

The contribution of small, medium and micro enterprises to rural development in the Matatiele local municipality, South Africa

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DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the doctoral degree in Development Studies at North-West University. It has not been submitted before for any degree or examination at any other university. I further declare that I have obtained the necessary authorisation to conduct this research.

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09/12/2021

Date

DEDICATION

This thesis is dedicated to my late father, Setofo Willie Matubatuba

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The completion of this study was achieved through the contributions of several people. I would therefore like to thank them for their support throughout the study.

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LIST OF ABBREVIATIONS

BaSSREC	Basic and Social Sciences Research Ethics Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BER	Bureau of Economic Research
BMBE	Barangay Micro Business Enterprise
CONTRALES	Congress of Traditional Leaders of South Africa
A	
Coops & CPPP	Cooperatives and Community Private Partnerships Programme
DALRRD	Department of Agriculture, Land Reform and Rural Development
DHET	Department of Higher Education and Training
DSBD	Department of Small Business Development
dti	Department of Trade and Industry
dtic	Department of Trade, Industry and Competition
ECDC	Eastern Cape Development Corporation
ECPC	Eastern Cape Policy Committee
ECSECC	Eastern Cape Socio-Economic Consultative Council
ERIA	Economic Research Institute for Association of Southeast Asian Nations (ASEAN) and East Asia
EU	European Union
FUSMED	Fund for Small and Medium Enterprises Development
FYDP	Five-Year Development Plan
GDP	Gross domestic product
GEDC	Ghana Enterprise Development Commission
GVA	Gross value added
HDI	Human Development Index

HIV/AIDS	Human immunodeficiency virus, acquired immunodeficiency syndrome / acquired immunodeficiency syndrome
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
IFC	International Finance Corporation
ILO	International Labour Organization
ISED	Integrated Small Enterprise Development Strategy
ISPESE	Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise
IT	Information technology
LED	Local economic development
MSE	Micro and small enterprise
MSME	Micro, small, and medium enterprise
MSMED	Micro, Small and Medium Enterprise Development [Council]
NBSSI	National Board for Small-Scale Industries
NDG	National Development Goal
NDP	National Development Plan
NEDA	National Economic and Development Authority
NEEC	National Economic Empowerment Council
NEF	National Empowerment Fund
NPC	National Planning Commission
NSNP	National School Nutrition Programme
NYDA	National Youth Development Agency
OECD	Organisation for Economic Co-operation and Development
SAMPI	South African Multidimensional Poverty Index
SBGFC	Small Business Guarantee and Finance Corporation
SDG	Sustainable Development Goal
SEDA	Small Enterprise Development Agency
Sefa	Small Enterprise Finance Agency
SMB	Small and medium business
SME	Small and medium enterprise
SMED	Small and Medium Enterprise Development [Council]
SMME	Small, medium and micro enterprise
Stats SA	Statistics South Africa

TREP	Township and Rural Empowerment Programme
USA	United States of America
VAT	Value-added tax
WPR	World Population Review

ABSTRACT

This study emphasises the importance of small, medium and micro enterprises (SMMEs) to national economies all over the world, as they contribute to the creation of jobs, growing the economy, and reducing poverty. This study shows that after 1994, South African SMMEs have been the main tool to achieve poverty alleviation and eradication, and to improve income generation and employment creation, which are some of the challenges encountered in rural areas. In developed countries, SMMEs are innovative and they export their products to other countries and grow because of better access to markets in and outside their own countries.

The study used a qualitative approach with the purpose of understanding whether SMMEs contribute to rural development. Primary and secondary data were collected. Semi-structured interviews through the triangulation of individual, focus group, and telephonic interviews were conducted with 91 participants, who were divided into SMME owners, SMME employees, SMME clients, officials that provide support to SMMEs, and a member of the Matatiele Business Chamber. The researcher developed different interview schedules to collect data from various participants who were identified purposefully and through snowball sampling as they were able to provide relevant and in-depth information suitable to address the research questions.

The findings indicated that SMMEs are facing various socioeconomic challenges such as lack of funds to start and sustain their businesses, lack of knowledge about government and other business financing institutions that support SMMEs, lack of business management skills, lack of markets, and poor infrastructure, which, among others, hinder their growth. The government pays limited attention to assisting SMMEs with being innovative and to export their goods to other countries, which results in the high failure rate of SMMEs in South Africa. For SMMEs to be successful, the study recommends that the following dimensions of the social capital, namely bonding, bridging, and linking social capital be strengthened in these organisations and that solid principles of running a business be implemented.

Keywords: small, medium and micro enterprises; development; rural development; social capital theory; bonding social capital; bridging social capital; linking social capital.

CHAPTER 1: INTRODUCTION

1.1 Background

The world's poor are predominantly located in rural areas (Ahmed *et al.*, 2014; De la O Campos *et al.*, 2018). It has also been shown that approximately 75% of the poor live in developing countries and suffer more extreme poverty than those in developed countries (Newhouse, 2016; New House *et al.*, 2016). At the same time, it is increasingly being recognised across the board that small, medium and micro enterprises (SMMEs) are crucial to national economies, as they play an important role in job creation, growing the economy, and alleviating poverty in both urban and rural areas (Katua, 2014; Muriithi, 2017; Organisation for Economic Co-operation and Development [OECD], 2017b).

However, while SMMEs in developed countries have contributed significantly to economic growth, job creation and poverty alleviation; many developing countries have not experienced similar successes (Bouazza, Ardjouman, & Abada, 2015; Muriithi, 2017). In South Africa, too, the economy in both the urban and rural areas has not been vibrant enough to create jobs for the millions of people seeking employment (Van Schalkwyk, 2015; Small Enterprise Development Agency [SEDA], 2016). Consequently, following the achievement of democracy in 1994 SMMEs in South Africa have been touted as the main tool to be used to achieve poverty reduction and eradication, to enable and improve the generation of income, and to create employment, which are some of the main challenges facing the country (Masutha & Rogerson, 2014; Nkwinika & Munzhedzi, 2016).

The history of South Africa proves that most people in rural areas were denied opportunities to participate in the socioeconomic development of the country by the apartheid regime (Van der Byl, 2014; Ramaphakela, 2015; South African History Online, 2015). Today, the National Development Plan (NDP) encourages SMMEs to participate in the socioeconomic growth of the country with the hope of increasing the gross domestic product (GDP) of the country, developing the rural areas, and attracting more investors who will create jobs for South Africans (Masutha & Rogerson, 2014). This study focused on investigating how SMMEs contribute to the development of rural areas in the Matatiele Local Municipality in the Eastern Cape province of South Africa.

1.2 Problem statement

Throughout the world, countries have been struggling with low economic growth, unemployment, inflation, and increasing levels of poverty, especially developing countries (Dhanah, 2016). Researchers such as Akugri *et al.* (2015) view SMMEs as a solution and the force that drives innovation numbers as they contribute to the growth of the national economy through employment creation, investments, and exports, especially in developed countries. The South African government,

since the birth of democracy, has also viewed small enterprises as a central focus of policymaking that can promote rural development (Niska & Vesala, 2013). In fact, the *South Africa Yearbook* (Department of Government Communication and Information System, 2015) and Jacobs and Hart (2012) argue that rural development was a tactical and main concern of the 2009-2014 administration of the country.

The prioritisation of rural development finds expression in Outcome 7 of the NDP. Outcome 7 focuses on the “vibrant, equitable and sustainable rural communities and food security for all” (National Planning Commission [NPC], 2012). Action Plan 6 for the implementation of Outcome 7 emphasises the improvement of rural development programmes that will attract investors to rural areas and regenerate smaller towns. Furthermore, according to Action Plan 6, people in rural areas are encouraged by the government to establish SMMEs in order to contribute to rural development.

The National Development Plan encourages transformation of the economy through redistribution and ensuring that the new growth is skewed toward black entrepreneurship. Liu (2017) states that SMMEs globally are seen to be contributing to sustaining development, to job creation and growing the economy, to poverty alleviation and providing goods and services to the public while reducing inequality. While (Fourie et al 2018) suggests that South Africa’s informal sector is small compared with other developing countries and provide livelihoods, work and income for more than 2.5 million workers and enterprise owners.

However, it is important to note that the rural economy in South Africa has not been creating jobs for the majority of rural people and this is traceable to the discrimination against black people from contributing to and participating in businesses and politics during the apartheid era (NPC, 2012; Spector & Brooks, 2014). This is affirmed by Sharife and Anderson (2019), who indicate that the pre-democratic government supported big companies and discouraged black-owned businesses. Although the apartheid government created homelands with the hope that they would contribute to the rural economy, this strategy never created jobs or helped with the establishment of businesses in the homelands (Netshandama, 2006; South African History Online, 2015).

Nevertheless, in South Africa, it is generally believed that SMMEs are the drivers of rural development and that they will reduce inequality, create job opportunities in rural areas, and increase people’s income in order to improve their livelihoods (Morris & Zahra, 2000; Leboea, 2017). The establishment of the Department of Rural Development and Land Reform (DRDLR), the Department of Small Business Development (DSBD), SEDA, and other business support entities has proved that the government considers SMMEs as strong contributors to growing the economy of the country, as well as developing rural areas (Ramaphakela, 2015; DSBD, 2017). The question that then arises is whether SMMEs do in fact contribute to rural development. The problem to be investigated by this study may therefore be formulated as follows: In what ways do SMMEs contribute to rural development and improvement of the wellbeing of the rural people in the Matatiele Local Municipality?

1.3 Aim of the study

The aim of this study was to gather information and investigate the contribution of SMMEs to the socioeconomic wellbeing of people in the Matatiele Local Municipality, South Africa.

1.4 Research questions

The questions researched by this study were as follows:

- What are the types of SMMEs operating in the Matatiele Local Municipality, and what are their visions, objectives, and strategies?
- What is the contribution of SMMEs to economic growth, poverty alleviation, and employment creation in the Matatiele Local Municipality?
- What are the challenges faced by SMMEs in the Matatiele Local Municipality?
- What type of assistance is available to SMMEs in the Matatiele Local Municipality from the government and other sources?

1.5 Research objectives

This study was guided by the following objectives:

- To examine the types of SMMEs that are operating in the Matatiele Local Municipality, and to analyse their visions, objectives, and strategies.
- To investigate the contribution of SMMEs to economic growth, poverty alleviation, and employment creation in the Matatiele Local Municipality.
- To analyse the challenges faced by SMMEs in the Matatiele Local Municipality and to recommend ways of overcoming them.
- To determine the type of assistance available to SMMEs in the Matatiele Local Municipality from the government and other sources.

1.6 Motivation and significance of the study

Various factors affect economic growth in rural areas, such as changes in the agrarian structure, which has been a dominant sector in providing food and employment in rural areas (Straka & Tuzová, 2016). One could say this change has been caused by factors such as new production technology that has reduced employment on farms and left unskilled labour unemployed, rural-urban migration, climate change, and poor service delivery in rural areas. The retrenchment of mine employees, which was

caused by depleted minerals and closing of mines, has also affected living standards in the rural areas since many people were left jobless and unable to provide for their families (Gumede, 2018).

There is also a high rate of unemployment among young graduates, who lack experience to be placed in companies or institutions. It is therefore critical and important to investigate the level of the contribution that SMMEs can make to rural development, and how they can contribute to solving some of the socioeconomic problems faced by residents. This study will assist rural development planners, decision makers, and policymakers to understand the contribution of SMMEs to rural development and enable them to identify critical areas of intervention.

My keen interest in this field also motivated me to contribute to improving knowledge in terms of the role of SMMEs in development by applying the social capital theory to analyse and interpret the findings of this study. In my investigation, I did not come across any studies that have sought to use bonding, bridging, and linking social capital together in the analysis of how SMMEs contribute to the socioeconomic development of South Africa.

1.7 Study area

Figure 1.1: Map of Matatiele Local Municipality



Source: Matatiele IDP 2016/17

1.7.1 Matatiele Local Municipality

Matatiele Local Municipality is situated in the northern part of the Eastern Cape province (Matatiele Local Municipality, 2016). In 2013, Statistics South Africa (Stats SA) indicated that the population of the Matatiele Local Municipality comprised 205 646 people. When compared to other local municipalities, it has the largest geographical size, 4 352 km², in the Alfred Nzo District Municipality (Matatiele Local Municipality, 2016). The population in the Matatiele Local Municipality constitutes

41% of the population of the district municipality. Africans dominate the population at 98.1%, while coloured people are at 0.9%, and white people are at 0.7% of the population. People of Indian/Asian origin comprise only 0.3% of the population. The rural villages and formal townships around Matatiele contain most of the population. According to the Matatiele Local Municipality (2016), only 39 406 people are economically active (employed or unemployed but looking for work). Stats SA (2013) indicates that in the Matatiele Local Municipality, 38.7% of the population are unemployed. There are 20 932 economically active youths (15-34 years old) in the area, while 37.5% are unemployed (Matatiele Local Municipality, 2020).

In addition to high levels of unemployment, there is also unequal distribution of income in this municipality. The average household size in Matatiele Local Municipality is 3.9, which needs a minimum of R2 000 per month to sustain lives (Matatiele Local Municipality, 2020). Approximately 25 358 households out of 49 527(51,2%) in the Matatiele Local Municipality live below this average (Matatiele Local Municipality, 2016). The level of unemployment has resulted in many people depending on government social grants.

1.8 Definition of concepts

1.8.1 Development

The concept “development” means varying to things to different people (Abuiyada, 2018). Economists see development from the perspective of economic growth, sociologists view development as the participation of local people in bringing change in their environment, while development studies scholars define development as the capacity of a system to provide the conditions for continuous wellbeing (Oboniye, 2013; Botes *et al.*, 2015).

This study took an interdisciplinary approach of sociology and development studies in defining development, which means the participation of local people in providing conditions for continuous wellbeing (Botes *et al.*, 2015).

1.8.2 Rural development

According to Calatrava-Requena (2016), rural development refers to the various ways used by the state in developing countries to improve the economy in rural areas, which includes agriculture. Brauer and Dymitrow (2014) define rural development as the working together of communities and governments using natural resources in order to be productive and to achieve the goal of increasing incomes, creating job opportunities, and improving the lifestyle of rural communities. Rural development is dynamic and covers different economic and social sectors that improve the lives of rural people through partnerships of multiple stakeholders both within and outside the government (Chambers, 2013). This study aligned itself with the definition of rural development provided by Brauer and Dymitrow (2014) (see above).

1.8.3 Rural areas

A rural area is an area mostly in the countryside that is usually characterised by a low population of dwellers in wide open spaces where the carrying out of primary economic activities is prominent. A rural area is also seen as an area where people depend on natural resources to make a living (Ellis & Biggs, 2001; Mahlati, 2011). According to the Department of Land Affairs (1997), rural areas in South Africa are seen as sparsely populated areas where agriculture is dominant. Rural areas in this study are referred to as areas where primary activities are prominent and people depend on natural resources for a living (Mahlati, 2011). The challenges faced by rural communities in the Matatiele Local Municipality have compelled rural people to establish agricultural and non-agricultural SMMEs as a means to provide services to their communities while also supporting their families (Beyers, 2016).

1.8.4 Small, medium and micro enterprises (SMMEs)

There are various definitions of SMMEs by different authors since they consider different aspects of SMMEs. In South Africa, SMMEs are defined based on their size and structure, as well as their contribution to the economy (National Small Business Act 102 of 1996; Berry *et al.*, 2002). The standard form of defining an SMME can be seen by how most countries use economics and statistics to establish a definition unique to their legal system (Aigbavboa & Thwala, 2014; Abbrey *et al.*, 2015). An economic definition of an SMME will consider the annual turnover, profitability, and net worth of the business, while a statistical definition of an SMME will consider the size of the workforce of such a business (Bhorat *et al.*, 2018; De Wet, 2019).

The National Small Business Act 102 of 1996, which is the Act that regulates SMMEs in South Africa, identifies SMMEs based on their size and structure, as well as their contribution to the economy (National Small Business Act 102 of 1996; Berry *et al.*, 2002). SMMEs in South Africa are further classified into five categories. These categories of SMMEs vary based on the number of employees, the annual turnover, and gross assets (excluding fixed property) (Abor & Quartey, 2010; OECD, 2011). The categories that define SMMEs in South Africa are as follows:

- Survivalist enterprises, which have an income that is below the poverty line;
- Micro enterprises, which have a turnover that is less than the value-added tax (VAT) registration limit;
- Very small enterprises, which have a minimum of 10 salary-earning employees who work in the formal market;
- Small enterprises, which employ 50 people or fewer and are more established with an annual turnover that must not be less than R10 million; and

- Medium enterprises, which employ 100 or 200 people with an annual turnover that must not be less than R50 million.

For this study, SMMEs are defined based on their size and structure, as well as their contribution to the economy, according to the National Small Business Act 102 of 1996.

1.9 Theoretical framework

The social capital theory was used in this study as the basis to understand how SMMEs contribute to development in rural areas.

1.9.1 Social capital theory

The social capital theory originated between 1916 and 1920 through the work of Hanifan. Hanifan (1916) emphasised the value of social capital in the perspective of social unity by focusing on the performance of schools that operated in the rural communities of North America (Motsau, 2016). Claridge (2004) indicates that the key source of social capital is Putnam as explained in the publication *“Bowling Alone: The Collapse and Revival of American Community”* (Putnam, 2000). According to Akintimehin *et al.* (2019), the term “social capital” originates from the social network theory, and the importance of the social capital theory stems from the fact that social capital is rooted in relationships at many levels. The application of the social capital theory is aimed at understanding social ties, social interaction, trust, and reciprocity (Pratono, 2018).

The collective or economic benefits of the social capital theory affirm ways of caring and togetherness among individuals and groups (Baron & Markman, 2000; Henrich *et al.*, 2004; Phillips, 2016). Baron and Markman (2000) define social capital as a situation where individuals are involved in and acknowledged and accepted by their community. Terms such as “relations”, “social networks”, “resources”, and “actions” are the main concepts of social capital. The resources that individuals in a group offer provide two angles of viewing social capital (Portes, 2000; Lin, 2001) and these resources can be limited to a group or network (Aguilera, 2009). Coleman (1988:98) defines social capital as different individuals with similar goals and social structures performing some activities together in order to be productive and achieve certain goals (Tzanakis, 2013).

In rural areas where there are socioeconomic challenges, SMMEs need to be innovative and have structures that will help them with decision making (Ndlela & Du Toit, 2001; Clarke & Chandra, 2015; Rivera *et al.*, 2018). The renewed interest in social capital by researchers has shown that there can be improvement in the economy of communities and of the country through social networks (Fafchamps, 2004; Blore, 2015).

1.10 Research methodology

Research methodology is the orderly way that outlines the approach taken to conduct a research project and identifies the methods to be used in it (Igwenagu, 2016). Howell (2013) emphasises that it is about knowing which techniques to use in the research and the processes to follow in a procedure or to attain an objective. Howell (2013) further adds that methodology is a discipline that guides conducting research while empowering the researcher through the methods used. The method to be used in a study should be suitable to the research problem or question(s) and to the nature of the data that must be collected (Igwenagu, 2016). According to Rajasekar *et al.* (2013), methodology includes the research strategy, approach, method, data-collection procedures, and the tools for data collection and data analysis. These aspects are discussed in the following sub-sections.

1.10.1 Research design

According to Akhtar (2016), research design is defined as the research structure that acts as the “glue” that keeps all the elements in a research project together. This is emphasised by Abutabenjeh and Jaradat (2018), who indicate that a research design is a blueprint that guides the research process by laying out how a study will move from the research question(s) to the outcome(s).

This study was qualitative in nature. Qualitative investigation means staying inductively open to the unknown while negotiating and looking for facts to enhance a deeper understanding of social phenomena (Kaczynski *et al.*, 2013). The qualitative research method helps researchers to study social phenomena, situations, and processes that involve people and revealing them from a variety of perspectives (Hazzan & Nutov, 2014). The qualitative research method provides the researcher with a framework for obtaining an in-depth understanding of the research problem from the participants’ perspective. According to Irvine *et al.* (2013) and Kumar (2013), qualitative research can be conducted through a combination of observations, interviews, focus group discussions, and document review. A qualitative study has various research designs that hold the research project together.

The following five types of qualitative research design have been identified: narrative, phenomenological, grounded theory, ethnographic research, and case study research (Kumar, 2014; Barkley, 2017). The research design employed in this study was the case study design, which provides a wealth of information that is easy to understand and interpret, and which further identifies problems and suggests solutions (Abutabenjeh & Jaradat, 2018). According to Yin (2014), the case study can be conducted in four ways, which are exploratory, descriptive, evaluation, and hypothesis testing. This study used a descriptive case study design with the purpose of analysing persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods (Kumar, 2013; Grey, 2014). The descriptive case study design was crucial to generate in-depth understanding and information through the participants of this study to assist to answer the research questions and to achieve the objectives of the study.

1.10.2 Research instrument

The researcher was the instrument of data collection in this qualitative study (Whiteley, 2012; Bahrami *et al.*, 2016). The researcher identified the participants for this study and selected them according to their different levels of participation. The researcher developed an interview schedule for each group of participants, arranged with the participants for suitable dates and times for conducting interviews, and thereafter analysed the data. The researcher developed semi-structured interview schedules that were used for interviews and focus group discussions with the targeted samples. The semi-structured interviews comprised systematised sets of prearranged, open-ended questions (Batmanabane & Kfourri, 2017; Barrett & Twycross, 2018). According to Zull (2016) and Copeland (2017), open-ended questions give participants the opportunity to answer in detail and ensuring that they are comfortable with their answers.

1.10.3 Study population

A study population involves individuals, groups, organisations, products and events, and/or conditions that are to be studied (Welman *et al.*, 2009; Majid, 2018). It incorporates the total collection of all units of analysis about which specific conclusion are be made by the researcher.

The target population for this study comprised the following categories:

- Government officials from the Matatiele Local Municipality, the SEDA and DRDLR provincial offices in the Eastern Cape, and DSBD and DRDLR national government offices that provide support to SMMEs.
- Committee members of Matatiele Business Chamber, whose role is advocacy and lobbying for SMMEs in Matatiele Local Municipality.
- SMME owners in the geographical area of Matatiele Local Municipality operating in the agriculture, manufacturing, and service sectors.
- Employees of SMMEs in the Matatiele Local Municipality.
- Customers/clients of the SMMEs in the Matatiele Local Municipality, with the focus on local school principals.

The researcher identified individuals from the targeted population who could provide in-depth data that would help to answer the research question and achieve the objectives of the study.

1.10.4 Data-collection methods

The main objective of data collection for this study was to obtain information about the contribution of SMMEs to rural development in the Matatiele Local Municipality. The methods of collecting data that were utilised in this qualitative research study were interviews, focus group discussions, and document analysis. This study gathered data using primary and secondary data sources. The sources

of primary data for this study were face-to-face focus group discussions and individual interviews with SMME owners, employees, and customers in the Matatiele Local Municipality. The data were also triangulated. The purpose of the triangulation was to validate the information gathered from the focus group discussions with SMME owners by conducting individual interviews with a few of the same SMME owners. Triangulation, according to Heale and Forbes (2013) and Noble and Heale (2019), is when a researcher uses various methods of enquiry within a single phenomenon in a study. The main aim of using triangulation in this study was to increase the validity of the findings through confirmation by two or more participants.

The researcher furthermore conducted individual interviews with government officials from national, provincial, and local municipality and government level who provide support to SMMEs; an individual interview with one member of the Matatiele Business Chamber; individual interviews with employees from SMMEs; and focus group discussions with clients or customers who purchase goods and services from SMMEs.

Bless *et al.* (2013) describe secondary research as a process where the researcher uses data that had been collected for some other reason or purpose to answer the research question(s). The secondary data were collected from policies, operational plans, strategies, reports, guidelines, published articles, and legislation on SMMEs. These documents were requested from officials from all three spheres of government. The researcher used both primary data and secondary data as a triangulation method to validate the first-hand information gathered from the participants with the information contained in reports and published articles on SMMEs. Triangulation is used when more than one method of data collection (such as interviews and document analysis) are applied to the same topic (Joslin & Müller, 2016; Caillaud & Flick, 2017; Lang & Fink, 2018).

1.10.5 Sampling techniques and sample size

Non-probability sampling methods were used to collect the data needed for this study. Non-probability sampling is a technique that uses non-randomised methods to draw a sample as it involves judgment of samples by selecting participants that are easily accessible (Showkat & Parveen, 2017). Surbhi (2016) defines non-probability sampling as a method of sampling whereby individuals from the population do not know who will be selected as the sample. According to Vehovar *et al.* (2016) and Showkat and Parveen (2017), non-probability sampling uses techniques such as purposive sampling, convenience sampling, quota sampling, and snowball sampling. The sample size for this study comprised 91 participants who were categorised as follows:

Table 1.1: Sample and sample size

Category	Sector	Sample
SMME owners	Agriculture	10

	Manufacturing	10
	Services	13
SMME employees	Agriculture	10
	Manufacturing	8
	Services	6
SMME beneficiaries	Agriculture	10
	Manufacturing	8
	Services	6
Government officials	Local	3
	Provincial (Eastern Cape)	3
	National	3
Matatiele Business Chamber	Local	1
Total	-	91

Source: Author

The researcher conducted focus group discussions with 33 SMME owners, who were purposively selected through quota sampling and organised into three groups. The researcher purposively selected 24 SMME employees, who were interviewed individually through semi-structured interviews. The intention was to understand whether there have been any changes in their lifestyle since being employed by an SMME and what challenges they encountered at work that affected their lifestyles. The researcher further purposively conducted focus group discussions with 24 beneficiaries who purchased from SMMEs with the aim of understanding how they benefitted from rural SMMEs. Purposive sampling was utilised to select nine individual government officials at national, provincial, and local level as key informants who facilitate the provision of financial and non-financial support to SMMEs. Among them were local economic development (LED) officers who work with SMMEs since they were able to provide insight into how SMMEs in the Matatiele Local Municipality are expected to contribute to the alleviation of poverty and unemployment in the rural areas of the municipality.

1.10.6 Data analysis

Data analysis provides a summary of collected data (Peersman, 2014; Belotto, 2018). Male (2016) indicates that data analysis effectively starts when data collection is completed. According to Cohen *et al.* (2011), data analysis is a way of making sense of data in terms of the participants' definitions of a situation and noting patterns, themes, categories, and regularities. Data can be analysed statistically in quantitative research and thematically in qualitative research. Thematic analysis, according to Braun and Clarke (2006), is the process of categorising themes within qualitative data while providing core skills that are useful for conducting analysis. The researcher used thematic analysis for the data analysis of this study. The main aim of thematic analysis in this study was to identify themes or important patterns in the data and to utilise them to answer the research questions and achieve the objectives of

the study. Thematic analysis was conducted by firstly obtaining a professional transcriber who transcribed the recorded data into transcripts. Thereafter, the data were coded by the researcher along with a co-coder. Coding was undertaken by reading the transcripts several times while also listening to the recordings until similar data were identified from the various transcripts. The similar data were divided into themes and sub-themes. The themes were reviewed and clearly defined before the data were analysed logically and meaningfully.

1.10.7 Ethical considerations

The researcher applied for ethical clearance from the Ethics Committee for Basic and Social Sciences (BaSSREC) of the North-West University (see Appendix 4). After the ethics approval had been granted, the researcher proceeded with data collection. The researcher considered the Belmont Report on ethical principles for human rights before beginning the research project, as suggested by Cseko and Tremaine (2013). The researcher applied the three basic ethics of research that involves human subjects in this study, namely the principles of (a) respect of persons, (b) beneficence, and (c) justice (Yun *et al.*, 2013; Yin, 2014). This researcher further adopted the following ethical issues emphasised by Yin (2014):

- Informed consent: The participants signed an informed consent form after simple yet in-depth information about the study was shared with them so that they could decide whether to participate or decline before being interviewed.
- Protection from harm: The participants were not physically, emotionally, or psychologically exposed to risks that were greater than their normal day-to-day living. The study was conducted when the country was immensely affected by the COVID-19 pandemic and COVID-19 protocols were therefore observed during each meeting with the participants.
- Right to privacy: The confidentiality of the information was discussed before the interviews and focus group discussions were conducted and the participants were guaranteed that the information they provided would only be used for the purpose of producing research results.
- Honesty: The participants' responses were audio recorded in order to be reported in a complete and honest manner and without misunderstanding or misrepresenting their responses.
- Appointments for interviews: The participants were contacted before interviews could take place in order to agree on a date, venue, and time to conduct the interviews.
- Anonymity: The participants' names were not disclosed in the study.
- Ethical clearance: The researcher conducted the study after receiving approval from the BaSSREC of the North-West University.

- Recordings: The researcher requested the participants' permission to allow her to record the discussions/interviews and assured them that the recordings would only be used for analysing data and gaining clarity from the notes taken during the field study.

1.11 Structure of the thesis

Chapter 1 provided an overview of the entire thesis and study and outlined the overall approach that the researcher followed to conduct the study.

Chapter 2 examines the body of knowledge regarding the subject under investigation. It also discusses the theoretical framework utilised for the study.

Chapter 3 focuses on the strategy that was followed to conduct this study and the research design that was utilised.

Chapter 4 explains the socioeconomic background against which the study was conducted.

Chapter 5 presents the findings of the study. Data were processed, presented, and analysed in the form of a report based on the responses to the questions that were asked during the interviews and focus group discussions.

Chapter 6 is the final chapter that presents a summary of the study, as well as recommendations, including recommendations for further research.

CHAPTER 2

REVIEW OF RELATED LITERATURE

2.1 Introduction

SMMEs are regarded globally as engines of growth and employment, in both high-income and developing countries (Parth *et al.*, 2013; OECD, 2017b). In developed countries, SMMEs are innovative and export their products to other countries and thus grow because of better access to markets in and outside their countries. SMMEs that export grow and sustain themselves while increasing their production and employees. SMMEs are also thought to be drivers of new growth and innovation (Parth *et al.*, 2013; Bhorat *et al.*, 2018). Innovation is vital since it enhances the competitiveness of SMMEs, while increasing the competency of their managers (Szczepańska-Woszczyzna, 2014; Nafula, 2017).

Unlike developed countries, most developing countries are facing various socioeconomic challenges that, among others, hinder the growth of SMMEs. Although in most African countries SMMEs are the drivers of the economy, limited attention is paid by government policies and researchers to help improve the innovativeness and export capacity of SMMEs (European Commission, 2018). There is a lack of advisers and support from both the government and private sector and lack of recognition for their contribution to poverty alleviation and job creation in especially rural areas (Alila, 1996; Phillipson *et al.*, 2019).

Landzani (2010) notes that rural SMMEs in Southern Africa have equally been neglected since there are neither strategies nor support programmes that focus on ways to improve their impact on the economy. Nevertheless, the prevailing point of view on SMMEs is that they can contribute to economic growth, especially in developing countries (World Bank, 2010b; Musamali & Tarus, 2013; Rungani & Potgieter, 2018). It is against this background that this chapter defines SMMEs and discusses SMMEs in terms of development, the objectives of rural development, the contribution of SMMEs to rural development, and SMME success factors and constraints. Lastly, the chapter discusses the theoretical framework of the study, which is the social capital theory. The intention is to highlight its key aspects that the researcher applied to analyse the findings of the study.

2.2 Defining SMMEs

The definition of SMMEs varies from country to country as it is determined by the legal framework and/or regulations of each country (Parth *et al.*, 2013). Authors have noted that there is no single valid definition of an SMME (Omar *et al.*, 2009; Herr & Nettekoven, 2017). According to Nwankwo and Gbadamosi (2011), the abbreviation “SME” (small and medium enterprises) is commonly used in the

European Union (EU) and by international organisations such as the World Bank, the United Nations, and the World Trade Organization.

In the United States of America (USA), the term “small and medium businesses” (SMBs) is mainly used to identify small enterprises. This is different than in India, as mentioned by Das (2017), who explains that India uses the concept “micro and small enterprises” (MSEs), while in South Africa, “SMMEs” is used to refer to small enterprises (National Small Business Act 102 of 1996). Other African countries such as Ghana and Nigeria use the abbreviation SME to refer to small and medium enterprises (Abbrey *et al.*, 2015). These concepts or abbreviations refer to the same class of businesses and can be used interchangeably (Berisha & Pula, 2015). This study adopted the abbreviation SMME as captured in the South African National Small Business Act 102 of 1996, since this study was conducted in South Africa.

The first report that attempted to define SMMEs using quantitative and qualitative criteria was the Bolton Report of 1971 (Carter & Jones-Evans, cited by Hassan & Mohamed, 2015). Since the compilation of the above report, academics, policymakers, international institutions, and statistical agencies generally use quantitative and qualitative criteria to define SMMEs (Berisha & Pula, 2015). This is supported by Chimucheka (2013), who indicates that the guiding principles in the National Small Business Act 102 of 1996 established that SMMEs can be defined in both qualitative and quantitative terms.

The quantitative criterion is based on the number of employees in large and small businesses, their annual turnover, and assets (European Commission, cited by Berisha & Pula, 2015). While the EU uses the criteria of annual turnover and balance sheet total, the World Bank uses the criteria of total assets and total annual sales. This means that the lower the number of employees, the smaller the business is, but the higher the number of employees, the larger the business is (Hatten, 2011). Table 2.1 shows how different countries use quantitative criteria to define SMMEs by focusing on the number of employees in an enterprise.

Table 2.1: Distribution of firms by number of employees in different countries

Countries	Micro	Small	Medium	SME	Large
EU countries, Iceland, Norway, and Switzerland	1-9	10-49	50-249	1-249	250+
Australia	0-9	10-49	50-199	0-199	200+

Canada	0-9	10-49	50-199	0-499	500+
Japan	4-9	10-49	50-249	1-249	250+
South Korea	5-9	10-49	50-199	5-199	200+
Mexico	0-10	11-50	51-250	1-250	251+
New Zealand	1-9	10-49	50-99	0-99	100+
Turkey	1-19	20-49	50-249	1-249	250+
USA	1-9	10-99	100-499	1-499	500+
South Africa	1-4	21-49	100-199	1-199	200+

Source: OECD (cited by Berisha & Pula, 2015)

Berisha and Pula (2015) explain the qualitative definition of SMMEs to be management of the business by its owner(s) in a personalised manner, as compared to a form of management that is more professionalised in larger enterprises. Ramadani (2011) views the qualitative definition of SMMEs to be based on management independence of acting, market where it operates, capital ownership. This means that the company's management must be independently owned in the SMMEs and the capital must be in the ownership of the owner or a small group. There are similarities in the qualitative definition of SMMEs by Berisha and Pula (2015), on the one hand, and Ramadani (2011), on the other. It lies in the fact that in both cases it focuses on management that is personalised. However, there is also a difference which is reflected in that Ramadani (2011) adds markets where the business operates and the independent managements that owns its own capital. Bolton (cited by Stokes & Wilson, 2010), Aigbavboa and Thwala (2014), and Berisha and Pula (2015) explain the importance of defining SMMEs. Firstly, they note that it helps in the preparation of statistics and monitoring the lifecycle of SMMEs over time. Secondly, it also helps in benchmarking against other economies and between regions within an economy. Lastly, it provides thresholds for tax obligations or other regulatory requirements in determining eligibility for forms of public support.

2.3 SMMEs in development

Akugri *et al.* (2015) confirm that SMMEs globally are tools for empowering citizens and for economic growth in any particular country. SMMEs are seen to play a critical role in absorbing labour, penetrating new markets, and generally expanding economies in creative and innovative ways (Matela, 2013). Furthermore, they promote competitiveness as they are innovative by bringing new products to the markets (Robu, 2013). Researchers such as Akugri *et al.* (2015) and Goto and Negash (2016) view SMMEs as a solution to many socioeconomic problems and as the driving force for a large number of innovations since they are known to contribute to the growth of the national economy through employment creation, poverty reduction, investments, and exports. Similarly, Goto and Negash (2016) view SMMEs as drivers of accelerated growth and rapid industrialisation. Section 2.3.1 focuses on the

contribution of SMMEs to socioeconomic development in developed countries and Section 2.3.2 discusses the role of SMMEs in developing countries.

2.3.1 SMMEs in developed countries

The World Population Review (WPR, 2019) defines developed countries as independent states that have a developed economy, technologically advanced infrastructure, a high Human Development Index (HDI), political stability, a high GDP, and high levels of industrialisation. Sawe (2018) adds to the definition by including income per capita and high living standards of the general population as other factors that determine developed countries. Developed countries have the service sector as a dominant activity, rather than industrialisation, and there is less dependence on agriculture (WPR, 2019).

There is more income from international trade due to the increased export of goods compared to imports. The high income contributes to high standards of living for the citizens and ensures a further increase in the economic development of the country (Ravenelle, 2017; WPR, 2019). In developed countries, big companies view SMMEs as their past and future competitors, while individuals in developed countries view SMMEs as their first jobs, their first step in their careers, and their first step into the world of entrepreneurship (McCourtie, 2013).

SMMEs in Europe are innovative as they address challenges of climate change, they provide employment, train low-skilled workers in all sectors, and improve the welfare of people in rural areas (European Commission, 2020a). In Europe, there were 23 million SMMEs in 2015 that generated €3.9 trillion in value added and employed 90 million people (European Commission, 2016a). There were approximately 25 million SMMEs in EU countries that created 67% of the jobs for local people (Briozzo & Riportella, cited by Karadag, 2016). European countries have reduced regulatory burdens and improved market access to ensure that SMMEs are able to export to other member states (Karadag, 2016; European Commission, 2020a).

Researchers such as Forsman (2011) and McKeever *et al.* (2014) agree that for prolonged economic growth and improved standards of living for people, SMMEs require a conducive environment to allow the owners to explore their skills and grow their businesses. Germany is an example of a developed country where SMMEs play a major role in the economy. In Germany, SMMEs not only provide employment but are also a source of innovation and increased productivity (Herr & Nettekoven, 2017). Schumpeter (cited by Herr & Nettekoven, 2017) explains that innovative SMMEs are those that can create a new combination of production factors.

They introduce new goods or improve the quality of existing goods. In a survey that was conducted in 2016, it was discovered that the mission of 46% of start-up SMMEs in Germany was to be innovative and marketable businesses (Herr & Nettekoven, 2017). In 2015, 99.6% of firms in Germany were SMMEs. These SMMEs created 58.5% of jobs and contributed 54.9% of net value added (Institut für Mittelstandsforschung Bonn, 2016). When comparing SMMEs in all developed countries, Germany's SMMEs were ranked top of the list due to their innovativeness, employment creation, export capacity, and the value they add to production (Herr & Nettekoven, 2017).

According to Gereffi and Lee (2016), SMMEs that contribute to economic and social upgrading in Germany are those that are innovative in encouraging staff to increase the value of the product or service. Innovative SMMEs therefore focus on product upgrading (i.e., making an old product better or more innovative or creating a new product), process upgrading (using new technologies or organisations), functional upgrading (shifting or extending the position in the value chain to more skilled activities), and intersectoral upgrading (by extending the position to new sectors using the skills acquired in the previous sector) (Giuliani *et al.*, 2005; Gereffi & Lee, 2016).

This scenario can be illustrated by using as an example a restaurant that could improve its dishes and the surroundings of the restaurant (product upgrading), using technology to make improved dishes by empowering the employees (process upgrading), developing a website to market itself (functional upgrading), and inviting musicians and art performers to entertain the clients (intersectoral upgrading) (Gereffi & Lee, 2016). In Germany, the income of employees varies per sector. The annual average income of skilled manual employees in the industry and construction sectors of small enterprises was €37 995, while a skilled manual employee in the service sector earned €30 494 in 2014. The annual average income of employees in medium-sized enterprises was €37 026 in 2014, which compared well to the annual average income of employees in large companies, which was €37 385 (Eurostat, 2017).

The example above shows that the wages of SMME employees in developed countries can be compared with the wages of employees in large companies. SMMEs are fundamental for the economic growth of Germany due to their innovativeness, competitiveness, and their resilience against global crises, and they reduce poverty while balancing the income inequality throughout the country (Herr & Nettekoven, 2017).

Germany is dominated by SMMEs in the service sector, which account for high levels of employment (Kamange *et al.*, 2014). The most dominating service sector is retail and wholesale, including online shopping, followed by professional services, which include financial services, consultation, travel

agents, and business services (Clark, 2021). The other service sectors for SMMEs are media, communication, art, entertainment, personal services, manufacturing, healthcare, accommodation, restaurants, real estate, and construction (Clark, 2021).

The above information demonstrates that SMMEs in developed countries contribute to the economic growth of the countries, create many jobs, and that the employees receive competitive salaries that reduce income inequality. This is caused by innovative people who create new ideas to improve their enterprises and a conducive environment that allows SMMEs to grow (Mpsa, 2016).

2.3.2 SMMEs in developing countries

As indicated above, SMMEs are generally viewed as being crucial for national economic growth in developed countries. This also is true of SMMEs in developing countries. In Africa, for instance, SMMEs are regarded as a vital tool for attaining the National Development Goals (NDGs), such as poverty reduction, employment creation, and the growth of the economy (Bocken, 2015; Tonis, 2015). According to Katau (2014), there is a relationship between high unemployment and increased poverty, and SMMEs contribute to an improved standard of living and the economic wellbeing of communities in a country.

According to Parth *et al.* (2013), in developing countries such as India, Pakistan, Sri Lanka, and Brazil, SMMEs comprise over 90% of total enterprises and contribute to increased growth in employment and industrial production for export. Similarly, in South Korea, SMMEs are the pillars of economic growth as they create jobs for local communities (Kim *et al.*, 2018). In 2014, there were 3.54 million SMMEs, of which 99.9% employed 87.9% of the people in employment in South Korea (Korean Small and Medium Business Administration, 2015). SMMEs in the manufacturing sector create high employment in South Korea (Parth *et al.*, 2013). The SMMEs that are in the sector of information technology (IT) and biotechnology also create more jobs since there is high innovation and competitiveness in the sector (Science and Technology Policy Institute, 2014). Economic growth in developing countries such as South Korea, Thailand, and many others is significantly generated by SMME activities (The Bank of Korea, 2013).

Goto and Negash (2016) indicate that Asian countries such as India, Indonesia, China, Malaysia, and Japan (which is not classified as a developing country) have successful SMMEs that contribute between 70% and 90% to employment and 40% to the GDP in each country. Approximately 90% of SMMEs in Japan contribute to economic growth and the major sectors are manufacturing, commerce, and service sectors (Goto & Negash, 2016). Current indications show that SMMEs contribute 32% to

the GDP, 58.4% to employment opportunities, and 19% to export in Malaysia (Malaysia, 2015; Katau, 2014). In 2010, the SMMEs in Malaysia contributed 76% of sales in both agricultural and non-agricultural sectors, which was the best performance ever recorded (Madanchian *et al.*, 2016; Chin & Lim, 2018). However, Goto and Negash (2016) state that in African countries such as South Africa, Egypt, Nigeria, and Kenya, SMMEs contribute 70% to employment and 40% to the GDP, while only contributing 4% to export earnings. This situation shows that these African countries still depend on SMMEs for their economic growth, job creation, and poverty reduction.

Tanzania's SMME Development Policy Review of 2003 noted that there were approximately three million SMMEs employing more than 5.2 million people; 45% of whom were in urban and peri-urban areas and 5% in rural areas (Gamba, 2016). These SMMEs contributed 62% to the GDP in 1991, which decreased to 43.6% in 2005 and to 39.7% in 2010 (Gamba, 2016). The SMMEs in Tanzania are labour intensive. The SMMEs that create employment also provide training for the youth in entrepreneurship and management (United Republic of Tanzania, 2003). SMMEs in Tanzania allow value chain development while creating employment (Gamba, 2019).

SMMEs in developing countries, especially in Africa, contribute to economic development although they need to be empowered to be innovative so that they will be able to export their products to other countries. Innovations will sustain the SMMEs and increase their production. An increase in production will therefore result in the growth of SMMEs and the creation of more jobs.

2.4 Rural development: Challenges, objectives, and approaches

Rural development is defined as the procedure of refining the value of life and economic wellbeing of people living in relatively remote and sparsely populated areas (Oboniye, 2013; Brauer & Dymitrow, 2014). Kapur (2019) defines rural development as developing human life socially, culturally, religiously, politically, and economically. Another definition of rural development is the general definition by the World Bank: "Rural development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need" (cited by Chambers, 2013:147). This study attempted to understand the role played by SMMEs in addressing socioeconomic development in the predominantly rural municipality of Matatiele in the Eastern Cape, South Africa.

2.4.1 Challenges in rural development

Approximately 92% of developing countries' populations live in rural areas and more than 60% of these rural people live below US\$2 per person per day (Dahlman, 2015). As mentioned by Suttie

(2015), approximately 736 million people worldwide live in extreme poverty and there are various factors that cause them to live in poverty. A reduction in the overall population and working age caused by natural death or migration to urban areas, the poor state of infrastructure, low income, and lack of alternatives to agriculture, accompanied by low economic productivity, are some of these factors (Hoynes, 2012; Tomashuk, 2017).

Roseland (2000) suggests that poverty in rural areas can be caused by environmental degradation since poor people lack the funds to purchase other sources of heat and are compelled to collect firewood, which results in deforestation. It is for this reason that Van Schalkwyk (2015) suggests that addressing the economic aspects of sustainability will impact positively on the environment. Equally, Nwokoro and Chima (2017) maintain that addressing the problems of environmental degradation will help to release the untapped potential of natural resources in rural areas.

Socioeconomic challenges compel rural residents to move to urban sites with the hope of finding employment and because of promises of access to superior amenities and infrastructural services (such as electricity, piped water, and transport links) and higher-quality social services such as schooling and public healthcare that are often not available in rural areas (Daniels *et al.*, 2013; Van Schalkwyk, 2015). However, urbanisation has separated families in rural areas since parents often have to leave children with their grandparents or other family to look for jobs in urban areas (Bennett *et al.*, 2014; Hall & Sambu, 2016). Families left behind in rural areas continue to encounter major economic challenges since most of them are unemployed and have lower incomes than those living in cities (Grgić *et al.*, 2010).

To address the above challenges of rural-urban migration, the International Labour Organization (ILO, 2011) suggests that closer business links between farmers, agro-processors, exporters, traders, and retailers can provide significant potential for improved and increased employment and economic returns for rural producers.

2.4.2 Objectives and approaches to rural development

The basic objective of rural development is to organise, develop, and utilise the available resources of land, water, and people in such a manner that rural communities have an equal opportunity to fulfil their basic needs, such as food, housing, health, transport, education, and employment, and to reduce the poverty level and increase the per capita income, among others (Egbe, 2014; Kapur, 2019). Rural development focuses on both economic development and development of human life, which includes social, cultural, religious, political, and economic development (Kapur, 2019). The idea behind rural

development is to improve the living standards of the rural poor by reducing poverty, unemployment, and food insecurity (Lea & Chaudhri, 1983; Dixon, 1990; Rantšo, 2015). The above economic and social problems must be solved through different rural development strategies, including an increase in agricultural productivity (Rantšo, 2015). From 2000 onwards, rural development in Africa became focused on agriculture as it used the Comprehensive Africa Agricultural Development Programme, which was geared towards achieving food security and economic growth in rural areas. Maghirang *et al.* (2020) posit that agriculture or even small-scale farming cannot be sustainable if there is insufficient technological knowledge, supporting institutions, and proper management.

2.4.3 The contribution of SMMEs to rural development

The World Bank Review on small business activities shows the commitment of the World Bank Group in the development of the SMMEs, as an essential part of its strategy to enhance economic growth, employment and poverty alleviation (Ayyagari, Beck & Demirguc-Kunt 2007). This happens within the context of an increasing challenge of economic meltdown, unemployment and poverty in rural areas of developing countries; where SMMEs will be tools to address these challenges. It is also significant to note that there is a mutual understanding that 32 out of the 42 countries titled by the World Bank as the poorest in the world are in Sub-Sahara Africa (Abisuga-Oyekunle, Patra and Muchie, 2019).

2.4.3.1. Contribution of SMMEs to economic growth

SMMEs are vitally important for economic health, in both high-income and low-income economies, worldwide (Rogerson & Masutha, 2014). The importance of SMEs to social and economic development in Africa is almost undisputed (Austin, 2020). This means that there must be desirable strategies and policy objectives that focus on sustainable economic development in the rural areas, by offering individuals and households options to improve their livelihood security through access to alternative income-generating activities (Anane *et al.*, 2013; Goto and Negash, 2016). As Rogerson (2004); Malefane (2013) and Rogerson & Masutha (2014) indicate a breakthrough in policy development for South Africa's economy originated from the *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*, which launched new directions for supporting SMMEs (Department of Trade and Industry, 1995). Phillipson *et al.* (2011:6) stress that the Natural Environment White Paper indicates that a "healthy, properly functioning natural environment is the foundation of sustained economic growth, prospering communities and personal wellbeing" and that "ecosystem services are critical to our economy and society".

From 1995 national government began to roll out a set of policy initiatives and institutions which were targeted to support the SMME economy based on international 'best practice' (Rogerson, 2004; Malefane, 2013; Rahayu and Dey, 2015). It has been suggested that if effective strategies are implemented in rural areas, they can harness the full potential of SMMEs, which can result in balanced economic growth (Serwicka & Swinney, 2016). The OECD (2012) further promotes support for SMMEs in the rural areas of developing countries because they contributed to national economic growth accounting for up to 43% between 1995 and 2007 measured as aggregate growth across OECD countries. Rural SMMEs play a vital role in economic growth since they increase the income generation of SMME owners while reducing poverty. Developing countries with many SMMEs in the rural areas have equitable distribution of income and wealth, and such countries have reduced economic disparities (Mmbengwa *et al.*, 2013; Kreditanstalt Für Wiederaufbau, 2018).

There is vital statistical relationship between SMMEs effectiveness and sale-based performance, profitability, growth, productivity, level of sales revenue, market share of products and services, and product added values (Chowdhury. 2017; Ewubare and Osuji, 2021). In Kenya SMMEs have contributed significantly to the growth of Kenya's economy accounting to 12% to 14% total GDP. Agwu & Emeti, (2014) and Amoah & Amoah (2018), state that SMMEs development contributed to increase in GDP, increase in export earnings and employment generation. Above that, (Leutkenhorst cited by Ewubare and Osuji, 2021), orated that SMMEs of various countries are well known for contribution to economic growth and development.

2.4.3.2. *Contribution of SMMEs to poverty reduction*

Poverty reduction of any country can contribute grossly to the improvement of people's lives and economic growth of the country (Sokoto & Abdullahi, 2013; Mamman, Kanu, Alharbi & Baydoun. 2015). This requires industrialization where micro and small enterprise comes into the focus as one of the packages and instruments to help accelerate socio-economic progress and then the overall reduction of poverty of the nation (Geremewe,2018). Researchers such as Aremu and Adeyemi (2011) Sokoto and Abdullahi (2013) and Mamman et al. (2015) have attempted to examine the role of SMEs in poverty reduction and employment creation. The International Finance Corporation (IFC, 2012) and Matebesi (2019) emphasise that the role of SMMEs has been recognized as important by every nation around the world in poverty reduction and sustainable economic growth.

Moreover, SMME owners tend to show greater resilience in the face of recessions by holding on to their businesses, as they are prepared to temporarily accept lower compensation. For example, SMMEs

in China had helped nearly 200 million people escape from extreme poverty as a result of the economic reform in 1979 (Ministry of Economic Affairs, 1997; World Bank Group 2004). In sub-Saharan Africa, SMMEs in rural areas are considered vital tools for achieving NDGs such as poverty alleviation and economic growth (Akugri *et al.*, 2015). According to World Bank (2003) report SMEs are the engine of growth, essential for a competitive and efficient market, critical for poverty reduction and play a particularly important role in developing countries.

SMMEs can provide nutritious food that is accessible and affordable to the low-income customers to reduce malnutrition which is a challenge in African countries (Ewubare and Osuji, 2021). Ojo (2003), the World Bank (2010b), and Fowowe (2018) stress that SMMEs create opportunities for income generation and the empowerment of people, especially in rural areas. The establishment of non-agricultural SMMEs in rural areas contributes to the diversification of sources of income (Meijerink & Roza, 2007, cited by Anane *et al.*, 2013; Rantšo, 2016; Rudnicki *et al.*, 2018).

2.4.3.3. Contribution of SMMEs to employment creation

In 2016, over half a million rural SMMEs were registered in the rural areas of England. These SMMEs employed 3.5 million people and contributed at least £246 billion to the national gross value added (GVA) (Defra, 2018). Approximately 3.7% of people are self-employed in the rural areas of England, compared to 0.8% of people who are self-employed in the urban areas of England. The rural SMMEs in England employ 28.6% of local people, compared to 19.2% of local people employed in urban areas (Defra, 2018). SMMEs are critical for development especially in the rural areas of developing countries because they promote employment.

It has been argued that individually SMMEs, because of their size, can only make a minor contribution to the economy. However, because there are so many SMMEs, their collective contribution can be substantial (Woldie, Leighton & Adesua, 2008). In 2014, 22.3 million SMMEs were active in the non-financial business sector across the EU28. The non-financial business sector consists of all sectors of the economies of the EU28 or Member States, except for financial services, government services, education, health, arts and culture, agriculture, forestry, and fishing. SMMEs account for 99.8% of all enterprises in this sector (Annual European Report, 2014/15).

In England, rural SMMEs provide jobs and community services such as environmental cleanliness through waste management and charity to the local people (Bosworth, 2012; Her Majesty's Government, 2017; Bosworth & Turner, 2018). Rural SMMEs in England are often established by young families who were attracted by rural life. They support local services and establish SMMEs that

attract tourists, who seek to enjoy the semi-natural and cultural assets of rural areas. These young families employ older migrants that have greater experience and who were often directors and managers of urban SMMEs (Atterton, 2007; Atterton & Affleck, 2010; Phillipson *et al.*, 2011).

It has been noted that about 99% of firms in Sub-Sahara are SMMEs (Fjose, Grunfeld, and Green :2010). SMMEs play an important role not only in developed countries but also in developing economies since they are the key generators of employment, income and integration, and are drivers of innovation. Furthermore, available data from some African countries show that in 2003 SMMEs in Kenya employed 3.2 million people and accounted for 18 percent of the national GDP. In Nigeria, SMEs account for 95 percent of formal manufacturing activity and 70 percent of industrial jobs. In South Africa micro and small firms provided more than 55 percent of total employment and 22 percent of GDP in 2003 (OECD, 2005).

It is important to know that rural SMMEs can provide wealth, improve the economy, and create jobs through businesses such as manufacturing (agro-processing) and switching from cash crop cultivation to commodity trading, especially in circumstances such as agricultural off-seasons (Davis, 2006).

2.4.4 SMME success factors and constraints

The success factors of a business may be viewed differently by various researchers (Chawla *et al.*, 2010; Simpson *et al.*, 2012; Halabi & Lussier, 2014). This is also emphasised by Philip (2010) and Islam *et al.* (2011), who state that there is no consensus on the definition of business success because of the different interpretations it has. Islam *et al.* (2011) mention that business success can be categorised into financial and non-financial forms, as well as short-term and long- term success.

Rogoff *et al.* (2004), Kader *et al.* (2009), and Uddin and Kanti (2013) posit that the success of SMMEs depends on several multidimensional aspects, of which some are internal, and others are external. Uddin and Kanti (2013) believe that both internal factors and external factors are important for SMMEs to be successful since the absence of one factor can compromise a business. Internal factors refer to issues such as human resources and business practices (Katou & Budhwar, 2010; Arend, 2014), SMME networks (Kregar *et al.*, 2019), product quality, process, and marketing innovation (Altuntas *et al.*, 2018), leadership style (Suriyankietkaew & Avery, 2016), planning and strategy (Leitner & Guldenberg, 2010), market orientation and planning flexibility, ownership involvement, and intellectual capital (Omerzel & Jurdana, 2016).

One could say internal factors are matters that are within the control of the business owner. Foreman-Peck (2013) notes factors that are beyond the control of the owner, such as economic factors, inflation, and interest and exchange rates, which are external factors. Leković and Marić (2001) view

business success in terms of economic or monetary measures such as assets, sales, profit, number of employees, and survival rates, while non-monetary measures are customer satisfaction, personal development, and personal achievements. This is supported by Gupta and Muita (2013), who indicate that business success can be non-financial and financial. According to Bauer (2011), the non-financial success of a business can include factors such as feeling happy, satisfied customers, and good customer service, while financial success includes the growth of the firm, turnover, profits, market share, total assets, profitability and increased number of employees (Geneste & Weber, 2011).

Although there are factors that cause SMMEs to be sustainable and viable, there are various challenges that hinder the growth and sustainability of SMMEs (Mnisi & Rankhumise, 2015; Mothoni & Ibrahim, 2016). Chimucheka and Mandipaka (2015) indicate that various studies have revealed that SMMEs in developing countries encounter similar challenges to SMMEs in developed countries. They further state that the difference in the challenges encountered by SMMEs in developed and developed countries is the fact that the magnitude of their differences weighs more negatively for developing countries.

The success factors and constraints that affect SMMEs' growth and survival that are discussed in the following sub-sections are those identified by Hove and Tarisai (2013), which are common among SMMEs in developing countries, namely a business plan, innovation, networking, human capital, and access to finance.

2.4.4.1 A business plan

According to Castrogiovanni (cited by Van Aardt *et al.*, 2008) and Abbrey *et al.* (2015), new businesses must be planned prior to their establishment, which can be done by developing a formal plan that will show step by step how the business will operate to achieve its goals. Abbrey *et al.* (2015:35) indicate that “failing to plan is planning to fail”. Van Auken and Sexton (1985) established that 20% of unplanned businesses failed within three years. This demonstrates that a business plan is important since it provides information about the growth of the business and its plans to achieve growth.

The business plan represents “a nuts-and-bolts document” that reveals what the business owner is prepared to do from day one of operating the business (Ven *et al.*, cited by Abbrey *et al.*, 2015:44). Kuratko (2013) further emphasises that the business plan is a layout of intention and strategy that will be used by the business owner to enter the existing market and expand the business. It is not different from any other plan, except that it is business focused and that it becomes a formal statement of intent

of economic activity for a business. Terms such as strategic plans, investment plans, expansion plans, operational plans, annual plans, internal plans, growth plans, product plans, feasibility plans, and many other terms are used synonymously for business plans (Berry, 2015).

The business plan can be used to determine the chances of business success, to raise capital, and as a schedule for business start-up and growth (Van Aardt *et al.*, 2008). The business owner will be able to determine whether the business will be sustainable or not and the risks that can be encountered before and after the business is established. Business owners can use their business plan to source funding from various funding institutions. Financial institutions would generally not even consider providing finance to SMMEs that do not have a well-reasoned business plan (Van Aardt *et al.*, cited by Chimucheka, 2013).

An SMME without a business plan is comparable to an airplane without a flight plan because it will lack direction. No institution will be willing to fund a business that does not have a sound business plan. A business plan is not only important at start up or when sourcing funds. Even after the business has been started, the business plan plays an important role as a managerial tool (Van Aardt *et al.*, 2008). According to Nieman and Nieuwenhuizen (2009), the reasons for compiling a business plan are that it can be used to obtain funding, to serve as a guiding map, and it can be used as a tool to reduce risk.

A business plan therefore forms the basis of the short- and long-term goals to be achieved. The business plan further communicates the vision and mission of the owner(s) to the employees and customers. It therefore requires the involvement, dedication, and focus of both the employer and employees for its sustainability. Businesses with a plan have the potential to grow and contribute to the economic growth of their country (Longenecker *et al.*, 2014).

Gunther and Menzel (2012) emphasise that the major challenge faced by SMMEs is that they fail to engage in strategic planning, which is seen as a major tool for the survival of SMMEs (Karabut & Efendioglu, 2010; Herath & Mahmood, 2013; Kee-Luen *et al.*, 2013; Sandada, 2015). Failure to plan hinders SMMEs' growth while they also struggle to improve their performance, which will result in their ultimate collapse. Strategic planning assists SMMEs to anticipate future challenges and opportunities, especially if they have a long-term focus (Volberda *et al.*, 2010).

2.4.4.2 Innovation

Innovation is defined as successful exploitation of creative ideas and is viewed as a driver of SMME competitiveness and economic development (Gailhard & Buvorova, 2014). According to Bertoni and Tykvová (2015) and Rua *et al.* (2018), innovation is the economic application of an invention that

encourages creativity and new ideas that can lead to process, product, or service improvement. It can be a new marketing method or a new organisational method in business practices, workplace organisation, or external relations.

In a small enterprise, innovativeness indicates the willingness of the owner(s) to learn about and adopt inventions, both in the input and output markets (Verhees & Meulenberg, 2004). In countries such as Japan and the USA, innovation contributes significantly to economic growth (Alessandra et al., 2013). Alessandra et al. (2013) further emphasise that increased innovation increases economic growth and results in high employment.

As indicated by Golovko and Valentini (2011), Alessandra et al. (2013), and Loewe et al. (2013), innovation has a positive effect on the rate of firm growth. Sheshinski et al. (2007) state that innovation has long been considered as the key factor for the survival, growth, and development of SMMEs. According to Kotey and Sorensen (2014), Schiliro (2015), and Saunila (2016), the sustainability and viability of SMMEs rely on their innovativeness. The first step for innovation is when SMMEs search for new ideas that can be implemented successfully to enhance the value of their products or services (Grzegorz & Robert, 2018). Innovation is very vital for the promotion of economic efficiency of both SMMEs and the countries in which these SMMEs operate (Ukpabio et al., 2017). Furthermore, Ukpabio et al. (2017) indicate that process innovation can improve the performance of enterprises in developing countries, which leads to growth and development. According to Pratt (2015) and Taylor (2017), process innovation is a new way of doing things that can be done by using technology in a business to keep it competitive while addressing the needs of the clients.

However, firms that lack innovation risk becoming uncompetitive and can also have financial constraints that can have a significantly negative impact on firm innovation (Lorenz & Pomet, 2017). There are internal and external barriers to the innovation of SMMEs (Asare, 2014; Bozkurt & Kalkan, 2014; Tehseen *et al.*, 2016). The lack of management experience of the business owners, poor employee skills, lack of knowledge regarding the business, and insufficient resources are internal barriers to innovation (Bozkurt & Kalkan, 2014; Tehseen *et al.*, 2016; Deshati, 2016). The external barriers to innovation, according to Asare (2014) and Tehseen *et al.* (2016), are market forces, government regulations, access to technology providers, macroeconomic conditions, and lack of funding opportunities.

Without differentiating between internal and external barriers, Asare (2014) and Kotey and Sorensen (2014) mention that barriers that discourage the innovativeness of SMMEs are risk avoidance, a leadership mindset, lack of funds, poor infrastructure, lack of IT knowledge, market regulations,

market instability, weak intellectual property protection regulations, and inadequate infrastructure. Xie *et al.* (2013) and Norek (2014) therefore stress that it is important that the government must create an environment that is conducive for the competitiveness of SMMEs and that SMME owners must acquire sufficient knowledge and expertise in terms of running a business to be innovative and sustain their businesses.

2.4.4.3 Networking

According to Chimucheka (2013), there are various definitions for networks that are abstract and broad. Aldrich and Zimmer (1985) define networks as consisting of those persons with whom the business owner has a direct relationship. Seibert *et al.* (2001) and Srinivasan and Venkatraman (2017) define a network as the pattern of ties that link a defined set of persons or social actors. Nieman (2006:194) defines networks as purposefully striving to make formal and informal contacts in order to form relationships. Casson and Giusta (2007) view a network as a set of elements or members that are connected to each other.

Connections or ties are the fundamental features of all networks (Hatak *et al.*, 2016). Lama and Shrestha (2011) view networking as the process of building long-term contacts with the motive to gain access to information and resources. Rietveldt and Goedegebuure (2014) define networks as relationships that are linked together by exchange transactions. Networking can help SMMEs to grow their business (Loewe *et al.*, 2013). Networking improves the performance of SMMEs as they obtain information about available markets and access to finance and support from various stakeholders (Gherhes *et al.*, 2016; Olawale & Gware, 2010). Strong interfirm linkages with large firms or domestic and international enterprises in value chains contribute to SMMEs' growth and success.

The heart of every successful business lies in marketing (Longenecker *et al.*, 2014). For SMMEs, marketing factors such as poor location, inability to conduct marketing research, poor products or services, and misreading customer trends and needs cause failure of ventures (Chowdhury *et al.*, 2013). SMMEs with poor marketing linkages caused by lack of networking face challenges in selling their products (Das, 2017).

Alabi *et al.* (2017) found that SMMEs that do not network find it difficult to increase demand for manufactured goods among people in the locality since they lack enough capital to buy in bulk and thus make inadequate sales to sustain their businesses. Furthermore, Alabi *et al.* (2017) found that SMMEs that do not network encounter challenges with purchasing and obtaining raw materials. SMMEs, especially in developing countries, lack the ability to react quickly to keep abreast of fast-

changing market requirements since they do not use technology and fail to network and update each other about new developments in the business world (International Trade Centre, 2016).

2.4.4.4 *Human capital (education and training)*

The explanation of human capital focuses on the level of education achieved, along with the experience gained in an activity (Chowdhury & Amin, 2011). Loewe *et al.* (2013) and Shane (2009) note that business owners with better education, who have been trained in core business and business management, and who also have work experience can grow their businesses. Loewe *et al.* (2013) further emphasise that business owners who have skills and knowledge in the core business gained through education or those who were thoroughly trained and acquired experience in their business are better able to grow and expand their businesses.

SMME owners and employees with limited knowledge and skills to manage finances, use financial services, and manage the consumer market can undermine firm growth (Haider, 2018). An education programme that will empower the owner(s) and employees tend to have a positive impact on the growth of the SMME (Kazimoto, 2014).

Ayyagari *et al.* (2008) and Koellinger (2008) identified a positive and statistically significant relationship between owners' years of schooling or years of experience and entrepreneurial innovativeness. Mansor (2005) and Lekhanya (2015b) highlight the importance of tertiary education for business owners to be able to expand and grow their SMMEs. Furthermore, SMMEs with more skilled and experienced employees with higher education are likely to be more efficient (Batra & Tan, cited by Chowdhury *et al.*, 2013; Darwish, 2014). Based on the above, one could say that the more SMME owners are educated the more innovative they become.

The OECD (2017c) highlights that SMMEs face difficulties in identifying, recruiting, and retaining qualified and skilled employees, which hinders the success of SMMEs. Shehu *et al.* (2013) and Askim-Lovseth and Feinberg (2012) emphasise that SMME managers who lack the managerial experience, education, and support services needed to identify and implement the necessary business skills find it difficult to access financial support both from government and private funders, which leads to ineffectiveness and subsequent business failure.

2.4.4.5 *Access to finance*

To establish a business, one needs financial support to acquire the necessary equipment and raw materials for the business to operate and grow (Olawale & Gware, 2010; Dix & Mathews, 2017). Financial support can help a business to sustain its growth and competitiveness in local, national, and international markets (Mansor, 2005; Fowowe, 2018). Several studies from various countries have shown a positive correlation between access to finance, firm growth, and productivity

(Rahman, 2001; Giang *et al.*, 2019). The source of finance can be informal or formal since entrepreneurs can obtain financing either from their relatives or from banks or other institutions (Naidu, 2017). SMMEs that lack collateral security, sufficient credit records, and tax records, as well as unregistered businesses and those that fail to draft a proper business plan, are unable to obtain financial support from funding institutions (Donga *et al.*, 2016; Leitner, 2016). This indicates that there is an interrelationship between factors that contribute to SMME success.

The availability of funds plays a vital role in the establishment and sustainability of SMMEs (Boateng & Abdulrahman, 2013). Katekhaye and Magda (2017) discovered that SMMEs have serious challenges in accessing finance, since they fail to manage and record their cash flow due to lack of financial management skills (Das, 2017). Alabi *et al.* (2017) argue that there are few institutions that provide financial support to SMMEs. However, SMMEs are often not able to meet the credit conditions of financial institutions. If an SMME meets the requirements of the bank and gain access to capital, excessive interest is often charged on the borrowed money (Alabi *et al.* 2017).

Existing institutions that promote development are reluctant to provide credit to SMMEs because they are generally considered high credit risks by these institutions. This is confirmed by Bigsten *et al.* (cited by Alhassan & Sakara, 2014), who indicate that SMMEs in developing countries provide irregular information and lack collateral. A study conducted by Evbuomwan *et al.* (cited by Gaswami, 2014) in Nigeria indicates that 75.7% of SMMEs relied mostly on own funds to finance the businesses. Such self-funding in other instances is not enough to fund a new business to be sustainable. Okpara (2011) refers to it as limited means of capitalisation. In Nigeria, Taiwo *et al.* (2016) discovered that there is insufficient capital and inaccessible credit facilities to support SMMEs, which cause the high failure rate of SMMEs in the country.

2.5 Support for SMMEs in developed and developing countries

As stated by Van Stel (2007) and Moos (2015), there are various direct and indirect ways of supporting SMMEs that can be used by governments and other institutions. The promotion of SMMEs by governments has compelled the development of strategies and economic programmes that lead to the creation of jobs for people to improve their lives while positively contributing to the economy (Elhiraika & Nkurunziza, 2006; ILO, 2015a). The European Commission (cited by Röhl, 2017) indicates that the first European Charter for Small Enterprises was passed in 2000. The main aim of this charter was to reinforce the sustainability of SMMEs by providing them with support (European Commission, 2002). SMMEs in EU countries receive support from the EU, such as grants, loans, and, in some cases, guarantees (European Commission, 2014).

The support granted to SMMEs in EU countries can either be direct support or delivered through programmes run at national or regional levels, such as the EU's Structural Funds that promotes balanced development of ventures (Mbedzi, 2011). Maloka (2013) emphasises that the European Council provides strong support to start-up businesses and those that are in the expansion phase. Karjalainen and Kemppainen (2008) explain that the adoption of the Small Business Act in 2008 in Europe focused on promoting entrepreneurship through the "Think Small First" principle that motivates the public to start businesses. The aim is to address challenges they encounter that affect their development. Mbedzi (2011) and Röhl (2017) posit that to achieve the objectives of the SMME policy of the Small Business Act, there are 10 basic principles and a series of steps to be followed, which are:

- 1) promoting entrepreneurial spirit;
- 2) The principle of a second chance for unsuccessful entrepreneurs;
- 3) legislative rules according to the "Think Small First" principle;
- 4) responsive administration for SMMEs (e.g., e-Government);
- 5) improved access to public procurement and state aid for SMMEs;
- 6) facilitated access to funding options and a better business environment;
- 7) improved chances of success in the European Single Market;
- 8) promoting access to knowledge formation and innovation;
- 9) ecological innovation/opportunities for environmental technology; and
- 10) more assistance for exploiting opportunities in foreign markets.

The Small Business Act also focuses on the development of a one-stop shop that makes registration of companies less time and cost consuming. The EU has legislation such as the General Block Exemption Regulation on State Aid, which makes it easy for members to assess support programmes that help SMMEs to promote job creation and boost competitiveness (Lopriore, 2009). Furthermore, the European Commission (2008; 2018) found it necessary to improve the conditions for SMMEs in the following areas: improving market entry, promoting a culture of entrepreneurship, supporting entrepreneurship, improving framework conditions in all sectors, intelligent regulation, and simplified administrative procedures (Röhl, 2017).

This support boosted the growth and sustainability of SMMEs in EU countries, which reduced unemployment and increased the economic growth of the region. Developed countries support SMMEs by reducing tax and reviewing business laws and regulations so that SMMEs can contribute to economic growth (Khoase & Govender, 2013). Furthermore, in developed countries such as Canada and Australia, there are several initiatives that promote the establishment of

SMMEs. These initiatives include the purchase of 32.8% of goods and services from SMMEs by the government of Canada. This is done by all tiers of government of Canada (OECD, 2015). Newly established SMMEs are exempted from paying tax, which assists businesses to meet competitive challenges. Start-ups are also tax exempted in Australia (Khoase & Govender, 2013). On the other hand, the Tanzanian government is focusing on industrialisation and pro-poor growth, which is based on its Five-Year Development Plans (FYDPs) running up to 2025 (Gamba, 2019). The FYDPs address supply constraints in key sectors with higher multiplier effects for SMMEs.

Tanzania is an example of how developing countries can support the growth of SMMEs. The development policy of Tanzanian SMMEs entails strengthening the seven pillars that promote the development and growth of SMMEs (Gamba, 2019). The National Economic Empowerment Policy serves as a guide for the contribution of most of the citizens of Tanzania to all economic sectors (Government of Tanzania, 2015). The main aim of this policy is to empower Tanzanian citizens who hold more than 50% shares in local companies. The policy incorporates all economic sectors and various individual traders' employees, including livestock keepers, who participate in economic activities (Mzomwe & Pelagia, 2015).

The policy further provides guidelines for establishing strategies that are suitable for various SMME sectors, depending on the prevailing circumstances. In this respect, each sector is enjoined to develop concrete implementation strategies (Government of Tanzania, 2015). Tanzania's Sustainable Industrial Development Policy (1991-2020) promotes SMMEs by supporting them by simplifying taxation, licensing, and registration of SMMEs, and improving their access to financial services (Argidius Foundation, 2017).

The Tanzanian government further identified key institutions that developed different programmes to support SMMEs. These included institutional frameworks such as the Ministry of Industry, Trade and Marketing and the National Economic Empowerment Council (NEEC). The main objective of the NEEC is to develop strategies for the mobilisation and utilisation of resources for economic empowerment activities. The Small Industries Development Organization is responsible for policy formulation and provides direct support to industries and handholding of SMMEs that are established in both rural and urban areas (Argidius Foundation, 2017).

Tanzania also receives international support from the African Development Bank, which assists with infrastructure development and strengthening governance and accountability by monitoring the financial management of SMMEs (United Republic of Tanzania, 2016). There is also the

Danish Development Cooperation, whereby Denmark has strong bilateral relations with Tanzania, with the focus on addressing issues of poverty and inequality to promote inclusive green growth and employment, and strengthening democracy, good governance, the rule of law, and respect for all human rights (Argidius Foundation, 2017). The Danish Development Cooperation provides funds to SMMEs in Tanzania to promote the growth and development of such ventures with the purpose of reducing poverty and creating employment through SMMEs. Tanzanian SMMEs receive financial support from the United Kingdom, Finland, the Netherlands, the United States African Development Foundation, the United States Agency for International Development, and the World Bank. A specific number of projects are targeted that will improve the sustainability of SMMEs to enhance the economic growth of Tanzania (Argidius Foundation, 2017).

Another example how SMMEs are supported in developing countries is Ghana. In Ghana, structures have been established that aim to create a conducive environment for SMMEs to contribute to the economic growth of the country (Khoase & Govender 2013; Ntiamoah *et al.*, 2016). The Ghana Enterprise Development Commission (GEDC), which was formed in 1970, was an initial structure that provided financial and technical support to SMMEs. The GEDC mainly focused on helping to strengthen small-scale industries in general in Ghana (Ntiamoah *et al.*, 2016). Thereafter, in 1981, the National Board for Small-Scale Industries (NBSSI) was established with the aim of addressing the concerns of small-scale businesses, which encompassed organising training programmes for entrepreneurs, advising them on business operations, and providing financial assistance in the form of loan schemes (Ntiamoah *et al.*, 2016). The NBSSI established the Entrepreneurial Development Programme, which trained and assisted persons with entrepreneurial abilities to develop their skills (Musah, 2015).

Thereafter, the Regional Appropriate Technology Industrial Service was established in 1987 under the Ministry of Environment, Science and Technology with the purpose of providing job opportunities and creating a conducive environment for small-scale industries at the grassroots level through technology upgrading (Ntiamoah *et al.*, 2016). In 1998, the Bank of Ghana obtained US\$28 million credit from the International Development Association of the World Bank for the establishment of the Fund for Small and Medium Enterprises Development (FUSMED). FUSMED was to provide funding through appropriate participating institutions such as commercial banks, development banks, and additional financial institutions to SMMEs in all sectors (Musah, 2015). The major weakness associated with this policy was that the lending risk fell directly on the participating bank as SMMEs were often unable to pay back the loans.

The government of Ghana has a keen interest in developing rural enterprises and thus set up the Rural Finance Project aimed at issuing long-term loans to small-scale farmers (Musah, 2015). The government further implemented several direct lending schemes to SMMEs either out of government funds or with funds sourced from donor agencies (Musah, 2015). The government of Ghana, having observed the inability of SMMEs to repay loans, introduced credit guarantee programmes to promote the development of SMMEs. The government of Ghana further set up a venture capital trust fund through the Venture Capital Trust Fund Act 2004, which provided financial support for the establishment and promotion of SMME in priority sectors (Musah, 2015).

The Philippines is a non-African country that is yet another example of how SMMEs can be supported in developing countries. The government of the Philippines started supporting SMMEs in 1980 while opening its domestic economy to international trade through the adoption of trade liberalisation programmes. Thereafter, the Republic Act 8289 of 1997, called the Magna Carta for Small Enterprises, was developed to unite all the programmes of the government for the advancement and establishment of SMMEs into an amalgamated framework (OECD / Economic Research Institute for Association of Southeast Asian Nations [ASEAN] and East Asia [ERIA], 2018). The aim of the Act was to support and strengthen SMME development, particularly those that were in rural areas and agriculture-based (Miranda & Miranda, 2018).

The Act covered the creation of the Small and Medium Enterprise Development (SMED) Council, which served as the centre for incentives available to SMMEs. There was also the Small Business Guarantee and Finance Corporation (SBGFC), which addressed the financial needs of SMMEs (Aldaba, 2012; OECD/ERIA, 2018). The SBGFC provides funds for exporting products, funds for working capital for both temporary and permanent employees, and short-term and long-term loans. It further assists SMMEs by purchasing equipment or building/warehouse construction through long-term loans (OECD/ERIA, 2018).

In addition, there is the Micro, Small and Medium Enterprise Development (MSMED) Council, which is a body that is responsible for formulating SMME policy. The MSMED Council encourages public-private partnerships through the establishment and management of Negosyo Centers. Negosyo Centers are centres for simplifying business establishment and easing the access to services for micro, small, and medium enterprises (MSMEs) in the Philippines. They further stimulate entrepreneurship development as MSMEs contribute to the economic growth of the Philippines. The MSMED Council is led by the secretary of Trade and Industry and its members are the secretaries of Agriculture, Interior and Local Government, Science and Technology, and

Tourism (Hampel-Milagrosa *et al.*, 2014). The National Competitive Council, which was formed in 2006, is the body responsible for reviewing policies in the Philippines. The National Competitive Council launched “Project Repeal: The Philippines Red Tape Challenge” in March 2016. The aim of the project was to cancel all outdated rules and encourage reducing the cost of doing business, whereby 4 837 regulations were reviewed by Project Repeal. To ensure that the regulations are implemented and that they achieve their purpose, the National Economic and Development Authority (NEDA) is the overseeing body of Project Repeal.

According to the Department of Trade and Industry (2018) in the Philippines, other important elements of the legal and regulatory frameworks that govern the policy for SMME development include the following:

- Republic Act 9501 of 2008: Small and Medium Enterprises Act (as amended, Republic Act 6977 of 1991): This Act promotes entrepreneurship, supports and encourages the establishment of SMMEs, and is intended to ensure their viability and growth and thereby attaining country-wide industrialisation.
- Republic Act 9178 of 2002: Barangay Micro Business Enterprises (BMBEs) Act of 2002: This Act aims to assimilate enterprises in the informal sector with the standard economy through the rationalisation of bureaucratic limitations that promote the development of BMBEs by allocating incentives to their beneficiaries. “BMBE” means any venture involved in agro-processing, trading, and services with total assets to the value of P3 million excluding land (50.41 Philippine peso = 1 US dollar). The BMBE Act was promulgated in 2002 with the aim of helping local people to start small businesses in manufacturing, production, processing, trading, and services by providing them incentives not exceeding P3 million (equivalent to US\$59.682). Small businesses are exempted from income tax, while the employees receive social security and healthcare benefits.
- Republic Act 10644 of 2014: Go Negosyo Act: This Act encourages the creation of jobs and all-encompassing growth through the establishment of MSMEs and authorising the establishment of Negosyo Centers in all cities, municipalities, and provinces. These centres are in charge of creating an enabling environment and facilitating access to services for SMMEs.
- Republic Act 10679 of 2015: Youth Entrepreneurship Act: This Act promotes entrepreneurship and financial education among Filipino youths.
- Republic Act 9485 of 2007: Anti-Red-Tape Act: This Act is responsible for improving the delivery of government services relating to the establishment of SMMEs by reducing

bureaucratic red tape, preventing corruption, and providing penalties to officials found to be taking bribes.

- Joint Memorandum Circular No. 1 Series of 2011: These are guidelines used in executing the legalisation and licensing of ventures in all cities and municipalities.

The NEDA ensures that the above regulations are implemented and that they continue to meet their objective of supporting SMME development in the Philippines. The foregoing discussion shows that both developed and developing countries have programmes and institutions that support the development of SMMEs because they are a vehicle for socioeconomic development in all countries.

2.6 Theoretical framework

This study used the social capital theory to understand the role played by SMMEs in the development of the Matatiele Local Municipality. As indicated in Chapter 1, the investigation did not find evidence that this theory has been applied in the manner that it has been used in this study by anyone else conducting research on SMMEs in South Africa. In this study, bonding, bridging, and linking social capital will be used to analyse the contribution of SMMEs to socioeconomic development in South Africa, and specifically in the Matatiele Local Municipality. This study therefore seeks to contribute to knowledge on the use of the social capital theory to interpret the findings of this study.

2.6.1 Social capital theory

The development of the social capital theory has been attributed to scholars such as Bourdieu, Coleman, and Putnam (Wyrwa, 2014). French sociologist Bourdieu articulated the concept of social capital as social obligations that are exchangeable into economic capital in certain conditions (Bourdieu, cited by Cvetanović & Despotović, 2014). Bourdieu (cited by Delić *et al.*, 2017) further defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of institutionalised relationships of mutual acquaintance and recognition”. In his explanation, Bourdieu emphasises that when individuals or groups have strong connections and mutual support, then the whole group and all individuals will have access to certain benefits.

American sociologist Coleman (cited by Tzanakis, 2013) focused on social capital and defined it as a “social structural resource that serves as a capital asset for the individual”. In other words, Coleman (cited by Tzanakis, 2013) views social capital as being reliant on the social structures that exist among people and encourages these people to interact and achieve the goals they would not have been able to do individually. Coleman’s definition of social capital is more focused on

its function. This can be established through collaborations built on trust that can result in positive relationships. Furthermore, Coleman's (1988) definition of social capital contains so-called *hard ones* (aspects), which are the ones that emphasise the relationships built through social networks that can last for a long time, and so-called *soft ones*, which are the cognitive resources that focus on values, trust, and shared standards.

Coleman (2000) further describes social capital as strong social networks with strong social structures that can lead to economic development. He suggests that human beings form relationships and are responsible for bringing together individuals or groups and forming healthy social institutions (Vermaak, 2009). Relationships are thus established between people who form social structures, which are an aspect of social capital. In such relationships, there is an exchange of goods or information, which implies that social capital is established for the purpose of sharing goods or information for a long time (Coleman, 2000).

According to Putnam (1993, 1995; Tzanakis, 2013), social capital is a resource that results from people with social connections. This is associated with the simple mantra "It's not what you know but who you know", which is widely taken to be the initial definition of social capital (Gauntlett, 2011; Kumar *et al.*, 2016). On the one hand, Putnam (1993) mentions that social capital can be a valuable resource for the economic development of an area and, on the other hand, states that the lack of social capital in the USA caused a decline in its democracy. In his contribution to social capital theory, Putnam (1989) views social capital as features or aspects of social organisations (e.g., networks, norms, and trust) that have been widely accepted and supported (Vermaak, 2009). Ehrenhalt (2000:61) assessed Putnam's work on the social capital theory and describes Putnam's work as "a substantial achievement" because of his ability to demonstrate the value of social networks. Although the concept of social capital has been discussed by various authors, they still disagree on a standard definition of social capital (Fukuyama, 1999; McShane *et al.*, 2016).

2.6.2 Dimensions of social capital

Social capital is categorised into three main forms, namely bonding, bridging, and linking social capital (Putnam, 2000; Woolcock, 2001; Berzina, 2011). According to Gailey (2010) and Snider *et al.* (2017), *bonding social capital* refers to strong family, ethnic, or neighbourhood ties among people who live close to one another. People in bonding networks often have similar personality characteristics (e.g., class, race, ethnicity, education, age, and religion). It is more limited, caring, and based on close membership and therefore good for obtaining specific support and mobilising informal solidarity (Van Oorschot *et al.*, 2006; Ramos-Pinto, 2012). Bonding social capital

promotes the communication and relationships necessary to pursue common goals. It therefore influences the creation and nurturing of community organisations such as support groups and local associations (Lang & Fink, 2018).

Woolcock (2002) describes *bridging social capital* as relations with distant friends, associates, and colleagues, who may have different demographic characteristics. Putnam (2000) lists examples of bridging social capital as civil rights movements and non-denominational religious organisations. Bridging social capital refers to more distant ties of similar persons, such as loose acquaintances and friendships. People in bridging networks differ in terms of crucial personal characteristics. Bridging social capital looks at the outside, it tightens differences between different communities, and is therefore crucial to organising solidarity and pursuing common goals on a wide scale (Maas *et al.*, 2014; Van Oorschot *et al.*, 2006). Bridging capital is crucial for solving inter-community problems through helping people to get to know one another, building relationships, sharing information, and mobilising resources. Jensen and Jetten (2015) emphasise that bridging social capital allows a group to reach out, engage, and network creatively with socially distant individuals, groups, and organisations. Pronyk (2006) therefore suggests that bonding capital refers to connections within a group, while bridging capital refers to connections between groups.

Linking social capital refers to relations between individuals and groups in different social strata in a hierarchy where power, social status, and wealth are accessed differently by different groups (Taruvunga *et al.*, 2017). Linking social capital brings up ties and networks among individuals and groups who occupy very different social positions and power. It enables people to reach out to dissimilar people in different situations. Linking social capital may involve networks and ties of a community with state or other agencies (Cote & Healy, 2001; Jordan, 2015). Woolcock (2001) extends this to include the capacity to leverage resources, ideas, and information from formal institutions beyond the community. Woolcock (2001), Pronyk (2006), and Gailey (2010) view linking social capital as a sub-category of bridging social capital since it is used to describe the leveraging of ideas, resources, and information in a vertical relationship to formal entities of power and influence for a community's benefit.

According to Putnam (2000:19), bonding social capital is good for “getting by”, while bridging capital is crucial for “getting ahead”, and linking is about “power of authority”. Jordan (2015) expresses similar views. This study focused on how the social capital theory, through bonding, bridging, and linking relationships, can help to understand how different opportunities and constraints influence the ability of rural SMMEs in the Matatiele Local Municipality to contribute

to social and economic development. The theory helped to understand how collaboration among SMMEs and their ability to work with various government departments and other entities can contribute to the achievement of desired socioeconomic goals.

2.7 Conclusion

SMMEs are defined in various ways in different countries, which is determined by the legal and regulatory frameworks in each country. The Bolton Report provides qualitative and quantitative definitions of SMMEs (Bolton, 1971). The qualitative criterion focuses on the number of employees in large and small businesses and their annual turnover, while the quantitative criterion is more focused on the management of the business by its owner(s) in a personalised manner, or otherwise.

SMMEs in developed and developing countries play a vital role in addressing socioeconomic issues and contribute in different ways to the development of these countries. In developed countries, SMMEs create jobs and reduce poverty. The owners grow their businesses by being innovative and expanding their sales through export markets. In developing countries, SMMEs create jobs and reduce poverty but are struggling to be sustainable due to various factors. There are issues that cause SMMEs to be successful, which, when not handled well, can hinder the growth of SMMEs. In a developed context such as the EU, for example, SMMEs contribute to rural development because they create jobs, contribute to the GVA, while also taking care of the environment.

Although rural areas are dominated by agricultural activities, in developing countries such as Ghana, non-agricultural SMMEs also play an important role in the economic growth of rural areas. Rural SMMEs create jobs, provide wealth, and reduce poverty in rural areas. Good SMME strategies, when implemented properly in rural areas, can harness the full potential of SMMEs while also contributing to socioeconomic growth.

The promotion of SMMEs by governments has compelled developed and developing countries to establish strategies and economic programmes that will lead to the creation of jobs for people to improve their lives while contributing positively to the economy. The developed countries have advanced programmes that support SMMEs to be competitive and to expand their business to other countries. Innovativeness and exportation of goods are the major aspects that governments in developed countries focus on when supporting SMMEs, which is what is often lacking in developing countries. However, developing countries have also developed programmes that are

focused on capacitating SMME owners in business management skills, while at the same time there are also other institutions that provide funding and other forms of support to SMMEs.

The theoretical framework of the study focuses on how the social capital theory contributes to our understanding of how various forms of relationships can make it possible for different communities to gain access to the resources they need for their survival and wellbeing. Generally, social capital is viewed as an umbrella term for different types of social resources that often form the foundation on which economic, political, and/or other forms of success, for a community or group of people with similar aspirations, are based. The main dimensions of social capital in this regard are bonding, bridging, and linking capital.

The next chapter discusses the study's research design and methodology.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The previous chapter focused on reviewing existing literature related to the contribution of SMMEs to rural development in both developed and developing countries. This chapter presents an overview of the methodological process followed to conduct this study. It also presents the research questions and objectives, as well as the research design and method. Furthermore, it clarifies how the population of the study was chosen. The chapter concludes with a justification of the interview technique used in this study.

3.2 Methodology of research

Research methodology is the logical process that sketches the tactics taken in steering a research project and categorises the methods to be used (Igwenagu, 2016). Howell (2013) emphasises that it is about knowing which techniques to use in the research and processes to be followed in a procedure or to attain an objective. Howell (2013) further adds that methodology is a discipline that guides conducting research while empowering the researcher through the methods used.

The method used in this study was deemed suitable to the research problem and question and to the nature of the data collected (Igwenagu, 2016). According to Rajasekar et al. (2013), methodology includes research strategy, approach, method, data-collection procedures, and tools for data collection and data analysis. These aspects are discussed in this chapter. The research methodology consists of the research design, sampling methods, and data collection and data analysis in order to understand how SMMEs contribute to rural development in the Matatiele Local Municipality.

3.3 Design of the study

This study was qualitative in nature. Qualitative investigation means generalising broadly while discovering and searching for information to increase deeper understanding of social phenomena (Kaczynski et al., 2013; Bryman et al., 2017). The qualitative research methods help researchers to study social phenomena, situations, and processes that involve people, and revealing them from a variety of perspectives (Hazzan & Nutov, 2014; Merriam & Tisdell, 2016). The qualitative research method provides the researcher with a framework to obtain an in-depth understanding of

the research problem from the participants' perspective. According to Irvine et al. (2013) and Kumar (2013), qualitative research can be conducted through the combination of observations, interviews, focus group discussions, and document review. Qualitative research has various research designs that hold a research project together.

According to Akhtar (2016), research design is defined as the research structure that acts as a “glue” that keeps all the fundamentals in a research project together. This is emphasised by Abutabenjeh and Jaradat (2018), who indicate that a research design is a plan that leads the research course by determining the path of the research questions to the results. The following five types of qualitative research design have been identified: narrative, phenomenological, grounded theory, ethnographic research, and case study research (Kumar, 2014; Barkley, 2017). The researcher examined each research design as explained by Kumar (2014), Percy *et al.* (2015), Marshall and Rossman (2016), and Barkley (2017), with the intention of identifying the research design that would be most suitable to study the contribution of SMMEs to rural development, especially in the Matatiele Local Municipality.

The researcher could not use the *narrative research design* since it includes historical opinions and incidents over a period of years (Snider, 2015). Furthermore, the narrative research design is more focused on story reporting or practices that reproduce a theoretical outlook or processes that are social (Snider, 2015). The researcher was more focused on exploring the experiences and perceptions of SMME owners who had different experiences with starting their businesses and challenges that hindered their business growth. The narrative research design was thus not suitable for this research.

The researcher could not use the *phenomenological research design* since it focuses on numerous people who share similar experiences. It allows the analyst to present a combination of themes, while reflecting on the core of the phenomenon. The researcher wanted to explore how SMMEs contribute to the development of rural areas by examining their vision and the strategies they used. Phenomenological research design depends only on interviews, but the researcher wanted to use multiple types of data sources. Phenomenology was therefore not a suitable research design for this study.

The *grounded theory research design* focuses on a procedure, deed, or collaboration with understanding aimed at theory development. According to Bluhm *et al.* (2011), Creswell (2013), and Birks and Mills (2015), the purpose of grounded theory research design is to establish or verify a theory. When researchers are collecting and analysing data, they must carefully ground the research inquiry. Grounded theorists emphasise the importance of processes, social structure, and

context in theory formation (Kisely & Kendall, 2011; Baldwin, 2016). The grounded theory research design was not suitable for this research project because the purpose of this study was to explore the experiences of a group of SMME owners, employees, and clients. The researcher did not have the intention to develop a theory or confirm a hypothesis.

The *ethnographic research design* studies a group that shares the same culture since it addresses the customs, beliefs, and behaviours of a specific cultural group (Creswell, 2013). Ethnographers look for evidence-based social movement (Denzin & Lincoln, 2011; Jones & Smith, 2017). Ethnography involves sociological dimensions with a focus on producing a theoretical vision. This research design would be appropriate if the purpose of this study had been to establish the cultural behaviour of SMME owners/managers in sustaining their businesses, for example. Establishing a cultural basis was not the purpose of this study. Instead, the intention was to explore the contribution of SMMEs to the development of rural areas, how they overcome the challenges that prevent them from contributing to rural development, and the strategies they use to do so. Ethnography was therefore not appropriate for this study.

The research design employed in this study was the *case study research design*, which provided a wealth of information that was easy to understand and interpret, and which also identified problems and suggested solutions (Abutabenjeh & Jaradat, 2018). Case studies offer an advantage in cases that require answering “how” or “why” questions about a contemporary set of events, over which the investigator has little or no control (Yin, 2014). For this study, the case study research design had an advantage over other qualitative designs because it provided a guide to identify the primary strategies that small business owners use to sustain their businesses over the long term. According to Yin (2014), the case study can be conducted through exploratory, explanatory, and descriptive case study.

Exploratory case study researchers seek to define research questions and hypotheses (Yin, 2014). An explanatory case study is appropriate for investigating causality and to link an event to its effects (Yin, 2014). A descriptive case study is appropriate for illustrating events and their specific context. This study used a case study design that was descriptive in nature with the purpose of analysing persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods (Kumar, 2013; Grey, 2014). The descriptive case study design was crucial to generate in-depth understanding and information through the participants of this study to answer the research questions and achieve the objectives of the study. It further provided in-depth information on developmental changes created by the SMMEs in the rural areas of the Matatiele Local Municipality.

3.3.1 Population of the study

A target population involves individuals, groups, organisations, products, and events or conditions that are to be studied (Stuckey, 2013; Fusch & Ness, 2015; Majid, 2018). Qualitative research focuses on relatively few participants with enough experience and knowledge to address (some of) the research questions (Baškarada, 2014). It was vital for the researcher to identify the most appropriate sample from the population to maximise the credibility of the study results. The most appropriate sample in this study was represented by individuals with the ability and opportunity to provide the most accurate information or data on the topic under investigation (Asiamah *et al.*, 2017).

The researcher first consulted the Matatiele Local Municipality office to request access to the database of SMME owners in agriculture, manufacturing (sewing and bakeries), and services (*spaza* shops) in the area. The purpose of selecting these SMMEs specifically was because of their impact on poverty reduction in the surrounding areas, providing food/nutrition, minimising the transport costs of purchasing from larger towns for their local customers, and the services they provide to local communities, especially during the COVID-19 pandemic. The researcher used a relatively small sample from a large study population composed of eligible members. According to Chetty (2010), the Matatiele Local Municipality is the largest area, and the study population involved individuals, groups, organisations, products, and events or conditions that were studied. It incorporated the total collection of all units of analysis about which specific conclusions could be made by the researcher.

The study population was envisioned to comprise 100 participants but ultimately 91 participants participated in this study. The participants were divided into five categories. The researcher targeted 30 SMME owners but 33 SMME owners participated in the study (10 agricultural, 10 manufacturing, and 13 services SMME owners). This study was conducted during the hard lockdown period due to COVID-19 that affected the entire country. Although the participants in the focus groups agreed on dates and venues, some could not attend as they were mourning the loss of loved ones due to the virus. The researcher had to reschedule with the other members of the focus groups to meet the required number of the participants for the focus group discussion. Although the SMME owners were the main targeted population that could address the main aim of the study, which was to determine whether and how SMMEs contribute to rural development, the researcher felt that the responses of SMME owners alone only would not achieve the aim of the study.

The researcher then had to identify and target the second category of participants, which comprised 30 individual employees of SMMEs operating in the Matatiele Local Municipality. Ultimately 24 employees were interviewed with the purpose of understanding the positive impact on their

lifestyle since they started to work for SMMEs. This positive impact validated the main research question, namely “What are the contributions of SMMEs to overcoming poverty and unemployment in the Matatiele Local Municipality?” This research question focused on the role of job creation and poverty alleviation. The third category the researcher targeted comprised 30 customers who purchased goods and services from the SMMEs operating in the Matatiele Local Municipality. Ultimately 24 customers (school principals) participated in this study, which assisted with the researcher’s intention of understanding whether and how they benefitted from local SMMEs. The school principals were identified as customers for SMMEs since they bought milk and other supplies from these entities under the school nutrition programmes. They also bought school uniforms from SMMEs.

The fourth category was a committee member (one) of the Matatiele Business Chamber, whose role is advocacy and lobbying for SMMEs in the Matatiele Local Municipality, and who was purposively selected to participate in the study. The purpose of identifying a committee member of the Matatiele Business Chamber was to answer the research question regarding the challenges encountered by SMMEs and to obtain more information on what could be done to assist rural SMMEs to contribute to rural development. The fifth and last category that was targeted comprised nine government officials at national level (three), provincial level (three), and local municipality (three) level, whose duty is to promote the development of SMMEs in rural areas. The aim of targeting government officials was to acquire sufficient information to address the research question related to the type of assistance provided to SMMEs by the government and other sources.

The samples identified for this study were drawn from a large population because qualitative research has time, cost, and data-quality implications (Asiamah *et al.*, 2017). According to Bryman and Bell (2011), in research, a study population can be defined as all the elements that the researcher is interested in. Choosing the correct target population is critical to the relevance of a research study’s findings.

3.3.2 Instrument of research

The researcher was the instrument for data collection in this qualitative study as she was responsible for selecting the appropriate research methodology and design, recruiting potential participants, collecting data, and analysing the collected data (Whiteley, 2012). The study commenced with a review of existing literature to obtain an in-depth understanding of the research topic. The researcher developed semi-structured interview schedules that were used for interviews and focus group discussions for each group of participants. The semi-structured interview is a good

source of collecting data for a qualitative research study since it provides a systematised set of prearranged, open-ended questions (Batmanabane & Kfourri, 2017; Barrett, & Twycross, 2018). The researcher identified the participants for this study and selected them according to their different levels of participation. Suitable dates, times, and venues were arranged with the participants to conduct the interviews and focus group discussions. According to Gani *et al.* (2020), the quality of the interview instrument is vital because the conclusion of a research project is subject to the information obtained from the instrument in terms of the reliability of the instrument.

3.3.3 Methods of collecting data

The main objective of data collection for this study was to obtain information about the contribution of SMMEs to rural development in the Matatiele Local Municipality. The researcher was responsible for selecting participants, preparing the interview schedules, conducting interviews and focus group discussions, analysing the data, and reporting. The methods of collecting data that were utilised in this qualitative study were through primary data collection, i.e., interviews and focus group discussions, and secondary data collection, i.e., document analysis (Maxwell, 2013; Yin, 2014). The primary data were collected through semi-structured interview schedules that were used for the face-to-face focus group discussions, the individual interviews, and the telephonic interviews. The interview schedules were used along with an audio recorder to capture the information as it was provided by the participants. The secondary data were collected from White Papers, policies, strategies, reports, guidelines, journals, published articles, and Acts on SMMEs. These documents were requested from officials from all three spheres of government.

The interview schedules were discussed with and approved by the promoter of this study. The collection of data for this study started after the researcher received approval to conduct the study from the Basic and Social Sciences Research Ethics Committee (BaSSREC) of the North-West University. The researcher collected data between 17 November 2020 and 30 January 2021. The researcher requested access to the database of all SMMEs from the Matatiele Local Municipality, whereafter a list of 256 SMMEs was received. The researcher approached the Matatiele Business Chamber committee members and explained the study to them, how it intended to benefit the SMME sector, and the time period when the research was planned to take place. The researcher requested to conduct focus group interviews on the date set for a meeting between the Matatiele Business Chamber and SMME owners. The researcher explained that the focus group discussion with the SMME owners would take place before and after the meeting on the meeting day. The

purpose of using the SMME meeting day was to get the SMME owners together in a convenient place and time.

The researcher first identified and noted the information of 15 SMMEs in each sector. Thereafter, SMME owners operating in the agriculture, manufacturing, and service sectors in the Matatiele Local Municipality were identified. The SMME owners were individually called and requested to participate in the study, and the purpose of the study was explained to them. The date, time, and venue were provided to each SMME owner and the details of the SMME owners who agreed to the invitation were noted. The researcher selected participants who were suitable to provide information that would answer the research questions of this study (Palinkas *et al.*, 2013; Cox, 2015).

The researcher as a resident of the area interacted with SMME owners she was familiar with, who then recommended SMME owners who were active in the local area. On the day of the meeting, the first focus group was conducted with 10 agricultural SMME owners who produced vegetables, grains, and milk before their meeting with the Business Chamber. The second focus group was conducted after the meeting with 10 manufacturing sector SMME owners who had sewing and bakery businesses. The last focus group was conducted with 13 SMME owners in the service sector. They operated informal retail shops (eight *spaza* shops) and funeral services (five). The focus group discussions with the *spaza* shop owners were conducted at a school and the focus group discussions with the funeral services providers were conducted in the board room of an SMME owner.

The researcher provided the participants with an informed consent form and explained its contents. They were requested to sign the informed consent forms before the discussion could start and the researcher further explained that they would not be compensated for participating in the study and that they could withdraw their participation at any time if they needed to do so. Thorpe (2014) emphasises that participants can withdraw from an investigation whenever and for whatever reason they may wish. The researcher explained the purpose of the discussion and all ethical conditions involved, requested to audio record the discussion, and promised that the recordings would be used for analysing the information for the purposes of the study only. Participation in this study was voluntary. The researcher conducted face-to-face group discussions with SMME owners with the purpose of obtaining in-depth information and repeated their responses back to them to clarify and validate what they had said.

During the focus group discussions with the service sector SMME owners, the researcher discovered that all the informal retail shop (*spaza* shops) SMME owners were self-employed and

had no employees. The researcher had to use another service sector with employees who could confirm whether their lives had improved since they started working for the SMMEs. Through snowball sampling, the researcher was given the contact details of the chairperson of the Matatiele Funeral Services Association by other SMME owners. The researcher contacted the chairperson of the Matatiele Funeral Services Association and explained the purpose of the study and requested the contact details of the association's members. The researcher was given the contact details of 14 members of the funeral association. Each member of the Matatiele Funeral Services Association was contacted and invited to participate in the study. The purpose of the study was explained, and the date and venue for the interviews were set and agreed upon. On the day of the interview, only five members adhered to the interview arrangements. The ethical issues were discussed with them, they signed the informed consent forms before the discussion could start, and their permission to audio record the discussion was requested. The researcher used face-to-face, semi-structured interviews to allow the participants to elaborate on their responses to the questions posed (Yin, 2014). All COVID-19 rules and regulations were observed.

Furthermore, the researcher contacted 28 of the SMME owners who participated in the study and requested to interview their employees. The researcher explained to the SMME owners that the interviews would take place on Saturdays and Sundays when the employees were not at work to avoid interfering with their work. The SMME owners gave the researcher the names and contact numbers of their employees. The researcher contacted the SMME employees and requested to conduct interviews with them on a day and time and at a venue that were convenient for them. These participants comprised 10 employees from the agriculture sector, eight employees from the manufacturing sector, and six employees from the service sector. The prospective participants could choose whether the interview would be conducted in English or Sesotho to allow each participant to freely express themselves and ask questions when clarity was needed. The Matatiele Local Municipality is dominated by Basotho people, and this is for historical reasons. Each participant was given an informed consent form, which was provided in English or Sesotho, and asked to sign it before the interview could take place. They were given the opportunity to ask clarifying questions. The researcher had planned to conduct interviews with 30 employees but 24 employees were interviewed since the saturation point was reached as employees were no longer providing new information.

After conducting interviews with SMME employees, the researcher contacted three individual SMME owners/managers per sector who participated in the focus group discussion and invited them to participate in face-to-face individual interviews that were held on the day suggested by

the SMME owners/managers. The purpose of the individual SMME owner/manager interviews was to verify the information gathered from the focus group discussions. The SMME owners/managers agreed to participate in the study and arrangements were made with each SMME owner/manager. On the day of the interview, each SMME owner/manager was given an informed consent form to sign before the interview could begin and the researcher requested permission to audio record the interview. The prospective participant could choose whether the interview would be conducted in English or Sesotho to allow each participant to freely express themselves and ask questions when clarity was needed. The researcher communicated with the study promoter once a week during the collection of the data (or whenever the need arose) to seek advice on challenges encountered during the fieldwork. The SMME owners were told that when analysing the data, the researcher might contact them to explain issues that needed further clarification.

This study gathered data using primary and secondary data sources. The source of primary data was triangulation through face-to-face focus group discussions and individual interviews with SMME owners/managers in the Matatiele Local Municipality. The purpose of triangulation was to validate the information gathered from the focus group discussions with SMME owners by conducting individual interviews with a few of the same SMME owners. Triangulation also assisted in gaining a good understanding from different perspectives of the investigated phenomenon. This helped the researcher to increase the level of knowledge about the contribution of SMMEs in the rural areas while strengthening the researcher's standpoint on various aspects.

The researcher furthermore conducted individual interviews with nine government officials from the national, provincial, and local municipality levels who provided support to SMMEs; an individual interview with one member of the Matatiele Business Chamber; and focus group discussions with clients or customers who purchased goods and services from SMMEs. The COVID-19 restrictions compelled the researcher to conduct telephonic interviews with three officials from the Eastern Provincial office instead of conducting face-to-face interviews. The audio recording of the interviews was done by utilising the call recorder function of the researcher's cell phone. The main aim of conducting interviews with these participants was to validate the information acquired from the SMME owners as the main participants of this study. In order to answer the main research question, namely "What are the contributions of SMMEs to overcoming poverty and unemployment in the Matatiele Local Municipality?", the researcher had to interview SMME employees and customers to understand and validate the information gathered from the SMME owners in order to address this research question. In order to answer the research question "What type of assistance is available to SMMEs in the Matatiele Local Municipality from

the government and other sources?”, follow-up questions were asked to SMME participants and government officials to seek clarity.

Bless *et al.* (2013) describe secondary research as a process where a researcher uses data that had been collected for some other reason to answer the research question(s). The researcher requested documents such as guidelines, policies, reports on the performance of SMMEs, and published articles on funding of SMMEs by various institutions that support SMMEs from the officials from all three spheres of government. The researcher used both primary data and secondary data as a triangulation method to validate the first-hand information collected from participants with the information in the reports and published articles on SMMEs. Triangulation is used when more than one method of data collection (such as interviews and document analysis) are applied to the same topic (Joslin & Müller, 2016; Caillaud & Flick, 2017; Lang & Fink, 2018).

When conducting the interviews, the purpose of the study was communicated to the participants. The researcher took notes during the interviews and made use of audio recording (Saunders & Lewis, 2012). The informed consent form included permission to use an audio recording device during the interviews. After the interviews were completed, a third party was used to transcribe the recorded interviews. In order to manage confidentiality, the third party was required to sign a confidentiality consent form.

3.3.4 Sampling and sample size

It was vital for the researcher to utilise a sampling technique that informed the quality of inferences in terms of the findings of the research. Creswell (2003) states that the two types of sampling are probability and non-probability sampling. Probability sampling focuses on random sampling where every element of the population stands a chance of being included in the sample (Babbie, 1992; Kitchin & Tate, 2000). On the other hand, Saunders and Lewis (2012) and Merriam and Tisdell (2016) define non-probabilistic sampling as a variety of sampling techniques used when the researcher does not possess a complete list of the population.

This study used the following non-probability sampling techniques: quota sampling, convenience sampling, and purposive sampling. *Quota sampling* is when individuals showing similar characteristics such as age, religion, and/or sex are drawn together to participate in study (Etikan & Bala, 2017). In this case, the researcher selected the sample of SMME owners operating in three sectors, namely agriculture, manufacturing, and services. *Convenience sampling* is when the participants are easy to find to be part of a study (Bernarte, 2019; Etikan & Bala, 2017). The

researcher selected SMME owners who were conveniently available to participate in the study. With *purposive sampling*, the researcher identifies specific participants who will provide relevant information to the study (Vehovar *et al.*, 2016; Palinkas *et al.*, 2013).

The researcher chose government officials from the three spheres of government who work directly with SMMEs, because they were considered to have relevant information that would assist in answering the study's research questions. In the Matatiele Local Municipality, the researcher selected the LED officer to participate in the study. In both the provincial and national government spheres, the researcher identified officials who provide support to SMMEs. Lastly, *snowball sampling* is when a researcher is referred to participants through networking since there is lack of information about such participants (Naderifar *et al.*, 2017; Vehovar *et al.*, 2016). The researcher used this sampling method by asking SMMEs to recommend their clients who could provide relevant information for the study. It was also used to request the first government officials interviewed at the three levels of government to refer the researcher to other officials who work with SMMEs. The sample size for this study comprised 91 participants.

3.4 Analysis of data

Qualitative data analysis is a process that involves various procedures of collecting data from participants and interpreting the data in order to understand the people and situations that are investigated (Flick, 2013; Yin, 2014). Male (2016) indicates that data analysis effectively starts when data collection is completed. There are various methods for analysing qualitative data, such as thematic analysis, content analysis, discourse analysis, grounded theory, and interpretative phenomenological analysis (Herzog *et al.*, 2019). The researcher utilised qualitative thematic analysis, which is "possibly the most widely used qualitative method of data analysis" (Braun & Clarke, 2016). Thematic analysis is a technique of analysing data from transcripts in order to recognise patterns and themes (Nowell *et al.*, 2017).

The researcher audio recorded the focus group discussions and individual face-to-face interviews and repeated what was said by participants to them to seek clarity and for the purpose of member checking (Yin, 2014). The researcher also took notes during the focus group discussions and individual face-to-face interviews. After the focus groups discussions and interviews were conducted, the researcher approached a transcriber and requested her to sign a consent form to ensure that she would keep the data confidential. The transcriber was given the recorder and the field notes to transcribe them. The recordings were listened to several times and were compared with the field notes before the transcripts could be made of each interview. When the transcription

was completed, the researcher started to code the transcribed recordings while also comparing the field notes. The researcher used the NVivo software program to sort and organise the large amount of data into manageable datasets (Dollah *et al.*, 2017; Zamawe, 2015). The researcher requested a co-coder to assist in coding the transcribed recordings according to the themes that would help to answer the research questions. The co-coder signed a consent form to ensure that he agreed to keep the work confidential and private. Coding was undertaken by creating codes based on the participants' responses. Coding is a way of thinking about data (Nowell *et al.*, 2017). The purpose of coding is to reflect and find similar patterns in the data that answer the research questions. The analysis was focused on codes related to the contribution of SMMEs to rural development, the types of SMMEs and what compelled the SMME owners to establish them, the challenges they encountered, and support received from the government or other institutions.

Several statements with similar meanings were labelled and arranged together under one concept (Masiye, 2016). The researcher created themes by capturing important ideas from the notes and transcripts that were related to the research questions. The researcher reviewed the themes that were developed in relation to the coded data. The themes were defined clearly with the purpose of obtaining the unique information that was specific about each theme. Defining and naming the themes were followed by logical and meaningful analysis of the data with the intention of addressing the study's objectives and answering the research questions.

3.5 Research ethics

The researcher applied for gatekeeper permission from the DRDLR, the DSBD, and the Matatiele Local Municipality. All ethical standards for this research were observed, and confidentiality was maintained by keeping the data confidential and not revealing the respondents' identities when reporting the results. Written ethical clearance was obtained from the North-West University's BaSSREC (REF: NWU-01984-20-A7; see Appendix 4). Permission was also obtained from all participating SMME owners and/or managers and the gatekeepers of the various institutions that participated in the study. Consent from all participants was also obtained before they participated in the interviews. The respondents were informed of the purpose of the study and the procedures that would be used to collect data. They were further told that their participation was voluntary (Johnsson & Erikson, 2016; Wee *et al.*, 2013).

The study was conducted when the entire country was affected by the COVID-19 pandemic and hard lockdown measures. The researcher ensured that the participants followed the COVID-19 rules of social distancing, wearing face masks, and sanitising before the group or individual

discussions could proceed. This ensured that the participants were not exposed to any physical, emotional, or psychological risks. The participants were informed that they could withdraw their participation if they wanted to do so (Brall *et al.*, 2016). If participants felt physical or psychological distress during the interviews, the ethical guidelines would be considered. In each interview or focus group discussion, the participants' permission was requested to audio record the discussions and the participants were ensured that the recordings would be used for analysis for the purposes of the study only.

3.6 Summary

This chapter explained how the research methodological process for this study was conducted. The chapter discussed the research design and research method and identified the population that participated in the research. The unit of analysis comprised 91 participants from five categories, namely SMME owners, their employees, their beneficiaries, government officials from three spheres of government and a member of the Matatiele Chamber of Business. The researcher was the instrument of data gathering. An interview schedule was used for various participants in different categories. Semi-structured focus group discussions, individual face-to-face interviews, and telephonic interviews were conducted by the researcher. Primary and secondary data were gathered to obtain detailed information to assist in answering the research questions. The study was conducted using the qualitative research approach since interview schedules were used to gather detailed and relevant information from various key participants. The data were validated during the interviews by repeating the answers of the participants back to them as a method of verification. The researcher obtained ethical approval before collecting data in order to ensure that all ethical standards would be followed to protect the confidentiality and safety of the participants. Thematic data analysis was used to analyse the data, and the various steps of ethical considerations were followed.

CHAPTER 4

SOCIOECONOMIC BACKGROUND OF THE STUDY AREA

4.1 Introduction

South Africa is still challenged by certain structural legacies that cause socioeconomic inequalities inherited from decades of colonial and apartheid rule to continue. The socioeconomic factors faced by South Africa seriously affect marginalised groups, of which the majority comprise the black population. These marginalised groups are mostly found in rural areas and are severely affected since economic growth is not inclusive (Vansandt & Sud, 2012; National Development Agency, 2019). Although the country is seen to be democratic in the post-apartheid era, the literature reveals that marginalised groups still find it difficult to access financial resources, economic opportunities, quality education, and effective political participation (Meiring *et al.*, 2018). However, various government policies have sought to correct the imbalances through state interventions (Malemela & Yingi, 2016). The South African NDP lays out several goals to be achieved by 2030, including elimination of poverty, reducing inequality, and significantly lowering unemployment (Bhorat *et al.*, 2018).

This chapter provides an overview of the socioeconomic factors that affect South Africa as a whole. It then highlights socioeconomic factors in the Eastern Cape province and compares them to those in other provinces. The socioeconomic factors that affect the Matatiele Local Municipality are also addressed. The chapter ends with a discussion of the historical background of SMMEs in South Africa, their contribution to socioeconomic development, challenges encountered by the SMME sector, and the type of support available to them in the country.

4.2 Underlying socioeconomic factors in South Africa

The World Bank (2019) suggests that South Africa is one of the largest economies on the African continent, although the country has slight growth, and has been outperformed by other emerging economies, such as Nigeria. The GDP has been growing at less than 1.1% over the last couple of years (Trading Economics, 2017b; World Bank, 2019a). According to Fitch Solutions (2019), the South African economy is predicted to remain relatively sluggish over the five-year period from 2018 to 2025. South Africa's GDP will grow at a 2.07% average rate between 2018 and 2025 (Fitch Solutions, 2019). Policy uncertainty also affects the global economic growth. Fitch Solutions (2019) suggests that because it is predicted that the South African economy will be stagnant between 2018 and 2025, the socioeconomic wellbeing of the country will be affected negatively.

According to Makwara (2019), various issues affect South Africa's socioeconomic growth, such as rife corruption in government (Wolf, 2017), fraud in the corporate world (Naudé, *et al.*, 2018), socio-political instability such as the Marikana massacre where mine workers were killed by police for going on strike in 2012 (Boettger & Rathone, 2016), and the fronting of corporate firms through Black Economic Empowerment (BEE) (Warikandwa & Osode, 2017). Furthermore, the practices of big corporates such as Woolworths that reproduced small business owners' innovative products with its own fake products at lower prices demonstrate how big businesses throttle SMMEs' growth, initiatives, and creativity (Omarjee, 2019). These behaviours directly or indirectly cause negative social outcomes such as high unemployment, social instability, and poverty, which SMMEs are expected to contribute towards overcoming (Makwara, 2019).

The challenges faced by South Africans include extreme unemployment, shortages of skills, inequality, a high illiteracy rate, a high crime rate, rural poverty, and food insecurity and starvation, especially among the rural and peri-urban poor (Jili *et al.*, 2017). Although the country is pronounced to be democratic, there are ongoing protests over service delivery and unending strikes about labour issues (Mamokhere, 2019). Vuba (2019) observes that these challenges are more predominant in townships and in communities in rural areas, which are mostly inhabited by black people.

4.2.1 Unemployment

The ILO (1982) and the Bureau of Labor Statistics (2019) explain that unemployment occurs when people do not have a job and have been searching for work for the past four weeks and can soon be available for work. Furthermore, people who are temporarily without a job and are waiting to be called back to their jobs are included in unemployment statistics. According to Cloete (2015), in the South African context, "unemployed" refers to those who can work and are looking for work but are unable to find paid work.

South Africa is facing a crisis of high unemployment. According to Stats SA (2019), the expanded South African unemployment rate has increased to 38.0%. The two types of unemployment are expanded and narrow unemployment. The former (expanded) exists when a person between the ages of 15 and 64 is without a job and is willing and able to work yet is not actively searching for a job (Chappelow; 2020). The latter (narrow) includes those individuals (normally 15 years and above) who are without a job and are available for work, and who are actively seeking work (U.S. Bureau of Labor Statistics; 2020). This means that the narrow definition of unemployment excludes people who are not actively looking for jobs, while the expanded definition includes

them. There were high expectations post-1994 of an increase in employment for the larger population since the economy of the country increased compared to the previous decades, and that greater levels of educational achievement and discriminatory policies would be reversed (Nonyana & Njubo, 2018). Unemployment is seen when many school leavers and youth graduates find it difficult to get jobs for the career pursued and end up doing work for which they did not study (Banda *et al.*, 2016). The youth is mostly unemployed in the country since the rate of unemployment among those between the ages of 15 and 24 years is 63%, while approximately a third of those aged 25 to 34 years are unemployed (Stats SA, 2019b; 2019c).

Unemployment is undesirable because it affects economic welfare and production and causes poverty, crime, erosion of human capital, social exclusion, and social instability such as protests and strikes (Banda *et al.*, 2016; Mamokhere, 2019). Unemployment affects human dignity since many South Africans are unable to live lives that reflect, actualise, and confirm their dignity as human beings (Cloete, 2015). The decrease in the economic growth of the country also affects various sectors that employ people in the country (Stats SA, 2019c).

The main sectors that shed jobs in 2019 were construction, with 37 000 job losses, manufacturing with 22 000, community services with 11 000, business services with 9 000, electricity with 3 000, and transport with 1 000 jobs (Stats SA, 2019c). The statistics indicate that young people lack the skills and experience that can help them to contribute to economic growth. This points towards structural unemployment, which refers to a disparity between demand and supply in the labour force, which leads to lack of opportunities in employment for persons with specific skills (Radipere & Dhliwayo, 2014).

4.2.2 Skills shortage

The history of South Africa indicates that during the apartheid era, skilled trades were controlled by white workers, while black workers did semi-skilled work even though they were equally skilled (Balwanz & Ngcwangu, 2016). This is attested to by the Joint Initiative on Priority Skills Acquisition (2007), which accepted that one of the disadvantages of apartheid was undoubtedly the denial of achievement of education and skills by black people. Mateus and Allen-Ile (2014) confirm that the lack of skills severely affects firms and hampers the quality and quantity of industrial development outputs. Low industrial development causes the continuation of poverty, unemployment, inequality, and uninspiring economic growth in South Africa (Balwanz & Ngcwangu, 2016).

BusinessTech (2015) indicates that some employers have various reasons for being unable to fill the jobs in their companies. These include environmental or market factors, lack of technical competencies or hard skills, lack of industry-specific qualifications, lack of candidate experience, and no applicants at all for available positions. The World Bank (2018) adds that the location of labour markets in South Africa is also a challenge since people in urban areas stand a better chance of being employed than those in rural areas. Furthermore, those in the urban areas have challenges of transport costs for youths who are searching for jobs or when the job is located far from home. The shortfall of skills and the low level of education in South Africa were noticeably inherited from the apartheid system (Department of Higher Education and Training [DHET], 2019). Most young people left the education system without acquiring knowledge from education and training, which caused a skills shortage in South Africa and resulted in high unemployment (Poliduts & Kapkaev, 2015). Poliduts and Kapkaev (2015) further emphasise that there is a relationship between the state of development and the kinds of skills needed for economic production. Each country requires certain skills for the development and growth of its economy.

The World Economic Forum (2018) indicates that a country may need skills that are factor-driven, efficiency-driven, or innovation-driven. A *factor-driven* economy experiences growth that is dominated by primary activities such as agriculture, where natural resources are directly extracted using unskilled labour. An *efficiency-driven* economy is characterised by competitiveness, quality production processes, and high economic growth driven by skilled labour. In an economy that is *innovation-driven*, growth is driven by creative, knowledgeable, and experienced businesses that are expanding.

The Global Entrepreneurship Monitor (2018) indicates that the South African economy is ranked worldwide as *efficiency-driven*, which means that production processes in the economy are largely attached to the use of skilled labour. Nevertheless, although sectors such as the tertiary sector employ mainly skilled labour in South Africa, primary sectors such as mining, agriculture, and construction mainly employ unskilled labour. On the one hand, there is a small number of skilled people who are highly paid. These skilled people are in largely formal sectors and larger enterprises and they are unlikely to give up their jobs. On the other hand, most people in the population work in the informal sector and are paid less and usually leave their jobs to seek better-paying jobs (World Bank, 2018). It is therefore imperative that the South African government attends to skills development for the medium- to long-term periods. To address skills shortages, the government of South Africa has developed legislation and government policies; e.g., the Skills Development Act of 1998, the National Skills Development Strategy, the National Skills Fund,

the DHET White Paper on Post-School Education and Training, and NDP 2030. The South African government furthermore established new departments, authorities, and councils (such as the DHET, technical and vocational education and training colleges, Sector Education and Training Authorities, and the Human Resource Development Council) and paid attention to DHET research initiatives and funding. These laws, government policies, departments, authorities, and councils were developed to address the problem of skills shortages (Balwanz & Ngcwangu, 2016). It has also been noted that the South African government must ensure that it develops an appropriate skills strategy that involves assessing the relationship between the changing structure of the economy and the type(s) of skills required to support the growth of the economy (Poliduts & Kapkaev, 2015).

4.2.3 Inequality

According to Warwick-Booth (2013), large segments of society are excluded from economic opportunities. These segments can be identified through the exclusion of people according to their age, education attainment, gender, race, family type, region, urban/rural, employment status, and sector of employment (Hamann & Horn, 2021). Florida and Mellander (2016) state that segregation can also be according to human capital, skill, race, poverty, unionisation, and tax rates or the circulation of employment opportunities, housing quality, access to land, access to and quality of healthcare, access to services and assets, and even life expectancy in a particular area. The consequences of high levels of inequality have negative effects on the structure, functioning, economic growth, and liveability of a country (Branson *et al.*, 2012; McLennan *et al.*, 2016). This exclusion affects individuals, as well as the cumulative performance of the economy.

The inequality in South Africa dates to the rule of the apartheid regime as the country has inherited a spiteful inequality legacy from policies that knowingly induced inequality in every dimension of wellbeing (Stats SA, 2019b). The segregation during apartheid was based on race, space, and class (Florida & Mellander, 2016). Inequality in South Africa is now seen in the labour market's changing aspects, which in turn are significantly influenced by high unemployment, wage distribution, race, sex, educational attainment, and geography (Stats SA, 2019c). The democratic government in its NDP aims to reduce inequality. The NDP specifically focuses on scarcity and empowering those in the lowest half of the income distribution, particularly the poor who tolerated the effect of organised discernment under apartheid (Stats SA, 2019c). The Palma ratio, which is a measure of inequality, indicates that 10% of the richest population spent 8.6 times more than 40% of the poorer population in 2006. This ratio reduced to 7.9 in 2015. These figures indicate that overall inequality, measured at a national level, declined between 2006 and 2015 (Stats SA,

2019b). The increase in household income is caused by government social grants, such as the Older Persons Grant (Old Age Pension) and the Child Support Grant.

4.2.4 Poverty

There is no single generally acknowledged definition of poverty (Townsend, 2004). Letsoalo (2016) explains that there are instruments to identify and locate the poor, and that these tools also measure the extent of poverty at different levels of aggregation. Poverty is not merely a condition; it is an undesirable condition that implicitly poses the question of what can be done to effectively rid our societies of its effects (Maki, 2009). Poverty is demonstrated by shacks, homelessness, unemployment, casualised labour, poor infrastructure, and lack of access to basic services (Triegaardt, n.d.).

The level of poverty in South Africa is high, especially in townships and rural areas, and is instigated by huge levels of unemployment and inequality (Oduwole, 2018). The high poverty levels are devastating as they affect the social and psychological wellbeing of people (Prabhavathi & Naveena, 2014). In rural areas, 65.4% of the population lived below the poverty line in 2015, which was down 9.5 percentage points from 74.9% in 2006. This is high compared to urban areas where 25.4% of the population were poor in 2015, following an 8.9 percentage point reduction from 34.3% in 2006 (World Bank, 2018). The reduction in poverty levels suggests that the South African government considers the challenge of poverty alleviation in the country as a key priority. This is emphasised by the fact that R196 471 billion of government expenditure was allocated to social grants in 2019/2020 (Stats SA, 2021). Expenditure on social grants is estimated to increase at an average annual rate of 7.6%; from R196.471 billion in 2019/2020 to R202.9 billion in 2021/2022 (Stats SA, 2019b). Steele (2006) asserts in this regard that social grants should be viewed as an emergency mechanism to alleviate poverty, but social grants cannot be a means to reduce poverty as this could lead to dependency and would inhibit the development of potential.

4.3 Socioeconomic factors in the Eastern Cape province

The Eastern Cape province is situated in the south-eastern part of South Africa and it is the second largest province in South Africa after the Northern Cape (Makiwane, 2010). The province covers an area of close to 169 580 km², which constitutes 14% of South Africa's land mass (Makiwane, 2010; Stats SA, 2019c). The province had around 6.5 million residents in 2019 and accounted for 13% of South Africa's population in 2019. It contributed 8% to the GDP of the country in 2017 which is the lowest GDP compared to other provinces (Stats SA, 2022). The Eastern Cape Provincial Development Plan (Premier's Office, 2019) suggests that the province consists of a

society that is desperate to escape its colonial and apartheid legacy, especially in the former homelands where over 60% of the provincial population still reside. There is high poverty and unemployment and low access to basic services in the former homelands, which are in the East and North-East regions.

The province has three regions that differ in development and available resources. These regions are the Central Region, comprising Amathole and Buffalo City Metro; the Western Region, comprising Cacadu and Nelson Mandela Bay; and, lastly, the East and North-East, comprising OR Tambo, Alfred Nzo, Chris Hani, Joe Gqabi, and parts of Amathole (Premier's Office, 2014). The province consists of six district municipalities, namely Amathole, OR Tambo, Chris Hani, Joe Gqabi, Alfred Nzo, and Sarah Baartman. The Matatiele Local Municipality is situated in the Alfred Nzo District Municipality. According to the Eastern Cape Provincial Development Plan (Premier's Office, 2019), approximately 30% of the provincial population live in the two metros, namely Buffalo City Metro and Nelson Mandela Bay Metro, where there is an increase in poverty and unemployment, and a sluggish rate of economic growth related to the other metros located in other provinces.

The Eastern Cape contributed just 8% of the GDP in 2015, which was mainly from the automotive manufacturing industry in Nelson Mandela Bay Metro and Buffalo City Metro. The Eastern Cape province comprises two economic zones; one is the East London Industrial Development Zone (IDZ), located in Buffalo City, and the other is the Coega IDZ, based in Nelson Mandela Bay. The East London IDZ is the strongest sector, which manufactures automobiles and automotive parts. Within the East London IDZ is the Automotive Supplier Park, which houses world-renowned automotive suppliers that conduct business with automotive industry front-runners such as Mercedes Benz, Nissan, Volkswagen, Ford, and General Motors (Media Xpose, 2019).

The economic development challenges have caused a high rate of outmigration from the Eastern Cape province, with the outmigration of 684 000 people between 2006 and 2016. There is intra-provincial migration, whereby people prefer to reside in the metros, towns (and their peripheries), and along transport corridors. This causes rural depopulation since rural young people tend to move to towns and their peripheries. The percentage of urban population in the Eastern Cape increased from 39.8% in 1996 to 47% in 2018 (Stats SA, 2019c). The Eastern Cape Department of Economic Development, Environmental Affairs and Tourism's (2017) report shows that the GDP per capital of the Eastern Cape province was the lowest compared to other provinces since it was R55 094, while the highest was Gauteng's GDP per capital, which was R111 171. The

unemployment rate in the Eastern Cape was 37.4% in 2019 and 36.1% in 2018. In 2019, the Eastern Cape was the province with the highest unemployment rate of 37.4%, followed by the Free State with 34.9%. In 2019, the province with the lowest unemployment of 18.5% was Limpopo. South Africa's overall unemployment rate in 2019 was 27.6%. The sectors responsible for the most employment in the Eastern Cape are the government and community services, which employed 27.4% of the labour force. This was followed by trade (21.2%) and construction (10.6%). Together, these three industries employed over 50% of the Eastern Cape's working population in the first quarter of 2019 (Stats SA, 2019b). The five main provincial manufacturing industries that create job opportunities are transport equipment; food and beverages; clothing, textiles, and footwear; chemicals and plastics; and basic iron and steel plus metal products. In 2016, the province accounted for 28% of all South African employment in transport equipment, which is its largest manufacturing industry (Makgetla, 2016).

The lowest poverty headcounts reported in 2019 were in urban provinces such as the Western Cape (2.7%) and Gauteng (4.6%). These were followed by the Free State (5.5%), Northern Cape (6.6%), KwaZulu-Natal (7.7%), North West (8.8%), Limpopo (11.5%), and the Eastern Cape (12.7%) (Stats SA, 2019b). The Eastern Cape's poverty headcount has declined by 1.7% since 2011. The Eastern Cape has the highest level of poverty and the lowest human development compared to other provinces in South Africa. The Community Survey (Stats SA, 2016) used the South African Multidimensional Poverty Index (SAMPI) to measure the extent of poverty in the country. SAMPI is an index that is constructed using 11 indicators across four dimensions, namely health, education, living standards, and economic activity. Poverty headcount figures are then determined based on the proportion of households that are "multidimensionally poor" in terms of the SAMPI.

Most provinces reported a decline in the poverty headcount between 2011 and 2016. According to the Community Survey (Stats SA, 2016), the intensity of poverty in the Eastern Cape increased from 41.9% in 2011 to 43.3% in 2016. In the Eastern Cape province, the HDI has shown improvement over the past 11 years, increasing from 0.49 to 0.59 between 2009 and 2019. The country's HDI was 0.65 in 2019 (Premier's Office, 2019). According to Stats SA (2018), the HDI is a composite index that focuses on three basic dimensions of human development: the ability to lead a long and healthy life, measured by life expectancy at birth; the ability to acquire knowledge, measured by mean years of schooling and expected years of schooling; and the ability to achieve a decent standard of living, measured by gross national income per capita. Inequality in the Eastern Cape province rose sharply between 1996 and 2001 and declined between 2001 and 2012 but has seen marginal increases between 2012 and 2018. The province is faced with a quadruple burden

of disease, driven by HIV/AIDS, tuberculosis, and noncommunicable diseases; maternal and child mortality; and injury and violence (Eastern Cape Policy Committee [ECPC], 2014). Food security remains low, with child growth stunting still persistent. The number of people living with HIV/AIDS has increased from 314 000 in 1996 to 838 000 in 2018, due to treatment availability and improved survival rates (Premier's Office, 2019).

The education and training system in the province is experiencing sustained high dropout rates with changing quality across the system resulting in many students from former Model C schools going on to degrees in science, technology, engineering, and mathematics. Model C schools were multicultural schools that were established between 1980 and 1990 that were heavily sponsored by the state but charged parents additional fees to pay their top teachers (*Dictionary of South African English*, 2014).

4.4 Socioeconomic conditions in the Matatiele Local Municipality

The Matatiele Local Municipality is one of four local municipalities situated within the Alfred Nzo District Municipality. Alfred Nzo is one of four district municipalities in the Eastern Cape. It is located in the East and North-East regions of the province. The East and North-East regions are known to have high a population density and poverty-stricken rural areas with crowded underdeveloped towns that largely serve as trading hubs. The districts that fall under this region account for enough arable land and have high rainfall patterns and water to sustain agriculture and forestry (Eastern Cape Planning Commission, 2014). The other three local municipalities that fall under the Alfred Nzo District Municipality are Umzimvubu, Mbizana, and Ntabankulu local municipalities (Matatiele Local Municipality, 2019). The Matatiele Local Municipality has a population of approximately 219 447 people (Stats SA, 2016). The Matatiele Local Municipality is dominated by Africans at 98.4%, while the coloured, Indian/Asian, and white population groups constitute 1%, 0.2%, and 0.4% respectively (Matatiele Local Municipality, 2019). There are approximately 49 527 households (Matatiele Local Municipality, 2017a) and only 39 406 people who are economically active from these households. Economically active people refer those who are employed or unemployed but who are looking for work. Stats SA (2016) indicates that there are 38.7% unemployed people and 47.2% unemployed youths in the Matatiele Local Municipality (Matatiele Local Municipality, 2017a).

One of the challenges in the municipality is the increasing number of school dropouts. This results in many young people who do not complete high school. Statistics show that 4.3% of the youth do not have education, 76% do not have Grade 12, and 19.7% have Grade 12 and tertiary education.

The high level of unemployment is caused by lack of skills and affects the economic development of the local municipality. About 28.4% of employees are skilled, 36.4% are semi-skilled, and 35.2% are low skilled in the Matatiele Local Municipality (Matatiele Local Municipality, 2019). The high levels of unemployment cause unequal distribution of income in this municipality. The average size of a household in the Matatiele Local Municipality is 3.9 people, with a household needing a minimum of R2 000 per month to sustain lives (Matatiele Local Municipality, 2020). According to the Matatiele Local Municipality (2019), the average monthly income of households in the Matatiele Local Municipality is less than R2 000. The Matatiele Local Municipality (2019) found that half (50.1%) of the households in the local municipality earn an income of between R42 000 and R54 000 per year.

There are a large number of people living in poverty in the Alfred Nzo District Municipality. The Ntabankulu Local Municipality has the highest percentage of 89.4%, while the Matatiele Local Municipality has 80.4%, which was the lowest percentage of people living in poverty in the district in 2018. The Matatiele Local Municipality is the greatest contributor to the economy in the Alfred Nzo District Municipality, contributing 34.30%, compared to Mbizana, which contributed 30.47%, Umzimvubu, which contributed 25.57%, and Ntabankulu, which contributed 9.63%, which was the lowest economic contribution between 2008 and 2018 (Alfred Nzo District Municipality, 2020). The Matatiele Local Municipality (2019) indicates that the total skilled employees in the formal sector in 2017 comprised 28.4%, while semi-skilled employees comprised 36.4%, and unskilled employees 35.2%. There are 42.3% employees in the informal sector in the Matatiele Local Municipality. The Matatiele Local Municipality had a growth in the employment rate of 1.9% between 2010 and 2017, which was high compared to the growth of the Eastern Cape, which was 1.2% between 2010 and 2017, while the growth of employment in South Africa between 2010 and 2017 was 1.1% (Matatiele Local Municipality, 2019).

4.5 Historical background of South African SMMEs

SMMEs existed in South Africa during the apartheid regime but were not prioritised; instead, large businesses and state-owned enterprises were given priority (Mathibe & Van Zyl, 2011; Buthelezi *et al.*, 2018). This is confirmed by Agupusi (2007) and Tengeh (2013), who emphasise that SMMEs were not supported by the government, but that non-governmental organisations and community-based organisations were responsible for supporting micro and survivalist businesses. Agupusi (2007) and Urban (2018) further emphasise that the lack of government support for SMMEs left a big gap in the establishment of survivalist and micro enterprises. At the same time, the apartheid regime deprived most black people of wealth and educational prospects, which

caused a lack of entrepreneurial skills and limited black entrepreneurship to the smallest businesses only (Malepe, 2014).

The apartheid government did not provide support to smaller black-owned businesses, which made it difficult for them to enter the market and compete with larger white-owned businesses in the local and global economy (Rogerson, 2004, 2006; Mtshali *et al.*, 2017). From the late 1970s to early 1980s, the South African government started to recognise the contribution of SMMEs to the economic growth of the country (Mathibe & Van Zyl, 2011). The democratic regime of the early 1990s gave SMMEs an opportunity to participate in the South African economy. This regime introduced the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (General Notice 213 of 1995), which entailed an approach to endorse and establish SMMEs in South Africa and to design a policy framework that would focus on supporting and developing SMMEs. The aim was to foster an enabling environment for SMMEs to grow as a way of creating balance in the economy (Department of Trade and Industry [dti], 2005b).

Furthermore, Cass (2012) states that a plan was established to decrease the unemployment rate and to stimulate economic growth through supporting SMMEs in becoming more operative in the global market. In South Africa, the importance of evolving SMMEs became even more substantial for the attainment of social stability by creating jobs to address the high unemployment rate (Mbedzi, 2011; Chinweuba & Sunday, 2015). SMMEs have been considered as an instrument of economic growth and promoting reasonable development (Aremu & Adeyemi, 2011; Ramukumba, 2014).

To date, South African SMMEs have been vigorously endorsed by the national government as they are viewed as key role players in relation to the fulfilment of core socioeconomic objectives. These objectives comprise the formation of employment opportunities, poverty alleviation, the contribution to national growth, and the reduction of food insecurity and starvation, mostly among rural and peri-urban poor people (Bruwer, 2010; Amra *et al.*, 2013; Agwa-Ejon & Mbohwa, 2015; Jili *et al.*, 2017). Considering the socioeconomic importance of SMMEs to the national economy, it is no surprise that the number of operational South African SMMEs has rapidly increased over the years (Odendaal, 2017).

4.6 SMMEs and socioeconomic development in South Africa

South Africa is one of the emerging countries with a high occurrence of socioeconomic challenges (Ndou, 2014; Congressional Research Service, 2020). Apart from SMMEs contributing to job creation and economic growth in South Africa, SMMEs also play a significant role in the economy of the country by presenting new, advanced products and services that advance people's standard of living (Mbedzi, 2011; Mabulele, 2020). Not only do SMMEs improve people's standard of living, but they also contribute to the GDP of the country and create employment (Abor & Quartey, 2010; De Jongh *et al.*, 2012). SMMEs therefore not only improve national productivity and create employment, but also help to develop economic independence and strengthen personal and social capabilities among rural communities (Sarma, 2014; Ramukumba, 2014; Fourie & Skinner, 2018).

Researchers such as Mitchell (2013) and Chinweuba and Sunday (2015) confirm that SMMEs contribute to economic growth and job creation in South Africa. Mitchell (2013) further indicates that the development and sustainability of SMMEs may be a strong way of bringing about sustainable development through reducing unemployment, poverty, and inequality in developing countries, generally. It is significant to note that some writers believe that SMMEs in South Africa do not contribute to the economic growth of the country. For example, Pretorius and Van Vuuren (cited by Makwara, 2019) feel that SMMEs in South Africa do not stimulate entrepreneurship, innovation, or a start-up culture that can anchor actual economic growth. This is supported by Rashid *et al.* (2017), who claim that the SMME sector in South Africa is not only failing to assist in the alleviation of the chronic unemployment levels but is also contributing to its existence. The argument on the failure of SMMEs to create jobs in South Africa is supported by Rambe and Mosweunyane (2017), who state that incidents of high SMME failures in the country raise critical questions on whether SMMEs are effective tools for job creation and poverty reduction in South Africa.

On the other hand, Malemela and Yingi (2016) state that South Africa's policymakers, who developed the government's New Growth Path, intended that SMMEs should create five million new jobs by 2020 and that SMMEs would reduce the unemployment rate by creating 11 million new jobs by 2030. Malemela and Yingi (2016) suggest that for South Africa to create 11 million jobs by 2030, there must be over 49 000 SMMEs growing at a rate of 20% per annum to meet the NDP's targets. However, it is unclear as to how many SMMEs have to date delivered on their designated socioeconomic development role in the South African economy (Makwara, 2019). Nevertheless, Oseifuah and Manda (2017) and the NDP 2030 (NPC, cited by the South African Institute of Chartered Accountants, 2015) suggest that for South Africa to overcome poverty and

to reduce the proportion of people who are dependent on welfare payments from the state, there must be significant growth in SMMEs. However, Zondi (2019) indicates that there is a high likelihood that newly established SMMEs will not be able to survive for more than five years due to challenges they encounter.

4.7 Challenges faced by SMMEs in South Africa

Even though the government has put in place institutions and programmes through all three tiers of government (i.e., national, provincial, and local government) with the aim of creating a conducive environment for SMMEs and providing comprehensive support to small businesses, the overall impact of these initiatives is insignificant (Nxaba, 2014). Urban's (2018) view is that SMMEs are prevented from expanding by oligopolies in many markets where numerous large firms rule the competitive scenery and erect high entry barriers such as customer devotion, strong brand distinctiveness, etc.

A large percentage of SMMEs fail within the first five years of start-up (Van Scheers, 2011; Theng & Boon, 2012). This is supported by Chimucheka and Mandipaka (2015), who confirm that most SMMEs in South Africa fail within a very short time. Mnisi and Rankhumise (2015) further state that only one out of three SMMEs survive the first four years of operations. Neneh (2014) and Bhorat *et al.* (2018) further note that the rate of successful SMMEs in South Africa is the lowest in the world. This is because the majority of newly established SMMEs do not take off or even start to operate after registration (Fatoki & Garwe, 2010; Bhorat *et al.*, 2018).

The high failure rate of SMMEs therefore raises questions as to what factors truly contribute to their failure. Research conducted by Wiklund *et al.* (cited by Neneh, 2014) and Gundry and Welsch (cited by Neneh, 2014) discovered that in South Africa, most SMMEs fail to grow because SMME owners/managers are either not interested in growth or intentionally refrain from pursuing progress. Neneh (2014) states that such SMME owners/managers lack a growth tendency and rather wish for their businesses to stay small. Furthermore, Neneh (2014) states that the motivation to establish SMMEs tends to come from one of two different types of factors, namely opportunity and necessity. The difference between opportunity and necessity entrepreneurs is that opportunity entrepreneurs have a passion for working "on" their business and they start their businesses because there is a gap in the market, which they want to fill. On the other hand, necessity-based entrepreneurs are business owners who prefer to work "in" their businesses since push factors such as unemployment or dissatisfaction with their previous jobs compelled them to start a business (Reynolds *et al.*, 2005; Phillips & Pittman, 2009).

SMMEs in South Africa are diverse in character and content since some are informal, own-account enterprises, while others are formal, employment-creating firms (Bhorat *et al.*, 2018). Own-account SMMEs are almost always informal and survivalist in nature. These firms struggle to stay in business and need extensive funding if they are ever to expand to become employment-creating firms (Schwartz & Hornych, 2010). Such SMMEs are generally capable in the work they do, but unfortunately “they do not have a clue on how to run a business and have no underlying appreciation of business fundamentals” (Wentzel *et al.*, 2016:1479).

Although SMMEs might have internal capabilities to compete within their space, there might be challenges facing SMMEs generally. The government must therefore intervene and address the various challenges encountered by SMMEs in their geographical areas (Bhorat *et al.*, 2018). Generally, SMMEs are constrained by financial and non-financial issues. Non-financial factors are issues such as lack of human capital, lack of well-equipped business owners in terms of skills developed through learning by doing and training, and qualifications obtained through education. The issues also include poor access to the market, lack of market research skills, lack of information, inadequate technical skills, lack of planning skills, and lack of infrastructure (Neneh, 2014; Oyelana & Fiseha, 2014; Mrasi *et al.*, 2018)

Mnisi and Rankhumise (2015) suggest that it is evident that SMMEs experience significant development problems. These developmental problems are in four key areas that cause SMMEs to fail (Khan & Rocha, cited by Theng & Boon, 2012). These areas are marketing, accounting, control of inventory, and management of cash flow. If all these factors are well managed, business ventures tend to be successful (Schwartz & Hornych, 2010; Maas & Herrington, cited by Neneh & Van Zyl, 2012; Mnisi & Rankhumise, 2015; Chimucheka & Mandipaka, 2015).

Furthermore, SMMEs face financial constraints as they are unable to access credit from commercial banks due to poor business plans, low levels of financial literacy, insufficient information on available products in the market, and other external factors (Dumbu & Chidamoyo, 2012; Kamange *et al.*, 2014; Madya, 2015; Sarakunze, 2015). External factors relate to unfavourable challenges in the environment, such as competition, an unfriendly environment for business, government regulations and legal issues, the state of the economy, crime and corruption, rapidly changing technology, and local and international competition from well-established businesses, which hinder the growth of SMMEs (Urban & Naidoo, 2012; Chimucheka & Mandipaka, 2015). According to Ranjit *et al.* (2011), there is a limited family business culture among South Africans due to a lack of business management training and skills. Business owners

are unable to set strategic goals and plan forward actions, are reluctant to seek advice, tend to lack management commitment, and show reluctance to adjust to change. Other reasons for failure include the inability to act as entrepreneurs and lack of innovation to control business growth (Ndedi, 2013). SMME owners are key decision makers and for their businesses to survive, they must have skills, knowledge, abilities, experience, and education on how to manage a business (Edelman *et al.*, 2010). They have a major impact on the formation of a business strategy for the SMME and are responsible for setting a roadmap for their firms to move towards their set goals (Diabate *et al.*, 2019).

4.8 Support available to SMMEs in South Africa

Different forms of support have been applied to support and promote SMMEs in the country since the democratic government took over in 1994. With the democratisation of South Africa, enormous importance was placed on correcting inequalities in reference to business support programmes for small enterprises in South Africa (dti, 2005b; Rogerson, 2005). The South African government and other experts believe that SMMEs need support that will have a positive impact on their survival and growth (Global Entrepreneurship Monitor, 2014). In addition to the creation of supporting institutions, the South African government has prioritised the development of SMME-friendly policies. The prioritisation of SMMEs to create opportunities for black people has been a fundamental vehicle used to change and stimulate the South African economy (Rogerson, 2004, 2008; Timms, 2011; Malefane, 2013). There are also organisations that have stepped in to aid SMMEs so that they can be sustainable. The assistance includes non-financial support which provides horizontal learning through workshops on entrepreneurial skills development, networking opportunities, mentoring and coaching, and assistance with regulatory and legal compliance (Dludla, 2014; Malherbe, 2015).

The South African government in its policies regards SMMEs as the major tool that can address the increasing poverty and high unemployment among local people in the country. Nhleko (2017) therefore emphasises that the economic support and promotion of SMMEs are fundamental since they create jobs that provide employment, which is currently a major challenge in South Africa. Niska and Vesala (2013) concur that the main aim of SMME policy must be to provide capital, training, and advisory services that will help with the maintenance and growth of existing SMMEs. Since 1990, the South African government has developed strategies that will change the economy using SMMEs. The main tools that have been used by the government in this regard are as follows:

- The White Paper on the National Strategy for the Development and Promotion of Small Businesses in South Africa (dti, 1995) was the first document published, with several

objectives that focused on creating a conducive environment for small enterprises and focusing on addressing the inheritance of apartheid-based disempowerment of black businesses. It is the basis of all SMME-supporting tools and supports the advancement of women in all business sectors and creates long-term jobs by stimulating sector-focused economic growth in order to reinforce consistency between enterprises.

- The Integrated Small Enterprise Development Strategy (ISEDS) (dti, 2005a) was developed in 2005 with three main pillars, namely increasing the supply of financial and non-financial support, creating demand for SMME products and services, and reducing regulatory constraints (Cass, 2012). Cass (2012) further explains that the ISEDS was developed to reduce the unemployment rate and to stimulate economic growth with the purpose of assisting SMMEs to become more effective in the global market. The specific objectives of the ISEDS are:
 - to address the needs of SMMEs in high-growth sectors that are owned and managed by historically disadvantaged individuals, namely black people, women, youths, and people with disabilities;
 - to promote the involvement of small enterprises in the growth of South African economy;
 - to create a conducive environment for small enterprises; and
 - to form supportable long-term jobs in the small business sector and to guarantee equitable admission and contribution in terms of gender, race, disability, age, geographical location, and sector (dti, 2005a).
- The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise (ISPESE) (dti, 2005b): The intention of the ISPESE is to guarantee that the overall objective of fostering entrepreneurship and promoting small enterprises is carried out adequately and effectively.

The government further established institutions to provide support to SMMEs with the intention of creating a favourable environment for SMMEs. These institutions play different roles in supporting SMMEs.

The Department of Small Business Development (DSBD): The Small Business Development Ministry was established in 2014. The mandate of this department is as follows:

- Economic growth: To enable the establishment and growth of SMMEs to contribute to economic growth and the creation of jobs through public and private sector procurement.
- Partnerships: To enable collaboration with spheres of government and the private sector to benefit the development of SMMEs, with regard to access to finance and markets in a sustainable manner.

- Regulations: To create a favourable environment for SMMEs to prosper and to support the goals of the NDP, which aims that 90% of jobs will be created by SMMEs.
- Radical change: To alter the economy so that there is an increased contribution by SMMEs to the mainstream economy (DSBD, 2017).

Furthermore, the department's mandate is informed by legislative frameworks, such as the following:

- The National Small Business Act (1996) as amended is the legislative framework that guides the development of SMMEs in South Africa. The objective of this piece of legislation is to stimulate the growth and development of SMMEs in the country (Ligthelm, 2013; Gwija *et al.*, 2014).
- The Co-operatives Act (2005) as amended is a piece of legislation that provides information on:
 - the development and recording of co-operatives;
 - the formation of a Co-operatives Advisory Board; and
 - the winding up of co-operatives.

Small Enterprise Development Agency (Seda) is an agency of the DSBD, which was formerly an agency of the dti. Seda was formed in December 2004, through the National Small Business Amendment Act 29 of 2004. Its mandate is to apply the government's small business strategy, form and apply a standard and joint national delivery network for small enterprise development and assimilate government-funded small enterprise provision agencies across all tiers of government (Seda, 2018). Seda endeavours to nurture and assist the SMME sector and increase its involvement in maintainable and impartial social and economic development, employment, and wealth creation by:

- providing business advice, consultancy, training, and mentoring;
- assisting SMMEs with technology through the Technology Programme, which is financed by the Technology Transfer Fund, by providing business incubation through incubation centres and assisting in the establishment of rural enterprises and co-operatives through the Co-operatives and Community Private Partnerships Programme (Coops & CPPP). The Coops & CPPP was established at the end of 2008 to support non-traditional enterprise organisational forms with a special emphasis on rural areas and use of local resources. The programme focuses on addressing the needs of rural SMMEs.

The **Small Enterprise Finance Agency (Sefa)** came into being in April 2012. Sefa's mandate is to foster the establishment, survival, and growth of SMMEs to contribute towards poverty alleviation and job creation. Sefa provides the following services:

- Wholesale and direct lending, as it targets survivalist and SMME businesses with loans between R500 and R5 million.
- Post disbursement / loan support to SMMEs, which is intended to provide business support services to enterprises to confirm their feasibility and sustainability during the lifecycle of the business from an early stage, as well as the decay phase when the business may be in need of reversal strategies.
- Credit guarantees to lenders of SMMEs; i.e., commercial banks and other financial institutions.
- Institutional strengthening of SMME financial intermediaries involved in business processes such as back-office management, asset and liability management, risk management, accounting and internal audit, human resource systems, and IT systems. It also conducts competency gaps analysis and offers management and leadership training to up-skill business owners.
- Forms strategic partnerships with a series of institutions for sustainable SMMEs development and support.
- Monitors the success and effect of its financing, credit guarantee, and capacity-development activities.

The *National Empowerment Fund* (NEF) was established in terms of the NEF Act 105 of 1998 to offer financial and non-financial support to SMMEs. The financial support comprises loans to SMMEs meant to provide real economic empowerment that helps to generate jobs and eliminate poverty without deviating from sound economic principles (NEF, 2021).

The non-financial support services of the NEF involve post-payment support in the form of regular monitoring of the risks of SMMEs before funding, mentorship and technical assistance, legal compliance, knowledge management, and IT system development, among others. The NEF realises its mandate in three ways:

- Asset management: It encourages a culture of saving and investment among black people at the retail level through its Assets Management Division.
- Fund management: It provides financial and non-financial solutions and support to black-owned businesses in various economic sectors, for start-up, expansion, and equity injection purposes.
- Strategic Projects Fund: It provides project finance and private equity for projects that are at the early stage within sectors identified by the South Africa government as key drivers of economic growth (NEF, 2021).

The *Industrial Development Corporation* (IDC) came into being in 1940 through an Act of Parliament (IDC Act 22 of 1940) and was mandated to develop domestic industrial capacity,

specifically in manufactured goods, as a response to the disrupted trade between Europe and South Africa during World War II. The mandate was expanded in the 1990s to include investment in the rest of Africa (IDC, 2014).

The IDC provides a range of financial products to SMMEs, namely commercial loans, equity, quasi-equity, bridging finance, share warehousing, guarantees, suspense sales, wholesale finance, export finance, and import finance. The IDC is the Agency Development and Support Department responsible for advancing and leveraging economic development and job creation through the establishment of development agencies. These agencies emphasise and focus on the following:

- The development of the economic potential of a locality by enhancing and building on the competitive strengths of a locality's economy and assets;
- Leveraging public and private resources (funds, skills, equipment, etc.) for economic development opportunities;
- Encouraging innovative and entrepreneurial thinking and activity to support economic growth; and
- Managing the use of public land, meant for private projects in an efficient manner (Belot, 2012).

The IDC has established and supported 30 agencies in South Africa, such as the Mandela Bay Development Agency, Hibiscus Coast Development Agency, and Blue Crane Development Agency, among others.

The ***National Youth Development Agency*** (NYDA) was established by an Act of Parliament in 2008 (NYDA Act 54 of 2008) and offers capacity-building programmes and grant funding from R1 000 to R100 000 to youth-owned SMMEs. South African youths represent 42% of the total population, i.e., youths between 14 to 35 years of age, and they are the ones who largely bear the negative effects of socioeconomic challenges of poverty, inequality, unemployment, and poor health (Stats SA, 2019c).

Moreover, the NYDA develops and implements initiatives aimed at improving the lives and opportunities available to the youth. These initiatives are clustered as follows:

- At the individual level (micro level): Information provision, skills development and training, career guidance services, mentorship, entrepreneurial development and support, sport involvement, and health awareness programmes.
- At the community level (meso level): The NYDA encourages young people to be involved in community development activities, dialogues, social cohesion activities, and national youth service programmes.
- At the provincial and national level (macro level): The NYDA facilitates youth participation in national policy inputs (Dithebe, 2018).

Many of the South African pieces of legislation give evidence of South Africa's pledge to develop a supportive environment within which SMMEs may prosper (Ayandibu & Houghton, 2017). The South African government understands that the apartheid government excluded black people from participating in the economic development of the country. The high rates of unemployment, poverty, and inequality in the country can be redressed through the promotion of the establishment of SMMEs. The various institutions are therefore tools to provide support to SMMEs in various sectors and to various groups of people with entrepreneurship skills. The White Paper on the National Strategy for the Development and Promotion of Small Businesses in South Africa creates an enabling environment for small enterprises, while the ISPESE ensures that the overall task of fostering entrepreneurship and promoting small enterprises is carried out adequately and efficiently.

The ISEDS addresses the needs of SMMEs managed by historically disadvantaged individuals that are functioning in high-growth sectors. The mandate of the IDC is to provide funding for industrial development in South Africa, which it achieves through debt, equity, guarantees, trade finance, and venture capital (IDC, 2014). The NYDA targets youths who are innovative and have the entrepreneurial skills to establish their ventures and contribute to the economic growth of the country. However, there is criticism on what could well be that SA SMME drive and support is too much state-driven and should be more free market orientated. This results to an over support on the input side and not enough focus on other critical business (Marias, 2008).

4.9 Conclusion

South Africa is one of the largest economies in Africa but is outperformed by other African countries since its GDP has been growing at less than 1.1% over the last couple of years. Because South Africa is a dual country with areas that are extremely developed while others are extremely underdeveloped, the government feels it is necessary to balance these areas. The apartheid regime deprived most black people of wealth and educational opportunities, which resulted in a lack of entrepreneurial skills and restricted black entrepreneurship to the smallest businesses only. The apartheid government did not provide support to smaller black-owned businesses, which made it difficult for them to enter the market and compete with larger white-owned businesses in the local and global economy.

As a result of the apartheid legacy, the Eastern Cape province and the Matatiele Local Municipality have experienced socioeconomic problems. Segregation affected the homelands where black people were residing and resulted in poor economic growth, poverty, high unemployment, and

poor infrastructure. This promoted the continuation of inequality, which is very high in the Eastern Cape province since most people live on different forms of social grants offered by the government. High poverty levels imply a high dependency on social assistance. There are also low levels of education and training, which need not only the department responsible for education but other institutions as well to play a role in addressing this problem.

Although SMMEs in South Africa are expected to play a key role in helping to overcome the socioeconomic challenges facing the country, various challenges hinder the growth of SMMEs. These challenges can be external or internal. The external factors include the tight oligopolies in many markets where several large firms dominate the competitive landscape and erect high entry barriers such as customer loyalty and strong brand identity. SMMEs sometimes fail to grow because SMME owners/managers are either consciously or unconsciously not pursuing growth as a deliberate target. Other factors that are challenges for SMMEs are financial constraints as they are unable to access credit from commercial banks due to poor business plans, low levels of financial literacy, insufficient information on available products in the market, and other factors. To be able to grow their businesses, SMME owners need to have skills, knowledge, abilities, experience, and education on how to manage a business. They will then be able to develop a sound business strategy and set a roadmap for their SMMEs to move towards their set goals.

Following the end of apartheid in 1994, the South African government has taken steps to overcome the impact of apartheid on the lives of black people. For example, South Africa's NDP suggests that for South Africa to overcome poverty and to reduce the proportion of people who are dependent on welfare payments from the state, the SMME sector will have to grow significantly. This is intended to be done through various forms of support provided by the government to SMMEs, so that they may contribute to the socioeconomic development of the country. The South African government developed and established strategies and institutions to provide financial and non-financial support to SMMEs. For example, the DSBD manages several programmes to stimulate the growth of SMMEs. Sefa provides financial products and services to SMMEs and, as such, is an agency that implements the government's small business strategy. It covers a wide spectrum, with credit facilities made available to SMMEs in manufacturing, agriculture, mining, construction, and other sectors. SEDA focuses on the establishment and operation of small business incubators. It is through these institutions and various pieces of legislation that the South African government supports the development of SMMEs so that they can contribute to the socioeconomic development and growth of the country.

CHAPTER 5: DATA ANALYSIS AND INTERPRETATION

5.1 Introduction

This chapter presents the collected data and data analysis and interprets the data in order to arrive at the findings of the study. The chapter identifies the types of SMMEs in the Matatiele Local Municipality and analyses the contribution of SMMEs to socioeconomic development by focusing on economic growth and innovation, as well as employment creation and poverty alleviation. It also deals with challenges faced by SMMEs, as well as the forms of assistance they receive from the government and other sources in terms of both financial and non-financial support. Furthermore, the researcher applies the social capital theory to interpret the data in order to determine the role played by SMMEs in socioeconomic development in the Matatiele Local Municipality. Attention is paid specifically to the contribution made by bonding, bridging, and linking social capital to our understanding of the situation. The layout of the chapter is in line with the research questions of the study.

5.2 Types of SMMEs in the Matatiele Local Municipality

5.2.1 Categories and size of SMMEs

In Chapter 2, it was explained that the definition of an SMME may vary from country to country. In South Africa, SMMEs are defined according to the National Small Business Act 102 of 1996, as amended in 2003 and 2004. This Act was designed to regulate the operation of SMMEs in South Africa. It identifies SMMEs based on their size and structure, as well as their contribution to the economy (SEDA, 2019). The Act further categorises SMMEs into five classes based on the number of employees, the annual turnover, and gross assets (excluding fixed property) (OECD, 2011; Bureau of Economic Research [BER], 2016). The categorisation of South African SMMEs incorporates survivalist, micro, very small, small, and medium enterprises. *Survivalist enterprises* are SMMEs with no paid employees, minimal asset values, and that generate income below the poverty line. Stats SA (2020) indicates that the National Food Poverty Line in April 2020 was R585 per person per month. The food poverty line is the amount of money necessary to purchase the minimum required daily food intake. *Micro enterprises* are SMMEs with a turnover below the VAT registration limit, have fewer than five paid employees, and operate informally in terms of registration and compliance with legislation. The South African Income Tax Act 58 of 1962 stipulates that the limit for applying for VAT registration is annual turnover below R1 million. *Very small enterprises* are SMMEs with fewer than 10 paid employees. *Small enterprises* are more

stable and established than the other types of enterprises mentioned above and have more than 10 but fewer than 50 employees. The *medium enterprise* has 100 to 200 employees and the owner delegates responsibility to another person, who is usually the manager (Zulu, 2017; Sityata, 2019). Besides SMMEs being divided into five categories in South Africa, a distinction is also made between formal and informal types.

According to Jolevski and Islam (2019) and Fourie et al (2018) the difference between formal and informal SMMEs is that formal enterprises are registered, organised, and regulated enterprises. Informal enterprises are less experienced, less productive, unregistered, unorganised, and unregulated enterprises. Dzansi (2004) and Kibuuka and Tustin (2019) explain that, on the one hand, informal SMMEs are established by many South Africans who might wish to avoid complex regulatory processes, bureaucracy, and tax issues that are encountered when formalising entities. On the other hand, formal SMMEs that are formalised to grow, receive support from government, create decent jobs, and to have a legal right to operate a business.

The BER (2016) explains that there were 2 251 821 SMMEs in South Africa in 2015, of which 667 433 were formally registered businesses, while 1 584 388 were informal SMMEs. The number of SMMEs in South Africa has grown to 2 363 513 but the number of formal SMMEs had fallen to 653 530, while the number of informal ones had grown to 1 709 983 in 2020 (SEDA, 2020). Kavese (2020) indicates that there were 194 535 SMMEs in 2015 in the Eastern Cape province. This number increased to 231 011 in 2020, of which 51 043 (22%) were formal enterprises and 179 968 (78%) were informal SMMEs. Stats SA (2020) indicates that the Northern Cape province had 18 519 SMMEs and it was the province with the lowest number of SMMEs. Gauteng had 783 410 SMMEs in 2020, which was the highest provincial total. The Alfred Nzo District Municipality (2019a) and the Matatiele Local Municipality (2020) indicate that the Matatiele Local Municipality has both formal and informal SMMEs that operate in various sectors. Neither the district municipality nor the local municipalities show the total number of SMMEs either in the district or local municipalities.

The SMMEs that participated in this study were in the agriculture, manufacturing, and services sectors according to categorisation of the Local municipality. The main reason behind selecting these categories of SMMEs was that they were dominant in the rural areas of the Matatiele Local Municipality. Some of these SMMEs participated in school nutrition programmes (agricultural SMMEs supply vegetables and milk to schools). In the manufacturing sector, the bakeries supply bread to schools, while those in sewing supplied school uniforms. The school nutrition programme

contributes to the alleviation of poverty, while SMME owners create jobs for themselves and community members. The researcher found that among the SMMEs being investigated, there were both informal and formal SMMEs. Furthermore, the researcher came across two types of SMMEs. Firstly, there were unregistered *survivalist enterprises*, with no paid employees and generating income below the poverty line (informal grocery/*spaza* shops and SMMEs involved in sewing). Secondly, there were *very small enterprises* (registered) that employed fewer than 10 paid employees (funeral parlours, bakeries, sewing, and agricultural SMMEs).

Another distinguishing factor among SMMEs in the Matatiele Local Municipality was how or why they were started. In Chapter 2 it was indicated that the establishment of SMMEs is usually motivated by one of two factors, namely necessity or opportunity. Fairlie and Fossen (2018) and Belda and Cabree-Borras (2018) differentiate necessity-based from opportunity-based SMMEs in the following manner: Necessity-based SMME owners are those who start a business because they were unemployed and were forced to start a business to escape poverty. Necessity-based SMMEs are positively associated with the national unemployment rate, which means that they established businesses to make ends meet and to fend for their families. This was said by one business owner,”

“Unemployment compelled me to start growing vegetables in my garden. This is something we have been doing since our forefathers.”

On the other hand, opportunity-based SMME owners are those who were employed but sought better salaries and started businesses or because they were passionate about being in business and were business-growth orientated. Opportunity-based SMMEs are not strongly associated with the national unemployment rate, which means that they did not start businesses because they were unemployed (Block *et al.*, 2018; Calderon *et al.*, 2017). The SMME owner said:

“Being dependant on my monthly salary compelled me to resign from work and venture into farming. I am currently rearing milk cows and selling milk and earning better than what I was earning in my salary.”

During the fieldwork, the researcher realised that both factors appeared to have played a role in the establishment of the SMMEs in the Matatiele Local Municipality. SMME owners in informal retail and funeral services had found it necessary to start business to create jobs for themselves and to escape from poverty. SMME owners were compelled to start their own businesses after losing their jobs and had to find means to fend for their families. These are necessity based SMME owners who were unemployed before starting their businesses. These SMME owners were more focused on being able to make a living, and not so much on addressing a need that they had identified or to follow their passion. It was mainly the push rather than the pull factors that drove them. On the other hand, SMMEs in agriculture and manufacturing saw an opportunity to start businesses to be

financially independent and to create jobs for local community members. The opportunity based SMME owners were employed and earned salaries before they started their businesses. They resigned from their jobs with the intention of being their own boss and saw an opportunity in rearing dairy cows and producing vegetables to supply schools. They wanted to be the first black farmers who supplied shops, schools, and local communities with fresh produce since agriculture was dominated by white commercial farmers in the area. These SMME owners are more focused on serving the community and contributing to poverty alleviation by ensuring that learners received meals while also creating jobs for local communities. In this case, pull factors were more dominant.

5.2.2 Business planning and objectives

In Chapter 2, the importance of a business plan for SMMEs was explained. A business plan is defined as a statement that is written to analyse and describe a business while featuring the future financial projections of the business (McKeever, 2017). According to Pearson and Saunders (2010), Türko (2016), and Bowen (2018), the major aspects that are addressed in a business plan are the vision and mission of the business, short-term and long-term objectives, strategies to achieve the objectives, a financial plan and a risk analysis, cashflow and managerial cost projections, and strategic plans for short-, mid-, and long-term goals. In support, Pearson and Saunders (cited by Yong, 2015) explain that a business plan must begin with a mission, vision, organisational strategy, work processes, structures, and a procurement plan that will allow the SMME to achieve its business objectives, as well as an information system strategy. The vision and mission statement of the business are built on the core values of the business and provide direction for the success of the business (Bowen *et al.*, 2016; Bowen, 2018).

According to Chen (2021), a mission statement provides the purpose and objective of the business in one statement. On the one hand, the vision of the business is more focused on the future since it looks at where the organisation would like to be in the next five to 10 years. For example, the vision of Amazon is to be the world's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online (Bowen, 2015). On the other hand, the mission of a business relates to the present and the future direction the business would like to take and, as such, it defines the space in which the company will operate. The mission further seeks to answer the question of *why* an organisation exists. For example, the mission statement of Amazon is that it “strives to offer our customers the lowest possible price, the best available selection and the utmost convenience” (Bowen *et al.*, 2016; Gregory, 2019). The establishment of the vision and mission is part of the business management process.

Among the SMME owners who had business plans, some plans did not have a vision and mission statement. The reason behind the lack of a vision and mission was that their business plan was prepared by the service providers they had appointed since they lacked the knowledge to prepare the business plan themselves. Six SMME owners who participated in the study mentioned that they did not know how to compile a business plan and that they had never attempted to develop one. Wang *et al.* (cited by Yong, 2015; Chimucheka, 2012) concurred that SMME owners lack knowledge to prepare a business plan. Bogáth (2017), Oyewole (2018), and Lattanzio (2021) attest to this by specifying that start-up SMMEs in most cases do not invest time and effort to develop a business plan. Three SMME owners who participated in the study explained that they paid service providers to develop a business plan for them. Three SMME owners in agriculture and manufacturing confirmed that they had business plans to access government funding, but they did not apply what was in the business plan to their daily activities since they used a production plan. This is attested to by Bogáth (2017), who explains that SMME owners find developing business plans complex and time consuming since they are busy businesspeople. One business owner said:

“I do not have a production plan on the wall that I follow daily. I do have a business plan, but I use it for source funding. I do not use the business plan daily because I can plan something to do, for example, circumcising calves but if it rains, I must do something else. We do not use business plans in our farming.”

Van Aardt *et al.* (2008) indicates that it is important for the SMMEs to have a plan that will determine the chances of business success, how to raise capital, and the schedule for business start-up and growth before it starts a business. Furthermore, the business plan plays an important role as a managerial tool (Chimucheka, 2012).

5.3 The contribution of SMMEs to socioeconomic development

In Chapter 2, it was indicated that SMMEs are instruments that are expected to promote economic growth and development while contributing to the creation of jobs to achieve socioeconomic development. In Chapter 4 it was mentioned that South Africa is one of the largest economies on the African continent, although the country has marginal growth and has been outperformed by other emerging economies, such as Nigeria. The government of South Africa states that there was negative economic growth prior to the intensification of the impact of the COVID-19 crisis (Stats SA, 2020). In this section, the researcher discusses the contribution of SMMEs to socioeconomic development in the Matatiele Local Municipality by focusing on economic growth and innovation, employment creation, and poverty alleviation.

5.3.1 Economic growth and innovation

5.3.1.1 *Economic growth*

In Africa, South Africa has the third largest economy after Egypt, which is second, and Nigeria as the country with the largest economy (Stats SA, 2021). The country recognises the importance of SMMEs to the extent that a Ministry of Small Business Development was established in 2014 (World Bank, 2016). Globally, growth of the economy is associated with the reduction of unemployment and poverty and a better lifestyle for the people (Banda, 2016; Makaringe & Khobai, 2018). SMMEs are also recognised for their contribution to the GDP, employment creation, and the reduction of poverty (Soni *et al.*, 2015; Sityata, 2019). SMMEs play an important role in South Africa's economic growth. However, there has been a decrease in the growth of the country's GDP since it has been growing at 1.1% less over the last five years compared to 3.4% over the preceding 14 years (SEDA, 2019). South African SMMEs contribute 36% to the GDP. The contribution of South African SMMEs to the GDP is relatively low compared to other developing countries such as Brazil (59%) and Chile (57%) and developed countries such as Japan (55%), China (60%), and Germany (87%) (Fatoki & Van Aardt Smith, 2011; Leboea, 2017). Various SMME sectors contribute to South Africa's economic growth. In 2020, SMMEs that contributed negatively to the GDP growth were manufacturing (-10.8%), trade (-10.5%), transport (-6.6%), and mining (-6.0%). Agricultural SMMEs contributed positively (+0.3%) to GDP growth. The negative contribution by some SMMEs to the growth of the GDP was as a result of the COVID-19 pandemic that led to the shutdown of the country and severely affected SMMEs (SEDA, 2020). South African SMMEs contributed 33% to the GDP in 2010, and their contribution increased to 42% in 2015, but dropped to 20% in 2019 (Stats SA, 2020; Kavese, 2020). The World Economic Outlook (2019) shows that global economic growth was expected to drop from 3.6% in 2018 to 3.3% in 2019, before it increased to 3.6% in 2020. The drop was caused by factors that affected major economies such as the COVID-19 pandemic, a global manufacturing downturn, and increasing trade barriers (World Economic Outlook, 2019).

SMMEs are important as they play a significant role in promoting rural provinces, such as the Eastern Cape province in South Africa. The Eastern Cape province is the poorest province in the country in terms of GDP per capita (Kavese, 2020). In 2020, there were 231 011 SMMEs in the Eastern Cape community services, 7% in agriculture, 7% in finance, 6% in manufacturing, and 5% in transport (Stats SA, 2019b; Eastern Cape Socio-Economic Consultative Council [ECSECC], 2015). The economy of the Alfred Nzo District Municipality is dominated by SMMEs in the service sector, while agriculture, mining, manufacturing, and construction have remained

unimportant in terms of their contribution to the district's GDP (Alfred Nzo District Municipality, 2020). In comparison to other district municipalities, SMMEs in the Alfred Nzo District Municipality contribute 5% to the GDP of the Eastern Cape province, which is the second lowest district municipality contribution to the GDP, while the SMMEs that contributed the least were in the Joe Gqabi District Municipality, with a 3% contribution to the GDP. The district municipality with SMMEs that contributed the most to the GDP in the Eastern Cape was Nelson Mandela Bay, with a contribution of 39% by the SMMEs. SMMEs in the Matatiele Local Municipality contributed 36% to the GDP, which is the highest contribution in the district municipality compared to 28% in Umzimvubu, 27% in Mbizana, and 9% in Ntabankulu, which is the lowest in the district municipality and is one of the most underdeveloped and underinvested areas with poor infrastructure and limited access to basic services (Matatiele Local Municipality, 2019; Alfred Nzo District Municipality, 2019b). According to Quantec (2018) and the Matatiele Local Municipality (2020), the economic growth of the Matatiele Local Municipality was 4.7% in 2010 but dropped to 2.0% in 2017.

5.3.1.2 Innovation

In Chapter 2, it was mentioned that innovation has long been considered as the key factor for the survival, growth, and development of SMMEs and that it promotes the sustainability and viability of SMMEs. Kogabayev & Maziliauskas (2017) and Geisinger (2016) define innovation as the introduction of something new. For SMMEs to be innovative, it means they must be able to introduce new ideas in the form of new products or ways of doing things (García-Magariño *et al.*, 2009; Demetriou *et al.*, 2016). The South African economy has been affected by a scarcity of critical innovation skills, which include, among others, thinking, communication, collaboration, and creativity (Fiorillo, 2015). On the one hand, authors such as Mbinda and Spencer (2016) blame the system of apartheid, which discriminated against South African black people in terms of pursuing wealth and job creation, which had a negative impact on their creative skills development. On the other hand, Domingos *et al.* (cited by Bruwer *et al.*, 2019) suggest that the scarcity of innovation skills was caused by the HIV/AIDS pandemic that affected many skilled labours and the government that does not invest in skills development initiatives.

Thorissón *et al.* (2014), Demetriou *et al.* (2016), and Bruwer and Smith (2018) suggest that scarce innovation skills are critical for economic growth and that they can be learned and mastered since they assist SMMEs to realise their objectives. Entrepreneurship, innovation, and knowledge are interconnected, while also taking into consideration that SMME owners who use innovative management in their businesses perform better (Tidd & Bessant, 2018; Gerber, 1995). SMMEs

that can meet the needs of their customers are innovative and are able to create new products that are affordable to their clients (Tahereh *et al.*, 2015; Kogabayev & Maziliauskas, 2017). Tahereh *et al.* (2015) further emphasise that innovation is critical for firms to sustain competition in today's dynamic environment. Research on the innovation of South African SMMEs discovered that SMMEs are generally not innovative or involved in research since they lack expertise and skills (Agwa-Ejon & Mbohwa, 2015; Vorster, 2017; Francke & Alexander, 2019). The SMME owners in the Matatiele Local Municipality who participated in this study were not innovative since they lacked management experience, lacked knowledge on the business, and had insufficient resources, which are internal barriers to innovation (Tehseen *et al.*, 2016; Deshati, 2016), as explained in Chapter 2. Furthermore, the SMME owners lacked markets, access to technology, and funding opportunities, which are external barriers (Asare, 2014; Tehseen *et al.*, 2016).

The agricultural SMME owners alluded that they were unable to gain access to supply supermarkets with products because the supermarkets needed products that were approved and of a high standard, which affected the SMMEs' market threshold, range, and business growth. One farmer in the focus group said:

“Most of us sell vegetables to schools nearby and to the local community. Supermarkets refuse to take our production because they say our production is not according to the specification and standard required”.

Innovation is vital since it is a factor for SMMEs to be competitive in existing market, especially for new start-up businesses (Alfirevic *et al.*, 2011). Gereffi and Lee (2016), Hussein and Suttie (2016), and Das Nair *et al.* (2018) attest to smallholder farmers and SMMEs that mentioned that they had a challenge of entering markets such as supermarkets since they expected the SMMEs to meet basic food quality standards, as well as the private standards of supermarkets. Kogabayev & Maziliauskas (2017) concurs that innovative SMMEs that produce quality goods can penetrate markets and expand their business while creating jobs. The SMME owners explained that they needed to be trained in innovation so that they could improve their products and target more clients. The officials of the national, provincial, and local government levels explained that they provided training and workshops on business management. An official from local municipality said:

“We provide coaching, supplier development, export development, incubation, quality and standards, training in financial management and business development and customer care. We have not trained SMMEs in innovation but we acknowledge that this is something that needs to be done.”

The issue of training and workshops needed for SMMEs to be innovative is attested to by the IFC (2012), Abdul (2018), and Das Nair and Landani (2020). This is supported by Rabie, Cant & Wiid

(2016) as they state that in today's competitive business environment, the capabilities and skills of employees are fundamental requirements for continuous productivity, innovation and success of SMMEs.

5.3.2 Employment creation

In Chapter 4 it was indicated that SMMEs contribute to job creation in South Africa. The NDP proposed that by 2030, SMMEs would contribute 60% to 80% to the GDP and generate 90% of the 11 million new jobs in the country. The SMMEs in South Africa contribute approximately 80% of employment opportunities in the economy (Bruwer & Coetzee, 2016). In 2020, SMMEs accounted for 68% (10.1 million) of employment, while in 2019 they accounted for 70% of employment. From 10.1 million jobs created by SMMEs, 2.3 million were jobs created for SMME owners, while 7.7 million jobs were for their employees (SEDA, 2020). The informal SMMEs in South Africa employed 69% employees, while formal SMMEs employed 31% of the employees in 2019 (SEDA, 2019). South African SMME employees are mostly found in the sectors of electricity and water supply, which has the highest employment of 12.1%; followed by community, social, and personal services with 8.1%; mining and quarrying with 5.7%; trade with 4.7%; manufacturing with 3.6%; and forestry and fishing with 3.1%. These are followed by activities auxiliary to financial intermediation, real estate, and other business services, with 2%; transport, storage, and communication with 1.7%; and construction, with 2% (SEDA, 2020).

SMMEs promote development in the Eastern Cape because the province has the highest youth unemployment rate in the country (Kavese, 2020). The high rate of unemployment in the Eastern Cape is the result of various reasons such as low real investment, shrinking government revenue and rising government expenditure, uncertainty about the impending upsurge of COVID-19 and how long the pandemic will last, as well as its imminent adverse effects on the economy, skills shortage, high illiteracy rate, and a poor education system; to mention a few (ECSECC, 2020). Stats SA (2021) indicates that the Eastern Cape had a 45.8% rate of unemployment in 2020, which was the highest rate of all provinces, followed by the Free State (35.5%), Gauteng (33.7%), and North West (28.3%). The Western Cape had the lowest unemployment rate, which was 21.6%. According to Stats SA (2020), although there are 231 011 SMME owners in the Eastern Cape, 77% are those who employ people and 23% are own-account workers. The majority of SMMEs in the Eastern Cape are in the informal sector (70%), while 30% are in the formal sector (ECSECC, 2015; Kavese, 2020).

The unemployment rate in the Alfred Nzo District Municipality was 27.1% in 2008 and it increased to 39.7% in 2018. This means that in the population of 198 000 people, approximately 80 800 people were unemployed in the Alfred Nzo District Municipality in 2018. The unemployment rates in the three local municipalities under the Alfred Nzo District Municipality are as follows: Matatiele Local Municipality increased to 59.0% in 2018 compared to 54.2% in 2008. Unemployment in the Ntabankulu Local Municipality was 32.8% in 2018, which was lower than the unemployment rate of the Matatiele Local Municipality in 2018. Although the Matatiele Local Municipality (2019) does not show the contribution of SMMEs to the rate of employment of local people, the Integrated Development Plan (IDP) indicates that the big wholesale and retail businesses employed the most people in the Matatiele Local Municipality, followed by manufacturing, while agriculture had the lowest number of employees (Quantec, 2018). One of the farmers said:

“I have nine permanent employees, only two are youth because youth do not like farming. I only have one-woman and, the rest are mature men. There are two employees who have been with me for more than five years. I also hire temporary employees during harvesting”.

The informal retail shops did not have employees and one of the funeral services had one employee who had been employed for a year, while two temporary employees only assisted when there were funeral services. The focus group participants of SMME customers explained that SMMEs are beneficial to the local community since the agricultural SMMEs employed temporary employees during planting and harvesting seasons. The increase in poverty in South Africa has caused household poverty levels to increase, especially since there are employees who are paid low wages (Development Policy Research Unit, 2018). This is confirmed by Kanzunudin (2007) and Ojeleye (2017), who explain that SMMEs decide the amount of wages to pay employees. Another SMME owner said:

“My business is not making much profit, but I sometimes share the profit with the employees, which helps them to address their basic needs. I do not pay them according to the acceptable minimum wage standards because my business does not make a lot of profit.”

Ojeleye (2017) confirms that SMMEs can pay their employees' salaries/wages so that they can afford to meet basic needs such as food, clothing, and housing. The SMME owners in the agriculture sector who participated in the research confirmed that they paid their employees a salary amounting to R4 500 per month and that temporary employees were paid R18 per hour and that they were paid for the number of hours worked.

South Africa has the National Minimum Wage Act 9 of 2018, which is an important instrument in support of economic justice and has become a standard feature of labour globally (ILO, 2015a;

Belser *et al.*, 2016). That is why the National Minimum Wage Act of 2018 indicates that a minimum wage of R20 per hour was set as the national wage base for all government employees. The Labour Relations Act of 1995 states that the clothing and textile sector must pay its employees R19.68 per hour for new employees and R25.19 per hour for employees with six months or more tenure. Employees in the agricultural sector must be paid R18.68 per hour. Differences in the wages/salaries earned by SMME employees per sector were noted during the interviews. A manufacturing SMME owner said:

“I pay employees based on what I am able to afford. I do not know that there is a standard accepted salary to be paid to employees.”

During the fieldwork, not all SMME owners wanted to disclose the salaries paid to their employees. The reason was that their employees performed blue collar or labour jobs, which means that they were unskilled or semi-skilled employees and were paid fortnightly. One employee said:

“Since I started working here, I am able to buy groceries monthly for my family and take care of my children school needs. I have built a two roomed house and bought furniture too. Life is better than when I was not employed”.

5.3.3 Poverty alleviation

According to the World Bank (2019b) and Stats SA (2019), about half of South Africa’s population is chronically poor. SMMEs play an important role in reducing poverty in South Africa (Rogerson, 2018; Kibuuka & Tustin, 2019). This is supported by Nxaba (2014), who confirms that SMMEs have the potential to supply the rural population with basic needs such as food, clothing, and housing, as well as additional goods and services. The South African government promotes the establishment of SMMEs as a means to address unemployment and increased poverty levels (Lekhanya, 2015a). The most poverty-stricken province in South Africa is the Eastern Cape province, followed by Limpopo and KwaZulu-Natal (Megbowon, 2018). The Eastern Cape provincial government is determined to improve the welfare of its people through achieving the Sustainable Development Goal (SDG) of alleviating poverty. Jili *et al.* (2017) state that SMMEs reduce unemployment rates and alleviate poverty.

Matatiele is found in the Alfred Nzo District, which remains one of the poorest districts in the Eastern Cape, with a poverty intensity of 44.3% in 2016. The Alfred Nzo District Municipality’s IDP (2020) shows that the Matatiele Local Municipality has the lowest percentage of people living in poverty compared to the other three local municipalities in the district, which are Umzimvubu, Mbizana, and Ntabankulu. In 2018, the poverty level in the Matatiele Local Municipality was 80.4%, in Mzimvubu it was 82.3%, in Mbizana 88.5%, and Ntabankulu 89.4% (Alfred Nzo

District Municipality, 2019a). During the interviews, 12 of the SMME employee participants mentioned that their standard of living improved since they started working for SMMEs and they further explained that they were able to take care of the basic needs of their families.

The study revealed that SMMEs in the Matatiele Local Municipality participated in the National School Nutrition Programme (NSNP). Due to poverty that has drastically increased throughout the world, the international community has, through the SDGs, proposed ending extreme poverty by 2030 (World Health Organization, 2015; World Bank Group, 2018). The Integrated Nutrition Programme was developed by the Department of Health with the purpose of achieving two objectives: food security, to improve the health and nutritional status of school-going children, and education, to improve learners' school attendance, attentiveness, and performance (Devereux *et al.*, 2018; Graham *et al.*, 2015). The mandate shifted toward the Department of Basic Education in 2004 as the NSNP was focused on improving the nutritional status of learners, to reduce hunger, and alleviate the impact of malnutrition on their learning capacity through school feeding programmes (Laurie *et al.*, 2017; Eastern Cape Department of Basic Education, 2020).

The Department of Basic Education encourages schools to establish school-based committees that will plan and implement the NSNP. The school-based committee must be represented by community people who will cook for the learners at schools; SMMEs that will supply fresh vegetables, milk, and bread to the school; and teachers who will monitor the entire process and ensure that learners receive nutritious meals on a daily basis (Eastern Cape Department of Basic Education, 2020). Each year the Eastern Cape Department of Education allocates a budget for SMMEs to supply schools with foodstuff. In the financial year 2020/2021, the budget amounted to R971 734 137 (Eastern Cape Department of Basic Education, 2020). The focus group participants of principals from both primary and secondary schools in the Matatiele Local Municipality mentioned that under the NSNP, schools try as much as possible to purchase vegetables, milk, and bread from local SMMEs. The purpose of purchasing from local SMMEs is to ensure that the SMMEs around the schools not only supply the schools but also to realise the importance of producing food to reduce poverty.

The school principals as customer participants indicated that the Matatiele Local Municipality had around 208 public and special schools in 2020, with approximately 63 800 learners who benefit from the NSNP. The principals further explained that each school was allocated a budget for the NSNP and that the school thereafter appoints and signs a contract with SMMEs for six months. The contract is renewed based on the consistent supply by the SMMEs. The school principals as

customer participants highlighted that they had approximately 20 SMMEs that benefitted from the programme and that individual SMMEs supplied schools based on the number of learners in each school. One agricultural SMME owner participant mentioned that he used to supply 42 schools with around 320 learners twice a week before the COVID-19 pandemic and with sales to the local community he used to make approximately R60 000 a month.

Other SMME owners who participated in the NSNP were not willing to disclose the total sales they made per month as they felt it was too personal. The agricultural SMME owners mentioned that the NSNP boosted their sales and was a reliable market that assisted their businesses to be sustainable. The SMME clients (school principals) mentioned that the NSNP was positive as it was supposed to benefit local SMMEs around each school. The challenges encountered by the schools were that some SMMEs were unable to renew their contract since each supplier signed a six-month contract. The challenges were due to drought and lack of sufficient land and agricultural equipment. SMMEs produce small quantities on a seasonal basis from their vegetable gardens, which are not sufficient to supply the schools throughout the year. The sewing SMME owners had built a good relationship with the schools by supplying school uniforms made from quality materials. The school principals as clients were able to attest to the quality of the uniforms they produced and further explained that they were reliable and provided discounts when schools bought in bulk.

5.4 Challenges faced by SMMEs

Challenges faced by SMMEs were discussed in Chapter 2, where it was indicated that developed and developing countries face similar challenges, but that the severity of the challenges weighs more heavily on developing countries. In Chapter 4 it was indicated that although the government of South Africa has put much effort into developing institutions and policies that promote the development of SMMEs, SMMEs have a high failure rate. Fourie & Skinner (2018), Bhorat *et al.* (2018) and Ngcobo and Sukdeo (2015) indicate that in South Africa, SMME owners face challenges with starting and growing their own businesses. The following challenges encountered by SMMEs in the Matatiele Local Municipality are discussed in the following sections: lack of funds and information about sources of SMME support, lack of technical and business management skills, and inadequate basic infrastructure.

5.4.1 Lack of funds and information about SMME support

In Chapter 2 it was mentioned that SMMEs in developed and developing countries face financial challenges and that the government and other institutions provide support to SMMEs to promote

development and growth. In Chapter 4, the government support structures that have been established to support SMMEs in South Africa were discussed. Fowowe (2017) and Quartey *et al.* (2017) explain that SMMEs in Africa and other developing countries find financing of their businesses as the most significant challenge compared to SMMEs in developed countries. The SMME owners who participated in this study highlighted that they struggled to obtain funds to start or expand their businesses. Some also mentioned that they received start-up funds from relatives, while others used their retirement funds to start their businesses. Agwa-Ejon and Mbohwa (2015) and Burgstaller and Wagner (2015) emphasise that finance is significant to the development and growth of SMMEs. Mpiti (2016) and Kamange *et al.* (2014) confirm that SMME owners were compelled to self-finance or seek family support to start their businesses due to lack of knowledge regarding where and how to obtain financial support. However, these funds are often not sufficient for the SMMEs to purchase all the equipment and raw material necessary for operating a fully functional business. Bhorat *et al.* (2018) and Chimucheka and Mandipaka (2015) state that SMMEs need machinery, raw materials, and capital for the effective functioning of their ventures and that without these, the growth of an enterprise is hindered. One SMME owner said:

“Lack of equipment has affected my business since I miss the planting season while waiting for hired equipment. The hired equipment is not enough and to support all the farmers around our area. If one fails to hire in time due to lack of funds one misses the planting season as he will get the equipment after the planting season has passed”.

The SMME owners who operated funeral parlours mentioned that they lacked the funds to purchase all the equipment they needed, and that it was common for them to borrow vehicles and other equipment from each other. These SMME owners confirmed that they had never received any support from the government and that they did not know what they needed to do to gain access to such support. It has been acknowledged that lack of access to finance for acquiring equipment is a hindrance to the growth of SMMEs in both developed and developing countries (Osugau, 2016; Bhorat *et al.*, 2018).

The lack of knowledge about sources of SMME support is emphasised by Herrington and Pew (2018) and Songling *et al.* (2018). Moos and Sambo (2018) add that there is a lack of information on support provided to SMMEs by both government and private organisations. Malebana (2017) states that although there are various kinds of government agencies and private organisations, there is low awareness about such support; hence there are difficulties in accessing such programmes. SMME owners stated that they were unable to use the Internet to gain access to knowledge on how to look for government support because they did not know how to use the Internet. This also severely limits their ability to search for and access available markets. This lack of knowledge about where to obtain support reduces the ability of SMMEs to make an impact on job creation

and poverty alleviation, and affects the growth of SMMEs negatively (Malebana, 2017). Researchers such as Leboea (2017) and Rungani and Potgieter (2018) opine that most SMMEs find it costly to use the Internet, which affects their growth. It is also important to note that, in South Africa, informal SMMEs, like many of those that participated in this study, encounter more difficulties in accessing credit compared to SMMEs in the formal sector (Agwa-Ejon & Mbohwa, 2015). There is therefore a greater need for them to gain access to government support.

5.4.2 Lack of technical and business management skills

In the 21st century, SMME owners are expected to have competency skills such as analysis, synthesis, and problem-solving skills, as well as interpersonal skills such as motivation and communication skills that are needed in a business to ensure that they are able to cope in modern society (Bhorat *et al.*, 2018). Schwartz and Hornych (2010), Oyelana and Fiseha (2014), and Chimucheka and Mandipaka (2015) realised that SMMEs are inexperienced in the field of business since they lack technical, managerial, and marketing skills, and that these challenges hinder the success of SMMEs in developing countries. Most of the SMME owners who participated in this study indicated that they lacked training in business management skills such as strategic and business planning skills, as well as marketing and financial management skills. The inadequacy of business planning and management skills was also highlighted in Section 5.2.2.

Government officials explained that although they provided training in business management skills, such as planning and financial management, the level of education of SMME owners varied. Those with a low level of education are not easy to empower, which impacts negatively on their business growth, while those with higher levels of education are more easily able to implement knowledge acquired from workshops and training sessions in their businesses. Therefore, it will be imperative that horizontal learning takes place where successful SMMEs share their experiences and further mentor SMME owners with low level of education since they are familiar with the industry.

5.4.3 Inadequate basic infrastructure

SMMEs need to operate where basic infrastructure such as roads, bridges, electricity, water, and land exists as the availability of such promotes the development and sustainability of SMMEs. Gaal and Afrah (2017) affirm that where there is proper infrastructure, there is economic growth and improved quality of life. Poor roads cause high transport costs and limit the accessibility of inputs and access to markets, which hinder SMME growth (Akinyele *et al.*, 2016; Bhorat *et al.*, 2018). Most of the participants raised concerns about poor infrastructure, such as lack of water for

agricultural SMMEs. Owners of funeral services, bakeries, and sewing SMMEs stated that lack of electricity due to load shedding affected their businesses negatively. One SMME owner stated:

“Loadshedding is the problem here. If it starts in the morning, then the entire day there will be no electricity. So, this means my business will not function on that day because I cannot do anything since my machines use electricity. Loadshedding affects my business severely because I fail to meet delivery dates and my clients are not happy. It is really a serious thing and I cannot afford to buy a generator as a back-up because I do not make enough sales.”

The European Bank for Reconstruction and Development, European Investment Bank, and the World Bank (2016), Amentie *et al.* (2016), and Bhorat *et al.* (2018) confirm that irregular power supply causes a significant loss of sales for many SMMEs as it causes low productivity and can expose SMMEs to theft at night when it is dark.

One SMME owner mentioned:

“The road is very bad here in the rural areas, in summer when there are floods, we are unable to go to town for a week because the water overflows the bridge and this affects the business since one cannot stock items for the business. The road is so bad that I spend money repairing my vehicle instead of buying stock and delivering to clients.”

Bhorat *et al.* (2018) and Mugo *et al.* (2019) confirm that the deterioration of the road conditions affects the sustainability of SMMEs because it results in high transportation costs due to costly vehicle maintenance or hiring of other people’s vehicles.

SMME owners and government officials who participated in the study mentioned that inadequate land for farmers limited their production, while lack of own business premises forced some SMME owners to rent other people’s buildings, which is often costly for small businesses. They also pointed out that lack of business premises compels SMMEs to run businesses from home, which often limits their clients to those who can access the business, especially given the fact that they do not have good marketing strategies. Some SMME owners in the manufacturing and service sectors also indicated that municipal business centres have high rental fees and they could not afford to pay the rent along with the rates; hence they preferred to run their businesses from home. Akinyele *et al.* (2016) and Jili *et al.* (2017) attest that for SMMEs to develop and grow, they need access to affordable premises that are secure and easily accessed by employees and clients.

5.5 Assistance from the government and other sources

In Chapter 2, the support given to SMMEs was discussed with reference to developed and developing countries. In Chapter 4, government institutions that provide support to SMMEs in South Africa were discussed. The National Credit Regulator (cited by Agwa-Ejon & Mbohwa,

2015) posits that it is the size and the development of SMMEs that determine the nature of support and funding required, which is why some SMMEs are established from SMME owners' personal savings and/or loans from friends and family for the start-up phase, while some formal SMMEs gain access to bank loans. According to the dti (2015) and Rungani and Potgieter (2018), South Africa has various programmes and financing schemes from public and private sector funds intended for SMMEs. However, as indicated in Section 5.4.1, there is a lack of awareness by SMMEs of these programmes and schemes. As a result, few SMMEs access these funding programmes (dti, 2015). Rungani and Potgieter (2018) explain that SMMEs that apply for funding often encounter rejection, especially from the banks because they do not satisfy the conditions that will enable them to qualify for bank loans. An official at the provincial level highlighted that government departments work in silos while they have a limited budget and SMMEs take advantage of "double-dipping" by applying to various government departments for support. This results in one SMME being funded by various departments simultaneously.

Furthermore, an official from the Matatiele Local Municipality explained that they lacked enough officials and budget to provide support to all SMMEs since there are many SMMEs that need support to sustain their businesses. The officials further explained that government departments worked with a limited budget, which compelled them to address matters such as equipment, raw materials, and business management since these help SMME owners to start or expand their businesses. Another reason that makes it difficult for SMMEs to obtain assistance is that some funding institutions provide support that is not needed by SMMEs, such as funding for a specific sector, but do not accommodate other sectors. The following section discusses the financial and non-financial forms of assistance available to SMMEs in the Matatiele Local Municipality.

5.5.1 Financial support available to SMMEs

SMMEs play a vital role in the development of the economy; governments must therefore provide support to SMMEs in order to advance the economy (Bubou *et al.*, 2014; Peter *et al.*, 2018). Eniola and Entebang (2016) believe that SMMEs in developing countries are underperforming and face a high rate of failure due to a lack of financial support. Governments are therefore urged to develop and promote support programmes to stimulate the growth of SMMEs (Shamsuddoha & Ali, 2006; Awojide, cited by Peter *et al.*, 2018). Peter *et al.* (2018) stipulate that SMME support programmes through governments improved the economy of countries such as South Korea, where SMMEs have developed into industries; and in China the government support to SMMEs increased the economy of the country by assisting approximately 200 million people to escape poverty. It will

be noted in the discussion that follows that, from the documents consulted support is available to SMMEs in the study area from the following sources.

The *Matatiele Local Municipality* has an LED Unit that provides support to SMMEs. The LED officer stipulated that in the financial year 2020/2021, the local municipality allocated a budget of R800 000 as a grant to support SMMEs. The grant could be used to purchase equipment such as bakery and mechanical equipment, feed for piglets, and feed for other livestock. SMMEs that qualify for this funding must be legal entities registered on the database of the Matatiele Local Municipality.

The *Eastern Cape Province*: In the province there is the Eastern Cape Development Corporation (ECDC) which has a mandate to plan, finance, coordinate, market, promote, and implement development in the province and its people in the fields of industry, commerce, agriculture, transport, and finance. Through its Informal Business Support Programme, it provides financial support to SMMEs in townships and rural areas of the Eastern Cape. The criteria used to select SMMEs are that they must be registered entities, and they must have a detailed business plan, a valid tax clearance certificate, a bank account in the name of the business, proof of operation of the business, and a copy of the business owner's identity document..

The *Department of Agriculture, Land Reform and Rural Development (DALRRD)* was established in June 2019 by the merger of the agriculture functions of the former Department of Agriculture, Forestry and Fisheries with the DRDLR. The department focuses on agriculture, food safety, food security, land reform, topographic mapping, cadastral surveys, deeds offices, and spatial planning. There are various programmes that target agricultural SMMEs with the purpose of increasing food production to reduce poverty and create employment. The AgriBEE Linkages Fund was established to support previously disadvantaged black-owned small agricultural enterprises. Its purpose is to support agricultural SMMEs to add value to their products and support them with agro-processing infrastructure. Eligibility criteria to access the funds are that the SMME owners must be 100% black and must have been operating their business for the past three years. Applicants must be able to deposit 10% of the grant they require into the fund's account. The minimum grant is R1 million and the maximum grant is R5 million.

The *National Empowerment Fund (NEF)* was founded with the intention of offering financial and non-financial support to black-empowered businesses. The NEF facilitates the codes of good practice of the Broad-Based Black Economic Empowerment (B-BBEE) Act through supporting black-owned SMMEs with finance in all sectors. The funding targets black-owned SMMEs or those who would like support B-BBEE. The SMMEs must be legal entities and geographically located in a rural area. They must be operational and willing to repay the NEF loan. The maximum funding is R10 million.

Small Enterprise Financial Agency (Sefa) is an agency of the DSBD that was established when the South African Micro-Finance Apex Fund and Khula Enterprise Finance Limited were merged. The agency caters for small businesses that require funding up to a limit of R3 million. Sefa offers bridging finance, revolving loans, term loans, asset finance, and working capital to SMMEs. It has various programmes that target SMMEs, such as the *Township and Rural Empowerment Programme* (TREP). TREP targets township and rural SMMEs in both formal and informal sectors and the financial package amounts to R350 000. *The Small Enterprise Manufacturing Support Programme* targets informal SMMEs with financial support of up to R10 000.

The *IDC* is a national development finance institution that was formed in 1940 with the mandate of promoting economic growth and industrial development in South Africa. It provides funding across multiple industry sectors to enhance and expand South Africa's industrial capabilities.

The *Department of Trade, Industry and Competition (dtic)* was established in June 2019 by the incorporation of the Department of Economic Development into the dti. The objective of the dtic is to facilitate transformation of the economy by promoting industrial development, investment, competitiveness, and employment creation. The dtic has various funding programmes that target both large companies and SMMEs.

Two agricultural SMME owners who participated in this study indicated that they received support from the DALRRD to purchase tractors and implements. Another agricultural SMME owner confirmed that the ECDC bought a tractor and implements for his venture. A sewing SMME owner mentioned that the local municipality built a structure for her business and fenced her business site. Other SMME owners reported that they had not received support from any of these entities because they did not know about the support given to SMMEs. The municipal LED official pointed out that the annual budgets allocated to them were limited, as compared to the needs of SMMEs for financial support.

The SMME support programmes established by the government in various countries intend to stimulate the success of SMMEs (Shamsuddoha & Ali, 2006; Awojide, cited by Peter *et al.*, 2018). Such support systems improve the growth of SMMEs on different levels. Kraja *et al.* (2014) and Rungani and Potgieter (2018) indicate that SMMEs in South Africa fail to sustain themselves and achieve their business goals. They therefore need financial support from various stakeholders in the private and public sectors to acquire resources that will boost their businesses.

5.5.2 Non-financial support available to SMMEs

In Section 5.4.1, lack of funds and lack of business management skills were identified as challenges encountered by SMMEs in the study area. Non-financial support for SMMEs is seen as support given to SMMEs in the form of training, advice, information, and technical and

technological transfer (Schiffer & Weder, 2001; Owusu-Ansah *et al.*, 2017). Non-financial support is key to helping SMMEs define their strategy, identify leverages to support their growth, help them organise, and increase their performance (Haselip *et al.*, 2015; Wang, 2016). Taiwo *et al.* (2016) found that even when financial support is given to SMMEs, non-financial support such as marketing and training is often neglected. SMMEs that do not receive non-financial support lack knowledge of running a business due to poor business management skills and lack of technical skills (Adian *et al.*, 2020). The following discussion identifies institutions from which non-financial support is available only to SMMEs in the Matatiele Local Municipality, and those whose support is available nationally.

The ***Matatiele Business Chamber*** is an association of SMMEs that unites businesses in the Matatiele Local Municipality and Alfred Nzo District Municipality by representing the SMMEs and providing non-financial support to all SMMEs for their development. The Matatiele Business Chamber serves as the voice of SMMEs that are affiliated with it. It provides lobbying and advocacy for its SMME members to ensure that SMMEs are treated fairly and given tenders and support by relevant institutions. The aim is to create a conducive business environment for local SMMEs. The Chamber supports both formal and informal SMMEs in the local and district municipality.

Traditional authorities in the Matatiele Local Municipality also provide non-financial support to SMMEs that approach them to seek support. This started after the National Parliament's Portfolio Committee on Small Business Development had a discussion with the Congress of Traditional Leaders of South Africa (CONTRALESA) and the National House of Traditional Leaders on the issuing of land to agricultural SMMEs in rural areas to reduce poverty and create job opportunities (Bhengu, 2015). The idea was supported by CONTRALESA as it agreed that the rural areas should be seen as new areas for attracting investment to enable development and transformation of people's lives in these areas.

The ***Matatiele Local Municipality*** itself provides non-financial support to SMMEs in terms of skills development to both formal and informal SMMEs that approach it for support. The purpose is to capacitate SMME owners so that they can enhance the development of their ventures. The LED official in the Matatiele Local Municipality indicated that in the financial year 2020/2021, the municipality budgeted R250 000 which was spent for training SMMEs in business management, crop production, and animal production. Thereafter, SMMEs were capacitated in project management, supply chain management, and health and safety. The Matatiele Local Municipality further assists informal SMMEs with the registration of their businesses to be legal entities.

SEDA has five-day SMME training courses that capacitate SMMEs in skills that will enable them to expand their businesses. This training includes marketing, developing a business profile, developing a business plan, financial management, customer care, and report-writing skills, while helping entrepreneurs to identify areas of improvement for their businesses. According to SEDA (2018), its target market is all registered SMMEs in various sectors, especially those that belong to women, youths, and people with disabilities who are on its database. SEDA provides non-financial support to SMMEs throughout the country. It has branches, enterprise development centres, enterprise information centres, information kiosks, and mobile units all over South Africa to deliver non-financial support (Maloka & Dlamini, 2016).

The *DRDLR* has a two-week programme called Farm Together that is targeted at agricultural SMMEs. The purpose is to equip farmers with technical farming skills.

The *NEF* provides non-financial support to SMMEs through its Pre-Investment Unit. The unit ensures that applicants for non-financial support can follow correct application procedures. It also provides training on business management. In addition, the NEF provides information to SMMEs on where they can access financial assistance and helps them to prepare the necessary applications. During the fieldwork, the researcher established that SMMEs that participated in the study received financial support from the following government departments, agencies, and structures: the DSBD, SEDA, the DALRRD, and the Matatiele Local Municipality. Some SMME owners mentioned that these institutions visited their businesses and encouraged them to apply for funding. Support from the DSBD had been obtained following a referral from another farmer from another district who had received support. In another case, an SMME owner with a sewing business said that she applied for training from the Department of Arts and Culture on the Internet after being advised by a friend to do so. However, it was noted in Section 5.4.1 that one of the challenges faced by SMME owners is their inability to use the Internet. While some SMMEs confirmed that they have never received non-financial support, one SMME owner mentioned that she attended an online training session in financial management conducted by SEDA. In cases where SMMEs did not receive support from any of the different sources, it was either because they did not know where to seek support or that they did not know the channels to follow to ask for help (Chimucheka & Mandipaka, 2015; Borat *et al.*, 2018).

5.6 The role played by the social capital theory

As previously indicated, the studies I found did not apply the social capital theory in the manner it has been applied in this study. One of the studies was “The role of human and social capital in relation to the business performance of women-owned enterprises in South Africa” by Kuzwayo (2012). This study was more focused on how the social capital theory through networking

benefitted women-owned businesses in South Africa. It did not mention the dimensions of the social capital theory, namely bonding, bridging, and linking capital. Furthermore, it focused on women-owned businesses and it did not specifically deal with SMMEs. The second study, “Fostering linking social capital for successful agricultural development projects in South Africa”, by Taruvinga et al. (2017), investigated the importance of linking social capital in agricultural development projects by analysing the responses from 205 farmers involved in sweet potato, medicinal plants, and African leafy vegetables enterprise development projects in South Africa. It focused on linking social capital as a conceptual framework and enterprise development projects and linking social capital without going into detail on how bonding and bridging social capital benefitted agricultural businesses. Although the study investigated agricultural businesses, it did not focus specifically on SMMEs. This study therefore makes an original scholarly contribution to knowledge on the role of social capital in SMMEs with specific use of the three dimensions of bonding, bridging, and linking social capital.

The social capital theory focuses on resources embedded in relationships between and among social actors (Griffin-El, 2015; Engbers *et al.*, 2017). Specifically, social capital consists of institutions, relationships, attitudes, and values that govern interpersonal interactions and contribute to wider economic and social development (Nikolić *et al.*, 2015). Previous research results show that social capital, measured by trust, networks, and norms, is important and necessary for SMMEs (Analia *et al.*, 2020) because it makes it possible for them to contribute to the creation of jobs and to address social and economic development issues (Padi, 2017). SMMEs will not grow and become sustainable if the owners focus on amassing other resources to the exclusion of social capital (Wisker, 2018).

SMMEs must have internal and external networking relationships that will offer value to all stakeholders and enable them to have access to resources that are rooted in external linkages (Li *et al.*, 2013). Najafi-Tavani *et al.* (2018) also note that SMMEs that build and leverage collaborative networks experience high performance. Strong relationships can assist SMMEs to increase the value of their business, which might result in increasing the welfare of SMME owners (Field, 2018; Sunarsih *et al.*, 2019). Social capital influences the outcomes of different organisational goals since it facilitates beneficial connections between organisations and key stakeholders such as employees, competitors, customers, suppliers, and the communities around them (Chukwunonso *et al.*, 2021). SMMEs with strong social capital also show higher cost savings and better performance than those that do not work on their social capital (Pratono & Mahmood, 2014; Ker & Coviello, 2019; Ter Wal *et al.*, 2020).

The discussion here focuses on whether SMMEs in the Matatiele Local Municipality have developed the bonding, bridging, and linking social capital that will help them to contribute to

effective socioeconomic development in their area. Bonding social capital is used to interpret relations at the level of the individual SMME. Bridging social capital is used to understand relationships between and among different SMMEs, and between SMMEs and their customers, their suppliers, and their associations. Linking social capital is the basis for interpreting relationships between SMMEs and those institutions that are able to offer them some form of assistance.

5.6.1 The role of bonding social capital

In Chapter 2, bonding social capital was explained as a type of social capital that promotes communication and beneficial relationships within homogeneous groups whose members would like to pursue common goals. Bonding social capital refers to close relationships in relatively close-knit groups that have trust and emphasise ties of obligation, but which can lead to the exclusion of wider relationships (Davis, 2014; Townsend *et al.*, 2016; Claridge, 2018a). However, a good relationship between an employer and employees can contribute to the realisation of business goals (Atkinson & Sandiford, 2016; Boxall *et al.*, 2016). During the fieldwork, the researcher discovered that SMME owners and their employees had positive relationships with each other and their families. Generally, positive relationships were reported with other people inside and family members outside the SMMEs. For example, family members provided financial resources to SMME owners, while emotional support was received from family members by both SMME owners and employees. Some SMMEs were in fact started through financial assistance provided by family members. On the other hand, some of the employees reported that when stressful situations arose in the workplace, they often relied on their families for emotional support. Support is also readily available from fellow workers and sometimes from their employers when they experienced family problems. Good relationships between employers and employees, between employees and other employees, and between themselves and their families not only benefit the individuals associated with the SMME, but they also help to create an internal environment that is conducive to the growth of the SMMEs. All these situations illustrate how the existence of bonding social capital is reflected within an SMME (Hoq *et al.*, 2017; Analia *et al.*, 2020).

During the interviews, some employees were not comfortable to talk about their relationships with their employers. The researcher had to explain to them that the discussions between the researcher and the participants were confidential, as per the signed consent form. After this assurance, they began to open up and related their experiences. One of those who had shown some reluctance to talk indicated that he continued to work for the SMME owner because he had no other options. He

explained that the relationship with his employer was not good as some days he was expected to work in bad weather without concern for his health.

It could not be established with certainty that the employer was in the wrong. Nevertheless, this case illustrates that when a relationship is not properly managed, it can affect the SMME negatively as employees will not come to work regularly or perform at their best. Another SMME employee said that she was looking for a better job and that she would leave as soon she found another job, because she felt that her employer sometimes treated her poorly. The existence of this problem was confirmed by an SMME owner who complained that some employees, after being trained, left to find another job or to start their own businesses. The SMME owner said:

“People come and ask for employment. I employ them and then teach them how to cut patterns of various designs. I also teach them how to sew because using a machine is also a skill. As soon as they master everything, they leave and start their own business. I feel bad because they just come to learn how to sew from me and leave as soon as they have acquired the skill.”

The SMME owner could not understand that it could have been her failure to build a good relationship with the employees that some employees chose to leave after acquiring sewing skills. These examples show that if working relationships are not properly managed in an SMME, they can lead to an unstable environment that could have a negative impact on the SMME’s growth.

Valizade *et al.* (2016) indicate that an employer with a strong positive relationship with employees causes employees to be happy and increases their productivity, unlike an employee with a strong negative relationship, who causes employees to perform poorly since there is tension, unnecessary conflicts, and misunderstandings. The employer-employee relationship must be mutually beneficial to both parties since both must be willing to support, share, and give and not just take (Hannisansah *et al.*, 2018). For the employer-employee relationship to be mutually beneficial, both parties must easily engage each other. According to Kortmann *et al.* (2014), when there is easy engagement in a business, the employees will go the extra mile towards achieving the goals and objectives of the business.

Bonding social capital in SMMEs is also seen when employers empower their employees to do their work to the best of their abilities. According to Aparna (2020), empowerment is when the employer allows employees to make decisions and to have authority on issues related to their work. Employees are given authority, which is based on the concept of a “trust-based relationship” existing between the employer and the employee. Arimie (2019) argues that when employees have control over their work, they feel that they are valued and they become motivated while becoming more of an asset. Chukwunonso *et al.* (2021) emphasise that relationships that are maintained between the employer and employees improve team performance, which promotes the growth of

start-up SMMEs. The researcher discovered that SMMEs with employees working for more than five years have built strong relationships. They also trust one another, which made the employee to be an asset in the business.

One employee said:

“I enjoy my work and have acquired skills from my employer, when my employer travels to address his family problems, he assigns me the duty of supervising other employees on the farm. I ensure that all employees do their jobs and we continue milking and delivering milk to the clients just as my employer does. My employer trusts me because I understand that this work is important for me and my family. I have gained dignity in my village because my family lives a dignified lifestyle as I am supporting them from the money I earn from this job. It is important to enjoy your work and understand your employer because it helps us to work in peace.”

Strong relationships through bonding social capital between employers and employees therefore maintain a good atmosphere in the workplace and motivate employees to be productive.

5.6.2 The role of bridging social capital

In Chapter 2, bridging social capital was defined as crucial for solving community problems through helping people to get to know one another, building relationships, sharing information, and mobilising community resources. When external relationships are established with people belonging to different social groups, such as organisations, SMMEs, ethnicities, or religions, this is referred to as bridging social capital (Kopren & Westlund, 2021). These groups reach out and become involved in networking with other individuals, groups, and organisations for healthy public life in an increasingly diverse society. Bridging social capital is good for SMMEs that are geographically isolated from one another, suppliers, and clients as they will effectively build networks to share ideas (Smith *et al.*, 2017; Mauer *et al.*, 2018). SMMEs that have strong relationships with their customers have a chance of growing their business by paying special attention to the needs of their clients (Chukwunonso *et al.*, 2021). Whether the SMME has formal or informal relationships, these will assist in sharing information that can assist the SMMEs to be innovative. For an SMME to be innovative, there must be knowledge distribution through technology (Purwati *et al.*, 2020).

During the focus group discussions with SMME owners, the researcher observed that they were inclined to not work together but to compete with one another. One SMME owner said:

“You see, we know that we are in farming, but we do not work together, we do not share information amongst each other because we are competing against each other. The thing is we do not trust each other and this is because we steal other farmers’ ideas and use them

to benefit ourselves. When one gets a market, he does not share how he got the market from others because we sabotage one another. We negotiate lower prices so that we can steal the market from others. Even if we try to agree on the price as farmers, some of us go to the supermarkets and negotiate for very low prices.”

They were reluctant to share what was happening in their businesses in the presence of other SMME owners, which is what compelled the researcher to do a follow-up and conduct individual interviews with a number of SMME owners who did not contribute much in the focus group discussions. During the individual interviews with SMME owners, one SMME owner confirmed that SMMEs compete against one another and fail to work together since they lack trust among one another.

It is through networking that isolated SMMEs in similar businesses can interact to gain access to markets that can be supplied jointly by SMMEs. Furthermore, they can buy stock collaboratively and receive discounts for purchasing in bulk, and they can also get discounts on delivery, which might not be possible when buying as individual businesses. SMMEs in similar areas can engage one another to overcome logistic costs associated with remote locations when buying or delivering stock to clients (Jiyang & Ruling, 2019). Networking is, however, more difficult in rural regions such as Matatiele because rural SMME owners are separated by distance and poor communication infrastructure (Kerr & Coviello, 2019; Obstfeld *et al.*, 2020). The trust and loyalty built between the SMMEs and suppliers will increase the sales revenue and the profitability of both parties (Akintimehin *et al.*, 2019). SMMEs in the Matatiele Local Municipality have built loyalty among local clients since participants in the focus group of funeral services clients mentioned that the funeral services businesses buried their loved ones in a decent manner, even if they still owed monthly instalments. An SMME owner indicated that when he supplied schools with milk, the department paid him at month-end although he delivered milk on certain days. This SMME owner said:

“The department has never missed or delayed my payment. I deliver milk in schools with courage knowing that I will be paid.”

This proves that there are trust and loyalty between the schools and the SMME owner. Networking is important for small to medium enterprises to obtain knowledge and generate bonding social capital. The more bonding social capital the business can generate, the more business opportunities the business can capture (Kerr & Coviello, 2019).

5.6.3 The role of linking social capital

In Chapter 2, linking social capital was defined as norms of respect and networks of trusting relationships between people who interact across explicit, formal, or institutionalised power or

authority gradients in society. The people in linking social capital demonstrate their ability to interact with groups with whom they do not have great similarities in the socio-demographic sense (Cofré-Bravo *et al.*, 2019). SMMEs can apply linking social capital by linking with various institutions that have power and that can assist them with either financial or non-financial support (Songling *et al.*, 2018). These institutions include the government, the municipality, traditional authorities, and the Matatiele Business Chamber. Some SMME owners indicated that they never received support from the government and that they also did not know how to access the support. Elam *et al.* (2019) state that in a developing country such as South Africa, SMMEs, especially in the rural areas, lack awareness of supporting networks. Other SMME owners from the informal retail sector stipulated that the local municipality assisted them to register their businesses, while the agricultural SMME owners confirmed that the traditional authorities issued them with land for farming.

Through linking social capital there can be positive development for SMMEs as they are linked with institutions that provide them with financial or non-financial support. However, supporting institutions must be accountable and must properly manage the resources provided to SMMEs. This will result in good relationships between the citizens and supporting institutions (Babaei *et al.*, 2012; Taruvinga *et al.*, 2017). There are a number of SMMEs that are affiliated with the Matatiele Business Chamber, and these SMMEs indicated that the Business Chamber, for example, negotiated electricity bills for their SMME members with the local municipality. Furthermore, agricultural SMME owners confirmed that they were given land to produce vegetables by the traditional authorities in their villages, although the allocated land was not enough. This proves that linking social capital in the Matatiele Local Municipality is being practised for the development and growth of the SMMEs.

The way that the government interacts with SMMEs is important for the growth of SMMEs. The government and other SMME-supporting institutions must find ways of creating awareness about the programmes available for supporting SMMEs. Furthermore, the growth of SMMEs will contribute to the government's aim of promoting socioeconomic development in the country. Although most of the SMME owners in the Matatiele Local Municipality had not received support from government support systems, those who had received support were not happy with the relationship they had with the government institutions since they were not supported in all their needs. Linking social capital also revealed itself in the relationship with the Matatiele Local Municipality since the municipality has a budget to support SMMEs. Many authors have emphasised the importance of building strong linking capital between SMMEs and supporting institutions (Cofré-Bravo *et al.*, 2019; Mathews, 2021). Lang and Fink (2018) indicate that SMMEs that accept support from those in authority lose their autonomy as they become dependent

on those in authority. This means that the relationship between those in authority and SMMEs must not be too strong and must only involve support, either financial or non-financial, to promote the support and growth of SMMEs.

5.7 Summary

This chapter presented, analysed, and interpreted the data collected during the fieldwork. The chapter examined the types of SMMEs in the Matatiele Local Municipality; bearing in mind the different ways in which SMMEs are categorised in South Africa and elsewhere. The categorisation of South African SMMEs incorporates survivalist, micro, very small, small, and medium enterprises. The Alfred Nzo District Municipality and the Matatiele Local Municipality indicate that the Matatiele Local Municipality has both formal and informal SMMEs that operate in various sectors. The difference between formal and informal SMMEs is that *formal enterprises* are registered, organised, and regulated enterprises, while *informal enterprises* are less experienced, less productive, unregistered, unorganised, and unregulated enterprises. The chapter further focused on how SMMEs address socioeconomic factors by examining economic growth, which showed that South African SMMEs contribute 36% to the GDP. The contribution of South African SMMEs to the GDP is relatively low compared to other developing countries such as Brazil (59%) and Chile (57%) and developed countries such as Japan (55%), China (60%), and Germany (87%) (Leboea, 2017; Fatoki & Van Aardt Smith, 2011). In the Eastern Cape, there were 231 011 SMMEs in 2020 that operated in various sectors, of which 39% were in the trade sector, 19% in construction, 17% in community services, 7% in agriculture, 7% in finance, 6% in manufacturing, and 5% in transport. In comparison to other district municipalities, the SMMEs in the Alfred Nzo District Municipality contribute 5% to the GDP of the Eastern Cape province, which is the second lowest district municipality contribution to the GDP, while the SMMEs with the lowest contribution are in Joe Gqabi District Municipality, with a contribution of 3% to the GDP.

Unemployment in South Africa increased to 30.8% in 2020 due to the adverse impact of the COVID-19 pandemic. The causes of the high rate of unemployment in the Eastern Cape were low real investment, shrinking government revenue and rising government expenditure, uncertainty about the COVID-19 pandemic and its adverse effects on the economy, skills shortage, the high illiteracy rate, and the poor education system. The unemployment rate in the Matatiele Local Municipality increased to 59.0% in 2018 compared to 54.2% in 2008. Unemployment in the Ntabankulu Local Municipality was 32.8% in 2018, which was lower than the unemployment rate of the Matatiele Local Municipality in 2018. Approximately half of South Africa's population are chronically poor. SMMEs play an important role in reducing poverty, unemployment, and inequality in South Africa. The Matatiele Local Municipality has the lowest percentage of people

living in poverty compared to the other three local municipalities in the district, which are Umzimvubu, Mbizana, and Ntabankulu. In 2018, the poverty level in the Matatiele Local Municipality was 80.4%, 82.3% in Mzimvubu, 88.5% in Mbizana, and 89.4% in Ntabankulu.

The challenges encountered by SMMEs in the Matatiele Local Municipality were identified, and most participants confirmed that the challenges they faced hindered the survival and growth of their businesses. Access to financial and non-financial support was discussed as another challenge encountered by SMMEs. It was discovered that although government departments provided both financial and non-financial support, the majority of SMMEs did not know about these benefits. In South Africa, SMME owners face challenges in starting and growing their businesses. Furthermore, endogenous (such as access to resources) and exogenous (economic and political factors) obstacles hinder the establishment and growth of SMMEs in South Africa. However, most SMMEs in South Africa are not aware of the support programmes offered by the government due to lack of information and knowledge about such programmes and institutions.

This chapter discovered how the dimensions of the social capital theory, namely bonding, bridging, and linking capital, can assist SMMEs in the Matatiele Local Municipality to contribute to the socioeconomic development in the area. Bonding social capital was used to interpret relationships at the level of the individual SMME. In bonding social capital, there are networks between people inside and between businesses. During the fieldwork, the researcher discovered that SMMEs have strong connections with their families and employees. Family members provided economic resources and emotional support to SMME owners and employees. SMMEs with strong positive employer-employee relationship increased their productivity, unlike strong negative employer-employee relationships, which caused employees to perform poorly since there was tension, conflicts, and misunderstandings that resulted in unproductivity. Bridging social capital was used to understand relationships between and among different SMMEs, and between SMMEs and their customers, suppliers, and associations. On the other hand, linking social capital was the basis for interpreting relationships between SMMEs and the institutions that can offer them some form of assistance or support.

CHAPTER 6: SUMMARY, FINDINGS, AND RECOMMENDATIONS

6.1 Summary

Chapter 1 provided background on how developed and developing countries have been struggling with economic growth, unemployment, and poverty reduction, although the problems are more dominant in developing countries. It was also noted that SMMEs have been identified as a solution to these problems and are a driving force behind many innovations that enable them to contribute to the growth of the national economy and employment creation, especially in developed countries. The efforts of the South African government to establish various departments and entities to support SMMEs were highlighted. This is because South Africa views SMMEs as key contributors to socioeconomic development in both urban and rural areas.

Against this background, it was stated that the main aim of this study was to investigate the contribution of SMMEs to rural development in the Matatiele Local Municipality, in the Eastern Cape province of South Africa. To achieve this aim, the study sought to answer the following questions:

- What are the types of SMMEs operating in the Matatiele Local Municipality, and what are their visions, objectives, and strategies?
- What is the contribution of SMMEs to economic growth, poverty alleviation, and employment creation in the Matatiele Local Municipality?
- What are the challenges faced by SMMEs in the Matatiele Local Municipality?
- What type of assistance is available to SMMEs in the Matatiele Local Municipality from the government and other sources?

The qualitative research method was presented as the most suitable approach to answer the research questions and to achieve the objectives of the study. The reason was that this method would enable the researcher to gain an in-depth understanding of the role played by SMMEs in the Matatiele Local Municipality, by taking the participants' perspectives into account. The chapter ended by explaining that the social capital theory would be used to interpret the findings, so as to gain deeper insight into the factors that influence the role played by SMMEs in the socioeconomic development of the Matatiele Local Municipality.

Chapter 2 highlighted the different ways that SMMEs are defined. The Bolton Report, for example, provides a definition based on both qualitative and quantitative criteria. The quantitative aspect is based on the number of employees, the annual turnover, and the value of SMMEs assets. The qualitative dimension focuses on the management of the business by its owner(s) in a personalised manner, as opposed to a more professionalised form of management.

Furthermore, Chapter 2 explained that in developed countries, generally, SMMEs are innovative and they export their products to other countries and thus grow and create employment opportunities because of better access to markets in and outside their countries. They are therefore able to make a greater contribution to the socioeconomic development of their countries.

On the other hand, the situation is more varied in developing countries. In some countries, SMMEs have a significant impact on socioeconomic development, while in other countries their contribution is relatively less significant. This is mainly because of inadequate support provided to SMMEs in developing countries. Lastly, the chapter discussed the social capital theory. The intention was to apply it when analysing the findings of the study. The discussion covered bonding, bridging, and linking social capital. Bonding social capital refers to ethnic, religious, or other ties, which are characterised by close social relationships. Bridging social capital defines connections among groups of people who are more socially distant from one another, but whose cooperation would benefit all groups. Linking social capital refers to relations between groups of people in different social strata; in a hierarchy where power, status, or wealth are accessed differently. In this situation, one group of people or organisations is in a position to provide assistance to another group.

In Chapter 3, the research method used to conduct the study was explained. A qualitative approach was followed, based on the triangulation of primary and secondary data-collection methods. Interview schedules were used to gather information from various key participants through individual face-to-face and telephonic interviews, as well as focus group discussions. The data were validated during the interviews by repeating the answers of the participants to them and via member checking. The data were analysed through thematic data analysis, where the NVivo software program was used to code the data and to develop themes based on the answers to the interview questions. Permission to collect data was requested from gatekeepers and participants; while ethical clearance was requested from and provided by the BaSSREC of the North-West University.

Chapter 4 discussed the socioeconomic challenges inherited from decades of colonial and apartheid rule in South Africa. These problems, which resulted in poor economic growth, poverty, high unemployment, and poor socioeconomic infrastructure, mainly affected marginalised groups; the majority of whom are black people living in the former homelands. In the Eastern Cape, as well as in other provinces, the situation has led to many people having to depend on different forms of social grants provided by the government for their survival.

Similar socioeconomic challenges facing the Matatiele Local Municipality were highlighted. The chapter concluded by discussing the historical background of SMMEs in South Africa, their contribution to socioeconomic development, challenges encountered by the SMME sector, as well

as the type of support available to them in the country. It was pointed out that the South African government has put in place institutions and strategies intended to provide financial and non-financial support to SMMEs. For example, the DSBD manages several programmes to stimulate the growth of SMMEs, while Sefa provides financial products and services to SMMEs and, as such, is an agency that implements the government's small business strategy.

In Chapter 5, the collected data were presented, analysed, and interpreted in order to arrive at the findings of the study. The chapter identified the types of SMMEs in the Matatiele Local Municipality and analysed the contribution of SMMEs to socioeconomic development by focusing on economic growth and innovation, employment creation, and poverty alleviation. Furthermore, the chapter dealt with challenges faced by SMMEs in the municipal area, as well as the form of assistance they received from the government and other sources; considering both financial and non-financial support. Furthermore, the chapter applied the social capital theory to interpret the data in order to determine the role played by SMMEs in socioeconomic development in the Matatiele Local Municipality. Attention was paid specifically to the contribution made by the concepts of bonding, bridging, and linking social capital to understand the situation.

Chapter 6 provides a summary of the five preceding chapters, discusses the major findings of the study, and makes recommendations based on the various aspects of the findings.

6.2 The findings of the study

6.2.1 Findings related to the types of SMMEs

The study found that SMMEs can be formal (legally registered entities) or informal (unregistered entities). They can also fall into one of the following categories: survivalist, micro, very small, small, or medium enterprises. Survivalist enterprises are SMMEs with no paid employees, with minimal assets, and that generate income below the poverty line. Micro enterprises are businesses with turnover below the VAT registration limit, that have fewer than five paid employees, and that operate informally in terms of registration and compliance with legislation. Very small enterprises are SMMEs with fewer than 10 paid employees. Small enterprises are more stable and established than the types of enterprises mentioned above and have more than 10 but fewer than 50 employees. Medium enterprises have 100 to 200 employees and the owner delegates responsibility to another person, who is usually the manager (Zulu, 2017; Sityata, 2019). The SMMEs in the Matatiele Local Municipality comprise both formal and informal businesses. The SMMEs that formed part of this study were categorised as survivalist, micro, very small, and small enterprises. It was also established that some SMME owners who formed part of the study established their ventures due to necessity (unemployment and escaping from poverty) and opportunity (employed but wanting

to be financially independent and explore opportunities). Seven agricultural SMMEs were established due to opportunity, while all sewing and bakery SMMEs in the manufacturing and informal retail and funeral services sectors that participated in the study were formed due to necessity. The study discovered that the opportunity-based SMMEs in the agriculture sector had employees who had been employed for more than five years and the employees consistently earned better salaries. Necessity-based SMMEs did not have many permanent employees and due to lack of markets, they were sometimes unable to pay their employees. However, there are no other clear differences between opportunity- and necessity-based SMMEs as the owners of both indicated that they lacked markets, equipment, and business management skills.

The investigation further led to the conclusion that many SMMEs did not have business plans and that those that did have them, did not use them to run their businesses. They developed business plans only because they needed to have them to access financial assistance. The SMME owners did not know how to develop business plans and they paid service providers to develop them. As indicated in Chapter 5, business plans are intended to guide SMME owners in their efforts to achieve their short-, medium-, and long-term goals. This means that the SMME owners who were investigated mainly operated like a ship without a rudder. It would be difficult for them to know the risks they face and to design appropriate risk-mitigating strategies if they do not have clearly thought-out and clearly understood plans to follow, which they do not just use as a mechanism to access funds. The same goes for SMME owners who did not have business plans at all. They will neither have clear goals to work towards, nor will they have a clearly designed path to guide them.

6.2.2 Findings related to the role of SMMEs in socioeconomic development

SMMEs in developed countries grow and become competitive companies. Their growth is influenced by a conducive environment that promotes SMMEs and allows prolonged economic growth and improved standards of living for people. SMMEs in developed countries are innovative, competitive, and resilient against global crises, and they reduce poverty while balancing income inequality in developed countries. In developed countries, SMMEs are innovative as they adapt their products to meet the needs of their clients. They supply the local market and grow by exporting their products and services. They create employment, contribute to economic growth, and generate a competitive income that reduces inequality. They employ experienced pensioners to manage their SMMEs in the rural areas with the purpose of allowing them to explore their skills and expand the businesses. SMMEs are generally seen to be crucial for national economic growth in developed countries.

In developing countries, SMMEs are regarded as drivers to attain the NDGs of Africa, such as poverty reduction, employment creation, and the growth of the economy. African countries such

as South Africa, Egypt, Nigeria, and Kenya have SMMEs that contribute 70% to employment, 40% to the GDP, and 4% to export earnings. Although developing countries have high unemployment and increased poverty, SMMEs contribute to improving the standard of living and the economic wellbeing of communities in each developing country.

SMMEs in South Africa contribute to the economic growth of the country as they introduce new or advanced products and services that improve the standard of living for the citizens. SMMEs further contribute to the GDP when they create employment. SMMEs strengthen the social and personal capabilities of rural communities. The sustainability of SMMEs in South Africa is associated with the reduction of poverty and unemployment and balancing inequality. SMMEs are important as they play a significant role in promoting rural provinces, such as the Eastern Cape province in South Africa. The Eastern Cape is the poorest province in the country in terms of GDP per capita. There were 231 011 SMMEs in the Eastern Cape in 2020 that operated in various sectors, namely 39% in the trade sector, 19% in construction, 16% in community services, 7% in agriculture, 7% in finance, 6% in manufacturing, and 5% in transport.

Chapter 5 indicated that SMMEs play an important role in reducing poverty in South Africa since they supply the rural population with basic needs such as food, clothing, and housing, as well as additional goods and services. The South African government promotes the establishment of SMMEs as a means to address unemployment and high poverty levels. The most poverty-stricken province in South Africa is the Eastern Cape, followed by Limpopo and KwaZulu-Natal. The Eastern Cape provincial government is determined to improve the welfare of its people through achieving the SDG of alleviating poverty. The ECDC provides support to SMMEs so that they can reduce unemployment and alleviate poverty.

It was noted in Chapter 5 that Matatiele is found in the Alfred Nzo District Municipality, which remains one of the poorest districts in the Eastern Cape, with a poverty intensity of 44.3% in 2016. Matatiele has the lowest percentage of people living in poverty compared to the other three local municipalities in the district, namely Umzimvubu, Mbizana, and Ntabankulu. In 2018, the poverty level in the Matatiele Local Municipality was 80.4%, 82.3% in Umzimvubu, 88.5% in Mbizana, and 89.4% in Ntabankulu (Alfred Nzo District Municipality, 2019b). The study discovered that SMMEs in the Matatiele Local Municipality improved the standard of living of their employees since they confirmed that they were able to take care of the basic needs of their families since they started to work for SMMEs.

Chapter 5 found that the South African government recognises the importance of SMMEs to the extent that a Ministry of Small Business Development was established in 2014. SMMEs are recognised for their contribution to the GDP, the creation of employment, and the reduction of poverty. SMMEs play an important role in the economic growth of South Africa. However, there

has been a decrease in the growth of the country's GDP, since it has been growing at 1.1% less over five years compared to 3.4% over the preceding 14 years (SEDA, 2019). South African SMMEs contribute 36% to the GDP. There are various SMME sectors that contribute to the South African economic growth. In 2020, SMMEs that contributed negatively to the GDP growth were manufacturing (-10.8%), trade (-10.5%), transport (-6.6%), and mining (-6.0%), while agricultural SMMEs contributed positively (+0.3%) to the GDP. The negative contribution of some SMMEs to the growth of the GDP was as a result of the COVID-19 pandemic that led to the shutdown of the country and severely affected SMMEs. South African SMMEs contributed 33% to the GDP in 2010, and their contribution increased to 42% in 2015, but decreased to 20% in 2019. The decrease was caused by factors that affected major economies, such as the COVID-19 pandemic, global manufacturing downturn, and increasing trade barriers.

SMMEs are important as they play a significant role in promoting rural provinces, such as the Eastern Cape. The Eastern Cape is the poorest province in the country in terms of GDP per capita. There were 231 011 SMMEs in the Eastern Cape in 2020 that operated in various sectors, of which 39% were in the trade sector, 19% in construction, 16% in community services, 7% in agriculture, 7% in finance, 6% in manufacturing, and 5% in transport. The study discovered that the economy of the Alfred Nzo District Municipality is dominated by SMMEs in the service sector, while agriculture, mining, manufacturing, and construction have remained less important in terms of their contribution to the district's GDP. In comparison to other district municipalities, the SMMEs in the Alfred Nzo District Municipality contribute 5% to the GDP of the Eastern Cape, which is the second lowest contribution to the GDP, while the SMMEs that contributed the least were found in the Joe Gqabi District Municipality, with a 3% contribution to the GDP. The district municipality with SMMEs that contributed the most to the Eastern Cape's GDP were located in Nelson Mandela Bay (39%). SMMEs in the Matatiele Local Municipality contributed 36% to the GDP, which is the highest contribution in the district municipality compared to 28% in Umzimvubu, 27% in Mbizana, and 9% in Ntabankulu, which is the lowest in the district municipality. It is also one of the most underdeveloped and underinvested areas, with poor infrastructure and limited access to basic services. The economic growth of the Matatiele Local Municipality was 4.7% in 2010 but decreased to 2.0% in 2017.

The study further discovered that SMMEs in the Matatiele Local Municipality participated in the NSNP. Due to poverty that has drastically increased throughout the world, the international community has, through the SDGs, proposed the ending of extreme poverty by 2030. The NSNP was initially referred to as the Integrated Nutrition Programme while under the Department of Health and its aim was to provide food security by improving the health and nutritional status of school-going children and to assist in improved school attendance of learners. However, in 2004

this mandate shifted towards the Department of Basic Education with the purpose of improving the nutritional status of learners, to reduce hunger, and to alleviate the impact of malnutrition on their learning capacity through school feeding programmes.

The study found that SMMEs were given contracts by the Department of Basic Education to supply vegetables, bread, and milk to local schools in the Matatiele Local Municipality. Each year, the Eastern Cape Department of Education allocates a budget for SMMEs to supply schools with foodstuff. In the financial year 2020/2021, the budget amounted to R971 734 137. The focus group participants of principals from both primary and secondary schools in the Matatiele Local Municipality mentioned that, under the NSNP, schools tried as much as possible to purchase vegetables, milk, and bread from local SMMEs. The purpose of purchasing from local SMMEs is to ensure that the SMMEs around the schools not only supplied the schools but also realised the importance of producing food to reduce poverty.

The school principals as customer participants in the study indicated that the Matatiele Local Municipality had around 208 public and special schools in 2020, with a total number of approximately 63 800 learners who benefitted from the NSNP. The principals further explained that each school was allocated a budget for the NSNP and the schools thereafter appoint and sign contracts with SMMEs for six months. The contract is renewed based on the consistent supply by the SMME. The school principals as customer participants highlighted that approximately 20 SMMEs benefitted from the programme and individual SMMEs supplied schools based on the number of learners in each school. One agricultural SMME owner participant mentioned that he used to supply 42 schools with a total of 320 learners twice a week before the COVID-19 pandemic and with the sales to the local community he used to make sales of approximately R60 000 per month.

Other SMME owners who participated in the NSNP were not willing to disclose the total sales they made per month as they felt it was too personal. The agricultural SMME owners mentioned that the NSNP boosted their sales and was a reliable market that assisted their businesses to be sustainable. The SMME clients (school principals) mentioned that the NSNP benefitted local SMMEs around each school. The challenges encountered by the schools were that some SMMEs were unable to renew their contracts since each supplier signed a six-month contract. This is because of drought and lack of sufficient land and agricultural equipment. SMMEs produce small quantities seasonally from their vegetable gardens, which are not enough to supply the schools throughout the year. The sewing SMME owners have built a good relationship with the schools by supplying school uniforms made from quality materials. The school principals as clients were able to attest to the quality of the uniforms they produced and further explained that the sewing SMMEs were reliable and provided discount when schools bought in bulk.

6.2.3 Findings related to challenges facing SMMEs

SMMEs generally encounter problems that may be caused by internal or external factors. Such challenges affect the growth and expansion of SMMEs and often result in the failure of SMMEs while they are in their initial phase. The following challenges were identified in the study area:

The SMMEs in the study area lacked information about financial support provided by the government and other funders. The lack of information on financial support for SMMEs hindered their growth and limited their contribution to the economic growth of the country. The SMME owners who participated in the study highlighted the fact that they did not have funds to expand their businesses since they failed to make sufficient sales. SMMEs need money to buy equipment, working capital to buy supplies, and resources to train workers and develop their skills. Some SMME owners mentioned that they received start-up funds from relatives, while others used their retirement funds to start their businesses. While the money acquired from these sources may enable the start-up of businesses, it is unlikely to be available or to be enough when the business reaches a stage when expansion and growth are needed.

As this study has shown, financial support alone is not sufficient for SMMEs to prosper. Training in soft and technical skills is also important. Some SMMEs fail to grow due to lack of business management skills, as well as being unable to develop a business plan to serve as a roadmap for their ventures. SMME owners also lacked market research skills, which is another challenge that hinders the success of SMMEs in developing countries. Most of the SMME owners who participated in the study indicated that they lacked appropriate training in business management skills, strategic management and planning skills, and marketing and financial management skills. Government officials explained that although they provided training in these business management skills, the level of education of SMME owners varied. Those with a low level of education were not easy to train, which impacted negatively on their business growth. However, those with a relatively high level of education are better able to implement knowledge acquired in their businesses.

The study showed that SMMEs, especially in rural areas, need proper basic infrastructure such as roads, electricity, water, and land to function properly and to be able to contribute to economic growth and improved quality of life. Repeated loadshedding affects the production of SMMEs, which demonstrates the importance of continuous power supply to SMMEs. Roads that are not maintained regularly affect the sustainability of SMMEs since transportation costs are high and the repairs and maintenance of vehicles are costly. Poor infrastructure such as lack of water for agricultural SMMEs affects the growth of their businesses and their ability to contribute effectively to socioeconomic development. Lack of proper business premises compels some SMME owners

to run the businesses from home, which tends to limit the number of clients who can access the businesses.

6.2.4 Findings related to support given to SMMEs by the government and other sources

The study discovered that there is a two-pronged approach to supporting SMMEs, namely financial (issuing working capital and purchasing equipment and raw material through grants for SMMEs) and non-financial (which provides business management skills and technical training) support provided to SMMEs by various institutions. Some institutions provide both financial and non-financial support to SMMEs. The investigation revealed that the SMMEs in the study area lacked knowledge about the support that the government and other funding institutions such as Ecosystem Development for Small Enterprise, South African Breweries, Telkom, Vodacom, and MTN provide for SMMEs. Also, some SMME owners were not able to gain access to available support because they did not meet the conditions for support, such as being legally registered. The study also found that SMME owners generally established their SMMEs from personal savings, pension funds, and loans from friends and family. While these funds could be relied upon during the start-up phase, they were not sufficient to help the businesses to expand. SMMEs that do not receive non-financial support lack knowledge in running the business due to insufficient business development skills and technical skills, which results in poorly managed ventures.

6.3 Recommendations

6.3.1 Recommendations regarding SMME business skills development

It is recommended that SMME owners be capacitated with business management skills before they are financially supported. Presently, skills development tends to be an afterthought. Alternatively, financial support must go hand in hand with skills development. If this approach is taken, SMME owners will be in a better position to use financial support more effectively; thus reducing the risk of institutions spending funds on SMMEs that lack the capacity to put the funds to good use. In particular, SMME owners need to be able to develop their own business plans, or at least to participate more actively in the development thereof. This will enable the owners to understand how to run their businesses using the business plan. The current approach where service providers develop business plans without the active involvement of SMME owners does not help to build capacity in SMMEs. Without a business plan or the understanding of why SMMEs need one or how it is used, these entities lack a reliable roadmap to guide them to achieve their goals and sustain their growth while at the same time contributing to the socioeconomic development of their area. SMME owners also need to be educated on the importance of understanding the needs of

their potential markets and how to satisfy those needs when establishing businesses. Production without a clear understanding of the intended market will limit the ability of SMMEs to grow and could eventually lead to their failure.

6.3.2 Recommendations to improve the ability of SMMEs to access and use support

It is clear that the government of South Africa has established various institutions and departments to support SMMEs. However, there is insufficient awareness among these organisations regarding the forms of support available. There is also a lack of understanding of how to access available support. It is therefore recommended that there must be more creative ways of creating awareness about the available funding schemes that support SMMEs, especially to SMMEs in remote areas such as the Matatiele Local Municipality. This will lead to fairness in the manner in which assistance is allocated among different categories of SMMEs in the country. Various forms of media must be used to create awareness about SMME-supporting institutions. In particular, efforts must be made to introduce these remote SMMEs to the world of the Internet and to help them to develop the required skills. This will make it easier for them to gain access to available support and information and to communicate more easily among themselves. Furthermore, it is recommended that various funders work together to coordinate their support to SMMEs, to avoid double-dipping by SMMEs. This is a situation where some of them are able to obtain similar forms of assistance from different funders before others are able to receive any support at all. Again, this will contribute to fairness in the distribution of support to SMMEs and give more of them a chance to succeed.

Coordinating efforts by different institutions that provide support will also make it easier for them to share information about the effectiveness of the support provided to SMMEs. They should also have a way of following up on how SMMEs that have received support are benefiting from it. In this way, SMMEs that are failing to grow can be monitored to understand their challenges and support them until they grow. Currently, coordinated action by funders is limited in some cases and non-existent in others. Follow-up activities could also be linked to a mentorship programme where the more successful SMMEs or bigger businesses can assist SMMEs to help them implement the various forms of capacity building that they have received.

A one-stop shop that supports SMMEs is a mechanism that could be considered to coordinate the activities of the various institutions. The government must ensure that each local municipality has a one-stop shop that coordinates both financial and non-financial support provided to SMMEs. It will help to clear confusion among SMMEs as to where they should go to receive the necessary support. It will also help to limit administrative costs for individual institutions. Such one-stop shops should be based at the provincial or district municipality level to ensure that the sources of

support can be brought as close as possible to SMMEs, especially those in the rural areas. The one-stop shop can also serve as an information centre for all SMME supported in the country and provide data on their performance. This will help the supporting institutions to follow up on SMMEs that are failing and identify the support they need before they collapse.

6.3.3 Recommendations to enhance bonding, bridging, and linking social capital

This study used the social capital theory to contribute to the existing body of knowledge by assessing how the development of social capital can benefit SMMEs to contribute to rural development by focusing on bonding, bridging, and linking social capital. It has been noted that, in the main, there are signs that at the level of the individual SMME, owners and their workers have developed relationships based on mutual trust and understanding and that in this situation, the impact on the organisation will be positive. Such relationships become a motivating factor to workers, who will give their best to ensure that the organisation succeeds. On the other hand, where the relationships are not positive, and when workers mistrust their bosses, they are unlikely to commit to the organisation, which could be reflected by workers looking for opportunities to leave the organisation. SMME owners should therefore strive to build trust with their employees and allow them to make suggestions so that they can work with dedication and passion and be productive. The employer-employee relationship is important in business since it can help both parties to depend on each other for information sharing and improved task performance. This means that there must be a strong bond between employers and employees in SMMEs and among employees, which will reveal a spirit of teamwork, zeal for working together, a desire to share knowledge to manage and resolve conflicts, and to develop similar or complementary work ethics. For an employer to show empathy when an employee is going through difficult times, be it in the work situation or at home, is another sign that the organisation takes the development of bonding social capital seriously. Because of the importance of family support for both employers and employees, plans must be made, where possible, to have family days at the workplace once a year. This could be an event where the families can interact and for the organisation to demonstrate appreciation for the role played by families in the process of strengthening bonding capital among its employees.

It is further recommended that more should be done to encourage SMMEs to strengthen their bridging social capital by working collaboratively. This can happen in various situations, such as, for example, when buying supplies. This would enable them to buy in bulk and as a result stand to receive discounted prices. They should also do more to share transport costs whenever possible. At the same time, SMMEs should put a lot more effort into supplying markets together, especially if they want to gain access to big markets. This should form a strong basis for mutual assistance

because they will need to share knowledge to ensure that they can all supply products of similar quality. If, however, they choose to compete, rather than to collaborate, they are less likely to penetrate big markets and their growth will be hampered. For SMMEs, the pillars on which they should build strong bridging capital are thus collaboration and networking, which will be reflected in the willingness to share resources, knowledge, and information, as well as the ability and willingness to encourage and motivate one another. This means that part of the capacity building provided to SMMEs by different institutions should centre around developing collaborative action as a core value. Coaching and mentoring by more experienced business owners is also a good way of instilling the values of collaboration. SMMEs that have good relationships with their customers also contribute to the development of strong bridging capital, which will help to grow their businesses because they pay special attention to the needs of their clients, and they are innovative in addressing their clients' needs. What this means is that customer centeredness is another trait that should be developed in SMMEs, and it is also a value that must be shared by SMMEs that seek to work and grow together. To develop customer centeredness, the SMMEs should develop the ability to listen to and observe both verbal and non-verbal communication from their clients. The development of these listening skills should form part of the capacity-building programmes designed for SMMEs.

As previously pointed out, linking social capital is represented by the nature of relationships between SMMEs and those organisations that are in a position of institutionalised power and authority. It was noted that these organisations and the people who represent them are able to offer some form of assistance to the SMMEs; be it financial or non-financial. In these relationships, the development of social capital ought to be based on mutual trust and respect, honesty, and clear lines of communication. Even though the institutions that provide support are more powerful than SMME owners, they still need to treat them with respect and demonstrate trustworthiness. It was noted that SMMEs are suspicious of requirements such as being asked to be legally registered before they can receive funding from the government. The fact that SMMEs are suspicious of government intentions demonstrates lack of trust. Government entities must therefore take steps to ensure that trust is built between them and SMMEs. Improvement in channels of communication will go a long way towards closing the trust deficit.

6.3.4 Recommendations for further research

In both developed and developing countries, SMMEs are considered as important vehicles for bringing about socioeconomic development in both urban and rural areas. South Africa is no exception in this regard. However, in order for SMMEs to play their intended role effectively, there must be a better understanding of the challenges that make it difficult for this to happen.

Based on the findings of this study, it is recommended that further research be conducted to gain more clarity on some issues that impact on the contribution of SMMEs; for example:

- This study was designed to be qualitative because the researcher wanted to gain in-depth understanding of the issues under investigation. However, because the research was qualitative, the findings of the study cannot be generalised. Therefore, although the study served the purpose of gaining in-depth understanding of the research problem, there is still a need that the *extent* of the problem must be understood. For this reason, it is recommended that a quantitative study be undertaken that covers a similar area of research.
- It is recommended that further studies be conducted on the impact of financial and non-financial support on SMMEs in South Africa. This is because supporters often provide either financial or non-financial support only to SMMEs, which does not yield good results for supported SMMEs since they usually need both types of support.
- This study found that there is a lack of clarity on the part of at least some SMMEs regarding the channels of accessing different forms of support, and that there are problems of double-dipping in which some SMMEs receive more than their fair share of the available support. Although it has been recommended that a one-stop shop be established to coordinate the disbursement of support to SMMEs from different sources, it would be helpful to conduct research that will clarify existing problems and how the one-stop shop approach would help to overcome them.
- The study could not clearly identify the differences between opportunity- and necessity-based SMMEs since the study was qualitative and a small number SMMEs participated in the study. Further qualitative research can be conducted in the study area in terms of whether opportunity-based SMMEs perform better than necessity-based SMMEs.

6.4 Conclusion

The study found that SMMEs have been identified as a solution and as the driving force of many innovations that enable them to contribute to the growth of the national economy, employment creation, and poverty alleviation. To achieve these goals, various countries have put in place various support mechanisms for SMMEs. In South Africa, the government has created different entities designed to offer the necessary support to the SMME sector. This is because, as is the case in other countries, SMMEs in South Africa are viewed as valuable contributors to socioeconomic development, both in urban and rural areas. However, the problems faced by SMMEs in the Matatiele Local Municipality demonstrate that much still needs to be done to ensure that these organisations are able to contribute more effectively to the growth of the economy, job creation, and poverty reduction; not only in South Africa, but in other developing countries as well. This

investigation also showed that the social capital theory offers valuable insights into how many of the major problems confronted by SMMEs may be overcome.

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APPENDICES

Appendix 1: Letter of Permission from the National Department of Rural Development and Land Reform



rural development & land reform

Department:
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA

OFFICE OF THE DIRECTOR-GENERAL
Private Bag X833, Pretoria, 0001; 184 Jeff Masemola Street, Pretoria
Tel: 012 312 8911; Fax: 012 323 6072; Email: DGOffice@drdlr.gov.za

INDEMNIFICATION BY MS MG MATUBATUBA TO THE GOVERNMENT OF SOUTH AFRICA THROUGH ITS DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

Whereas I, the undersigned, requested permission to conduct research in the Department of Rural Development and Land Reform (the Department);

I understand and agree that the Department has granted permission that I may conduct research subject to the under-mentioned conditions:

I may not disclose to any unauthorised person confidential or secret information of whatever nature, which comes to my knowledge as a result of my research, either by word of mouth, telephonically, by means of an interview or by means of me receiving or reading notes, documents or letters, without prior written permission of the Acting Deputy Director-General: Corporate Support Services ((A) DDG: CSS), or an official duly authorised by him or her.

If I am in any doubt as to whether I may use or refer to information gathered in the Department during my research I shall first obtain the written permission of the (A) DDG: CSS.

I agree to assume all risks relating to me conducting research in the Department and I indemnify the Department against the following:

- a) Claims arising from my death or any personal injury I may suffer while on the Department's premises or while in any way busy with the research referred to herein.
- b) Claims for the loss of any personal property I may suffer while on the Department's premises or while in any way busy with the training referred to herein.


Departamenti van Landelike Ontwikkeling en Grondwetings - UmNyanga Wazokuthuthukisa Kwezindawo ZaseMkhaya Nezinguqo Kwezomhlaba - Mhesho wa Mveludziro ya Mahayini na Mbuyedzozo ya Mavu - Ndzawo ya Nibukiso wa Matkocikayi na Antwico wa Mzava - Lelapha le Tihabololo ya Uqas le Nishenzaliso ya Mafalche - Lelapha le Tihabololo ya Dibaka ba Mahala - Kgoro ya Tihabololo ya Dinagamaga le Peakanyolekwa ya Naga - Gese lePhuhliso lwamaPantshi noBuyekezo lwemihlaba - UmNyanga wokuThuthukisa iNdwano zamaThaba nokuBuyiselwa kwaNaha - Iinko Lelakufutukisa KwenzawoTasemphendleni Nezinguqo Kuzomhlaba

**APPROVAL TO CONDUCT ACADEMIC RESEARCH IN THE DEPARTMENT OF
RURAL DEVELOPMENT AND LAND REFORM**

You will need to sign the attached indemnity letter before conducting research in the Department.

Your co-operation to meticulously adhere to the aforementioned will be highly appreciated.

Kind regards


P. P. **MR PM SHABANE**
DIRECTOR-GENERAL: RURAL DEVELOPMENT AND LAND REFORM
DATE: 13/11/19

Appendix 2: Letter of Permission from the Department of Small Business Development



OFFICE OF THE DIRECTOR-GENERAL

Private Bag X 672, PRETORIA, 0001, the dti Campus, 77 Meintjies Street, Sunnyside, 0002, Tel: (012) 394 0000
the dti Customer Contact Centre local: 0861 843 384 International: +27 12 394 9500, www.dsb.gov.za

Ms M G Matubatuba
P. O Box 55534
ARCADIA
0007

Dear Ms. M G Matubatuba

RE: RESEARCH: APPROVAL TO CONDUCT A REASERCH WITHIN THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Permission is hereby granted to M.G Matubatuba, a Doctoral Degree Candidate in Development Studies at North West University, to conduct a research and or interview the employee of Department of Small Business Development.

It is noted that the main aim of your study is to show the contributions of SMMES in the rural areas of Matatatiel Local Municipality while showing the challenges they encounter and to uncover the gaps in the strategies and legislations of SMME which hinders their growth. You will be required to sign a non-disclosure Agreement with the Department before you conduct your research and/or interview the employee of the Department.

Relevant information required for the purpose of the research project will be available as per applicable Departmental policy and Standard Operating Procedure. The Department is not liable to cover the costs of the research, and upon completion of the research study, it will be appreciated that the findings and recommendations in the form of report and/or presentations be shared with the Department

Please do not hesitate to liaise with Mr. Shaheen Buckus at 012 394 1710 or email SBuckus@dsbd.gov.za should you need to discuss this further.

Kind regards

MR LINDOKUHLE MKHUMANE
ACTING DIRECTOR GENERAL
DATE: 12/11/2019

Appendix 3: Letter of Permission from the Matatiele Local Municipality



MATATIELE
LOCAL MUNICIPALITY

102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

OFFICE OF THE MUNICIPAL MANAGER

Person dealing with the matter: Ms Nosisana Mbaku

DATE: 17th October 2019

To: Ms Grace Matubatuba
North West University
Faculty of Humanities

Dear Madam

RE: PERMISSION TO CONDUCT RESEARCH: THE CONTRIBUTION OF SMALL, MEDIUM AND MICRO ENTERPRISES TO RURAL DEVELOPMENT IN THE MATATIELE LOCAL MUNICIPALITY


Your letter of request to undertake the study on the above subject bears reference.

Matatiele Local Municipality takes pleasure to inform you that your request to undertake the research study is approved, taking into account the objective of the research study, ethical consideration, the timeline of the study that you promised to observe and can withdraw from the study at any time.

We further give you permission to anonymously use the data collected from the institution.

The municipality wishes you success in your research study. The municipality will appreciate if the final product could be shared with the Municipality

Kind regards,


.....
Dr DCT NAKIN
MUNICIPAL MANAGER

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 079 522 9770 Prepaid Sales: 079 523 322 Finance Office: 039 737 3565 Disaster and Fire: 039-2560610/079 523 2223
Police(SAPS): 039-737964/9905 Water: 082 520 1476 Ambulance: 10177 Traffic: 079 522 9774

Appendix 4: Ethical Clearance



Private Bag X1290, Potchefstroom
South Africa 2520

Tel: 018 299-1111/2222
Fax: 018 299-4910
Web: <http://www.nwu.ac.za>

Senate Committee for Research Ethics
Tel: 018 299-4849
Email: nkosinathi.machine@nwu.ac.za

5 December 2021

ETHICS APPROVAL LETTER OF STUDY

Based on approval by the **Basic and Social Sciences Research Ethics Committee (BaSSREC)** on 05/12/2021, the Basic and Social Sciences Research Ethics Committee hereby **approves** your monitoring report as indicated below. This implies that the North-West University Senate Committee for Research Ethics (NWU-SERC) grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the study may be initiated, using the ethics number below.

Study title: The contribution of small, medium and micro enterprises to rural development in the Matatiele Local Municipality, South Africa.																																
Study Leader/Supervisor (Principal Investigator)/Researcher: Prof T Monaheng																																
Student/Research Team: Ms MG Matubatuba																																
Ethics number:	<table border="1"><tr><td>N</td><td>W</td><td>U</td><td>-</td><td>0</td><td>1</td><td>9</td><td>8</td><td>4</td><td>-</td><td>2</td><td>0</td><td>-</td><td>A</td><td>7</td></tr><tr><td colspan="3">Institution</td><td></td><td colspan="4">Study Number</td><td colspan="2">Year</td><td colspan="4">Status</td></tr></table>			N	W	U	-	0	1	9	8	4	-	2	0	-	A	7	Institution				Study Number				Year		Status			
N	W	U	-	0	1	9	8	4	-	2	0	-	A	7																		
Institution				Study Number				Year		Status																						
	Status: S = Submission; R = Re-Submission; P = Provisional Authorisation; A = Authorisation																															
Application Type: Monitoring																																
Commencement date: 05/12/2021		Risk: <table border="1"><tr><td>Low</td></tr></table>		Low																												
Low																																
Expiry date: 05/12/2022																																
Approval of the study is initially provided for a year, after which continuation of the study is dependent on receipt and review of the annual (or as otherwise stipulated) monitoring report and the concomitant issuing of a letter of continuation.																																
The BaSSREC acknowledges that the study has been completed and that this is the final monitoring report. The initial approval was awarded 10 November 2020.																																

Special in process conditions of the research for approval (if applicable):

General conditions: <i>While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, the following general terms and conditions will apply:</i> <ul style="list-style-type: none">• The study leader/supervisor (principle investigator)/researcher must report in the prescribed format to the BaSSREC:<ul style="list-style-type: none">- annually (or as otherwise requested) on the monitoring of the study, whereby a letter of continuation will be provided, and upon completion of the study; and- without any delay in case of any adverse event or incident (or any matter that interrupts sound ethical principles) during the course of the study.• The approval applies strictly to the proposal as stipulated in the application form. Should any amendments to the proposal be deemed necessary during the course of the study, the study leader/researcher must apply for approval of these amendments at the BaSSREC, prior to implementation. Should there be any deviations from the study proposal without the necessary approval of such amendments, the ethics approval is immediately and automatically forfeited.• Annually a number of studies may be randomly selected for an external audit.
--

- The date of approval indicates the first date that the study may be started.
- In the interest of ethical responsibility, the NWU-SCRE and BaSSREC reserves the right to:
 - request access to any information or data at any time during the course or after completion of the study;
 - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process;
 - withdraw or postpone approval if:
 - any unethical principles or practices of the study are revealed or suspected;
 - it becomes apparent that any relevant information was withheld from the BaSSREC or that information has been false or misrepresented;
 - submission of the annual (or otherwise stipulated) monitoring report, the required amendments, or reporting of adverse events or incidents was not done in a timely manner and accurately; and / or
 - new institutional rules, national legislation or international conventions deem it necessary.
- BaSSREC can be contacted for further information or any report templates via 21081719@nwu.ac.za / 13128388@nwu.ac.za.

The BaSSREC would like to remain at your service as scientist and researcher, and wishes you well with your study. Please do not hesitate to contact the BaSSREC or the NWU-SCRE for any further enquiries or requests for assistance.

Yours sincerely



Prof Jacques Rothmann

Chairperson NWU Basic and Social Sciences Research Ethics Committee

Original details: (22351930) C:\Users\22351930\Desktop\ETHICS APPROVAL LETTER OF STUDY.docm
8 November 2018

File reference: 9.1.5.4.2

Appendix 5: Informed Consent Form: English



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
VAAL TRIANGLE CAMPUS

PO
South Africa, 1900

Box

1174,

Vanderbijlpark

Web: <http://www.nwu.ac.za>

12/05/2020DATE

BaSSREC Authorization

PARTICIPANT INFORMATION LEAFLET AND CONSENT FORM

TITLE OF THE RESEARCH PROJECT:

THE CONTRIBUTION OF SMALL, MEDIUM AND MICRO ENTERPRISES TO RURAL DEVELOPMENT IN THE MATATIELE LOCAL MUNICIPALITY, SOUTH AFRICA

REFERENCE NUMBERS:

PRINCIPAL INVESTIGATOR: Matsela Grace Matubatuba

ADDRESS: P O Box 55534 Arcadia 0007

CONTACT NUMBER: 079 505 7452

You are hereby invited to take part in a research project that forms part of my degree, **Doctor of Philosophy in Development Studies**. Please take some time to read the information presented here, which explains the details of this project. Feel free to ask the researcher any questions about any part of this project that you do not fully understand. It is very important that you are fully satisfied and that you clearly understand what this research is about and how you could be involved. Your participation is **entirely**

voluntary and you are free to decline the offer to participate. Should you decline, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you had initially agreed to take part. Prior to publication of the study's results (or the point that publication is in process), you may also withdraw the information you provided if you feel uncomfortable.

This study has been approved by the **Basic Social Sciences Research Ethics Committee (BaSSREC) of the Faculty of Humanities of the North-West University (Mafikeng Campus)** and will be conducted according to the ethical guidelines and principles of the international Singapore Statement on Research Integrity (2010) and the ethical guidelines of the National Health Research Ethics Council. It is necessary for the research ethics committee members or relevant authorities to inspect the research records to make sure that we (the researchers) are conducting research in an ethical manner.

What is this research study all about?

- This study will be conducted in Matatiele Local Municipality. It will involve Government officials from National, Provincial and Local municipal offices providing financial and non-financial support to Small Medium and Micro-enterprises (SMMES), committee member of Matatiele Chamber of Business identifying and providing support to SMMES in Matatiele LM, SMME owners, their employees and their clients/customers. Data will be collected by using semi-structured individual interviews and focus-group discussion. Document analysis will also be used to collect data. The researcher has been trained to use these methods.
- Approximately 9 Government officials, 1 member of Matatiele Chamber of Businesses, 30 SMME owners, 30 employees, and 30 beneficiaries (100 participants) will be included in this study.
- The objectives of this research are:
 - To identify the types of SMMES operating in the Matatiele Local Municipality and analyse their visions, objectives and strategies.
 - To investigate the contribution of SMMES in overcoming poverty and unemployment in the Matatiele LM
 - To determine the types of assistance given to SMMES by government and other sources.
 - To analyse the challenges faced by SMMES and how these are being addressed and recommend ways of addressing these challenges.

Why have you been invited to participate?

- You have been invited to participate because you are a national/ provincial/ local government official whose duty is to support the development of SMMES; you are a member of Matatiele Chamber of Business whose responsibility is lobbying and advocacy for SMMES in Matatiele LM or an SMME owner in Matatiele Local who has been operating for a year or more; or an SMME employee who is

working around Matatiele LM or a customer who benefits from the services of SMMEs working in Matatiele Local Municipality. You have been identified as one of the key informants based on your first-hand experience of your work. It is hoped that the information you provide will contribute towards a better understanding of what needs to be done to improve the social and economic impact of SMMEs in the MLM.

- You have also complied with the following inclusion criteria: Participants will be women, men, youth and there will be no discrimination according to ethnicity and level of education.
- You will be excluded if: You do not fall in any of the following categories of people – a government employee at national/provincial/local level giving support to SMMEs in the Matatiele LM; a committee member of Matatiele Business Chambers; an SMME owner or employee in the agricultural, manufacturing or service sectors in MLM; a customer purchasing goods/services from SMMEs referred to above. You will also be excluded if you are not willing or are unable to participate in the study. You do not have to give a reason why you are not willing or why you are unable to participate.

What will your responsibilities be?

You will be expected to participate in answering questions according to the interview schedule developed for this study. Provide information either through individual interviews or focus group discussions which will help the researcher to answer the research questions of this study.

Arrangements will be negotiated with you regarding the time and venue where the focus group discussion or individual interviews will be conducted. Your participation in the interview or the focus group discussion may take 20-30 minutes of your time.

➤ **Will you benefit from taking part in this research?**

There is unlikely to be any direct benefit to you for voluntary participating in the focus group or individual interviews.

However, indirectly it is hoped that SMME employees and beneficiaries could benefit from the improvement in goods or services provided by SMME owners as a result of implementing the recommendations to be made in the study. From the findings of the study, government officials, committee members of Matatiele Chamber of Business and SMME owners will hopefully be enlightened about challenges encountered by SMMEs and what could be done to overcome the challenges.

Are there risks involved in your taking part in this research and how will these be managed?

- *The risks in this study, and how these will be managed, are summarised in the table below:*

<i>Probable/possible risks/discomforts</i>	<i>Strategies to minimize risk/discomfort</i>
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<p>The interviews with government officials will be conducted in their offices and can hinder their production</p>	<p>The researcher will request the officials to identify suitable days and time where they are not very busy to minimize the risk of affecting their work.</p>
<p>The individual semi-structured interviews that will be done with a committee member of Matatiele Chamber of Business in her/his office will take away her/his time as she/he would be using the time for the interview.</p>	<p>The researcher will acknowledge and recognise the voluntarily participation of the committee member of the Matatiele Chamber of Business to the individual interview that will take away her/his time. The researcher will request the committee member to identify a suitable time for conducting the semi-structured interview.</p>
<p>The SMME owners who will participate in focus group discussions might be exposed to the risk of road accidents, as they will be travelling to the meeting and participate in focus group discussions</p>	<p>The researcher will use the opportunity of meeting the SMME owners when they will be attending their own meeting with the Matatiele Chamber of Business who will be attending meeting.</p>
<p>The interviews with 9 SMME owner will be conducted in their businesses which might hinder their work</p>	<p>The researcher will request the SMME owners to identify days and time when their businesses are not too busy for the interviews to reduce the risk of affecting them at work. The researcher will also explain that the interview will be worthwhile as the results of the study are intended to improve the work of SMMEs</p>
<p>The researcher will conduct interviews with SMME employees and customers during the weekends when they are not working. The purpose will be not to disturb them in their work and conduct the interviews when they are free and relaxed. The risk is that the interviews will take away their time which they might be using for other things and that some participants might not turn up for the interview.</p>	<p>The researcher will have to contact many employees/clients so that there can be enough participants for the study in case some contacted prospective participants are unavailable. This will create a large pool of participants for the researcher.</p>
<p>The focus group discussions with the clients might expose them to road accidents as they will travel to a venue for the group discussion. The risk is that some clients might not attend the interview on the agreed date and time.</p>	<p>The researcher will request them to voluntarily agree to participate. The focus group discussion is supposed to have 10 participants per group. The researcher will invite 15 participants with five extra participants to reduce the risk of conducting interviews with few focus group participants.</p>

<p>The researcher will conduct focus group discussion with the client/customers on the date and venue identified by the clients. The risk is that the participants might not show up on the date and time for the appointment which might affect the collection of data for the researcher.</p>	<p>The researcher will contact many clients for different dates and time so that if the first group of clients does not show up on the agreed date then there must be another focus group ready for the next discussion on the other date.</p>
<p>It is likely that the study will take away time from participants which they would like to use for other things.</p>	<p>The researcher will acknowledge to all participants that she recognizes that the focus group discussions and interviews may take away time which they would like to use for other things. She will indicate her willingness to work with them to find a suitable time.</p>
<p>Some participants may not adhere to issues of confidentiality. It is possible that information they disclose to other people could even be distorted. This could lead to unnecessary conflicts. Some participants might be scared of contacting Covid-19 and not attend the discussions.</p>	<p>Before the focus group discussions start, the researcher will alert participants about the dangers of disclosing information about what fellow participants said in focus group discussions. In particular, the researcher will show them that it is possible for such information to be distorted even if it is not deliberate. The researcher will warn them to be careful about what they say to other people after the focus group discussions to avoid causing unnecessary conflicts. The researcher will ensure that the minimum number of participants of less than fifteen attends the discussion to ensure that the discussions become successful.</p>

- However, we do believe that the benefits to you and to science (as noted in the previous section) outweigh the risks we have listed. If you disagree, then please feel free not to participate in this study. We will respect your decision. The participants will be assured that what is discussed in the interview/ focus group discussions will be used only for the study, after which it will be destroyed.
- Should we learn, in the course of the research, that someone is harming you, or that you are intending to harm someone for participating in this study, you will be not allowed to participate or the person planning to harm you will not be allowed to participate in this study. We shall also ask you to stop participating in the study if there is a person you are intending to harm because of their participation in the study.

Who will have access to the data?

- Anonymity (that is, in no way will the results be linked to your identity) will be respected. Confidentiality (that is, we can assure you that we shall protect the information we have from you and about you, and none of your information will be shared with anyone who is not required to get access to it). Information or results of the study will only be used for the findings of this study only. Reporting of findings will be anonymous by not including names or any other way of identifying participants, employees of SMMEs can also be assured that their employers will not see or know about the information shared during the interviews.
- Only the researchers will have access to the information related to the identity of the participants.
- Data will be kept safe and secure by locking hard copies in locked cupboards in the researcher's office and for electronic data it will be password protected.
- Recordings will be kept safe and be used only during data analysis of the field notes to get clarity of what was said by the participants.
- Data will be stored for 5 years as required by the North-West University.

What will happen to the data?

The data from this study will be reported in the following ways: A PhD thesis will be prepared for submission to the North-West University. Subsequently, articles may be developed from the findings of the study for publication in relevant journals. If the customers are teachers benefiting from the agricultural/manufacturing/service sector their school names will not be disclosed.

Will you be paid/compensated to take part in this study and are there any costs involved?

Participation of the interviews and focus group discussion will be voluntary therefore no compensation will be made to anyone participating in the study.

How will you know about the findings?

- The main findings of the research will be shared with you (SMME owners, their employees and their customers) in a community meeting. The researcher will request the chief/ Chamber of Businesses to give her an opportunity during such a meeting to thank the participants and share the findings of the study with them and the rest of the community members. For government officials, the researcher will let them know when the thesis is available online. The researcher will also be available on invitation to share the findings of the study with the different categories of government officials (government officials at national, provincial and local municipality).

Is there anything else that you should know or do?

- You can contact (researcher) **Matsela Grace Matubatuba** at **079 5057452/ MGMatubatuba@gmail.com** if you have any further queries or encounter any problems.

- You can contact the chair of the Basic Social Sciences Research Ethics Committee (Prof C van Eeden) at 016 910 3441 or chrizanne.vaneeden@nwu.ac.za if you have any concerns or complaints that have not been adequately addressed by the researcher.
- You will receive a copy of this information and consent form for your own records.

Declaration by participant

By signing below, I agree to take part in a research study entitled:

I declare that:

- I have read and understood this information and consent form and it is written in a language with which I am fluent and comfortable.
- I have had a chance to ask questions to both the person obtaining consent, as well as the researcher (if this is a different person), and all my questions have been adequately answered.
- I understand that taking part in this study is **voluntary** and I have not been pressurised to take part.
- I understand that what I contribute (what I report/say/write/draw/produce visually) could be reproduced publicly and/or quoted, but without reference to my personal identity.
- I may choose to leave the study at any time and will not be penalised or prejudiced in any way.
- I may be asked to leave the study before it has finished, if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.
- I understand that telephonic follow-up questions may be done by the researcher when need be
- I am aware and give consent that the interview/ discussion must be recorded, and the recordings will be used only for the study and my name will not be disclosed in anyway.
- I agree and give consent that a transcriber of the recording as well as a co-coder of the transcribed text, may be used by the researcher

Signed at (*place*) on (*date*) 20....

.....
Signature of participant

.....
Signature of witness

- You may contact me again **Yes** **No**
- I would like a summary of the findings of this research **Yes** **No**

The best way to reach me is: Through getting my contact number from me.

Declaration by person obtaining consent /transcriber/ co-coder.

I (*name*) declare that:

- I have read and understood this information and consent form and it is written in a language with which I am fluent and comfortable
- I encouraged him/her to ask questions and took adequate time to answer them.
- I understand all aspects of the research, as discussed above
- I did/did not use an interpreter to explain the information
- All the information will be respected and not be left out for any reason
- I will treat this information with confidentiality, that is, it will not be disclosed and shared with anyone who is not required to get access to it.
- Anonymity (that is, in no way will the results be linked to your identity) will be respected.
- I agree and give consent that I will transcribe the recordings / be a co-coder of the transcribed text of this research.

Signed at (*place*) on (*date*) 20....

.....
Signature of person obtaining consent

.....
Signature of witness

Declaration by researcher

I (*name*) declare that:

- I explained the information in this document to
- I encouraged him/her to ask questions and took adequate time to answer them.
- I am satisfied that he/she adequately understands all aspects of the research, as discussed above
- I did/did not use an interpreter.

Signed at (*place*) on (*date*) 20....

..... **Signature of researcher**

..... **Signature of witness**

Appendix 6: Informed Consent Form: Sesotho



NORTH-WEST UNIVERSITY
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Vanderbijlpark

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12/05/2020 LETSATSI

Tumello ya BaSSREC

LEQEPHE LA TLHAISO LESEDING LA BANKAKAROLO LE FOROMO YA TUMELLO

SEHLOOHO SA MORERO WA DIPATLISISO:

NYEHELO YA DIKGWEBO TSE NYANE, TSE MAHARENG LE TSE NYENYANE NTSHETSOPELENG YA MAHAENG HO MASEPALA WA LEHAE WA MATATIELE, AFORIKA BORWA.

NOMORO YA TSHUPISO:

MOFUPUTSI YA KA SEHLOOHONG: Matsela Grace Matubatuba

ATERESE: P O Box 55534 Arcadia 0007

NOMORO YA LEBITSO: 079 505 7452

Ka hona o mengwa ho nka karolo morerong wa dipatlisiso o etsang karolo ya degree ya ka ya **Doctor of Philosophy in Development Studies**. Ka kopo iphe nako ya ho bala tlhahiso leseding e hlahisitweng mona, e hlalolang dithla tsa projeke ena. Ikuhlwe o lokolohile ho botsa mofuputsi dipotso tse mabapi le karolo efe kapa efe ya morero ona. Ho bohlokwa hore o kgotsofale ka botlalo le hore o otlwisisise hantle hore na patlisiso ena e bua ka eng le hore na o ka nka karolo jwang. Ho nka karolo ha hao **ke ha boithatelo** mme

o lokolohile ho hana kopo ya ho nka karolo. Ha o ka hana, hona ho ke ke ha o ama hampe ka tsela efe kapa efe. Hape o lokolohile ho ikgula thutong neng kapa neng, leha o ne o ile wa dumela ho nka karolo. Pele ho phatlalatswa liphetho tsa boithuto (kapa ntlha eo phatlalatsa e ntseng e tswela pele), o kanna wa hola tlhahiso leseding eo o faneng ka yona haeba o sa photholoha.

Thuto ena e amohetswe ke **Komiti ya Melao ya Boitsharo ya Lipatlisiso tsa Mahlale a Setjhaba ya Lefapha la Botho la Univesithi ya Leboya Bophirima** (Khamphaseng ya Mafikeng)) mme e tla tsamaiswa ho latela tataiso le melawana ya boitsharo ya Setatemente sa Matjhabeng sa Singapore mabapi le Botshepechi ba Lipatlisiso le ditataiso tsa boitsharo tsa Lekgotla la Naha la Boitshwaro ba Patlisiso ya Bophelo. Ho a hloka hore ditho tsa komiti ya melao ya boitsharo ya Lipatlisiso kapa ba boholong ba amehang ba hlahlobe lirekoto tsa Lipatlisiso ho etsa bonnete ba hore rona (bafuputsi) re etsa dipatlisiso ka mokgwa o nang le boitshwaro.

Thuto ee ya lipatlisiso e bua ka eng?

- Boithuto bona botla tshwarelwa Masepaleng ya Lehae wa Matatiele. E tla kenyelletsa liofisiri tsa Mmuso tse tswang liofising tsa Naha, tsa Porofense le tsa Mmasepala tse fanang ka tshchetso ya ditjhelete le e seng ya ditjhelete ho dikgwebo tse nyane le tse nyenyane tse mahareng , setho sa komiti ya Matatiele Chamber of Business se kgethollang le ho fana ka tshchetso ho di SMMEs tsa Matatiele LM, beng ba li SMME, basebetsi ba bona le bareki/ bareki ba bona. Dintlha di tla bokellwa ka ho sebelisa dipuisano tsa batho ka bomong le sebopeho sa sehlopha. Ho tla hlahlojwa ditokomane hape ho bokellwe dintlha. Mofuputsi o kwetlisitswe ho sebedisa mekgwa ena.
- Hoo e ka bang diofisiri tse robong tsa mmuso, setho se le seng sa Matatiele Chamber of Business, beng ba di SMME ba 30, basebetsi ba 30 le bareki ba 30 (ba nka korolo ba 100) batla kenyeletwa phuputsong ena.
- Morero wa dipatlisiso tsena ke:
 - Ho hlwaya mefuta ya di-SMME tse sebetsang Masepaleng wa Lehae wa Matatiele le ho sekaseka dipono, maikemisetso le maano a tsona.
 - Ho batlisisa tlatsitso ya di-SMME ho hlola bofuma le tlhokeho ya mesebetsi ho Matatiele LM
 - Ho tseba mefuta ya lithuso tse fuwang di-SMME ke mmuso le mehloli e meng
 - Ho sekaseka liphephetso tse tobaneng le di-SMME le kamoo di rarollwang ka teng le ho khothaletsa mekgwa ya ho sebetsana le diqholotso tsena.

Hobaneng o memetsoe ho nka karolo?

- O memetsoe ho nka karolo hobane o mosebeletsi wa mmuso wa naha / porofense / mmuso wa lehae eo mosebetsi wa hae e leng ho tshetsa ntshetsopole ya di-SMME; o setho sa Lekgotla la Kgwebo la Matatiele leo boikarabello ba lona e leng ho qobella le ho buella di-SMME ho Matatiele LM kapa

monga SMME sebakeng sa Matatiele LM ya sebeditseng selemo kapa ho feta; kapa mosebeletsi wa SMME ya sebetsang Matatiele LM kapa moreki ya fumanang molemo ho ditshebeletso tsa di-SMME tse sebetsang Masepaleng wa Lcha e wa Matatiele. U kgethilwe o le e mong wa dimpimpi tsa bohlokwa ho latela boiphihlelo ba hau ba pele ba mosebetsi wa hau. Re tshepa hore tlhaiso-leseling eo u fanang ka yona e tla kenya letsoho molemong wa kutlwisiso e ntlafetseng ya se lokelang ho etswa ho ntlafatsa phello ya setjhaba le moruo wa di-SMME ho Matatiele LM

- Hape u ikobelletse mekgwa e latelang ya ho kenyelletsa: Barupeluwa e tla ba basali, banna, batjha mme ho ke ke ha ba le kgethollo ho latela morabe le boemo ba thuto
- O tla qhelelwa ka thoko haeba: Ha o wele ho efe kapa efe ya mekgahlelo e latelang ya batho - mosebeletsi wa mmuso boemong ba naha / ba liprofinse / ba lehae ya fanang ka tshehetso ho di-SMME ho Matatiele LM; setho sa komiti ya Matatiele Business Chambers; monga SMME kapa mohiruwa lcaleng la temo, tlhahiso kapa litshebeletso ho Matatiele LM; moreki ya rekang thepa / litshebeletso ho di-SMME tse boletsweng kaholimo. Hape o tla qhelelwa ka thoko haeba o sa ikemisetsa kapa o sa kgone ho nka karolo phuputsong. Ha wa tlameha ho fana ka lebaka hobaneng u sa ikemisetsa kapa hobaneng u sa khone ho nka karolo.

Boikarabello ba hau e tla ba bofe?

O tla lebellwa ho nka karolo ho arabeleng dipotso ho latela lenane la dipuisano le etseditsweng thuto ena. Fana ka tlhaiso-leseling ka dipuisano ka bo mong kapa ka dipuisano tsa sehlopha tse tla thusa mofuputsi ho araba dipotso tsa dipatlisiso tsa boithuto bona.

Ho tla buisanwa le wena ka ditlhopiso mabapi le nako le sebaka seo ho tla tshwarelwa dipuisano tsa sehlopha se tsepamisisang maikutlo kapa dipotso tsa batho ka bomong. Ho nka karolo puisanong kapa dipuisanong tsa sehlopha ho ka nka metsotso e 20-30 ea nako ea hau.

Na o tla una molemo ka ho nka karolo phuputsong ee?

- Ha ho bonahale ho ka ba le molemo o mong o tobileng ho wena ka ho nka karolo ka boithatelo sehlopheng sa tsepamiso kapa dipuisanong ka bomong. Le ha ho le joalo, ka kotloloho ho tshepuwa hore basebetsi le bareki ba SMME ba ka una molemo ntlafatsong ya thepa kapa ditshebeletso tse fanwang ke beng ba SMME ka lebaka la ho kenya tshebetsong dikhothaletso tse lokelang ho etswa thutong. Ho tswa diphethong tsa phuputso, diofisiri tsa mmuso, ditho tsa komiti ya Matatiele Chamber of Business le beng ba di-SMME ka tshepo di tla bonesetswa ka mathata ao di-SMME di kopaneng le tsona le hore na ho ka etswa eng ho hlola mathata.

Na ho na le dikotsi tse amehang ha u nka karolo dipatlisisong tsena, mme di tla sebetswa jwang?

Dikotsi tse teng thutong ena, le hore na di tla sebetswa jwang, di akaretswa ka tafole e ka tlase:

Dikotsi / dikotsi tse ka bang teng / ho se thabise	Maano a ho fokotsa dikotsi / ho se utlwise bohloko
Dipuisano le diofisiri tsa mmuso di tla etswa diofising tsa bona mme di ka sitisa tlhahiso ya bona	Mofuputsi o tla kopa diofisiri hore di kgetholle matsatsi le nako e loketseng moo di sa sebetseng ho fokotsa kotsi ya ho ama mosebetsi wa bona.
Dipuisano ka bomong tse hlophisitsweng habedi tse tla etswa le setho sa komiti ya Lekhotla la Khoebo la Matatiele ofising ya hae di tla mo nkela nako kaha a tla be a sebedisa nako ya dipuisano.	Mofuputsi o tla amohela le ho amohela ho nka karolo ka boithatelo ha setho sa komiti ya Moifo wa Kgwebo wa Matatiele puisanong ka bomong e tla mo amoha nako. Mofuputsi o tla kopa setho sa komiti ho supa nako e loketseng ya ho etsa dipuisano tse hlophisitsweng habedi.
Beng ba di-SMME ba tla nka karolo dipuisanong tsa sehlopha ba ka nna ba pepesetswa kotsi ya dikotsi tsa mebileng, kaha ba tla be ba etela seboka mme ba nka karolo dipuisanong tsa sehlopha	Mofuputsi o tla sebelisa monyetla wa ho kopana le beng ba di-SMME ha ba tla be ba le kopanong ya bona le Lekhotla la Kgwebo la Matatiele le tla beng le le teng kopanong.
Dipuisano le beng ba di SMME tse 9 di tla etswa dikgwebong tsa bona tse ka sitisang mosebetsi wa bona	Mofuputsi o tla kopa beng ba di-SMME ho supa matsatsi le nako co dikgwebo tsa bona di sa phathahaneng haholo bakeng sa dipuisano ho fokotsa kotsi ya ho di ama mosebetsing. Mofuputsi o tla hlalosa hape hore puisano e tla ba ya bohlokwa kaha diphetho tsa boithuto di reretswe ho ntlafatsa mosebetsi wa di-SMME
Mofuputsi o tla etsa dipuisano le basebetsi le bareki ba SMME mafelong a beke ha ba sa sebetse. Morero e tla be e se ho ba sitisa mosebetsing wa bona le ho tsamaisa dipuisano ha ba lokolohile ba bile ba iketlile. Kotsi ke hore dipuisano di tla ba amoha nako eo ba ka nnang ba e sebedisetsa dintho tse ding le hore barupeluo a bang ba se ke ba ya dipuisanong.	Mofuputsi o tla tlameha ho ikopanya le basebetsi / bareki ba bangata e le hore ho ka ba le bankakarolo ba lekaneng bakeng sa boithuto haeba ho ka ba le bao ho ka buisanwang le bao e tla ba bankakarolo ba sa fumaneheng. Sena se tla theha letamo le leholo la bankakarolo bakeng sa mofuputsi.
Dipuisano tsa sehlopha se shebaneng le bareki di ka ba beha dikotsing tsa mmila kaha ba tla ya sebakeng sa puisano ya sehlopha. Kotsi ke hore bareki ba bang ba kanna ba se ke ba ba teng	Mofuputsi o tla ba kopa ho dumela ka boithatelo ho nka karolo. Puisano ea sehlopha se tsepamisitsoeng e tlameha ho ba le barupeluo ba 10 sehlopheng ka seng. Mofuputsi o tla

<p>lipuisanong ka letsatsi le nako eo ho lumellanweng ka yona. Mofuputsi o tla tsamaisa lipuisano tsa sehlopha se tsepamisisang maikutlo le moreki / bareki ka letsatsi le sebaka se khethiloeng ke bareki. Kotsi ke hore bankakarolo ba kanna ba se hlahe ka letsatsi le nako ea kopano e ka amang pokello ea lintlha tsa mofuputsi.</p>	<p>mema bankakarolo ba 15 le bankakarolo ba bang ba bahlano ho fokotsa menyetla ya ho etsa lipuisano le bankakarolo ba fokolang ba sehlopha. interviews with few focus group participants. Mofuputsi o tla ikopanya le bareki ba bangata bakeng sa matsatsi le nako tse fapaneng hore haeba sehlopha sa pele sa bareki se sa hlahe ka letsatsi leo ho lumellanoeng ka lona ho tlameha hore ho be le sehlopha se seng sa tsepamiso se ikemiselitseng puisano e latelang ka letsatsi le leng.</p>
<p>Ho na le monyetla oa hore thuto e nke nako ho barupeluo ea ba ka ratang ho e sebelisa bakeng sa lintho tse ling.</p>	<p>Mofuputsi o tla amohela bankakarolo bohle hore oa hlokomela hore lipuisano tsa sehlopha se tsepamisisoeng le lipuisano li ka nka nako eo ba ka ratang ho e sebelisa bakeng sa lintho tse ling. O tla bontša boikemisetso ba hae ba ho sebetsa le bona ho fumana nako e loketseng.</p>
<p>Barupeluo ba bang ba kanna ba se boloke litaba tsa lekunutu. Ho ka etsahala hore tlhaiso-leseling eo ba e senolelang batho ba bang e kanna ea sothoa. Sena se ka baka likhohlano tse sa hlokahaleng. Barupeluo ba bang ba kanna ba tšaba ho ikopanya le Covid-19 mme ba se ke ba ea lipuisanong.</p>	<p>Pele lipuisano tsa sehlopha se tsepamisisoeng li qala, mofuputsi o tla lemosa bankakarolo ka kotsi ea ho senola leseli ka seo barupeluo- 'moho le bona ba se buileng lipuisanong tsa sehlopha. Haholo-holo, mofuputsi o tla ba bontša hore ho ka khonahala hore tlhaiso-leseling e joalo e sothehe leha e sa ctsoe ka boomo. Mofuputsi o tla ba hlokomelisa hore ba hlokomele seo ba se bolellang batho ba bang kamora lipuisano tsa sehlopha se tsepamisisang maikutlo ho qoba ho baka likhohlano tse sa hlokahaleng. Mofuputsi o tla netefatsa hore bonyane ba palo ea bankakarolo ba ka tlase ho leshome le metso e mchano ba ea puisanong ho netefatsa hore lipuisano li ba le katleho.</p>

- Leha ho le joalo, re lumela hore melemo ho uena le ho mahlale (joalo ka ha ho boletsoe karolong e fetileng) e feta likotsi tseo re li thathamisitseng. Haeba u sa lumellane, ka kopo ikutloe u lokolohile ho se kenye letsoho thutong ena. Re tla hlomphe qeto ea hau. Barupeluo ba tla netefatsoa hore se tšohloang lipuisanong tsa sehlopha / lipuisano tsa sehlopha se tla sebelisoa feela bakeng sa boithuto, kamora moo bo tla sennoa.

Ha re ka ithuta, nakong ea lipatlisiso, hore motho e mong oa utloisa bohloko, kapa hore o ikemiselitse ho utloisa motho e mong bohloko ka ho nka karolo phuputsong ena, o ke ke oa lumelloa ho nka karolo kapa motho ea rerang ho u ntša kotsi a ke ke a lumelloa ho nka karolo boithutong bona. Re tla boela re u kope ho emisa ho nka karolo phuputsong haeba ho na le motho eo u ikemiselitseng ho mo ntša kotsi ka lebaka la ho nka karolo phuputsong.

Ke mang ea tla fumana data?

- Ho se tsejoe (ke hore, ho hang liphetho ha li na ho hokahanngoa le boitsebahatso ba hau) li tla hlompheua. Lckunutu (ke hore, re ka u tiisetse hore re tla sireletsa tlhaiso-leseling eo re nang le cona ho uena le ka uena, mme ha ho na tlhahisoleseling ea hau e tla arolelana le mang kapa mang ea sa hlokgeng ho e fumana). Tlhahisoleseling kapa liphetho tsa boithuto li tla sebelisoa feela bakeng sa liphetho tsa thuto ena feela. Ho tlaleha dintho tse fumanweng ho ke ke ha tsejwa ka ho se kenyeletse mabitsa kapa tsela efe kapa efe ya ho hlwaya bankakarolo, bahiruwa ba di-SMME le bona ba ka netefalelwa hore boramesebetsi ba bona ba ke ke ba bona kapa ba tseba ka lesedi leo ba le abelaneng nakong ya dipuisano.
- Bafuputsi ke bona feela ba tla fumana leseli le amanang le boits'oaro ba bankakarolo.
- Boitsebiso bo tla bolokoa bo bolokehile ka ho notlela likopi tse thata ka har'a likhabote tse notletsoeng ofising ea mofuputsi mme bakeng sa data ea elektroniki e tla sireletsoa ka senotlolo.
- Direkoto di tla bolokwa di bolokhile mme di sebeliswe feela nakong ea tlhahlobo ya dintlha sa dintlha tsa tshimo ho hlakisa se boletsweng ke bankakarolo.
- Dintlha di tla bolokwa dilemo tse 5 jwalo ka ha ho hlokwa ke Univesithi ea Leboya-Bophirima.

Ho tla etsahalang ka data?

- Dintlha tse tswang thutong ena li tla tlalehoa ka litsela tse latelang: Kamora moo, lingoliloeng li ka hlalisoa ho tsoa liphethong tsa boithuto hore li phatlalatsoe likoranteng tse amehang. Haeba bareki e le matijhere a ruwang molemo lefapheng la temo / tlhahiso / tshebeletso litshebeletso tsa bona li ke ke tsa tsebahatswa.

Na o tla lefshwa / ho lefuwa ho nka karolo thutong ee mme ho na le ditshenyehelo tse teng?

- Ho nka karolo ha dipuisano le dipuisano tsa sehlopha se tsepamisitsweng e tla ba ka boithatelo ka hona ha ho puseletso e tla etswa ho mang kapa mang ea nkang karolo phuputsong.

U tla tseba jwang ka diphuputso?

- Sephetho sa mantlha sa dipatlisiso se tla arolelana le wena (beng ba di-SMME, bahiruwa ba bona le bareki ba bona) kopanong ya setjhaba. Mofuputsi o tla kopa mookamedi / Moifo wa Kgwebo ho mo fa monyetla nakong ya kopano e jwalo ho leboha ba nka karolo le ho arolelana le bona se fumanoeng ke boithuto le ditho tsohle tsa setjhaba. Bakeng sa diofisiri tsa mmuso, mofuputsi o tla ba tsebisa ha sengoloa se fumaneha inthaneteng. Mofuputsi o tla boela a be teng ka memo ea ho

arolelana liphetho tsa thuto le lihlopha tse fapaneng tsa liofisiri tsa mmuso (lio fisiri tsa mmuso ho masepala oa naha, oa provense le oa lehae)

Na ho na le eng kapa eng eo u lokelang ho e tseba kapa ho e etsa?

- O ka ikopanya le (mofuputsi) Matsela Grace Matubatuba ho 079 5057452 / MGMatubatuba@gmail.com ha o ka ba le lipotso tse ling hape kapa oa ba le mathata.
- O ka ikopanya le modulasetulo wa Komiti ya Melao ya Boitshwaro ya Dipatlisiso tsa Sacnse ya Setjhaba (Mop C van Eeden) ho 016 910 3441 kapa chrizanne.vanecden@nwu.ac.za haeba o na le dingongoreho kapa ditletlebo tse sa rarollwang ka ho lekana ke mofuputsi.
- U tla fumana kopi ea tlhaiso-leseling ena le foromo ea tumello bakeng sa litlaleho tsa hau

Phatlalatsa ka monkakarolo

Ka ho saena ka tlase, ke le lumela ho nka karolo phuputso e nang le sehlooho se reng:

Ke bolela seo

- Ke badile le ho utlwisisa tlhaiso-leseling ena le foromo ea tumello mme e ngotswe ka puo eo ke e phollatsi ebile ke phutholohileng ho e bua.
- Ke bile le monyetla wa ho botsa dipotso ho motho ya fumanang tumello, hammoho le mofuputsi (haeba motho enwa e le motho ya fapaneng), mme lipotso tsohle tsa ka li arabilwe ka nepo.
- Ke utlwisisa hore ho nka karolo phuputso ena ke **ho ithaopa** mme ha ke a ka ka hatellwa ho nka karolo.
- Ke utloisisa hore seo ke fanang ka sona (seo ke se tlalehang / seo ke se ngolang / ho se taka / se hlahisang ka pono) se ka hlahiswa phatlalatsa le / kapa sa qotswa, empa se sa supe boitsebahatso ba ka.
- Nka khetha ho tswa thutong neng kapa neng mme nke ke ka otlwa kapa ka khethollwa ka tsela efe kapa efe.
- Nka kopa ho tlohela thuto pele e qeta, haeba mofuputsi a bona hore e molemong wa ka, kapa haeba ke sa latele moralo a boithuto, kamo ho lumellanweng ka teng.
- Ke utlwisisa hore lipotso tse latelang tsa mohala li ka etswa ke mofuputsi ha ho hloka hala
- Ke a tseba mme ke fana ka tumello ya hore puisano / dipuisano di tlameha ho rekotwa, mme dikgatiso di tla sebediswa feela bakeng la phuputso mme lebitso la ka le ke ke la tsebahatso ho sa le jwalo.
- Kea lumela ebile ke fana ka tumello ya hore morekisi wa sengodilweng jwalo ka moqapi wa sengolweng se ngotsweng a ka sebeliswa ke mofuputsi.

E saennwe (sebakeng) ka (letsatsi) 20

Tshaeno ya monka karolo

Tshaeno ya paki.....

- U ka ikopanya le nna hape Ho jwalo Tjhe
- Ke kopa kakaretso ya se fumanweng phuputsong ena Ho jwalo Tjhe

Mokgwa o motle wa ho fihla ho nna ke ka ho fumana nomoro ya ka ya mabitso ho nna

Phatlalatso ka motho ya fumanang tumello ke hore, transcriber / co-coder.

Ke (lebitso) ke phatlalatsa hore:

- Ke badile le ho utlwisisa tlhaiso-leseling ena le foromo ea tumello mme e ngotsoe ka puo eo ke e phollatsi ebile ke phutholohileng ho e bua
- Ke ile ka mo khothaletsa ho botsa lipotso mme ka nka nako e lekaneng ho li araba.
- Ke utloisisa dikarolo tsohle tsa dipatlisiso, jwalo ka ha ho boletswa kaholimo
- Ke sebelisitse / ha kea sebelisa toloko ho hlalosa litaba
- Tlhahisoleseling eohle e tla hlomphua mme e se tloheloe ka lebaka lefe kapa lefe
- Ke tla tshwara litaba tsena ka lekunutu, ke hore, li ke ke tsa senoloa le ho arolelana le mang kapa mang ea sa hlokeng ho li fumana.
- Ho se tsejoe (ke hore, liphetho li ke ke tsa hokahanngoa le boitsebahatso ba hau) li tla hlomphua
- Ke a lumela ebile ke fana ka tumello ea hore morekisi wa sengodilweng jwalo ka moqapi-mmoho wa sengolwa se ngotsweng a ka sebeliswa ke mofuputsi.

E saennoe (sebakeng) ka (letsatsi) 20

Tshaeno ya motho ya fumanang tumello

Tshaeno ya paki.....

Phatlalatso ke mofuputsi

Ke (lebitso) ke phatlalatsa hore:

Ke hlaloseditse lesedi le leng ho tokomane ena ho

- Ke ile ka mo khothaletsa ho botsa dipotso mme ka nka nako e lekaneng ho di araba.
- Ke kgotsofetse hore o utloisisa ka botlalo dintlha tsohle tsa dipatlisiso, jwalo ka ha ho boletswa kahodimo
- Ke sebedisitse / ha kea sebedisa toloko.

E saennwe (sebakeng) ka (letsatsi) 20

Tshaeno ya mofuputsi Tshaeno ya paki

Appendix 7: Questionnaire for Small, Micro and Medium Enterprise (SMME) Owners in the Matatiele Local Municipality and Example of Transcript

1) What motivated you to start your business? What kind of products do you sell?

Participant: Old age compelled me to start a business in agriculture since I felt it was not competitive like retail. I have been in retail for many years but when foreigners entered the retail [market], it affected my business because they dumped their products in the rural areas.

Researcher: What do you mean when you say they dumped their products in rural areas?

Participant: I mean, they are selling expired and fake products in rural areas, attracting our clients. The government allows them to sell without licences while we citizens were forced to sell with licences and we were monitored and fined if we were selling without licences.

2) Do you produce or buy the products you sell?

Participant: I am in animal farming and crop farming. I rear cows and grow the grains such as maize, sorghum, and soya. Cattle are easy to rear than sheep and goats, which are easily stolen, but I specialise in rearing young cows and I sell them while they are in good quality. I also grow maize, sorghum, and soya since soya is good for soil rotation. It does not harm the soil but makes it rich so I can rotate in planting maize continuously where I harvested soya.

3) Why did you choose to run this business specifically and not any other type of business?

Participant: It is better than the retail, the competition is not that much, and I grew up in a family that is rearing animals and growing maize in the field. Agriculture is still my passion although I was more interested in retail, which is now dominated by foreigners. In farming, foreigners cannot be given land to compete with us.

4) Why are you running your business where you are running it?

Participant: I am in a running my business in a farm that is on the way to Cedarville because it is safe. Initially I wanted a farm in Swartberg or Underberg because the soil is good there. The land in rural areas is also not safe because there are bad people who destroy our produce because there is no law that will reprimand them.

5) Did you encounter any challenges when you registered your business, and what are the challenges you encountered?

Participant: I never encountered any problems because while I was running a retail I had an accountant, so he assisted me to register my business.

6) How did you get funds for starting your business?

Participant: I used my savings from my previous retail shop. Researcher: But where did you get the funds for starting the retail? Participant: I was assisted by the Transkei Development

Corporation [TDC] long ago, which gave me a loan. What was needed back then to get the loan, it was not difficult back then; one would just apply and get the loan without any complication of providing collateral. Researcher: Did you pay back the loan? Participant: Yes, I paid it back since it did not have much interest since the TDC was encouraging establishment of retails in Transkei.

7) How does your business benefit the local community?

Participant: It benefits the locals because I have employed local people and I also have mechanisation that they hire during planting season. Researcher: How do you handle farmers when they hire implements at the same time? Participant: It happens but I always apply the rule of first come first served. Researcher: How do you monitor the implements when hired by farmers? Participant: Usually I am the one who drives the tractor and in that way the farmers who hire the tractors know that he must pour petrol after it was used for his farm. Researcher: How do you maintain the tractors? Participant: I have learned how to service tractors and I do it myself. I only go buy parts or seek assistance from specialists when I do not know how to fix the problems.

8) Who is your target market?

Participant: I sell my cattle to the feedlots through auctions. My cattle, because of good quality, and no one prevents me from selling my cattle in auctions. I sell the grains to SA Breweries; they give me a yearly contract and they tell me what they want before the planting season. They also give me a grant funding each time they give me a contract.

9) How is your business unique from other businesses in your area?

Participant: I have my production plan which I use for both the animals and grains, which make my production to be of quality, which helps my business to be successful.

10) How do you keep your clients loyal to your business?

Participant: I produce quality and give them what they need.

11) What kind of support do you get from government (nationally, provincially, and locally)? What do you think the government can do better to support SMMEs in the rural areas?

Participant: I got support from the province and district municipality. Both they support me with seedlings and fertilisers. Their support comes late after planting season has passed. I initially used my money and I learned that as a farmer I must be independent and not rely on government. Each time when they bring seedlings and fertilisers, I use them for the following year, they don't they expired and [become] not good for use. I keep them in a cool place so they do not expire.

12) How did you know about the support given by the government to SMMEs?

Participant: The agricultural officer moves around visiting farmers and they also visited me. They informed me to apply for seedling and fertilisers. Each year they inform me when

application must be completed. Researcher: Does it mean if officers were not visiting farms, you were not going to know about the support? Participant: I could have known because I work with other farmers and we used to hold meetings once per month until COVID-19 and we have stopped.

13) What challenges do you encounter in your business?

Participant: I encounter stealing of produce from the field by local community. Is stolen by people who are hungry. Hungry people steal for food but the hooligans are destroying because of lawlessness. They do not understand that we are contributing to the economy but since they do not do anything, they destroy our produce knowing that they will not be punished for what they have done since our law is weak and the police will ask you who do suspect when you report and open a case. Support from the provincial and local community arrives late, the support from both the province and local covers only 10% of the land I own. There is no water in the farm, which is a problem for my animals and crops. The government departments change the officials, which affect us since the new ones do not assist us or even the changing of minister, it happens that ministers have their target farmers they would like to support for their benefit. Researcher: But why do you not raise these concerns in your meeting so that they can be addressed? Participant: We are scared that we will no longer be supported and we also do not want to be involved in politics.

14) How are they addressed?

Participant: The government must educate chiefs and local community about the importance of the agriculture. They must understand that we are food producers, without us there will be no food. I have hired security for now who patrols around the farm for safety of my produce. Government must assign each farmer with an officer who will provide technical support and we must also have public veterinarians. I have hired water trucks to deliver to the farm since I have built storages which I use during drought seasons. Government must sign a lease agreement for a long time with farmers who are leasing the farm that assures them that the farms will be sold to them when they are able to farm. The government must be open to farmers on his plans and funding. Researcher: Why are you saying that or what do you mean? Participant: There were tractors that were bought for farmers by DALRRD which were delivered to the local economic development officer [but] no one knows about them. Researcher: But why don't you as farmers make a follow-up and investigate what happened to the tractors? Participant: It will be like we are challenging politicians because it seems they know what they are doing.

15) How do you cooperate with other businesses?

Participant: We work well together and even visit each other's farms to learn or assist them to help good production. We have an organisation of farmers where we encourage each other and advise each other.

16) What do you think could be the biggest achievements of your business?

Participant: Since 2011 my business is still standing. I increase my animal stock and still sell quality young cows and make a lot of money. Still getting renewal of the contract with SA Breweries because I produce as per their standard.

17) How many employees are in this business? (If for any reason an exact number cannot be given, the following categories will be used):

1-4	5-9	10- 14 10	15-20	21- 24	25-30	31- 40	41-50	51 and above
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Participant: I have 10 and only three are youths because youths do not like farming. I only have one woman; the rest are elderly people.

18) How much do you pay your employees? (Before this question is asked, participants will be informed that they can choose not to answer it. This is because some employers may consider this question to be invasive.)

R1 500 – R3 000	R3 001 – R3 500	R3 501 – R4 000	R4 001 and above
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Participant: I pay them R3 500 and is consistent.

19) What are the future plans of your business and how are you going to achieve them?

Participant: I would like process my own crops and also have my own feedlot. I am already saving money so that when I seek funding, I can add on the one I can get. Researcher: Why do you want to process your own crops? Participant: We do not have farmers who process and I think I will make more money when selling ready to eat products than selling raw products. Researcher: How are you going to achieve that? Participant: I am speaking to consultants to assist me in finding the funders or those who give out loans so that I can make my own feedlot.

20) What tools do you use to guide the daily activities and lead the business to sustainability?

Participant: I use a production plan for rearing cattle, which guides what to feed the cattle according to their growth so that they can be fed well and be good quality that can be sold. I also have a production plan for planting my grains so that they can have enough time to grow and be of good quality.

Appendix 8: Questionnaire for SMME Employees in the Matatiele Local Municipality

- 1) How long have you been working in this business?
- 2) How has your life improved since you have worked here?
- 3) What skills have you acquired from your work?
- 4) What do you think your employer can do to improve your working conditions?
- 5) In what ways do you think you can improve and increase your output?
- 6) How does this business assist the local community?
- 7) How much do you earn per month?

R1 500 – R3 000	R3 001 – R3 500	R3 501 – R4 000	R4 001 and above
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- 8) Are you able to meet your survival/basic needs with the salary/wage you earn?
- 9) Do you think the business you work for contributes to alleviating poverty and unemployment?

Appendix 9: Questionnaire for SMME Customers in the Matatiele Local Municipality

- 1) How do you benefit from the SMMEs that are in this community? (Examples of SMMEs will be given.)
- 2) Are you satisfied with the service you get from these SMMEs? How do the prices you pay compare with prices in other areas/shops?
- 3) What are the challenges you encounter when you buy from the local SMMEs?
- 4) Do you think the SMMEs contribute to unemployment and poverty reduction?
- 5) What would you like the SMMEs around here do to reduce unemployment and poverty in the area?

Appendix 10: Questionnaire for Officials

- 1) What kind of support does your department/institution provide for SMMEs? What is it intended to achieve?
- 2) What kind of SMMEs do you support?
- 3) How do SMMEs in rural areas know about the support provided by your department?
- 4) How effective is this funding towards the sustainability of SMMEs and how can the government make this funding more effective?
- 5) What can be done by SMMEs to increase their contribution to rural development?
- 6) What are the challenges encountered by your department with regard to support provided to SMMEs?
- 7) What is your department doing / do you think your department can do to address these challenges?
- 8) What are the challenges encountered by SMMEs generally, and specifically, in the rural areas?
- 9) How are/can the above challenges being/be mitigated?
- 10) Do you think SMMEs generally, and those in rural areas, contribute to employment creation and poverty alleviation? Please explain.
- 11) Do you have any additional comments?

Appendix 11: Questionnaire for Matatiele Business Chamber

- 1) What is the role of Matatiele Business Chamber to SMMEs?
- 2) What kind of SMMEs do you support?
- 3) What kind of support do you provide to SMMEs in the Matatiele Local Municipality?
- 4) How do SMMEs know about the Business Chamber?
- 5) How do you interact with SMMEs?
- 6) Which stakeholders do you partner with when supporting SMMEs?
- 7) How do you interact with SMMEs?
- 8) What are the challenges encountered by SMMEs in the Matatiele Local Municipality?
- 9) Which sector of SMMEs is contributing to the economic growth of the Matatiele Local Municipality?
- 10) What are that challenges that the Matatiele Business Chamber encounters in supporting SMMEs in the Matatiele Local Municipality?
- 11) What can be done to overcome these challenges?
- 12) How do you monitor SMMEs in the Matatiele Local Municipality?

Appendix 12: Editor Certification



08 December 2021

To whom it may concern

Re: Proofreading and academic editing: Ms M.G. Matubatuba

I, J.L. van Aswegen of Grammar Guardians, hereby confirm proofreading and academic editing of the doctoral thesis entitled "The contribution of small, medium and micro enterprises to rural development in the Matatiele Local Municipality, South Africa" by Ms M.G. Matubatuba (student number 31173543) in November/December 2021.

Please contact me on 082 811 6857 or at jeanne@grammarguardians.co.za regarding any queries that may arise.

Kind regards,



J.L. van Aswegen

Grammar Guardians