SMEs: (1) middle managers at the DSBD were sampled according to their responsibility for the formulation and implementation of policy concerning the development and sustainability of SMEs and their consequent knowledge and experience in this regard; and (2) the owners of SMEs were selected, based on the nature of their trade, thereby having daily experiences of the functioning of SMEs.

The population of the middle managers at the DSBD's Head Office was 42 middle managers, responsible for the implementation of policy pertaining to the development and sustainability of SMEs, from which a total of 10 was chosen. The population of the owners of SMEs in Refilwe, Cullinan, were 35 owners of SMEs, from which a sample of 10 was selected.

1.5.5. Validity, reliability and dependability

The *validity* of research refers to the accuracy and application of the methods undertaken and the precision with which the findings of the research accurately reflect the data obtained (Noble & Smith, 2015:2). Validity therefore refers to the extent to which the data collection instrument measures what it intended to measure (Leedy & Ormrod, 2010:28). Based on the sampling methods that were used (purposive, non-probability sampling) the representativeness of participants was ensured (by reflecting the traits of these populations) and the validity of the results obtained were assumed.

The *reliability* of research describes the consistency with which the investigative methods were conducted (Noble & Smith, 2015:2). Simkund and Babin (2013:301-302) denote that the reliability of research refers to a possibility that a given research method will produce the same results of a particular phenomenon if that measurement is repeated. Since the purpose of qualitative research is not generalisation (as in the

case with quantitative research), but representativeness, this study focused on the *dependability* of the results as opposed to the reliability thereof.

With qualitative research a study does not investigate a stagnant and constant reality and will therefore not repeatedly yield identical results (Van der Riet & Durrheim 2009:93). The views, circumstances and experiences of individuals, organisations, communities and societies will vary in changing or different contexts (Vermeulen, 2015:39). For this reason dependability was a more suitable measure to employ than reliability. Dependability is attained when the findings of the research result from an approach that is justified and the results obtained through the research are rationalised by the researcher (Van der Riet & Durrheim 2009:93). To ensure the dependability of the research clear and comprehensive descriptions of the views, experiences, and understandings of both the middle managers at the DSBD and the owners of SMEs with regard to the development and sustainability of SMEs were provided.

1.5.6. Data analysis

According to Maxwell (2013:105), the initial step in data analysis is reading the interview transcripts, observational notes, or documents to be analysed. In this study, the researcher was able to make sense of all the information received by reducing its volume by sifting through data including written notes based on the information gathered. The researcher then developed tentative ideas about categories and relationships, coded data according to topics, highlighted key words from the interviews, analysed and summarised data, and drew conclusions.

1.6. ETHICAL CONSIDERATIONS

According to Fox (2010:4), ethics is defined as a rule of conduct and a system of moral principles recognised according to a certain group of people, society or organisations. Kress (2011:128) mentions that researchers should refrain from conducting research without the consent or knowledge of the people being researched. Dubihlela (2012:10) suggests that the researcher consider the following ethical aspects:

- The participants to be interviewed must grant permission to be interviewed.
- Interview questions should not be detrimental to the self-interest of the participants.
- The researcher should ensure participants' anonymity and confidentiality.
- The participants should be informed that they have the right to withdraw from the study at any time.

The participants were informed about the purpose of the research in which they were requested to participate. They were informed that the research is voluntarily and they can withdraw from the study at any given time. The participants were requested to complete a consent form attached to a letter stating what the research intended to achieve. Where necessary the participants were addressed in a language relevant to them to ensure that they were able to understand the questions without any ambiguity as explained by Chebelyon-Dalizu and Garbowitz (2010:31).

1.7. LIMITATIONS AND DELIMITATIONS OF THE STUDY

Language was expected to be a potential barrier to the interview process as all the owners of SMEs may not understand or speak English. Therefore, the researcher made use of interpreters to ensure the interviews were conducted in the language understood by the owners of SMEs (English, Tswana, Ndebele and Sepedi). The availability of the owners of SMEs was also anticipated to be an issue and as such the researcher planned in advance and secured appointments that were suitable. It was also expected that the accessibility to the middle managers at the DSBD may have been a challenge due to their busy schedules. In this respect, the researcher ensured

that appointments were scheduled well in advance at times suitable to the middle managers.

Furthermore, the study was conducted only in a specific area (Refilwe, Cullinan), which limited the results to the experiences and perceptions of the owners of SMEs in that specific area, and was not necessarily relevant to the owners of SMEs in other areas. Also, only middle managers at the DSBD Head Office were interviewed and therefore their views and experiences were not necessarily identical to middle managers at, for instance, provincial offices. However, since qualitative research is not focused on the generalisation of the results, but rather on representativeness, this was not a concern as the researcher ensured that the results obtained were representative of the research for this specific study.

1.8. SIGNIFICANCE OF THE STUDY

As indicated, it is evident that SMEs in South Africa have the potential to contribute to the country's GDP and create employment. In this way, SMEs can: assist in the attainment of the objectives of the democratic developmental state (economic growth), deliver on the democratic mandate (as outlined in the Bill of Rights of the Constitution, 1996, specifically that every citizen has the right to unreservedly decide on the trade, occupation or profession they wish to follow), and alleviate the challenges outlined in the NDP (poverty, unemployment and inequality). The focus of the study was on the development and sustainability of SMEs and to establish the role of the DSBD in this respect. The recommendations that were made in this study may equip aspiring and existing owners of SMEs with information to survive in a competitively challenging environment. The potential knowledge from this study may also assist the DSBD in facilitating economic empowerment.

SMEs have the potential to contribute to the livelihoods of many people in South Africa. Through designing relevant interventions, the DSBD can improve the support for SMEs so that they can contribute to the economic growth of the country. The study further contributes to the knowledge and understanding of both owners of SMEs and middle managers at the DSBD concerning the development and sustainability of SMEs.

The study also makes a theoretical contribution to the academic field of Public Administration. The discipline of Public Administration studies the functioning of government and government institutions (in the national, provincial and local spheres of government) as the locus of the discipline. In addition, the delivery of quality services to citizens is the focus of Public Administration as any government's primary purpose is to provide for the welfare of its citizens. As such, the service delivery mandate of the DSBD was the focus of this study, entailing the support provided by the DSBD to SMEs and its statutory and regulatory responsibilities to the owners of SMEs pertaining to the development and sustainability of their businesses. The focus of the study was twofold: (1) the DSBD (in the national sphere of government – Gauteng); and (2) the SMEs in Refilwe, Cullinan, in Tshwane, Gauteng. This study therefore makes a contribution to the scholarly knowledge of the discipline of Public Administration by contributing to the theory and research pertaining to the focus of the discipline.

1.9. PROVISIONAL CHAPTER LAYOUT

The study was structured according to the following chapter layout:

Chapter 1: Introduction to the study

This chapter includes the introduction and background to the study. The researcher justifies reasons as to why the study is worth investigating. The research topic is demarcated within the context of the democratic developmental state, the democratic rights enshrined in the Constitution, 1996, and the developmental rights outlined in the NDP. The research objectives, research questions and research methodology that were followed are also outlined in this chapter.

Chapter 2: Theoretical framework for the development and sustainability of SMEs

This chapter consists of a theoretical framework that focuses on developing and sustaining SMEs in a democratic developmental state. In this regard, specific factors, structures, and mechanisms that could contribute to the development and sustainability of SMEs are reviewed. The chapter also includes best practice from other developing countries, particularly regarding the role of a government institution.

Furthermore, the chapter provides an overview of theories of economic development that are relevant to the development and sustainability of SMEs in the context of the democratic developmental state.

Chapter 3: Statutory and regulatory framework for the development and sustainability of SMEs

Since the study took place within the context of the democratic developmental state, the guiding legislation and policies in this regard are reviewed. Chapter 3 also gives an overview of the legislation, policies and frameworks available to the DSBD to develop and sustain SMEs. Furthermore, the chapter focuses on the statutory and regulatory guidelines for SMEs specifically.

Chapter 4: Empirical research: Results and findings

This chapter reports on the results obtained through an empirical investigation by means of personal interviews. The current circumstances, challenges, views, failures and experiences of SMEs in Refilwe, Cullinan were assessed during the empirical investigation and the results of these interviews are revealed and interpreted in this chapter. The results obtained through the interviews with middle managers at the DSBD, focusing on the challenges and shortcomings of the DSBD in developing and sustaining SMEs, are also revealed and interpreted in chapter 4. Further to this, the findings of the study are revealed and discussed in this chapter.

Chapter 5: Conclusion and recommendations

This chapter offers a summary of the study and provides recommendations for the role the DSBD should play in promoting the development and sustainability of SMEs, in order to contribute to the attainment of the objectives of the democratic development state.

CHAPTER 2: THEORETICAL FRAMEWORK FOR THE DEVELOPMENT AND SUSTAINABILITY OF SMEs

2.1. INTRODUCTION

Chapter 1 provided a background of the socio-economic circumstances and challenges faced by South Africa as a democratic developmental state. The role of SMEs in addressing socio-economic challenges such as poverty, unemployment, and inequality has been highlighted in this context. It was also determined that various legislation and mechanisms were established to promote the development and sustainability of SMEs. However, in spite of these, the high failure rate of SMEs reveals that the current legislation and mechanisms are not successful. The high failure rate prevents SMEs from effectively contributing to the country's economy and alleviating unemployment, poverty and inequality, thus, hindering socio-economic growth. It is therefore necessary that the government provides improved support for the development and sustainability of SMEs.

Considering this background and context, this chapter establishes a theoretical framework for the development and sustainability of SMEs. In so doing, SMEs are conceptualised within the context of South Africa as a democratic developmental state. The role and status of SMEs in other developmental states, as well as developed states, are also discussed with a view to compare and draw lessons from these countries with regard to the development and sustainability of SMEs and the role of a government institution in this respect (the DSBD for the purpose of this study).

Further to this, the meaning and requirements for the development and sustainability of SMEs are explicated and the importance thereof in the South African economy is explained. Towards the end of the chapter, the following theories pertaining to a socio-economic developmental context are reviewed: (1) the Solow-Swan Model (as neo-classical growth theory), and (2) the New Growth Theory (as endogenous theory). These theories are included for the purpose of assessing their relevance pertaining to the development and sustainability of SMEs in South Africa against them during the empirical research.

2.2. CONCEPTUALISING SMEs

According to Bouazza (2015:2), there is no standard definition for an SME. Various individuals and organisations define SMEs differently. The National Credit Regulator (NCR), defines SMEs as including registered businesses with less than 250 employees (NCR, 2011:24). Bouazza (2015:2) explains that SMEs can be described as using the total assets, size of the labour force employed, annual turnover and capital investments and therefore no single definition exists. This definition is similar to the one provided by Abor and Quarter (2010:4), asserting that its number of employees, its size, annual turnover, and its gross assets defines SMEs but excludes fixed property. The NSBA defines SMEs as “a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy” (RSA, 1996b:1;3-4).

According to Abor and Quartey (2010:4), SMEs in South Africa are categorised by the following five categories:

- **Survivalist enterprises** – the income generated is less than the minimum income standard. This category is considered pre-entrepreneurial and includes hawkers, vendors, and subsistence farmers.
- **Micro enterprises** – the turnover is less than the Value Added Tax (VAT) registration limit (being R150 000 per annum). These enterprises usually lack formality in terms of registration. This category includes *spaza* shops, minibus taxis and household industries that employ less than five people.
- **Very small enterprises** – these are enterprises employing fewer than 10 paid employees except in mining, electricity, manufacturing and construction sectors in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology.
- **Small enterprises** – enterprises in this category employ up to 50 employees and are generally more established than very small enterprises.

- **Medium enterprises** – the maximum number of employees in these enterprises are 100 to 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are often characterised by the decentralisation of power to an additional management layer.

The above categories illustrate the landscape of SMEs showing their various roles and the numbers of employees they can employ however some only operate to survive. The majority (80%) of SMEs in South Africa are survivalist or informal enterprises (BER, 2016:15). The Wholesale and Retail Sector Education and Training Authority (W&RSETA) and Henley Business School (HBS) denote that these SMEs, classified as survival enterprises or pre-entrepreneurial, have little growth potential and are less likely to hire employees (W&RSETA & HBS, 2014:10).

Although South African SMEs have a failure rate of 70%-80%, as alluded to in chapter 1, section 1.1 (Lekhaya, 2015:1), well-developed and sustainable SMEs can play a significantly positive role in the economic growth of the country through, *inter alia*, employment creation, poverty alleviation and desirable sustainability and innovation (Kongolo, 2010:1). Thus, SMEs can contribute to the alleviation of socio-economic challenges such as poverty, unemployment, and inequality, which are identified in the NDP as the primary challenges faced by the democratic developmental state (RSA, 2012a:24). The next section therefore, elaborates on the context of the democratic developmental state in which SMEs function.

2.3. CONTEXT OF THE DEMOCRATIC DEVELOPMENTAL STATE

As explained in chapter 1, section 1.1 and section 2.1 of this chapter, the study researches the development and sustainability of SMEs within the context of the South African democratic developmental state. This context provides a unique landscape and circumstances. In this section, therefore, an overview of South Africa as a democratic developmental state and the role of SMEs in this context are provided.

Democracy encompasses, among other factors, consistent elections. Perhaps the most central component of freedom and democracy in the South African context was the declaration of voting rights for all citizens (Sauter, 2016:196). Each citizen must

enjoy all democratic rights and have the security of maintaining those rights in an evolving society (Queen, 2012:43). The Constitution, 1996, chapter 1 section 1 acknowledges the country's Apartheid past and therefore, prohibits any form of discrimination (RSA, 1996a:1243; BTI, 2016:8). The post-1994 government committed itself to improve the standard of living for the majority of South Africans who were denied equal rights under Apartheid such as the right to own a business, as alluded to in chapter 1, section 1.1 (Magruder, 2010:6).

Democracy in South Africa promised both full universal citizenship and the transformation of socio-economic conditions devastated by a century of racial oppression (Sauter, 2016:81). Democratic forms of government are arguably the most beneficial for members of a society because they ensure that the collective interests of the people are met (Anderson, 2014:1; 149). On 27 April 1994, South Africa formed a new society constructed on the foundation of freedom and democracy which marked the end of Apartheid rule with the introduction of a new constitutional order, wherein all South Africans could work towards a united, non-racial, non-sexist, democratic and prosperous society (RSA, 1996a:1243; RSA, 2013:1). The new constitutional order has ten fundamental values which include democracy, social justice and equity, equality, non-racism and non-sexism, *Ubuntu* (human dignity), an open society, accountability (responsibility), rule of law, respect, and reconciliation (RSA, 1996a:1245; Abaunza, 2013:37).

The Constitution, 1996, is the supreme law of the land and as such provides the legal foundation for the rights and duties of its citizens (RSA, 1996a:1243; Sauter, 2016:82). Further to this, the Constitution, 1996, encourages united, equal and common South African citizenship (RSA, 1996a:1243; Queen, 2012:42). Therefore, to foster a new South African nation, even after more than 20 years of democracy, the most important remaining tasks are to mitigate social inequalities – with focus on the unemployed and marginalised groups that comprise over a third of the population – and to find a common identity for all groups to overcome Apartheid divisions (BTI, 2016:4).

South Africa is, however, in addition to being a democracy, also a developmental state. A democratic developmental state is defined by Nagar (2015:18) as a state that seeks to empower its nation out of poverty through the development and implementation of

policies that also aims to pursue rapid economic growth. Burger (2014:1) confirms that developmental states are usually associated with high economic growth. Edigheji (2010:5) adds that South Africa must have relevant institutions in place to expound the government's ability to define its developmental agenda and also formulate policies that will enable the country to achieve its goals of growing the economy. Edigheji (2010:1) further mentions that, while South Africa promotes economic growth, as a developmental state it must also be equally effective in dealing with the challenges that citizens are facing, realise economic progress for the poor, as well as create employment opportunities. As stated in chapter 1, section 1.1, SMEs can be of great assistance in providing employment opportunities.

According to Turok (2010:4-5), developmental states are defined in three ways. Firstly, they are able to reduce serious problems that may occur by anticipating risks early on and can pursue national interests over narrow sectional interests. Secondly, developmental states invest in the potential of the economy by utilising neglected resources such as land and labour through the promotion of SMEs and intervene to improve and develop the markets by establishing finance institutions to encourage long-term business decisions and improved management. Thirdly, developmental states are democratic in the sense that a common purpose and direction is defined by different players who are brought together by common interests. The above depicts that developmental states prioritise national interest, economic growth, and common purpose for all citizens, as well as good socio-economic circumstances for all citizens.

During 2007, South Africa committed itself to become a developmental state as articulated at the African National Congress (ANC) General National Council Meeting, as well as at the ANC's 52nd National Conference in Polokwane (Nagar, 2015:3). This means that, as a developmental state, the country strives to promote social, economic and political inclusiveness by relying on creative interventions and partnerships (RSA, 2012a:408; Ncube & Shimeles, 2012:18-19). According to the NDP (2012), the South African developmental state should support and guide development in order for the society to benefit from the wealth of the country (in particular the poor) (RSA, 2012a:44). Further, a capable developmental state needs clear lines of accountability, sound policies, and appropriate systems (RSA, 2012a:44). Edigheji (2010:6) argues

that institutions matter and therefore establishing the right institutions will strengthen rather than undermine the capacity of the country to enhance its developmental efforts.

While a democratic system was formally adopted in 1994 and the legislation created under the Apartheid era was dismantled, the residue of Apartheid still affects every social institution within the nation, particularly for black citizens (Rebekah, 2016:1). During Apartheid black citizens were discriminated against in terms of employment, skills development, business ownership and control, as well as access to basic social and physical infrastructures (Ncube *et al.*, 2012:7). Therefore, the ANC government inherited an economic bureaucracy that was highly fragmented, unrepresentative, and plagued with a tradition of departmental autonomy (Nagar, 2015:65).

According to Hwarire (2012:4), the post-Apartheid government is faced with a number of social problems primarily unemployment, poverty, and inequality. The government has established several legislation policies and mechanisms since 1994 to deal with the inherited socio-economic challenges (Koma, 2013:156), but some of these initiatives failed and numerous socio-economic challenges still prevail (Musabayana, 2012:41). The following policies all failed to reach the anticipated developmental objectives (Koma, 2013:156-157): Reconstruction and Development Programme (RDP) 1994; Growth, Employment and Redistribution (GEAR) strategy of 1996; Small Business Development Policy of 1996; and Accelerated and Shared Growth Initiative for South Africa (AsgiSA) of 2007. The failure of these strategies resulted in slow economic growth, which increased poverty and inequality levels and resulted in a loss of employment (Koma, 2013:156-157).

The unemployment rate in South Africa is continuously increasing, as alluded to in chapter 1, section 1.1 (RSA, 2016a:14-15). Further to this, in 2015 up to 30.4 million South Africans were living in poverty (RSA, 2017e:1). The above indicates that mechanisms must be enhanced in order to grow the economy and reduce mass unemployment, poverty, and inequality. SMEs have been recognised globally for being capable of employment creation and for sustaining a healthy economy (Musabayana, 2012:14). Thus, if SMEs can provide more opportunities for employment it may make a significant contribution to reducing poverty and unemployment rates in the country. In this respect, Kumah (2014:4) mentions that opportunities exist for SMEs where they

can get access of employment and reduce poverty. Since the democratic transition, South Africa has embarked on the promotion of SMEs. This has been associated with a range of new optimistic policy objectives including poverty alleviation, employment creation, and strengthening national economic growth (Rogerson & Rogerson, 2012:19).

The NDP estimates that SMEs in South Africa contribute 45% to the GDP which is considered to be the lowest in the world (RSA, 2012a:57; Kumah, 2014:4). The support of SMEs to promote entrepreneurial activities and boost employment creation is one of the focus areas of the NDP (RSA, 2012a:468; Rogerson, 2014:8). In order to achieve the goals of the NDP the economy must be inclusive, equitable and sustainable. Therefore, SMEs must be placed at the centre of transformation in order to have a huge impact on economic growth (Kumah, 2014:3).

South Africa experiences similar challenges to other developmental states. These include unemployment, poverty and income inequalities, which trap many poor black communities in the townships and rural areas (Kekana, 2015:12). This therefore results in a skewed structure of the economy that marginalises the black population from opportunities of all kinds (Turok, 2010:2-3). It is through the government's efforts that the promotion of SMEs can alleviate these challenges (Kekana, 2015:110). This must be done through a developmental state that is socially and democratically inclusive with a capacity to achieve the goals of the NDP (HSRC, 2010:1). To alleviate poverty it is essential to create economic opportunities by empowering communities to support themselves, as indicated in chapter 1, section 1.1 (RSA, 2008a:5). In this respect, the NDP places SMEs at the centre of the war against poverty, inequality and unemployment (RSA, 2012a:2).

Moreover, South Africa, as a developmental state, should prioritise and modify economic development in a more inclusive and dynamic direction (Turok, 2010:4). The Black Economic Empowerment (BEE) programme was developed to promote inclusion and to deal with the racial economic inequalities designed by the Apartheid regime (Ncube *et al.*, 2012:5). The objective of inclusive growth can be supported by proactive interventions to empower SMEs in the local communities (Rogerson, 2014:8).

Furthermore, De Vet (2010:58) depicts that the ANC government only considers a nation to be developmental if it has justice, equity, and an enabling growing economy that better the livelihoods of society. Nagar (2015:28) also emphasises that the principal aim of a democratic developmental state, particularly the pursuit of economic and democratic development, should first and foremost address the needs of the impoverished and marginalised groups in a society. To change the pattern of growth and assist all citizens to realise their potential a developmental state needs to harness the collective power of the government at every level, ensure better functioning of local economies and labour markets, as well as support competent SMEs that should in turn contribute to a stronger national economy (Turok, 2010:18).

One of the significant features of a flourishing and growing economy is a thriving SME sector as it is capable of creating employment (Kongolo, 2010:1). In a country with an unemployment rate as high as South Africa this becomes essential. To transform the economy through sustainable employment the country must prioritise, among others, the support of SMEs through better coordination of relevant agencies, the development of finance institutions, public and private incubators, as well as the relevant SME policies (RSA, 2011:28-29). As such, the challenges of poverty, unemployment and inequality can be addressed. This can be done if the economy of South Africa can be transformed in order for all the citizens to benefit from the wealth of the country. In benchmarking with other developmental states (as well as developing countries that are not necessarily developmental states, but experience similar socio-economic challenges as South Africa), the next section gives an overview of various developmental and developing states and their SMEs and how they can play a role in contributing to economic growth.

2.3.1. A comparison of various developmental and developing states and their SMEs

In the previous section, it was mentioned that a developmental state prioritises the needs of all citizens and enhances their full potential in order to contribute to the building of society and economic growth (Turok, 2010:4-5). In this section, an overview is given of the functioning of SMEs in various developmental and developing states.

South Africa as a developing economy is compared with other emerging economies in order to deduct similarities and differences in relation to GDP, the contribution of SMEs to economic growth, and how SMEs define their countries as developmental and developing states.

According to Tan and Yeo (2015:2), **Singapore** has 100 000 SMEs which constitute 99% of all enterprises locally. (Tan and Yeo, 2015:2) further said that almost half of Singapore's GDP is as a result of SMEs contribution. **Korea** exemplifies that the weight of the SME sector can increase quickly if inequality reduces significantly (Motilewa & Ogbari, 2015:3). SMEs in Singapore are faced with challenges such as limited resources, a tight labour market, and insufficient use of technology (Tan & Yeo, 2015:2). South Africa is similar to Singapore in that SMEs in these two countries contribute to the GDP of their economies, as alluded to in chapter 1, section 1.1 (BASA, 2017:1). Also, similar to Korea and Singapore, South Africa is faced with the challenges of access to markets, insufficient use of technology, and limited resources (HSRC, 2010:1).

In **Malaysia**, by 2010, SMEs contributed 32% to the country's GDP and hired 59% of the nation's workforce (Koe & Omar, 2015:1). While the contribution of SMEs to the GDP was 32.5% in 2011, SMEs aimed to contribute 41% to the nation's GDP by the year 2020 (Ghazilla & Sakundarini, 2015:1; Tehseen & Ramayah, 2015:2). SMEs in Malaysia encompass a large portion of business activities and can therefore contribute to the nation by providing employment opportunities (Koe & Omar, 2015:1). More importantly, SMEs provide a better understanding and faster response to customer needs when compared to large businesses (Ghazilla & Sakundarini, 2015:1-2). The Malaysian government supported the promotion of SMEs by providing substantial financial support for SMEs aimed at their development and growth, research and development activities, product development, and production efficiency. This was accomplished by establishing institutions like the SME bank (Tehseen & Ramayah, 2015:2). Similar to Malaysia, South Africa also provides financial support to the development of SMEs (BER, 2016:6) however, South Africa does not have a dedicated bank for SMEs, but rather various institutions and agencies that provide incentives to develop and promote SMEs.

According to Binetti (2016:26), **China's** developmental state is characterised by three basic essentials: (1) state command and ownership; (2) openness to foreign trade and investment; and (3) constant experimentation. China embarked on various developmental transformations and an open policy for trade created a viable external environment for the promotion of SMEs (Lamprecht, 2011:83). The government of China made the growth of SMEs a central part of future economic development as they contribute 60% to the total national economic output and generate 80% of the country's employment (Kekana, 2015:16). Moreover, it was estimated that about 680 million people in China rose above the poverty line during the period of 1980-2010 (Binetti, 2016:23). Kekana (2015:16) reiterates that SMEs in China play an integral part in employment creation and the creation of new industries and as such, SMEs have become the driver of economic and social development in China. In contrast to the contribution of China's SMEs to employment (80%), SMEs in South Africa contribute only 60% to the country's employment, as indicated in chapter 1, section 1.1 (BASA, 2017:1). Furthermore, China also channels its credit towards selected industrial sectors to enhance their ability to export and to promote their competitiveness (Binetti, 2016:24).

Another developmental country that South Africa can benchmark against with regard to the development and sustainability of SMEs is **India**. India is effectively developing its economy through the growing of SMEs (Motilewa & Ogbari, 2015:6). It was indicated that before the year 2050, India's GDP will surpass the United States of America's projected GDP, positioning India as the world's second largest economy (Cloete, 2013:54). The Greyhound Knowledge Group (GKG) indicated that, since 2004, SMEs in India have seen significant growth. According to the Ministry of SMEs in India the country has more than 48 million SMEs that add more than 45% to India's industrial output, 40% to its total exports; and create 1.3 million jobs every year (GKG, 2014:3). Although India is also dealing with challenges including poverty, overpopulation, corruption, and environmental degradation, its economy is among those that are rising globally (Cloete, 2013:54). SMEs are acknowledged as the capital of India; therefore, their welfare is critical to national development (GKG, 2014:17). Compared to India's more than 48 million SMEs, South Africa registered only 2 251 821 SMEs in 2015, as indicated in chapter 1, section 1.1 (BER, 2016:2). Ease of credit access and quick financing, limiting the regulatory policies for ease of doing business

as well as access to modern technology influence the growth of SMEs in India (GKG, 2014:13-14), South Africa can learn from India's success in developing and sustaining its SMEs despite the socio-economic challenges India faces.

In 2014, **Nigeria** was acknowledged as the leading economy in Africa with SMEs being a significant part of its economy (Labuschagne, 2015:25). SMEs play an important role in poverty alleviation in the Nigerian economy (Awa & Emecheta, 2015:1). Etuk and Etuk (2014:5) mention that the key to poverty alleviation is economic growth that is inclusive and reaches the majority of citizens. It is estimated that SMEs constitute approximately 96% of all Nigerian enterprises (Labuschagne, 2015:25). Nigeria is one of the emerging economies that pursue public policies in promoting SMEs because they stimulate industrialisation by balancing political and economic independence in terms of employment creation, poverty alleviation and innovation (Awa & Emecheta, 2015:1). Nigeria uses mobile or Internet banking to promote the development of SMEs, particularly in rural areas (Asongu & De Moor, 2015:10; Awa & Emecheta, 2015:1).

Similar to South Africa, Nigeria's primary aim is to eliminate poverty, unemployment and inequality, as indicated in the NDP (2012) and alluded to in chapter 1, section 1.4 (RSA, 2012a:2; Fourie, 2013:8). However, Nigeria has made greater strides in the development and promotion of SME's by focusing on the expansion of mobile and Internet banking in its rural areas. In South Africa, millions of people are faced with barriers related to cost, geography and education. These people have no way of securely transferring funds, saving money, or accessing credit due to the fact that they do not have access to banking services. One solution to this challenge is to teach people who have access to a cell phone how to use mobile banking (Ismail & Masinge, 2011:3). Mobile banking can make basic financial services more accessible by minimising time and distance to the nearest retail bank branches (Ismail & Masinge, 2011:3).

The government in **Botswana** also identified SMEs as having the potential for economic diversification and has always been considered essential to development because it is expected to play a significant role in economic development as well as the creation of employment opportunities (Baleseng, 2015:8). After all, SMEs are major employers of women and youth and contribute to poverty reduction; hence,

SMEs have enormous potential to sustain Africa's economic development (Bagire & Namada, 2015:10). Similar to other countries, Botswana's SMEs are hindered by various obstacles which include, among others, a lack of information on SME programmes due to inadequate publicity of available SME programmes, a lack of effective implementation of programmes that are meant to support SME activities, and inadequate institutional support such as the administrative bottlenecks SMEs encounter when they register as companies (Baleseng, 2015:8). Bagire and Namada (2015:10) and Kapunda (2015:3) reiterate that SMEs face challenges such as delays in business licensing, rigid labour laws, taxation, and access to credit. Like Botswana, South African SMEs also face the challenges of business registration and regulatory compliance, as indicated in chapter 1, section 1.4 (Dubihlela, 2012:37).

Contrary to the above, **Zimbabwe** focused on nation building after it gained independence in 1980, however it failed to achieve democratisation and good governance due to the centralisation of power by the state in the executive branch of government, specifically in the office of the president (Maseng, 2010:46-47). Corresponding to South Africa, Zimbabwe is also experiencing the challenge of unemployment therefore the development and growth of SMEs can provide solutions to this challenge as they have the potential to contribute to the growth of the economy (Maseko & Manyani, 2011:1). However, as mentioned, the centralisation of power is used to excuse authoritarian policies and justify limitations of human rights and freedoms (Maseng, 2010:47). As such, this results in high levels of unemployment and poverty and economic growth is slow.

According to the United States Agency for International Development (USAID), Zimbabwe introduced a new measure called the Statutory Instrument 64 of 2016 (SI64 of 2016) which prohibits the importation of selected goods in order to resuscitate Zimbabwe's industrial sector (USAID, 2016:7). The list consists of more than 40 retail items that are mostly imported from South Africa, Botswana and Zambia (Murangwa & Njaya, 2016:1). However, based on the premise that good governance is a critical requirement to sustainable development, curtailing democracy and good governance means that, to some extent, sustainable development is compromised (Maseng, 2010:48). The SI64 of 2016 affected the Zimbabwean state in the following ways: the loss of business due to the reduced importation of goods; the threat of salary cuts and

employment losses; a poorer standard of living due to increased prices of the few imported goods that found their way into the economy; and the increase in the prices of poor quality goods produced by local SMEs (Murangwa & Njaya, 2016:5). South Africa has a constitution that guides the country towards the establishment of a society that must be based on democracy and human rights, as described in Chapter 1, section 1.4 (RSA, 1996a:1243). This is dissimilar to Zimbabwe as human rights and freedom are limited.

The overview above indicates that there are more similarities and fewer differences in the countries discussed. For instance, SMEs in countries such as Singapore, Malaysia, Korea, Nigeria, Botswana, and Zimbabwe are faced with similar challenges such as limited resources, poverty, lack of access to markets, unemployment, and inequality. They emphasise that SMEs have an important role to play in the contribution of the GDP and that providing financial support is important for the development of SMEs. All countries emphasise that SMEs have the potential to contribute towards employment creation. The number of registered SMEs seems to be lower in South Africa than India. Zimbabwe is the only country that initially unified the country but ended up with authoritarian policies, which resulted in a failed democratisation.

The above analysis shows that the development of SMEs is critical to all countries as it enhances the growth of a country's economy. It is also important to note that in order for SMEs to contribute to the economy they must be sustainable. Although the SMEs in South Africa contribute less to GDP than other countries, except Zimbabwe, its importance is greatly considered because it adds to economic growth and to sustainability of SMEs. The next section therefore outlines the link between SMEs and sustainable development.

2.3.2. SMEs and sustainable development

Since the focus of the study is on the development and sustainability of SMEs, it is necessary to have a clear understanding of what is regarded as sustainable development. The concept of sustainable development as defined by Dang and Pheng (2015:4) is the progress that meets the needs of the present, without compromising

the ability of future generations to meet their own needs. Florida International University (FIU) defines sustainable development as a process whereby economic advancement and progress is maintained while protecting the long-term value of the environment (FIU, 2015:1). It provides a framework for the integration of environmental policies and development strategies (FIU, 2015:1). The concept of sustainable development has been created around the relationship between development and environment (Dang & Pheng, 2015:4). The central idea of sustainable development is to prevent the dilapidation of the environment that could threaten global eco-systems and humanity (Dang & Pheng, 2015:4).

Sustainable development entails mechanisms and measures of socio-economic development that essentially concentrate primarily on making sure that social, economic, ecological, and natural capital items are maintained (Akaeze, 2016:46). In support of the above statement, Dang and Pheng (2015:14) emphasise that sustainable development involves maximising the net benefits of economic development while maintaining the services and quality of natural resources over time. Sustainable development is about satisfying human needs, ensuring social equity, and respecting environmental limits (Holden & Linnerud, 2016:3). Akaeze (2016:46) describes sustainable development in two ways. Firstly, states must be aware of the interconnectedness of the global economy and globalisation to understand the intersection of the economy, society, environment, and politics. Secondly, states must have the capability of dealing with the challenges they are faced with by establishing sustainable development goals and to achieve them as unified participants globally.

Jansson and Nilsson (2017:2), depict that SMEs are essential to sustainable development, albeit that individual SMEs are naturally smaller and have less impact on the environment than larger businesses, the point is that SMEs dominate the business space arena in many countries and as a result of this dominance, it is natural that the SME sector as a whole has a considerable impact on the environment. Through continuous innovation and the ability to leverage off other capabilities, SMEs are able to sustain competitive advantage in the business arena (Ceptureanu, 2015:2). SMEs are important as they maintain strong economic growth however sustaining their performance in the long term is a challenge (Koe & Omar, 2015:2). For SMEs to be

sustainable they need to adopt advanced managerial practices in main business processes (Kloviene & Speziale, 2015:2).

The role of SMEs is becoming increasingly prominent throughout the world, especially in terms of accelerating the economic development of a country (Baleseng, 2015:22). Akaeze (2016:59) concurs that countries can achieve sustainable economic development through the support and development of SMEs. Thus, SMEs are an important part of all countries' economies and significant in the socio-economic development of countries. It is, however, important to ensure an enabling environment (Musabayana, 2012:57) and have oversight mechanisms in place that will ensure that the growth of SMEs is not compromised by a lack of good governance (Baleseng, 2015:29). In this respect, South Africa developed an Integrated Development Strategy for Small Businesses, 2004, to promote SMEs and entrepreneurship in order to address the challenges faced by SMEs (Shezi, 2013:9).

Therefore, the overall goal of sustainable development is the long-term stability of the economy and environment, which is only achievable through the integration and acknowledgement of economic, environmental, and social concerns throughout the decision-making processes. SMEs are central to sustainable development as they contribute to economic growth in many economies, which results in employment creation, poverty and inequality alleviation. South Africa is no different from other countries with regard to the promotion of SMEs. The next section deliberates on how SMEs are important to the economy of South Africa.

2.3.3. The importance of SMEs in the economy of South Africa

SMEs are valued worldwide despite the level of development in which a country finds its economy (Mabaso, 2014:21). It is generally accepted that an economy that shows substantial growth is usually characterised by a strong and growing SME sector (Lamprecht, 2011:18) and can sustain long-term development (SEDA, 2016:2). Increased public and private investment in countries are influenced by improved business environments, which also propels the development of SMEs (Etuk & Etuk, 2014:5; SEDA, 2016:2).

The Kauffman Foundation (KF) indicates that in the United States of America (USA), SMEs make a significant contribution to the national economy in terms of employment creation and in driving the USA's economy (KF, 2016:5). The Edinburgh Group (EG) explains that the World Bank survey of 47,745 businesses across 99 countries revealed that SMEs with an employee count between 5 and 250 employees, account for 67% of the full-time employment (EG, 2012:8). Research estimates indicate that SMEs represent over 90% of private sector businesses and contribute to more than 50% of employment and to the GDP in most African countries (NCR, 2011:13). As alluded to in chapter 1, sections 1.1 and 1.4 and section 2.4 of this chapter, SMEs in South Africa are also regarded as significant in achieving economic growth and in contributing to employment creation in the country (NCR, 2011:13; Herrington & Kew, 2010:113; Dubihlela, 2012:36; Baleseng, 2015:8).

Since the dawn of democracy in 1994, one of the key policy focus areas of the South African government was the promotion of the SME sector due to its importance in economic development, employment creation and equity (RSA, 2010:1). The South African Institute for Chartered Accountants (SAICA) indicates that the government established the DSBD with the primary focus of promoting SMEs to stimulate growth and sustainability (SAICA, 2015:3). The government therefore attaches a high level of importance to the development and sustainability of SMEs as a means to contribute to national economic growth, development, and employment creation (RSA, 2010:3).

To reduce the number of citizens that are dependent on the welfare of the state, reduce poverty, unemployment, and inequality; the SME sector must grow significantly (SAICA, 2015:3). For SMEs to contribute meaningfully to socio-economic development interventions are required to stimulate these SMEs towards growth (Herrington & Kew, 2015:38). In South Africa, SMEs represent a significant portion of businesses as they make up approximately 91% of formal business entities, contribute 51-57% to the GDP, and provide almost 60% of the country's employment opportunities (Kongolo, 2010:3). These statistics depict that SMEs have an important role to play in contributing to economic growth and employment creation. Given the developmental context of South Africa and the associated challenges of poverty, unemployment, and inequality, it is therefore evident that SMEs can make a positive

contribution to alleviating the socio-economic conditions of the country. The section to follow discusses the sustainability of SMEs in enhancing economic growth.

2.3.4. The sustainability of SMEs

SMEs are essential to sustainable development as indicated above in section 2.4 (Jansson & Nilsson, 2017:2). In order to grow the economy, SMEs must be supported; as such, the creation and sustainability of SMEs are vital to the economic prosperity of South Africa because without their creation, the country risks economic stagnation (Mabaso, 2014:20). For SMEs to be sustainable, they must be supported through appropriate regulations, which can stimulate their growth (Jansson & Nilsson, 2017:79). Baleseng (2015:29) emphasises that the contemporary business environment requires the application and incorporation of new technological tools and management practices in order to remain competitive and sustainable. Governments should therefore expose SMEs to technological advances and management practices in order to align these SMEs with contemporary trends enabling them to effectively compete globally and remain sustainable.

Moreover, the orientation of SMEs, such as innovativeness, risk-taking, pro-activeness, autonomy, and competitiveness provides opportunities for the development and growth of SMEs, which in turn leads to a sustainable competitive advantage (Venter, 2014:16). Venter (2014:18) reiterates that innovativeness focuses on the application and the development of creative solutions to common challenges arising in the business environment. Thus, the government must provide various institutional support structures, programmes, and other stimuli that could support the sustainability of SMEs. This can be done by providing training to owners of SMEs and identifying and deploying state-of-the-art technologies and innovation with regard to their products and processes (Bateman, 2016:7).

In addition, the development of SMEs plays a crucial role in the achievement of sustainable development at both local and regional level. Thus, globally the promotion of SMEs is highly supported through numerous financial and non-financial products and services (Temelkov & Metodijeski, 2016:48). The growth and sustainability of SMEs is not only necessary for SMEs own individual existence, but also for the

different stakeholders who provide guidance to SMEs (Chakraborty, 2015:5). In order to achieve sustainability in the development of SMEs, owners of SMEs should focus on long-term profitability that could simultaneously reduce environmental and societal risks (Chin & Tat, 2015, 2). Tassiopoulos (2016:15) argues that to ensure long-term sustainability, the owners of SMEs need to make efficient and effective business decisions about the internal and external threats and challenges their businesses face as this will assist them to have adequate strategic information to make decisions and maintain their competitive advantage.

It is the responsibility of the government to ensure that a conducive environment is created for SMEs in order for these SMEs to boost the economy (Koe & Omar, 2015:2). It is imperative for SMEs to have appropriate tools to assist them with the implementation of applicable measures for increasing their sustainability (Golinska & Kosacka, 2015:1). SMEs are important to economic growth, particularly in local communities, as they empower the previously disadvantaged people through BEEE. In doing so, the government has a constitutional mandate of promoting economic development (Nkwinika & Munzethedzi, 2016:81).

In a number of surveys conducted on SMEs, finances were also identified as the most important factor determining the survival and growth of SMEs in both developing and developed countries (Baleseng, 2015:28). Therefore, critical to a sustainable SME sector is access to funding, along with other resources and capabilities. Hence, SEFA is an essential partner in the development of SMEs as they contribute to the achievement of the national development objectives of employment creation, economic growth and poverty reduction (SEFA, 2015:10).

Since studies have shown that SMEs play a significant role in building the economy, Kotze (2010:50) identified the following success factors used by big businesses that SMEs can emulate: a good strategic match between partners; documentation of agreements to ensure commitment from funders; a clear understanding of goals and roles; direct communication and multiple relationship-building between partners; frequent performance feedback; shared risks and resources; integration of information systems; and building a scope for flexibility and support from internal and external

stakeholders. SMEs differ from large businesses in a number of ways. Botha (2011:15-16) indicates the characteristics of SMEs as follows:

- Personalised management;
- Informal strategies;
- Flexible structures;
- Innovation potential;
- Small customer base; and
- Limited financial investment capacity.

This section highlighted that sustainability is key to the development of SMEs because SMEs contribute to economic growth (Ghazilla & Sakundarini, 2015:1; Tehseen & Ramayah, 2015:2; Koe & Omar, 2015:1). For SMEs to be sustainable, they must be provided with financial support, an enabling environment must be created, new technologies must be used, and they should be innovative (Tehseen & Ramayah, 2015:2; BER, 2016:6). Therefore, the support provided to the owners of SMEs will enable them to create employment and add to economic growth and alleviate poverty. The following section describes how these SMEs can be developed and managed to contribute to the transformation of the socio-economic challenges of the country.

2.3.5. Development and management of SMEs

The following sections focus on the importance of the development and management of SMEs in sustaining them and effectively applying them towards socio-economic development.

2.3.5.1. Development of SMEs

For SMEs to thrive, favourable institutional frameworks are required (Etuk & Etuk, 2014:5). Unfortunately, the needs of SMEs are often overlooked by policy-makers and legislators, who tend to target larger corporations (Etuk & Etuk, 2014:5-6). However, various countries are increasingly reliant on the development of SMEs and entrepreneurship to positively influence its economic prosperity (Morebudi, 2015:30).

Therefore, Etuk and Etuk (2014:5-6) describe the following points that focuses on *how* and *what* can be done to develop SMEs:

- Providing financial and tax incentives – to encourage SMEs to join the formal sector, governments need to provide tax incentives for SMEs and subsidies similar to those available to large corporations or micro-entrepreneurs, as well as make provisions for start-up funds for SMEs.
- Encouraging friendly regulatory environments – governments should promote public-private partnerships to attract venture capital funds and higher levels of investment, and put in place measures to create investor-friendly environments.
- Involving business in identifying necessary reforms – increasingly, the business voice is listening to indecisions aimed at effecting change. In several countries, such as Mali and Mozambique, private businesses now participate in identifying the most needed reforms.

Currently, the DSBD does apply the abovementioned actions. For instance, SEFA, the agency of the DSBD is responsible for providing funding incentives to SMEs (RSA, 2015b:5). An online portal, FinFind, facilitates enterprise financing and related mentorship support to SMEs (RSA, 2015b:5).

The development of SMEs is widely perceived as the answer to the economic and social challenges facing South Africa (Nell, 2015:31). Given the high level of unemployment and poverty in the country, employment creation (through, for instance SMEs) should supersede poverty alleviation (Wessels, 2012:11). In support of the above, research conducted by the Business Environment Specialist (BES) revealed that unemployment is worse among black citizens, in particular those with qualifications below matric (the low- skilled), who are likely to be employed by SMEs if they can get employment (BES, 2013:5).

Employment creation in itself is the most effective, sustainable strategy within the context of policies pertaining to SMEs that could alleviate poverty and reduce inequality (Wessels, 2012:11). In support of the above, Van Heerden (2010:12) emphasises that SMEs are the employment sector that provide the largest number of employment opportunities and as such, they are important for economic growth. This

therefore means that, an increase in the creation of new SMEs and the promotion of entrepreneurship, will in all likelihood have a positive impact on unemployment and poverty.

Entrepreneurship is related to economic growth and has the potential to address the high unemployment level in South Africa, as discussed in chapter 1, section 1.1 (RSA, 2016a:14). The reason for starting a business and the goal of an entrepreneur is to identify opportunities, make a profit, succeed and become sustainable (Shezi, 2013:34). The DSBD was established to promote and develop SMEs in South Africa and provides financial and non-financial support to SMEs through agencies such as SEFA and SEDA, as alluded to in chapter 1, section 1.1 (RSA, 2015b:15). Financial and non-financial support for SMEs is significant for their development and is considered one of the key support services that SMEs must have (SEDA, 2013:11). It is therefore important that the government as a whole work together to support SMEs. Apart from the DSBD, there are other government institutions that provide support to SMEs such as: National Youth Development Agency (NYDA) which encourages young people between the ages 14–35 years to start businesses and provides them with financial and non-financial support; and the National Empowerment Fund (NEF), which also provides financial and non-financial support to black-empowered businesses (BER, 2016:7). In addition to providing much needed financial and non-financial support to SME's, it is also necessary to ensure that SMEs are well managed. The next section elaborates on the management of SMEs and specifically, the management of SMEs according to the life cycle and growth model.

2.3.5.2. Management of SMEs - life cycle and growth model

Starting a new business is a process consisting of stages: the first stage is the start-up phase (Armstrong, 2016:1). During this period individuals conceive the idea of starting a business and then identify the products or services that the business will trade (Ntema, 2011:11). Thereafter, the necessary resources and infrastructure, such as employees, are put together (Ntema, 2011:11). The survival stage is the second stage of a business, categorised by employing formal systems where the owner is able to delegate responsibilities to employees, and the business is kept at the current operating level or explores growth and opportunities (Wiese, 2014:31).

Van der Westhuizen (2014:42-43) describes the life cycle and the development of SMEs:

- **Existence** – also known as the birth stage or entrepreneurial stage. This is the inception stage of a business. In this stage, the focus is on its viability of the business and finding enough customers to support the existence of the business. At this stage, the operation is simple and the ownership and decision-making lies in the hands of one or two individuals.
- **Survival** – this stage focuses on increasing the revenue of the business in order to continue with the operations, grow the business, and stay competitive. Some businesses make profit and grow big and move to the next level while others fail to generate profit and ultimately fail as businesses.
- **Success** – this is the maturity stage that has survived the previous stage. During this stage, the owners of SMEs protect what they have achieved. Red tape can be a challenge that is encountered and that can inhibit the business' ability to respond to changing environments.
- **Renewal** – during this stage, the business permits networking, collaboration and teamwork to foster innovation and creativity. Normally the needs of the customers take priority over those of the members of the business.
- **Decline** – organisational members become more obsessed with personal goals than organisation goals, which lead to a period of decline where the business experiences a lack of profit and a loss of market share.

These stages are important to this study because they are able to provide a complete picture of the process of a business. The knowledge about the stages can assist the owners of SMEs to avoid the stages they think may be detrimental and stick to stages that can enhance the business. The stages provide a road map and identify organisational transition in the process of development.

According to Shafeek (2016:3), SMEs usually lack knowledge and experience of human resource management practices and most of these SMEs battle to provide sufficient training and health and welfare facilities to their employees due to cost

constrains. Botha (2011:37-38) maintains that the owners of SMEs must possess certain basic skills in order to manage their business successfully. SMEs have limited access to the financial markets and an over-reliance on short-term funds; therefore, the efficient management of working capital are important for the existence, growth and profitability of SMEs (Gorondutse & Ali, 2012:2). Business management skills are useful to the owners of SMEs as they can assist them to manage their SMEs optimally (Botha, 2011:37-38).

Moreover, the owners of SMEs are less likely to obtain management training than the owners of large businesses due to a lack of finances and information gaps and therefore, few see training as a strategic tool (Shafeek, 2016:3). Thus, improving employees' skills is a critical matter for the development of SMEs, especially managerial skills that directly affect employees' skills and the performance of SMEs (Shafeek, 2016:3). Another important aspect in the management of SMEs is having a business plan and being able to implement it; hence, in many countries a business plan is one of the leading instruments for the development of entrepreneurship (Maric & Lecovic, 2012:29). In South Africa, SEDA is responsible for providing non-financial support to SMEs and among their services are: business-related information; business management advice; consultancy; business plan development; training; and mentoring services (SEDA, 2014:9). These services also aim at providing solutions related to various business functions such as production, human resource management, financial management, and access to markets (SEDA, 2014:9).

From the above discussion it is clear that although SMEs are the drivers of the economy in many parts of the world, they still face challenges in managing their businesses. It is also important to note that amongst those challenges is a lack of finances that has a direct impact on the other functions of SMEs. For SMEs to be sustainable, they must be supported financially and non-financially so that they are able to function optimally. The management of SMEs also significantly contributes to the performance of SMEs. Therefore, the next section focuses on the management of SMEs to attain maximum performance.

2.3.5.3. Management of SMEs - Performance

According to Wiese (2014:33), business performance is defined as the achievement of a business in the marketplace and the capability to develop good results for that business. Landman (2011:11) defines the business performance of SMEs as a process that aligns the strategy of a SME, its operational objectives, and its activities to be managed through better-informed and proactive decision-making actions, resulting in common organisational objectives. Furthermore, the knowledge that the owners of SMEs and their employees hold is important for the growth of the SMEs as will help save costs on external consulting fees (Labuschange, 2015:43).

Baleseng (2015:12) emphasises that SMEs are owned and managed by their owners, both in developed and developing countries; thus, the decision-making and operations of an SME, as well as its growth and sustainability, lie upon the shoulders of the owners of SMEs to improve performance and cope with uncertainty, they need to conduct effective operational planning and strategic planning for the survival of their businesses (Beneke, 2014:82). According to Jooste (2010:47) various mechanisms can be used to measure and evaluate business performance these include:

- Leverage the advantage of technology;
- Better and improved customer service;
- Reducing the cost of decision-making;
- Reduction of operational costs;
- Reduction of marketing costs;
- An increase in revenues;
- A reduction in the loss of sales; and
- An increase in return on investment.

It is of the utmost importance that the owners of the SMEs keep up to date with technological inventions as the use of technology can reduce unnecessary costs (Gorondutse & Ali, 2016:2). The owners of SMEs need access to the same technology as the big economic players to level the playing field and to be flexible, responsive and meet anticipated customer needs (Labuschange, 2015:43).

The roles of the government of South Africa with regard to the management of SMEs is to create an enabling environment to develop, perform, become sustainable, and not succumb to failure (Morebudi, 2015:30). It can also be argued that the government should assist in keeping SMEs in business due to their role in employment creation (SAICA, 2015:4). Furthermore, the government can provide incentives for training to upgrade the skills of owners and managers of SMEs to help provide motivation for the development of SMEs (Shafeek, 2016:4). SEDA provides various management training courses to the owners of SMEs that assist in developing and promoting SMEs (SEDA, 2013:9). It is important to note that well-managed SMEs with an enabling environment can result in the creation of new SMEs, which can minimise the levels of unemployment, poverty and inequality (Marivate, 2014:1). As alluded to in chapter 2, section 2.3.2, SMEs play a significant role in the economic growth of a country (Baleseng, 2015:22). In consideration of South Africa being both a *developing* and a *developmental* state – aimed at rapid and sustained economic growth of a country (Edigheji, 2010:5), it is necessary to review relevant theories of economic development that provide guidance in this regard. The next section therefore, gives an overview of such development theories, especially those pertaining to socio-economic development.

2.4. THEORIES OF ECONOMIC DEVELOPMENT

In consideration of the challenges highlighted in the NDP, 2012 (poverty, unemployment, and inequality), the subsequent requisite economic growth needed to improve the socio-economic circumstances of citizens, and the role of SMEs in this regard, certain theories of economic development have been consulted with a view to determine their relevance and applicability to South Africa. Economic theories are generally divided into two types of theories: (1) *neo-classical, exogenous* growth theories; and (2) *endogenous* growth theories. For the purpose of this study the following two theories were chosen to be discussed: (1) Solow's Growth Model (as a neo-classical exogenous growth theory); and (2) New Growth Theory (as an endogenous theory). Classical Political Economy Theory and Jevons' Theory of Political Economy are also included in the discussion.

2.4.1. Solow's Growth Model

In the 1950s Robert Solow developed a model that kept diminishing returns to capital and labour, called **Solow's Growth Model**. Solow's Growth Model predicts that the improvement of living standards depends on the economy's fundamental characteristics, which includes the population growth rate, the savings rate, the rate of technical progress, and the rate of capital depreciation (Liu, 2004:6). The capital stock is a key determinant of the economy's output (Guerrini, 2006:14). According to Solow (1956:2), significant assumptions are those where results are reflected and assumptions are realistic. If the results of a theory flow specifically from a special fundamental assumption, the assumption is uncertain and the results will also be uncertain (Solow, 1956:2).

As alluded to in chapter 2, section 2.3, the post-Apartheid government is faced with a number of socio-economic challenges. Thus, the government have established several legislation, policies and mechanisms since 1994 to deal with these challenges, however some of the initiatives failed and numerous socio-economic problems prevail (Hwarire, 2012:4; Koma, 2013:156; Musabayana, 2012:41). This means that if the government develop policies that are uncertain, the objectives or the results of these policies would not be realised and the challenges will still persist. The purpose of this model is to examine the challenge of economic growth and to see where more flexible assumptions about production can lead to a simple model (Solow, 1956:28).

According to Solow's Growth Model, technology is viewed as continuously expanding the set of knowledge that become evident over time (Cortright, 2001:3). Improvements in technology are therefore considered the best chance to overcome the challenges of slow economic growth (Grossman & Helpman, 1994:21).

Grossman and Helpman (1994:21) explain that economic policy-makers are often faced with a challenge of how to best promote rapid and sustainable economic growth in the face of depleting stocks of irreproducible natural resources. If mankind continues to discover ways to produce more output (or better output), while conserving those inputs that cannot be accumulated or regenerated, there should be no reason why living standards cannot continue to rise for centuries to come (Grossman & Helpman,

1994:21). It is of the utmost importance that the owners of SMEs keep up to date with technological inventions as the use of technology can reduce unnecessary costs and greatly assist these owners in business procedures. Subsequently, it is necessary that the DSBD provide the necessary training to the owners of SMEs in this regard.

Since forces external to the economy determine technology, Solow's Growth Model is referred to as an *exogenous model* of growth (Cortright, 2001:3). Kenis and Provan (2009:5) explain that **Exogenous Theory** is the belief that economic growth arises due to influences outside the economy or business of interest. Exogenous Theory therefore assumes that economic prosperity is primarily determined by external rather than internal factors (Kenis & Provan, 2009:5).

The system can perform poorly due to two different causes (Cortright, 2001:3). Firstly, performance can be weak because the system performs poorly on a criterion that theoretically implied that systems could and should perform well (Cortright, 2001:3). Secondly, there are various possible reasons for the poor performance, including poor network management, unsecured or poorly deployed resources, erroneous task integration and poor cooperation between the participants in the system (Kenis & Provan, 2009:5). The overall goal of sustainable development is the long-term stability of the economy and environment (Dang & Pheng, 2015:4; FIU, 2015:1), which is only achievable through the integration and acknowledgement of economic, environmental, and social concerns throughout the decision-making processes, as alluded to in chapter 2, section 2.3.2. In terms of SMEs, a cooperative and supportive relationship between the owners of SMEs and the DSBD is necessary. This relationship should include adequate funding support and the provision of training to the owners of SMEs. Training will equip the owners with the necessary skills to effectively manage their businesses and efficiently conduct task integration within their businesses.

2.4.1.1. Criticism on Exogenous Theory

The purpose of Solow's Growth Model was to examine what might be called the "tight-rope view" of economic growth and to determine where more flexible assumptions about production can lead to a simple model (Chand, 2016:1). However, a number of shortcomings could be identified in Solow's Growth Model (Chand, 2016:1): it is based

on the assumption of labour-augmenting technical progress; there is an absence of an investment function; and a consequent failure to assign a major role to entrepreneurial expectations about the future.

Solow's Growth Model predicts that the long-term improvement of living standards depends on the economy's fundamental characteristics (Liu, 2004:6), as alluded to in section 2.4.1. As this model lacks an investment function, it does not make provision for increased public and private investment that propels the economy, and by implication, the development of SMEs, as alluded to in chapter 2, section 2.3.3 (Etuk & Etuk, 2014:5; SEDA, 2016:2).

2.4.2. New Growth Theory

New Growth Theory was developed by Paul Romer and Robert Lucas in an effort to improve the neo-classical exogenous theory of economic growth. This theory is classified as an *endogenous theory*. **Endogenous Theory** deals with four main points, which are (Currie, 1997:2): self-generating character of growth; the reduced role of traditional factors of production; the interplay of exogenous and endogenous elements; and the far-reaching implications of theory and policy.

The endogenous determination of self-generating productivity growth is as a result of rational investment decisions (Currie, 1997:2). Productivity growth is thus influenced by standard consideration of costs and benefits (Currie, 1997:2). Thus, financial systems influence decisions to invest in productivity enhancing activities through two mechanisms: they evaluate prospective entrepreneurs; and they fund the most promising ones (Currie, 1997:2). Financial institutions can provide these research, evaluation, and monitoring services more effectively and at a lower cost than individual investors (King & Levine, 1993:3). They are also better at mobilising and providing appropriate financing to entrepreneurs than individuals (King & Levine, 1993:3). Overall, the evaluation and organising of entrepreneurs lowers the cost of investing in productivity enhancement and stimulates economic growth (Currie, 1997:2). Financial sector distortions can therefore reduce the rate of economic growth (King & Levine, 1993:3).

New Growth Theory, as an endogenous theory, views the economy as incorporating two important aspects. Firstly, it views technological progress as a product of economic activity (Cortright, 2001:6). New Growth Theory is often called Endogenous Growth Theory because it internalises technology into a model of how markets function (Cortright, 2001:6). Secondly, New Growth Theory views knowledge and technology as characterised by increasing returns, in which these returns increasingly drive the process of economic growth (Cortright, 2001:6). Grossman and Helpman (1994:19) denote that research on endogenous innovation has helped to elucidate several reasons as to why participation in a larger world economy may speed up a nation's growth: firstly, citizens in a country that is integrated into world markets are likely to enjoy access to a larger technical knowledge base than those living in relative isolation; and secondly, exposure to international competition may mitigate unemployment.

Businesses that develop a product for a protected domestic market need to only make use of technologies that are new within the local economy; those that hope to compete in the international marketplace will be forced to develop creative ideas on a global scale (Grossman & Helpman, 1994:19). As indicated in chapter 2, section 2.3.2, through continuous innovation and the ability to leverage other capabilities, SMEs are able to sustain competitive advantage in the business arena (Ceptureanu, 2015:2). This means that for SMEs to contribute to economic growth, they must be creative, and use technologies to advance their businesses enabling them to become competitive in the global space. This will thus assist in reducing the challenges of poverty, unemployment and inequality.

2.4.2.1. Importance of human capital in economic growth

Currie (1997:5) denotes that, while the demand to meet the current production may frequently be lacking in a monetary sense, it is not lacking in a real and secular sense. As growth precipitates growth, it also precipitates the demand for additional output (Currie, 1997:5). Parker (2012:6) indicates that human capital is the acquired characteristics that make employees more productive. Even though human capital incorporates characteristics such as health, strength, and stamina, the most commonly analysed sources of human capital are education, training, and the experience that an

employee represents (Currie, 1997:5). An alternative approach, associated with Endogenous Growth Theory, is to model technological progress as a function of the level of education or human capital. The presumption is that an educated workforce is better at creating, implementing, and adopting new technologies and in turn generates growth (Benhabib & Spiegel, 1994:2).

The premise of Endogenous Growth Theory relates to the need for education and training for the owners of SMEs to support their development and sustainability and ultimately contribute to economic growth. For instance, the owners of SMEs must possess certain basic skills in order to manage their businesses successfully (Botha, 2011:37-38), as alluded to in chapter 2, section 2.3.5.2. These owners should also be trained to use technology to advance their businesses. In addition, the owners of SMEs should transfer their skills to their employees. SMEs will only be able to fulfil their role in employment creation and the achievement of the objectives of the democratic developmental state if they are equipped with well-trained and skilled employees.

Furthermore, Grossman and Helpman (1994:35-36) also mention that human capital plays a significant role in the economic growth process, however various theories interpret this statement in various ways. For instance, human capital may be seen as the accumulation of effort, devoted to schooling and training, while other theorists indicate that the skills that an individual acquires may be applied to an ever-improving set of production technologies, in which case the value of human capital will continually rise over time (Grossman & Helpman, 1994:35-36). Benhabib and Spiegel (1994:2-3) also indicate that there is an alternative model that allows human capital levels to directly affect aggregate factor productivity through two channels: human capital may directly influence productivity by determining the capacity of nations to innovate new technologies, suited to domestic production; and high human capital levels are necessary to affect the speed of technological catch-up and diffusion. It is therefore evident that human capital, including employees' education and skills, can significantly contribute to economic growth; thereby, reiterating the need for training the owners of SMEs.

2.4.2.2. Importance of knowledge in economic growth

According to Romer (1986:3), Endogenous Theory can be viewed as a stability model of technological change in which long-term economic growth is driven primarily by the accumulation of knowledge. Cortright (2001:4) also supports the view that Endogenous Theory knowledge plays an important role in economic growth. As indicated in chapter 2, section 2.3.5.2, SMEs usually lack knowledge and experience in human resource management practices. Most of these SMEs encounter difficulties in providing sufficient training to their employees, due to cost constraints (Shafeek, 2016:3). In consideration of the central role of knowledge in economic growth, it is evident that the owners of SMEs should be educated to attain the necessary business knowledge to enable them to effectively manage their businesses. Also, as mentioned in the preceding section, these owners can in return transfer their knowledge and skills to their employees. Equipped with the necessary knowledge and skills, the owners and employees of SMEs can make informed decisions for their businesses.

2.4.2.3. Importance of technology in economic growth

The world tends to focus on the use of computers and the internet as the icons of economic progress, but it is innovation that generates new ideas and which is the force that sustains economic growth, not the technologies themselves (Cortright, 2001:2). The central notion behind New Growth Theory is increasingly associated with new knowledge or technology (Cortright, 2001:2). Endogenous Theory places emphasis on the creation of new knowledge that can be used economically (Kurz & Salvadori, 2003:8). The role of technology and knowledge therefore remains important in economic growth. The preceding sections emphasize the need for the owners of SMEs to advance their knowledge and their use of technology. In this respect, the DSBD has a role to play in terms of providing training to these owners.

2.4.3. Classical Political Economy Theory

According to Downs (1957:2), economic theorists have never successfully integrated government with private decision-makers in a single general equilibrium theory, despite the important decisions taken by government in every phase of the economic

cycle. Instead, government action has been treated as an exogenous variable, determined by political considerations and external to the economic environment (Downs, 1957:17). **Classical Political Economic Theory** is grounded by the premise that the private sector is a self-regulating mechanism and that government, beyond the maintenance of law, will not be interfering with the private sector. Downs (1957:17) further emphasises that a truly useful theory of government action in a democracy, or in any other type of a society, must be both political and economic in nature. Both economists and politicians must depend on each other in order to analyse government decision-making, which is the most significant political and economic power globally (Downs, 1957:17).

In consideration of the democratic developmental state, and in particular, the primary aims of the NDP (2012), to alleviate poverty, inequality and unemployment, it is necessary to recognise both the political and economic roles in socio-economic development. It can be argued that improved cooperation between politicians and economists can lead to effective policy development and implementation and will subsequently have positive results for the economic growth of the country. Therefore, the development and sustainability of SMEs should not only be driven from a political perspective, but also from an economic perspective. This implies cooperation between the government of the day (politicians) and economists to provide the necessary funding and support to SMEs to be successful as they play a significant role in employment creation.

2.4.4. Jevons' Theory of Political Economy

According to **Jevons' Theory of Political Economy**, the science of political economy rests upon a few notions of apparently simple characteristics that includes utility, wealth, value, commodity, labour, land and capital (Jevons, 1957:1). These are the elements of political economy and whoever has a thorough comprehension of their nature must possess, or soon be able to acquire, knowledge of the whole science (Jevons, 1957:1). Negishi (1989:7) further indicates that it is necessary to use mathematical models of contemporary economic theory to explain the challenges economists faced in the past and to analyse the theories they developed to solve said

challenges. Consequently, using modern techniques the problems they could not solve with their techniques are easily solved.

The above two theories indicate that both political and economic dynamics must be considered in order to solve the challenges of the society (poverty, unemployment, and inequality). Government and the private sector must work together and not in isolation. The current challenges are complex but theorists have to find creative ways of solving these challenges. As alluded to in chapter 2, section 2.3.2 the goal of sustainable development is the long-term stability of the economy and environment, which is only achievable through the integration and acknowledgement of economic, environmental, and social concerns throughout the decision-making processes. SMEs are therefore central to sustainable development as they contribute to economic growth, which result in employment creation, poverty alleviation, and equality. The above two theories are relevant to this study as they emphasise the integration of politics and economy so that the challenges of inequality, poverty and unemployment can be resolved to ensure economic growth takes place.

2.5. CONCLUSION

The focus of chapter 2 was to institute a theoretical framework for the development and sustainability of SMEs. SMEs were conceptualised within the perspective of South Africa as a democratic developmental state. This chapter also deliberated on the role and status of SMEs in other developmental states, as well as developing states, to compare and draw lessons from these countries with regard to the development and sustainability of SMEs and the role of a government institution. The lessons learned were that similar to South Africa, countries such as Malaysia, Singapore, Korea, Zimbabwe, India, China, Nigeria and Botswana have socio-economic challenges such as poverty, unemployment and inequality and consider the development of SMEs as an answer to alleviate these challenges. In addition, this chapter also discussed the sustainability of SMEs, which denoted that the government need to create an enabling environment where SMEs are be supported through financial and non-financial incentives and various programmes to enable them to thrive. Further to this, the importance of SMEs in the South African economy was explained as well as the management and performance of these SMEs.

The final section of chapter 2 deliberated on the theories of economic development to determine its relevance and applicability to South Africa. This discussion was linked to the challenges highlighted in the NDP, 2012 (poverty, unemployment and inequality). The abovementioned theories of economic development are: (1) *neo-classical* exogenous growth theories; and (2) *endogenous* growth theories. For the purpose of this study the following theories were discussed: (1) the Solow's Growth Model (as neo-classical exogenous growth theory); (2) the New Growth Theory (as endogenous theory); Classical Political Economy Theory; and Jevons' Theory of Political Economy. The theories emphasised the importance of knowledge and technology particularly for enhancing economic growth. For SMEs to continue to grow and contribute to economic growth, it is important that they use modern technologies to resolve the challenges of poverty, unemployment, and inequality. The New Growth theory views technology as an influence of economic activities. Furthermore, the knowledge in this particular area of economics, like other knowledge in the economy at large, will continue to accumulate at a rapid rate to assist SMEs in contributing to economic growth and employment creation. For South Africa, it is imperative that if the country desires to achieve the NDP goals, both politics and economy must depend on each other in order to analyse government decision making which is the most significant political and economic power of many worlds of today.

In addition to the theoretical framework established in this chapter it is also necessary to determine the statutory and regulatory framework for the development and sustainability of SMEs. The next chapter focuses on the statutory and regulatory guidelines for the development and sustainability of SMEs and the role of the DSBD in this regard.

CHAPTER 3: THE STATUTORY AND REGULATORY FRAMEWORK FOR THE DEVELOPMENT AND SUSTAINABILITY OF SMEs

3.1. INTRODUCTION

Chapter 2 focused on a theoretical framework for the development and sustainability of SMEs. SMEs were conceptualised within the perspective of South Africa as a democratic developmental state, which seeks to empower its nation out of poverty through the development and implementation of policies to pursue economic growth. For South Africa to improve economic growth, it is necessary to create more employment opportunities for its citizens to improve their standards of living. The development and sustainability of SMEs is internationally acknowledged as significant in addressing the challenges of employment creation, poverty alleviation and equality for all, including South Africa, where SMEs play an important role in driving economic growth and employment creation (SEFA, 2013:8). It is thus important to provide an overview of the statutory and regulatory guidelines for the establishment of SMEs and the operating regulations prescribed by law for SMEs.

This chapter also focuses on the role of the DSBD in the development and sustainability of SMEs. Furthermore, the discussion includes the establishment of businesses and operating regulations for SMEs. This chapter elaborates on the current national policies with respect to the development of SMEs. Additionally, interventions provided by other institutions in the promotion of SMEs, as well as the important role of regulations in the development of SMEs, are focused upon.

3.2. THE ESTABLISHMENT OF SMEs AND OPERATING REGULATIONS FOR SMEs

Before attention is given to the establishment of SMEs and the operating regulations for SMEs, it can be argued that it is advisable to emphasise two aspects pertaining to the statutory and regulatory framework for SMEs. Firstly, it is necessary for the government to have legislation and policies supporting the development and sustainability of SMEs to ensure the continuous contribution of SMEs to national

economic growth and employment creation. Secondly, these legislation and policies should be adequate, uncomplicated and easy to interpret by the owners of SMEs.

With reference to the first aspect mentioned above, the importance of the regulation of SMEs through legislation and policies could be highlighted since the statutory and regulatory environment translates into procedures and regulations that facilitate business entry, increase competition and ease of market pricing, as well as inhibit the creation of barriers to trade (Kouretas & Tsoumas, 2016:1). Considering the enthusiasm shown by the government in activating various policies to promote the development and sustainability of SMEs, this sector is showing more growth prospects (Young, 2015:48).

With regard to the second aspect mentioned above it is necessary to emphasise that inadequate and complicated regulations that increase administrative inefficiencies can lead to burdensome red tape and the expansion of the informal economy, as opposed to the formal economy (ILO, 2016:14). According to Messaoud and Teheni (2014:70), countries with less burdensome business regulations grow faster than those with stricter business regulations. Thus, for SMEs to grow, targeted policies for these SMEs must create a conducive environment that will promote SME development (ILO, 2015:27).

Support for SMEs can also be provided indirectly through interventions aimed at improving an enabling environment, such as simplified registration requirements or tax regimes (ILO 2015:27). As such, a regulated and uncomplicated business environment leads to an economic environment in which it is easier for SMEs to flourish and become competitive, resulting in enhanced economic growth prospects. Section 3.2.1 below elaborates on the benefits of an uncomplicated statutory and regulatory framework for SMEs.

3.2.1. Establishment regulations for SMEs

According to the International Labour Organisation (ILO), the most important element in developing sustainable SMEs and facilitating transitions to formality and economic growth is an appropriate and enabling legal and regulatory environment (ILO,

2016:28). The ILO insists that SMEs cannot thrive if they operate in a complex regulatory environment since, unlike large businesses, SMEs would not be able to afford to pay for experts to address the complicated rules and regulations of managing a business (ILO, 2015:38).

The Companies Act 71 of 2008, and the Amended Companies Act 3 of 2011, promote competitiveness and economic development through the encouragement of entrepreneurship (RSA, 2008b:33: RSA, 2011:2). These two Acts support the creation of employment opportunities through simplifying the procedures of establishing businesses, including the reduction of the costs of registration, as well as compliance with the Bill of Rights as provided for by the Constitution, 1996 (RSA, 2008b:33: RSA, 2011:2; Dikgwatlhe, 2014:30). It is estimated that South Africa has 5.9 million SMEs (SEFA, 2013:8), which generate more than 34% of its GDP and provide 60% of the country's employment, as alluded to in chapter 1, section 1.1 (BASA, 2017:1). The World Bank Group (WBG) also reiterates that SMEs are the backbone of a country's economy; hence, it is important to develop an efficient regulatory framework for the establishment and functioning of SMEs (WBG, 2015:19). The expansion of the informal economy and red tape are a result of inadequate regulations that increase administrative inefficiencies; thus, a well-ordered and productive economy needs regulation (ILO, 2016:28).

South Africa took significant steps during 2014 to facilitate the start-up process for entrepreneurs through the Companies and Intellectual Property Commission (CIPC), which launched a new account of the online registration platform (a process completed electronically) (WBG, 2015:19). In support of this process, during the second quarter of 2014, the South African Revenue Service (SARS) implemented a single registration process, substantially cutting registration times for different taxes and reducing red tape (SARS, 2014:1). The CIPC reduced the average number of days to register a business to six days in 2013 (CIPC, 2014:23). Even though a business can be registered swiftly online with the CIPC, it remains difficult for a significant number of SMEs to comply with subsequent laws and regulations (Christensen & Hegazy, 2016:8). Dealing with issues of compliance costs and red tape is a challenge; hence, SMEs may choose to stay informal and it is thus the responsibility of a government to ensure that SMEs graduate into the formal economy (ILO, 2015:2). Major steps have

been taken to make the process of registration more productive in South Africa, but the time it takes to register a business is still slow compared with the average of high-income member countries of the Organisations for Economic Cooperation and Development (OECD) (WBG, 2015:19). It is therefore clear that, although the CIPC has lessened the regulations for the registration of a business, there are still challenges for the registration of SMEs. Considering the significant role that SMEs play in employment creation, it is important that regulations created are favourable and simplified for the owners of SMEs to register their businesses.

In addition to the need for clear and simplified statutory and regulatory guidelines for the establishment of SMEs, there is also a need for clear operating regulations once SMEs are formally registered. The next section outlines the current operating regulations pertaining to SMEs.

3.2.2. Operating regulations for SMEs

The South Africa Adjusted Growth Strategy (SAAGS) denotes that, in an effort to streamline the regulatory regime to reduce compliance costs and facilitate access to equity finance, mechanisms are put in place to enhance the business environment for SMEs (SAAGS, 2015:7). In order for SMEs to function successfully, it is therefore significant that policies be supportive and conducive (Dikgwatlhe, 2014:31). The African Development Bank emphasises that for SMEs to operate optimally, South Africa must develop a legislative environment that supports SMEs including investment in physical infrastructure, effective and accessible access to funding, as well as preventing red tape associated with registering, establishing, and running an SME (African Development Bank, 2016:20).

To improve the functioning of SMEs and to develop and encourage its sustainability, the DSBD launched the Gazelles Programme in October 2015 whereby high-growth potential SMEs were selected to receive financial support and coaching from the private sector, while SARS continues its efforts to reduce the compliance burden for SMEs through its small business desks throughout the country (SAAGS, 2015:7).

It is evident that international organisations such as the African Development Bank support the creation of regulations that are favourable to the operations of SMEs and enhance the development and sustainability of SMEs. The SME-related policies and programmes, such as SAAGS, the Gazelles Programme of the DSBD, and financial support from SARS, are established with the aim of ensuring that they operate in an enabling environment to improve their chance of thriving.

In addition to statutory and regulatory guidelines for the establishment and operating regulations for SMEs, a number of other legislation and policies were put in place to support the development and sustainability of SMEs. These are subsequently discussed in the next section.

3.3. STATUTORY AND REGULATORY FRAMEWORK FOR THE DEVELOPMENT AND SUSTAINABILITY OF SMEs

Studies have shown that the most important element in the development and sustainability of SMEs and facilitating the transition of SMEs to formality and economic growth is an appropriate and enabling legal and regulatory environment (ILO, 2016:14). The South African government comprehends the importance of creating a vibrant business culture to promote the development of SMEs and in this respect implemented certain policy tools. Table 3.1 below chronologically indicates governmental policies pertaining to the development of SMEs since 1994:

Table 3.1: National policies for the development of SMEs

Policy	Year	Policy goal
Reconstruction and Development Programme (RDP)	1994	Advocates support for SMEs for employment creation, income distribution and growth
White Paper on the National Strategy for the Development and Promotion of Small Businesses	1995	Emphasises the need for access to advice, information, funding and physical infrastructure for SMEs
National Small Business Act (NSBA)	1996	Provides guidelines for the government to promote SMEs
Khula Enterprise Finance Limited	1996	Promotes the access of SMEs to financial resources
Ntsika	1996	Provides non-financial support to SMEs
Growth Employment and Redistribution Plan (GEAR)	1998	Promotes SMEs for employment creation and economic development
Broad Based Black Economic Empowerment Act	2003	Promotes economic transformation in order to enable black people to participate meaningfully in the economy
Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises	2005	Increases the contribution of small business to the growth of the South African economy
Small Enterprise Development Agency (SEDA)	2004	Provides non-financial support services to promote the development of SMEs
Accelerated Shared Growth Initiative for South Africa (ASGISA)	2006	Promotes SMEs for employment creation and economic development
New Growth Path	2010	Promotes SMEs for employment creation and economic development
National Development Plan Vision 2030	2012	Promotes SMEs for employment creation and economic development
Small Enterprise Finance Agency (SEFA)	2012	Responds to the challenge of access to finance for the start-up and expansion of SMEs
National Informal Business Upliftment Strategy and Implementation Framework 2014	2014	Supports informal businesses to be sustainable and grow to be part of the economic mainstream
National Youth Policy	2015	Strengthens the capabilities of young people to transform the economy and society by consolidating youth initiatives

(Source: Wiese, 2014:18-19; RSA, 2016b: 25-26)

The above policy instruments are all critical to the development and sustainability of SMEs. However, for the purpose of this study, the following policies will be deliberated upon as they have a direct impact on the DSBD whose core mandate is the development of SMEs, these policies are: White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995; NSBA, 1996; BBEE Act, 2003; NDP, 2012; National Informal Business Upliftment Strategy; and National Youth Policy, 2015. These legislations and policies are discussed in chronological order of their promulgation.

3.3.1. White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995

The White Paper on the National Strategy for the Development and Promotion of Small Businesses (1995) indicates that South Africa is faced with the enormous task of creating employment and alleviating poverty and inequality for its citizens; thus, the development of SMEs is an important vehicle in addressing these challenges (RSA,1995:3). Lakew (2015:2) mentions that the promotion of SMEs has been described by researchers as one of the best strategies for achieving the national development goals of economic and industrial growth. To promote the development and sustainability of SMEs, the White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995, states the following objectives (RSA, 1995:13-15):

- Establish an enabling environment for small businesses.
- Address the past disempowerment of black entrepreneurs in the national economy.
- Actively support the advancement of women in all business sectors.
- Generate long-term sustainable employment.
- Stimulate sector-focused economic growth.
- Provide cohesion between small business entrepreneurs.
- Level the playing field between larger and smaller role players in the economy.
- Prepare the SME sector to comply with the challenges of international competitiveness.

Of these fundamental objectives, the most relevant to this study are: (1) establish an enabling environment for SMEs; and (2) generate long-term sustainable employment, which are subsequently elaborated upon below.

(1) Establishing an enabling environment for SMEs

According to the Donor Committee for Enterprise Development (DCED), a study conducted by Citi Foundation in 2014 found that from a total of 40 large businesses, active in eight regions across the world, a complicated regulatory or policy environment is one of the most frequently cited barriers to the development of SMEs (DCED, 2016:10). Development starts at grass root level and it can only take place once a country has established an environment in which SMEs can flourish (Amupolo, 2013:12). According to Chingwaru (2014:32), the development of SMEs is a way of empowering owners of SMEs to participate in the mainstream economy and become agents of economic change, while facilitating their escape from dismal poverty. Manaczynski (2011:26) reiterates that the most important way of growing the economy and reducing poverty, unemployment, and inequality in South Africa is by developing SMEs.

Moreover, SMEs are important to almost all economies in the world and form the backbone of employment and wealth creation (Amupolo, 2013:12). The Republic of Namibia recognises that SMEs are disadvantaged in comparison to larger businesses due to their comparatively higher costs of compliance; hence, the Government of Namibia aims to make the legal framework for SMEs more flexible in order to minimise their bureaucratic costs and stimulate the development of SMEs (Republic of Namibia, 2016:17). South Africa has also recently established the Ministry of Small Business Development with the aim of enhancing the SME sector (RSA, 2015b:15; SEDA, 2014:8), as alluded in chapter 1, section 1.1.

It is evident that creating an enabling environment for the development and sustainability of SMEs should be preceded by the development of policy instruments in this respect. The Parliamentary Monitoring Group (PMG) emphasises the need for incentives that can enhance innovation within SMEs (PMG, 2012:1). It is therefore imperative to have enabling and supportive policies that enable SMEs to flourish and

thereby contribute to the country's economic growth (Chingwaru, 2014:32; Gaweseb, 2015:35). In this way SMEs can positively contribute to the eradication of poverty and unemployment, two of the most significant challenges in the democratic developmental state (RSA, 2012a:2).

(2) Generate long-term sustainable employment

According to Makgetla (2014:2), by 2014 South Africa remained one of the most unequal countries in the world, as measured by the Gini coefficient to be 0.66 to 0.70 (World Bank, 2017), as indicated in chapter 1, section 1.1. The unemployment rate in South Africa increased by more than half a million in both the first quarters of 2015 and 2016, also alluded to in chapter 1, section 1.1 (RSA, 2016a:14-15). South Africa has made significant progress in correcting the imbalances of the past, but challenges still persist (Beukes & Fransman, 2016:2).

Given the context of inequality in South Africa, it is critical to address the support of SMEs in order to promote long-term economic growth and employment for all citizens (Martin, 2013:1). According to Trading Economics (TE), the country's economic policies must target unemployment, one of the devastating legacies of Apartheid, as an unprecedented 27.7% of young people are unemployed (TE, 2017:1). Human capital and future employment prospects of these young people weaken with every year of unemployment (Tregenna & Tsela, 2012:18).

In consideration of the above, young people who are neither employed nor involved in education or training (referred to as NEETs), risk being left permanently behind in the labour market (OECD, 2016:1). Specific policies are needed to effect changes in the economy necessary for the absorption of these millions of unemployed youth in the labour market (Tregenna & Tsela, 2012:18; OECD, 2016:1). In this respect, Malakwane (2012:22) depicts that an improvement in economic growth can only take place when accompanied by an increase in employment and a subsequent decrease in unemployment. SMEs are an important factor in this regard and the World Bank estimates that one of the strongest factors in the growth of any nation's GNP is the presence of SMEs (Chingwaru, 2014:47).

SMEs have the potential to reduce unemployment and improve economic health; thus, the availability of incentives to SMEs (Amupolo, 2013:31), as alluded to above, should be seen as one of the ways of addressing South Africa's growing unemployment crisis. In this regard, several nations have acknowledged the important role played by SMEs in economic growth and employment creation (Inubiwon, 2017:15). Furthermore, effectively managed SMEs result in poverty eradication and improved standards of living, which contributes to societal stability in a country (Chingwaru, 2014:41-42). Since employment creation is imperative to economic growth, poverty alleviation, and inequality, it is important that policies favourable to employment creation are strengthened. One of the ways in which SMEs are developed and sustained is through the effective implementation of the NSBA. The next section therefore gives an overview of the NSBA's guidelines for the development and sustainability of SMEs in South Africa.

3.3.2. National Small Business Act 102 of 1996

To create an enabling environment for the development and sustainability of SMEs, the NSBA calls for the promotion of SMEs and provides guidelines for government entities in the three spheres of government, as alluded to in chapter 1, section 1.1 (RSA, 1996b:1;13-14). The NSBA pursues the following objectives: to provide for the establishment of the Advisory Body and the SEDA; to provide guidelines for organs of state in order to promote SMEs; and to provide for matters incidental thereto (RSA, 1996b:1:3). The DSBD is working towards the amendment of the NSBA in order to align the act with the mandate of the department with the aim to identify gaps that need to be addressed in the SME sector (RSA, 2016b:32).

Another significant act, relevant to the development of SMEs, particularly in the context of the country's Apartheid legacy, in terms of economic development, is the Broad Based Black Economic Empowerment Act of 2003, elaborated upon in the next section.

3.3.3. Broad Based Black Economic Empowerment Act 53 of 2003

The Broad Based Black Economic Empowerment (BBBEE) Act 53 of 2003 is aimed at increasing equal opportunities for all citizens of South Africa in particular black people or historically disadvantaged persons (RSA, 2003: 4; Kleynhans & Kruger, 2014:2). The BBBEE Act (2003) is among the economic policies introduced by the government to empower black people by restoring the economic misfortunes of the past namely that black people were not allowed to participate in the economy (Greyling, 2015:20).

The Act has a significant impact on the development of SMEs in the country as it encourages large businesses to become more effective in promoting the development of SMEs (Greyling, 2015:55); thus, the Impact Trust (a not-for-gain public benefit research and advocacy organisation dedicated to facilitating effective flows of capital to sustainable, responsible, high impact social and environmental investments), also indicates that there are currently efforts being made to improve the procurement by SMEs (Impact Trust, 2012:54). In this respect, ABSA bank has set up a procurement portal with 42 corporates and 8000 SMEs (Impact Trust, 2012:54).

The BBBEE Act (2003: 4-5) states a number of objectives that include the following: the promotion of economic transformation in order to enable black citizens to participate meaningfully in the economy; the achievement of substantial change in the racial composition of ownership and the management structures of SMEs; and the development in skilled occupations of existing and new SMEs. Thus, the BBBEE Act (2003) contributes to providing economic opportunities to black citizens, including opportunities to establish SMEs (Mushangai, 2015:34).

3.3.4. National Development Plan (NDP): Vision for 2030 (2012)

The NDP is another policy instrument that aims to reduce poverty, unemployment and inequality, as alluded to in chapter 1, section 1.1 (RSA, 2012a:2; Fourie, 2013:8). The NDP advocates for inclusive growth, emphasises partnerships amongst the role players in the South African economy, and supports employment creation to contribute to building a capable developmental state (Gordhan, 2016:4-5). The New Faces New

Voices (NFNV) depicts that among the priorities of the NDP is that SMEs are the key driver of economic growth and are expected to create 11 million employment opportunities by 2030. However, the NDP does acknowledge that this task also has its challenges such as the economic climate and the labour environment (NFNV, 2014:17).

To support the development of SMEs, the NDP suggests the following (Wiese 2014:26):

- Public and private procurement: implementing commitments to 30-day payments to smaller suppliers.
- Simplify the regulatory environment: expert panels should prepare a comprehensive regulatory review for SMEs.
- Easing access to debt and equity finance: the state's role in easing access to finances for start-up and evolving SMEs should be examined.
- Establish SMEs support services: support and grow franchising associations since it has been successful globally in reducing business failure rates.
- Address the skills gap: provide school leavers and unemployed youth with training and skills development.

The abovementioned proposals are to be implemented by various role players who are responsible for the development of SMEs. Among the role players is the former Minister of Finance, Mr Pravin Gordhan, who expressed in the budget speech of 2014 that the implementation of the NDP indicates that all South Africans can benefit from the economic transformation, which can be achieved in the following ways: the government must cooperate with black-owned SMEs to grow their businesses across South Africa and beyond; the government must work with SMEs and large businesses to build the value chain linkages that support competitive enterprises; and bring previously disadvantaged people into the mainstream economy (Gordhan, 2014:2; Nene, 2015:3). As indicated above, the NDP is a policy instrument geared at minimising the socio-economic challenges in the country by all role players that also includes the development of SMEs. The government mandated the DSBD to champion the development and the sustainability of SMEs in the country. The next

section will deliberate on National Informal Business Upliftment Strategy which is one of the policies that intends to contribute to the improvement of SMEs. Uplift

3.3.5. National Informal Business Upliftment Strategy (NIBUS), 2014

The National Informal Business Upliftment Strategy (NIBUS), 2014, is steered by the DSBD with the primary objective of directing the development vacuum at the lower base of SMEs, these being survivalist and micro enterprises (explained in chapter 2, section 2.2). These categories of SMEs are acknowledged as pivotal in addressing the developmental challenges of the government, of which the most dismal are poverty, unemployment, and inequality (RSA, 2012a:2). Also, the majority of SMEs in South Africa (80%) are survivalist or informal enterprises, employing approximately two million citizens (BER, 2016:15), thereby emphasising the need for a strategy for these categories of SMEs specifically.

The purpose of the NIBUS is therefore to improve informal businesses, as well as to support local chambers, business associations and Municipal Local Economic Development (LED) offices to increase access to upliftment programmes and to provide assistance in the implementation of these programmes (RSA, 2015b:36). The focus with NIBUS (2014) is placed specifically on designated groups (women, youth, and people with disabilities) in townships and rural areas. The strategy therefore promotes the acceleration of economic growth, employment creation and inclusive growth. In addition to NIBUS (2014), the National Youth Policy, 2015, also focuses on employment creation for youth and is discussed in the next section.

3.3.6. National Youth Policy, 2015

The goal of the National Youth Policy, 2015-2020, is to strengthen the capabilities of young people to transform the economy and society by consolidating youth initiatives (RSA, 2015a:2). This can be achieved by addressing the socio-economic needs of young people (RSA, 2015a:5) and the development of economic policies that target employment creation for the youth (Tregenna & Tsela, 2012:18). According to the National Youth Policy, 2015, joblessness, poverty and inequality are the primary challenges hindering young people from meaningfully participating in the mainstream

economy; hence, the National Youth Policy places employment creation at the centre of all youth development interventions (RSA, 2015a:11).

The legislation and policy instruments outlined above indicate that enhancing the development and promotion of entrepreneurship for SMEs would be an advisable strategy to contribute to and promote economic development (Gaweseb, 2014:35). In addition to these legislations and policies, the DSBD provides support to SMEs, assists these SMEs in meeting compliance requirements, and raises awareness of the regulations that directly impact on their ability to do business (PricewaterhouseCoopers, 2015:10). Therefore, the next section elaborates on the role of the DSBD in the development and sustainability of SMEs.

3.4. THE ROLE OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT IN DEVELOPING AND SUSTAINING SMEs

To ensure that SMEs continue to fulfil its role of being the drivers of economic growth in the country, the government has put a mechanism in place to support this sector (Ntema, 2014:10). The National Treasury allocated a total of R6.5 billion to the government in support of SMEs over three years from 2014, while the DSBD was allocated R3.5 billion in 2015 and R475 million in 2016, to provide mentorship and training programmes to the owners and employees of SMEs (Gordhan, 2014:17-18; Nene, 2015:10; Gordhan, 2016:21). These budget allocations to support and develop SMEs illustrate that government views this as a priority in the creation of employment and the reduction of poverty. Furthermore, the DSBD is in the process of evaluating and reviewing the existing policies pertaining to SMEs with a view to improve these policies and enhance the DSBD's ability to fulfil its mandate. These policies include, the NSBA, 1996 and the Cooperatives Development Act 14 of 2005 (RSA, 2015b:19).

The NDP's targets for employment creation in the SME sector depend on the creation of a business environment that enables the growth and sustainability of existing SMEs and the establishment and formalisation of new sustainable SMEs (BES, 2014:1). The NDP sets out several ambitious goals for SMEs including a target of 90% for new employment opportunities to be created through SMEs by 2030 (ILO, 2016:1). In support of the creation of employment by SMEs, the DSBD's mandate is to create an

enabling environment for the development and sustainability of SMEs. In doing so, the DSBD cooperate with all spheres of government to ensure that SMEs play a critical role in driving economic transformation in South Africa (RSA, 2015b:10). To ensure an enabling environment for SMEs, the policy interventions indicated in Table 3.2 below are provided by the DSBD:

Table 3.2: The role of the DSBD in the development and sustainability of SMEs

Name	Objectives	Benefits
Cooperative Incentive Scheme (CIS)	Improve the viability and competitiveness of cooperative enterprises by lowering the cost of doing business, assist cooperatives to acquire their start-up requirements and provide an incentive that supports BBBEE.	R350 000
Black Business Supplier Development Programme (BBSDP)	To improve the sustainability of black-owned enterprises, thereby increasing employment.	R800 000
Small Enterprise Finance Agency (SEFA)	Provides financial support to SMEs (loans) and Cooperatives (grant).	R500 00 to R5 million
Small Enterprise Development Agency (SEDA)	Provides business related information, advice, consultancy, training and mentoring services in all areas of enterprise development.	-
Enterprise Incubator Programme pilot 2016 (EIP)	Support the establishment of new incubators and for the growth and expansion of existing incubators that supports SMEs.	R5 million to R10 million
Informal and Micro Enterprises Development Programme (IMEDP)	Provide developmental support to informal and micro businesses that are operating in townships and rural areas and owned by historically disadvantaged individuals.	R500 to R80 000
Shared Economic Infrastructure Facility (SEIF)	To encourage public sector partnerships for the establishment and improvement of the SEIF to support SMEs with an intention to improve access create local economic benefits and optimise the performance of SMEs operating in those facilities	R5 million

(Source: SEDA, 2013:8; SEFA, 2015:3; RSA, 2017b:1)

From the information contained in Table 3.2, it is evident that the DSBD is putting effort into developing and sustaining SMEs through funding opportunities. However, challenges arise when these SMEs have to control and manage the funding allocated

to them (Mbatha, 2015:22). Therefore, the DSBD should invest more in the mentoring and training of the owners of SMEs, capacitating them to effectively manage the funding they receive.

It is also necessary to ensure that these policy instruments are well known in the communities as the lack of awareness of the existence of these policies will affect the access of SMEs to these opportunities (NCR, 2011:41). In this respect, the DSBD must embark on extensive awareness outreach programmes to the communities and to the owners of SMEs in order for these policy instruments to be known. More awareness outreach programmes must be curated in rural areas in particular where there is no access to information or Internet.

The next section will highlight the interventions by other Government institutions that play a supportive role in the development and sustainability of SMEs.

3.5. INTERVENTIONS BY OTHER GOVERNMENT INSTITUTIONS IN THE PROMOTION OF SMEs

The DSBD cannot achieve the mandate of developing and sustaining the SMEs on its own; thus, the sustainable development of SMEs can only be achieved if the three spheres of government, the private sector and civil society cooperate (RSA, 2014:4; Falkena & Abedian, 2012:201). For the purpose of this study, the focus will be on the National Treasury and the South African Reserve Bank as they are responsible for disseminating the budget to all government departments and also play a key role in promoting SMEs in the country.

The incentives provided by the **National Treasury** play an important role in strengthening the development of SMEs (RSA, 2012b:27). This means that the National Treasury should give attention to financial assistance to address the challenges faced by SMEs and provide insurance to institutional investors that have an interest in the development of SMEs (Falkena & Abedian, 2012:185).

In support of the above, the President of South Africa convened the Chief Executive Officer (CEO) Initiative in 2016 as a collaborative effort between the private sector and

the government to support growth and transformation. The National Treasury mentions that to date, the CEO Initiative has agreed to set up a Youth Employment Scheme (YES) to provide opportunities for one million young people to gain work experience to improve their employment prospects, and has raised R1.5 billion in contributions from the private sector for the SME fund to stimulate entrepreneurship and self-employment (RSA, 2017c:4).

Ndemo (2017:43) mentions that for SMEs to succeed and take advantage of emerging opportunities and create employment for Africa's youth, supportive policies such as targeted tax incentives and updated laws must be adapted by governments in 2017 and beyond in order to realise practical capacity building and flexible regulatory frameworks ultimately enhancing innovation (Ndemo, 2017:43). Hence, the government should expand legislation to allow institutional investors to invest, within reason, in SMEs (Falkena & Abedian, 2012:188).

The Reserve Bank is another Government institution that plays a key role in the promotion of SMEs. Falkena and Abedian (2012:201-202) indicate that SMEs must play a role in export markets if they are to succeed in a significant way. For SMEs to succeed in export markets the regulatory framework, tax laws and legal framework, affecting SMEs, should be subjected to proper cost-benefit analyses. By relieving the regulatory burdens imposed on SMEs such as tax, licensing, zoning, and labour, this should encourage the creation of new SMEs and the expansion of existing SMEs (Faulkner & Loewald, 2013:16). The government, with its regulatory and economic policies, (including the provision of infrastructure) will be the greatest role player and facilitator of innovation and entrepreneurship in South Africa.

Easing the regulatory burden is important if the country wants to unlock the economic and employment creation potential of SMEs since countries with less burdensome regulations grow faster economically (Messaoud & Teheni, 2014:2). Although the development and support of SMEs by the private sector is a key policy imperative, there has been limited progress in the areas of innovation, entrepreneurship and the development of SMEs (DCED, 2016:3). This has partly been due to red tape, the regulatory environment, the slow business registration process, licensing procedures, and the taxation of SMEs (RSA, 2014:6).

In light of the above, specific policies will be needed to effect the changes in the economy necessary for the absorption of unemployed citizens, particularly young people with limited employment experience (Tregenna & Tsela, 2012:18). The government should continue to work with the private sector and labour to improve prospects for more inclusive growth. Economic initiatives lead to improvements in the business registration process, regulatory environment, and increased funding for SMEs (RSA, 2017c:12), which is a positive step towards supporting SMEs. However, with regard to the improvement of infrastructure and the facilitation of innovation and entrepreneurship, improvements still need to be made.

3.6. REGULATING SMEs

According to Marivate (2014:1), it is important to note that well-managed SMEs with an enabling environment can result in the creation of new SMEs, which can minimise the levels of unemployment, poverty, and inequality, as alluded to in chapter 2, section 2.3.5.3. The International Finance Corporation (IFC) indicates that an enabling environment can promote bankable SMEs and also provide incentives for financial institutions to engage in the SME sector increasing the development of SMEs (IFC, 2010:82). The regulatory framework plays a critical role in improving SMEs financing; for example, banking regulations that are less restrictive can encourage banks to develop SME banking, in particular where financial infrastructure remains deficient (IFC, 2010:28).

The NFNV (2014:16) expresses that the owners of SMEs in general (particularly women), have limited knowledge of the landscape, policies, and information pertaining to SMEs. This results in growth that is often disconnected or non-existent. The National Economic Development and Labour Council (NEDLAC) depicts that South Africa is able to develop policies that promote SMEs, but that the challenge lies in creating policy coherence in the development of SMEs and translating policies into viable programmes that promote the sustainable development of SMEs (NEDLAC, 2010:13). Multiple layers of legislation in the national and local spheres of government obscure the understanding of regulation and compliance (ILO, 2015:2). The NFNV (2014:16), however, indicates that the legislative environment is not a constraint in the

growth of SMEs, although there is considerable room for improvement. Regulatory frameworks should not act as obstacles to SMEs, they should instead provide for the simple, efficient and speedy registration of SMEs, regardless of their size (ILO, 2015:2-3).

Policies pertaining to SMEs play a major role in boosting the economy and should be in existence for two reasons: (1) the realisation of the existence of market failures that might inhibit the performance of SMEs and their participation in market activity, leading to lower growth and employment; and (2) SMEs are able to contribute to economic development and poverty alleviation and therefore merit support (ILO, 2015: 28). The main aim of the regulation of SMEs is that regulatory policies must enable rather than inhibit the growth of SMEs (IFC, 2011:14-15). While regulation generally increases the costs for all businesses, strict regulatory measures tend to be a disadvantage to SMEs and favour large businesses (Calcagno & Sobel, 2014:14).

One of the significant functions of the government in any country is to regulate the activities of the SME sector and thus, the conditions under which the activities of SMEs take place must be governed by sound legislation and policies in order to obtain productive work (Christensen & Hegazy, 2016:8). Regulators play a key role in the design and implementation of an enabling environment for the development of SMEs by providing the statutory and regulatory framework in support of increased access for SMEs to funding (IFC, 2011:14-15). Reducing the regulatory constraints on SMEs must therefore be one of the key focus areas in South Africa (Christensen & Hegazy, 2016:8).

In consideration of the above, it is clear that the regulation of SMEs is important in the development of SMEs through the creation of an enabling environment. Although the government has established various policies pertaining to SMEs, it is sometimes a challenge to convert these policies into tangible programmes to promote the development of SMEs. Also, the SME sector remains an integral part of the government's economic policy agenda (NFNV, 2014:16), and should therefore receive priority.

3.7. CONCLUSION

In summary, chapter 3 elaborated upon the statutory and regulatory guidelines for the development and sustainability of SMEs. It emphasised that for SMEs to grow and thrive, it is imperative to ensure that an enabling regulatory environment is created for SMEs. This will ensure that SMEs are able to operate optimally and that the challenges of red tape, long registration processes and other compliance issues are minimised.

The DSBD has been mandated to champion the development and sustainability of SMEs. Financial and non-financial mechanisms have been created to provide support to the development and sustainability of SMEs. Since the DSBD cannot achieve this mandate on its own, there are other mechanisms such as financial incentives provided by other institutions (such as the National Treasury and the Reserve Bank) to support SMEs in contributing to reducing unemployment, poverty, and inequality.

The establishment and operating regulations of SMEs were discussed, where it was emphasised that well-managed SMEs with an enabling environment can result in the creation of new SMEs, which can minimise the levels of unemployment, poverty, and inequality as alluded to in section 3.6.

The chapter elaborated on the national legislation and policies that have been developed over the years to enhance the development of SMEs. SMEs are promoted through these legislations and policies in order to address the challenges they face. Although these policies are well developed, the challenge to create tangible programmes from these policies remains. To support the DSBD's mandate of promoting SMEs, the three spheres of government, the private sector and civil society, must work together to support the development of these SMEs.

With the focus of this chapter on the statutory and regulatory guidelines for the development and sustainability of SMEs, and the review of the theoretical framework for the development and sustainability of SMEs in chapter two, the theoretical component of this study has been concluded. The next chapter will focus on the empirical research, results and findings.

CHAPTER 4: EMPIRICAL RESEARCH: RESULTS AND FINDINGS

4.1. INTRODUCTION

Whereas the preceding chapters outlined the theoretical framework for the study, this chapter focuses on the results obtained from the empirical research that was conducted. With the aim of achieving the research objectives and answering the research questions outlined in chapter 1, sections 1.2 and 1.3 respectively, the following three steps were followed: (1) an in-depth literature study was conducted on the development and sustainability of SMEs, as well as on the role of SMEs in South Africa's economy and the democratic developmental state (chapter 2); (2) a statutory and regulatory framework for the development and sustainability of SMEs and the role of the DSBD in this regard were established (chapter 3); (3) and an empirical study was conducted by means of personal interviews as the data collection instrument (chapter 4).

As discussed in chapter 1, section 1.5.1, the study followed a qualitative research approach during the empirical investigation, with personal interviews as the data collection instrument. Further to this, the study used a descriptive research design. The participant's experiences and perceptions pertaining to the development and sustainability of SMEs (as revealed through the personal interviews) were interpreted and narrated to describe their understanding and experience thereof. Furthermore, the personal interviews provided data to assist in understanding the relationship between the DSBD and the owners of SMEs. The factors, support structures, and mechanisms affecting the development and sustainability of SMEs were established.

The results obtained through the personal interviews in the empirical study are revealed and discussed in the following sections. The chapter concludes with the primary findings from the empirical research.

4.2. RESULTS FROM INTERVIEWS

Personal semi-structured interviews were conducted with the following participants: (1) middle managers at the DSBD who were chosen because they are responsible for the formulation and implementation of policies and programmes pertaining to the development and sustainability of SMEs in the DSBD (Annexure A): and (2) the owners of SMEs in the Refilwe, Cullinan, who were chosen because they have experience relevant to the study undertaken (Annexure B).

The population for the middle managers at the DSBD's Head Office, responsible for the implementation of policy pertaining to the development and sustainability of SMEs, was 42. From this population, a sample of 10 middle managers was chosen to participate in the personal interviews. The population of the owners of SMEs in the Cullinan, Refilwe area was 35, from which a sample of 10 was selected.

As explained in chapter 1, section 1.5.4, in both samples, purposive, non-probability sampling was used. Purposive sampling is appropriate to this research as it provides for a sample that is selected to include specific traits and knowledge of the participants, relevant and necessary to study a particular phenomenon (cf Zikmund & Babin, 2013:393). Both the middle managers at the DSBD and the owners of SMEs were specifically selected for their knowledge and experience with SMEs. Non-probability sampling was also suitable to this study, since the samples were not chosen randomly, but explicitly with these two groups' knowledge, experience, and traits in mind (Terre Blanche *et al.*, 2012:139; Mellish, 2016:84).

In the following sections, the results obtained from the interviews with the middle managers at the DSBD are discussed. There after follows a discussion on the results obtained through the interviews with the owners of the SMEs. The interviews with both the middle managers at the DSBD (Annexure A) and the owners of the SMEs (Annexure B) consisted of three sections:

- Section A (Consent form)
- Section B (Biographical information)
- Section C (Interview questions)

Section A, the consent form was completed by all participants. Annexure A and Annexure B include the consent form (Section A) for both groups of participants.

Section B (for the interviews with participants from both groups), comprised of questions pertaining to participants' biographical information, requested and recorded by the researcher before the commencement of each personal interview.

For both groups of participants (the middle managers at the DSBD and the owners of SMEs) the purpose of the biographical information was to establish whether the participants' biographical traits would affect their responses to questions. For example, the biographical information may shed light on whether a middle manager with extensive work experience at the DSBD, specifically relating to SMEs, would be able to better identify and articulate challenges and solutions pertaining to the development and sustainability of SMEs compared to those participants with limited work experience in the department. The results obtained from Section B (biographical information) for both groups of participants are provided and discussed in section 4.2.1. (Middle managers) and section 4.2.3. (Owners of SMEs).

Section C comprised of the interview questions for each group of participants. The purpose of the interview questions for the middle managers at the DSBD was to establish (based on their knowledge of, and experience with the development and sustainability of SMEs) which shortcomings and implementation challenges are experienced in adequately supporting SMEs in becoming sustained businesses, as well as to determine potential solutions to improve the role of the DSBD in the development and sustainability of SMEs.

The purpose of the interview questions for the owners of SMEs was to determine their daily challenges (financial and non-financial) in establishing and sustaining an SME, as well as to determine the support they receive from the DSMD - whether they find it to be adequate and effective - as well as what additional support they may need from the DSBD. Section 4.2.2. (Middle managers) and section 4.2.4. (Owners of SMEs) reveal the results obtained from the interviews as well as an interpretation of these results.

4.2.1. Biographical information – Middle managers

For the biographical information of the middle managers at the DSBD, the following information was requested: participants' designation and division or unit; their period of employment in their current posts; their period of employment at the DSBD; as well as their gender and age.

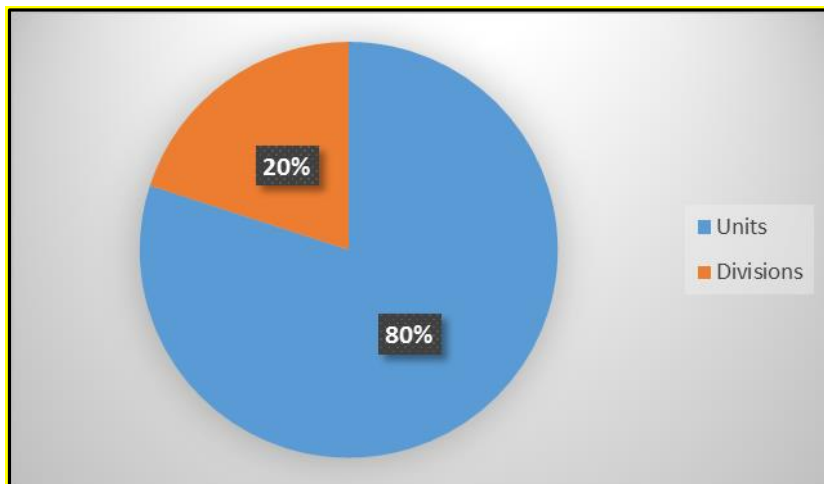
4.2.1.1. Designation

Participants were requested to indicate their designation in the DSBD. The results revealed that all participants were middle managers at the DSBD and were responsible for the formulation and implementation of policies that support the development and sustainability of SMEs. The purpose of requesting the designation of participants was to establish whether the choice of participants was relevant to the study. The answers provided by participants to this question revealed that the participants were indeed relevant to the study.

4.2.1.2. Division and Unit

The participants were requested to indicate the divisions and units where they are employed. The results are indicated in Diagram 4.1 below. The results obtained from this question revealed that 20% of the participants are employed in a Division and 80% in a Unit. The Divisions in which the participants are employed include the following: Small Medium and Micro Enterprises (SMME) and Co-operatives (Co-ops) Policy and Research, and SMME and Co-ops Programme Design and Support. The Units in which the participants are employed include the following: Policy Research and Legislation; Monitoring and Evaluation; Market Development; Stakeholder Relations; Development Finance; Local Economic Development; Intergovernmental Relations; and Informal Business and Chamber Support. Employees in these Divisions and Units are all involved in the policy implementation for SMEs.

Diagram 4.1: Divisions and Units

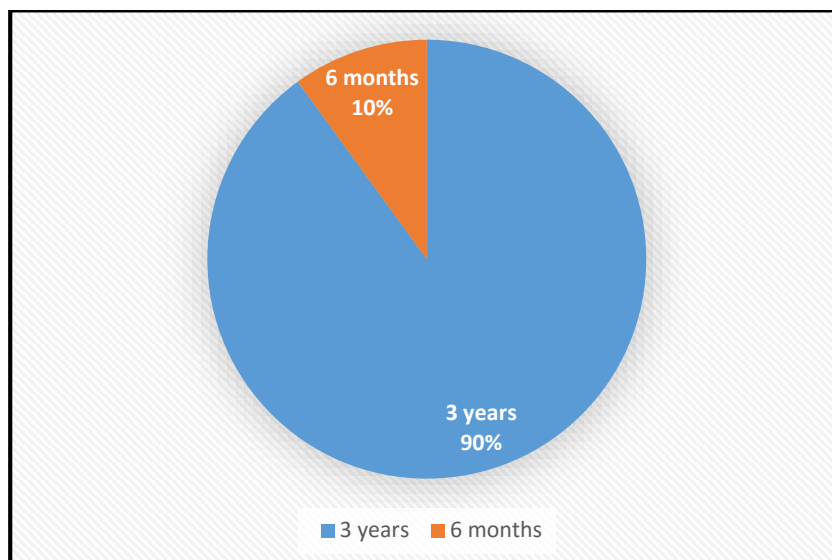


(Source: Researcher's own compilation)

4.2.1.3. Period of employment in current posts

Participants were requested to indicate their period of employment in their current posts. The results obtained from this question revealed that 90% of the middle managers were employed for a period of three years in their current positions and 10% were employed for a period of six months, as illustrated in Diagram 4.2 below.

Diagram 4.2: Period of employment in current posts



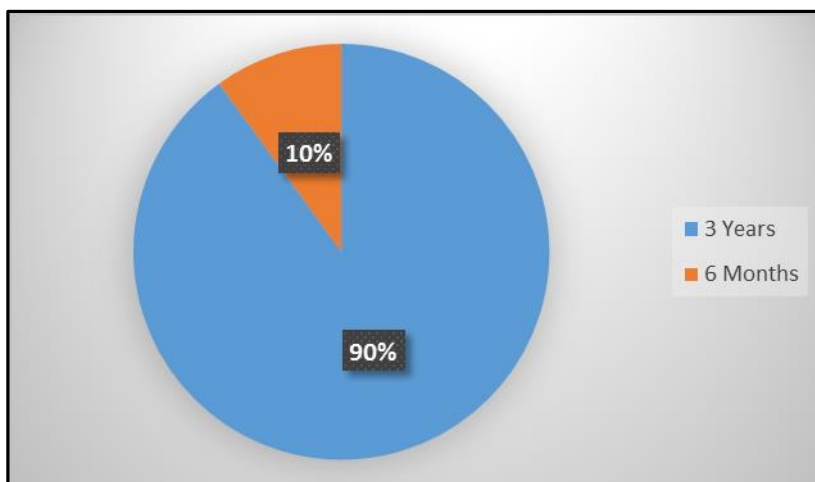
(Source: Researcher's own compilation)

As alluded to in chapter 1, section 1.4, the government established the DSBD in 2014 to facilitate economic transformation through the increased participation of SMEs in the mainstream economy (RSA, 2015b:15; SEDA, 2014:8). Therefore, the period of employment of 90% of the participants in their current posts reveal that these middle managers have been in their current positions since the inception of the DSBD. Ten percent (10%) of the middle managers had been appointed six months prior to the interview. Thus, the vast majority of middle managers (90%) were employed at the DSBD from its inception and therefore it can be argued that these participants should be aware of the DSDB's vision and strategic direction with regard to SMEs.

4.2.1.4. Period of employment at the DSBD

The participants were requested to indicate their period of employment at the DSBD. Diagram 4.3 below illustrates that 90% of the middle managers indicated that they have been employed at the DSBD for three years and 10% has been employed at the DSBD for six months. The results obtained from this question corresponds with the results obtained from the previous question (see section 4.2.1.3), indicating that the vast majority of middle managers were employed at the DSBD from the establishment of the department in 2014 and were employed in their current positions for this period.

Diagram 4.3: Period of employment at the DSBD



(Source: Researcher's own compilation)

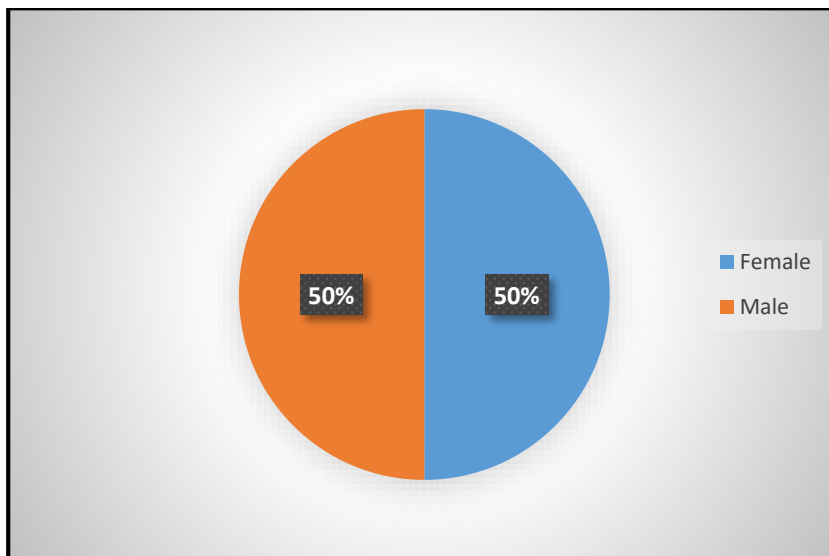
It is important to note that these middle managers, although employed at the DSBD for only three years (90%) or six months (10%), were formerly employed at the Department of Trade and Industry (DTI), which was previously responsible for the development and sustainability of SMEs. These middle managers were relocated to the DSBD when it was established. On requesting to indicate their period of employment at the DTI, 40% of the middle managers indicated that they were employed between 5 to 10 years at the DTI and 60% indicated that they had been employed for 10 to 15 years at the DTI. Thus, the majority (60%) of these middle managers hold substantially more years of experience in the broader trade and industry environment than three years.

The difference in work experience of the middle managers with three years' experience and the middle managers with six months experience at the DSBD did not affect their ability to identify and articulate challenges and solutions pertaining to the development and sustainability of SMEs.

4.2.1.5. Gender

The purpose of requesting participants' gender was to establish whether a significant section of the sample was female or male. The results to this question revealed that 50% of the participants interviewed were female and 50% were male, as depicted in Diagram 4.4 below. Although the gender distribution of the middle managers is not a factor that determines success of SME development and does not have an influence on the results obtained through the interviews, it can be argued that a fair gender distribution among the respondents implies that the DSBD is demonstrating gender equality at middle management level.

Diagram 4.4: Gender

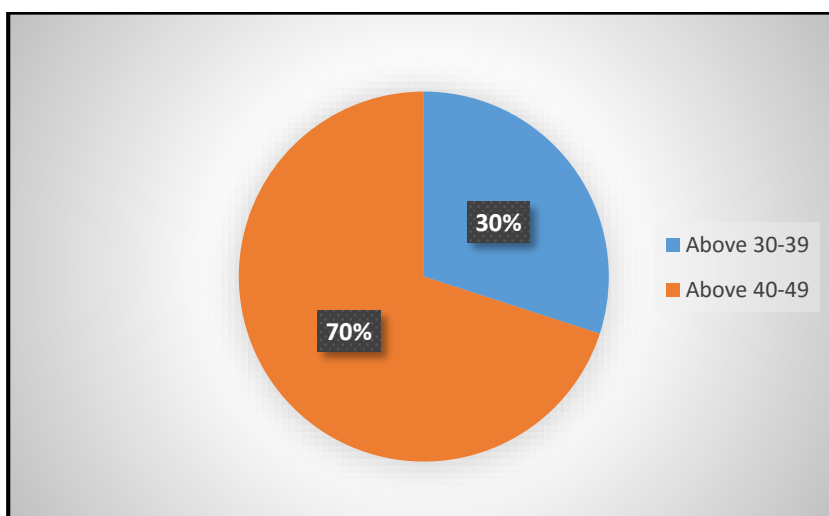


(Source: Researcher's own compilation)

4.2.1.6. Age

The results obtained in terms of participants' age, revealed that 30% of participants are between the ages of 30-39 years and 70% are between the ages of 40-49, as indicated in Diagram 4.5 below. It can be argued that with the majority of middle managers being between the ages of 40-49 years this implies that they hold significant years of work experience. As alluded to in section 4.2.1.4 above, 60% of these managers have 10 to 15 years of work experience at the DTI.

Diagram 4.5: Age



(Source: Researcher's own compilation)

4.2.2. Results obtained from the interviews with middle managers at the DSBD

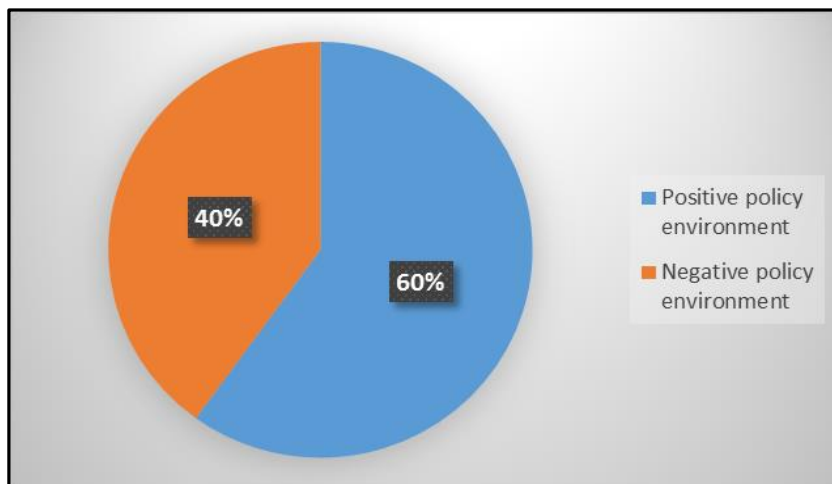
As indicated in section 4.2 above, the purpose of the interviews with middle managers was to indicate which factors, structures, and mechanisms (based on their personal views and experiences) contribute to the development and sustainability of SMEs, either positively or negatively. The interview questions focused on their responsibilities (as outlined in the statutory and regulatory guidelines) as well as their challenges, views, and experiences in this regard.

Further to this, the results obtained through the personal interviews with the middle managers at the DSBD are interpreted to understand the role of the DSBD in improving the development and sustainability of SMEs and to contribute to the attainment of the goals and objectives of the democratic development state. The following sections provide the results obtained from the interviews with the middle managers at the DSDB, as well as interpretations of these results.

4.2.2.1. The role of the DSBD in the development and sustainability of SMEs

With the first question of the interviews, the middle managers were requested to explain their understanding of the role of the DSBD in the development and sustainability of SMEs according to statutory and regulatory prescripts. All middle managers indicated that the role of the DSBD is to create an enabling environment to promote the development and sustainability of SMEs. Although 60% further stated that the policies of the DSBD are not necessarily creating an enabling environment, as the levels of unemployment are rising each year. 40% stated that the government has generally created a number of programmes to address the development and sustainability of SMEs (see Diagram 4.6 below).

Diagram 4.6: The role of the DSBD



(Source: Researcher's own compilation)

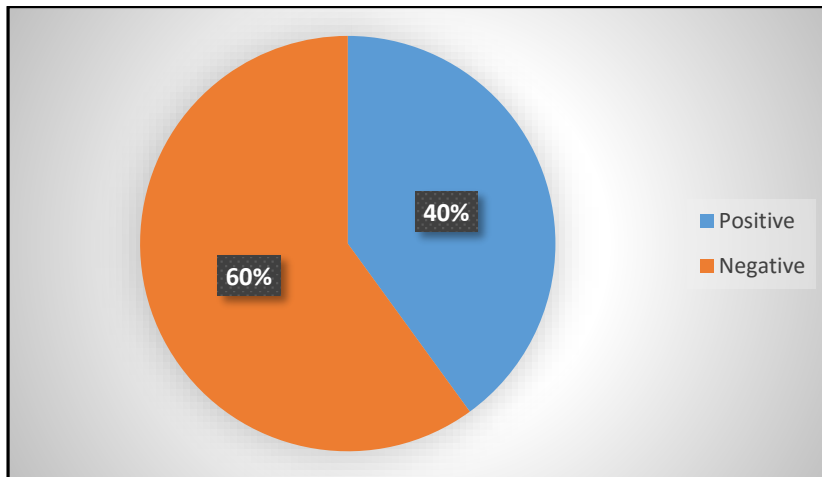
In consideration of the above results, it can be deduced that all the middle managers that were interviewed are aware that the role of the DSBD is to create an enabling environment to promote the development and sustainability of SMEs. These results also demonstrate that all the middle managers that were interviewed are aware of the statutory and regulatory requirements with regard to the role of the DSBD in the development and sustainability of SMEs. The next question, however, revealed that not all of these middle managers experience the statutory and regulatory prescripts as effective.

4.2.2.2. The effectiveness of the DSBD's policies, programmes and mechanisms

With the second question of the interviews, the middle managers were asked to express their views on whether the DSBD have policies, programmes and mechanisms in place to promote the development and sustainability of SMEs and whether these policies are effective. All middle managers agreed that the DSBD have policies, programmes and mechanisms in place to promote the development and sustainability of SMEs. However, only 40% of the middle managers stated that these policies are effective, while 60% stated that these policies do not create an enabling environment for the development and sustainability of SMEs (see Diagram 4.7 below). Considering that these middle managers deal with the development and

implementation of policies pertaining to SMEs on a daily basis, this result should raise a flag for the DSBD in terms of the implementation of SME-related policies

Diagram 4.7: The effectiveness of the DSBD policies, programmes and mechanisms



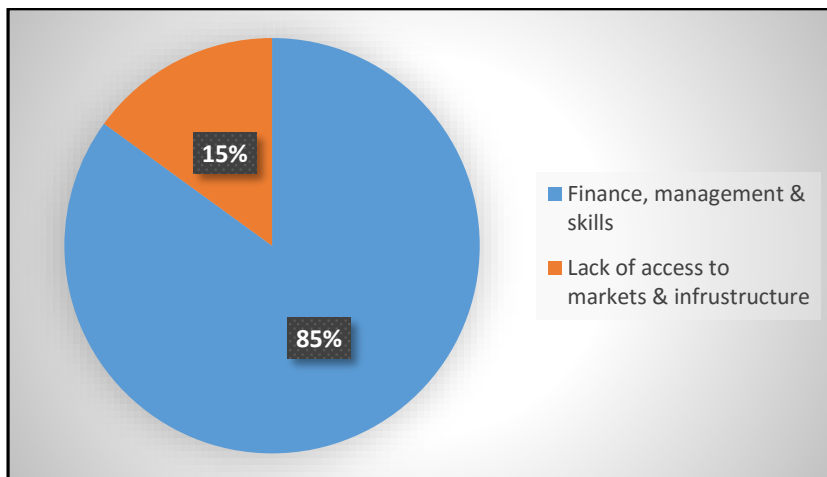
(Source: Researcher's own compilation)

The managers that expressed concern about the effectiveness of the SME-related policies also indicated that the increasing rate of unemployment is demonstrative of ineffective policies pertaining to the development and sustainability of SMEs. As alluded to in chapter 1, section 1.1 the unemployment rate in South Africa is continuously increasing as the number of unemployed people increased by more than half a million in both the first quarters of 2015 and 2016 – 626 000 and 521 000 respectively (RSA, 2016a:14-15). To resolve the challenge of unemployment, the government together with its social partners, should find sustainable solutions, also alluded to in chapter 1, section 1.1. In this respect, the NDP calls for all South Africans to work together in order to achieve the goal of reducing the unemployment rates to 14% by 2020 and 6% by 2030 (SAICA, 2015:3). As mentioned throughout this study, the role of SMEs in employment creation and the eradication of poverty, is acknowledged by the South African government as well as other developing and developed countries. Thus, finding ways (which may imply revising current policies) to enhance the development and sustainability of SMEs should receive priority by the DSBD.

4.2.2.3. Reasons for the failure of black-owned SMEs

Middle managers were probed to express why they think black-owned SMEs fail within the first two years of their establishment. All middle managers specified that black-owned SMEs fail within two years of their establishment due to the legacy of Apartheid. Eighty five percent (85%) of the participants further stated that a lack of access to funding and a lack of access to markets where they can sell their products also influence the success of black-owned SMEs. Fifteen percent (15%) of the participants stated that a lack of infrastructure and business management skills leads to the failure of black-owned SMEs. These results are indicated in Diagram 4.8 below.

Diagram 4.8: Reasons for failure of black-owned SMEs



(Source: Researcher's own compilation)

As indicated in chapter 1, section 1.1, the post-1994 government committed itself to the improvement of the socio-economic circumstances of all South Africans who were denied democratic rights and equal opportunities under Apartheid. One of the ways in which the rights and opportunities of the black population were trampled upon, was by denying them the right to own businesses in areas demarcated for 'whites only' (Magruder, 2010:6). The black population's entrepreneurship was therefore restricted to the townships and 'black rural areas' where the majority of the population lived in dire poverty; thus, preventing these businesses from financially flourishing. It can therefore be argued that the participants' perception that the failure of black-owned SMEs is a result of the Apartheid legacy holds truth, as black entrepreneurs were

deprived of business opportunities under the Apartheid regime and thus do not have the necessary experience and infrastructure to manage successful businesses.

The perceptions of the middle managers pertaining to the effects of a lack of adequate funding and a lack of access to markets are supported by theory indicated in section 4.2.2.3. A lack of financial support is among the top constraining factors for SMEs in South Africa, with a total of 49.1% of SMEs having difficulties accessing funding (Wiese, 2014:40). Agwa-Ejon and Mbohwa (2015:3) indicate that the high failure rate of the application for funds is due to the requirements and selection criteria not being clear to the owners of SMEs; hence, SMEs are still struggling to access financial services.

Further to challenges pertaining to funding for SMEs, Avevor (2016:22-23) explains that, before SMEs can be established and operational, finding the relevant market for selling their products is critical since SMEs that don't have market access tend to fail (Avevor, 2016:22-23). In addition, Nkonoki (2010:46) mentions government policies and red tape as factors that also play a role in the failure of black-owned SMEs. As alluded to in chapter 3, section 3.5, the development and support of SMEs by the private sector is a key policy imperative, however there has been limited progress in the areas of innovation, entrepreneurship and the development of SMEs (DCED, 2016:3). This therefore means that easing the regulatory burden is important if the country wants to unlock the economic and employment creation potential of SMEs seeing that countries with less burdensome regulations grow faster economically (Messaoud & Teheni, 2014:2). As such, a regulated and uncomplicated business environment leads to an economic environment where it is easier for SMEs to flourish and become competitive, resulting in enhanced economic growth prospects, as alluded to in chapter 3, section 3.2.

Nkonoki (2010:46) further explains that governments in several developing economies developed SME-related policies, but that these policies are not necessarily beneficial to SMEs. This notion corresponds with the results obtained from middle managers when requested to indicate the effectiveness of SME-related policies – 60% of the participants indicated that the current policies are not effective (see section 4.2.2.2 above).

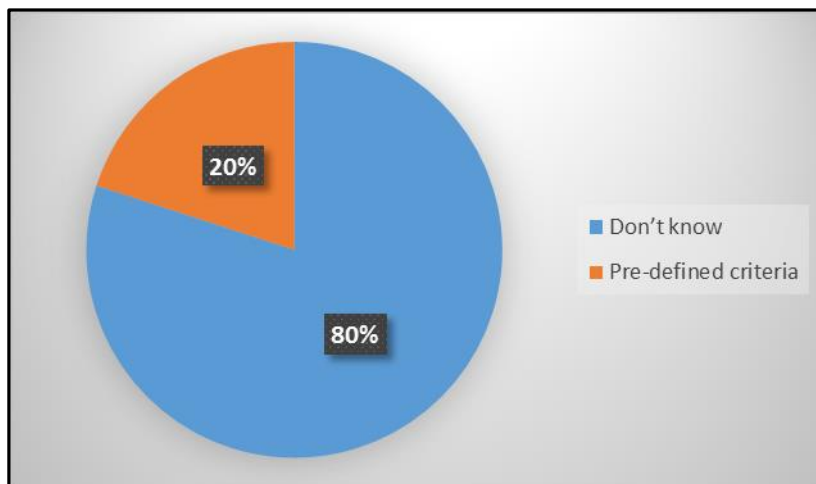
Finally, the middle managers stated that black-owned SMEs fail due to a lack of knowledge and skills. In this respect, Mkubukeli and Tengeh (2016:1) indicated that a lack of experience and training for the owners of SMEs result in the slow or lack of growth of SMEs. Further to this, the training of NEETs is also important, as alluded to in chapter 3, section 3.3.1. It is important to address the skills gap by providing school leavers and unemployed youth with training and skills development as indicated in chapter 3, section 3.3.4 (Wiese 2014:26). Providing mentorship and training programmes will capacitate the owners of SMEs to effectively manage the funding they receive from government as alluded to in chapter 3, section (Gordhan, 2014:17-18; Nene, 2015:10; Gordhan, 2016:21).

The New Growth Theory, discussed in chapter 2, sections 2.4.2 and 2.4.2.2, also supports the importance of knowledge and skills in improved economic growth. In consideration of the central role of knowledge in economic growth, the owners of SMEs should be educated to attain the necessary business knowledge to enable them to effectively manage their businesses. Also, these owners can in return transfer their knowledge and skills to their employees. Equipped with the necessary knowledge and skills, the owners and employees of SMEs can make informed decisions for their businesses and will have a better chance at success.

4.2.2.4. Decision-making for the funding of SMEs

Middle managers were asked to elaborate on which basis decisions for the funding of SMEs is made. A total of 20% middle managers said that pre-set criteria are used by the DSBD to decide which SMEs should be funded. These participants also stated that the same criteria contribute to the failure of these SMEs. Eighty percent (80%) of the participants stated that they do not know the basis on which decisions for the funding of SMEs are made. Diagram 4.9 below illustrates these results.

Diagram 4.9: Decision-making for the funding of SMEs



(Source: Researcher's own compilation)

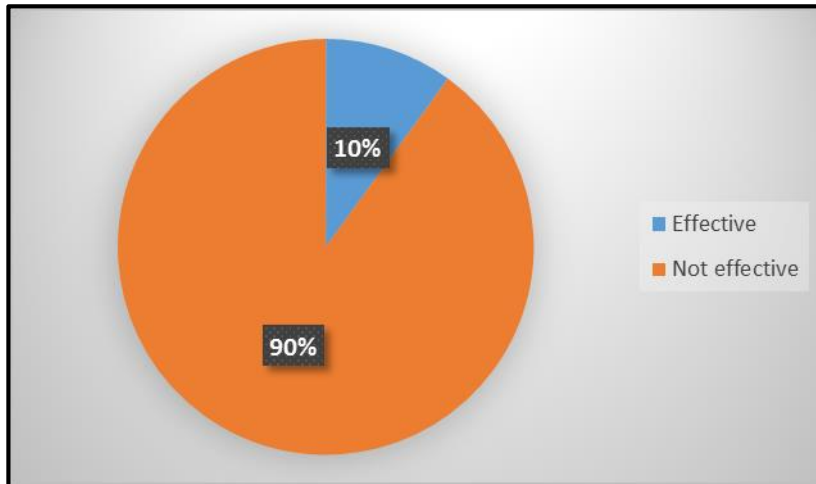
Due to the fact that the vast majority of middle managers (80%) are not aware of the criteria used for the funding of SMEs, it can be assumed that the DSBDs employees responsible for the development and sustainability of SMEs do not consult with SMEs when their policies and programmes are crafted. Furthermore, it can be inferred that the DSBD does not share some of the information held by the senior managers with the middle managers, or that the middle managers do not participate in meetings where decisions about these policies are discussed. Whichever the reason, it can be argued that the DSBD cannot effectively support SMEs if they are not aware of certain criteria SMEs will have to comply with. In this respect, the DSBD should ensure that the employees responsible for policy implementation pertaining to SMEs (the middle managers), should receive the necessary information in order to support SMEs.

4.2.2.5. Managing of the network of stakeholders by the DSBD

In one of the interview questions middle managers were requested to indicate how the DSBD manages the network of stakeholders involved in the development and sustainability of SMEs to ensure effective cooperation and task integration. All (100%) of the middle managers indicated that the DSBD makes use of the interdepartmental forum, coordinated quarterly, where issues of the development of SMEs are discussed with national and provincial departments. Ninety percent (90%) of the middle

managers also stated that the interdepartmental forum is not effective, while 10% was of the opinion that it is (indicated in Diagram 4.10 below).

Diagram 4.10: Management of the network of stakeholders by the DSBD



(Source: Researcher's own compilation)

As indicated in chapter 1, section 1.1, among the goals of the DSBD is to facilitate partnerships with all spheres of government as well as the private sector to ensure mutual cooperation that is beneficial to SMEs (RSA, 2015b:15). However, based on the above results, it can be deduced that although the DSBD has a forum in place where various stakeholders can play a role in promoting the development of SMEs, this forum does not reach its intended targets. This could be due to the fact that some stakeholders are not certain of their roles. The middle managers also acknowledged that the coordination of the forum is a challenge due to the fact that the external stakeholders do not necessarily report directly to the DSBD and that they also have other responsibilities to attend to.

In Chapter 3, section 3.5, it was indicated that the DSBD cannot achieve the mandate of developing and sustaining SMEs on its own; thus, sustainable development of SMEs can only be achieved if the three spheres of government, the private sector and civil society cooperate with each other (RSA, 2014:4; Falkena & Abedian, 2012:201). Consequently, the DSBD developed a five-year strategic plan that contributes to the country's socio-economic transformation (RSA, 2015b:9). The DSBD works with all spheres of government who are expected to institutionalise guidelines on the barriers

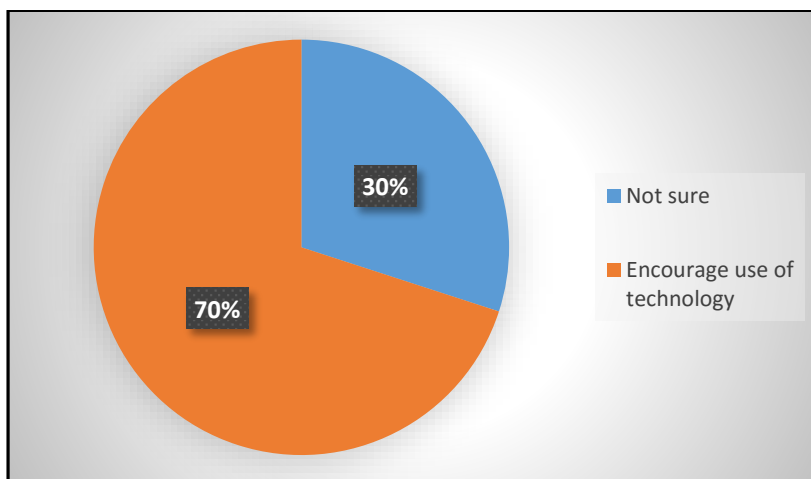
in the attainment of the goals of the NDP, as indicated in chapter 1, section 1.1 (RSA, 1996b:2). Moreover, in support of the creation of employment by SMEs, the DSBD's mandate is to create an enabling environment for the development and sustainability of SMEs while cooperating with all spheres of government as SMEs play a critical role in driving economic transformation in South Africa, as mentioned in chapter 3, section 3.5 (RSA, 2015b:10).

In addition, since the DSBD cannot achieve the mandate of development and sustainability of SMEs on its own, there are other mechanisms, such as financial incentives, provided by other institutions (e.g. the National Treasury and the Reserve Bank) to support SMEs in contributing to the reduction of unemployment, poverty, and inequality, as indicated in chapter 3. Section 3.7.

4.2.2.6. The use of technology to promote SMEs

One of the questions posed to the middle managers was to explain how the DSBD can use technology to assist the development and sustainability of SMEs. Thirty percent (30%) of the middle managers said that they are not sure, while 70% stated that the DSBD must invest in technology and in the proficiency of these technologies (see Diagram 4.11 below). This will enable SMEs to trade online, have easy access of government information and support, access general business information and assist in the transfer of knowledge,

Diagram 4.11 The use of technology to promote SMEs



(Source: Researcher's own compilation)

Abor and Quarter (2010:7), mention that SMEs often have difficulties in gaining access to appropriate technologies and information on available techniques. Thus, access to foreign technology can influence economic growth (Chingwaru, 2014:81). It can be inferred that the use of technology by SMEs can play a significant role in moving these SMEs towards development and sustainability by means of the following (Chingwaru, 2014:81):

- Providing technological support to SMEs to enable them to use innovative ways of doing business.
- Support of SMEs in acquiring the technology, in particular those in rural areas, as there is limited connectivity and access to Internet services.
- The DSBD must develop systems that will assist SMEs in accessing services of financial and non-financial support, which will help SMEs access information about opportunities in the SME sector and access government information in general.
- Access to the Internet will assist SMEs in buying and selling online.
- Access to the Internet will improve the challenge of online registration for SMEs.

As indicated in chapter 2, section 2.4.2.1, it is of the utmost importance that the owners of the SMEs keep up to date with technological inventions as the use of technology can reduce unnecessary costs as well as provide valuable information (Gorondutse & Ali, 2016:2). The owners of SMEs need access to the same technology as the big economic players to level the playing field and to be flexible, responsive, and meet the anticipated customer needs (Labuschange, 2015:43). In this regard, the role of the DSBD should be to train SMEs in information technology and technical skills. Network connectivity, particularly for SMEs in rural areas, need to be provided in the form of access to internet and relevant infrastructure.

According to Solow's Growth Model, technology is seen as continuously expanding the set of knowledge that becomes evident over time (Cortright, 2001:3). Also, the improvements in technology are considered as the best chance to overcome the challenges of slow economic growth, as alluded to in chapter 2, section 2.4.2.2 (Grossman & Helpman, 1994:21). New Growth Theory views technological progress

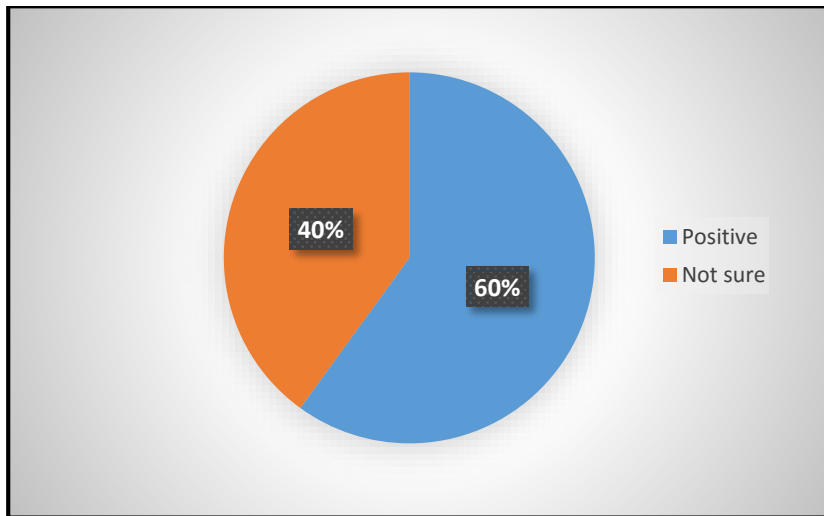
as a product of economic activity as it internalises technology into a model of market functioning, and that knowledge and technology are characterised by increasing returns, and these increasing returns drive the process of growth as indicated in chapter 2, section 2.4.2.1 (Cortright, 2001:6). It was also mentioned that the world tends to focus on the use of computers and the Internet as the icons of economic progress, but it is the innovation that generates new ideas and not the technologies themselves (Cortright, 2001:2). It is clear that technology is used as a way of growing economies and also to resolve the challenges faced by the society.

4.2.2.7. Training provided to the owners of SMEs and measuring its success

The middle managers were asked to indicate the type of training provided to the owners of SMEs to enhance their business knowledge and how the success thereof is measured. All (100%) the middle managers referred to the role of SEDA, the agency of the DSBD responsible for providing training to SMEs, as significant. The training provided by SEDA includes business-related information, business management, advice, consultancy, business plan development, training and mentoring services in all areas of enterprise development (SEDA, 2014:9), as indicated in chapter 2, section 2.3.5.2. SEFA also provides financial support to SMEs (SEFA, 2015:3), as referred to in chapter 3, section 3.4.

In response to the question of how the success of training is measured, 60% of the middle managers expressed that the ability of SMEs to pay back their loans to SEFA could be a determining factor as to whether the training provided by SEDA had been successful or not. The ability to pay back their loans implies that the owners of SMEs were trained by SEDA and received funding in the form of loans from SEFA are therefore able to apply effective financial management. Thus, implying that the training received from SEFA had been successful. However, 40% of the participants stated that they are not sure how the success of the training provided to the owners of SMEs is measured, since the DSBD lacks effective monitoring systems.

Diagram 4.12: Measurement of the success of training to SMEs by the DSBD



(Source: Researcher's own compilation)

According to Agbenyegah (2013:189-190), it is not easy to determine the success of SMEs in South Africa. Further to this, Chadhliwa (2015:24) pronounces that a blend of skills is required for the survival, development, and growth of SMEs. In order for SMEs to become successful, a conducive environment must be created for these SMEs (Agbenyegah, 2013:190). It can therefore be concluded that the DSBD does provide training to SMEs but the success of the training may be difficult to measure as there are no accurate monitoring systems in place. This requires of the DSBD to ensure the implementation of monitoring systems that can accurately measure the success of the training provided to SMEs. It can be argued that improvements in the training to SMEs cannot be made if the effects of the training are not periodically evaluated to determine shortcomings.

4.2.3. Primary findings from the interviews with middle managers at the DSBD

Given the responses received through the interviews with middle managers at the DSBD and the results obtained through these interviews, it is evident that the middle managers are aware of the role of the DSBD in the development and sustainability of SMEs, which is to create an enabling environment, even though the middle managers also stated that the current policies are not necessarily creating an enabling environment as alluded to in section 4.2.2.1. It can be further deduced that although the middle managers are aware of the role of the DSBD in the development and

sustainability of SMEs, the increasing levels of the unemployment could be a lack of awareness of the services provided by the DSBD.

Further to this, the responses from the interviews with middle managers indicated that black-owned SMEs predominantly fail due to adequate funding and a lack of business management skills. The reason could be that black people were denied business opportunities during the Apartheid regime, which resulted in a lack of successful businesses as stated in section 4.2.2.3 (Magruder, 2010:6). The results also revealed that the majority of the participants were not aware of the base on which SMEs should be funded. The fact that the participants are responsible for the development and sustainability of SMEs is greatly concerning. It is possible that the DSBD do not consult with the SMEs when their policies and programmes are crafted.

In section 4.2.2.5 it was shown that the middle managers indicated that the DSBD does have a system (inter-departmental forum) in place to manage the network of stakeholders involved in the development and sustainability of SMEs that ensures effective cooperation and task integration, but the forum is not effective. It can be concluded that the forum does not reach its intended targets. This could be due to the possibility that some stakeholders are not clear on their roles. The middle managers also acknowledged that the coordination of the forum is a challenge due to the fact that the external stakeholders do not necessarily report directly to the DSBD since they also have other responsibilities to attend to.

Lastly, the middle managers revealed that the use of technology could enhance the development of SMEs. As indicated in section 4.2.2.6, it is of the utmost importance that the owners of the SMEs keep up to date with technological inventions as the use of technology can reduce unnecessary costs as well keep them informed (Gorondutse & Ali, 2016:2). From these results obtained through the interviews held with middle managers at the DSBD, the most significant finding appears to be that although policies, mechanisms, processes, and structures are available at the DSBD to support the development and sustainability of SMEs, these do not appear to be successful. This may be due to the ineffective implementation of these policies, mechanisms, processes, and structures and/or ineffective communication from senior management at the DSBD in terms of clarifying the roles and responsibilities of the employees

responsible for the implementation of policies pertaining to the development and sustainability of SMEs.

The next section reveals the results obtained through the interviews with the owners of SMEs. As was done in the preceding discussion on the results obtained from the interviews with the middle managers at the DSBD. The section also provides interpretations of these results as indicated by the owners of SMEs.

4.2.4. Biographical information – The owners of SMEs

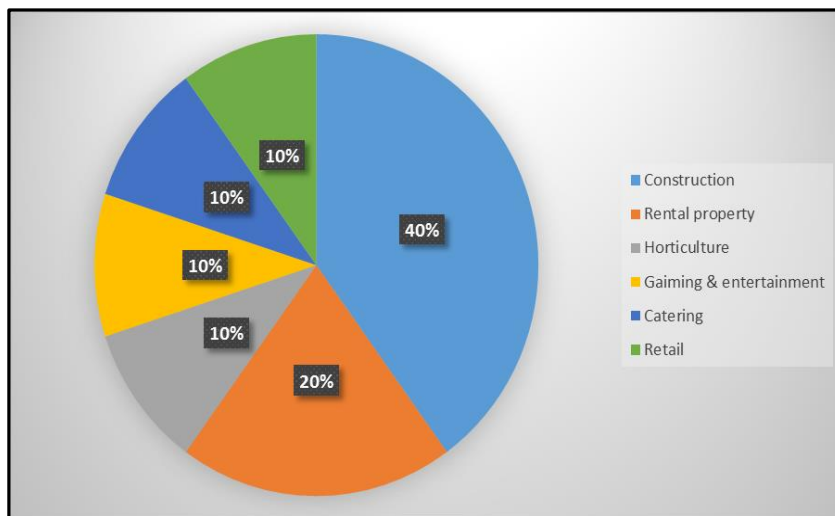
For the owners of SMEs, the section pertaining to biographical information requested of participants to indicate the type of SME sector in which their business belongs, the period of ownership of an SME, as well as their gender and age.

4.2.4.1. Type of SME (sector)

As illustrated in Diagram 4.13 below, the results obtained pertaining to the SME sectors to which they (the owners who were interviewed) belong were as follows:

- 40% construction
- 20% rental property
- 10% horticulture
- 10% gaming entertainment and advertising
- 10% catering
- 10% retail

Diagram 4.13: Type of SME (sector)



(Source: Researcher's own compilation)

The results revealed that most of the owners of SMEs have businesses in the construction sector. It can be deduced that it may be easier to enter the construction sector, as one is able to learn the relevant skills during on-the-job training. The owners of SMEs stated that they were previously working for large construction companies and after mastering construction skills, they started their own businesses.

The owners of SMEs in the rental property sector indicated that there is always a market for renting, whether in the township or in town. They stated that they saw an opportunity and took advantage of it.

The owners of SMEs in the horticulture sector indicated that white citizens dominate this sector and that they have entered the sector in order to expose black SMEs to opportunities that are available in this sector.

With the remaining sectors – gaming entertainment and advertising, catering and retail – the owners of SMEs stated that they entered these sectors because they know other people in these sectors.

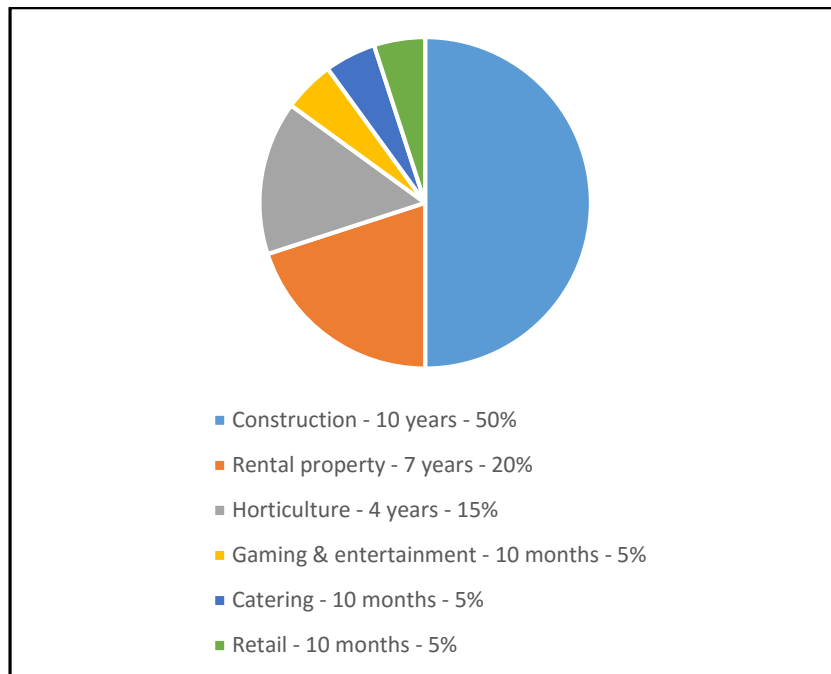
The participants also revealed that they started SMEs for the following reasons: having support from family members and from other SMEs; having a unique business concept which is not similar to others; a wish to own a business; and desperation from not

finding any employment in the formal sector. It can be argued that the owners of SMEs belonging to the latter group may not necessarily have passion for the particular sector they chose and that this may have an influence on the success of their SMEs. Furthermore, it can be deduced that having the right support mechanisms, whether from family or other SMEs, can also influence the success of their SMEs.

4.2.4.2. Period of owning a SME

The owners of SMEs were requested to indicate the period that they have owned their businesses. The results revealed that the owners of SMEs in the construction sector have more years of experience (ten years) than all the other sectors. The owners of SMEs in the rental property sector have seven years' experience, those in the horticulture sector have four years' experience, and the owners of SMEs in the gaming entertainment and advertising, catering and retail sectors have 10 months experience, indicated in Diagram 4.14 below.

Diagram 4.14: Period of owning SMEs



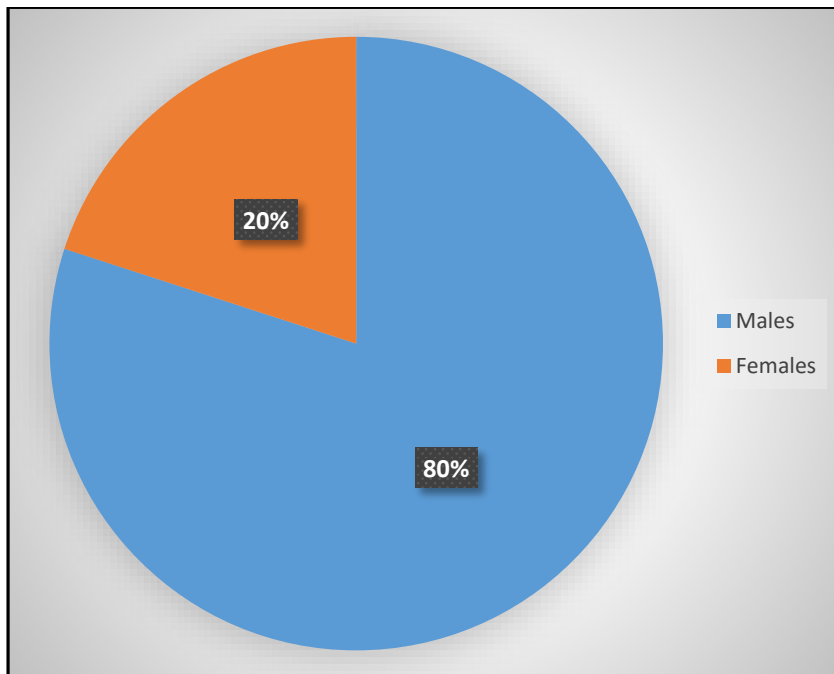
(Source: Researcher's own compilation)

The differences in the work experience of the owners of SMEs did not make a difference in their ability to identify and articulate challenges and solutions pertaining to the development and sustainability of their businesses.

4.2.4.3. Gender

The owners of SMEs were requested to indicate their gender during the interviews. The results revealed that from the 10 owners of SMEs interviewed, 80% were males and 20% females, as illustrated in Diagram 4.15 below.

Diagram 4.15: Gender



(Source: Researcher's own compilation)

The fact that the vast majority of owners of SMEs are male can arguably be due to the remnants of a patriarchal society where females have to take care of the family while males work. Manful *et al.* (2016:65) explain that, in many instances, patriarchal relations still dominate and perpetuate female subordination. Women are often subjected to the subordinate position in the family and are therefore expected to fulfil traditional responsibilities (Manful *et al.*, 2016:64).

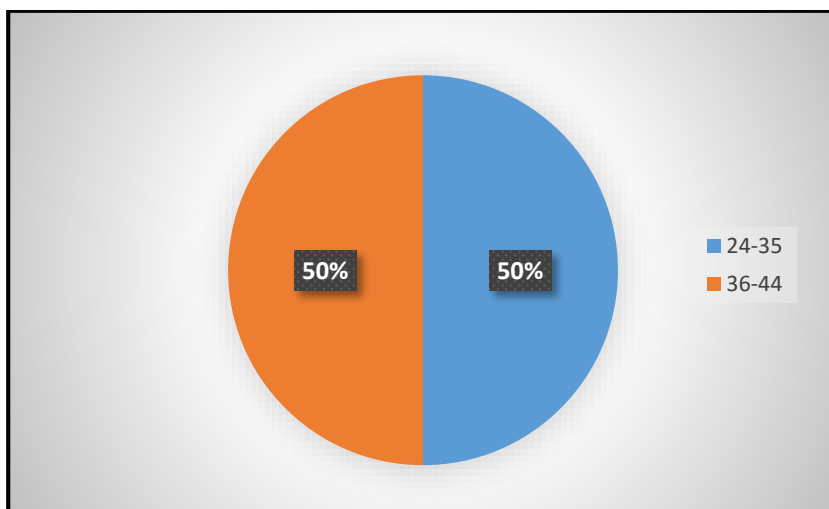
It can be argued that the DSBD and other stakeholders involved in promoting the development and sustainability of SMEs should also take cognisance of the skewed gender representation among the owners of SMEs. In a country where the supreme law, the Constitution, 1996, makes provision for a non-sexist environment (RSA, 1996a:1243), and promotes equality (RSA, 1996a:1247) in all respects, including gender equality, providing opportunities to women to establish businesses should receive attention. It may, however, also be that the skewed gender representation is not necessarily as evident or significant in all areas as in the Refilwe, Cullinan area.

Through SEFA, the DSBD is able to provide financial support to females who want to start businesses. In 2014/2015, SEFA allocated a total of R484 million to female-owned businesses (SEFA, 2015:2). This investment validates the important role played by SEFA in the promotion of female-owned businesses and the development of the economy.

4.2.4.4. Age

The owners of SMEs were requested to state their age. The results revealed that 50% of the owners of SMEs were between the ages of 24 and 35 years, and 50% were between the ages of 36 and 44 years, as illustrated in Diagram 4.16 below.

Diagram 4.16: Age



(Source: Researcher's own compilation)

It can be argued that, due to the high levels of unemployment and poverty in the country, young people (24 to 35 years) are resorting to starting their own businesses in order to reduce poverty and unemployment and to earn an income to support themselves and their families. As for those participants between the ages of 36 and 44 years old (which is typically the most economically active age) (RSA, 2016a:7), it can be argued that they resorted to starting their own businesses because they had identified a business opportunity, or they could not find employment.

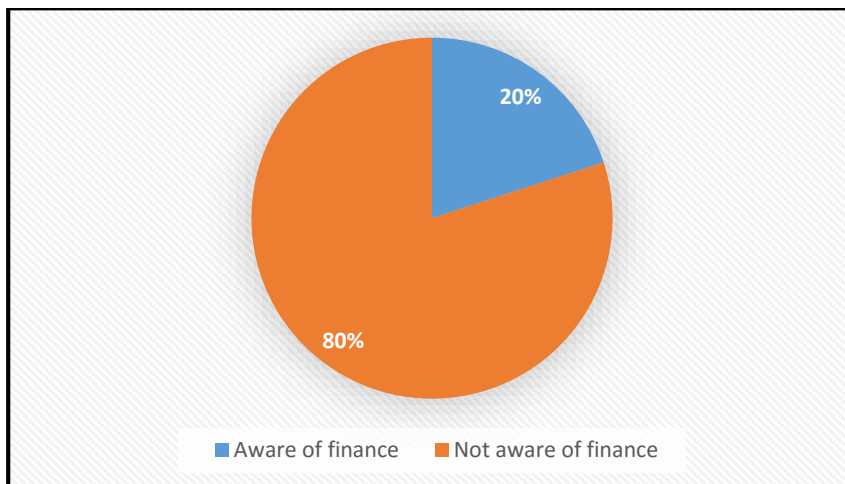
4.2.5. Results from the interviews with the owners of SMEs

For the owners of SMEs, the purpose of the interviews was to determine the factors, structures, and mechanisms they believe to be most successful in the development and sustainability of their businesses based on their personal experiences. Similar to the interviews with the middle managers, the purpose of these interviews was to determine the role of the DSBD in developing and sustaining SMEs to contribute to the attainment of the goals and objectives of the democratic development state. The interview questions focused on these owners' experiences of the assistance provided by the DSBD, as well as the most significant challenges they experience in establishing and developing their SMEs.

4.2.5.1. Financing of SMEs

The first question posed in the interviews was to determine how SMEs are financed. All (100%) the owners of SMEs indicated that their businesses were personally financed, either through the assistance of family members, friends, or relatives. As indicated in Diagram 4.17 below, 20% of the owners of SMEs indicated that they had applied for funding from the DSBD, but after a reply was not received after two years they resorted to finding alternative ways of financing their businesses. An alarming 80% of the participants stated that they are not aware of available funding opportunities provided by the DSBD.

Diagram 4.17: Financing of SMEs



(Source: Researcher's own compilation)

The opinions and experiences of the owners of SMEs confirmed that funding is the primary challenge they are faced with. Furthermore, the results denote that the vast majority of the owners of SMEs are not aware of the funding provided by the DSBD. In support of these results, Kumah (2014:6-7) expresses that the government has created special financial schemes dedicated to support SMEs, but the impact of these schemes is minimal.

The fact that 80% of the participants indicated that they are not aware of the funding provided by the DSBD, is concerning. The DSBD is clearly lacking in terms of their communication and information distribution. It is evident that the DSBD should implement means to more effectively communicate the services they offer to prospective and current SME owners.

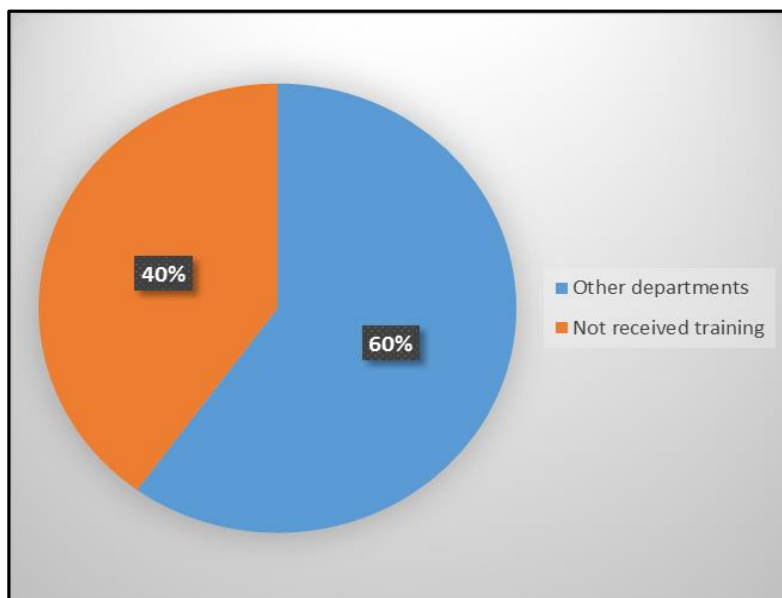
4.2.5.2. Usefulness of training provided by the DSBD

The owners of the SMEs were requested to indicate whether the training provided by the DSBD was helpful. All (100%) the owners of SMEs indicated that they have never received any training from the DSBD. Given the results obtained from the previous question where 80% of the participants indicated that they were not aware that the DSBD provides funding to SMEs, this result is not surprising. Sixty percent (60%) of the participants, however, stated that they have received training from other

government institutions. The remaining 40% of participants indicated that they have not received any training from any government institution (see Diagram 4.18 below).

The 60% of participants who received training from other government institutions indicated that the training assisted them in enhancing their knowledge of business management, especially within the arenas of marketing and financial management. All the owners of SMEs indicated that if they had the opportunity to be trained by the DSBD, they would need training in basic business management, mentorship, business plan development, basic financial management, marketing and book keeping.

Diagram 4.18: Training received for the management of SMEs



(Source: Researcher's own compilation)

Chiloane-Tsoka and Mabiza-ma-Mabiza (2014:1) mention that, often the owners of SMEs have an education level of grade 12 and below. In South Africa, the education and training institutions offer little entrepreneurial skills training, and as such influence the SME sector negatively (Fatoki, 2014:3). Nene (2011:3) states that evidence from various studies conducted by researchers' pinpoints that entrepreneurship education is increasingly important since it can contribute to employment creation and have a positive impact on poverty alleviation.

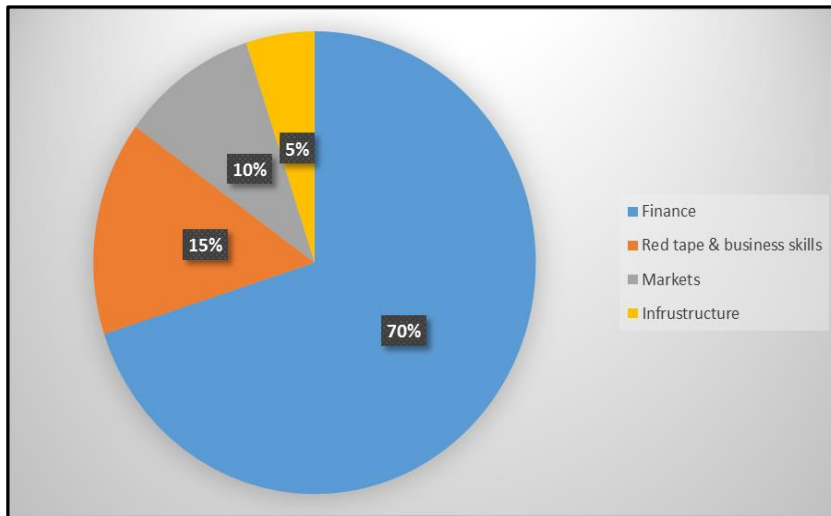
As alluded to in chapter 1, section 1.1, the owners of SMEs should be developed in the area of business management skills through training (Bezuindenhout & Nenungwi, 2012:2-3; Fatoki, 2014:5). Furthermore, in consideration of the above results, it can be concluded that business-related training does assist the owners of SMEs in the management of their businesses.

It can be argued that the DSBD should make a concerted effort to ensure that the owners of SMEs receive the necessary business-related training. This will increase their chances of making a success of their businesses. Also, the improvement of the development and sustainability of SMEs will result in the creation of more employment opportunities, a dire need in a country with an unemployment rate of 26.7% (RSA, 2016a:14-15), as mentioned in chapter 1, section 1.1. Moreover, a decrease in unemployment will also alleviate the dire poverty experienced by 30.4 million South Africans (RSA, 2017e:1), as also alluded to in chapter 1, section 1.1; A decrease in unemployment will positively contribute to the socio-economic circumstances of citizens and contribute to the achievement of the objectives of the democratic developmental state.

4.2.5.3. Challenges faced by the owners of SMEs

The participants were requested to elaborate on the challenges they are faced with as the owners of SMEs. As illustrated in Diagram 4.19 below, 70% of the owners of SMEs indicated that their most significant challenge is a lack of access to funding, 5% indicated a lack of business infrastructure, 10% a lack of access to markets, and 15% the red tape associated with business procedures and registration and a lack of business management skills.

Diagram 4.19: Challenges faced by the owners of SMEs



(Source: Researcher's own compilation)

The results indicate that funding is the primary challenge faced by the owners of SMEs, followed by the challenges of infrastructure, access to markets, red tape and a lack of business skills. These results are supported by the literature. Dikgwatlhe (2014:25) attributes that in South Africa a lack of access to funding is among the major reasons for the failure of SMEs. Approximately 75% of all applications for bank credit by new SMEs are not successful (Dikgwatlhe, 2014:25). A lack of access to funding inhibits the potential of SMEs, compared to large businesses. According to Trust Africa (2014:10), poor infrastructure, complicated and costly regulations and weak governance services also constrain the development and sustainability of SMEs.

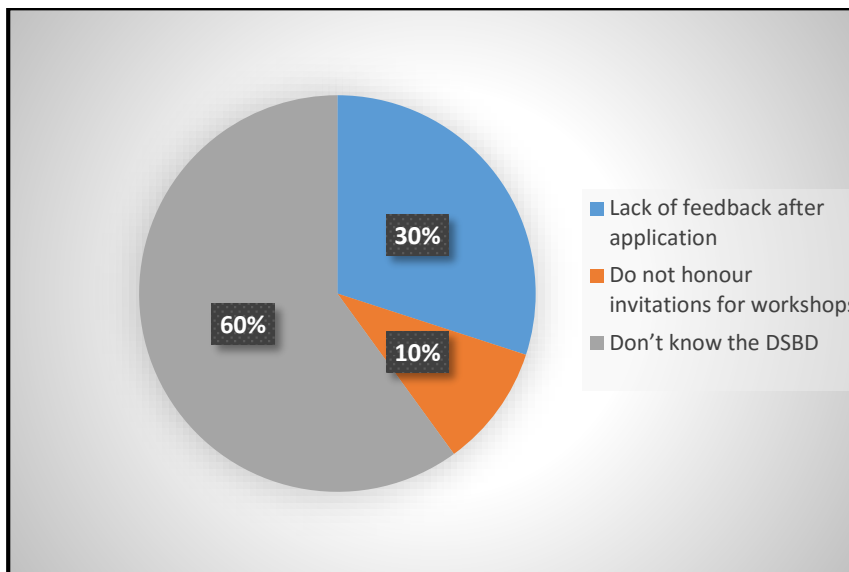
A lack of access to markets was another challenge mentioned by the owners of SMEs during the interviews. Olawale (2014:4) mentions that challenges to market access are related to the following elements: a lack of market research; a lack of training for sales staff; and bad customer service. Fatoki and Odeyemi (2010:4) point out that the geographical area where SMEs are located may have implications in its access to markets and resources. SMEs situated in the cities may have a higher chance of success as opposed to those located in rural areas. In the case of these participants, their businesses are located in a small town that is approximately 30 kilometres from a city. Consequently, these SMEs do not get the same exposure as those in the cities.

All the challenges voiced by the participants (a lack of access to funding, a lack of business infrastructure, a lack of access to markets, the red tape associated with business procedures and registration, and a lack of business management skills), can in all likelihood be attributed to a lack of knowledge of the services offered by the DSBD. It therefore places responsibility on the DSBD to ensure that information about the services provided by the department is widely communicated, as also indicated in section 4.2.5.1.

4.2.5.4. Experience of services supported by the DSBD

Participants were asked to elaborate on their experiences (positive or negative) pertaining to the services and support provided by the DSBD. As illustrated in Diagram 4.20 below, 20% of the owners of SMEs indicated that their experience was negative. These were the business owners who applied for funding from the DSBD and did not receive feedback or any acknowledgement of their applications (as indicated in section 4.2.5.1). Ten percent (10%) of the participants stated that it is not easy to access the services provided by the DSBD, even when the owners of SMEs are invited to attend workshops on the DSBD's services, since the officials of the DSBD do not honour these invitations. Eighty percent (80%) of the participants stated that they have never sought support at the DSBD as they were not aware of the services offered by the department, as indicated in section 4.2.5.1. Thus, the vast majority could not comment on their experiences with the DSBD as they were not aware of the services provided by the DSBD and those who could comment in this regard, indicated that their experience with the DSBD was negative.

Diagram 4.20: Experiences of the services offered by the DSBD



(Source: Researcher's own compilation)

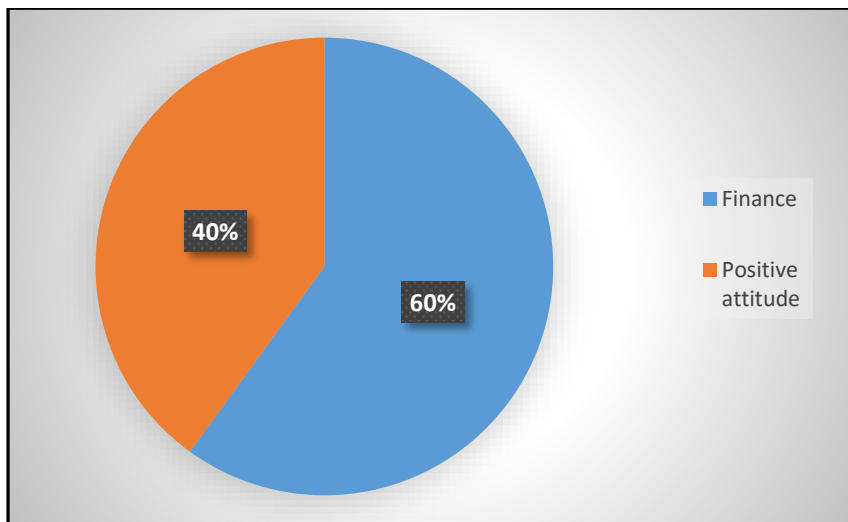
According to Wiese (2014:42), government procedures and regulations contribute to the challenges faced by SMEs. Factors such as lengthy procedures in obtaining funding and insufficient financial support at the DSBD, all contribute to the challenges faced by the owners of SMEs in getting their businesses established. It can be argued that the owners of SMEs are not aware of the services provided by the DSBD because of a lack of awareness campaigns by the DSBD. Further to this, the DSBD does not honour invitations to workshops organised by the community members and does not acknowledge receipt of funding applications from the owners of SMEs. This may be due to a shortage of staff or backlogs in workload. However, whatever the reasons, the DSBD was established with the purpose of facilitating economic transformation through the increased participation of SMEs in the mainstream economy as alluded to in chapter 1, section 1.1 (DSDB, 2015:15; SEDA, 2014:8) and should therefore fulfil its mandate.

It can be concluded that the DSBD should run awareness outreach programmes to raise the level of awareness of the services the department provides for the owners of SMEs. The results also indicate that the services of the DSBD are not easily accessible. The DSBD must improve their turnaround times for funding applications and give priority to service delivery and support of the owners of SMEs.

4.2.5.5. Factors contributing to the survival of SMEs

The participants were requested to indicate the factors, excluding the support from the DSBD, which contributed to the survival of their businesses. Given the fact that 80% of the owners of SMEs indicated that they were not aware of any services provided by the DSBD to SMEs (see sections 4.2.5.1 and 4.2.5.4), and that the 20% of participants who were aware of these services were not satisfied with the service they received (see sections 4.2.5.1 and 4.2.5.4). It was therefore a given that all the factors that contributed to the survival of the participants' SMEs were due to reasons other than the support from the DSBD. In response to the question posed, 60% of the owners of SMEs indicated that receiving funding for their SMEs contributed to the survival of their businesses and 40% indicated that a positive attitude contributed to their businesses' survival (see Diagram 4.21 below).

Diagram 4.21: Factors contributing to the survival of SMEs



(Source: Researcher's own compilation)

The results confirmed that funding remains a significant factor in the survival and success of SMEs, as also indicated in section 4.2.5.3. The literature also confirms that most SMEs launch their operations with their own funding or funding from friends and family (African Centre for Economic Transformation and World Bank, 2016:3-4). However, in order for SMEs to grow, they must be supported by government so that they can grow. (African Centre for Economic Transformation and World Bank, 2016:3-4).

A positive attitude was also indicated as a contributing factor to the survival of SMEs. Neneh (2011:3) argues that it is significant that sustainable education on entrepreneurship should begin in early childhood since the individual values, behaviours, attitudes, and skills acquired during this period might have a lasting effect on the rest of people's lives; thus, this education will build entrepreneurial personalities.

4.2.6. Primary findings from the interviews with the owners of SMEs

A total of 60% of participants who received training indicated that the training assisted them to enhance their knowledge of managing a business, particularly with regard to marketing and financial management, as indicated in section 4.2.5.2. These results confirm the theoretical notion that training will positively contribute to the success of SMEs (Bateman, 2016:7; Shafeek, 2016:3). However, none of this training was provided by the DSBD because the majority of participants (80%) were not aware of the services provided by the DSBD, as indicated in section 4.2.5.1. It can be concluded that there is a lack of communication from the DSBD regarding the services the department can provide to the communities.

The results also indicated that funding is the primary challenge faced by the owners of SMEs, followed by the challenges of infrastructure, access to markets, red tape and a lack of business skills as alluded to in section 4.2.5.3. This again emphasises the need for the DSBD to communicate the services offered to SMEs.

The vast majority of the participants could not comment on their experiences with the DSBD as they were not aware of the services provided by the DSDB and those who could comment, indicated that their experience with the DSBD was negative as alluded to in section 4.2.5.4. It can be concluded that the DSBD must conduct outreach awareness programmes in order to raise awareness of the services they can provide and must also improve their turnaround times for funding applications.

4.3. CONCLUSION

This chapter focused on the empirical research of the study, based on the preceding theoretical chapters pertaining to the development and sustainability of SMEs and the role of the DSBD in this regard. The results obtained through the personal interviews with the middle managers at the DSBD (responsible for the development and implementation of policies pertaining to SMEs) as well as the owners of SMEs in the Cullinan Refilwe area were revealed with the purpose of understanding the role of the DSBD pertaining to the development and sustainability of SMEs to contribute towards employment creation and the alleviation of poverty; thereby contributing to the achievement of the goals and objectives of the democratic development state.

From the interviews conducted with the middle managers at the DSBD, responsible for policy implementation pertaining to the development and sustainability of SMEs, it became evident that although the DSBD has policies, processes, mechanisms, and structures in place to support the SMEs, they are not effective. It also became clear that the majority of these middle managers are not aware of the basis on which funding is allocated to SMEs. All middle managers indicated that the role of the DSBD is to create an enabling environment to promote the development and sustainability of SMEs, but that this is not the case in practice. These results caution the DSBD to revisit the implementation of its policies and to ensure that its employees, responsible for the implementation of these policies, are aware of their roles and responsibilities and are trained to fulfil these.

The owners of SMEs are still faced with many challenges that hinder their ability to grow. The most significant of these challenges is a lack of access to funding opportunities. Although the DSBD provides funding opportunities to SMEs, the majority of the owners of SMEs who were interviewed (80%) were not aware of this service provided by the DSBD. It is therefore the responsibility of the DSBD to ensure that information about the services that can be provided are widely communicated. The DSBD must strengthen the existing policies that promote SME development, coordinate the work done by the three spheres of government to promote SMEs and monitor the success and failures of these SMEs so that they can reward those who are succeeding and assist those who are experiencing challenges. Also, the 20% of

participants who did apply for funding from the DSBD, but never received a reply or acknowledgment of the receipt of their applications. Therefore, the turnaround times must be reviewed. Moreover, 70% of the owners of SMEs indicated that receiving funding for their SMEs contributed to the survival of their businesses, thereby emphasising the need for funding. Other challenges to the success of their businesses, indicated by the owners of SMEs were a lack of access to funding, a lack of business infrastructure, a lack of access to markets, the red tape associated with business procedures and registration, and a lack of business management skills.

The participants expressed a need for training, specifically pertaining to business management and financial management. However, all of the owners of SMEs indicated that they have never received any training from the DSBD, but rather from other government institutions. Also, the 60% of participants who received training from other government departments indicated that they found the training useful, especially with regard to marketing and financial management.

It can be argued that the DSBD should make a concerted effort to ensure that the owners of SMEs receive the necessary funding and business-related training to enhance their chances of making a success of their businesses. Also, the improvement of the development and sustainability of SMEs will result in the creation of more employment opportunities, a dire need in a country with an unemployment rate of 26.7% (RSA, 2016a:14-15). Moreover, a decrease in unemployment will alleviate the dire poverty level experienced by 30.4 million South Africans (RSA, 2017e:1). A decrease in unemployment will positively contribute to the socio-economic circumstances of citizens and contribute to the achievement of the objectives of the democratic developmental state.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1. INTRODUCTION

The study aimed to answer the following research question: *How can the DSBD improve its role in the development and sustainability of SMEs to contribute to the attainment of the goals and objectives of the democratic development state?* To answer the research question, the study was conducted in line with the following research objectives:

- To establish a theoretical framework that supports the development and sustainability of SMEs in a democratic developmental state;
- To determine the statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD in this regard;
- To establish, through an empirical investigation, the current circumstances, challenges and failures of SMEs;
- To establish, through an empirical investigation, the current challenges and shortcomings of the DSBD in developing and sustaining SMEs; and
- To provide recommendations on the role of the DSBD in the development and sustainability of SMEs to contribute to the attainment of the objectives of the democratic development state.

An in-depth literature review was conducted on the development and sustainability of SMEs, as well as the role of SMEs in South Africa's economy and the democratic developmental state (chapter 2); a statutory and regulatory framework for the development and sustainability of SMEs and the role of the DSBD in this respect was established (chapter 3); and an empirical study was conducted, using semi-structured, personal interviews as data collection instrument (chapter 4).

In this final chapter of the study, a summary of the preceding chapters is provided, followed by an interpretation of the primary findings of the study. Furthermore, recommendations are made to assist the DSBD in developing and sustaining SMEs, thereby contributing to the achievement of the objectives of the democratic

developmental state. This chapter also gives an indication of future research possibilities, highlights the contribution of the study, and provides a final conclusion to the study.

5.2. SUMMARY OF THE CHAPTERS

Below, the most significant topics and arguments of the study are summarised per chapter.

In **Chapter 1**, a background to the socio-economic circumstances and challenges of South Africa as a democratic developmental state was provided. The role of SMEs in addressing socio-economic challenges such as poverty, unemployment, and inequality was highlighted in this context. To confront the developmental challenges of poverty, unemployment, and inequality the country must develop a flourishing economy, which will better the livelihoods of citizens in a developmental state that is democratic and socially inclusive (HSCR, 2010:1). It was established that SMEs could play a significant role in employment creation, as contributing to employment creation subsequently alleviates poverty (Kongolo, 2010:1; Baleseng, 2015:22). Given the current unemployment rate in the country of, 27.7% (RSA, 2017d:9), and the positive role that SMEs can play in this regard, the importance of providing support to SMEs cannot be underestimated.

An overview of the various legislation, policies and mechanisms, established to promote the development and sustainability of SMEs was also provided in chapter 1. However, it was determined that, in spite of the current legislation, policies, and mechanisms pertaining to SMEs, SMEs demonstrate a high failure rate of 70%-80% (Lekhanya, 2015:1). The high failure rate of SMEs reveals that the current legislation, policies, and mechanisms are not successful in promoting the development and sustainability of SMEs. Moreover, the high failure rate of SMEs prevents them from effectively contributing to the country's economy and alleviating unemployment, poverty and inequality; consequently, hindering socio-economic growth. These realities therefore emphasise the priority the government needs to place on the development and sustainability of SMEs.

The research methodology followed in the study was also discussed in chapter 1. The study followed a qualitative research approach based on a thorough literature review and an empirical investigation with a case study as the research design. Further to this, the research made use of a descriptive design through a thorough examination of SMEs as phenomenon with emphasis on the development and sustainability of SMEs and the role of the DSBD plays in this regard, as the vehicle for alleviating poverty, unemployment, and inequality in South Africa as a democratic developmental state.

The participants for the interviews were established through purposive, non-probability sampling. This sampling technique was used as participants are specifically selected due to their knowledge on the subject being studied (De Vos *et al.*, 2011:391). A researcher therefore uses his/her own judgement to select participants who will best match the purpose of the study (Buowari, 2016:75). Semi-structured personal interviews were used as the research instrument. Interviews were held with 10 middle managers in the DSBD and 10 the owners of SMEs in the Cullinan, Refilwe area, which served as the case study. The personal interviews provided data to assist in understanding the relationship between the DSBD and the owners of SMEs.

In **Chapter 2** a theoretical framework for the development and sustainability of SMEs was established. In so doing, SMEs were conceptualised within the context of South Africa as a democratic developmental state. The role and status of SMEs in other developmental, as well as developing states, were discussed with the view to compare and draw lessons from these countries with regard to the development and sustainability of SMEs and the role of a government institution in that respect (the DSBD for the purpose of this study). The review on the role and status of SMEs in these countries revealed considerable similarities to the South African situation. For instance, SMEs in countries such as Singapore, Malaysia, Korea, Nigeria, Botswana, and Zimbabwe are faced with similar challenges as South Africa. These include limited resources, poverty, a lack of access to markets, unemployment, and inequality. The role of SMEs in the contribution to the GDP and employment creation, as well as the provision of financial support for the development of SMEs, were all emphasised by these countries' legislation and policies pertaining to SMEs. The number of registered SMEs seems to be lower in South Africa than in India. Zimbabwe is the only country

that initially unified the country but ended up with authoritarian policies, which resulted in failed democratisation.

Further to this, the meaning and requirements for the development and sustainability of SMEs were explicated and their importance in the South African economy was explained. As indicated in chapter 2, section 2.3.2, sustainable development is defined as the progress that meets the needs of the present, without compromising the ability of future generations to meet their own needs (Dang & Pheng, 2015:4, FIU, 2015:1). SAICA indicates that the government established the DSBD with the primary focus of promoting SMEs in order to stimulate growth and sustainability. The government therefore attaches a high level of importance to the development and sustainability of SMEs as a means to contribute to national economic growth, development and employment creation (SAICA, 2015:3, RSA, 2010:3).

The final section of chapter 2 deliberated on the theories of economic development with a view to determine its relevance and applicability to SMEs in South Africa. This discussion was linked with the primary challenges highlighted in the NDP, 2012 (poverty, unemployment, and inequality). The following theories pertaining to the socio-economic developmental context were reviewed: (1) the Solow's Growth Model (as neo-classical exogenous growth theory); (2) the New Growth Theory (as endogenous theory); Classical Political Economy Theory; and Jevons' Theory of Political Economy.

The theories of economic development emphasised the importance of knowledge and technology in enhancing economic growth. It was established that for SMEs to continue to grow and contribute to South Africa's economic growth, it is important that they make use of modern technologies to resolve the challenges of poverty, unemployment, and inequality. Furthermore, the knowledge of economics will continue to accumulate at a rapid rate and assist SMEs in contributing to the economic growth and employment creation of the country. The need for continued knowledge enhancement also emphasised the need for providing training to the owners of SMEs to enable them to successfully manage their businesses.

Chapter 3 focused on the statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD in this regard. The establishment of SMEs and operating regulations for SMEs was discussed. It was determined that SMEs cannot thrive in a complex regulatory environment, since (unlike large businesses) SMEs will not be able to afford to pay for experts to address the complicated rules and regulations of managing a business (ILO, 2015:38). This can result in the establishment of less SMEs or the failure of existing SMEs. Thus, considering the important role that SMEs play in employment creation, it was highlighted that it is necessary to simplify the procedures of establishing businesses, including the reduction of the costs of registration.

This chapter also elaborated on the national legislation and policies for the development and sustainability of SMEs. The purpose of the legislation and policies is to support SMEs in the challenges they face and to promote their development and sustainability. As alluded to in chapter 3, section 3.3 the following policies were deliberated on as they have a direct impact on the DSBD, whose core mandate is the development of SMEs, and they also contribute to the improvement, development, and sustainability of SMEs: White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995; NSBA, 1996; BBBEE Act, 2003; NDP, 2012; National Informal Business Upliftment Strategy; and National Youth Policy, 2015.

Additionally, chapter 3 discussed interventions provided by institutions, other than the DSBD, in promoting the development and sustainability of SMEs, as well as the important role of regulations in the development and sustainability of SMEs. It was emphasised that in order for SMEs to grow and thrive, it is imperative to ensure that an enabling regulatory environment is created. The DSBD has been mandated to champion the development and sustainability of SMEs. In this respect, financial and non-financial mechanisms were created to provide support for the development and sustainability of SMEs. Since the DSBD cannot achieve this mandate on its own, there are other mechanisms such as financial incentives, provided by other institutions, to support SMEs in contributing to the reduction of unemployment, poverty, and inequality.

Chapter 3 also highlighted measures that have been put in place to promote the development of SMEs which includes SAAGS, the DCED, the SEDA, the SEFA, the BBSDP, the EIP, the IMEDP and the SEIF. Through the literature review it became clear that these policies are well developed, but the challenge is to create tangible and sustainable programmes from these policies. To support the DSBD's mandate, there are interventions provided by the three spheres of government in an effort to promote the development and sustainability of SMEs.

In **Chapter 4** the results obtained through the empirical research were revealed and interpreted. The results obtained from the personal interviews conducted with the middle managers at the DSBD were discussed in chapter 4, section 4.2.3 and the results obtained from the personal interviews conducted with the owners of SMEs were discussed in chapter 4, section 4.2.6. The results obtained from the interviews of both of these groups are also discussed in section 5.3 below, where the primary results of the study are considered in the context of the research objectives the study set out to accomplish.

5.3. PRIMARY FINDINGS OF THE STUDY

As mentioned in section 5.1, the problem that this study set out to research was: *How can the DSBD improve its role in the development and sustainability of SMEs to contribute to the attainment of the objectives of the democratic developmental state?* To address the research problem, specific research objectives were set and were subsequently addressed in the chapters of this study. By means of a thorough literature review and empirical investigation, these objectives were achieved. The paragraphs below expound upon the attainment of each research objective:

- **First research objective: to establish a theoretical framework that supports the development and sustainability of SMEs in a democratic developmental state**

In response to the first research objective, a theoretical framework that focused on developing and sustaining SMEs in a democratic developmental state were discussed. Specific factors, structures, and mechanisms that contributed to the development and

sustainability of SMEs were reviewed. These included an enabling environment through appropriate regulation, use of new technology, financial and non-financial products and services, and institutional support structures. The study also included best practice from other developmental and developing countries, particularly with regard to the role of government institutions. Valuable practices derived from the overview of other developmental and developing countries' policies and procedures pertaining to SMEs, included the following: SMEs should be supported as they have the potential to contribute to the GDP of their countries' economies; the development of SMEs are used by these countries as a way of reducing poverty; financial support should be provided for the development of SMEs; and SMEs have the potential to contribute to employment creation which can result in the growth of the economy and sustainable development.

As part of the theoretical framework, a distinction was made between the various categories of SMEs these being survivalist enterprises, micro enterprises, very small enterprises, small enterprises, and medium enterprises. Since SMEs and the DSBD function within the context of the democratic developmental state, a theoretical framework for the purpose and objectives of a democratic developmental state was established, focusing on the democratic characteristics and requirements, as well as developmental characteristics and requirements of South Africa as a state. The relevant legislation and policies, particularly the Constitution, 1996, and the NDP (2012), were included in this discussion.

Through the literature review on the democratic developmental state, it became evident that the primary purpose of a democratic state is to provide for the welfare of its citizens through service delivery (democratic) and rapid, sustained economic growth (developmental). South Africa, as a constitutional democracy, has the Constitution, 1996, and in particular, the Bill of Rights, as guidelines for democratic practices. One of the human rights, in Section 22 of the Bill of Rights, indicates that every citizen has the right to unreservedly decide on the trade, occupation, or profession they wish to follow. In this respect, the importance of the right to entrepreneurship through the establishment of SMEs is emphasised.

The literature review on a democratic developmental state also revealed that a developmental state is a state that seeks to empower its nation out of poverty through the development and implementation of policies that aim to pursue rapid economic growth. Furthermore, the literature review revealed that South Africa must have relevant institutions in place that support the government's mandate of promoting its developmental agenda and of formulating policies that will enable the country to achieve its goals of growing the economy. While South Africa promotes economic growth as a developmental state, it must also be equally effective in dealing with the challenges that citizens are facing, realise economic progress for the poor, as well as create employment opportunities as alluded to in chapter 2, section 2.3 (Nagar, 2015:18; Burger, 2014:1; Edigheji, 2010:5).

The theory pertaining to sustainable development, its goal, and its relevance to the development and sustainability of SMEs were also reviewed. Most significant from this theory was that sustainable development entails mechanisms and measures of socio-economic development, which essentially concentrate primarily on making sure that social, economic, ecological, and natural capital items are maintained, as indicated in chapter 2, section 2.3.2 (Akaeze, 2016:46). For SMEs to be sustainable, they must be supported through appropriate regulations that can stimulate their growth. It was emphasised that the contemporary business environment requires the application and incorporation of new technological tools and management practices in order to remain sustainable. SMEs are important to economic growth, particularly in local communities, as they empower previously disadvantaged people through BEEE. Furthermore, SMEs must be innovative and come up with creative solutions to common challenges arising in the business environment; thus, the government must provide various institutional support structures, programs, and other stimuli to support the sustainability of SMEs as stated in chapter 2, section 2.3.4 (Jansson & Nilsson, 2017:79; Baleseng, 2015:29; Venter, 2014:18).

Since it is generally accepted that an economy that shows substantial growth is usually characterised by a strong and growing SME sector (Lamprecht, 2011:18) that sustain long-term development (SEDA, 2016:2), specific theories pertaining to economic development were included in the theoretical framework of the study. As alluded to in the previous section, the following theories pertaining to a socio-economic

developmental context were reviewed: (1) Solow's Growth Model (as neo-classical growth exogenous theory); (2) New Growth Theory (as endogenous theory); (3) Classical Political Economy Theory; and (4) Jevons' Theory of Political Economy. These theories were included for the purpose of assessing their relevance pertaining to the development and sustainability of SMEs in South Africa during the empirical research. The characteristics found to be relevant to these theories are as follows:

- It is important that the owners of the SMEs keep up to date with technological inventions as the use of technology can reduce unnecessary costs as well as help SMEs to stay informed.
- Human capital is the acquired characteristics that make employees more productive. This means that SMEs with trained owners and employees have the potential to run successful businesses.
- Knowledge plays an important role in economic growth. SMEs usually lack knowledge and experience of human resource management practices and most of these SMEs battle to provide sufficient training to their employees mainly due to costs constrains.

The results obtained through the empirical research confirmed that SMEs lack the necessary knowledge and experience of business management and human resource management practices and that most of these SMEs battle to provide sufficient training for their employees mainly due to costs constrains. The results further revealed that a total of 60% of participants who received training indicated that the training did assist them in enhancing their knowledge of managing a business, especially in the arenas of marketing and financial management, as indicated in chapter 4, section 4.2.6.

The DSBD does provide financial support to SMEs. For instance, SEFA' makes provision for funding SMEs. The DSBD also provided a friendly business platform, an online portal called FinFind that facilitates enterprise financing and related mentorship support to SMEs (RSA, 2015b:5). The results obtained from the interviews with the owners of the SMEs revealed that funding is the primary challenge that they face, followed by the challenges of a lack of adequate infrastructure, inadequate access to markets, red tape, and a lack of business skills, as alluded to in chapter 4, section 4.2.5.3. This therefore means that although the DSBD provides funding to SMEs,

access to funding remains a challenge and the majority of the owners of SMEs who participated in the study (80%) were not aware that the DSBD provides funding opportunities to SMEs. The DSBD must therefore effectively communicate with prospective and current owners of SMEs about the services it offers. In Chapter 2, section 2.3.5.2, it was emphasised that amongst all the challenges faced by SMEs, a lack of funding has a direct impact on the other functions of SMEs.

Furthermore, the roles of the government are to create an enabling environment for SMEs to develop, perform, become sustainable, and not succumb to failure (Morebudi, 2015:30). The results obtained from the interviews with middle managers at the DSBD revealed that the DSBD does have policies, programmes, and mechanisms in place to promote the development and sustainability of SMEs, however these policies are not effective. The participants further indicated that the increasing rate of unemployment is demonstrative of ineffective policies pertaining to the development and sustainability of SMEs, as alluded to in chapter 4, section 4.2.2.2.

In chapter 2, section 2.3, it was emphasised that during Apartheid, black citizens were discriminated against in terms of employment, skills development and business ownership (Ncube et al., 2010:7). In light of the above, the responses from the interviews with middle managers indicated that black-owned SMEs fail due to a lack of funding and a lack of business management skills. The reason could be that black people were denied business opportunities during the Apartheid regime, which resulted in a lack of appropriate business skills (Magruder, 2010:6).

- **Second objective: to determine the statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD**

The statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD in this regard, were focused upon in chapter 3. The establishment of a business, the establishment of business regulations, and operating regulations for SMEs were included in the statutory and regulatory framework for the development and sustainability of SMEs. Various national policies with regard to the development and sustainability of SMEs, as well as the interventions

provided by institutions other than the DSBD in the promotion and regulation of SMEs were reviewed.

The most significant guidelines pertaining to the democratic developmental context are provided by the Constitution, 1996, and the NDP (2012). As alluded to in the previous section (see the discussion on research objective 1), the Constitution, 1996, provides guidelines for the functioning of a democratic state and includes the Bill of Rights as the cornerstone of South African democracy. The NDP (2012) is a visionary long-term plan outlining the most significant socio-economic challenges pertaining to South Africa as a democratic developmental state. The NDP emphasises three socio-economic challenges as most dire in the country these being poverty, unemployment, and inequality. In alleviating these challenges, it is essential to create economic opportunities, provide individuals accessibility to these opportunities, and to enable and empower communities to support themselves as alluded to in section 1.1 (RSA, 2008a:5). In this respect, the NDP places SMEs at the centre of the war against poverty, inequality, and unemployment (RSA, 2012a:2). Other legislation and policies relevant to the development and sustainability of SMEs are: White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995; NSBA, 1996; BBBEE Act, 2003; National Informal Business Upliftment Strategy; and the National Youth Policy, 2015.

The empirical research results revealed that the DSBD do have policies in place to promote the development and sustainability of SMEs. However, the results obtained from the interviews with the middle managers revealed that these policies are not effective, as denoted in chapter 4, section 4.2.2.2. Sixty percent (60%) of the middle managers at the DSBD indicated that the current policies and mechanisms do not adequately make provision for an enabling environment for the development and sustainability of SMEs. These results therefore highlighted the need for a revision of the implementation of current policies and mechanisms.

Furthermore, it was indicated in chapter 4, section 4.2.5.4, that 20% of the owners of SMEs experience a lack of response from the DSBD for the funding applications that were submitted. In addition, 80% of the participants indicated that they were not aware that the DSBD provides funding to SMEs. These results indicate that, although

statutory and regulatory measures are in place to provide funding to SMEs, the current and potential owners of SMEs are not necessarily aware of this and therefore cannot benefit from the support service available to them. In this respect, the DSBD should ensure better communication and information distribution regarding the services provided by the department to SMEs.

- **Third objective: to establish, through an empirical investigation, the current circumstances, challenges and failures of SMEs**

Through personal interviews, the owners of SMEs were requested to indicate the challenges they are faced with in the establishment and maintenance of their businesses. In chapter 4, section 4.2.5.3, it was indicated that 70% of the owners of SMEs cited a lack of access to funding as the primary challenge, 5% a lack of business infrastructure, 10% a lack of access to markets, and 15% to the red tape associated with business procedures, registration and business management as the challenges that they face. It became evident that a lack of access to funding is the most significant challenge faced by the owners of SMEs. This notion was further supported by the fact that 60% of the owners of SMEs who did receive funding, specified funding as the greatest contributing factor to the survival of their businesses. To enhance the survival of SMEs the government, together with the private sector, must develop a jointly controlled SME Fund to expand and streamline the existing and much-needed funding to SMEs (SEDA, 2016:12).

Following a lack of access to funding as the most significant challenge indicated by the owners of SMEs, was the red tape associated with business procedures, registration and business management (15%). It was established in the literature review (see chapter 3, section 3.2) that inadequate and complicated regulations increase administrative inefficiencies leading to burdensome red tape and the expansion of the informal economy (ILO, 2016:14). According to Messaoud and Teheni (2014:70), countries with less burdensome business regulations grow faster than those with stricter business regulations. The results obtained from the interviews with the owners of SMEs revealed that it is necessary for the DSBD to review the business regulations and procedures with the objective of simplifying it. Less complex regulations and procedures can benefit potential and current owners of SMEs that are

currently scared off by strict business regulations, to gain easy access to funding which can lead to the development of SMEs and employment creation (Messaoud & Teheni, 2014:2). The reduction of red tape can lessen the cost of doing business for the owners of SMEs and allow them to spend their time on activities that generate revenue. To address this matter the government and its agencies must be streamlined to ensure the flow of information in order to limit the required administrative time for SMEs. Furthermore, to simplify the regulations, the government and its agencies can use a single user number to communicate across all spheres of government and should also use mobile technology to reduce red tape (IT, 2012:52).

Further to this, the results revealed that 100% of the owners of SMEs indicated that their businesses were personally financed or financed by their family members, friends or relatives. Moreover, it was indicated in chapter 4, section 4.2.5.4, that 20% of the owners of SMEs experience a lack of response from the DSBD when applying for funding as a significant challenge. Also, 80% of the owners of SMEs stated that they were not aware that the DSBD provides funding opportunities to SMEs. These results are concerning and point a finger at the DSBD in terms of their communication and information distribution. Kumah (2014:6-7) expressed that the government has created special financial schemes dedicated to support SMEs, but the impact of these schemes is minimal. This implies that the DSBD must embark on intensive outreach awareness campaigns to raise awareness of the services provided by the department for SMEs.

During the interviews, the training of the owners of SMEs was expressed as a need by the participants. None of the participants of the study received training from the DSBD. Given the fact that 80% of the participants indicated that they were not aware that the DSBD provides funding to SMEs, this result was not surprising. Sixty percent (60%) of the participants, however, stated that they have received training from other government institutions. This 60% of participants who received training indicated that the training did assist them in enhancing their knowledge of managing a business, especially with regard to marketing and financial management. All the owners of SMEs indicated that if they had the opportunity to be trained by the DSBD, they need training in basic business management, mentorship, business plan development, basic financial management, marketing, and bookkeeping. It is evident that the DSBD

should make a concerted effort to ensure that the owners of SMEs receive the necessary business-related training to enhance their chances of making a success of their businesses.

Through the interviews with the owners of SMEs it became evident that the DSBD should pay particular attention to the following:

- Funding – this remains the greatest need of the owners of SMEs to establish and operate their businesses.
 - Training – the participants expressed a need for training and those who did receive training indicated that it was useful to the management of their businesses.
 - Communication and information distribution – since the vast majority of participants (80%) were not aware that the DSBD provides funding opportunities to SMES, there is a need for the DSBD to clearly communicate this information to the relevant stakeholders.
- **Fourth objective: to establish, through an empirical investigation, the current challenges and shortcomings of the DSBD in developing and sustaining SMEs**

The middle managers were requested to define the role of the DSBD in the development and sustainability of SMEs according to statutory and regulatory prescripts. All participants indicated that the role of the DSBD is to create an enabling environment to promote the development and sustainability of SMEs. However, 60% of the participants stated that the policies of the DSBD are not necessarily creating an enabling environment for the development and sustainability of SMEs as the levels of unemployment are rising each year. Forty percent (40%) of the participants stated that the government has created a number of programmes to address the development and sustainability of SMEs. These results revealed that the policies of the DSBD, although available, are not effective in developing and sustaining SMEs.

Another challenge faced by the DSBD, as revealed by the results, was that 80% of the middle managers at the DSBD denoted that they are unsure of the base on which

SMEs are funded. This is a concerning result as these are the employees at the DSBD responsible for developing and implementing the policy programmes pertaining to SMEs. This may imply that these middle managers are not attending or do not have access to meetings where decisions about these policies are taken or alternatively, that they are simply not aware of their responsibilities.

The management of the network of stakeholders by the DSBD also poses a challenge, as alluded to in chapter 4, section 4.2.2.5. Ninety percent (90%) of the middle managers at the DSBD stated that the DSBD does have a forum where information is shared among the stakeholders on the promotion and development of SMEs, but that this forum is not effective. Therefore, it can be argued that the DSBD must review the forum to assess its effectiveness and whether its intended objectives are met.

Further to this, as indicated in chapter 4, section 4.2.5.4, and above in this chapter, 60% of the owners of SMEs stated that there is a lack of feedback on funding applications from the DSBD. This could be as a result of: a lack of capacity of staff at the DSBD; a lack of knowledge of responsibilities amongst middle managers at the DSBD; or a need for training middle managers to fulfil their duties effectively.

In summary, the shortcomings of the DSBD, in terms of the support provided to SMEs, are as follow: policies pertaining to SMEs are not creating an enabling environment for the development and sustainability of SMEs; the middle managers at the DSBD responsible for the development and implementation of policies pertaining to SMEs are not sure of the basis on which SMEs should be funded; middle managers do not respond to the funding applications of SMEs in a timely manner; and the stakeholder network forum is not effective. The above shortcomings can bear the following implications for the DSBD: the failure of SMEs is perpetuated by a policy environment that is not conducive to growth which will inevitably worsen the challenges of poverty, unemployment, and inequality; the middle managers at the DSBD must be a part of the decision making meetings since they are responsible for policy implementation; the DSBD must develop mechanisms to respond timeously to funding applications by SMEs; and the stakeholder forum must be reviewed annually to keep track of its progress in achieving of its objectives.

- **Fifth objective: to provide recommendations on the role of the DSBD in promoting, developing and sustaining SMEs to contribute to the attainment of the goals and objectives of the democratic development state**

Following an in-depth literature review and an empirical investigation, specific recommendations can be made pertaining to the role of the DSBD in the development and sustainability of SMEs. These recommendations are provided in section 5.4 below.

5.4. RECOMMENDATIONS

Based on: the literature review that was conducted in chapter 2; the requirements and guidelines as set out in the statutory and regulatory framework in chapter 3; and the empirical research that was conducted in chapter 4, the following recommendations can be made for the improvement of the role of the DSBD in the development and sustainability of SMEs to contribute to the attainment of the objectives of the democratic development state:

- **Recommendation 1: The DSBD must improve the effectiveness of its Monitoring and Evaluation Unit in order to track the effectiveness of its policies and programmes**

The DSBD must improve the effectiveness of its Monitoring and Evaluation Unit in order to track the efficacy of its policies, which will enhance the functioning of SMEs, and encourage the sustainability of these SMEs. The monitoring of the policies and programmes of the DSBD must be done according to priority programmes. During the interviews with the owners of SMEs it was revealed that access to funding is the most significant challenge they experience. The Monitoring and Evaluation Unit should therefore prioritise the unit that deals with the funding for SMEs in the DSBD (Development Finance), and continuously monitor the programmes to ensure that any challenges associated with its implementation are addressed. Henceforth, mechanisms must be developed to address these challenges.

The programmes for SMEs are established with the aim to ensure that SMEs operate in an enabling environment that will allow them to thrive. As alluded to in chapter 3, section 3.3.2, the White Paper on the National Strategy for the Development and Promotion of Small Businesses, 1995, indicates that South Africa is faced with a huge task in terms of employment creation and the alleviation of poverty and inequality. Thus, the development of SMEs is an important vehicle in addressing these challenges (RSA,1995:3). In chapter 3, section 3.3.2, it was also indicated that effective policies are needed to reconnect unemployed citizens with the labour market (OECD, 2016:1). Furthermore, it was alluded to in chapter 3, section 3.3.2, that improved economic growth should be accompanied by an increase in employment and a subsequent decrease in unemployment (Malakwane, 2012:22). Thus, the effectiveness of these policies must respond to the needs and challenges within the SME sector. It is therefore recommended that the DSBD improve the effectiveness of the monitoring and evaluation unit, which will assist in tracking the effectiveness of its policies and programmes on an annual basis.

- **Recommendation 2: The DSBD must review the management of the network of stakeholders involved in the development and sustainability of SMEs to ensure effective cooperation and task integration**

The inter-departmental forum of the DSBD must be reviewed annually in order to assess its effectiveness and to determine whether its objectives were achieved. The review will also assist the DSBD in assessing the objectives of the forum, clarifying the roles and responsibilities of each stakeholder, monitoring and evaluating the programmes being implemented, and to share best practices in order to improve the development and sustainability of SMEs in the country. This will therefore result in employment creation, which is imperative for economic growth, poverty alleviation, and the eradication of inequality.

As indicated in chapter 3, section 3.3.3, the NSBA pursues the following objectives, among others: to provide for the establishment of the Advisory Body and SEDA; and to provide guidelines for organs of state in order to promote SMEs (RSA, 1996b:1;3). This implies that the DSBD, and all stakeholders that play a critical role in the SME sector, must ensure that they adhere to the policies that promote the development and

sustainability of SMEs. It is therefore recommended that the DSBD review the inter-departmental forum annually in order to assess its effectiveness.

- **Recommendation 3: The DSBD should provide feedback to the owners of SMEs after they have applied for funding**

The empirical findings, regarding the experiences of the services offered by the DSBD, revealed that 60% of the participants do not receive feedback on their funding applications. The lack of acknowledgement of application forms was alluded to in chapter 4, section 4.2.5.4. It may be argued that the gesture of acknowledging receipt of the application is valuable as it: portrays the organisation as professional; reassures the applicants that their submissions were received; and assures the owners of SMEs that their application is a priority; thereby, eliminating confusion and uncertainty. To ensure accountability and transparency, it is recommended that the DSBD acknowledge the receipt of applications in writing. Officials can be held accountable if the funding applications from SMEs are misplaced while in possession of the department.

- **Recommendation 4: The DSBD must raise awareness amongst SMEs about its products and services**

It is important that the DSBD raise awareness within communities of the services they provide to SMEs. A total of 60% of the owners of SMEs (see chapter 4, section 4.2.5.2) indicated that they received training from other institutions and not the DSBD. Further to this, 80% of the owners of SMEs indicated that they were not aware that the DSBD provides funding to SMEs.

As alluded to in chapter 3, section 3.4, it is important to ensure that these policy instruments are known by the owners of SMEs because the lack of awareness of the existence of these programmes will affect access to the services provided by the DSBD and inevitably, the success of SMEs. Although financing opportunities are available, it may not be accessed by those who need it the most, as they are not necessarily aware of these opportunities (NCR, 2011:41). It can be argued that the

DSBD is not widely known as it was only established in 2014. It is thus recommended that the DSBD conduct awareness outreach programmes to the relevant targeted audience (owners of SMEs) on a monthly basis.

- **Recommendation 5: The DSBD must ensure that the owners of SMEs have access to funding**

The DSBD offers various financial incentives to SMEs, such as the CIS, the BBSDP, the SEFA, the SEDA, the EIP, the IMEDP and the SEIF, as alluded to in chapter 3, section 3.4 (SEDA, 2013:8; SEFA, 2015:3; RSA, 2017b:1). These incentives are, however, not easily accessible. As alluded to in chapter 4, section 4.2.5.4, 70% of the owners of SMEs indicated that access to funding was the most significant challenge experienced by them. The participants further stated that they do not apply for funding as they do not qualify and some do not apply due to the stringent criteria. The high failure rate of the application for funds is due to the requirements and selection criteria not being clear to the owners of SMEs and as a result SMEs still struggle to access financial services, as alluded to in chapter 4, section 4.2.2.3 (Agwa-Ejon and Mbohwa, 2015:3). As indicated in chapter 1, section 1.1, a lack of access to funding can cause obstacles in the growth of SMEs (Dubihlela, 2012:37). It is therefore critical that the DSBD revisit the requirements for financial incentives offered to SMEs to ensure that funding is accessible to the owners of SMEs. As alluded to in the previous section, it is recommended that the DSBD embark on effective communication and information distribution.

- **Recommendation 6: The DSBD should consult with the owners of SMEs**

It is recommended that the DSBD regularly consult with the owners of SMEs to familiarise themselves with their challenges and needs. The principle of *public participation* is a constitutional principle of a democratic South Africa (RSA, 1996a:111). Through consultation with the owners of SMEs, the DSBD will obtain first-hand information from SME's regarding the most pressing matters where intervention and assistance is needed. This will provide the DSBD with an opportunity to direct its programmes with better focus and precision to effectively address the actual needs of

SMEs. It will also contribute to the development of SMEs, as it will be targeted in the areas within an SME that are in the biggest need of it. In doing so, it may give SMEs a better chance at survival; thereby, creating enhanced opportunities for employment and the eventual economic growth of the country, which is directly linked to the attainment of the objectives of the democratic developmental state.

- **Recommendation 7: The DSBD should invest in the training of officials involved in promoting the development and sustainability of SMEs**

In consideration of the results obtained from the interviews held with the owners of SMEs, it is apparent that the vast majority of SMEs are not aware of the services provided by the DSBD. Those that were aware of these services and attempted to make use of them were disappointed with the turnaround time for funding applications and a lack of the acknowledgement of receipt of their applications. It has been argued that the DSBD should create broader awareness of the services it provides to SMEs. It has also been mentioned that these administrative delays may be caused by a shortage of staff or a lack of knowledge of responsibilities among the employees at the DSBD that are responsible for the development and sustainability of SMEs. Should it be the latter, it is advised that the DSBD invest in the training of these employees. In addressing the needs of citizens (including the owners of SMEs), capable, competent and committed public employees are a prerequisite. Thus, it can be argued that the training and development of employees involved in the development and implementation of policies pertaining to SMEs can enhance their knowledge and skills inevitably enabling them to provide better services to SMEs.

The abovementioned recommendations all indicate measures that should be taken by the DSBD in terms of the development and sustainability of SMEs. For the DSBD to be effective in its core business (promoting the development and sustainability of SMEs) it needs to amend its policies, programmes, and mechanisms; coordinate the network of stakeholders involved in the SME sector; efficiently monitor and evaluate the progress made with the implementation of policies; devise programmes and mechanisms to determine corrective action; and successfully communicate these to the community. The policies, programmes, and mechanisms pertaining to the funding of SMEs need to be familiar among current and potential owners of SMEs. In addition,

it is argued that the training of the employees responsible for the development and sustainability of SMEs will ensure better service delivery to SMEs. Also, consultation between the employees of the DSBD and the owners of SMEs can be beneficial to both parties.

5.5. SIGNIFICANCE OF THE STUDY

The study can assist the DSBD in ensuring that all its key priority policies, programmes, and mechanisms are reviewed, improved, monitored and evaluated to track their progress and to address the challenges of the DSBD and those of the owners of SMEs as they arise. The study may also assist the DSBD in facilitating economic empowerment, expanding the knowledge of SMEs to better the management thereof, and contributing to the alleviation of socio-economic challenges such as poverty, unemployment, and inequality through the development and sustainability of SMEs. Considering the pivotal role of SMEs in employment creation and economic growth, it is advisable for the DSBD to take note of the findings of this study and find solutions to the challenges for the development and sustainability of SMEs that are highlighted in the study.

The study also contributes to the scholarly knowledge in Public Administration as an academic discipline. The discipline of Public Administration studies the functioning of government and government institutions (in the national, provincial and local spheres of government). In the case of this study, the focus was on the DSBD as a government institution and the role it takes in the contribution to the achievement of the objectives of the democratic developmental state.

In addition, the promotion of the welfare of citizens through the delivery of quality services is the primary focus of any government and therefore a significant component of the study of Public Administration. As such, the service delivery mandate of the DSBD was the focus of this study, entailing the support provided by the DSBD to SMEs and its statutory and regulatory responsibilities to the owners of SMEs pertaining to the development and sustainability of their businesses. Students of Public Administration can benefit from the practical application of the theory and legislation that are included in their curricula.

5.6. FUTURE RESEARCH

This study did not address the monitoring and evaluation of SMEs funded by the DSBD in tracking their progress. Although none of the owners of SMEs interviewed for this study were funded by the DSBD, the DSDB allocated funding to SMEs in other parts of the country. It is important that the funding that has been allocated to these SMEs is monitored to ensure that the intended results are attained. Monitoring must be done before and after the funding has been allocated. This can have a valuable contribution to the study on the development and sustainability of SMEs and can therefore be addressed in future research.

Furthermore, this study did not address the motivational aspects of the owners of SMEs to initiate and establish their SMEs. A study on the reasons as to why citizens decided to establish an SME can assist the government (DSBD) in understanding whether SMEs are initiated due to poverty, passion, unemployment, or for profit. Such a study can also be embarked upon in future research.

5.7. CONCLUSION

Since South Africa has prioritised the development of SMEs as a strategy to reduce the challenges of poverty, unemployment, and inequality, the policies pertaining to SMEs must not only be good on paper, but must be correctly implemented to create an enabling environment for these SMEs to grow. The growth of these SMEs, and ensuring that this growth is sustained, can result in employment creation opportunities and will contribute to the economic development of the country. The development and sustainability of SMEs can be realised if the challenges experienced by the owners of SMEs are addressed.

It was established that most SMEs fail due to a policy environment that does not enable their success. This environment includes a lack of access to funding, a lack of awareness of funding opportunities, a lack of access to markets, a lack of business infrastructure, and the red tape associated with business procedures, registration, and business management. This therefore hinders the growth and development of SMEs

and directly affects socio-economic growth, which subsequently fails to reduce the challenges of unemployment, poverty, and inequality in the country. It is thus necessary that the government, through the DSBD, provide improved support for SMEs to become sustainable.

A theoretical framework for the development and sustainability of SMEs was provided in chapter 2. The statutory and regulatory guidelines for the development and sustainability of SMEs, as well as the role of the DSBD plays in this regard also received attention in chapter 3. In addition to the literature review, empirical research was conducted and is represented in chapter 4 by means of personal interviews with the owners of SMEs in Refilwe, Cullinan with the aim of establishing their current circumstances, challenges, views, failures and experiences, as well as the current challenges and shortcomings of the DSBD in the development and sustainability of SMEs. The findings revealed, among others, the following: the policies pertaining to SMEs are not creating an enabling environment for them to flourish; there is uncertainty among the middle managers about some of their duties and limited knowledge about some of their functions; the stakeholder network forum of the DSBD is not effective; there is a lack of feedback on funding applications submitted by SMEs; there is a need for awareness creation campaigns among the community pertaining to the services provided by the DSBD; it will be beneficial to train the employees at the DSBD that are responsible for the development and sustainability of SMEs; there is a need for training amongst the owners of SMEs; and consultation between the owners of SMEs and the employees of the DSBD should take place.

The results obtained through the empirical research also revealed that the owners of SMEs experience challenges in accessing funding for their businesses: they are not aware of the services offered by the DSBD: and they lack access to markets, business infrastructure, and business management. Resolving these challenges will contribute to the development and sustainability of SMEs, the subsequent growth of the economy, and inevitably the minimisation of poverty, unemployment, and inequality in the country.

This study was aimed at investigating how the DSBD can improve its role in developing and sustaining SMEs to contribute to the attainment of the objectives of the democratic

development state. A number of recommendations were made in this regard. Based on the findings and recommendations, it is envisaged that the study can assist the DSBD in improving its role in promoting the development and sustainability of SMEs to contribute to the attainment of the objectives of the democratic development state.

LIST OF REFERENCES

Abaunza, M.M. 2013. Ubuntu's potential for further development in the South African education system. Georgetown University, Washington (PhD thesis).

Abor, J. & Quartey, P. 2010. Issues in SME Development in Ghana and South Africa. *International Research Journal of Finance and Economics*, (39):1450-2887.

African Centre for Economic Transformation (ACET) and World Bank (WB). 2016. Access to finance for SMEs. acetforafrica.org/acet/wp-content/uploads/.../Access-to-Finance-for-SMEs-Paper.pdf. Date of access: 15 September 2017.

African Development Bank. 2015. Zimele enterprise programme: a case study. Anglo American Corporations. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/anrc/Anglo_american_corporations_Zimele_enterprise_program.pdf. Date of access: 21 May 2017.

Agbenyegah, A.T. 2013. Challenges facing rural entrepreneurship in selected areas in South Africa. North West University, Potchefstroom (PhD thesis).

Agwa-Ejon, J. & Mabiza, J. 2016. The South African perspective in the vision of the global technology development of hydrogen fuel cells. Conference proceedings of the International Association for Management of Technology (IAMOT), Johannesburg, South Africa, 2016.

Akazeze, C.O. 2016. Exploring strategies required for small business sustainability in competitive environments. Walden University, Minneapolis (Masters dissertation).

Amupolo, H. 2013. Investigating the challenges of financing small and medium enterprises in construction - with specific reference to the Development Bank of Namibia. University of Stellenbosch, Cape Town (Masters dissertation).

Anderson, A.D. 2014. Political stability: a study of trust and legitimacy in South Africa. Raleigh. North Carolina State University, North Carolina (Masters dissertation).

Aren, O. A. & Sibindi, A. B. 2014. Cash flow management practices: An empirical study of small businesses operating in the South African retail sector. *Risk Governance and Control: Financial Markets and Institutions*, 4(2):87-100.

Armstrong, A. 2016. Key risks of the 4 stages of a startup's life cycle. <http://www.itproportal.com/2016/02/11/key-risks-of-the-4-stages-of-a-startups-life-cycle/>. Date of access: 26 April 2017.

Asongu, S.A & De Moor, L. 2015. Recent advances in finance for inclusive development: A survey. African Governance and Development Institute (AGDI) working paper, Yaoundé, Cameroon, 2015 March.

Avevor, E.E. 2016. Challenges faced by SMEs when accessing funds from financial institutions in Ghana. University of Applied Science, the Netherlands (PhD thesis).

Awa, H.O & Emecheta, B.C. 2015. Location factors as moderators between some critical demographic characteristics and ICT Adoption: A study of SMEs. *Sociology and Anthropology*, 3(9):493-501.

Bagire, V. & Namada, J. 2015. Management theory, research and practice for sustainable development in Africa: A commentary from a practitioner's perspective. *Africa Journal of Management*, 1(9):99-108.

Baleseng, M.C. 2015. Factors affecting the sustainability of SMEs in the manufacturing sector of Gaborone, Botswana. North-West University, Mafikeng (Masters dissertation).

Banking Association of South Africa (BASA). 2017. SME enterprise. <http://www.banking.org.za/what-we-do/sme/sme-enterprise>. Date of access: 23 March 2017.

Bateman, M. 2016. Sustainable, equitable and decent job creation in South Africa: The crucial role of the 'local developmental state. Keynote paper prepared for presentation at the conference for Economic Development for Employment: Sub-national Strategies, Gauteng, South Africa, 14-15 November.

Beneke, J.D. 2014. Value-based management for small and medium enterprises in South Africa. North-West University, Potchefstroom (PhD thesis).

Benhabib, J. & Spiegel, M.M. 1994. The role of human capital in economic development evidence from aggregate cross-country data. https://scholar.google.co.za/scholar?q=Benhabib+and+Spiegel++journal+of+monetary+economics+1994&btnG=&hl=en&as_sdt=0%2C5. Date of access: 5 September 2017.

Bertelsmann Stiftung's Transformation Index (BTI). 2016. South Africa Country Report.

https://www.btiproject.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_South_Africa.pdf. Date of access: 23 April 2017.

Beukes, R. & Fransman, T. 2016. Underemployment in South Africa. Economic Research South Africa (ERSA). Working paper 575. https://econrsa.org/system/files/publications/working_papers/working_paper_575.pdf. Date of access: 11 April 2017.

Bezuidenhout, A. & Nenugwi, A. L. 2012. A competency framework for the small business sector in Johannesburg South Africa. *African Journal of Business Management*, 6(47):1650-11669.

Bhorat, H. 2017. Fact Check: is South Africa the most unequal society in the world? *The Conversation*. <http://theconversation.com/factcheck-is-south-africa-the-most-unequal-society-in-the-world-48334>. Date of access: 31 March 2017.

Binetti, B. 2016. Chinese engagement in South America: A comparative analysis. Torcuato Di Tella University, Washington (Masters dissertation).

Botha, P. 2011. Determining the level of usage of information systems in selected small businesses. Potchefstroom: North-West University (Mini-dissertation – MBA).

Borole, T.D. 2013. Poverty alleviation by means of integrated development planning: the case of Dr Kenneth Kaunda District Municipality (Dr KKDM). North West University, Potchefstroom (Masters dissertation).

Bouazza, A.B. & Ardjouman, D. 2015. Establishing the Factors Affecting the Growth of Small and Medium-sized Enterprises in Algeria. *American International Journal of Social Science*, 4(2):2325-4165.

Brynard, P.A. & Hanekom, S.X. 2013. Introduction to research in management-related fields. Pietermaritzburg: Interpak Books.

Buowari, P.E. 2015. Factors required for small business sustainability in Nigeria. Walden University, Minneapolis (PhD thesis).

Bureau for Economic Research (BER). 2016. The small medium and micro enterprise sector of South Africa. <http://www.seda.org.za/Publications/Publications/The%20Small,%20Medium%20and%20Micro%20Enterprise%20Sector%20of%20South%20Africa%20Commissioned%20by%20Seda.pdf>. Date of access: 8 February 2017.

Burger, P. 2014. How sustainable is a 'developmental state' to tackle unemployment, inequality and poverty in South Africa? <http://www.econ3x3.org/sites/default/files/articles/Burger%20P%202014%20Developmental%20State%20FINAL.pdf>. Date of access: 21 January 2017.

Burger, T. 2016. Failure of businesses in South Africa in no joke. Business Consulting. <http://jtbcconsulting.co.za/the-failure-rate-of-businesses-in-south-africa-is-no-joke/>. Date of access: 23 March 2017.

Business Environment Specialist (BES). 2014. Developing a new path for SMEs in South Africa; Reassessing for growth. www.sbp.org.za/.../SBP_Alert_-_Examining_the_challenges_facing_small_businesses. Date of access: 6 February 2017.

Bush, M.A. 2016. Strategies affecting the sustainability of small businesses. Walden University, Minneapolis (PhD thesis).

Calcagno, P.T. & Russell S.S. 2014. Regulatory costs on entrepreneurship and establishment employment size. *Small Business Economics*, 42(2014):541-559.

Ceptureanu, E.G. 2015. Research regarding change management tools on EU SMEs. *Business Excellence and Management*, 5(2):28-32.

Chadhliwa, T.Q. 2015. Challenges facing small and medium enterprise contractors in delivering grade R classrooms for the Western Cape department of transport and public works. Stellenbosch University, Cape Town (PhD thesis).

Chakraborty, A. 2015. Impact of poor accounting practices on the growth and sustainability of SMEs. *The International Journal of Business & Management*, 3(5): 2321-8916.

Chand, S. 2016. The slow model of growth: assumptions and weaknesses. <http://www.yourarticlelibrary.com/macro-economics/growth-models/the-solow-model-of-growth-assumptions-and-weaknesses-explained/31203/>. Date of access: 5 September 2017.

Chebelyon Dalizu, L. & Thomas, Z. 2010. Strengthening spaza shops in Monwabisi Park, Cape Town. <http://wp.wpi.edu/capetown/files/2010/12/strengt>. Date of access: 22 April 2016.

Chere, N. A. 2014. An analysis of entrepreneurial orientation in selected small and medium-sized enterprises. North West University, Potchefstroom (PhD thesis).

Chiloane-Tsoka, E. & Mabiza-ma-Mabiza, J. 2014. Green Economy and SMEs in South Africa: How Green are South African SMEs? *Academic Journal of Interdisciplinary Studies*, 3(6):2281-4612.

Chingwaru, T. 2014. Impact of trade and economic liberalisation policy reforms on the operations of selected small to medium enterprises (SMEs) in Zimbabwe: a comparative study with South Africa's experiences. Durban University of Technology, Durban (PhD thesis).

Chin, T.A & Tat, H.H. 2015. Green supply chain management, environmental collaboration and sustainability performance. *Procedia CIRP*, 26(2015):695-699.

Christensen, J.D. & Hegazy, F. 2016. The cost of red tape: an assessment of administrative barriers and regulatory costs for SMEs in South Africa. International Labour Organisation (ILO). www.ilo.org/wcmsp5/groups/.../wcms_500968.pdf. Date of access: 17 April 2017.

Cloete, S.E. 2013. Profiling the determinants of Indian foreign direct investment in Africa. North-West University, Potchefstroom (Masters dissertation).

Companies and Intellectual Property Commission (CIPC). 2014. Annual report. http://www.cipc.co.za/files/2514/4949/2438/CIPC_AR_2015_FINAL.pdf. Date of access: 21 April 2017.

Cortright, J. 2001. New Growth Theory, Technology and Learning: A Practitioners Guide. Reviews of Economic Development Literature and Practice: No. 4. US Economic Development Administration. http://e-tcs.org/wp-content/uploads/2012/10/Cortright-nueva_teor%C3%ADa_del_creCIMIENTO.pdf. Date of access: 4 September 2017.

Creswell, J.W., Ebersohn, L., Eloff, I., Ferreira, R., Ivankova, N., Nieuwenhuis, J., Pietersen, J., Clark, V.L.P., Jansen, J.D. & Van der Westhuizen, C. 2012. First steps in research. Pretoria: Pace-Setting & Graphics.

Currie, L. 1997. Implications of Endogenous theory of growth in Allen Young macroeconomic concept of increasing returns.

https://scholar.google.co.za/scholar?q=endogenous+theory+of+growth+Currie+1997&btnG=&hl=en&as_sdt=0%2C5. Date of access: 5 September 2017.

Dang, G. & Pheng, L.S. 2015. Theories of economic development, in *Infrastructure Investments in Developing Economies*, edited by G. Dang & L.S. Pheng (pp. 978-981).

Denzin, N.K., & Lincoln, Y.S. 2011. *The SAGE Handbook of qualitative research*. 4th Edition. Los Angeles: Sage Publications.

De Vet, C. H. 2010. Public sector senior management competencies required for the South African democratic, developmental state. North-West University, Potchefstroom (Masters dissertation).

De Vos, A.S., Strydom, H., Fouche, C.B. & Delport, C.B. 2010. *Research at grass roots: For the social sciences and human service professionals*. Cape Town: Van Schaik Publishers.

De Wet, C.H. 2010. Public sector senior management competencies required for the South African democratic developmental state. North West University, Potchefstroom (Masters dissertation).

Dikgwatlhe, K. 2014. Developing a framework to enable small business enterprises to be sustainable. North-West University, Potchefstroom (MBA dissertation).

Dlodlo, J. B. 2011. Enterprise resource planning in manufacturing SMEs in the Vaal Triangle. North West University, Potchefstroom (Masters dissertation).

Dodgson, R. 2017. If we want to fight inequality and poverty we need to take a more humane approach to economics. *The Independent*, 1 February 2017. <http://www.independent.co.uk/voices/inequality-poverty-economics-humane-approach-fight-a7555016.html>. Date of access: 23 March 2017.

Donor Committee for Enterprise Development (DCED). 2016. How to create an enabling environment for inclusive business? Learning from experience and debates in private sector development. http://www.enterprise-development.org/wp-content/uploads/DCED_Creating_An_Enabling_Environment_For_Inclusive_Business.pdf. Date of access: 25 April 2017.

Doody, O. & Noonan, M. 2013. Preparing and conducting interviews to collect data. *Nurses Research*, 20(5):28-32.

Downs, A. 1957. An Economic Theory of Political Action in a Democracy. *Journal of Political Economy*, 65(2):135-150.

Dubihlela, J. 2012. Barriers to and determinants and enablers of market orientation: Impact on business performance for small and medium enterprises in South Africa. North West University, Vanderbijlpark (PhD thesis).

Durrheim, K. 2009. Research design, in *Research in practice: applied methods for the social sciences*, edited by M. Terre Blanche, K. Durrheim & D. Painter. Cape Town: University of Cape Town Press (pp. 29 – 53).

Edigheji, O. 2010. Constructing a democratic developmental state in South Africa: potentials and challenges. http://www.google.co.za/url?url=http://www.hsrcpress.ac.za/downloadpdf.php%3Fpdf%3Dfiles%252FPDF%252F2278%252FeBook_Developmental_State_in_SA.pdf%26downloadfilename%3DConstructing%2520a%2520democratic%2520developmental%2520state%2520in%2520South%2520Africa&rct=j&frm=1&q=&esrc=s&sa=U&ved=0ahUKEwiB7c_his7TAhVmJ8AKHYz7DM8QFggXMAA&usg=AFQjCNG_xmQLPbmKk-LTYDIC9CMLEnliWQ. Date of access: 26 January 2017.

Edinburgh Group (EG). 2012. Growing the global economy through SMEs. http://www.edinburgh-group.org/media/2776/edinburgh_group_research_-_growing_the_global_economy_through_smes.pdf. Date of access: 7 March 2017.

Erdis, C. & Wiid, J. A. 2015. Motivation for starting a business: opportunity or survival? A South African perspective. *Corporate Ownership & Control*, 12(4):1810-3057.

Etuk, R.U & Etuk, G.R. 2014. Small and medium scale enterprises (SMEs) and Nigeria's economic development. *Mediterranean Journal of Social Sciences*, 5(7):2039-2117.

Falkena, H. & Abedian, I. 2012. SME's access to finance in South Africa: a supply-side regulatory review. <http://www.treasury.gov.za/publications/other/Access%20to%20Finance%20in%20South%20Africa%20-%20A%20Supply-Side%20Regulatory%20Review.pdf>. Date of access: 16 May 2017.

Fatoki, O. 2014. The causes of the failure of new small and medium enterprises in South Africa. *Mediterranean Journal of Social Sciences*, 5(20):2039-2117.

Fatoki, O. & Odeyei, A. 2010. Which New Small and Medium Enterprises in South Africa Have Access to Bank Credit? *International Journal of Business Management*, 5(10):833-8119.

Faulkner, D. & Loewald, C. 2013. Achieving higher growth and employment: Policy options for South Africa. South African Reserve Bank working paper. <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/5806/WP1303.pdf>. Date of access: 20 May 2017.

Ferreira, M. 2011. The role of access to finance in the growth of firms in South Africa. North West University, Potchefstroom (Masters dissertation).

Ferreira, E. & Strydom, J. 2010. The process of business assistance to small and medium enterprises in South Africa: Preliminary findings. *Journal of Contemporary Management*, (7):94-109.

Florida International University (FIU). 2015. The Concept of sustainable development: definition and defining principles. Brief report for Global Sustainable Development

Report (GSDR).
https://sustainabledevelopment.un.org/content/documents/5839GSDR%202015_SD_concept_definiton_rev.pdf. Date of access: 26 April 2017.

Fourie, F.C.V.N. 2013. The NDP on unemployment: On consistency, coherence and comprehensiveness. Paper presented at the Economic Society of South Africa (ESSA) Conference, Bloemfontein, South Africa, September 2013.

Fox, W. 2010. A guide to public ethics. Cape Town: Juta.

Fuo, O.N. 2014. Local government's role in the pursuit of the transformative constitutional mandate of social justice in South Africa. North West University, Potchefstroom (PhD thesis).

Gaweseb, C.G. 2015. Marketing communication methods used by Namibian clothing and textile SMEs: a case study of SMEs operating from Katutura and Khomasdal incubation centers. University of South Africa, Pretoria (Masters dissertation).

Geldenhuys, D.J. & Celliers, F. 2012. Transforming a small business: A learning intervention. *SA Journal of Industrial Psychology*, 38(2):1-8.

Ghazilla, R.A.R & Sakundarini, N. 2015. Drivers and barriers analysis for green manufacturing practices in Malaysian SMEs: A preliminary findings. *Procedia CIRP*, 26(2015):658–663.

Golinska, P. & Kosacka, M. 2015. Grey decision making as a tool for the classification of the sustainability level of remanufacturing companies. *Journal of Cleaner Production*, 105(2015):28-40.

Gordhan, P. 2014. Minister of Finance Budget speech in Parliament, Cape Town. <http://www.treasury.gov.za/documents/national%20budget/2014/speech/speech.pdf>. Date of access: 3 November 2016.

Gordhan, P. 2016. Minister of Finance Budget speech in Parliament, Cape Town. <http://www.treasury.gov.za/documents/national%20budget/2016/speech/speech.pdf>. Date of access: 3 November 2016.

Gorondutse, A.H & Ali, R.A. 2016. Effect of trade receivables and inventory management on SMEs performance. *British Journal of Economics, Management & Trade*, 12(4):1-8.

Greyhound Knowledge Group (GKG). 2014. The Indian SME survey, analysing Indian SME perception around union budget. http://firstbiz.firstpost.com/sme-report/pdf/Analysing-Indian-SME-perceptions-around-Union-Budget-2014-15_Final-new.pdf. Date of access: 7 March 2016.

Greyling, T. 2015. Investigating the impact of broad-based black economic empowerment on SMEs in selected areas. North-West University, Potchefstroom (Masters dissertation).

Grossman, G.M. & Helpman, E. 1994. Endogenous Innovation in the Theory of Growth. *The Journal of Economic Perspectives*, 8(1):23-44.

Guerrini, L. 2006. The Slow-Swan model with a bounded population growth rate. https://scholar.google.co.za/scholar?q=L+Guerrini+solow+swan+model+economic+growth+2006&btnG=&hl=en&as_sdt=0%2C5. Date of access: 5 September 2017.

Haughton, J. & Khandker, S. 2009. Handbook on Poverty and Inequality. Washington, DC: World Bank.

Helen Suzman Foundation (HSF). 2013. NDP: The relation between youth and SMEs. <http://hsf.org.za/resource-centre/hsf-briefs/ndp-the-relationship-between-youth-and-smes>. Date of access: 8 February 2017.

Herrington, M. & Kew, J. 2010. Tracking entrepreneurship in South Africa: A GEM perspective.

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.475.278&rep=rep1&type=pdf>. Date of access: 11 January 2016.

Herrington, M. & Kew, J. 2015. South African report: is South Africa heading for an economic meltdown? Global entrepreneurship monitor. <http://www.gemconsortium.org/report/49537>. Date of access: 25 March 2017.

Holden, E. & Linnerud, K. The imperatives of sustainable development. https://www.researchgate.net/profile/Kristin_Linnerud/publication/308791774_The_Imperatives_of_Sustainable_Development/links/57f20f5f08ae886b89791d6b.pdf. Date of access: 26 April 2017.

Human Sciences Research Council (HSRC). 2010. Constructing a developmental state in South Africa, potentials and challenges. http://lgict.co.za/sites/default/files/Constructing_a_democratic_developmental_state_in_South_Africa_-_Entire_ebook1.pdf#page=11. Date of access: 21 February 2017.

Hwarire, C. 2012. Loan repayment and credit management of small businesses: A case study of a South African commercial bank. Paper presented at the African Development Finance Workshop, Cape Town, South Africa, 7-8 August.

Impact Trust (IT). 2012. SA regulatory framework review and design: designing a regulatory framework for South African small and medium enterprises and high impact social businesses. Interim discussion paper. <http://impacttrust.org.za/wp-content/uploads/2013/02/Impact-Trust-Corporate-Structures-Research-Interim-Discussion-Paper.pdf>. Date of access: 3 November 2016.

International Finance Corporation (IFC). 2010. Scaling-Up SME access to financial services in the developing world. http://www.enterprise-development.org/wp-content/uploads/ScalingUp_SME_Access_to_Financial_Services.pdf. Date of access: 3 November 2016.

International Labour Organisation (ILO). 2015. Small and medium-sized enterprises and decent and productive employment creation. International Labour Conference:

104th session. www.ilo.org/wcmsp5/groups/public/@ed.../wcms_358294.pdf. Date of access: 14 April 2017.

International Labour Organisation (ILO). 2016. The cost of red tape: An assessment of administrative barriers and regulatory costs for SMEs in South Africa. http://www.ilo.org/wcmsp5/groups/public/---africa/---ro-addis_ababa/---ilo-pretoria/documents/publication/wcms_500968.pdf. Date of access: 3 November 2016.

Inubiwon, B. 2017. Developing small and medium enterprises in the Nigerian Oil and Gas Sector. Walden University, Minneapolis, USA (PhD thesis).

Ismail, T & Masinge, K. 2011. Mobile banking: innovation for the poor. [repository.up.ac.za/dspace/bitstream/handle/2263/21394/Ismail_Mobile\(2012\).pdf](http://repository.up.ac.za/dspace/bitstream/handle/2263/21394/Ismail_Mobile(2012).pdf). Date of access: 5 September 2017.

Jansson, J. & Nilsson, J. 2017. Commitment to sustainability in small and medium-sized enterprises: The influence of strategic orientations and management values. *Business Strategy and the Environment*, 26(1):69-83.

January, P.C. 2013. The evaluation of the entrepreneurial seed fund programme: the case of the Cape Winelands District Municipality. University of South Africa, Pretoria (Masters dissertation).

Jevons, W.S. 1957. *The Theory of Political Economy*. 5th edition. New York, NY: Kelley & Millman.

Jooste, G. 2010. Stakeholder engagement and business performance for selected SMEs in Gauteng. North-West University, Potchefstroom (Masters dissertation).

Kanjee, A. 2009. Assessment research, in *Research in practice: applied methods for the social sciences*, edited by M. Terre Blanche, K. Durrheim & D. Painter. Cape Town: University of Cape Town Press (pp. 77-89).

Kapunda, S.M. 2015. Small and medium enterprises in Botswana: the case of the Tourism sector. *Journal of Social and Economic Policy*, 12(1):1-7.

Kauffman Foundation (KF). 2016. The Kauffman index start-up activity national trends. http://www.kauffman.org/~media/kauffman_org/microsites/kauffman_index/startup_activity_2016/kauffman_index_startup_activity_national_trends_2016.pdf. Date of access: 26 April 2017.

Kenis, P. & Provan, K.G. 2009. Towards an exogenous theory of public network performance.

https://scholar.google.co.za/scholar?q=exogenous+theory++P+Kenis+%26+KG+Provan+2009&btnG=&hl=en&as_sdt=0%2C5. Date of access: 5 September 2017.

Kekana, L.M. 2015. The impact of Menlyn mall on local small businesses in the vicinity of Mamelodi Township. North-West University, Mafikeng (Masters dissertation).

King, R. G. & Levine, R. 1993. Finance, entrepreneurship and growth: theory and evidence. *Journal of Monetary Economics*, 32(1):513-542.

Kleynhans, E.P.J. & Kruger, M.C. 2014. Effect of black economic empowerment on profit and competitiveness of firms in South Africa. *Acta Commersii*, 14(1):1-10.

Kloviene, L & Speziale, M.T. 2015. Is performance measurement system going towards sustainability in SMEs? *Procedia – Social and Behavioral Sciences*, 2(13):328-333.

Koe, W. & Omar, R. Factors influencing propensity to sustainable entrepreneurship of SMEs in Malaysia. *Procedia – Social and Behavioural Sciences*, (172):570-577.

Koma, S.B. 2013. The trajectory of economic development policies in South Africa: the case for public policy analysis. *School of Public Management and Administration University of Pretoria*, 21(1):142-160.

Kongolo, M. 2010. Job creation versus job shedding and role of SMEs in economic development. *African Journal of Business Management*, 4(11):2288-2295.

Kotze, I. 2010. An analysis of business-related factors on small businesses. North-West University, Potchefstroom (Masters dissertation).

Kouretasa, G.P. & Tsoumas, C. 2016. Foreign bank presence and regulations. *Journal of Financial Stability*, 24:104-116.

Kress, T.M. 2011. Critical praxis research: Breathing new life into research methods for Teachers. <http://nwulib.nwu.ac.za/login?url=http://dx.doi.org/10.1007/978-94-007-1790-9>. Date of access: 01 April 2016.

Kumah, O.M. 2014. Small Business is Big Business: A UNDP Perspective on SMME Development in South Africa. www.za.undp.org/.../south_africa/.../tackling-poverty-by-growing-smes--undp-south-africa.html. Date of access: 21 February 2017.

Kurz, H.D. & Salvadori, N. 2003. Theories of Economic Growth: Old and New. in *The Theory of Economic Growth*, edited by F. Coricelli, M di Matteo & F. Hahn (pp. 1-22).

Labuschagne, R. C. 2015. Assessing selected success factors of SMEs in the North West Province. North-West University, Potchefstroom (Masters dissertation).

Lakew, Y.D. 2015. Determinants and impediments in the internationalisation process of small and medium-sized manufacturing enterprises in Ethiopia. University of South Africa, Pretoria (PhD thesis).

Lamprecht, J.L.D. 2011. A comparison of the characteristics of internationalising SMEs in South Africa and the BRICS countries. North West University, Potchefstroom (Masters dissertation).

Landman, S. 2011. Leveraging business intelligence management to business performance management in a manufacturing environment. North-West University, Vanderbijlpark (Masters dissertation).

Leedy, P. D. & Ormrod, J. E. 2014. Practical research planning and design. 10th ed. London: Pearson Education.

Lekhanya, L. M. & Manson, R. B. 2014. Selected key external factors influencing the success of rural small and medium enterprises in South Africa. *Journal of Enterprising Culture*, 22(3):331-348.

Lekhanya, L.M. 2015. Public outlook on small and medium enterprises as a strategic tool for economic growth and job creation in South Africa. *Journal of Governance and Regulation*, 4(4):412-418.

Liu, D. 2007. Growth Theory and Application: The Case of South Africa. Department of Economics Working Paper Series, University of Pretoria, September 2007. http://www.up.ac.za/media/shared/61/WP/wp_2007_14.zp39497.pdf. Date of access: 4 September 2017.

Lynch, K., Baker, J. & Cantillon, S. 2000. The Relationship between Poverty and Inequality; Draft Paper prepared for the Combat Poverty Agency and the Equality Authority.

[http://researchrepository.ucd.ie/bitstream/handle/10197/2453/Lynch%20Baker%20Cantillon%20\(2000\)%20Relationship%20between%20Poverty%20and%20Inequality%20\(pre-print\).pdf?sequence=1](http://researchrepository.ucd.ie/bitstream/handle/10197/2453/Lynch%20Baker%20Cantillon%20(2000)%20Relationship%20between%20Poverty%20and%20Inequality%20(pre-print).pdf?sequence=1). Date of access: 23 March 2017.

Mabaso, E.C. 2014. Determining the business success factors of the second-hand vehicle industry in the Vaal Region. North-West University, Potchefstroom (Masters dissertation).

Mackey, A. & Gass, S.M. 2016. Second language research: methodology and design. 2nd ed. <https://www.amazon.com/Second-Language-Research-Methodology-Design/dp/1138808563>. Date of access: 6 February 2017.

Magruder, J.R. 2010. High unemployment yet small firms: The role of centralized bargaining in South Africa.

<http://economics.yale.edu/sites/default/files/files/Workshops-Seminars/Development/magruder-100913.pdf>. Date of access: 16 March 2016.

Makgetla, N. 2014. Manufacturing employment and inequality in South Africa. Trade and Industrial Policy Strategies (TIPS). Working paper. <https://www.tips.org.za/research-archive/inequality-and-economic-inclusion/inequality-and-economic-inclusion>. Date of access: 11 April 2017.

Malakwane, C.L. 2012. Economic and social effects of unemployment in South Africa: prospects for the future. Tshwane University of Technology, Pretoria (MTech Dissertation).

Manaczynski, M. 2011. Factors affecting commercialisation of newly developed products: A study of selected small and medium enterprises in South Africa. University of South Africa, Pretoria (MBL dissertation).

Manful, E., Appiah, P.B. & Gyasi-Boadu, N. 2016. Domestic violence in Africa: Exploring the perceptions of Ghanaian adolescents. *Journal of Social Sciences and Humanities*, 2(4):63-70.

Maric, S. & Lecovic, B. 2012. Entrepreneurship and management of small and medium enterprises: Management practice, success and/ good performance of small businesses. <http://eprints.ugd.edu.mk/5113/1/SymOrg%20Proceedings.pdf>. Date of access: 26 April 2017.

Marivate, S. P. 2014. The impact of entrepreneurial skills on the viability and long-term and survival of small businesses: A case of the City of Tshwane, South Africa. *European Journal of Business, Economics and Accountancy*, 2(2):256-6018.

Martin, N. 2013. Budget speech needs to address critical issues affecting SME industry. <http://www.businesspartners.co.za/knowledge-hub-cat/media-room/posts/budgetspeech-needs-to-address-critical-issues-affecting-sme-industry-1004/#sthash.VTuCtxIS.dpuf>. Date of access: 3 November 2016.

Masarira, S.K. 2014. An analysis of small business social responsibility practices in South Africa. University of South Africa, Pretoria (PhD thesis).

Maseng, J.O. 2010. The State, civil society and underdevelopment: the case of Zimbabwe. North-West University, Vanderbijlpark (Masters dissertation).

Maseko, N. & Manyani. O. 2011. Accounting practices of SMEs in Zimbabwe: an investigative study of record keeping for performance measurement: a case study of Bindura. *Journal of Accounting and Taxation*, 3(8):171-181.

Maxwell, J. A. 2013. Qualitative research design: An interactive approach. 3rd ed. Los Angeles: Sage Publications.

Maziriri, E. T. & Chinomona, E. 2016. Modeling the influence of relationship marketing, green marketing and innovative marketing on the business performance of small, medium and micro enterprises (SMMEs). *Journal of Economics and Behavioural Studies*, 8(3):127-139.

Mbatha, M.P. 2015. An investigation of selected financial management fundamentals influencing financial stability of small and medium enterprises in Durban. Durban University of Technology, Durban (Masters dissertation).

Mcniff, J. & Whitehead, J. 2011. All you need to know about action research. 2nd ed. Los Angeles: Sage Publications.

Mellish, M. 2016. Exploring Skills That Liberian Small-Business Entrepreneurs Use to Succeed in Business. Walden University, Minneapolis (PhD thesis).

Messaoud, B. & Teheni, Z.G. 2014. Business regulations and economic growth: What can be explained? *International Strategic Management Review*, 2(2014):69-78.

Mkubukeli, Z. & Tengeh, R. 2016. Prospects and Challenges for Small-Scale Mining Entrepreneurs in South Africa. *Journal of Entrepreneurship & Organization Management*, 5(4):172-2169.

Modilim, P. 2016. Strategies for growing and sustaining successful small businesses. Walden University, Minneapolis (PhD thesis).

Morgan, S.L. Handbook of casual analysis for social research. Springer: New York. <http://nwulib.nwu.ac.za/login?url=http://dx.doi.org/10.1007/978-94-007-6094-3>. Date of access: 01 April 2016.

Moseki, G.J. 2014. Analysing the application of project management for service delivery improvements in the Dr. Kenneth Kaunda District Municipality: the case of the Maquassi Hills Local Municipality. North West University, Potchefstroom (Masters dissertation).

Morebudi, M.G. 2015. A retrospective analysis of the major determinants of start-up failures in the Fezile Dabi District. North-West University, Potchefstroom (Masters dissertation).

Motilewa, B.D. & Ogbari, M 2015. A Review of the Impacts of SMEs as Social Agents of Economic Liberations in Developing Economies. *International Review of Management and Business Research*, 4(3):2306-9007.

Murangwa, S.I. & Njaya, T. 2016. The effects of statutory instrument 64 of 2016 on clearing agents based at Beitbridge border post in Zimbabwe. *International Journal of Business and Management Invention*, 5(11):45-49.

Musabayana, J. 2012. Small enterprise growth: the critical role of the owner- manager: a case study of the construction sector in Gauteng, South Africa. University of South Africa, Pretoria (PhD thesis).

Mushangai, D. 2015. Does the state disable small business? A critique of Hernando de soto. University of Witwatersrand, Johannesburg (Masters dissertation).

Nagar, M.F. 2015. Democratic Development States in Southern Africa: A study of Botswana and South Africa. Cape Town: University of Cape Town, Cape Town (Masters dissertation).

National Credit Regulator (NCR). 2011. Literature review on small and medium enterprises' access to credit support in South Africa. http://www.ncr.org.za/pdfs/Literature%20Review%20on%20SME%20Access%20to%20Credit%20in%20South%20Africa_Final%20Report_NCR_Dec%202011.pdf. Date of access: 28 January 2017.

National Economic Development and Labour Council (NEDLAC). 2010. Draft South Africa decent work country programme. http://new.nedlac.org.za/wp-content/uploads/2014/10/decent_work_country_programme_sa.pdf. Date of access: 8 November 2016.

Ncube, M. & Shimeles, A. 2012. South Africa's quest for inclusive development: Working Paper 150 of the African Development Bank Group. [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WPS%20Nos%20150%20South%20Africas%20Quest%20for%20Inclusive%20Development%20B%20\(2\).pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/WPS%20Nos%20150%20South%20Africas%20Quest%20for%20Inclusive%20Development%20B%20(2).pdf). Date of access: 12 March 2017.

Ndemo, B. 2017. Foresight Africa: top priorities for the Continent. https://www.brookings.edu/wp-content/uploads/2017/01/global_20170109_foresight_africa.pdf. Date of access: 20 May 2017.

Negishi, T. 1989. History of Economic Theory. Amsterdam, the Netherlands: Elsevier Science Publishers.

Nell, H.E. 2014. An investigation of the impact of succession planning on the success of small and medium-sized family businesses. North West University, Potchefstroom (Masters dissertation).

Neneh, N. B. 2011. An exploratory study on entrepreneurial mindset in the small and medium enterprise (SME) sector: A South African perspective on fostering small and medium enterprise (SME) success. *African Journal of Business Management*, 6(9): 3364-3372.

Nene, N. 2015. Minister of Finance Budget speech in Parliament, Cape Town. <http://www.treasury.gov.za/documents/national%20budget/2015/speech/speech.pdf>. Date of access: 3 November 2016

New Faces New Voices (NFNV). 2014. Inclusive finance: Exploring the finance pipeline for women owned SMMEs in South Africa. <http://gracamacheltrust.org/new/images/downloads/UPDATED-UNDP-REPORT-BY-NFNV-NOV-2014.pdf>. Date of access: 3 November 2016.

Nkononi, E. 2010. What are the factors limiting the success and/or growth of small businesses in Tanzania? – An empirical study on small business growth. University of Applied Sciences, Pretoria (PhD thesis).

Nkwinika, M.K.K & Munzhedzi, P.H. 2016. The Role of Small Medium Enterprises in the Implementation of Local Economic Development in South Africa. Paper presented at Limpopo Chapter 5th Annual Conference Proceedings South African Association of Public Administration and Management (SAAPAM), Limpopo, South Africa, 26-28 October.

Noble, H. & Smith, J. 2015. Issues of validity and reliability in qualitative research. *Evidence-Based Nursing*, 18(2):34-5.

Ntema, R. P. 2014. Applying project risk management principles to manage business Start-up risk-a proposed training tool. North West University, Vanderbijlpark (Masters dissertation).

Ohej, K. 2014. An investigation into the application of appropriate information systems research methodologies of IT/IS. North West University, Mafikeng (Masters dissertation).

Olawale, F. 2014. The Causes of the Failure of New Small and Medium Enterprises in South Africa. *Mediterranean Journal of Social Sciences*, 5(20):2039-2117.

Organisations for Economic Co-operation and Development (OECD). 2016. How does South Africa compare? Employment outlook. <https://www.oecd.org/southafrica/Employment-Outlook-SouthAfrica-EN.pdf>. Date of access: 11 April 2017.

Parker, J. 2012. Theories of Endogenous Growth. Economic 314 Course Book. Reed College. Portland, Oregon. http://www.reed.edu/economics/parker/s12/314/Coursebook/Ch_05.pdf. Date of access: 4 September 2017. Chapter 5.

Parliamentary Monitoring Group (PMG). 2012. Small business review report: briefing by the department of Trade and Industry (DTI). <https://pmg.org.za/committee-meeting/13912/>. Date of access; 9 October 2017.

Price Waterhouse Coopers (PWC). 2015. Audit and accounts requirements of the New Companies Act. <https://www.pwc.co.za/en/assets/pdf/companies-act-issue-2.pdf>. Date of access: 3 November 2016.

Queen, J. 2012. Language policy in South Africa (1994-2010). Howard University Washington (PhD thesis).

Rebekah, L.J. 2016. "We are still in apartheid" girls' perspective on education inequality in democratic South Africa and models for social change. Old Dominion University, East Eisenhower Parkway (Masters dissertation).

Republic of Namibia (Namibia). 2016. National policy on micro, small and medium enterprises in Namibia. Ministry of industrialisation, trade and SME development. <http://www.mti.gov.na/downloads/MSME%20policy%20final.pdf>. Date of access: 21 May 2017.

Republic of South Africa (RSA).1995. White Paper on National Strategy for the Development and Promotion of Small Businesses. Department of Trade and Industry (DTI). https://www.thedti.gov.za/sme_development/docs/White_paper.pdf. Date of access: 21 May 2017.

Republic of South Africa (RSA). 1996a. The Constitution of the Republic of South Africa 1996. <http://www.gov.za/documents/constitution-republic-south-africa-1996>. Date of access: 12 March 2016.

Republic of South Africa (RSA). 1996b. The National Small Business Amendment Act 102 of 1996. Department of Trade and Industry (DTI). https://www.thedti.gov.za/sme_development/docs/act.pdf. Date of access: 14 March 2016.

Republic of South Africa (RSA). 2003. Broad-Based Black Economic Empowerment Act 53 of 2003. The Presidency (DP). <https://www.acts.co.za/broad-based-black-economic-empowerment-act-2003/index.html>. Date of access: 9 October 2017.

Republic of South Africa (RSA). 2008a. Towards an anti-poverty strategy for South Africa: A Discussion Document. http://www.gov.za/sites/www.gov.za/files/Antipoverty%20strategy%20%28draft%20for%20public%20consultations%20October%202008%29_0.pdf. Date of access: 31 March 2017.

Republic of South Africa (RSA). 2008b. Companies Act 71 of 2008. Department of Justice and Constitutional Development (DOJ&CD). www.justice.gov.za/legislation/acts/2008-071amended.pdf. Date of access: 9 October 2017.

Republic of South Africa (RSA). 2010. National Directory of Small Business Support Programme. Department of Trade and Industry (DTI). <http://bee.b1sa.co.za/National%20Directory%20of%20Small%20Business%20Support%20Programmes%202010%20-%20Master.pdf>. Date of access: 3 March 2017.

Republic of South Africa (RSA). 2011. Companies Amendment Act 3 of 2011. The Presidency (DP). www.business-rescue.co.za/pdf/Companies-Amendment-Act-No.-3-of-2011.pdf. Date of access: 9 October 2017.

Republic of South Africa (RSA). 2012a. National Development Plan (NDP): Vision for 2030. National Planning Commission (NPC). www.gov.za/.../Executive%20Summary-NDP%202030%20-%20Our%20future%20-%20make%20it%20work.pdf. Date of access: 14 April 2016.

Republic of South Africa (RSA). 2012b. Strategic plan. Department of National Treasury. www.treasury.gov.za/publications/strategic%20plan/Strat%20Plan%202012-2016.pdf. Date of access: 9 October 2017.

Republic of South Africa (RSA). 2013. Celebrating 20 years of Freedom and Democracy: Statistics South Africa (Stats SA). <http://www.statssa.gov.za/?p=1760>. Date of access: 27 January 2017.

Republic of South Africa (RSA). 2014. Medium-Term Strategic Framework (MTSF), 2014-2019. Department of Planning, Monitoring and Evaluation (DPME). <http://www.poa.gov.za/MTSF%20Documents/MTSF%202014-2019.pdf>. Date of access: 25 March 2017.

Republic of South Africa (RSA). 2015a. National Youth Policy, we are the generation of 2020, we don't want hand-outs, we want hands up! The Presidency. www.thepresidency.gov.za/download/file/fid/58. Date of access: 11 April 2017.

Republic of South Africa (RSA). 2015b. Strategic plan. Department of Small Business Development (DSBD). <http://pmg-assets.s3-website-eu-west-1.amazonaws.com/150325stratplan.pdf>. Date of access: 28 January 2017.

Republic of South Africa (RSA). 2016a. Quarterly labour force survey: statistical release. Statistics South Africa (Stats SA).

<http://www.statssa.gov.za/publications/P0211/P02111stQuarter2016.pdf>. Date of access: 27 January 2017.

Republic of South Africa (RSA). 2016b. Annual report. Department of Small Business Development (DSBD). Pretoria.

Republic of South Africa (RSA). 2017a. Understanding the root causes of unemployment. Government Communication and Information Systems (GCIS). <http://www.gcis.gov.za/content/resourcecentre/newsletters/insight/issue13#sec1>. Date of access: 23 March 2017.

Republic of South Africa (RSA). 2017b. Key service offerings. Department of Small Business Development (DSBD). <http://www.dsbd.gov.za/>. Date of access: 1 April 2017.

Republic of South Africa (RSA). 2017c. Rising global uncertainty, an opportunity for change. Extract from the 2017 budget review. Department of National Treasury. <http://www.treasury.gov.za/documents/national%20budget/2017/review/BR2.%20Uncertainty%20and%20Opportunity.pdf>. Date of access: 20 May 2017.

Republic of South Africa (RSA). 2017d. Quarterly labour force survey: statistical release. Statistics South Africa (Stats SA). www.statssa.gov.za/publications/P0211/P02111stQuarter2017.pdf. Date of access: 23 October 2017.

Republic of South Africa (RSA). 2017e. Poverty on the rise in South Africa. Statistics South Africa (Stats SA). www.statssa.gov.za/publications/P0211/P02111stQuarter2017.pdf. Date of access: 23 October 2017.

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

Rogerson, C. & Rogerson, J. 2012. Business development and local economic development in South Africa: addressing the disconnect. http://scholar.ufs.ac.za:8080/xmlui/bitstream/handle/11660/2950/academ_v44_n2_a3.pdf?sequence=1&isAllowed=y. Date of access: 21 February 2017.

Romer, P.M. 1986. Increasing Returns and Long-Run Growth. *The Journal of Political Economy*, 94(5):1002-1037.

Sauter, E. 2016. A modern miracle: South African national identity and transnational discourses of democracy. University of Wisconsin-Madison, East Eisenhower Parkway (Masters dissertation).

Schutte, D.P. 2011. The feasibility of the statement of generally accepted accounting practice for small and medium enterprises. North West University, Potchefstroom (PhD thesis).

Shafeek, H. 2016. The impact of human resources management practices in SMEs. *Annals of Faculty Engineering Hunedoara- International Journal of Engineering*, (4):1584-2665.

Shezi, M. 2013. SMEs corporate governance systems: status and effect on continuity. University of Pretoria, Pretoria (Research project – MBA).

Sibindi, A.B. Aren, A.O. 2015. Is good corporate governance practice the panacea for small-to-medium businesses operating in the South African retail sector? *Corporate Ownership and Control*, 12(2):6.

Small Enterprise Development Agency (SEDA). 2013. Annual performance plan. https://www.thedti.gov.za/parliament/.../seda_app_%202013-2014_%202015-2016.pdf. Date of access: 23 August 2017.

Small Enterprise Development Agency (SEDA). 2016. Accelerating SMME growth in South Africa. IMBADU, official quarterly publication.

<http://www.seda.org.za/Publications/Publications/Imbadu%20June%202016.pdf>.

Date of access: 26 April 2017

Small Enterprise Development Agency (SEDA). 2014. Annual Report, 2013/2014.

<http://www.seda.org.za/Publications/Publications/Seda%20Annual%20Report%202014-15.pdf>. Date of access: 6 February 2017.

Small Enterprise Finance Agency (SEFA). 2013. Annual Report, 2013.

http://www.sefa.org.za/Content/Docs/sefa_ar_2013.pdf. Date of access: 3 November 2016.

Small Enterprise Finance Agency (SEFA). 2015. Annual Report, 2015.

<http://www.sefa.org.za/Content/Docs/2015%20sefa%20Annual%20Report.pdf>. Date of access: 6 February 2017.

Smit, Y. & Watkins, J. A. 2012. A literature review of small and medium enterprises (SME) risk management practices in South Africa. *African Journal of Business Management*, 6(21):6324-6330.

Solow, R.M. 1956. A Contribution to the Theory of Economic Growth. *The Quarterly Journal of Economics*, 70(1):65-94.

South African Adjusted Growth Strategy (SAAGS). 2015. G20. <http://g20.org.tr/wp-content/uploads/2015/11/Adjusted-Growth-Strategy-2015-South-Africa.pdf>.

Date of access: 3 November 2016.

South Africa Institute for Chartered Accountants (SAICA). 2015. SME insights report.

http://www.saica.co.za/portals/0/documents/saica_sme.pdf. Date of access: 3 March 2017.

South African Reserve Bank (SARB). 2015. Address by Mr Francois Groepe, Deputy Governor of the South African Reserve Bank, at the AHI conference on "The role of business in local government and local economic development".

<https://www.resbank.co.za/Lists/Speeches/Attachments/452/Role%20of%20small%20business%202015%20.pdf>. Date of access: 8 February 2017.

South African Revenue Service (SARS). 2014. Introduction of a new single registration system. <http://www.boake.co.za/resources/June2014.pdf>. Date of access: 21 May 2017.

South African Revenue Service (SARS). 2016. Large Business. <http://www.sars.gov.za/ClientSegments/Businesses/LargeBusiness/Pages/default.aspx>. Date of access: 9 October 2017.

Steenkamp, L. 2015. South Africa's economic policies on unemployment: A historical analysis of two decades of transition. North West University, Potchefstroom (Masters dissertation).

Tan, H.X & Yeo, Z. 2015. A sustainability indicator framework for Singapore small and medium-sized manufacturing enterprises. *Procedia CIRP*, 29(2015):132-137.

Tassiopoulos, D. 2016. The strategic behaviour of owners-managers in small, micro and medium tourism enterprises (SMMTEs) in South Africa. *African Journal of Hospitality, Tourism and Leisure*, 5(1):2223-814.

Tehseen, S & Ramayah, T. 2015. Entrepreneurial competencies and SMEs business success: The contingent role of external integration. *Mediterranean Journal of Social Sciences*, 6(1):2039-2117.

Temelkov, Z. & Metodijesk, D. 2016. Can micro financing increase its role in support of accommodation investments of family owned tourist enterprises? *International Journal of Information, Business and Management*, 8(4):2016-2218.

Terre Blanche, M., Durrheim, K. & Painter, D. 2012. Research in Practice. Applied methods for the social sciences. Cape Town: UCT Press.

Thomas, G. 2011. Qualitative inquiry: A typology for the case study in social science following a review of definition, discourse, and structure. http://www.besafeproject.net/files/DOWNLOAD2/Thomas_2011_typology%20for%20the%20case%20study%20in%20social%20science.pdf. Date of access: 6 February 2017.

Trading Economics (TE). 2017. South Africa unemployment rate. <https://tradingeconomics.com/south-africa/unemployment-rate>. Date of access: 26 October 2017.

Tregenda, F. & Tsela, M. 2012. Inequality and economic marginalisation: inequality, unemployment and poverty in South Africa. <https://www.tips.org.za/research-archive/inequality-and-economic-inclusion/inequality-and-economic-inclusion>. Date of access 11 April 2017.

Trust Africa. 2014. Small Business Development and the Inclusive Business Concept. Investment Climate and Business Environment Research Fund (ICBE-RF) Research Report NO. 82/14. www.trustafrica.org/...trust/icbe-research-reports?...small-business-development-and-t. Date of access: 15 September 2017.

Turok, I. 2010. Towards a developmental state? Provincial economic policy in South Africa. *Development Southern Africa*, 27(4):497-515.

United Nations (UN). 2016. Entrepreneurship for development. unstats.un.org/.../2016/The%20Sustainable%20Development%20Goals%20Report%202016. Date of access: 6 February 2017.

United States Agency for International Development (USAID). 2016. A draft report on the review of the impacts of statutory instrument 64 of 2016. http://pdf.usaid.gov/pdf_docs/PA00MDKJ.Pdf. Date of access: 27 January 2017.

Van der Riet, M. & Durrheim, K. 2009. Putting design into practice: writing and evaluating research proposals, in *Research in practice: applied methods for Social*

Sciences, edited by M. Terre Blanche, K. Durrheim & D. Painter. Cape Town: university of Cape Town Press.

Van Der Westhuizen, J.P. 2014. Leadership practices of first and second generation family business owners and the correlation with business performance. North-West University, Vanderbijlpark (PhD thesis).

Van Heerden, Y. 2010. Trade finance as a barrier to SME internationalisation: special reference to African trade with China. North-West University, Potchefstroom (Masters dissertation).

Van Scheers, L. 2010. The role of ethnicity and culture in developing entrepreneurs in South Africa. *Problems and Perspectives in Management*, 8(4):22.

Venter, A. 2014. An analysis of the influence of entrepreneurial orientation on business success in selected small and medium-sized enterprises. North-West University, Potchefstroom (Masters dissertation).

Vermeulen, L. 2015. The influence of work behavioural styles on teaching and learning approaches: the case of the North-West University, Potchefstroom Campus. *Administratio Publica*, 23(1):34-58.

Xavier, S.R & Kelley D. 2012. Global entrepreneurship monitor: Global report. USA: Babson College.

Xiong, J. 2016. Understanding the role of information technology for sustainable development in small businesses and micro-enterprises. University of Nebraska, Omaha (Masters dissertation).

Webster, M. 2017. Decile. Merriam-Webster Online Dictionary. <https://www.merriam-webster.com/dictionary/decile>. Date of access: 31 March 2017.

Welman, C., Kruger, F. & Mitchell, B. 2012. Research Methodology. Cape Town: Oxford University Press Southern Africa.

Wessels, A.C. 2012. Social networks utilised by SME's within the tourist destinations of eastern Free State. North-West University, Potchefstroom (Masters dissertation).

Wholesale and Retail Sector Education and Training Authority (W&RSETA) and Henley Business School (HBS). 2014. Informal small medium and micro enterprises (SMME) retailers in South Africa, International Leadership Development Programme (ILDLP). http://www.wrseta.org.za/ILDLP_2014/Syndicate%201-%20Ratoon.pdf. Date of access: 26 April 2017.

Wiese, J.S. 2014. Factors determining the sustainability of small and medium-sized enterprise. North-West University, Potchefstroom (Masters dissertation).

World Bank. 2017. South Africa Overview. <http://www.worldbank.org/en/country/southafrica/overview>. Date of access: 31 March 2017.

World Bank Group (WBG). 2015. Doing business in South Africa. <http://www.bcid.co.za/wp-content/uploads/2016/01/Doing-Business-in-SA-2015.pdf>. Date of access: 3 November 2016.

Young, D.A. 2015. Improving the adoption of cloud computing by small and medium scale enterprises (SMEs) in Nigeria. University of South Africa, Pretoria (Masters dissertation).

Zikmund, W.G. & Babin, B.J. 2013. Business research methods. 9th ed. Canada: South-Western, Cengage Learning.

INTERVIEWS

Middle Managers – Department of Small Business Development (DSBD)

SECTION A: CONSENT TO PARTICIPATE IN THE STUDY

I, _____ (name and surname), agree to be interviewed as part of the research for a master's degree in Public Administration, titled: ***The development and sustainability of small and medium enterprises: the role of the Department of Small Business.***

I give my consent to participate in the study with the following understanding:

- The purpose of the interview has been explained to me.
- My participation is voluntary.
- I may withdraw from the study at any given time.
- My anonymity is ensured. The results obtained from the interviews will be reported as a collective; therefore, I will not be identified by name or position in the study.
- The information I provide will be used for the purpose of this research study only and will not be made available to any third party.
- I will answer the questions honestly, based on my personal expertise, experience and views.

Interviewee:

Name: _____

Signature: _____

Date: _____

Researcher:

Name: _____

Signature: _____

Date: _____

SECTION B: BIOGRAPHICAL INFORMATION

(completed by researcher upon requesting the information from the interviewees)

Designation: _____

Division and Unit: _____

Period of employment in current post: _____

Period of employment at the DSBD: _____

Gender: _____

Age: _____

SECTION C: THE ROLE OF THE DSBD IN DEVELOPING AND SUSTAINING SMES

1. According to statutory and regulatory prescripts, what is the role of the DSBD in the development and sustainability of SMEs?
2. Does the DSBD have policies, programmes and mechanisms in place to promote the development and sustainability of SMEs?
 - If yes, please identify and explain the effectiveness of these policies, programmes and mechanisms.
 - If no, which policies, programmes and mechanisms do you believe should be in place and why?
3. Why do you think SMEs, especially black-owned SMEs, fail within two years of their establishment?
4. On which basis are decided which SMEs should be funded?
5. How does the DSBD manage the network of stakeholders involved in the development and sustainability of SMEs to ensure effective cooperation and task integration?
6. How can the DSBD use the technology and knowledge base to assist the development and sustainability of SMEs?
7. What type of training is provided to the owners of SMEs to enhance their business knowledge and how is the success thereof measured?

INTERVIEWS
Owners of SMEs

SECTION A: CONSENT TO PARTICIPATE IN THE STUDY

I, _____ (name and surname), agree to be interviewed as part of the research for a master's degree in Public Administration, titled: ***The development and sustainability of small and medium enterprises: the role of the Department of Small Business.***

I give my consent to participate in the study with the following understanding:

- The purpose of the interview has been explained to me.
- My participation is voluntary.
- I may withdraw from the study at any given time.
- My anonymity is ensured. The results obtained from the interviews will be reported as a collective; therefore, neither me nor my business will be identified by name in the study.
- The information I provide will be used for the purpose of this research study only and will not be made available to any third party.
- I will answer the questions honestly, based on my personal expertise, experience and views.

Interviewee:

Name: _____

Signature: _____

Date: _____

Researcher:

Name: _____

Signature: _____

Date: _____

SECTION B: BIOGRAPHICAL INFORMATION

(completed by researcher upon requesting the information from the interviewees)

Type of SME (sector): _____

Period of owning a SME: _____

Gender: _____

Age: _____

SECTION C: SERVICE AND SUPPORT FROM THE DSBD

1. How was your SME financed?
2. Did you find the training provided by the DSBD helpful?
 - If yes, please explain how it has assisted you and enhanced your knowledge of managing a business.
 - If no, please indicate on which aspects the DSBD should rather focus with the training provided to the owners of SMEs.
 - Did the training assist in terms of how to manage your employees?
3. What are the challenges you are faced with as a business owner?
4. What is your experience (positive or negative) of the service and support provided by the DSBD?
 - If positive, please explain what support you received from the DSBD that contributed to the success of your SME.
 - If negative, please explain the reasons for your answers (how did the DSBD fail you?).
 - If negative, what type of support do you need from the DSBD to develop and sustain your business?
5. Are there any factors, separate from support from the DSBD that contributed to the survival of your SME?