

Economic determinants of small business growth: The case of selected areas in the Johannesburg Metropolitan region

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Dissertation submitted for the degree *Magister Scientiae* in economics at the North-West University

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Graduation: July 2020

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DECLARATION

I declare that

**Economic determinants of small business growth: The case of selected areas
in the Johannesburg Metropolitan region**

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

O.O Adesile

ACKNOWLEDGEMENTS

Undertaking this research study has been one of the most challenging yet productive and rewarding experiences of my life. This was possible because of the unfettered financial, intellectual, moral and leadership support that I have received from a number of families, friends and relatives. First, my biggest appreciation to my heavenly father who has blessed me abundantly with wisdom and knowledge during the course of this study. Secondly, I would like to express my utmost respect and great appreciation to my supervisor Prof N. Meyer for her outstanding guidance, advice, assistance, encouragement and constructive criticism throughout the study and a big indebtedness to my co-supervisor Mr.J.J. DeJongh for his patience and tireless efforts. Thirdly, I would also like to extend my deepest gratitude to my dear wife, Dr. Omoruyi, my three wonderful children, Damilola, Eniola and Abigail Adesile for their love, encouragement and support throughout this study. Finally, my sincere appreciation to North-WestUniversity for their support and also I thank the small businesses owners/mangers in the city of Johannesburg metropolitan region for trusting me and giving me support throughout the data collection process. Without you, this study would not be materialised.

SUMMARY

The SME sector has widely been accepted as the engine of economic growth and poverty eradication in the world. SMEs play a significant part in the economic, modern and social expansion of a nation. It assumes a vigorous part in the worldwide economy through its critical commitment to GDP and enhancing the general population's standard of living. Usually, the advanced nations possess 90 percent of enterprises, which SMEs are part and one of the significant reasons for financial development. Even, the roles of SMEs in South Africa has become more crucial as they have potential to improve income distribution, create new employment, reduce poverty and enable growth. Nevertheless, SMEs are struggling and facing economic constraints to actualise their growth potentials. To fully realise the potential of SMEs, the sector needs to be approached with a fresh perspective in concurrence to the challenges they face. However, for SMEs to grow and be beneficial to the South African economy, the government need focus on different business frameworks and provide collateral to SMEs owners/managers in order to validate their business growth. In addition to this, the business owner needs access to information and market knowledge and enabling environment as a key factor for their business growth.

The study had a primary objective to identify the determinants to SMEs growth and its link to economic growth, development and job creation in the city of Johannesburg metropolitan region. Constraints to SME growth within the study area was highlighted, like crime and strict government regulations. In order for SMEs owners/managers to succeed, the study further identified that the creation of an enabling environment and government support can assist small businesses in the study area to grow. A sample size of 200 SMEs was selected. Data were collected through the use of a structured questionnaire that was administered through trained fieldworkers. A total of 200 questionnaires were distributed and 197 were completed by the respondents. The sample size = 197, which resulted in a response rate of 98,5 percent. The statistical techniques used to analyse the data included scale reliability diagnostics, which shows; Standard deviation, Cronbach alpha, Inter-item correlation and frequency distribution, correlation and ANOVA.

Frequency distributions and percentages were used to interpret the demographic profile in the results which included: race, age, level of education, capacity of owner, duration of self-employment and main reason for starting a business. The results indicated that the majority of business owners within the study area are whites. The majority of participants within the study area were between the ages of 41 and 50. Furthermore, there was a high percentage of who have

obtained a degree qualification at frequency 47 (23,5%) and low participants with primary and secondary not completed at frequency 13 (65,0%). Frequency distribution were used to interpret the business characteristics of the participants. The results indicated that the majority of small businesses within the study area, started their business with the aim of 'growth' at a frequency of 172 (13,5%). The sample recorded a low frequency of SMEs starting their business with the aim of lifestyle at a frequency of 28(14, 0%). The results further showed that source of start-up capital by small businesses owners/managers were from own resources estimated at 75 (37,5%), while the majority small businesses secured their capital through a loan from family/ friend at frequency of 56 (28,0%). Government loans and support had a negative impact on few SMEs who struggle with finance and required information to grow their businesses. The results further give indication that SMEs in the city of Johannesburg metropolitan region are considered significant to generate more jobs within the study area and thus contribute immensely to the South African economic growth and development. The overall results indicated the government and stakeholder's roles are important for growth and sustainability of SMEs.

Key words: SMEs, economic determinants, economic growth, enabling environment, job creation, small business growth, Johannesburg metropolitan region, South Africa.

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LIST OF ABBREVIATIONS

ANC:	African National Congress
ANOVA:	Analysis of Variance
B-BBEE:	Broad-Based Black Economic Empowerment
BES:	Business Environmental Specialists
BCI:	Business Confidence Index
CBD:	Central Business District
CPI:	Consumer Price Index
CSA:	Central Statistical Agency
DFID:	Department of International Development
DPLG:	Department of Provincial and Local Government
DTI:	Department of Trade and Industry
EDD:	Economic Development Department
EEA:	European Economic Area
EU:	European Union
GDP:	Gross Domestic Product
GEM:	Global Entrepreneurship Monitor
GNP:	Gross National Product
HDI:	Human Development Index
IDC:	Industrial Development Cooperation
IDP:	Integrated Development Plan

IEDC:	International Economic Development Council Annual Conference
IGDP:	Integrated Growth and Development Plan
IT:	Information Technology
JMM:	Johannesburg's Metropolitan Region
LED:	Local Economic Development
MTIC:	Ministry of Trade, Industry and Cooperatives
NCR:	National Credit Regulator
NDP:	National Development Plan
NEF:	National Empowerment Fund
NSBA:	National Small Business Act
NWU:	North-West University
NYDA:	National Youth Development Agency
OECD:	Organisation for Economic Co-operation and Development
PRF:	Poverty Relief Fund
QLF:	Quarterly Labour Force
QLFS:	Quarterly Labour Force Survey
SBDI:	Small Business Development Institute
SEDA:	Small Enterprises Agency
SMEs:	Small and Medium Enterprises
SPSS:	Statistical Package for the Social Sciences
UNDP:	United Nations Development Programme

US: United States

USAID: United States Agency for International Development

VAT: Value Added Tax

CHAPTER 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

Entrepreneurship and small business (SMEs) growth have been highlighted as important contributors to economic growth and development from a global perspective. Stoian and Gilman (2017:5) state that SMEs promote economic expansion, especially in developing economies. The growth of SMEs is viewed as progressive achievement of a variety of economic and social objectives and poverty reduction (Giampiccoli, Lee & Nauright, 2015:2015). Furthermore, Imran, Aziz, Hamid, Shabbir, Salman and Jian (2018:520) add that SMEs contribute a lot to the exports, for instance it was argued that, SMEs contribute 35 percent of Asia's exports. The definition of SMEs varies amongst researchers. In Germany, SMEs are defined as organisations with a total of 250 workers. On the other hand, Belgium as a different definition, SMEs are defined as organisations with a total number of 100 workers (Erdis & Sephapo, 2014:565). Furthermore, Canham and Hamilton (2013:278) added that in New Zealand, SMEs have 19 employees or fewer. Moreover, in South Africa, Sitharam and Hoque (2016:277) explain that SMEs are regarded as small businesses with less than 100 employees if they are goods producing businesses or less than 50 workers if the business is in the services sector. In the same way, Lekhanya and Mason (2014:332) explain that SMEs include registered businesses with less than 250 employees.

SMEs are viewed as the strength of economic growth in all countries and creating employment, as well as acting as supplying goods and services to big organisations (Paul, Parthasarathy & Gupta, 2017:328). The World Bank (2015) adds that SMEs contribute approximately 45 percent of employment and 33 percent of the national income in most developing economies. Several factors contribute to the growth of SMEs, including access to finance, market opportunities, the availability of infrastructure and services, entrepreneurial skills, strong government support in the form of partnership formations, leadership and having a safe and secure environment to do business in (Wonglimpiyarat, 2015:296).

These factors could be referred to as economic determinants which if created through an enabling environment, could lead to increased business growth and potentially increased economic development and growth (Meyer, 2014:26). Adomako, Danso and Ofori Damoah (2012:45) believe that for SMEs to grow, entrepreneurial literacy is needed. In addition, on the importance

of SMEs and its link to the economy, Balarezo and Nielsen (2017:4) add that the role of SMEs is limited by the problems related to limited access to lines of credit, especially from banks and other institutions. To liberate SMEs, especially in developing countries, financial knowledge and business skill is required (Balarezo & Nielsen, 2017:5). By comparing the view of Wang *et al.* (2012:134) with that of Theriou and Chatzoudes (2015:354), entrepreneurship is considered as an incentive to wealth creation in developing and developed economies, as well as an avenue to reduce the unemployment rate.

The National Development Plan (NDP) was initiated in South Africa as an economic policy framework aimed at eradicating poverty, unemployment and inequality by 2030 (The Presidency, 2012). However, the NDP indicated that SMEs can contribute more towards the achievement of the goals clearly stated, including the achievement of poverty reduction, inequality and the eradication of unemployment. Furthermore, the Department of Trade and Industry (DTI, 2018) is committed to placing SMEs at the centre of economic growth, likewise reiterating its role in reducing unemployment and fostering job creation. According to Hsu, Chang and Luo (2017:631), SMEs can be more profitable when a conducive enabling environment is created.

The United States Agency for International Development (USAID) (2018) pointed out that a business enabling environment is a set of policies, institutional, governing, infrastructure and cultural conditions that govern formal and informal business activities. In the same way Ahmad and Muhammad and Arif (2015:640) believe that for SMEs to grow in an enabling environment and contribute to economic development, they need factors such as local government infrastructure development support, provision of sufficient access to opportunities for local businesses and a safe and secure environment for local businesses to grow (Meyer, Meyer & Neethling, 2016:64). Creating an enabling environment through government support, information technology (IT) and innovation, good networking and an accessible business location for SMEs to grow in will have a positive effect on economic growth (Meyer & Meyer, 2017:183). However, in order for increased justifiable economic development in any economy, the inclusion of SMEs is vital as this can generate skilled employment opportunities and reduce unemployment (Faggian, Partridge & Malecki, 2017: 998).

From an international overview, Beynon, Jones, Pickernell and Packham (2015:141) mention that SMEs are, viewed as organisations that possess inferior training provision and management skills when compared to big businesses organisations. Within a South African context, SMEs are regarded as important determinants of employment creation, the growth of the economy and

poverty reduction (Mather & Carstensen, 2005:456). In South Africa, SMEs are classified as small firms which include registered small businesses, those in the informal sector as well as businesses that are non-VAT registered (DTI, 2018:4). Equally so, Nolan and Garavan (2016:86) explain that SMEs can be viewed by the number of workers they employ, the amount of capital they employ, sales turnover and the value of their assets. However, SMEs play an imperative part in any economy and, most importantly, are an enabler of economic growth and job creation (SEDA, 2016:4).

The Organisation for Economic Co-operation and Development (OECD) (2018) data shows that South Africa still struggles with inequality and skewed income distribution, which triggers unsustainability amongst SMEs. Moreover, the unemployment rate has increased from 27.6 percent to 29.0 percent, with significant job losses in both the manufacturing and SME sectors (Matandare, 2018:3). However, in 2018, the South Africa economy grew by just 0.8 percent and has not grown beyond two percent since 2013 (Oluwatayo & Ojo, 2018:60). In order to accelerate growth amongst SMEs, the DTI (2017) emphasises that owners of small businesses receive the necessary support in form of capital and education. In line with its obligation to ensure that SMEs increase the contribution they make to the overall growth of the economy of South Africa, the government should make sure that areas such as access to finance and markets be improved (DTI, 2008:5). Subsequently, the government of South Africa has since admitted to the fact that SMEs are an engine for the growth and development of the economy (Fatoki & Garwe, 2010:448). This implies that growth of SMEs in South Africa is an important aspect that can contribute more to the persistent growth of the economy.

Taking into account the aforementioned, the role and importance of SMEs in South Africa has been widely studied (Brazinskasm & Beninoravicius, 2014; Fatoki, 2014; Omoruyi & Mafini, 2016; Bongomin, Ntayi, Munene & Malinga, 2017:521). SMEs contribute substantially to growth and transformation in the Gauteng province and further creates awareness within society through research on how SME growth and development can play a major role in achieving the goal of the equitable distribution of the region's wealth (Maduku, Mpinganjira & Duh, 2016:712). According to the (GEM) report in 2018 and 2019, South Africa went through harsh political and economic hindrances which had a negative impact on the wellbeing of the people in the society especially the poor (Aziz *et al.*, 2018:520). As if not enough, the the South African economy failed to register growth in the first quarter of 2019 after expanding 1.1 percent in the prior period, with a delay in market expectations of a 0.7 percent development (Stats SA, 2019).

Krugell and Matthew (2011:29) add that creation of employment is among the biggest challenges facing the economy of South Africa. Rahman, Yaacob and Radzi (2016:125) comment on failure rates amongst SMEs in the first life-cycle stages. Still, Rahman, Yaacob and Radzi (2016:126) suggest a need to consider not only the number of start-ups, but also the effects of firm growth on employment rates. Nyasha and Odhiambo (2015:94) indicate that approximately 20 percent of people over the age of 30 years are unemployed in South Africa and more than 45 percent of people younger than 30 years are unemployed. Despite this, the South African economy has continued to grow at a slow rate of 1.1 percent year-on-year in the fourth quarter of 2018, after an upwardly revised 1.3 percent growth within the same period (Haggard & Kaufman, 2018:8).

This however indicate that there is need for identifying which economic factors may contribute to SME improvement and growth, which ultimately may lead to improved job opportunities. In line with these arguments, the NDP has further placed SMEs at the forefront to help relieve issues such as poverty and to boost their performance in an attempt to create more employment (The Presidency, 2011:28). In addition, the National Small Business Act (NSBA) (102 of 1996) which detailed the legal framework for SMEs and the White Paper, which provides a support strategy for the SME sector, also have a focus to improve SME growth (Neneh & Vanzyl, 2014:172).

This strategy involves economic determinants of small business growth and government's vision for economic development and principles of support, the established support framework, focusing at areas of support and discussing the need for an enabling environment for SMEs and key strategies in creation of an enabling environment. According to Rodríguez and Nieto (2016:1735), this involves, creating enabling policies and a framework that involves issues to do with the National Small Business Act (NSBA) (102 of 1996) (NSBA), a Transaction and Procurement Act and Small Business Finance Act. The other issue is the provision of mechanisms that will help to create access to markets by SMEs. In addition, other issues which act as major constraints to SMEs like access to finance and procurement as well as training require maximum attention in order for SMEs to grow.

Many new businesses in South Africa face financial problems, problems of markets to sell their products. Other issues that need much consideration are streamlining regulatory conditions so as to come up with regulations that fits the SME sector since regulations are seen as major constraints to SME growth. Also, SME sector needs applicable and appropriate information and advice since access to information is now part of the ingredient for business survival. Last but not least, SMEs need to come up with partnerships amongst SMEs is to allow them to transfer experience,

innovative ideas and skills among themselves. Nevertheless, despite the importance ascribed to these entities, the key constraint facing the South African government is to come up with more SMEs with growth potential, while simultaneously helping these businesses to survive and become efficient enough to become big businesses. This will greatly assist in net firm creation and firm expansion that exceeds the contraction of existing SMEs (Madanchian, Hussein, Noordin & Taherdoost, 2015:78).

SMEs are of significance to any economy because they improve economic growth, help hasten development and may contribute to the solution of rural poverty (Mavimbela & Dube, 2016:121). This is even more so for developing economies such as South Africa with its several socio-economic challenges. However, changes in economic factors, such as labour costs, interest rates, government policy, taxes and management, limit SMEs’ ability to maintain their position against larger organisations (Thurasmy, Mohamad, Omar& Marimuthu, 2009:10). Therefore, in light of the afore mentioned, the aim of this study is to understand the economic determinants of small business growth within a selected area in the Johannesburg metropolitan region. For the purpose of this study, only registered small businesses will form part of the sample. Figure 1.1 shows the decline of South Africa’s GDP annual growth rate between 2011 and 2018.

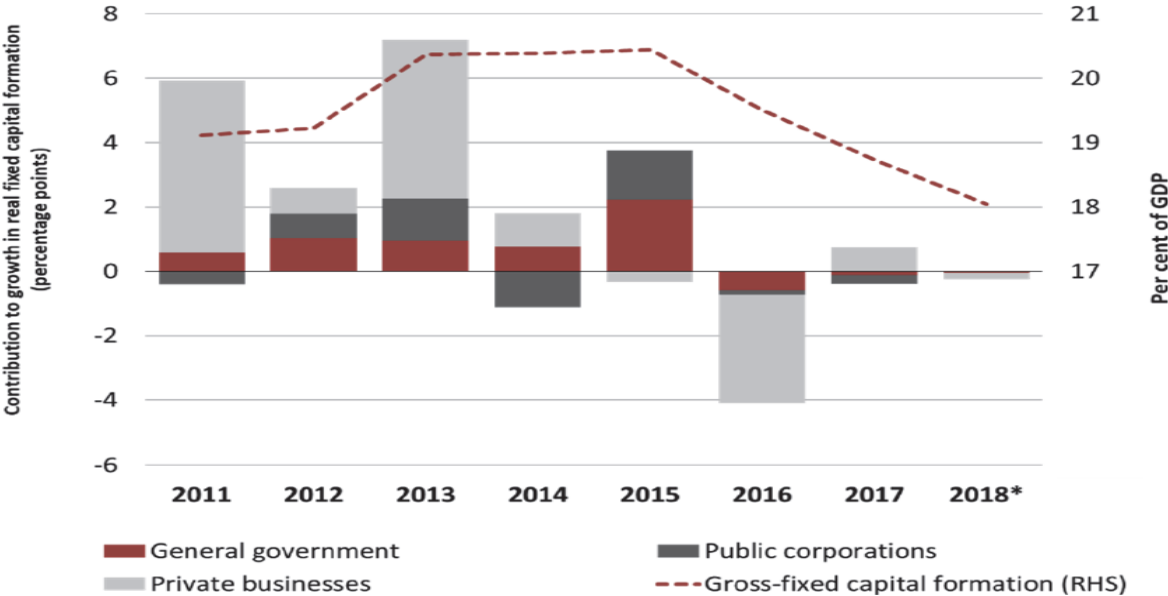


Figure 1.1: GDP annual growth rate in South Africa between 2009 -2019

Source: Stats SA (2019)

Figure 1.1 is explaining the variables that contribute to growth in GDP as a percentage. The graph is showing that investment has been declining reaching a 13-year low of 17.7 percent in the third

quarter of 2018. The slow growth in employment, investment and productivity is restraining economic growth in South Africa.

1.2 PROBLEM STATEMENT

SME growth requires a conducive enabling environment in order to improve performance (Friederici, Ojanperä & Graham, 2017:2). The provision of, for example, basic needs, infrastructure and safety and security which enables SME survival is predominantly the role of government (Ladzani & Seeletse, 2012:88). However, many government functionaries and municipalities at grass-roots level fall short in this regard (Gallardo-Vázquez & Isabel Sánchez-Hernández, 2014:118). Meyer *et al.* (2016:56) emphasise that the provision of adequate services for SMEs is a critical role of the public sector. Other challenge faced by SMEs in the business environment are shortages of economic development initiatives; poor infrastructure; lack of entrepreneurship development; no technology and innovation knowledge; and high risks to safety (Obaji & Olugu, 2014:110).

Despite these challenges, Idemudia (2014:422) state that enhancing business growth amongst SMEs will stimulate business performance as well as employment creation, which has been a concern amongst academics and policy-makers in South Africa. Many authors have shown their concern with the factors (profit, shortage of skill, poor credit records) behind successful SME growth (Welter & Smallbone, 2011:108). Particularly, Awiagah, Kang and Lim (2016:815), Ahmad and Muhammad Arif (2015:635) and Pervan, Al-Ansaari and Xu (2015:60) have looked at the determinants of business growth. In a similar manner, the role of SMEs in job creation cannot be ignored (Wonglimpiyarat, 2013:109). However, the constraints to growth in business and job creation are a lack of unreliable/undependable employees, high competition and inadequate marketing opportunities (Lucky & Olusegun, 2012:489). Afolabi (2015:2) is of the view that the lack of knowledge of financial skills and high liquidity are factors affecting SMEs ability to create jobs.

Despite policies and framework, created to support SME growth that provide support to SMEs in South Africa, SME progress still weakens (Clarke, Chandra & Machado, 2016 :3). It is argued that the rate at which SMEs are failing in South Africa is between 70 and 80 percent. Ladzani and Seeletse (2012:88) stress that South African through the department of trade and industry (DTI, 2018) has allocated extensive amounts of money to SME sector, however most of owners/managers are still not growing in their capacity and not adding to the country's GDP. It

believed that, the ideas that SME owners have are great and the owners are competent, however, many of them do not have adequate information on how to run a business (Augustine & Asiedu, 2017:10). Fatoki and Garwe (2010:730) argued that in South Africa, many new SMEs do not grow from the existence stage, to achieve maturity. Van Schear, (2010:225) believe that, majority of SMEs that do not survive cannot provide benefits to society. However, Akinbode (2015:185) reported that SMEs in Africa have received somewhat little attention and that there is limited literature on SME growth especially, in developing countries.

This raises questions on whether SME owners have enough and required skills, competence and capacity to manage and grow their organisations in a manner that enhances growth and survival, thereby contributing to economic growth and development. Hence, a focus on determining the economic factors most important for sustained SMEs growth is important. In addition, identifying the current growth patterns amongst SMEs in the study area could also prove valuable. Furthermore, in anticipation of SME growth and development, both practitioners and academics alike have conducted research on various factors such as environmental, individual, organisational and entrepreneurial factors as determinants of SME business success (Swee Lin Tan, Smyrnios & Xiong 2014:326; Torkkeli, Kuivalainen, Saarenketo & Puumalainen, 2016:210). However, limited adequate research has been conducted on the economic regional profile of the Johannesburg metropolitan area, SME business growth in terms of turnover, profit and job creation, as well as the perception of small business owners of the creation of an enabling environment by local government. Since SME failure in any economy can lead to economic recession, the need for this study is important because it seeks to address the economic determinants to SMEs growth in the city of Johannesburg metropolitan region.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study includes the primary, theoretical and empirical objectives.

1.3.1 Primary objective

The primary objective is to identify the determinants to SMEs growth and its link to economic growth, development and job creation in the city of Johannesburg metropolitan region

1.3.2 Theoretical objectives

In order to fulfil the primary objective, the following theoretical objectives were formulated for the study:

- To define the terminology surrounding small business growth, economic growth and development;
- To discuss literature on the various economic and business theories relating to small business growth;
- To discuss the link between small business growth and economic growth;
- To discuss the link between small business growth and local economic development; and
- To conduct a literature, review on the various determinants contributing to small business growth.

1.3.3 Empirical objectives

Flowing from the primary and theoretical objectives, the following empirical objectives were formulated:

- To develop an economic regional profile of the Johannesburg metropolitan area;
- To determine the impact of various economic indicators on business growth in the Johannesburg metropolitan area;
- To determine the growth trends of small businesses operating in selected areas in the Johannesburg metropolitan region;
- To determine which start-up capital source is most used by small businesses in the Johannesburg metropolitan region;
- To determine the impact of local economic development (LED) and its link to an enabling environment for small business growth in a selected area in the Johannesburg metropolitan region; and
- To determine the impact of business growth in the Johannesburg metropolitan area.

1.4 RESEARCH DESIGN AND METHODOLOGY

The methodology of the study comprises a literature review as well as an empirical study. According to Zikmund and Babin (2013), there are two basic types of research designs: qualitative and quantitative. A quantitative research approach will be used for this study and primary data will be collected through the use of questionnaires. This type of design was selected because it is relatively inexpensive, takes less time to conduct and can be used to estimate the prevalence of outcomes, predictions and correlations (Lewis, 2015:474).

1.4.1 Literature review

The review of literature will constitute the theoretical part of this research and will consist of the use of available literature such as journals, books, newspapers, legislation and electronic databases. This element will consist of theoretical and empirical literature to help explain the economic determinants for business growth and the impact thereof on small businesses in selected areas in the Johannesburg Metropolitan region.

1.4.2 Empirical study

The empirical part of the study will focus on the following methodological dimensions:

1.4.3 Study area

The selected study areas will comprise of the suburbs of Braamfontein, Johannesburg central business district (CBD), Hillbrow, Berea, Joubert Park, New Town and Marshall Town. All these areas are situated in the Johannesburg metropolitan area. The area was chosen based on the large volume of small businesses within it, SME activity and their contribution to job creation (Ladzani & Seeletse, 2012:87). Figure 1.2 shows the geographical area under consideration.



Figure 1.2: Map of the Johannesburg metropolitan area

Source: SA-Venues (2017)

1.4.4 Target population

According to Muller and MacLehose (2014:965), a target population is the gathering of elements that possess the information required for the study and about which inferences are made. The target population for the study were registered small businesses operating from a fixed property/shop within selected areas in the Johannesburg metropolitan region. A sample of 200 questionnaires was filled and returned and the response rate was 98.5%.

1.4.5 Sampling frame

The sampling frame of the study included small businesses operating for longer than three years in the selected areas of the Johannesburg metropolitan region. According to Doran, Jordan and O’Leary (2010:706), a sample frame is a list that includes members of the population from which a sample is taken, and which provides direction for determining which participants to include in the sample. Due to fact that most small business/owners managers are registered, the sample frame

for this study was drawn from the Small Enterprises Agency (SEDA), the Department of Trade and Industry (DTI) and the Gauteng Department of Economic Development in the Gauteng region.

1.4.6 Sampling method

There are two types of sampling approaches: probability and non-probability sampling (Tkaczynsk, 2012:251). This study adopted a non-probability sampling method using convenience sampling. In addition to this, a snowball sampling technique was used because there is no defined population frame of small businesses in the research area (Ramasobana, 2017:116).

1.4.7 Sampling size and element

A sample size can be determined by considering various factors which may include the nature of the study, sample sizes used in previous similar studies and the availability of resources (Ramasobana, 2017:161). For example, studies by Meyer and Meyer (2017:132) investigated a total sample of 368 SMEs in the Vaal-Triangle region; Meyer *et al.* (2016:62) investigated a total sample of 50 SMEs in the Midvaal Local Municipal area; and Ramasobana (2017) investigated a total sample of 100 SMEs in the Polokwane Local Region. More generally, from previous research the number of SMEs in Johannesburg is unknown. Therefore, the total sample size of SMEs obtained from the selected region was 200.

1.4.8 Measuring instrument

A self-administered questionnaire was used for this study. The study included face-face interviews and field workers. The questionnaire comprises of 13 sections, namely:

Section A: This section consists of demographic information such as race, age, education, job title and the duration of managing the business.

Section B: This section comprises the business information and entrepreneurial history.

Sections C to I: These sections comprise constructs of the seven economic determinants to be used, as derived from Meyer (2014:41). These determinants include partnership formation, local leadership, local economic development initiatives, infrastructure development, entrepreneurship development, access to opportunities, transport and safety and security.

Sections J: Comprises business growth determinant measures. The first section measures employee business growth from 2018 to 2019.

Section K: which is the final section within the questionnaire, measured the perception of business owners of the creation of an enabling environment by local government. It was derived from the 12-item scale developed by Meyer and Keyser (2017:62).

1.5 DATA ANALYSIS

1.5.1 Descriptive analysis

After reliability and validity of the scales were established, the next level of analysis included descriptive data analysis. Statistics of this nature are generally used to provide a summary of the sample (Kanda, 2013:454). Descriptive statistics can measure a number of aspects, including the characteristics of the sample, checking for violation of any variables and addressing a specific set of research questions (Pallant, 2013:55). For this study, the frequency distribution standard deviation and range of score was used.

1.5.2 Reliability and validity analysis

Reliability refers to a measurement, or low variation between results of different samples of the same population (Ozdemiroglu, Pearce, Sugden & Swanson 2002:4772). As the reliability and validity of cross-sectional studies is central to the trustworthiness of the results obtained from the data collection process (Qu & Dumay, 2011:239), this will be measured and reported on. Pallant (2013:598) explains that reliability indicates how free from random error a scale or questionnaire is. Scholtes, Terwee and Poolman (2011:237) describe reliability as the ability of a measuring instrument to produce dependable and consistent results, time after time. Validity refers to the magnitude to which a scale measures what it is supposed to measure (Cooper & Schindler, 2008:289). Moreover, validity measures the success of the study in measuring intended values as well as to ensure that differences found shows the true differences amongst the respondents.

1.5.3 Analysis of variance (ANOVA)

Questions concerning the economic determinants of business growth amongst SMEs in the Johannesburg Metropolitan area and a demographic status were included in the questionnaire. Analysis of variance, abbreviated as ANOVA, were used to analyse this information. ANOVA is used to test the relationship between two variables (one-way ANOVA) or between one dependent variable or more independent variables (two-way ANOVA) (Armstrong, Slade & Eperjesi, 2000: 235).

1.6 CONTRIBUTION OF THE STUDY

One of the objective of the City of Johannesburg is to reduce the unemployment rate to 14 percent by 2030 (Oyelana & Adu, 2015:9). The Quarterly Labour Force (QLF) of 2018 indicates that the city's unemployment rate in the third-quarter stood at 37.3 percent, showing sluggish economic growth (Stats SA, 2018). However, for SMEs to be successful in terms of their performance, as well as to contributor to growth and development, they have to overcome hindrances that deter their business growth. This study intends to fill a gap in the current literature base and identify possible economic determinants that may hinder SME growth and development, which is critical for sustained economic growth. As many developing countries rely on SMEs to assist in job creation, understanding the factors that may potentially positively or negatively impact on their growth would be of value. In addition, understanding SME growth patterns and linking these to the different economic factors can also prove to be valuable. Finally, this study contributes based on its provision of information of a local level, more specifically on the Johannesburg metropolitan area, which has also in the past proven to be more difficult to find as most studies only report on broader country specifics.

1.7 ETHICAL CONSIDERATIONS

All ethical standards of academic research were adhered to during the duration of this research study. The researcher followed ethical, objective and integrity practices during the completion of this study. The study was conducted in a professional and responsible manner to provide society and the respondents within this specific subject field with valuable new knowledge pertaining to the topic. The protection of respondents' identities and their interests were considered at all times. Furthermore, information received from respondents was handled confidentially at all times. Participation in the study was strictly voluntary; no individual was forced into participating in it. The study kept to strict ethical and technical guidelines to reduce incidents of plagiarism or inconsistent or fabricated data reporting. The necessary ethical clearances and approvals were obtained from the North-West University's Ethics Committee prior to the commencement of the data collection phase. In addition, all respondents were provided with the researcher's contact details if they needed to raise any concerns or questions. Furthermore, ECONIT number-2018-12 was indicated on the cover letter of the questionnaire explaining the nature and scope of the study, while respondents were informed that they could withdraw from the study at any point during the survey.

1.8 CHAPTER CLASSIFICATION

Chapter 1: Introduction and background of the study

This chapter consists of the introduction and the background to the study. Additionally, it provides the problem statement, objectives of the study (theoretical and empirical) and proposed layout thereof.

Chapter 2: Theoretical and empirical perspective on small business, economic growth and development

Chapter 2 discusses the literature focusing on the economic determinants contributing to the business growth of SMEs. The chapter will further provide the realisation of several theoretical outcomes of the study.

Chapter 3: The profile of the Johannesburg's metropolitan region

This chapter presents data focusing on the economic profile of the City of Johannesburg Metropolitan region. The chapter further looks at the history and development of SMEs, the impact of local economic development initiatives (LED) on SMEs in the Johannesburg region and the integrated development plan.

Chapter 4: Research methodology

This chapter consists of a detailed discussion on the research methodology and design. Aspects such as the target population, sampling frame, sampling size and measurement instruments, as well as ethical considerations, are discussed.

Chapter 5: Data analysis discussion and interpretation of the finding

Chapter 5 consists of an analysis, interpretation and discussion of data. Various data analysis procedures and statistical software were used, which allows for checking the measurement instruments. Data analysis, including analysis of variance, reliability and validity were used for the study.

Chapter 6: Summary, recommendations and conclusion

This chapter consists of the conclusion, main findings of the study, answering of the main objectives, recommendations and finally the limitations of the study.

CHAPTER 2

THEORETICAL AND EMPIRICAL PERSPECTIVES ON SMALL BUSINESSES, ECONOMIC GROWTH AND DEVELOPMENT

2.1 INTRODUCTION

In today's world, SMEs are contributing immensely towards the economic growth and development of countries (Masutha & Rogerson, 2014:142). According to Lose, Maziriri and Madinga (2016:16), the SME sector has been known to be the growth driver of economies in many countries and remains the most flourishing business sector across the globe and in particular in developing countries. Furthermore, the positive effect of SMEs on the micro and macro economies of several developing countries has paved the way for creating employment, driving entrepreneurship, generating income and has provided encouragement towards social and political stability (Khuzwayo, 2015; Habanabakize, 2016:29). Although the African continent is still behind in growth and development, SMEs are becoming a major driving force in the economies of several African countries (Iyortsuun, 2017:433).

In the South African context, SMEs contribute approximately 56 percent of private sector employment and 36 percent of the gross domestic product (GDP) (Dubihlela & Dhurup, 2015:1667). Additionally, Oyelana and Adu (2015:8) assert that SMEs are seen as a significant component of the solution to South Africa's growth and development issues. Thus, Oyelana and Adu (2015:9) maintain that the creation and growth of SMEs remain vital to the economic advancement of the country.

The purpose of this chapter is to provide an elucidated theoretical overview of SMEs, their importance and their challenges within a global context and the South African economy. Furthermore, a description and discussion of different theories relating to SME growth will be provided to address the theoretical objectives as outlined in Chapter one. In so doing, the chapter commences with a brief introduction, followed by an overview of small and medium enterprises. Secondly, the chapter provides a detailed review of the SME, economic growth and development nexus. Thirdly, a link between economic growth, development and SME growth is established. To emphasise the validity between SMEs and other economic variables, the chapter presents a theoretical approach to economic growth, development and business growth grounded on various economic theories from different researchers and scholars. Furthermore, the chapter describes the

contribution of SMEs towards economic growth and development in both a global and South African context. Lastly, it is important to review various theories on SMEs in order to highlight the different conclusions reached in the literature and factors that influence the success of small businesses.

2.2 THEORETICAL OVERVIEW OF SMALL AND MEDIUM ENTERPRISES

2.2.1 Definition of small businesses in the wider economic context

The role played by SMEs in the growth of any economy is sustainable cannot be over emphasized (Kerr, Wittenberg & Arrow, 2016:2). Internationally, the importance of the SME sector is strongly acknowledged (Magruder, 2012:138). Olusegun (2012:487) also states that there are broad definitions of ‘SME’, which appears to be universally recognised. In his view, any enterprise has to meet the following criteria to be considered as a part of the SME sector: SMEs should be registered in a formal way with the government or regulatory bodies; SMEs should pay tax and other social security charges; SMEs should be in a position to permit their workers to go on sick and annual leave receiving compensation; the SME should also be in a position to offer skills training for their employees; capital investments should have a payback period of longer than twelve months; and finally, SMEs should have among their goals to desire to do social responsibility to the local community (Olusegun, 2012:487).

Moreover, the European Commission (2013:3) states that “SME’s are made up of enterprises which can provide employment to less than 250 people, with an annual turnover not more than EUR 50 million, and/or an annual balance sheet total not more than EUR 43 million”. Similarly, the World Bank’s (2018) review on small business activities defines the SME sector to be enterprises with less than 500 employees, or the cut-off to be 250 employees. The OECD (2017) defined SMEs as businesses that can employ up to 249 persons. In this way micro SMEs can employ 1 to 9, while small SMEs should employ 10 to 49 employees finally medium SMEs employs 5 to 249 employees.

Similarly, Ayyagari, Beck and Demirguc-Kunt (2017:416) maintain that in high-income countries, SMEs contribute approximately 50 percent of GDP on average. In addition, OECD countries view SMEs as businesses with less than 250 employees and in many countries within the classification, they employ two-thirds of the formal workforce (Beck, Demirgüç-Kunt & Martinez Peria, 2008). From a statistical point of view, the World Bank (2016) has shown that SMEs in developing

economies contribute more than 60 percent of GDP and more than 70 percent of total employment. As such, this establishes that there is no commonly acceptable definition of SMEs.

Equally so, the impact of SMEs on real GDP growth rate, employment creation and alleviation of poverty is recognized around the world (Gagliardi-Main, Muller, Glossop, Caliandro, Fritsch, Brtkova, Bohn, Klitou, Avigdor, Marzocchi & Ramlogan, 2013:24). In the same view, Floyd and McManus (2005:144) add that the role of SME in developing economies is progressing. There is comparably a smaller number of large corporations, which makes the contribution of SMEs to fighting poverty inequality and unemployment have a huge impact in many countries. As a result, it is important to know that SMEs are the backbone of both developed and developing countries as they contribute immensely to GDP (Chowdhury, 2011:377).

Correspondingly, “for Germans, SMEs are businesses with a maximum of 250 employees; while in Belgium, SMEs are those with less than 100 employees. Furthermore, for developing countries (Africa included), a business with more than 100 employees is termed as ‘large’, while a small business could have one to five employees” (Muriithi, 2017:37). In developing countries for example, Kayanula and Quartey (2000) alluded that SMEs in countries like Ghana, SMEs were defined differently, however, the underlining principle used is the staff complement of the enterprise. In addition, in Malawi the accepted definition of SMEs dates back to 1992, which includes the level of capital investment, number of employees and revenue as alluded to by the National Credit Regulator of 2011 (NCR, 2011).

In South Africa, the role of SMEs in the economy has been emphasised as it plays a vital role in the in employment jobs, developing the economy and fighting poverty (Subhan, Mehmood & Sattar, 2013:4). Furthermore, Witbooi, Cupido and Ukpere (2011:1937) add that SME are flexible with regards to their sizes and more innovative, taking into account their impact to the South African growth. In the same way, there is room to improve the performance of SMEs and their competitiveness with specific reference to smaller regions due to the accessibility of start-up capital being limited. However, in order for SMEs in South Africa to be competitive locally and internationally and be sustainably successful, they must not only be successfully on growth but be able to perseverance in the long run (Zalkifli & Rosli, 2013:265). Thus, a proper and clear road map is required so that SMEs achieve such sustainable growth and competitive advantage status (Witbooi *et al.*, 2011:1937). Notwithstanding the aforementioned, Serei (2016:228) explains that SMEs in South Africa contribute approximately 91 percent of formal businesses, create

approximately 60 percent of formal employment and the contribution to GDP is almost 51 to 57 percent.

Moreover, World Wide Worx came fourth with a study in 2012 which concluded that SMEs in South Africa create about 7.8 million jobs and play a critical role in fighting wealth inequalities with a strong contribution to the growth of the economy (Ndedi, 2013:441). The government of South Africa also recognized the importance of SMEs in fostering economic growth, job creation and fighting poverty and exclusion (DTI 2016:9).

In terms of size and definition of SMEs in South Africa, “the National Small Business Act 102 of 1996 (South Africa, 1996) amended by Act 29 of 2004” (South Africa, 2004) categorises SMEs into four categories, namely microenterprises, including survivalist enterprises; very small enterprises; small enterprises; and medium enterprises (South Africa, 1996, Smit &Watkins, 2012:325). Table 2.1 summarises broad categorises in accordance with the National Small Business Act 102 of 1996 and includes, medium, small, very small, macro and survivalist enterprises.

Table 2.1: SME Categories according to the National Small Business Act (Act No. 102 of 1996

Category of SME	Description
Micro enterprises	Micro enterprises usually have one to five workers and they are usually they are individually or family owned businesses. These businesses usually they are not formally registered they do not have licenses, business offices, and mostly they are below the VAT registration level of R 300 000 per year. These businesses are mostly informal.
Survivalist enterprises	Just like micro enterprises survivalist enterprises operate in the informal sector. These type of businesses are usually owned by unemployed people. Revenue earned is below poverty line, but enough to satisfy the minimum requirements of the owners and their families. The businesses do not need much capital and assets and the owners need little training. However, possibilities of businesses to grow are limited.
Very small enterprises	This a type of businesses which is in the formal sector of the economy. Technology is used in the business. Employees employed in this type of business include, self-employed artisans i.e. electricians, plumbers and professionals.
Small enterprises	This type of business employs not more than 100 workers. Small enterprises are the most recognized businesses than very small enterprises. These businesses are in the formal sector of the economy. Many of these businesses are registered, they use fixed business premises. Though they are managed by the owner, management structure is more complex.

Category of SME	Description
Medium enterprises	Medium enterprises are businesses that can employ up to 200 employees. The businesses can be managed by a manager or owner. Management structure with the division of labour and the businesses operate with all formal requirements.

Source: Entrepreneurs Toolkit (2014)

In a similar manner, the IFC (2012:9) defines SMEs in Sub-Saharan Africa as registered businesses with less than 250 employees. The definition for SMEs includes a wide range of firms, which include formally registered businesses, informal and non-VAT registered businesses. Small businesses are in the sizes of medium-sized enterprises, like traditional family businesses employing more than 100 workers, to informal micro-enterprises (DTI, 2016). Corresponding with this view, the IFC states that a commonly used definition of SMEs involves registered businesses with less than 250 employees (IFC, 2010:9). For this reason, SMEs are defined in a number of different ways, which include either the number of workers, turnover or a combination of both, as stated in the various definitions provided in this section.

2.2.2 Overview of small and medium enterprises and their economic importance

The SME sector is increasingly recognised as important tools for fueling growth and development globally. It is estimated that, globally, about 90 percent of SMEs have contributed over 50 percent of employment (IFC, 2015:8). In OECD countries in particular, SMEs have generated between 60 and 70 percent of total employment (OECD, 2015). In Africa, South Africa in particular, SMEs also play an important role. For instance, the sector contributes 55 percent of employment, along with 22 percent of GDP. Correspondingly in Kenya, SMEs contribute 18 percent of national GDP; while in Morocco, the SME sector accounts for 93 percent industrial firms and 46 percent of employment (Alfred, 2011:103).

Equally so, Muritala, Awolaja and Bako (2012:19) add that SMEs are the basis upon which large organizations are built. However, many countries view small and medium enterprises in a different way. Likewise, there is agreement among economists, business experts and governments that determinants to (SME) success are perceived through creating more job opportunities, contributing to more production volumes, generating exports, being innovative as well as improving entrepreneurship skills (NCR, 2011:7). Muritala *et al.* (2012:18) also maintain that SME growth increases jobs more than large businesses because the SME sector is more labour concentrated. In light of this development, SMEs may be deemed as poverty reduction tools. When countries and

the international community promote SMEs, they make growth and development towards the main goal of reducing poverty levels by 2020.

According to Pasanen (2007:318), the main impacts of the growth rate in SMEs are largely, access to resources, the firm itself and the strategic decisions taken by the firm once it is trading. Moreover, it was also identified that there are influential factors or determinants to growth in SME firms which are related to the decisions made when starting a business (Bruhn, Karlan & Schoar, 2010:630). Bruhn *et al*, (2010:632) further posits that some of the factors contributing to the development of SMEs include age, sector, location, size and form of ownership. In the same way, Hashi and Krasniqi (2010:457) add that determinants to SME growth are business management practices or strategies linked to the decision-making within an organisation. According to the SME Growth Index (2015), SMEs are the stepping-stone towards the growth and development of economies and their objectives of industrialisation.

Alhayky (2008:29) maintains that the vigorous role of the SME sector in developing countries positions them as breakthrough to economic growth. Even so, the majority of businesses in developing countries are SMEs and have been acknowledged as major players in economic development. However, it is tricky to obtain specific evidence of the contribution made by these businesses (Mazzarol, 2015:79). In a similar fashion, Maclean, Jagannathan and Sarvi (2013:3) add that in order to be competitive and achieve sustainable growth locally and globally the SME sector must not only excel in their growth but also persevere over the long-term.

In addition, Lekhanya (2016:1) attests that to attain sustainable growth and competitive advantage status an appropriate roadmap or strategy should be put in place and in practice. Shipulwa (2016) in this regard adds that SMEs have been recognised as an important vehicle to economic growth and development of any nation contributing towards GDP, creating jobs and achieving a reduction in poverty, generating income and expanding a nation's wealth, hence resulting in national development. Saravanan, Pakshirajan and Saha (2008:205) add that SMEs have meaningfully contributed to the economic growth of many countries, including both developed and developing regions. The next section will explain the theoretical overview on economic growth and development in South Africa.

2.3 THEORETICAL OVERVIEW ON ECONOMIC GROWTH AND DEVELOPMENT

2.3.1 Definition of economic growth

Haller (2012:66) defines economic growth as a rise in the national income, which comprises a deep analysis of the increase in GDP, gross national product (GNP) and national income (NI) of any economy (Haller, 2012:67). Similarly, Jorgenson (2016:436) adds that economic growth is the rise in the overall capacity of the national economy to produce goods and services, analysed from one period to another and can thus be measured in nominal or real terms, where real GDP is adjusted for inflation. In the view of Meyer (2017:178) and Dumitrescu, Dedu and Enciu (2009:317), economic growth can be seen as a macro-economic variable used by economists to monitor economic progress. In the same fashion, economic growth is defined as the sustained increase in the aggregate production also known as (GDP), which is a measurement of total output (Mkhize, 2016:631).

From a global viewpoint and according to Bruton, Ahlstrom and Si (2015:1), economic growth is the most powerful tool to fight poverty and addressing the quality of life in developing countries. The Department of International Development (DFID, 2016) explain that growth can generate virtuous cycles of prosperity and opportunity. Bah and Azam (2017:532) state that growth and employment opportunities can lead to more improved motivation for families to invest in their children's education. Moreover, Lewis, (2013) stated that, growth of the economy can lead to the creation of strong group of entrepreneurs, who generate pressure for improved governance, which leads to economic growth and development. In fact, Piętak (2014:45) added that economic growth is part of the most significant aspects of the global economy even though the level and rate of growth may not always show the real level of a population's living standards. However, despite this weakness GDP growth remains the primary measure of prosperity. Similarly, Piketty (2015:72) observes that economic growth demographic component which has a positive impact on a standard of living of any county. Nyasha and Odhiambo (2015:94) explain that if government can create a framework and policies to support and aid SMEs, it will turn have a positive impact to the economy.

Piketty (2015:48) postulates that SMEs specifically in South Africa cannot progress without acces to capital. As this as been a major hinderance to their survival and growth. A good enabling environment is central to SMEs growth and efficiency. Lack of good business environment can

have a negative impact on their day to day business (Fatoki, 2018, 2527). Even, Ncube and Zondo (2018:5) stress that the role of the government in supporting SMEs remain a concern. However, lack of attention from the government will not only support SMEs, but will further have a negative impact on growth in its economic development.

It is therefore important that growth-oriented policy can be seen as an intervention needed for growth in order to fundamentally transform the systems and patterns of ownership and control that govern South Africa. However, despite all these shortcomings, economic growth remains the primary focus of the socio-economic conditions of South Africa (Phiri, 2015:465).

2.3.2 Economic development and its difference to growth

Economic development and economic growth are different but highly related. In order to have economic development, economic growth must be registered first. In fact, economic growth is prerequisite of economic development. Ijaiya, Bello and Ajayi (2011:149) contend that economic development is a situation where the material welfare of the people improves, especially people and businesses with low incomes. It also entails the reduction in mass poverty linked improvement in the literacy levels, reduction in diseases as well as early death.

Economic development sometimes involves a shift within the production of goods and services from primary to secondary sector levels of production that is a move from agricultural activities to industrialisation. In the same way, Duranton (2011:3) states that economic development is premised on issues to do with a rise in the quality of goods and services, risk minimization, innovation and entrepreneurship development that places the economy on a growth trajectory. Equally so, Pittau, Massari and Zelli (2013:556) pointed out that economic development shows the circumstances that assists to regulate the impact of microeconomic function of any economy, which influences the inputs and the resources available for firms. In this regard, development is closely related to the quality of institutions, the quality of social capital, quality of labor and capital mobility, as well as revenue and wealth equity.

Lockwood (2015) indicated that economic development is the situation where real per capita income increases over a long period of time. Theoretically, Schumpeter (1961:1697) explained economic development is seen as a link between capital established as a methods of production to new, innovative, productivity-enhancing methods. Schumpeter (1961) outlines the introduction of systems of complementary capabilities that develop around key radical innovations to create

economic growth. This line of thought hypothesised that economic development is a fundamental transformation of an economy (Coale, 2015; Van den Berg 2016:8).

From a global view and according to the International Economic Development Council annual conference (IEDC) (2015), explain that economic development is a process or a combination of policies aim to facilitate the economic activities and quality of life of people living within a community through the creation and retaining of jobs that facilitate growth and creation of a stable tax base. Coale (2015) added that economic development is a concerted effort on the part of the accountable for governing a city or county to influence investment opportunities toward SMEs that can lead to sustained economic growth. As shown by the different views outlined, regionally, or internationally the notion of economic development evokes various meanings.

Van den Berg (2016:7) contends that for a country economic activities to be successful, there should be a participations of different activities such as stakeholders, governments institutions, private business investors, development organizations and local business initiatives groups such as South African chambers of commerce. From an international view, in Latin America, economic development is better described than defined. Economic development is described including employment creation; job training, public and private capital investments; and business and community capacity building which can permit businesses and communities to do the jobs themselves (Prebisch, 2016:45). According to Hessels and Naudé (2019:290), economic development in Japan has improved the country's well-being through employment creation, massive growth in businesses, persistent rise in income, and improvement of the social and natural environment that ensures that the economy is strong. From this point of view, Herwartz and Walle (2014:417) maintain that economic development is a process by which a nation improves the economic, political and social well-being of its people.

Comparatively, South Africa as a young democracy has a traditionalist economic history, which led to its economy being with a particular focus on both mineral and agricultural production (Aker & Mbiti, 2010: 207). In addition, Liedholm (2013) argued that South Africa's apartheid regime prior to 1994 excluded the majority of the population, which led to a lack of access to economic opportunities such as land and skill and which triggered constraints in building the structure of the economy.

However, the adoption of LED as a framework will in turn support planning and employment creation at the local level which can improve the social wellbeing and economic development in

the country (Rogerson, 2014:203). LED is a product based on local initiatives driven by local stakeholders with the purpose of boosting the economy of South Africa. The aim of LED is to create employment opportunities for local residents in order to alleviate poverty through the reallocation of resources and opportunities that will benefit local residents (Turok & Borel-Saladin, 2014:676).

Odhiambo (2015:393) indicated that the determination of LED is to build up the economic volume of a local area to develop its economic future and the quality of life for all. According to Meyer (2014:625), LED can be described as the process or approach in where local individuals or organisations use resources to modify or develop local economic activity to the benefit of the majority in the local community. The World Bank (2015) described economic development as a process to improve the quality of life, particularly of the poor (Mundy & Verger, 2015:10). Snyman (2017:248) adds that LED refers to the ability of a specific area, locality or a region to be able to generate more income and improve the local quality of life for its people. The author adds that LED attempts to reduce market let-downs, such removing barriers to enter markets for small business and enhancing the availability of information. The Department of Provincial and Local Government (DPLG) (2005) sees LED as a way to help creating jobs that are sustainable which can improve the quality of life for the people especially the poor and marginalised groups. Here LED must seek to strengthens local participation so as to use the local resources in order to achieve local objectives.

Given the role played by local economic development in the economy, the South African government's aim is to optimise LED in recognising and making use of local resources, ideas and skills to stimulate economic growth and development (Vellema & van Wijk, 2015:105). Furthermore, local economic development (LED) is an ongoing process, which involves all stakeholders in a local community in different initiatives. These initiatives are all aimed at addressing socio-economic needs through local communities and the private sector (DPLG, 2005). Figure 2.1 illustrates the process of local economic development between various stakeholders, including local communities and the private sector.

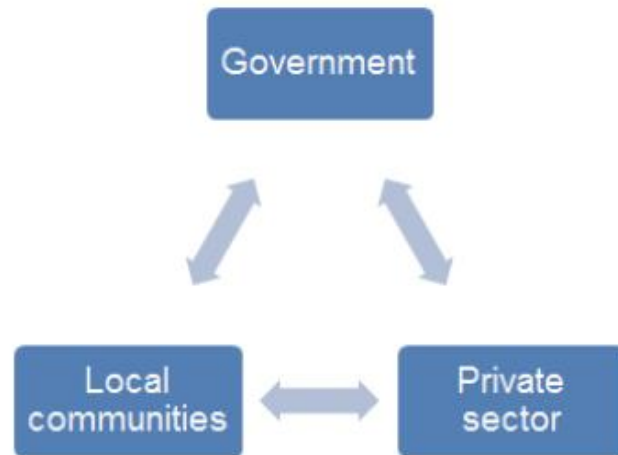


Figure 2.1: The flow chart of LED from the government to local communities

Source: Meyer (2014:626)

The figure above illustrates the relationship between LED and various stakeholders, including local communities and the private sector. Private sector plays a significant role in the execution of the demands of local economic development, just like the local authorities, as they are directed by the dictates and laws of the government (Meyer, 2014:627).

However, the key challenge facing South Africa in terms of economic development is the inability to implement local economic development within local grassroots (Rogerson, 2006:227). May and Furley (2016:11) argued that local economic development (LED) is not yet well embedded at local government level. One indication, according to May and Furley (2016:11), is the amount of funds allocated to the local government, which is limited on many occasions. Hence the absence of clear poverty reduction targets and the lack of detail of the impact of interventions. Despite the contribution of local economic development (LED) contribution towards job creation and the improvement of the social-economic status, problems are still present, especially inequality and under-development across the South African rural system (Lin & Wesseh, 2014:841).

Rogerson (2018:76), states that measuring economic development is important to any economy because it is a determinant of growth, expansion of job creation and realisation of entrepreneurship. Economic development is essentially concerned with not only the wealth, but also the enhancement of an economy and its people (Hofman, 2014:647). From this perspective, Yusof *et al.* (2015:38) maintain that gross national product (GNP) is viewed as critical component very important in measuring the economic development of a country. Prior to the 1970s, economic development was evaluated in terms of the GNP and per capita income, which were viewed as the

ultimate standard of national progress, prosperity and human development. The latter has Human Development Index (HDI) which itself is perceived as an alternative tool to facilitate economic growth and development (Ghoncheh, Mirzaei & Salehiniya, 2015: 8439). Janik and Marzec (2015:586) explained that HDI is a statistical tool used to measure a country's overall accomplishment in its social and economic measurements, which includes the social and economic dimensions of a country including the health of people, their level of education fulfilment and their standard of living. The UNDP (2013:15) explains that the Human development index, for most of the developing world, became the key conceptual yardstick of socio-economic well-being and progress.

Charles, Harr, Cech and Hendley (2014:87) posit that the HDI is viewed as a tool to measure countries' growth and development process, which in turn lead to gross domestic product (GDP). Economic growth is seen as an imperfect proxy for measuring welfare (Atkinson, Lowe & Moore, 2016:41). Fidler, Soerjomataram and Bray (2016:2437) explained that one of the aims of the HDI by contributing to economic growth through innovation and diffusion technology. Vohs and Baumeister (2016) theorised that in the classical theory of economic growth, labour productivity is viewed as an exogenous factor which depends on the ratio between workforce and physical investment, which is a potential growth factor of any economy. Coward and Ellis (2016) believed that the new theory of economic development developed in the early 80s corrects this shortcoming of the classical theory, emphasising the significance of education and innovation, elements of human capital and long-term economic growth prospects. Similarly the theory of market value explained by Abadie (2006:50) "showed the influence of intangible assets such as research and development, patents and intellectual capital on the market value of companies and also on their development leading ultimately to economic development". Miller, Kim and Holmes (2015:12) established that a higher growth of technological change in a sector leads to a greater demand for educated and trained workforce through training courses.

Gandomi and Haider (2015:137), states that the effect of human capital on economic development can accelerate growth in form of an output depending on the rate of accumulation of human capital and innovation. As a result, Mahmood and Alkahtani (2018:32) maintained that efforts should be reinforced to upturn investment in human capital to attain growth, propelling the economy to higher levels of productivity.

2.4 THE RELATIONSHIP BETWEEN ECONOMIC GROWTH, DEVELOPMENT AND SMEs GROWTH

In relation to the discussion in the previous section, an interconnectivity exists between economic growth, development and SME growth. Love and Roper (2015:28) asserted that the role of SMEs in the national economy might be overlooked. It was indicated that SMEs create employment opportunities, which in turn accelerate economic growth (Ardjouman, Bouazza & Abada, 2015:101). Anderson and Eshima (2013:413) contended that SMEs are more innovative and creative than large firms in relation to its effect within financial markets and other related financial institutions for improvements, as well as direct government financial support to SMEs can boost economic growth and development (Anderson & Eshima, 2013:415). Equally so, “some authors assert that in Nigeria, SME growth and development boosts employment more than large firm growth as SMEs are more labour intensive (Federico, Rabetino & Kantis, 2012:575). In fact, promoting growth in SMEs may represent a poverty alleviation tool and by promoting SME development, individual countries and the international community at large can make improvement towards the main goal of reducing poverty” (Federico, Rabetino and Kantis 2012:575).

According to Lee (2014:183), many developed countries tend to focus more on the creation of SMEs because they strengthen financial growth as well as aiding the development of successful firms. Interchangeably, SMEs are perceived as a crucial factor in economic development (Deschryvere, 2014:767). South Africa embodies a country of growing business opportunity and which its aim is to fast track economic growth and development by assisting and investing in SMEs (Amir, Mohamad & Abdullah, 2013:1). Furthermore, Wang (2016:167) added that SMEs are regarded as a solution to South Africa’s unemployment and slow economic growth. Likewise, Baporikar Nambira and Gomxos (2016:190) contend that “SMEs create about 80 percent of all new job opportunities, whilst more than 70 percent of all South Africans are employed through the SME sector. SMEs are an important factor in promoting and attaining economic growth and development” (Baporikar *et al.*, 2016:191). However, Van Scheers (2016:239) suggested that SME development should be an important focus of any economy because of its potential to economically empower the growth of people within a country. As such, improving the success rate of SMEs will have a positive outlook in South Africa’s unemployment rate (Asah, Fatoki & Rungani, 2015:308). The described relationship between economic growth, development and

business growth is well understood through various economic approaches and theories. Section 2.5, below represents the main economic theories in relation to the aforementioned relationship.

2.5 ADAM SMITH'S THEORY OF ECONOMIC GROWTH (1723-1790)

Smith's (1776) theory identified factors behind the nature and reasons of the wealth of nations and the role that economic growth and development played in the process. His theory emphasised the significance of capital accumulation, population growth of a nation and labour productivity. Smith's theory specifies that the key cause of economic growth is the nation's working population, which is employed in productive labour. Smith (1776:3) points out that both small and large business and manufacturing sectors were productive. However, Smith considered government expenditures as unproductive because he believed that can clear on its own through the invisible hand. Moreover, Carrizosa (2006) added that economic growth and development are motivated by the improvement in the sizes of businesses, which are highly related to factors like macroeconomic growth rates, employment rates, increasing returns and standards of living. Adam Smith's theory believed that a competitive process involves those that help to identify the significance and performance of critical processes, like strategic management process, human resources processes, operations management process, and technology management process, which can help SMEs actualise growth with regard to profit within the market (Van Scheers, 2016:350). Smith retained the concept of a general rate of profit. As a result, the growth and development of businesses have a complete impact on the performance of the economy (Relander, Bauwens, Roels, Thue & Uvslokk, 2011:640).

2.6 THE STAPLE THEORY AND INTENSIVE GROWTH

Caves (1965) stresses that "staple theory helps to explain the reason for differences in real per capita gross domestic product (GDP) growth rates through time in a country or a region. It also explains patterns for differences in per capita growth rates between regions and countries". Watkins (1963:24) added that the Staple Theory pays great attention to the potential indirect effects of staple production. Watkins (1963:142) and Thirwall (1983) further explained the "hypothesis linkages between staple exports and non-staple output result in higher levels of proficiency and higher rates of factor in creation of jobs". When more jobs are created, more goods are consumed which will in turn lead to the growth of the economy (Long, Marshall-Colon & Zhu, 2015:57).

Moreover, Staple theory hypothesises a link where employed and new labor which relatively have more effect in the productivity growth sectors of the economy, reflected in structural changes.

Likewise, Romer (1986) emphasised that staple theory can have a positive impact on the country's economy and also increase the rate of growth of per capita income. When staple exports rise, the ability of people and businesses to save will rise, which will influence investment and finally the economic growth of the nation (Young, 1928:527). Staple theory went through a number of developments for many years, which led to a comprehensive framework. One of the important aspect was the introduction of the idea of economic linkages, which has a relationship to input-output analysis (Dow & Dow, 2013:1339). Mills and Sweeney (2013:8) added that there are backward, forward, demand and fiscal linkages. Backward and forward linkages are defined as economic activities or industries that share a relationship to the production and servicing of the staple product. However, "backward linkages are not only defined as activities related to the immediate production of the staple product, but it is also related to the improvement of infrastructure such like transportation essential to make staple production economically viable" (Horsley, 2013:284).

2.7 THE DEMAND AND LOCATION APPROACH

Weber's (1909) theory emphasised that, 'firm's location would vary according to the demand and size of the market. In other words, "each producer tries to choose the location and control the largest market in which he can sell at lower prices than his rivals" (Ciuriak, 2013:98). In this regard, the cost is assumed to be equal at all locations and in this way the cost concept is disregarded (Storey, 1994). Mukerjee (1967:95) added that location is important for business survival, which determines the demand of buyers' influence and hypothetical relationship between the firm and its competitors.

Weber (1929) further identified three stages of location which he believes are vital for a firm's success. In the first stage, the firm's location theory was built upon a competitive foundation in which buyers were to be rigorous at a given point and sellers were free to locate anywhere in an area surrounding the consumption centre, which highlighted minimum cost (Storey, 1994). In this way, location selection will trigger the substitution of costs at alternative locations in an effort to find the place which offered the lowest offer price because of one (Perfect Competition) dimensional markets (Le, 2009).

The second stage as identified by Weber (1929) pertained to the 'cost' of a firm. He went on to emphasise that cost is significant when firms need to access a location. Weber (1929) adds that demand can be view as a variable, a factor which is crucial when a firm accesses a location for

business and in this view, sellers become a locational monopolist. According to Weber (1929), the third stage is that both cost and demand are perceived as variable. Here it is further alluded that firms should carefully select location for business due to competitors and to maximise profit. Weber's Theory of Location explained that access factors like, transport, labour, rent and location can have a positive influence on firm's growth. Also, August Losch (1938:72) explains that the demand and location approach addresses the need for businesses to make a visible location in order to have closer contact with the market.

2.8 HUMAN CAPITAL MODEL

The human Capital model was firstly advocated by Nakamura and Lucas (1978:336) as well as Robson and Shuaibu (2016:525). The main assumption of this theory was that individual entrepreneurs possess a unique business or management ability, which influences the likelihood of their success in business. The other assumption was that the skills that workers possess are different from one worker to the other. Due to these reasons, firms are generally distributed in relation to entrepreneurial talents and skills of workers. "The human capital model shares a lot with the firm growth effect model discussed by (Kor, & Mahoney, 2004:195). The firm growth effect model has two arguments completely different from the human capital model. These arguments are the 'resource push' argument and the managerial limits to growth hypothesis (Nakamura & Lucas, 1978:337).

The theory about "resource push" believes that firms are a bundle of resources bound together by a set of administrative skills. These skills are used to deploy the resources in the most effective way possible (Lauder, 2015:490). On the other hand, the managerial limits to growth hypothesis is another argument which is basically premised on the arguments that that at any time, limits to the expansion that existing managers can achieve is present. This can be due to issues related to constraints of expansion of the number of managers (Kor, & Mahoney, 2004:196, as cited in O'Farrell & Hitchens, 1988:1367). The major argument of this model was that the entrepreneurial ability of business owners and the skills possessed by workers help to influence the growth of the firm, which will help in a way to increase the economic growth of a nation or country. This happens through growths in output which contribute to the GDP of a nation, as well as contributions to exports generating more income for the country while fueling economic growth and development in the process.

2.9 LEARNING MODEL

The Learning Model is another model introduced by Jovanovic (1982:650). It shows the growth of small businesses and finally their influence on the growth of an economy as a whole (Storey, 1994; You, 1995). Jovanovic made a number of assumptions, which includes the notion that management ability is different between entrepreneurs. However, this information is assumed to be unknown to the owner when the business is started. Moreover, the other assumption is that, firms have unobservable efficiencies which are different from one firm to another (Jovanovic, 1982; You, 1995). Efficiency can only be realised when the firm especially starts with its production. After learning about its true abilities, a firm will adjust its behaviour accordingly. As a result, firms will choose output levels which normally maximise expected profits, premised on imperfect information on their efficiency levels. Usually, firms will do an update of their expectations based on the realised efficiency level. Likewise, firms that revise their ability upward will tend to expand their businesses, while those who do revisions downwards tend to contract or exit the business environment (Liedholm & Mead, 1999; You, 1995).

This model came up with critical conclusions that both firm age and size are crucial for firm dynamics. The model went on to predict that, the rate of failure of firm and its growth rates will be negatively related to the age and size of the firm (Liedholm & Mead, 1999). However, Jovanovic's model was viewed as a passive learning model by Mihalic and Elliott (1997:22) due to the fact its assumption that firms are endowed at birth with an unknown value of time-invariant characteristics. It does not take into account the evolution of a firm's abilities. The model also does not tell much about the important aspects of the dynamic process where the capabilities of firms evolve over time (You, 1995:458).

The models further describe the various elements of the growth of small firms. Random factors, human resources and learning ability all influence their growth. Peng, Sun and Markóczy (2015:118) explain that "human capital and economic growth have a strong correlation. Human capital affects economic growth and can help to develop an economy by expanding the knowledge and skills of its people" (Miller, Xu & Mehrotra, 2015:931). Human capital refers to the knowledge, skill sets and experiences that workers have in an economy. Miller *et al.*, (2015:933) further stress that skills can provide economic value through the use of the workforce and increase in productivity. The concept of human capital is the realisation that not everyone has the same skill sets or knowledge. Furthermore, the quality of work can be improved by investing in people's

education. Table 2.2 shows that SME business growth is vital to any economy and without a proper guideline, they might struggle to achieve their aim.

Table 2.2: Summary of theories and their relevance to small business growth

Theory	Source	Main concept	Importance
Economic growth theory	Smith (1776); Relander, Bauwens, Roels, Thue and Uvslokk (2011); Carrizosa (2006)	Human capital, division of labour, through increase in returns and scale, externalities, global free-competitive market.	It assists firms dealing with internal / external factors that can affect production, growth and profit maximisation.
Location growth theory	Weber (1909); Launhardt, Von Thunen and Weber (1909); Von Thunen (1999); Mukerjee (1967); Le (2009)	Location of economic activities	It assists a firm in assessing the location of their business and in justifying why the chosen location is best for a particular type of business.
Intensive growth theory	Caves (1965); Altman (1987); Cornwall and Cornwall (1992); Ward (1995); Watkins (1963); Thirwall (1983)	Product line and market research expansion	It assists firms in growth, makes it stronger and become more competitive.
Learning model	Storey (1994); You (1995); Jovanovic (1982); Lekhanya (2016)	A firm's productivity can be optimised progressively after the firm actualise its output.	Learning mode can predict firm's growth in relation to its age and size.
Human capital theory	Lucas (1978); Storey (1994); Penrose (1959) as cited in O'Farrell and Hitchens (1988)	The size distribution of firms depends on the knowledge and experience of entrepreneurial talents and skills of employees.	Human capital theory predict firm effort to achieve goals, develop and remain innovative.

Source: Author's own compilation (2019)

2.10 THE CONTRIBUTION OF SMEs TO ECONOMIC GROWTH AND DEVELOPMENT FROM A GLOBAL VIEW

Myslimi and Kaçani (2016:152) explains that “SMEs globally make a very significant contribution to the provision of goods and services to society”. Hill and Stewart (2000:108) point out that SMEs account for 66 percent of employment within the European Union (EU), with micro enterprises accounting for 34 percent while small enterprises account for 56 percent and medium-sized enterprises account for 13 percent. In addition, 93 percent of all European enterprises have less than 10 employees. The fact is that there are 20.5 million enterprises in the European Economic Area (EEA) thus accounted for employment creation of 122 million people. Mboniyane and

Ladzani (2011:550) indicated that in developing countries, the role of the SME sector is well recognised due to its significant contribution to socio-economic objectives, such as employment creation, increase in GDP and fostering economic development. Furthermore, Ivanova (2017:256) pointed out that SMEs contribute substantially to a stable economic growth climate and to the development of an economy.

Similarly, Neneh and Van Zyl (2014:172) suggested that in order to achieve stable economic development, SMEs should be financially supported and governments should create financial literacy awareness to help them overcome difficulties during the start-up phase and/or in their normal business activities. In a similar manner, Carlisle, Kunc, Jones and Tiffin (2013:59) pointed out that according to a study conducted by the Global Entrepreneurship Monitor (GEM), the economic growth of a country is directly correlated to its level of entrepreneurial activity, which is generated through SMEs. Bouazza, Ardjouman and Abada (2015:101) explain that SMEs are perceived as engines that drive economic development and development and they account for almost 90 percent of businesses in both developed and developing countries through provision of jobs, tax provision and contribution to gross domestic product (GDP).

However, Dalberg (2011) pointed out that SMEs, specifically at local level, play a significant role in both high- and low-income economies by significantly contributing to GDP and employment (Hussain, Bhuiyan & Bakar, 2014:558). At the micro and macro levels, SMEs are significant to both the local and whole economy at large and SMEs as a sector are viewed as a main contributor of gross domestic income, employment and state personal income (Onakoya, Fasanya, & Abdulrahman, 2013:132). Also, SMEs can help in the provision of basic needs for society through the market. For instance, they help to provide public goods and services. SMEs, especially the social enterprises, bring with them innovative solutions to issues related to poverty, social exclusion and unemployment (Chinomona & Maziriri, 2015:835).

The contribution of SMEs to the survival and growth of the economy has increased in recent years, even after the global financial crisis. In the French economy, SMEs accounted for 10 percent of GDP. In Mozambique, employment creation from SMEs in social enterprises increased by 12 percent and they accounted for 17 percent of total employment (OECD, 2017:5). In addition, SMEs in social enterprises created 41 percent of jobs (OECD, 2017:7). SMEs which are innovative are a driving force behind the growth of many economies in developing and developed countries. For instance, in Switzerland, SMEs represent about four percent of the business population but account for 23 percent of employment (Chimucheka & Mandipaka, 2015:309). However, many SME do

not go beyond small local markets. It is however, important to further investigate the economic determinants to SME growth within the research area.

2.11 CONTRIBUTION OF SMEs TO THE SOUTH AFRICAN ECONOMY

Molefe, Meyer and de Jongh (2018:8) explain that SMEs sector are known a driver and cornerstone to economic development in South African economy. Also, SMEs act as a key factor to economic growth growth, creation of employment and innovation towards the country economy (Molefe, *et al.*, 2018:7). Even though, Coulibaly, Erbao & Mekongcho (2018:272) stress that South African economy emerged from the technical recession experienced in the preceding two quarters of 2018, but GDP growth rebounded by 2.2 percent on a quarter-on-quarter basis. SMEs are important to the economy of South Africa in generating employment for many, boosting growth and creating competition to large firms, whilst they also act as customers to large businesses (Arunagiri, Kalaipiriyaa, Lenggesh, Vithya & Kalaivani, 2000:64). This shows that SMEs are important in the economy of South Africa (Nkwe, 2012:40). The contribution of SMEs to GDP has been increasing over the years. For instance, in 2013, it was estimated that SMEs contributed more than 33 percent to GDP. This demonstrates how important the SME sector in South Africa is, not only to the growth of its economy but likewise the development (Arunagiri *et al.*, 2000:65).

The contribution of SMEs to GDP has been increasing positively over the years since 2005. The massive government investment in SMEs has allowed them to contribute 40 percent to the country's GDP in 2015, and the government is anticipating dynamic entrepreneurs in the sector (Soriano & Castrogiovanni, 2012: 333). Therefore, the contribution of SMEs to the gross domestic product (GDP) expanded further to 32.7 percent in 2018, compared to the 32.5 percent recorded in 2011 (Olszak & Ziembra, 2012:129). Figure 2.2 explains that "South African government spending in turn increased modestly by 1.1 percent, mainly on construction works and transport equipment". Nevertheless, fixed investment activity is expected to gain some momentum following recently announced initiatives by government to revive business and investor confidence, especially if some of the major bottlenecks are effectively unblocked and the domestic environment becomes more conducive for business investment (Miyamoto, Nguyen & Sheremirov, 2019:146).

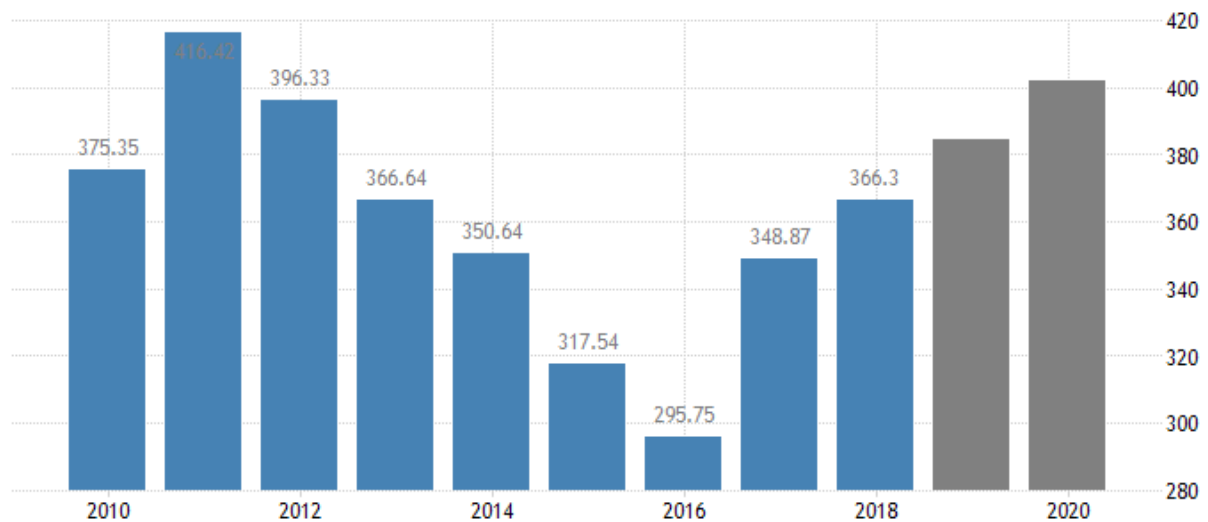


Figure 2.2: Gauteng growth in real GDP and its domestic component (2010 – 2020)

Source: World Bank (2019)

Figure 2.2 illustrates that the gross domestic product (GDP) in Gauteng between 2010 to 2020. Matovu (2018:348) in his opinion explain that South Africa's economic performance is expects economic growth of 1.2 percent in 2020, higher than the International Monetary Fund's forecast in January of 0.8 percent The country needs growth of at least three percent to tackle soaring unemployment and poverty and lure back investors. Table 2.3 shows key indicators for the performance of the South African economy from 2015 with predictions to 2023.

Table 2.3: Key performance indicators for the South African economy

Variable (% change or % of GDP)	2015	2016	2017	2018e	2019f	2020f	2021f	2022f	2023f
Real GDP growth and its components									
Household consumption expenditure	1.8	0.7	2.2	1.7	1.9	2.4	2.8	3.1	2.8
Government consumption expenditure	-0.3	1.9	0.6	1.4	1.8	1.3	1.6	1.7	1.6
Gross fixed capital formation (GFCF)	3.4	-4.1	0.4	-0.5	1.3	3.1	5.5	5.9	6.5
Exports	2.8	1.0	-0.1	1.5	2.7	3.1	3.5	3.2	2.9
Imports	5.4	-3.8	1.6	3.4	3.8	4.1	4.3	3.7	4.1
GDP	1.3	0.6	1.3	0.8	1.6	2.0	2.8	3.2	3.0
Consumer price inflation	4.6	6.3	5.3	4.6	4.7	5.3	4.9	4.9	4.8
Current account balance (% of GDP)	-4.6	-2.8	-2.4	-4.0	-4.1	-3.6	-3.9	-4.0	-3.8
GFCF as % of GDP	20.4	19.5	18.7	17.9	17.8	18.0	18.3	18.7	19.3

Source: Stats SA (2018:4)

Table 2.4 explain that SMEs has impacted postively on the GDP growth in developed and developing countries. “SMEs can become the driving force behind sustained growth for long-term development in developing countries”. Similarly, the “World Bank survey of 47,745 SMEs across 99 countries revealed that firms with between five and 250 employees accounted for 67 percent of total permanent, full-time employment” (Ren, Eisingerich &Tsai, 2015:642). However, Okpara (2011:156) indicated that SMEs are also creating more jobs than large enterprises. Hence between 2002 and 2010, on average 85 percent of total employment growth was attributable to SMEs in South Africa. Figure 2.3 shows how SMEs contributed to employment.

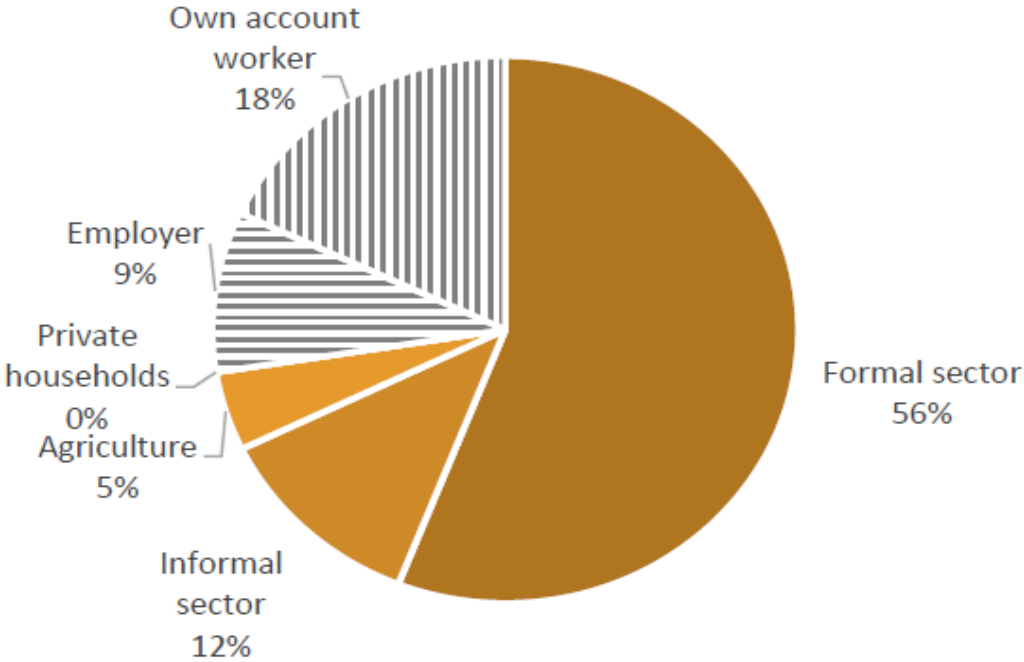


Figure 2.3: Contribution to employment by SMEs

Source: Stats SA (2018:5)

In the first quarter of 2018, the SME sector created employment to nearly 8.9 million people in South Africa. The analysis of employment creation shows that 56 percent of the created jobs is located in the formal sector. Workers in the informal sector contributed 18 percent to employment, while employers, agriculture and the informal sector contributed 9 percent, 5 percent and 12 percent respectively in South Africa in the quarter of 2018 (StatsSA, 2018). In fact, the number of jobs created by SMEs is different from one country to another. In a similar manner, a survey conducted by the World Bank of 47,745 SMEs shows that SMEs across 99 countries employ between five and 250 workers, accounting for 67 percent of total permanent and full-time employment (Bloom, Mahajan, McKenzie & Roberts, 2010:619).

Odhiambo (2011:50) emphasises that the SME sector currently contributes approximately 42 percent of South Africa’s gross domestic product (GDP) and accounts for 60 percent of employment, as well as providing an incubator and breeding ground for entrepreneurship and innovation. In contrast to other African countries, SMEs are the backbone of the Ghanaian economy and they represent about 85 percent of businesses, largely within the private sector, which contribute about 70 percent of Ghana's GDP (Nyarku & Oduro, 2018:208). Even though SME growth in South Africa has declined in comparison to other African countries’ economic growth, SME contribution to GDP has increased, justifying the conclusion that SMEs in South Africa contribute to social development and economic growth and development (Stats SA 2015:6).

Table 2.4 indicates SME contribution towards South Africa’s GDP and employment, as well as other Africa countries. According to Table 2.4 SMEs are the source of employment and a source of income for about 80 percent, the majority, of the world population (Hashi & Krasniqi, 2011:456). Mwega (2016:99) points out that in Kenya, SMEs contribute 40 percent of the GDP, over 50 percent of new jobs and accounted for 80 percent of total employees. In a similar fashion, SMEs accounted for 70 percent of Nigerian industrial jobs and 95 percent of the manufacturing sector (Terungwa, 2011:79). As such, the SME sector amounts to 97 percent of businesses and 18 percent of the workforce in Zambia (Moses, Olokundun, Falola, Ibidunni, Amaihian & Inelo, 2016:64).

Table 2.4: SME contribution towards GDP and employment

Countries	Contribution to GDP (%)	Contribution to employment (%)	Sources
Ethiopia	3.4	90	“Central Statistical Agency (CSA) (2018); Gebrehiwot (2006)”
Ghana	70	49	“Ghana Bank Doing Business Report (2018), World Bank (2006); Abor and Quarterly (2010)”
Kenya	40-50	80	“Mwarari and Ngugi (2013)”
Nigeria	50	70	“Ariyo (2011); Kolasinski (2012)”
Rwanda	20.5	60	“Mukamuganga (2011)”
South Africa	50-60	60	“DTI (2012); Willemse (2010)”
Tanzania	60	20	“Echnngreen Tong (2005); Ngasangwa (2002)”

Countries	Contribution to GDP (%)	Contribution to employment (%)	Sources
Uganda	18	90	“Uganda Ministry of Trade, Industry and Cooperatives (MTIC) (2015)”
Zambia	18	30	“Mbuta (2007)”

Source: Muriithi (2017:38)

2.11.1 The link between Local Economic Development (LED) and its impact on SME growth in South Africa

Leboea (2017:11) indicated the significant role that SMEs play in the growth of South Africa and its contribution to job creation and economic development cannot be overlooked. Even so, SMEs in South Africa have been receiving wide spread attention by the government through Local Economic Development (LED) with the intention of promoting empowerment, job creation, economic growth and community development, with a primary focus on the role of SMEs in the local government sphere (Jamali & Lund-Thomsen, 2017:11).

SME development in local government exemplifies part of a LED strategy that aims to, amongst other priorities, achieve the local government's constitutional mandate to promote economic growth and development amongst small businesses in South Africa. Despite this, SMEs tend to be labour rather than capital-intensive (Okpara, 2011:156). In fact, Sawers, Pretorius and Oerlemans (2008:156) stated that in South Africa, the impact of SME hiring is under-appreciated. In a similar manner, Ngeek, van Aardt and Smit (2013:3043) argued that SMEs employ people whose labour market characteristics make them most likely to be unemployed and marginalised.

However, despite the important impact of SMEs and their anticipated contribution to the economy, the creation rate of successful SMEs in South Africa is perceived as one of the lowest in the world as most SME in the country do not accelerate from the start-up stage to maturity level (Fatoki & Garwe, 2010:729). Butler and Rogerson (2016:265) emphasised that the number of SME failures in South Africa in the last five years was between 50 percent and 95 percent and about 75 percent of new SME do not become established firms. The former Reserve Bank governor Gill Marcus, in her speech at the 26th annual Labour Law Conference, emphasised that SMEs in South Africa have not yet achieved the desired growth as the economy expects and their benefits to the society is underperforming. Levie and Autio (2013:160) suggested that although SME growth is a major

source of new jobs, SMEs do not grow because SME owners / managers are either not interested in growth or deliberately refrain from pursuing growth.

2.11.2 Challenges faced by SMEs in South Africa

Eton, Mwirumubi and Edaku (2017:89) explain that SMEs in South Africa are touted as an economic engine to growth and development. Researchers in the field of entrepreneurship agree that the SME sector is crucial for economic growth, employment creation, poverty reduction and reducing levels of inequality (Neneh & Van Zyl, 2017:166). SMEs are important to the economy of South Africa. However, these businesses face many challenges, which include but are not limited to the following: inability to attract skilled labour, high levels of crime, strict government regulation in South Africa, poor infrastructure and inaccessible lines of credit (Kumalo & van der Poll, 2015:140). Mutalemwa (2015:165) adds that despite the role played by the SME sector and the support that they get from the South African government, more than 70 percent of these businesses still fail within three years after being established. The rate of SME failure in South Africa can be ascribed to the challenges they face and also to a lack of support from key stakeholders. Even SME owners and managers lament about little support received from the government. However, there is need for solutions to moderate the ongoing high failure and under-performance rates in the SME sector for the South African government to focus more and to make SME more effective (Fatoki, 2018:2527). Sitharam and Hoque (2016:278) identified the following as a barrier to SMEs growth especially within the Johannesburg's metropolitan region: keeping ahead of the competition, government laws, regulations and policies, micro-environment and lack of infrastructure. These are subsequently discussed in the next paragraphs.

Littlewood and Holt (2018:526) postulate that SMEs faces huge competition within market structures and as a result are further complicated by excessive red tape and rigid labour regulation, both of which sit within rigid South African government policies. Hence, in the absence of favourable government policies, little will change for SME growth. Nevertheless, there are conducive ways and means for SME owners to increase their competitive edge. Van Scheers (2018:166) suggests that technology and business literacy, for example, are fast becoming important tools to accelerate SME growth. In South Africa, it is believed that SMEs face a number of constraints which come from the regulations introduced by the government. The Business Environmental Specialists (BES) came up with the SME growth index where they discovered that the regulatory burden is one of the issues which affects SMEs in South Africa (Keijser & Iizuka, 2018:443).The following were discovered as the main actors which makes regulation in South

Africa heavy on SMEs: frequent changes in the regulatory environment; the need to keep track of overlapping and sometimes conflicting regulatory requirements across multiple departments and levels of government; poor communication and access to information; and administrative inefficiencies in government departments and municipalities (Gupta & Barua, 2018:125).

Masama (2018:20) adds that “all the regulatory matters above simply mean that SME owners and managers are spending a disproportionate amount of time dealing with regulatory compliance. The SME Growth Index created by SBP indicated that SMEs spend on average eight working days a month dealing with governmental compliance, legal and regulatory red tape”. However, Fatoki (2014:152) opined that the South African government and stakeholders should see SME growth as a priority and thus relax business policies in order to accelerate their potential. Bruwer and Coetzee (2016:202) explained that insufficient management skills and expertise in areas such as marketing, human resources and financial knowledge are major setbacks to SME failures in the City of Johannesburg’s metropolitan region. Moreover, issues faced by SMEs are seen as fundamental yet devastating perceptions as many of them struggle to adopt it effectively. Bouazza, Ardjouman and Abada (2015:103) lament that marketing factors such as competition, low demand for products, not being able to meet customer needs, lack of knowledge and poor location indeed affect SME growth. However, SMEs should undertake more visible marketing activities as they have difficulties managing the various marketing challenges stated above and thus a visible marketing research will have a positive image on their business growth (Sitharam & Hoque, 2016:278).

“Infrastructure is a basic physical and organisational structure that is needed for the operation of a society or enterprise or the services and facilities necessary for an economy to function” (Vijil & Wagner, 2012:834). Moolla, Kotze and Block (2011:139) state that the quality of infrastructure is a great challenge for most developing countries and South Africa is no different. The quality of infrastructure in a country can heavily affect the growth prospects for SMEs. Infrastructure in this context includes telecommunication, electricity and transportation, which in is an unacceptable condition in South Africa (Moolla *et al.*, 2011:140). Furthermore, access to public, physical infrastructure such as water, electricity, serviceable roads, telephones, electronic media and postal services are all crucial for business start-up, development and growth; and limited access to public infrastructure services has caused a major constraint to SME survival and growth as it limits operations and restricts access to markets and raw materials (Fitchett, Hoogendoorn & Swemmer, 2016:188). Lombard and Ferreira (2015:72) conclude that the challenge facing the South African

government is the inability to institute rules, regulations and policy frameworks with the aim of promoting the interest of SMEs. Even though there are numerous institutions providing training and advisory services to SMEs, such as SEDA and DTI, there is still a skills gap in the SME sector (Lekhanya, 2015:413).

2.12 REVIEW OF THE DETERMINANTS OF SME GROWTH

The purpose of this section is to review literature on the determinants of SME growth. The section will start with a brief discussion of the nature and type of the factors influencing the growth of SMEs. There are many factors that influence SME growth in both developing and developed countries. Some of the noted determinants include the ability to form partnerships, the nature and skills of local leadership, government policies and infrastructure development, amongst many other factors (Nel & Froneman, 2015:275). This discussion will help to provide the framework and background to the different determinants of SME growth. There are many studies which were conducted to investigate the determinants of SME growth. The studies were different, especially on the nature of determinants they were investigating. For instance, Hall *et al.* (2004) in Europe investigated the degree to which the determinants of SME capital structures differ between European countries, specifically looking at organizational factors. Sarwoko and Frisdiantara (2016:39) state that growth determinants can be classified into different classes, which include individual factors, organizational factors and environmental factors. Figure 2.4 shows the conceptual framework shows different classes of factors that influence SME growth.

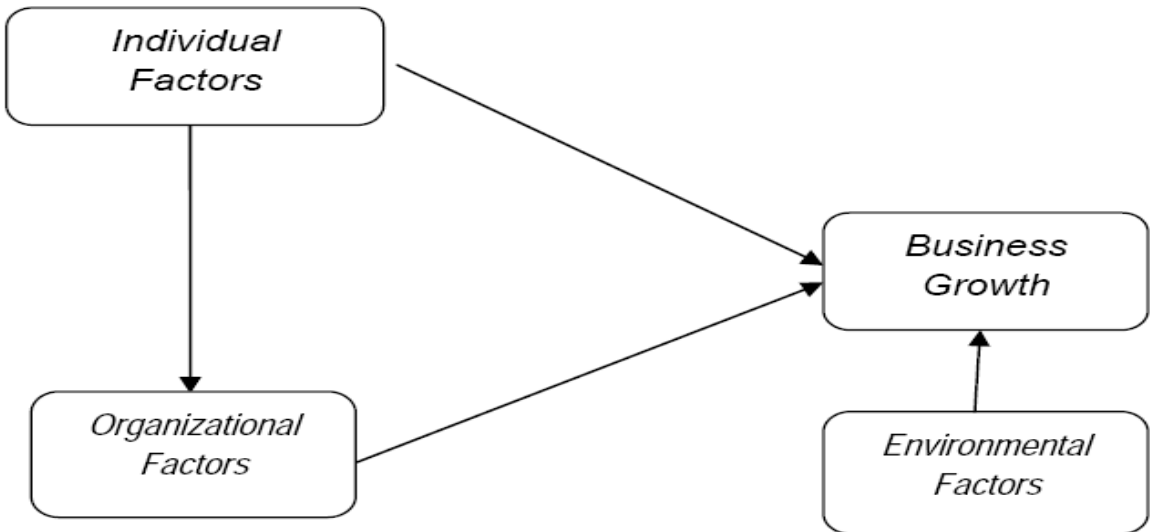


Figure 2.4: Conceptual framework
 Source: Sarwoko and Frisdiantara (2016:38)

The diagram above is an explanation of the various factors which influence the growth of SMEs which include individual factors, organisational factors and environmental factors. These factors are explained in detail in the section below.

2.12.1 Individual factors

Individual determinants as shown in the diagram above are factors related to the personal traits of the entrepreneur, which involves factors like motivational growth, individual competence and personal background (Shane *et al.*, 2003:258). The character of the entrepreneur is sometimes influenced by many factors, either internal or external factors (Shane *et al.*, 2003). Neneh and Van Zyl (2014:172) state that individual factors are the extent to which individuals are allowed to take care of just themselves, with emphasis placed on individual accomplishment. Collectivism, on the other hand, is when individuals owe their primary commitment to the group. Low individualism results in the pursuit of collective interests, and does not promote a spirit of independence and self-assurance in business (Isaga, 2015:168). Döckel and Ligthelm (2015:60) add that in collectivist societies, small businesses may find it hard to reveal anxieties, weaknesses and problems that may arise from the nature of entrepreneurship in order to avoid being ineffective within the business environment. Still, individual decisions are considered significant as they can socially encourage individual recognition and foster entrepreneurial growth (Gielnik, Zacher & Schmitt, 2017:461). Sharu and Guyo's (2015) study assessed the determinants of the factors which influence SME growth owned by the youth. The study was mainly to find out the impact of entrepreneurial skills, credit access, government policy and market access on the growth of youth-owned small and medium enterprises in Nairobi, Kenya. The study established that entrepreneurial skills influence the growth of youth-owned SMEs most followed by Local leadership, LED, partnership formation, infrastructure development, entrepreneurship development and access to opportunities and transport, safety and security. As a result, government and policy-makers and other players need to craft policies and strategies that enhance the growth of the sector. In short, this portion of the chapter was reviewing the different studies done on the determinants of SME growth.

2.12.2 Organizational factors

Organizational factors were defined as factors which entail the effectiveness and capabilities of the company's resources such as labour, capital and knowledge acquired, organized and transformed into products and services through the activities of the organization, practices and

structures (Shirin & Kleyn,2017:277). In South Africa, Lekhanya (2016:414) investigated the growth and survival of SMEs in rural areas of South Africa. The research found that in the size of the local market influences the growth of SMEs. For instance, in the rural areas it was noted that the size of the market is small for selling SME products. In addition, poor infrastructure was found to have a greater impact on the growth of SMEs. The other factors were the nature of government regulation, especially tough regulations, and the lack of financial support were found to be other factors which affect the growth of SMEs in South Africa. Apart from organizational factors, environmental factors also affect the growth of SMEs as explained below.

2.12.3 Environmental factors

Irene (2017:2) emphasises that environmental factors include those factors which are related to the environment where the business operates, for instance, competition from other small or large businesses. In addition, other studies done in the area show that the growth of SMEs is influenced by the features of the owner or manager, sometimes referred as the personal approach or the managerial approach (Rambe & Mosweunyane, 2017:290). Researchers have used different approaches to explain the factors affecting the growth of SMEs and some of them have considered environmental factors to have a big impact on the performance of SME growth (Bouazza, Ardjouman, & Abada ,2015:105). Littlewood and Holt (2018:526) maintain that the growth of SMEs is affected by the business climate. In the same way, Van Scheers (2010:227) notes that an unfavourable business climate has a negative effect on SME growth, including competition as one of the major interferences to their growth. Lack of entrepreneurship development is a major source of the rise in unfair competition (Nel & Froneman, 2015:276).

The study concluded that the determinants of SME growth are different due to variations in country features and firm-specific factors that also influence the growth of SMEs. Moreover, Rambe and Mpiti (2017:102) acknowledged that a lack of finance, lack of managerial skills and training are imperative areas to consider in SME operations. By contrast, Cao, Scudder and Dickson (2017:83) contend that these concerns must be addressed properly if the SMEs sector is to succeed in South Africa.

2.13 SYNOPSIS

The purpose of this chapter was to provide an elucidated theoretical overview of SMEs, their importance and challenges within a global context and the South African economy. Additionally, a description and discussion of different theories relating to SME growth was provided to address

the theoretical objectives as outlined in Chapter one. In so doing, the chapter commenced with a brief introduction, followed by an overview of small and medium enterprises. Secondly, the chapter provided a detailed review of SMEs, economic growth and the development nexus. Thirdly, a link between economic growth, development and SME growth was established. To emphasise the validity between SMEs and other economic variables, the chapter presented a theoretical approach to economic growth, development and business growth grounded on various economic theories from different researchers and scholars. Furthermore, the chapter provided the contribution of SMEs towards economic growth and development in both a global and South African context. Lastly, it is important to review various theories on SMEs in order to highlight the different conclusions reached in the literature on what influences the success and failure of small businesses. The subsequent chapter, Chapter three, will discuss the economic regional analysis of the Johannesburg's metropolitan region.

CHAPTER 3

THE PROFILE OF THE JOHANNESBURG'S METROPOLITAN REGION

3.1 INTRODUCTION

The significance of small and medium enterprises (SMEs) for economic development have long been acknowledged and are well-documented (Ofeimun & Nwakoby, 2018:16). The city of Johannesburg's Metropolitan Region has developed policies like Local Economic Development (LED), the Integrated Development Plan (IDP) and Broad-Based Black Economic Empowerment (B-BBEE) to address SMEs' stagnant growth and make them a priority in order to promote economic growth. Chapter three provides more information on SMEs and the economic profile of the Johannesburg's Metropolitan Region. Naicker and Peters (2013:22) state that Johannesburg is the largest city in South Africa, the provincial capital of Gauteng and the wealthiest province in the country. The Department of Trade and Industry (DTI) (2018) recorded an estimated population of 4.4 million, while the Greater Johannesburg Metropolitan Area has a population estimated at eight million. Additionally, Gauteng Province is regarded as the Economic hub of South Africa due to its industrialisation, manufacturing and its business history (Hyde-Clarke, 2013:151).

Fatoki (2013:210) adds that Johannesburg is the largest city in South Africa, with a population of 4.4 million and it contributes 35.6 percent towards the GDP of the country. Furthermore, Dubihlela (2013:54) states that the Johannesburg Metropolitan Region is one of the key contributors to economic growth in Gauteng and South Africa. Its economic growth rate is relatively superior to both the national and provincial levels. Apart from SMEs' potential for independent development using local raw materials, they are in a better position to boost employment, guarantee the even distribution of industrial development and facilitate growth (Maduku, Mpinganjira & Duh, 2016:715). Botha, Van Vuuren and Kunene (2015:55) add that SMEs in the city of Johannesburg have contributed greatly to the growth of the South African economy, accounting for 12 to 14 percent of GDP through creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood for the majority of low-income households in the country.

Likewise, Rahayu and Day (2015:144) point out that the promotion of SMEs in developing economies like South Africa can bring about a greater distribution of income and wealth, economic self-dependence, entrepreneurial development and economic growth. Hove-Sibanda, Sibanda and

Pooe (2017:10) indicate that SMEs are veritable engines for the attainment of national objectives in terms of employment generation at a low investment cost; developing entrepreneurial capabilities; and infusing growth into the economy. Cant and Wiid (2013:707) emphasise that the growth projections between 2016 and 2019 are much lower than recorded in the past, which impacted in the city of Johannesburg Metropolitan Region's ability to meet its own growth targets and the challenge of high youth unemployment.

Akinyemi and Adejumo (2017:625) posit that the Johannesburg's metropolitan region is relatively neglected by urban researchers. However, Urban and Naidoo (2012:150) posit that within the global network of cities, Johannesburg assumes a critical role of linking cities and articulating the development of the capitalist economy of Southern Africa. Parry (2010:1342) states that the most significant challenge for SMEs in the Johannesburg region is that of achieving sustained economic growth, as well as the creation of new employment and livelihood opportunities for the city's growing population. The DTI (2017) has launched a number of long-term development plans that seek to unlock South Africa's economic constraints, focusing more on SME development in the Johannesburg's Metropolitan Region in the form of growth policies towards achieving the objectives set out in National Development Plan by 2030 in South Africa. This study area was chosen because SMEs have potential and are perceived to attract economic opportunities, both to South Africa and specifically to the city of Johannesburg. This study also hopes to suggest and provide different economic growth determinant recommendations to assist SMEs struggling with their businesses.

Thus, this chapter will provide a comprehensive view of the South African small business development policy, coupled with the history and development of SMEs in the city of Johannesburg's Metropolitan Region. Furthermore, Chapter three will discuss different variables associated with SME growth. This chapter will conclude with a review of some local economic growth and development (LED) strategies that have been put in place by national government, provincial and local government to accelerate the growth of SMEs, specifically within the city of Johannesburg's Metropolitan Region.

3.2 POLICIES FOR SMALL BUSINESS GROWTH IN SOUTH AFRICA

According to Masutha and Rogerson (2015:225) a policy is referred to as a plan of action agreed upon or chosen by a business or a government. Also, a policy is a principle that one believes in and that influences a positive outcome (Rogerson, 2016:175). Fatoki (2014:922) adds that a

business policy can be described as a position statement comprising business guidance aimed at influencing SME growth and success. In addition, policy is a set of guidelines and government efforts to accomplish a specific goal. As a result, Rogerson (2014:210) believes that policy evaluation provides opportunities for both business and government to check its inputs, processes, outputs, outcomes and impacts within its theoretical framework, specifically its growth validity. Moreover, Chimucheka (2013:783) explains that SME survival depends on a specific set of policies and requirements which are undermined by the current economic climate. However, policies set by the South African government can help these businesses achieve their ambitions and thus, continue contributing to the country's long-term economic development. Odhiambo (2011:50) also identified policies and determinants to SME growth, such as the Small Enterprise Development Agency (SEDA).

Consequently, the performance of the SME sector is closely associated with the economic performance of the nation. SMEs are increasingly seen as playing an important role in the economies of many countries. SMEs are considered the engines of economic growth in developing countries. Along the same lines as this assertion, Muritala, Awolaja and Bako (2012:20) concluded that there is a greater likelihood that SMEs will utilize labour-intensive technologies, thereby reducing unemployment, particularly in developing countries. In developed countries, SMEs have traditionally championed job-creation, stimulating innovation and creating new products and services. This realisation of the enormous contribution of SMEs to economic growth has propelled governments throughout the world to priorities the development of the SME sector to promote the economic growth of their respect countries.

Godfrey, Muswema, Strydom, Mamafa and Mapako (2017:800) add that policy for SME development should focus on encouraging individuals and business owners with viable business concepts to become entrepreneurs. Moreover, Fatoki (2012:180) scribes that any policy directed towards SME growth is considered SME policy. However, the aim of SME policy is to maintain, accelerate and aid existing SMEs through the means of funding and creating a sufficiently enabling environment (Ratten, 2014:267). From an international perspective, Edoho (2016:280) writes that entrepreneurship activity in countries such as Nigeria is primarily based on responsibility. In fact, the creation of government policies for SMEs in developing countries like Nigeria has increased entrepreneurial competency and fuelled growth, especially in business settings (Abeh, 2017:158). Quaye, Abrokwah, Sarbah and Osei (2014:339) state that government regulations and their bureaucratic procedures sometimes delay the success of entrepreneurial activity, limiting

information on how to set up their business, maintaining the business and possible enabling factors to sustain their growth.

Conversely, in South Africa, the Small Business Development Institute (SBDI), in partnership with the Department of Small Business Development has announced its policy that it will be hosting the inaugural National SME policy colloquium. As such, the South African government has come up with policy frameworks such as Broad-Based Black Economic Empowerment (B-BBEE), the Economic Development Department (EDD), Strategic Integrated Project (SIP), Department of Trade and Industry (DTI), Small Enterprise Development Agency (SEDA), National Empowerment Fund (NEF), National Youth Development Agency (NYDA), as well as LED as a strategy to train and develop SMEs.

3.2.1 Broad-based black economic empowerment (B-BBEE)

Ramlall (2012:272) explains that SMEs are becoming increasingly central to the South African government's growth strategies. Kruger and Kleynhans (2014:3) add that SMEs are expected to contribute to creating jobs, promoting economic growth and reducing poverty in poor countries. Section 11 (a) of the Broad-Based Black Economic Empowerment (B-BBEE) Act provides for an integrated, co-ordinated and uniform approach to B-BBEE policy implementation aimed at helping SMEs to grow, thereby infusing employment in the economy (DTI, 2016).

In addition, B-BBEE aims to ensure that the economy is structured and transformed to enable the meaningful participation of the majority of its citizens and to further create capacity within the broader economic landscape at all levels through skills development, employment equity, socio economic development, preferential procurement and enterprise development, especially in small and medium enterprises, thereby promoting the entry of Black entrepreneurs into the mainstream of economic activity, as well as the advancement of co-operatives (Tshivase & Kleyn, 2016:271). Marivate (2014:55) established that even though many SMEs in the Gauteng region criticise the B-BBEE legislation, the African National Congress (ANC) government still seems more determined than ever to implement the policy more punitively. As a result, B-BBEE needs to be implemented in an effective and sustainable manner in order to unleash and harness the full potential of SMEs in the Johannesburg region by creating policies like Local Economic Development initiatives which will in turn foster economic growth (Irene, 2017:147).

3.2.2 Local economic development (LED) initiatives

Rogerson (2014:210) contends that Local Economic Development initiatives are a participatory process that encourages and facilitates partnerships between local stakeholders, enabling the joint design and implementation of strategies based mainly on the competitive use of local resources, with the final aim of creating decent jobs and sustainable economic activities. Distinctively, in South Africa, LED strategies were introduced shortly after the end of Apartheid and the policy is considered to be a community development project aimed at assisting SMEs (Ndabeni, Rogerson & Booyens, 2016:300). Moreover, Meyer (2014:631) explains that government has LED strategies to intervene in the creation of jobs, poverty alleviation and foster SME growth.

Even so, after 1994, South Africa was faced with many socio-economic and developmental challenges with extreme inequalities in income, business liquidation and basic social services (Piet & Hougaard 2011:1033). Meyer (2014:632) points out that the challenge of LED in South Africa is that most local municipalities do not have satisfactory economic growth strategies in place that are implementable. Therefore, they are unable to address the SME growth dilemma. As such, provincial governments through local municipalities should be committed to working with business agencies like SEDA, NEF and NYDA in order to create sustainable economic growth (Didier, Morange & Peyroux, 2013:122).

3.2.3 Small enterprise development agency (SEDA)

SEDA is a government agency of the Department of Trade and Industry (DTI) that was set up with the responsibility to develop, support and promote small businesses in South Africa, as well as to facilitate their growth and sustainability (Fatoki 2014:155). In the same way, Mukumba (2014:21) views SEDA as a framework on the support and development of SMEs. The government's efforts are to accelerate and monitor the progress of SMEs and improve their sustainability (DTI, 2018). SMEs encounter many economic challenges which result in the high failure rate of these entities (Ayandibu & Houghton, 2017:135). Lose, Maziriri and Madinga (2016:20) emphasise that enterprise development programmes sometimes do not have clear objectives, such as broad-based micro and small enterprise expansion.

The South African government should focus more on development at the grassroots level in order for small businesses to grow sustainable (Lose, *et al.*, 2016:21). Ngek (2014:254) believes that government agencies should strongly support small enterprise growth by organising workshops and training for SME owners on how to grow their businesses and be successful. As such, financial

support in the form of training for SMEs in South Africa and the Johannesburg's metropolitan region will enhance their competitiveness and capabilities to improve (Rambe & Mosweunyane, 2017:230).

3.3 HISTORY AND DEVELOPMENT OF SMEs IN THE JOHANNESBURG REGION

Musakwa and Selala (2016:898) explain that Johannesburg was founded in 1886 following the discovery of gold. As mentioned, Johannesburg is the largest city in South Africa. It houses South Africa's constitutional court and it is a major source of finance in the country (Dittgen, 2017:7). Johannesburg was perceived as a wealthy city in commerce, trade and numerous businesses after the discovery of large-scale gold and diamond trade (Simelela & Venter, 2014:250). There is growing recognition that SMEs play a pivotal role in economic development. Ndofirepi, Rambe and Dzansi (2018:4) add that SMEs are perceived as prolific job creators, the seeds of big businesses and the fuel of national economic engines. However, in South Africa, there is no single legal definition of SMEs, but several operational definitions (Smit & Watkins, 2012:6324). In addition, the definition of SMEs in South Africa has evolved based on provisions contained in the various policy documents that have sought to encourage this category of enterprises because of their individual small size and relative fragility, despite their major contribution to aggregate employment and the economy more generally (Fatoki, 2011:195). Neneh and Van Zyl (2014:172) posit that crucial strategic elements are identified as improved access to finance; skills and leadership training; more flexible regulations in sustaining and promoting entrepreneurship; and an empowering environment for SMEs, as well as enhanced capacity and competitiveness at enterprise level. In South Africa, Small businesses are viewed as within the range of 50 employees and Small enterprises are generally more established than very small enterprises and exhibit more complex business practices (Abor & Quartey, 2010:221).

As indicated, SMEs contribute immensely to South African growth. In 2017, Gross Domestic Product (GDP) growth in the fourth quarter of 2017 reached 3.1 percent (Presidency, 2017). However, Masutha and Rogerson (2015:225) emphasise that while GDP growth remains subject to a broad range of market factors and can fluctuate based on such factors, the fourth quarter improvement should motivate all South Africans. Urban and Heydenrych (2015:126) posit that the support that the South African government provides for SMEs is widely acknowledged as the country's effort towards economic restructuring, poverty alleviation and ensuring that SME development is viable. In 2018, South Africa's economy grew at 0.8 percent in 2018, slightly

greater than what was estimated. In the fourth quarter of 2018, GDP output was up 1.4 percent from the third quarter and up 1.1 percent from the fourth quarter of 2017 (Stats SA, 2018). Conversely, Asah, Fatoki and Rungani (2015:309) state explain that the economic growth in South Africa is predicted to be 2.3 percent in 2019 and 1.9 percent in 2020. South Africa has an estimated 2.8 million SMEs contributing 57 percent to GDP and making up nearly 61 percent of employment.

According to the DTI's (2019) third quarter report 2018-19, its mission is to facilitate transformation of the economy; to promote industrial development, investment and competitiveness; and employment creation. However, the results of the Quarterly Labour Force Survey (QLFS) for the second quarter of 2019 released by Statistics South Africa (Stats SA) indicate that the official unemployment rate increased by 1.4 percentage points to 29.0 percent as compared to the first quarter of 2019 (Stats SA, 2019). In Johannesburg, the unemployment rate rose to 29 percent of the labour force in the second quarter of 2019 from 27.6 percent in the first three months of the year (Stats SA, 2019). Despite this, Sitharam and Hoque (2016:278) contend that a sustainable business model for SMEs in South Africa is still limited. As such, South African policy-makers should create steps that must be taken to transform SMEs in the Johannesburg's metropolitan region into dynamic firms operating in the formal economy.

3.4 THE IMPACT OF SMEs ON ECONOMIC GROWTH IN SOUTH AFRICA AND IN THE CITY OF JOHANNESBURG'S METROPOLITAN REGION

The Johannesburg's Metropolitan Region region is located in the Gauteng Province. According to the DTI (2016), the region is the most advanced commercial city and the engine of South Africa's economy. Moreover, in past years, the Johannesburg's metropolitan region has developed globally, attracting emerging small to medium enterprises. Furthermore, Matuku and Kaseke (2014:505) point out that Johannesburg is characterised as a global competitive metropolitan area, accounting for about 36 percent of Gauteng's population and eight percent of the national population. Equally so, the region is seen as the economic hub of South Africa, attracting growth and investment.

Rogerson (2016:175) posits that an economy's growth rate is determined by the increase in the use of capital, labour and other factors of production, as well as the efficiency with which these factors are used. By contrast, the South African economy has shifted positively through political and economic leadership, policy formulation and economic vision (Bekun, Emir & Sarkodie, 2019:759). Similarly, Lee and Schoole (2015:879) add that the South African economy has

improved in its performance due to a vast increase in small businesses, specifically after democracy in 1994.

Conversely, SMEs make up an imperative part of the business environment in the JMM and are categorised as part of socio-economic stability in the region (Brookes & Lekgoro, 2014:151). Specifically, SMEs are believed to have the potential to minimise the unemployment rate in Johannesburg. SMEs are calculated at approximately 91 percent of formal business entities in South Africa and they contribute between 52 percent and 57 percent to GDP and provide about 61 percent of employment (Hoque & Awang, 2019:37). Rennkamp and Boyd (2015:13) assert that SMEs are crucial catalysts and a solution to effective economic development and growth, creating more skills and creativity. However, despite Johannesburg's importance to economic growth and development, the region is relatively neglected by urban researchers (Rogerson & Rogerson, 2015:248). SMEs face various challenges that hinder their entrepreneurial progress.

According to Chinomona and Maziriri (2015:837), SME activities in Gauteng have shown a gradual decline over the years compared to other developing countries. Wolmarans and Meintjes (2015:89) argue that despite Johannesburg's economic growth in recent years, the unemployment rate has not fallen substantially. In the year up to the first quarter of 2019, the number of SMEs grew by 4.4 percent against a backdrop where economy-wide employment contracted by 0.4 percent. As such, the SME option has become the natural alternative for people struggling to find a job (Stats SA, 2019). According to SEDA, SME first quarterly update (2019), the SME sector provided employment to 10.8 million people in South Africa, which accounts for 66 percent of all jobs (16.5 million) in the country. Of these, only 2.55 million jobs were for the SME owners themselves, while the balance of 8.3 million jobs at 77 percent were for their employees. Despite SMEs' contribution to economic and development in JMM, there are still small businesses in the region that are not fulfilling their business growth prospects. Consequently, the study believes that identifying more economic determinants for SMEs in Johannesburg will enhance their management skills and will create more sustained economic growth in the Johannesburg region.

Figure 3.1, shows the sector performance contributing to the net second quarter contraction in the national economy can be seen. Agriculture, transport and trade were the main contributors to the slowdown, with government and manufacturing industries also recording negative growth rates. Five industries contributed to the decline in the quarter which is the same number of industries that grew and contributed positively to growth. In addition, after recording a contraction of 24.2 percent (-24.2%) in the first quarter of 2019, the agriculture, forestry and fishing sector contracted

further in the second quarter of 2019 - by 29.2 percent (-29.2 percent), and exerted a 0.8 (-0.8) of a percentage point drag on the GDP growth rate.



Figure 3.1: South African GDP by main economic sector for the first quarter of 2019
 Source: Stats SA (2019:6)

Figure 3.2 below indicates that the South African GDP grew 3.1 percent on quarter in the three months to June of 2019.

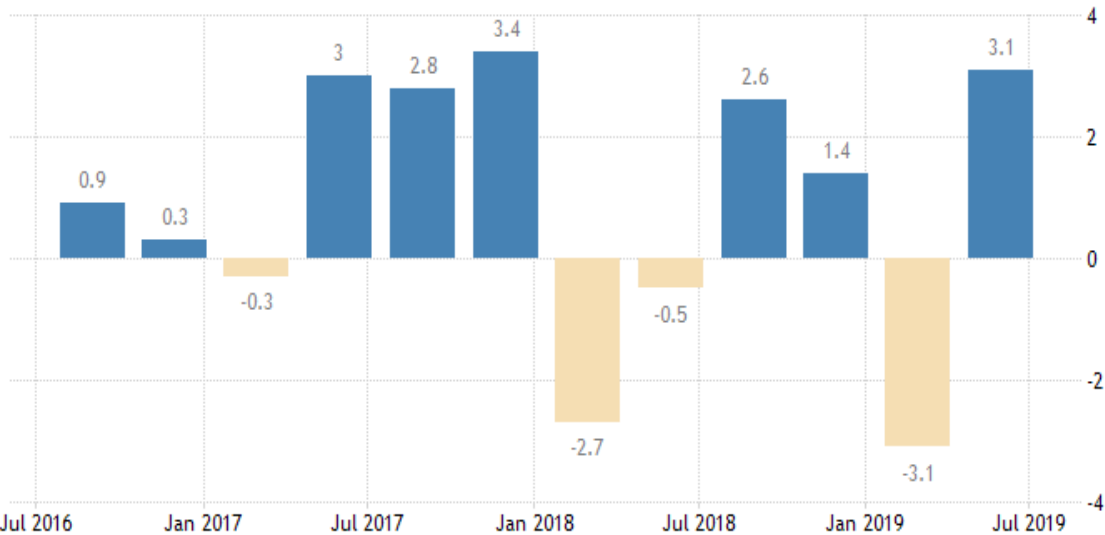


Figure 3.2: South African economy returns to growth in the second quarter of 2019
 Source: Stats SA (2019)

Figure 3.3 and Table 3.1 indicate the employment provided by SMEs in all sectors between 2018 and 2019 in South Africa. Closer inspection shows that the employment number of SME

employees (non-owners) grew by 29 percent over the year up to the first quarter of 2019. The majority of SME employment (61 percent) is located in the formal sector. All jobs provided to others by SME owners is an estimated at 38 percent and is dominated by female workers. Figure 3.3 is showing the employment provided by SMEs in South Africa.

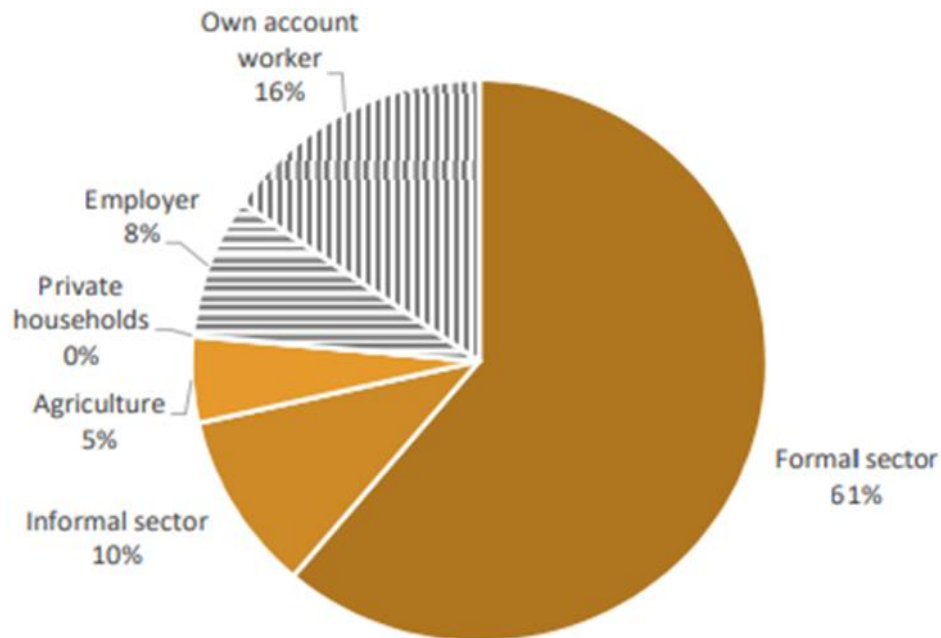


Figure 3.3: Employment provided by SMEs in South Africa

Source: Stats SA (2019:13)

Table 3.1: Total number of employment provided by SMEs in South Africa

	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrb.	Number	Distrb.	Number	Distrb.	Number	%	Number	%
Formal sector	4 972 307	56.0%	6 429 404	60.7%	6 631 459	61.2%	202 055	3.1%	1 659 152	33.4%
Informal sector	1 053 129	11.9%	883 026	8.3%	1 115 405	10.3%	232 379	26.3%	62 277	5.9%
Agriculture	417 417	4.7%	727 178	6.9%	537 157	5.0%	-190 021	-26.1%	119 740	28.7%
Private households	0	0.0%	0	0.0%	5 258	0.0%	5 258	n/a	5 258	n/a
Provided to others	6 442 852	72.5%	8 039 609	75.9%	8 289 280	76.5%	249 671	3.1%	1 846 427	28.7%
% female		37.7%		37.8%		38.0%		0.1%		0.3%
Employer	843 253	9.5%	924 351	8.7%	872 711	8.1%	-51 640	-5.6%	29 457	3.5%
Own account worker	1 599 910	18.0%	1 633 411	15.4%	1 677 829	15.5%	44 418	2.7%	77 919	4.9%
Total	8 886 015	100.0%	10 597 371	100.0%	10 839 819	100.0%	242 449	2.3%	1 953 804	22.0%

Source: Stats SA (2019:13)

Still on the economic growth in South Africa and in the city of Johannesburg's metropolitan region, Rambe and Makhalemele (2015:678) add that 25 percent of capital generated in Johannesburg was by small and medium enterprises. In addition, SMEs in the Johannesburg region are perceived as a sector creating more jobs than large enterprises (Ngek, 2014:253). According to Mutalemwa (2015:165), SMEs in Johannesburg are feted to be the future of business creation, representing 40 percent of all businesses in South Africa. In the same way, it has been forecast by the National Development Plan that by 2030, 90 percent of all new jobs will be in SMEs (DTI, 2018:10).

Ngek (2014:256) adds that the majority of South African small businesses generate revenue of less than R200 000 annually and nearly half of SMEs employ between two to five employees. Even the majority (71 percent) of the survey respondents who operate small businesses in Johannesburg say that they generate revenues of under R200 000 annually, while 20 percent of SMEs generate between R200 000 and R1 million (Misati, Walumbwa, Lahiri & Kundu, 2017:54). In a survey conducted in Gauteng province in 2018, in terms of the number of employees, the majority of respondents (47 percent) employ between two to five people, while 39 percent of SME owners are the only employee. Only one percent of SMEs owners has 21-50 employees. SME owners who are in their first year of business (38 percent) have two to five employees and 58 percent of them are the only employee in the business (Masocha & Fatoki, 2018:1264).

According to Kasozi (2017:337), SMEs in Johannesburg are classified as a crucial catalyst and solution to effective economic development and growth, although the South African Government's failure to recognise the impact of SMEs in Johannesburg has triggered a negative output in their development as development is constrained by factors such as a lack of technology, capital formation, safety and an uncondusive environment to trade. Nevertheless, SMEs in the Johannesburg region are viewed as a source of economic growth, contributing between 52 percent and 57 percent to GDP, whilst providing at least 61 percent of employment (Wiid, Cant & Roux, 2016:101). For this reason, it is imperative for this study to seek further economic and growth opportunities for SMEs in the region.

Table 3.2 indicates that in the first quarter of 2019, there was a substantial increase (27 percent) in the number of SME owners aged 45 to 49, making this age group the largest amongst them all. This is an age group where people have accumulated enough experience, and perhaps some capital, to take the risk of starting a new business. However, the proportion of SME owners older than 40 years remains around 60 percent and there was also a significant increase in the age group 25-29.

A possible reason for growth in this age group is conceivably the lack of jobs in the labour market for younger people

Table 3.2: SME owners by age

Age	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrb.	Number	Distrb.	Number	Distrb.	Number	%	Number	%
15 – 19	6 630	0.3%	7 273	0.3%	6 624	0.3%	-648	-8.9%	-6	-0.1%
20 – 24	86 598	3.5%	87 490	3.4%	73 187	2.9%	-14 303	-16.3%	-13 411	-15.5%
25 – 29	195 220	8.0%	218 641	8.5%	228 872	9.0%	10 232	4.7%	33 652	17.2%
30 – 34	329 023	13.5%	319 225	12.5%	325 453	12.8%	6 227	2.0%	-3 570	-1.1%
35 – 39	384 120	15.7%	391 568	15.3%	386 822	15.2%	-4 746	-1.2%	2 701	0.7%
40 – 44	392 051	16.0%	402 588	15.7%	386 179	15.1%	-16 409	-4.1%	-5 872	-1.5%
45 – 49	329 365	13.5%	390 738	15.3%	417 524	16.4%	26 786	6.9%	88 158	26.8%
50 – 54	281 281	11.5%	307 150	12.0%	295 764	11.6%	-11 386	-3.7%	14 483	5.1%
55 – 59	221 667	9.1%	223 482	8.7%	221 234	8.7%	-2 247	-1.0%	-433	-0.2%
60 – 64	119 314	4.9%	104 366	4.1%	107 756	4.2%	3 391	3.2%	-11 558	-9.7%
65 – 69	51 913	2.1%	65 130	2.5%	62 187	2.4%	-2 943	-4.5%	10 274	19.8%
70 – 74	27 031	1.1%	25 614	1.0%	27 341	1.1%	1 727	6.7%	309	1.1%
75 – 79	18 949	0.8%	14 498	0.6%	11 596	0.5%	-2 902	-20.0%	-7 353	-38.8%
Total	2 443 163	100.0%	2 557 762	100.0%	2 550 540	100.0%	-7 222	-0.3%	107 377	4.4%

Source: Stats SA (2019:14:17)

Figure 3.4 and Table 3.3 show that in the first quarter of 2019, there was an increase in the number of SMEs active in only six of the ten main economic sectors. Furthermore, the trade and accommodation sector gained the most, accounting for close to 90 percent of the growth, followed by transport and communication at 22 percent. However, the number of SMEs also increased significantly in the construction, manufacturing and financial and business services sectors. In contrast, the number of SMEs in the community services sector declined sharply, as well as in agriculture. The industry mix changed slightly over the year to the first quarter of 2019, indicating that entrepreneurs are adjusting to economic signals and searching for the best opportunities.

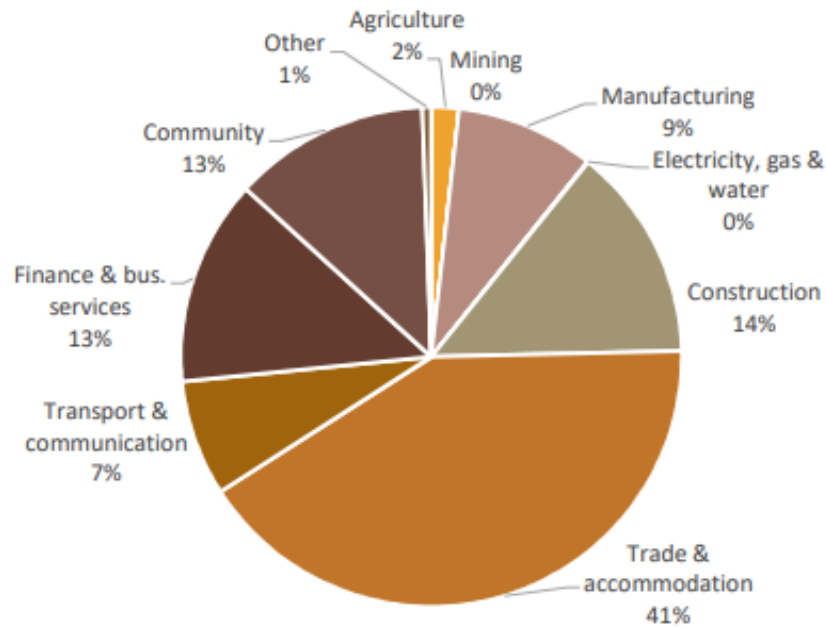


Figure 3.4: SMEs by industry in the first quarter of 2019

Source: Stats SA (2019:17)

Table 3.3: SMEs by industry in the first quarter of 2019

Industry	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrb.	Number	Distrb.	Number	Distrb.	Number	%	Number	%
Agriculture	59 969	2.5%	53 993	2.1%	45 429	1.8%	-8 564	-15.9%	-14 540	-24.2%
Mining	2 787	0.1%	4 231	0.2%	0	0.0%	-4 231	-100%	-2 787	-100%
Manufacturing	215 639	8.8%	224 754	8.8%	228 303	9.0%	3 549	1.6%	12 664	5.9%
Electricity, gas and water	1 411	0.1%	1 218	0.0%	1 041	0.0%	-177	-14.6%	-370	-26.2%
Construction	333 344	13.6%	379 841	14.9%	353 477	13.9%	-26 364	-6.9%	20 133	6.0%
Trade & accommodation	959 280	39.3%	1 052 052	41.1%	1 053 385	41.3%	1 333	0.1%	94 105	9.8%
Transport & communication	167 521	6.9%	170 896	6.7%	191 114	7.5%	20 218	11.8%	23 592	14.1%
Finance and bus services	325 119	13.3%	332 134	13.0%	339 697	13.3%	7 563	2.3%	14 577	4.5%
Community	367 851	15.1%	323 948	12.7%	323 625	12.7%	-323	-0.1%	-44 226	-12.0%
Other	10 242	0.4%	14 695	0.6%	14 470	0.6%	-225	-1.5%	4 228	41.3%
Total	2 443 163	100.0%	2 557 762	100.0%	2 550 540	100.0%	-7 222	-0.3%	107 377	4.4%

Source: Stats SA (2019:17)

Figure 3.5 and Table 3.4 show that in the year up to the first quarter of 2019, the educational attainment of SME owners in Johannesburg indicated an increased number of owners with completed primary and secondary education, as well as those who did not complete secondary

schooling, although a decline occurred in the number of SME owners with a tertiary qualification (at the higher end), as well as for those with less than primary or no schooling at the lower end. However, the share of the total of SME owners who finished secondary schooling increased from 25 percent to nearly 28 percent. Over a longer time period, it is also interesting to note that the share of SME owners with secondary schooling completed and higher, increased from 40 percent in 2008 to 49 percent in the first quarter of 2019.

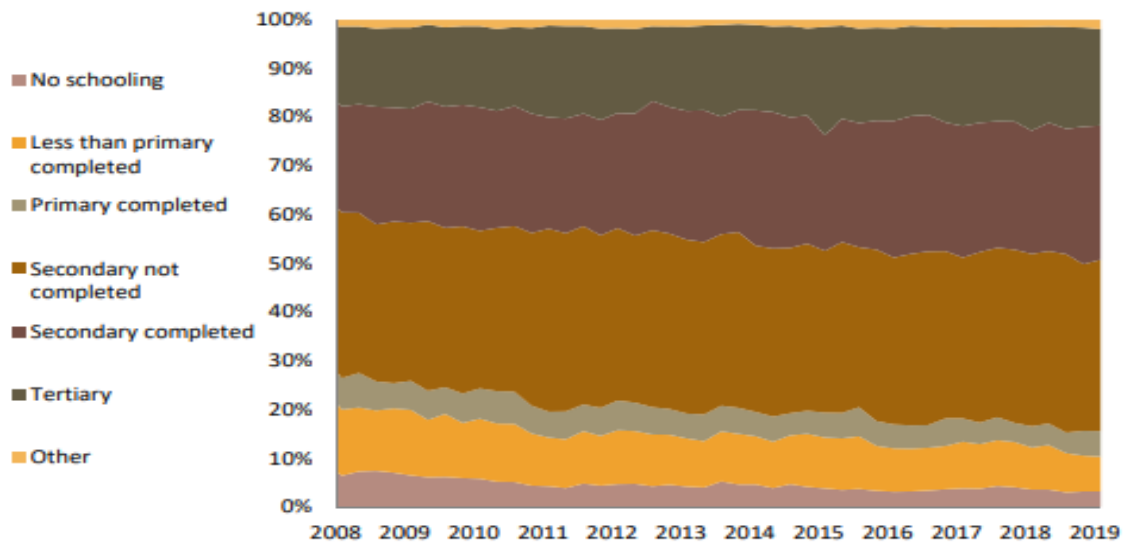


Figure 3.5: SME owners by education group in 2019

Source: Stats SA (2019:20)

Table 3.4: SME owners by education group in 2019

Schooling	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrb.	Number	Distrb.	Number	Distrb.	Number	%	Number	%
No schooling	87 822	3.6%	82 672	3.2%	81 611	3.2%	-1 061	-1.3%	-6 211	-7.1%
Less than primary completed	210 446	8.6%	187 352	7.3%	182 399	7.2%	-4 953	-2.6%	-28 047	-13.3%
Primary completed	106 477	4.4%	130 248	5.1%	134 282	5.3%	4 034	3.1%	27 804	26.1%
Secondary not completed	864 020	35.4%	873 962	34.2%	896 277	35.1%	22 315	2.6%	32 257	3.7%
Secondary completed	618 897	25.3%	722 668	28.3%	701 603	27.5%	-21 064	-2.9%	82 706	13.4%
Tertiary	518 545	21.2%	519 146	20.3%	504 464	19.8%	-14 681	-2.8%	-14 081	-2.7%
Other	36 955	1.5%	41 714	1.6%	49 903	2.0%	8 189	19.6%	12 948	35.0%
Total	2 443 163	100.0%	2 557 762	100.0%	2 550 540	100.0%	-7 222	-0.3%	107 377	4.4%

Source: Stats SA (2019:20)

Figure 3.6 and Table 3.5 indicate that in the year 2019, there was a significant increase in the number of SME owners who classified themselves as managers. The number who work as professionals and technicians declined as a major number of job opportunities opened for them in the labour market. This decline concurs with the decline in SME owners with a tertiary qualification. Of concern is the sharp decline in skilled agricultural and fishery SME owners, which may be linked to the drought in certain parts of the country, as well as doubts in the sector.

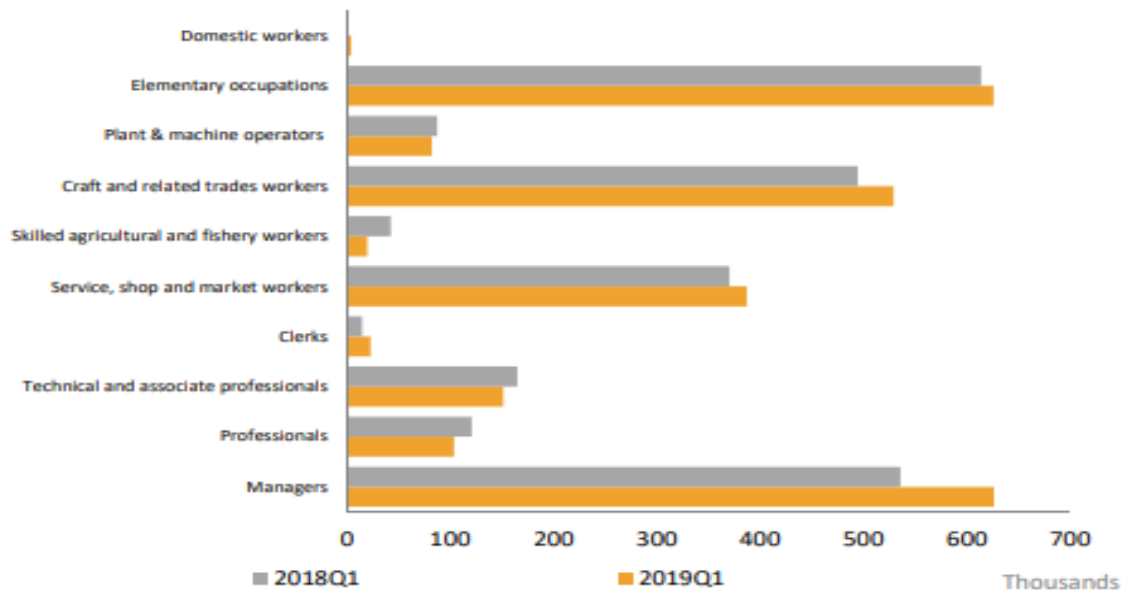


Figure 3.6: SMEs by occupation

Source: Stats SA (2019:22)

Table 3.5: SMEs by occupation

Occupation	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrb.	Number	Distrb.	Number	Distrb.	Number	%	Number	%
Managers	535 666	21.9%	617 541	24.1%	626 171	24.6%	8 630	1.4%	90 506	16.9%
Professionals	120 883	4.9%	95 672	3.7%	103 645	4.1%	7 973	8.3%	-17 238	-14.3%
Technical and associate professionals	164 964	6.8%	146 566	5.7%	151 165	5.9%	4 599	3.1%	-13 799	-8.4%
Clerks	14 617	0.6%	26 446	1.0%	22 645	0.9%	-3 800	-14.4%	8 028	54.9%
Service, shop and market workers	369 883	15.1%	386 814	15.1%	386 966	15.2%	151	0.0%	17 083	4.6%
Skilled agricultural and fishery workers	42 280	1.7%	29 410	1.1%	19 648	0.8%	-9 763	-33.2%	-22 632	-53.5%

Occupation	2018Q1		2018Q4		2019Q1		Quarterly change		Yearly change	
	Number	Distrb.	Number	Distrb.	Number	Distrb.	Number	%	Number	%
Craft and related trade workers	494 165	20.2%	543 714	21.3%	528 951	20.7%	-14 763	-2.7%	34 786	7.0%
Plant & Machine operators	87 024	3.6%	89 878	3.5%	81 883	3.2%	-7 995	-8.9%	-5 141	-5.9%
Elementary occupations	613 681	25.1%	618 378	24.2%	625 509	24.5%	7 131	1.2%	11 828	1.9%
Domestic workers	0	0.0%	3 342	0.1%	3 957	0.2%	616	18.4%	3 957	n/a
Total	2 443 163	%	2 557 762	100.0%	2 550 540	100.0%	-7 222	-0.3%	107 377	4.4%

Source: Stats SA (2019:33)

Figure 3.7 and Table 3.6 indicate the financial data of SMEs in Johannesburg. The nominal turnover of SMEs increased by only 0.4 percent in the first quarter of 2019, which is meaningfully below the 6.2 percent turnover growth of large enterprises and the inflation rate of 4.2 percent. This stagnant level in turnover forced SMEs to also keep their expenditure under control by cutting all expenses except labour and capital. As a result, profit levels remained unchanged. Nevertheless, given that there were 4.4 percent more SMEs in the same period, the average profit of SMEs possibly declined. Employment costs of SMEs increased by a substantial nine percent in this period, which agrees with the reported increase in SME employment of 29 percent.

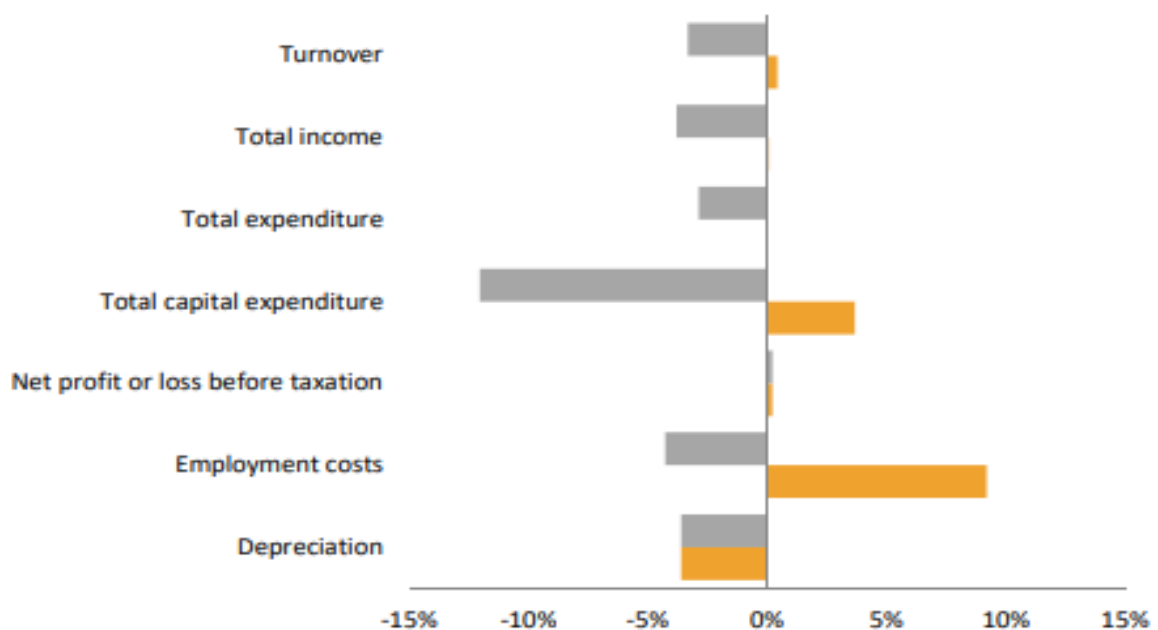


Figure 3.7: SME financial indicators in 2019

Source: Stats SA (2019:23)

Table 3.6: SME financial indicators in 2019

R million	2018Q1	2018Q4	2019Q1	q-o-q % change	y-o-y % change
Depreciation	R 13 041	R 13 040	R 12 570	-3.6%	-3.6%
Employment costs	R 160 146	R 182 693	R 174 862	-4.3%	9.2%
Net profit or loss before taxation	R 59 260	R 59 266	R 59 388	0.2%	0.2%
Total capital expenditure	R 13 807	R 16 272	R 14 312	-12.0%	3.7%
Total expenditure	R 893 389	R 902 008	R 893 592	-2.9%	0.0%
Total income	R 945 774	R 983 728	R 946 270	-3.8%	0.1%
Turnover	R 908 999	R 944 249	R 912 799	-3.3%	0.4%

Source: Stats SA (2019:23)

Despite the contribution of SMEs to South Africa’s economic growth, the unemployment rate in South Africa increased to 29 percent in the second quarter of 2019 from 27.6 in the previous period (Diao, McMillan & Rodrik, 2019:295). It was the highest jobless rate since the first quarter of 2003, as the number of unemployed rose by 455 000 to 6.65 million and employment to 16.31 million (Stats SA, 2019). As such, this study puts forward different economic determinants which is believed to have a positive impact on SMEs in the Johannesburg metropolitan region. The following section discusses the regions governed by the city of Johannesburg metropolitan and Figure 3.8 shows the map of the region.

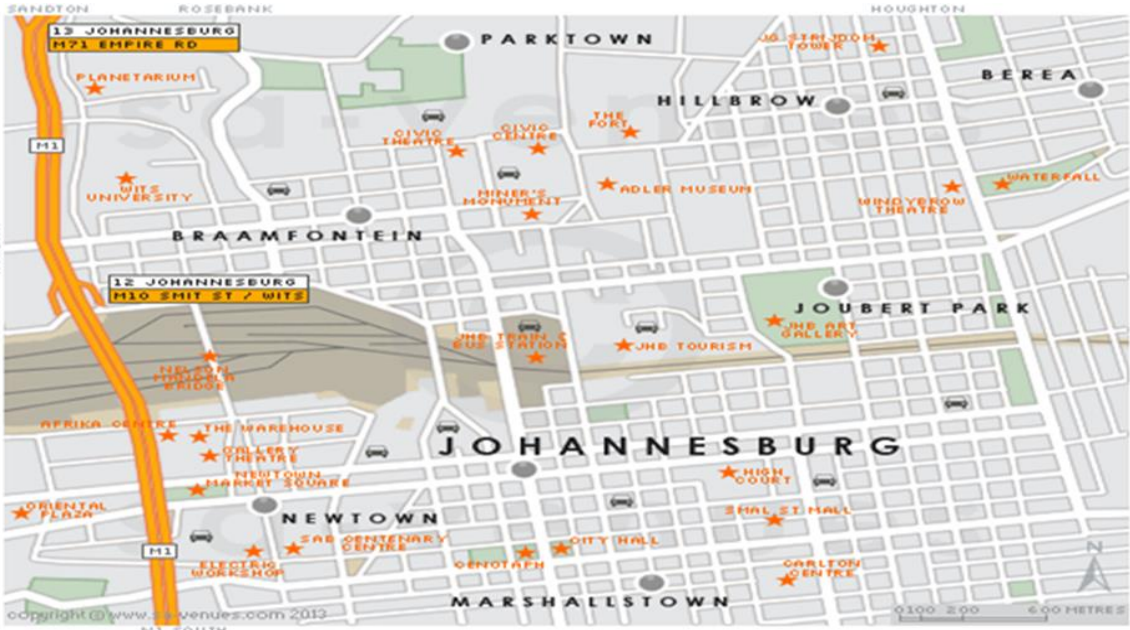


Figure 3.8: Map of theJohannesburg Metropolitan region

Source: Google Map (2019)

3.5 THE JOHANNESBURG MUNICIPAL REGIONS AND THEIR LINK TO SME GROWTH

Despite global and local economic headwinds of the past few years, the city of Johannesburg metropolitan region remains a vibrant economy to which people seeking opportunity and a better life descend. The region's economic integration with small businesses has progressively deepened over recent years. Khobai and Le Roux (2017:103) contend that SME expansion boosts employment more than large firm growth because SMEs are more labour-intensive. Therefore, subsidising SMEs can represent a poverty alleviation tool, by promoting SMEs towards the main goal of halving the poverty level by 2020 in the city of Johannesburg's metropolitan region. The following sub-section details the link between SMEs and each region and its support from the region. The regions are Berea, Braamfontein, Joubert Park, Hillbrow, Marshall Town, New Town and Park Town.

3.5.1 Berea

Berea was established in 1893 and is one of the regions within the Johannesburg's Metropolitan Region. Parry and van Eeden (2015:31) explain that the discovery of an outcrop of a gold reef on the farm Langlaagte brought about Berea. Didier, Morange and Peyroux (2013:121) add that Berea is a region in the Johannesburg central business district (CBD) which falls under region F of the city Johannesburg's Metropolitan Region. The activities of SMEs in Berea are of vital importance for the promotion of economic growth, job creation and the mitigation of poverty within the region (Bekun, Emir & Sarkodie, 2019:759). Research conducted by Greenberg and Rogerson (2015:468) confirmed that on average, there are more SME closures than expansions within the region, with approximately only one percent of micro enterprises growing from five or less employees to ten or more. In Berea, it is estimated that 90 percent of all formal businesses are SMEs (Saarinen & Rogerson, 2014:23). The city of Johannesburg's Metropolitan Region has identified the SME sector as the means to achieving accelerated economic growth and have hence come up with different development programmes and policies to accelerate their growth, like the Integrated Growth and Development Plan (IGDP) and Industrial Development Cooperation (IDC). However, this objective was not achieved partly due to a lack of security, strict policies and an unfavorable business environment (Dzomonda & Fatoki, 2018:699).

3.5.2 Braamfontein

Braamfontein region's history starts off as a farm in 1853 to a booming middle-class residential suburb in the mid-1890s. During the economic and building booms of the 1930s and 1950s, many businesses relocated to Braamfontein (Mulyati, Marizka & Bakri, 2019:103). Ngek (2014:254) mentions that trade started slowly in the mid-1890s and Braamfontein became a business hub supporting small businesses. SMEs at a regional level played a valuable role in employment creation, stability and competitiveness, developing skills and ensuring economic growth (Fatoki, 2014:152). However, the DTI and JMM create policies that support SME scale-up by fostering a dynamic business enabling environment that facilitates entrepreneurship and enables small businesses in Braamfontein to reach their full potential, including through better integration in to local and global markets and value chains (Mathu & Tlare, 2017:65). This policy includes adopting a broader, more inclusive approach to productivity growth that reflects how to expand the productive assets of an economy and provide an environment in which SMEs have a chance at growth opportunities, including in lagging regions (Magaji, Baba & Entebang, 2017:25).

3.5.3 Joubert Park

Joubert Park is a suburb of Johannesburg and it is located in region eight. Similarly, the suburb shares its name with the largest park in the Central Business District, which is located a few blocks from the main train station for the city, known as Park Station (Mthabela, 2015:23). The influx of small businesses to Joubert Park, especially foreign nationals, has contributed to a city population growth rate averaging three percent over the past 10 years (IDP, 2018:14). Recently, the South African government and the city of Johannesburg's Metropolitan Region's key focus with regard to small businesses in Joubert Park is to support them with policy frameworks and Acts such as to give support to SME owners with regard to training and financial assistance (Buli, 2017:293).

3.5.4 Hillbrow

Gupta and Wales (2017:52) explain that Hillbrow is an inner-city residential neighbourhood of Johannesburg, Gauteng Province. It is known for its high levels of population density and unemployment. In the 1970s, it was an Apartheid-designated whites only area, but it soon became a modernised area where people of different ethnicities lived together with emerging business ideas, including manufacturing companies, large businesses, banks and SMEs (Thompson, 2016:10). Taiminen and Karjaluo (2015:634) explain that Hillbrow has progressed economically with high volumes of SMEs, both internal and migrant from other parts of Africa. Bischoff and

Wood (2013: 564) state that Hillbrow has contributed to Gauteng's economy due to the mass expansion of entrepreneurs, ranging from foreign businesses to large to small businesses and street markets. However, there are high levels of crime and a lack of business literacy (Rogerson, 2012:279). However, the city of Johannesburg's Metropolitan Region has tackled the crime rate and looting of SME properties as a method of encouraging SME growth and expansion (Rogerson, 2012:27).

3.5.5 Marshall Town

Marshalltown is located in the CBD and it is known as the financial and business centre of the city. Visser, Phillips, Amadi-Echendu and Chodokufa (2016:94) add that Marshalltown has contributed to the social and economic development of the city. Mnisi and Rankhumise (2015:72) state that Marshalltown is perceived to be an economic hub of the city of JMM. The expansion of SME activities in the region, such as theatres, art galleries, museums, restaurants, book stores, craft markets, clubs and cafés have attracted local and international tourists, which has contributed to the city's gross domestic product (GDP) (Giampiccoli, Lee & Nauright, 2015:229).

3.5.6 Park Town

Park Town is another region of Johannesburg, South Africa and is the first suburb north of the inner city (Bbenkele & Madikiza, 2016:92). Park town is one of Johannesburg's largest regions and is now home to many businesses, hospitals, schools and restaurants, thus, contributing to the City of Johannesburg's growth (Ngota, Mangunyi & Rajkaran, 2018:2). The city's access to work provides people with a chance to improve their lives. Moreover, to make this a reality, the city envisions its role as creating an environment where businesses want to invest, where entrepreneurship can thrive and where government is supportive and enabling (IDP, 2018:17). As such, skills development and facilitating access to opportunities for people seeking employment is an important future role the city can play in order to support economic development. The following section discusses the economic profile of Johannesburg Metropolitan Region.

3.6 ECONOMIC PROFILE OF THE JOHANNESBURG METROPOLITAN MUNICIPAL AREA

3.6.1 Human development index (HDI) in Johannesburg

Yanuar, Tillah and Devianto (2018:2) postulate that the Human Development Index (HDI) is a summary measure for assessing long-term progress in three basic dimensions of human

development: a long and healthy life, access to knowledge and a decent standard of living. South Africa’s HDI value for 2017 is 0.69, which put the country in the medium human development category—positioning it at 113 out of 189 countries and territories (Meyer, Masehla & Kot, 2017:1378). In 2018, the report, which was released recently by the United Nations Development Programme (UNDP), indicated that South Africa's 2018 ranking is 113 out of 189 countries, with an overall human development score increase to 0.699 (UNDP, 2018). Figure 3.9 and Table 3.7 indicate South Africa’s progress in each of the HDI indicators. Between 1990 and 2017, South Africa’s life expectancy at birth increased by 1.3 years; mean years of schooling increased by 3.6 years; and expected years of schooling increased by 1.9 years. South Africa’s GNI per capita increased by about 27 percent between 1990 and 2017. Figure 3.10 indicates HDI indices and statistics between 1990 and 2018 for the Johannesburg metropolitan region.

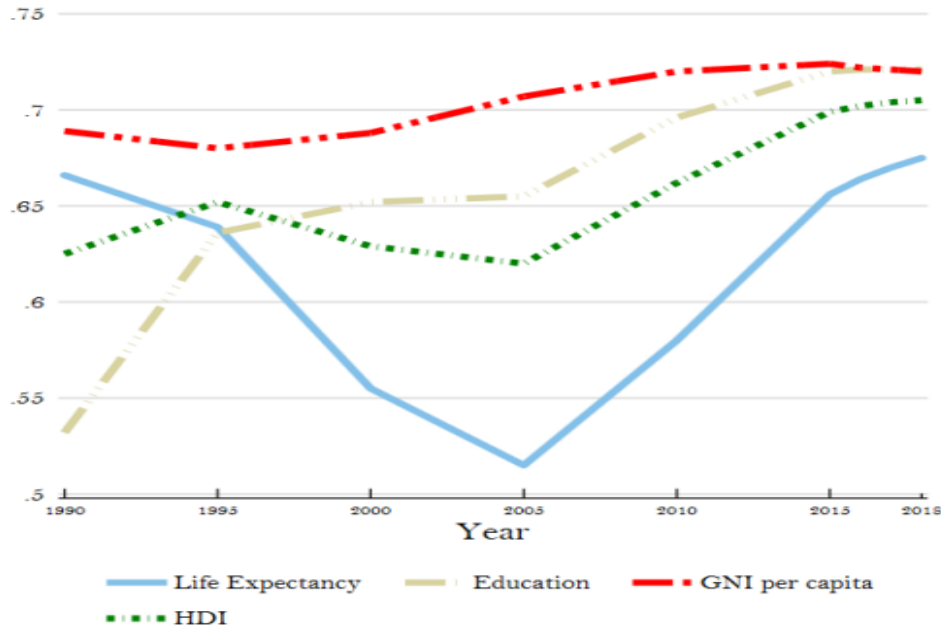


Figure 3.9: The contribution of each component index to Johannesburg region’s HDI between 1990 and 2018

Source: UNDP (2018)

Table 3.7: South Africa’s HDI trends based on consistent time series data and new goalposts of Johannesburg region between 1990 and 2018

Year	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
1990	63.3	11.4	6.5	9,588	0.625
1995	61.6	13.0	8.2	9,023	0.652
2000	56.0	13.0	8.8	9,498	0.629

Year	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI value
2005	53.4	12.9	8.9	10,798	0.620
2010	57.7	12.8	10.2	11,723	0.662
2015	62.6	13.8	10.1	12,052	0.699
2016	63.2	13.7	10.2	11,908	0.702
2017	63.5	13.7	10.2	11,864	0.704
2018	63.9	13.7	10.2	11,756	0.705

Source: UNDP (2017)

HDI indices and statistics of the Johannesburg region between 1990 and 2018 are shown in Figure 3.10.

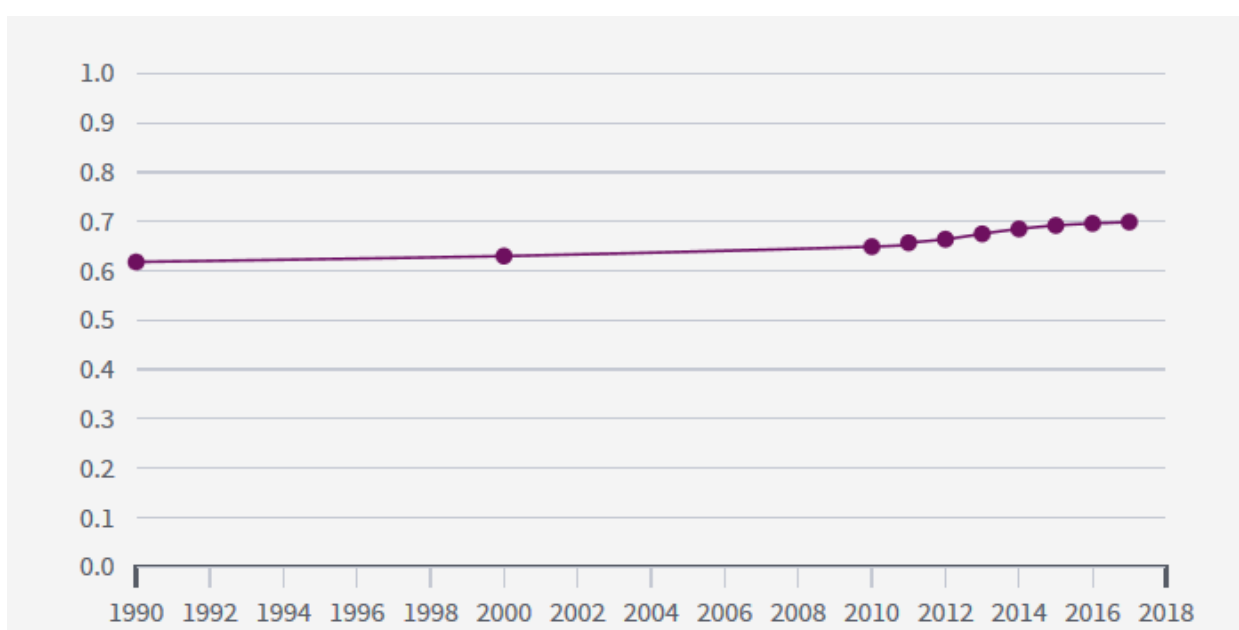


Figure 3.10: HDI indices of the Johannesburg region (2018)

Source: UNDP (2018)

Figure 3.11 shows that between 2009 and 2017/18, the quality of life index in the city of Johannesburg Metropolitan Region has slightly increased. The Quality of Life Index is based on 58 variables that are organized into 10 dimensions. Each dimension is then scored out of 1 and a composite index derived. From 2011 to 2017/18, there has been a gradual steady increase in the quality of life as perceived by Johannesburg residents.

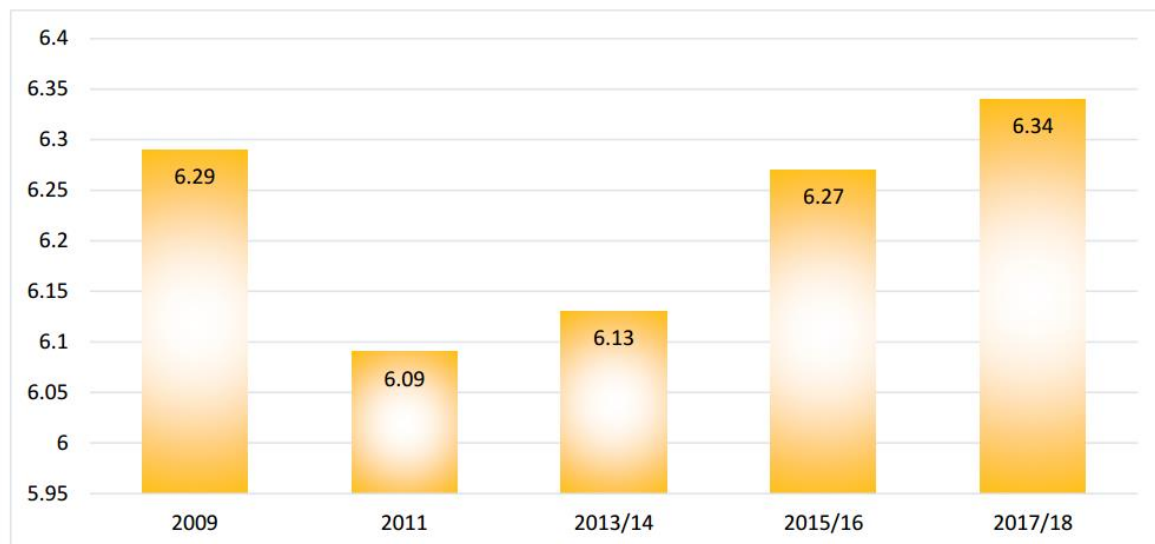


Figure 3.11: Quality of Life Index in Johannesburg region (2018)

Source: UNDP (2018)

3.6.2 Economic data of the city of Johannesburg Metropolitan Region

Johannesburg is the largest single metropolitan contributor to the national economic product. National average growth in gross domestic product (GDP) has been 1.8 percent over the past 10 years, with Johannesburg marginally outpacing that growth with an average growth per annum of 2 percent. The city's contribution to the national economy is almost 16 percent, while it is 40 percent to the Gauteng province (Mushongera, Zikhali & Ngwenya, 2017:278). Fongwa (2018:2) adds that since 1996, Johannesburg has shown positive real GDP growth and its GDP growth rate has outpaced the national growth rate. However, this is largely due to the dominance of the fast growing financial and business services sector in Johannesburg's economy, which has consistently outperformed average growth rates (Amansure & Adendorff, 2018:72). Onwuegbuchulam (2018:279) predicts that the Real GDP growth in 2020 is expected to increase by 0.9 percent improving moderately to 1.7 percent. Figure 3.12 depicts that South Africa has experienced an average growth rate of approximately five percent in real terms between 2004 and 2007. Nevertheless, the periods of 2018 and 2012 only recorded average growth of just above two percent. This is largely as a result of the global economic recession. After reaching a high of 3.3 percent in 2011, the growth in the city of Johannesburg Metropolitan Region has been on a downward trend. It fell to 0.6 percent in 2016 and slowed even further to an average of just 1.3 percent in the period 2013-2018.

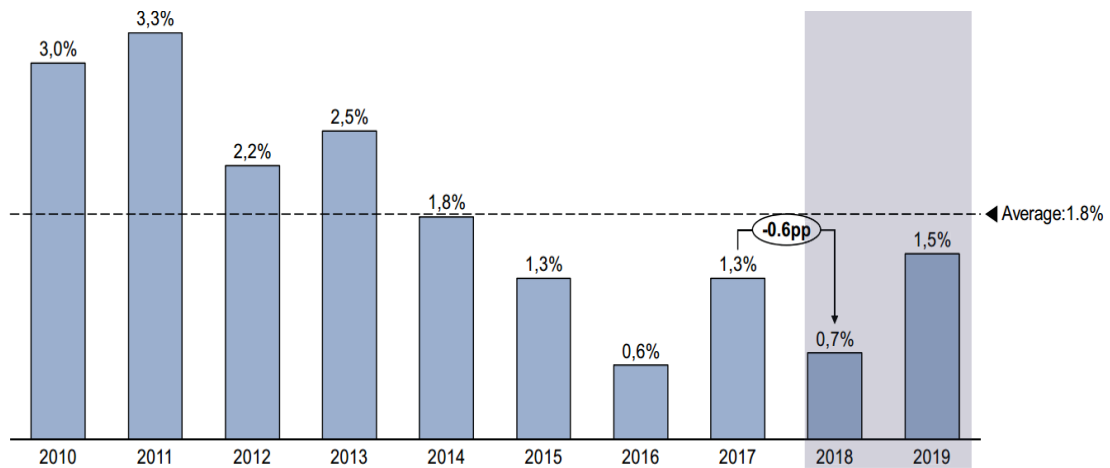


Figure 3.12: The City of Johannesburg’s gross domestic product (2010-2019)

Source: Stats SA (2019;12)

Figure 3.13 indicates business sectors which are of paramount important to the Johannesburg Metropolitan Region. The manufacturing sector reserved some of it losses and output by 7.5 percent in the third quarter, contributing 0.0 percent to overall growth. After diminishing by 0.4 percent in the second quarter, the transport sector rebounded by 5.7 percent in the third quarter. However, this made it the second largest contributor to overall growth at 0.5 percent, along with the finance sector which edged up by 2.3 percent. The agriculture sector bounced back to a 6.5 percent rise in the third quarter. The mining sector was the biggest detractor from economic growth, declining by 8.5 percentage in the third quarter.

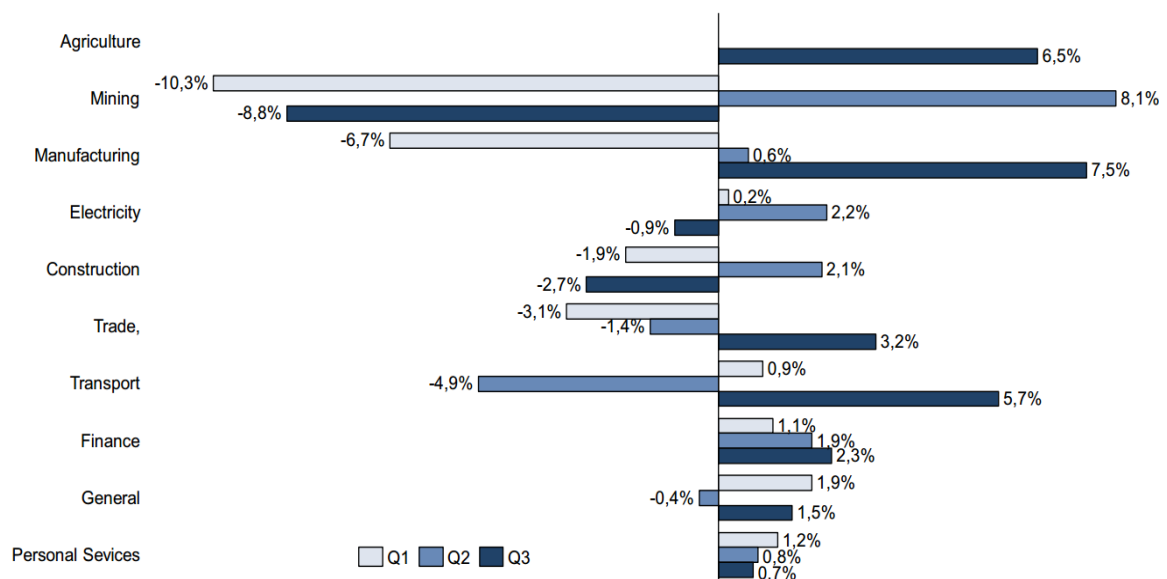


Figure 3.13: Quarterly business output in city of Johannesburg Metropolitan Region (2018)

Source: Stats SA (2019;24)

Figure 3.14 shows fixed capital and the business confidence index (BIC) in the city of Johannesburg Metropolitan Region. Growth in fixed capital formation has slowed considerably since peaking at 5.9 percent in the first quarter of 2007. However, in 2018, investment (especially by the private sector), is influenced mostly by business confidence.

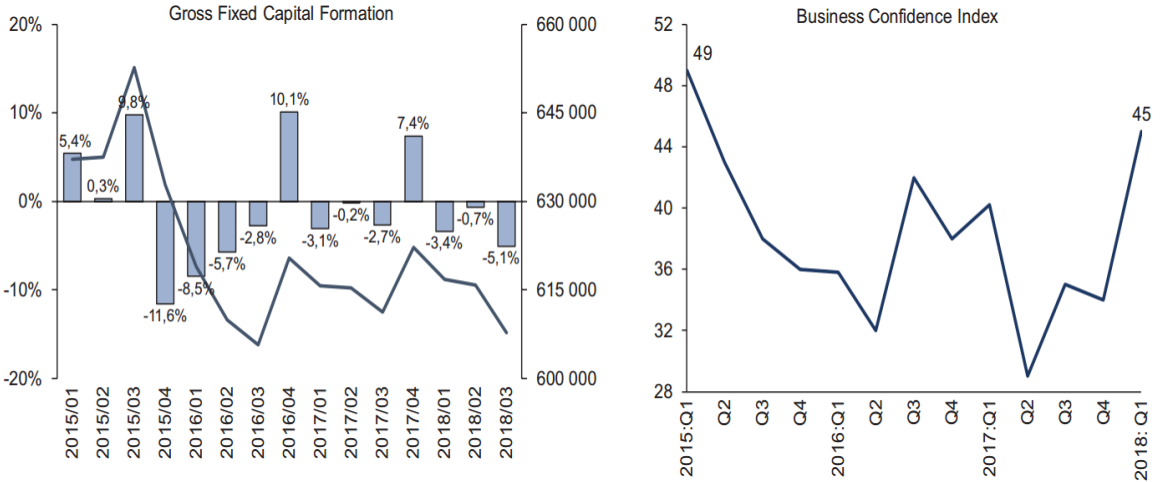


Figure 3.14: Capital formation and business confidence in the Johannesburg region (2015-2019)

Source: Stats SA (2019)

Figure 3.15 shows the consumer price index (CPI) in JMM. The consumer price inflation and core consumer price excludes the price of food and energy products. The higher oil price and the weakening of the Rand exchange rate have negatively influenced the inflation rate in 2018, while underlying demand-side pressure remained subdued. This however, reflected in a divergence in the gap between headline and core inflation during 2018.

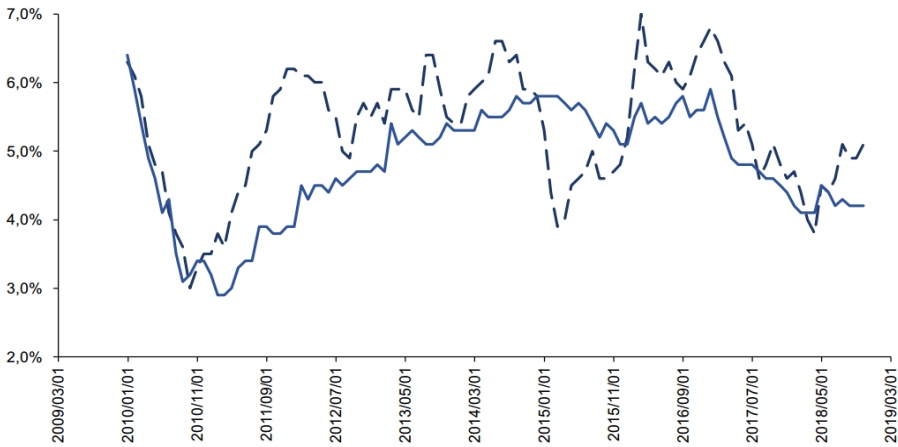


Figure 3.15: Consumer price index (CPI) (2009-2018)

Source: Stats SA (2019)

Figure 3.16 shows the unemployment rate in the city of Johannesburg’s metropolitan region. The expanded unemployment rate in the third quarter of 2018, which does take discouraged job seekers into account, was even higher and increased from 29.5 percent in the third quarter of 2008 to 37.3 percent in 2018. Throughout this period, both rates were higher amongst women as opposed to men. The rate of unemployment amongst women was 29.4 percent in the third quarter of 2018 compared with 25.9 percent amongst men. Conversely, the rate of unemployment amongst women was 7.5 percentage higher than that of males.

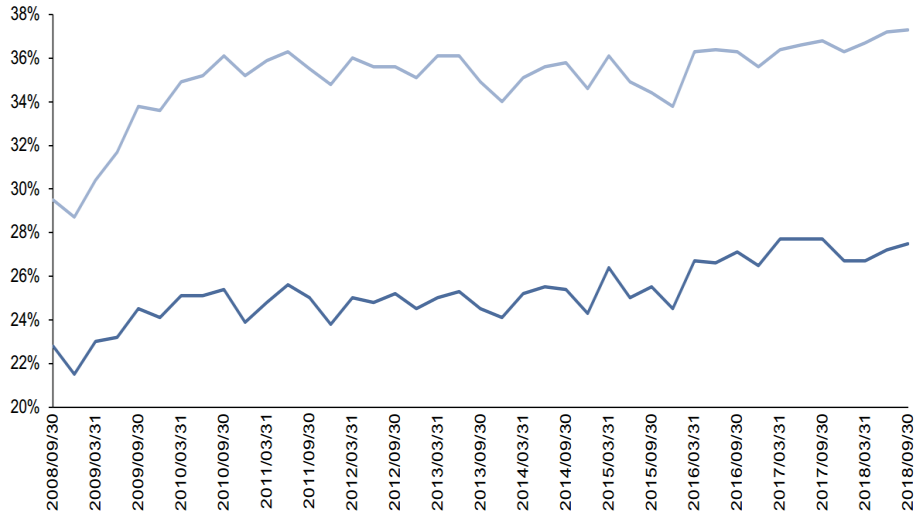


Figure 3.16: Unemployment rate in the third quarter for the Johannesburg metropolitan region (2008-2018)

Source: Stats SA (2019)

One of the objectives of the City of Johannesburg’s metropolitan region is to reduce the unemployment rate to 14 percent by 2030 (Oyelana & Adu, 2015:9). The Quarterly Labour Force (QLFS) report of 2018 indicates that the city’s unemployment rate in the third quarter stood at 37.3 percent, showing sluggish labour market improvement (Stats SA, 2018). Oluwajodu, Greyling, Blaauw and Kleynhans (2015:2) emphasise that Johannesburg still suffers from the legacy of apartheid’s spatial planning, a condition affecting the quality of life and employment prospects of the most disadvantaged residents of the city. Nevertheless, to address this challenge, the city management must attempt to reduce the effects of the spatial inequality through improving access to employment and residential opportunities for the marginalised communities of Johannesburg (Van Aardt, 2012:54). Rogerson (2016:205) points out that Johannesburg’s prosperity is crucial to the regional and national economy. Nieuwenhuizen and Swanepoel (2015:2) point out that Johannesburg’s economy features high levels of unemployment, mirroring national statistics of over 37.3 percent, with both male and females without jobs. The strategy to

promote economic development is built on five targets (Matuku & Kaseke, 2014:504). Di Paola and Pons-Vignon (2013:628) maintain that the five economic development strategies include retaining and consolidating existing viable businesses and centres of excellence, attracting new businesses and investment. Bremner (2000:186) indicates that the City of Johannesburg's metropolitan region should embrace and support the development and growth of SMEs in order to achieve better spatial distribution of economic activity and job opportunities. Mavungu (2013:66) contends that local economic development (LED) is viewed as a strategic technique used to combat the socio-economic challenges faced by local areas. The Johannesburg's management can deliver greater inclusiveness in the economy, particularly for previously disadvantaged citizens and the youth if LED strategies can be optimised (Snowball & Courtney, 2010:564). The following sub-section explains LED as an economic tool and also discusses LED in the study area.

3.7 ECONOMIC POLICIES AND THEIR INFLUENCE ON THE GROWTH OF SMEs IN JOHANNESBURG METROPOLITAN REGION

3.7.1 Local economic development

According to Meyer (2014:624), Local Economic Development (LED) should be everybody's business, including local residents, local business people and government. LED refers to the process by which local governments or community-based neighbourhood organizations engage to stimulate or maintain economic growth (Rogerson, 2013:10). Similarly, Mayosi and Benatar (2014:1344) add that the principle goal of local economic development is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural and institutional resources. LED initiatives have a direct impact on the livelihoods of communities and those involved in the projects, with positive benefits derived by the dependants of the projects in the long run (Meyer, 2017:58).

Similarly, Khumalo (2014:61) indicates that LED is based on the premise that government should have the correct systems and channels to support community projects and therefore attempt to channel investments into community projects as part of local economic development initiatives, with the potential to reap tangible economic results. Furthermore, a strategy is needed for community-based groups and government to manage their existing resources in partnership with the private sector in order to create new jobs and stimulate economic activity and growth in an economic area (Rogerson, 2018:22). In addition, Van der Merwe (2016:118) states that the aim of LED is to create comprehensive and balanced local development strategies. Eberhard and

Kåberger's (2016:190) view is that LED as a strategy is usually centred around four main axes: the improvement of the competitiveness of local firms; the attraction of inward investment; the upgrading of human capital and labour skills; and the upgrading of local infrastructure.

LED is currently receiving much attention in South Africa, although, the concept is still new (Booyens & Rogerson, 2016:385). Krugell, Otto and Van Der Merwe (2010:308) add that after 1994, South Africa was faced with many socio-economic and developmental contests with extreme inequalities in income, assets and basic social services. Likewise, Marais and Nel (2016:289) admit that many South African families and households live in poverty, are illiterate, poor, survive and live in unhygienic environments, with chronic unemployment levels. Even so, the gap between the rich and poor has been widely increasing at the expense of the poor who are trapped in abject poverty (Marais & Nel, 2016:282). There has been limited research conducted on LED focusing at the growth and development of SMEs in small districts and on regional levels such as Johannesburg, South Africa.

Small businesses worldwide are recognised for their potential to create job opportunities and generate wealth in developing areas (Lekhanya & Mason, 2014:332). In South Africa, SMEs represent a significant vehicle to address the challenges of job creation, economic growth and equity in the country (Erdis & Sephapo, 2014:565). The DTI (2016) states that in March 1995, the government presented measures to foster an enabling environment in the White Paper on the National Strategy on the Development and Promotion of SMEs in South Africa in order to deal with the unemployment rate. In other words, LED as a strategy was developed to reduce the unemployment rate and stimulate economic growth through assisting SMEs in becoming more effective in the global market. Specifically, in the city of Johannesburg, the importance of developing SMEs becomes even more significant for the achievement of social stability by creating jobs to address the high unemployment rate (Fatoki & Chiliya, 2012:14).

SME owners have become the main role-players in LED, as they create an opportune policy environment to facilitate SME activities in the following ways: by creating employment opportunities; developing infrastructure in a way that will provide business opportunities for local communities; and encouraging cooperatives to help the community become active in the local economy (Fatoki & Patswawairi, 2012:134). There are several constraints affecting SMEs in Johannesburg preventing them not to actualise their business goals, such as safety and a lack of government support.

Fitchett, Hoogendoorn and Swemmer (2016:188) suggest that as SMEs are embedded in LED, it becomes the responsibility of local government to ensure that the LED challenges are identified and responded to within a regulated and supported framework for SMEs. As such, the city of Johannesburg can contribute immensely to GDP and enhance employment opportunities if LED strategies can be implemented and used appropriately.

3.7.2 Adoption of LED by the city of Johannesburg's metropolitan region

The City of Johannesburg's metropolitan region has adopted LED strategies as a way to increase their competitiveness and to promote economic development and attract investment towards achieving a five percent economic growth rate that reduces unemployment by 2021. The city of Johannesburg's prosperity is crucial to the regional and national economy if the region can be more efficient in service delivery. Johannesburg's economy features high levels of unemployment, mirroring national statistics. Around 30 percent and over 800 000 people are without work in this area (Mange, 2019:33).

In an attempt to fight this, an LED strategy has been formulated for the city of Johannesburg that is based on five points to promote economic development. The first strategy was retaining and consolidating existing viable businesses in the Johannesburg area and creating an enabling environment in order to achieve centres of excellence. The second report is based on attracting new businesses and investment, including those in the manufacturing sector, narrowing down to very small businesses (IDC, 2019:33). The third report supports the development and growth of SMEs and achieving better spatial distribution of economic activity. The fourth is to increase job opportunities in the city through better redistribution of economic development by citizens. Finally, the fifth report is on delivering greater inclusiveness in the economy, particularly for previously disadvantaged citizens and the youth (Gunter & Manuel, 2016:312).

In achieving this imperative success, the city's management needs to play its part in countering joblessness growth through the creation of an enabling environment that supports job creation. Furthermore, the city's management needs to ensure optimally managed job opportunities within its own institutional framework, with an awareness of additional long-term spin-off prospects of these opportunities into the wider city environment. By 2021, the city aims to have achieved a 5 percent economic growth (Schmidt-Dumont & van Vuuren, 2019:10). Therefore, in order for economic growth to prevail, community leaders, stakeholders and councilors need the LED strategy to achieve and create a sustainable enabling environment for SMEs.

3.8 INTEGRATED DEVELOPMENT PLAN

Gauteng is the fastest growing province in the country, with Johannesburg contributing an estimated 5.05 million people to the total population of the province. Currently, there are at least 3000 people migrating into the city every month. The influx of migration has contributed to a city population growth rate averaging three percent over the past 10 years (Dlamini, & Reddy, 2018:10). Thebe (2016:715) explains that the 2018/19 IDP review marks the second iteration of the IDP driven by the multi-party government, elected by the residents of Johannesburg in the 2016 Local Government Elections. As the foundation for this strategic direction, the city adopted five growth and development outcomes in the 2017/18 IDP review in order to address the challenges facing the city (Dlamini & Reddy, 2018:2). In terms of growth and development outcomes, the city adopted its 2017/18 IDP review, which it aims to achieve by 2040 through four primary drivers: good governance; economic growth; human and social development; and environment and services (Biyela, Nzimakwe, Mthuli & Khambule, 2018:222). Figure 3.16 shows the five priority outcomes for economic developmental for the current IDP.

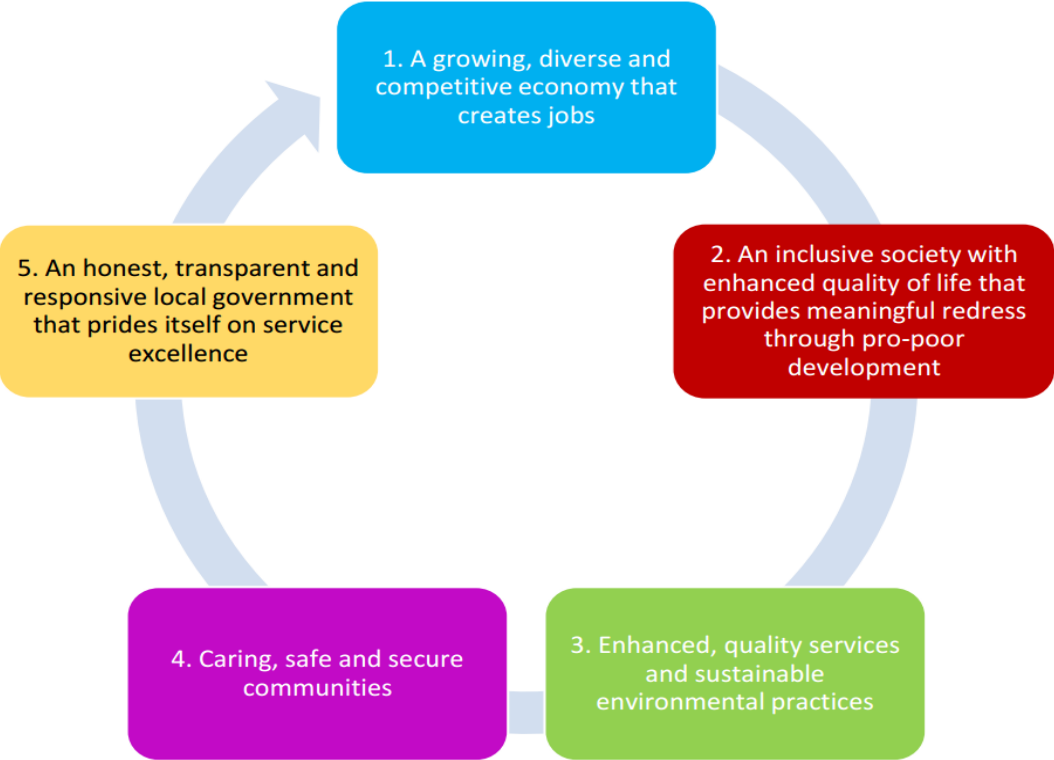


Figure 3.17: City of Johannesburg IDP 2018/19 review

Source: Stats SA (2019)

3.8.1 IDP 2018/19 outcomes for the City of Johannesburg

The IDP looks at various aspects and is developed to insure a growing, diverse and competitive economy that creates jobs, create an inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development, the enhancement of quality services and sustainable environmental practices, creating a caring, safe and secure environment for communities and ensuring an honest, transparent and responsive local government that prides itself on service excellence.

One of the first priorities of the city is acknowledging that economic growth, which creates jobs, is a central enabler for realising and extending opportunity to all residents. Access to work provides people with a chance to improve their lives. To make this a reality, the city envisions its role as creating an environment where businesses want to invest, where entrepreneurship can thrive and where government is supportive and enabling. Molale (2019:58) emphasises that skills development and facilitating access to opportunities for people seeking employment is an important feature role that the city can play.

Vyas-Doorgapersad (2017:168) pointed out that access to pro-poor development can provide people with a chance to improve their lives. To make this a reality, the city envisions its role as creating an environment where businesses want to invest, where entrepreneurship can thrive and where government is supportive and enabling. Skills development and facilitating access to opportunities for people seeking employment is an important feature role the city can play (Louw & Marais, 2018:279). Shih and Mabon (2018: 2338) suggest that creating more inclusivity within the communities will embrace and welcome diversity and the city must do more to ensure that space is provided where all members of the public can come together.

Nilsson, Griggs and Visbeck (2016:321) explain that city residents do not have to worry about potholes, broken street lights and crumbling infrastructure. The city's development plan is to ensure improved access to quality and affordable basic services, safe roads and well maintained public spaces (Chiloane-Tsoka & Mmako, 2014:377). The City must make bold choices to protect water, air, waste and soil. Lawrence a Tar (2013:29) emphasises that the city's focus is more on ecological goods and services and developing new ways of managing water, energy, waste, transport and housing and new ways of addressing the risks of climate change.

The vision of the City of Johannesburg is offering its residents widened life chances and opportunities. Radipere and Dhliwayo (2014: 10) add that the city envisions providing safety to

its residents and ensures that when community members engage with it, they are heard. Safety means living in environments where crime is not the norm, which are clean and enhance the health of those who live in them. Support from the City of Johannesburg will enable people to make independent decisions and take care of themselves and their households (Ndevu & Muller, 2017:14). Chiloane-Tsoka and Mmako (2014:377) posit that the City of Johannesburg's role in crime prevention is limited, but the City interprets its mandate to include investment in public safety through community development, urban design and management; the protection of vulnerable groups; infrastructure upgrades; improvements to by-law compliance and enforcement; and responding to emergency and disaster situations. As a consequence, the City of Johannesburg aims to significantly reduce the crime rate so that everyone in the city will have equal access to quality police services and safety support, irrespective of where they live (Akinyemi & Adejumo, 2017:625).

An honest, transparent and responsive government will lead to efficient administration, as well as to respect for the rule of law, accountability, accessibility, transparency, predictability, inclusivity, equity and participation. The city envisages a future where it will drive a responsive, efficient institution focussing on progressive service delivery (Cirolia & Smit, 2017:64). Hamann, Smith, Tashman and Marshall (2017:25) explain that service delivery can facilitate growth and development within spheres of government, which could help build a socially inclusive environment and services that matter. Residents of Johannesburg have for many years faced frustrating challenges relating to the quality of services they receive. However, improving this requires developing a culture of enhanced service-delivery and instilling a sense of pride in the city's employees, especially with regard to the manner in which they interact with the public on a daily basis.

The central objective of LED is to tackle and reduce poverty. Mavimbela and Dube (2016:121) point out that LED projects such as the 1997 Poverty Relief Fund (PRF) aims to loosen the poverty grip and create an enabling environment for its citizens in South Africa. Heeks (2010:626) explains that LED is aimed at promoting local participants to tackle local needs and to promote local involvement of the immediate communities in determining achievable economic and social welfare strategies for the locality and the community. LED is an output-based local initiative involving an IDP process of categorising and using local resources, ideas and skills to strengthen economic growth and development (Lawrence & Rogerson, 2018:40). Similarly, Simo Kengne (2016:118) speculates that LED can accelerate job creation to create jobs and employment

opportunities for local residents, alleviate poverty and empower the youth and previously disadvantaged communities if the strategy is used efficiently. Clarke (2018:8) states that for LED to be venerable, both public and community participation is important.

As such, Clarke (2018:9) suggests that municipal governments should not work for their own interest, but to promote public participation governed by the democratic values and principles of responding to people's needs, with the public encouraged to participate and effective policy-making. As aforementioned, there is limited information in coming up with a common understanding of how LED initiatives could be planned and implemented without triggering inconsistent opinions within the community development. SMEs optimise LED as a strategy, but a lack of awareness and information still disadvantages most small businesses in the Johannesburg region. Moreover, institutions at national, provincial, as well as grass root and international level face challenges in the implementation of LED strategies especially to SMEs.

3.9 SYNOPSIS

SME development and success leads to local economic development. A variety of sources were used to obtain information in this research topic. The five priority outcomes for economic development for the 2018/19 IDP in the city was discussed and other scholarly literature debates on LED were assessed. Chiloane-Tsoka and Mmako (2014:378) elucidate that the success of LED has been fairly inadequate, with financed projects benefiting only a limited number of small businesses due to their exposure to business skill and finance literacy. Khosa and Kalitanyi (2014:205) further contend that that LED initiatives had limited long-term economic assistance for local businesses as compared to state-funded projects. Furthermore, monitoring and evaluation are not well rooted in local authorities with the different role-players involved in LED. Pettit, Fiksel and Croxton (2010:2) contend that for municipalities to be more well-resourced, LED needs to be taken seriously in order to trigger economic development with innovative business means, such as community self-help services and entrepreneurial initiatives.

From the literature review conducted, it is clear that LED is seen as a strategic tool needed to alleviate poverty and unemployment by municipalities. Moreover, it is obvious from the literature review that despite the fact that policies aimed at addressing poverty at the region level were prioritised, no poverty reduction targets were put in place, meaning that there is negligible impact of the LED strategy. Bischoff and Wood (2013:494) note that starting Local Economic Development initiatives is not an easy strategy, but requires corporation between the national,

provincial and municipal levels. Fatoki (2012:180) concluded that LED initiatives can reduce poverty, as well as promote local creativity and innovation, investment in human capital, the provision of technical assistance and training for self-employment and business start-up, with more focus on entrepreneurship formation. The South African government realised, as early as 1995, the significance of SMEs to the economy. One of the vital way of reaching out to local economies is to create jobs by making the local economy grow by starting more businesses in the city region (Vyas-Doorgapersad, 2017:168). Hence, there is a need for further studies to determine the impact and effectiveness of LED programmes in reducing poverty rates and unemployment through job creation and by benefitting the majority of previously disadvantaged communities and small businesses.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

Chapter four provides an overview of the methodology, the research design and approaches used to carry out the study and to fulfil its empirical objectives. Antwi and Hamza (2015:217) explain that the term ‘methodology’ can be used by a researcher in a particular project, including basic knowledge related to the subject and research approaches in question and the framework employed in a particular context. Similarly, the manner in which the researcher examines and looks for solutions to pre-defined existing research problems contributes a research methodology (McCusker & Gunaydin, 2015:538). It was deemed suitable to achieve the research objectives by using quantitative techniques (Babatunde, Perera & Zhou, 2016:90). Thus, this chapter explores the research philosophy supporting the research approach, research design, and research strategy. It further elaborates on the population and sampling design and data collection and data analysis techniques, questionnaire design and administration of the questionnaire. Finally, it discusses the Analysis of variance (ANOVA), reliability and validity, as well as elaborates analysis techniques used including ethical considerations.

4.2 RESEARCH PARADIGM AND PHILOSOPHICAL UNDERPINNING

Hughes and Sharrock (2016) believe that in all research projects, there should be a relationship between the researcher’s own values, their worldview about knowledge, the theory underpinning the study, research methods and the aims of the research. Similarly, Bonnes (2013:208) maintains that a research paradigm has three major dimensions: ontology, epistemology and methodology. Research paradigms represent an interrelated practice and nature of examination along with three dimensions. For that reason, it is important to discuss the research philosophy and paradigm underlying the research before embarking on a study of this nature (Reuben & Bobat, 2014:2).

Mayer and Van Zyl (2013:2) believe that the word “paradigm” came from the Greek word meaning pattern. It was first phrased by Graham and Dayton (2002:1482) to represent a conceptual framework shared by a community of scientists that provided them with a convenient model for examining problems and finding solutions. Similarly, a research paradigm is the conceptual lens through which the researcher examines the methodological aspects of their research project to determine the research methods that will be used and how the data will be analysed (Edoho,

2016:279). Dumasi, Dhurup and Mafini (2014:3) contend that “paradigm” refers to a research culture with a set of values, principles and norms that researchers have in common concerning the nature and conduct of research. A research philosophy relates to how knowledge is developed and formed (Mathu & Tlare, 2017:63).

Research philosophy also, contains central assumptions which strengthen people’s opinions on how the world works (Ponelis, 2015:535). Based on the view of Creswell and Poth (2017:66), Onwuegbuzie and Frels (2013:187) believe that people’s view refers to the belief systems that guide one’s actions. Hollway (2018:139) insinuates that people’s view is referred to as ‘ontology’ in research, which poses assumptions about what exists, what it looks like, what units make it up and how these units interrelate with each other. As a result, a paradigm explains a pattern, structure or system of scientific and academic ideas, principles and assumptions (Mitonga-Monga, Flotman & Cilliers, 2016:326).

Senft and Baym (2015:1589) state that the link between ontology and epistemology is that ontology deals with philosophy, which is concerned with being and with what exists and which includes things in the world and how the world can be divided. Epistemology relates to theories of knowledge and how people derive knowledge from things. Ames and Burrell (2017:448) believe that ontological and epistemological aspects are usually referred to as a person’s general view which has a positive influence on the perceived relative importance of the aspects of reality. Abraham (2016:35) believes that people’s views can be objective and constructive. Similarly, Burton-Jones, McLean and Monod (2015:665) maintain that ontological and epistemological-related research can be both appropriate for some purposes and insufficient or overly complex for other purposes. However, a person’s view may change depending on the situation. This study will further make use of elements from both views and considers them as corresponding. Researchers support the notion that the positivist paradigm is of the view that there is a reality that is single, objective and tangible (Thanh & Thanh ,2015:25). By contrast, Antwi and Hamza (2015:218) posit that interpretivist ontological researchers believe that there are several truths, which are reliant on human experiences and interpretation.

Ontology and epistemology have two classifications; positivism and objectivism (Escobar, 2016:12). Positivism, is an epistemological position dealing with the importance of objectivity and evidence in searching for truth and the world. Lucas (2016:7) indicates that positivism epistemology holds the position that has meaning and meaningful realities. Fletcher (2017:184) explains that positivist and objectivist traditions, opposing views of the world and knowledge then

appeared known as interpretivism and constructionism. Researchers believe that there are ways of knowing about the world other than direct observation: our perceptions and interpretations of the world around us (Pietkiewicz & Smith, 2014:10). Interpretivism forms a research concept that shows the interaction and the reality of how people subject their experiences of the external world, which as a result synthesise their inter-subjective epistemology and the ontological belief on how their reality is socially built (Ang, Embi & Md Yunus, 2016:1856). The interpretivist paradigm stresses the need to put analysis in context (Roberts, 2013:260). However, the interpretive paradigm is concerned with understanding the world as it is from the subjective experiences of individuals (Babones, 2016). Scholars like Pietkiewicz and Smith (2014:10) add that the use of methodologies can be used as an element of interviews and creates a subjective relationship between the researcher and subjects. McFerran, Garrido and Saarikallio (2016:230) conclude that interpretive research does not predefine dependent and independent variables, but focuses on the full complexity of human sense-making as the situation emerges.

Interpretivists are anti-foundationalists who believe there is no single correct route or particular method to knowledge (Levers, 2013:21). Petty, Thomson and Stew (2012:379) contend that in the interpretive tradition, there are no correct or incorrect theories. Dubey, Gunasekaran, Sushil and Singh (2015:231) support the view that interpretivism as a research concept should be judged according to how interesting they are to the researcher, as well as those involved in the same areas (Petty, 2012:378). Glogowska (2015:2) argues that interpretivists assume that knowledge and meaning are acts of interpretation. Hence there is no objective knowledge which is independent of thinking. Packard (2017:536) argues that the opinion of interpretive researchers is that access to reality can be socially constructed or given and can only be meaningful through social constructions such as language, realisation and shared meanings. Furthermore, the interpretive paradigm is supported by observation and interpretation. Hence it observes how to collect information about events, while it interprets it to make more meaning of the information by drawing readings or by judging the match between the information and abstract patterns (Petty, Thomson & Stew 2012:378).

Jones, Edwards and Viotto Filho (2016:201) maintain that the interpretivist paradigm emphasises the need to include analysis into a framework. This interpretive paradigm is concerned with understanding the world as it is from a particular experience of how individuals' reason (Khan, 2014:224). By contrast, Ponterotto (2014:77) contends that the interest of interpretivists is not the generation of a new theory, but to judge or assess and improve interpretive theories. Bag (2016:40)

adds that there are different uses of theory in interpretive case studies: existing theory guiding the design and collection of data and theory as an iterative process of data collection and analysis. With the help of the theory as discussed previously, Walker and Moscardo (2014:1176) explain that interpretivist researchers look for specific ways in which a relationship is established and the setting within which it occurs. As such, these scholars are able to understand how a relationship occurred, rather than simply knowing what has occurred (Packard, 2017:538).

The positivist research paradigm assumes that independent facts about a reality can be measured in a quantifiable manner (Meyer, 2018:180). In this paradigm, researchers are independent from the study, either directly or indirectly. Moreover, within a positivist paradigm, a cause and effect relationship must be established as this is one of the main beliefs of researchers (Ponterotto, 2014:78). More importantly, researchers are assumed to be unbiased, independent observers who make predictions through the use of scientific methods. Results from the data analysis are unbiased and do not change if being observed. Results in this paradigm are obtained in an objective manner. Research places importance on numerical, quantitative data that includes a statistical analysis procedure (Ponterotto, 2014:80). Bunniss and Kelly (2010:359) believe that more research needs to be done in respect of small businesses under the auspices of the qualitative paradigm, referred to as constructivism. Moreover, researchers from both the qualitative and quantitative traditions pay little attention to philosophical issues relating to the growth of small firms, concentrating instead on the quality of their own empirical investigations (Boddy, 2016:428). However, this study believes that an approach is required in its ontological orientation, which can promote SME growth. Therefore, following the positivist paradigm, this study seeks to investigate the economic determinants of SME growth within the Johannesburg metropolitan area through the means of a quantitative method.

4.3 RESEARCH APPROACH

Anwer and Zarro (2016:75) indicated that there are two major approaches to research, which include the deductive and inductive research approaches. These approaches can also be called the quantitative and qualitative research approaches. They further suggest that the approach a researcher adopts should be predisposed by the paradigm that has been selected. A research approach can also influence the research design and strategy that will be used during the study (Farahmand, 2016). Similarly, a research approach acts as a way of thinking, in which valid conclusions are deduced premised on the assumptions made (Bohli, Gruschka, Iacono & Marnau, 2013:220). Daragheme and David (2017:50) contend that a research approach helps researchers

to understand existing knowledge deduced from arguments by other scholars. A well-established existing theory underpins a deductive research approach which informs the development of hypotheses, the choice of variables and the resultant measures (Hollebeek, Glynn & Brodie, 2014:161)

A quantitative approach deals with quantifying and analysing variables in order to get results (Montshiwa, Nagahira & Ishida, 2016:692). It involves the utilization and analysis of numerical data using specific statistical techniques to answer questions like who, how much, what, where, when, how many and how? (Hollebeek *et al*, 2014:162). Furthermore, the use of quantitative data, controls can allow the testing of hypotheses and is a highly structured methodology to enable replication (Ainin, Parveen, Moghavvemi, Jaafar & Mohd Shuib, 2015:578). On the other hand, Chatzoglou and Chatzoudes (2016:330) point out that the research approach, including qualitative methods, forms a concept and principles of reductionism which enable facts to be measured quantitatively and forms a reasoning basis that draws from an instance or repeated combination of events in order to conclude or make universally accepted generalisations.

Similarly, the inductive approach allows the researcher to gain confidence on the way in which humans understand their social world, unlike the deductive approach which allows a link to be made between certain variables without understanding humans and the context within which they find themselves (Zieba, Bolisani & Scarso, 2016:298). Johnson (2017:3780) adds that the concept of the inductive approach depends on the development of the understanding of humans and how they interpret their social world. Unlike the quantitative approach, the qualitative approach provides a less structured methodology that is likely to reveal some additional clarifications for this study. In spite of this, this study intends to use a quantitative approach with a large sample size to investigate the economic determinants of small business growth within the Johannesburg metropolitan area. As a result, a quantitative research method was used to collect data and to establish different views of the phenomena (Hossain & Kauranen, 2016:60).

4.4 RESEARCH DESIGN

Noble and Smith (2015:33) explain that a research design is a logical masterplan of a research project that explains how the study is to be directed. Almalki (2016:290) adds that a research design indicates how all of the major parts of the research study (for example samples or groups, measures, treatments or program) and how the research findings work together in an attempt to address the research questions. From this point of view, a research design is a framework or

blueprint for conducting a research project (Bonazza, Smuin, Onks, Silvis & Dhawan, 2017: 729). Its composition specifies the details of the procedures necessary for obtaining the information needed to structure or solve research problems (Bonazza *et al.* 2017:730). Cook, Kuper, Hatala and Ginsburg (2016:1360) indicate that a research design can be seen as the actualisation of judgement in a set of procedures that enhances the legitimacy of data for a given research problem. Correspondingly, the research design serves to plan, structure and execute the research to make best use of the validity of the findings (Dikko, 2016:525). Kim and Hodgins (2017:85) emphasise that a research design gives directions to underlying philosophical assumptions on the procedure of data collection. A research design also ensures that the researcher strives towards objectivity (Weiskopf &Weng, 2013:148). Yazan (2015:150) further states that a research design includes exploratory and conclusive approaches. Conclusive research design includes descriptive and casual research designs, while exploratory research is viewed as the process undertaken when the knowledge obtained through the findings of the study is relatively novel (Meyer, 2018:8). This type of research design has the main aim of obtaining clarity on imprecise situations and/or gaining greater insight into a topic under investigation.

Ridder (2017:282) states that using this research design might assist in the formulation of certain hypotheses and research questions that may then be tested using conclusive research. This research design mostly aims to investigate new ideas and qualitative-based approaches, which could in most cases be appropriate. This type of approach includes in-depth interviews, focus groups and projective techniques. The second category, conclusive research, encapsulates a more definite or conclusive outcome in that it examines specific relationships and tests hypotheses. Conclusive research includes descriptive and causal research (Meyer, 2018). Causal methods mostly make use of experiments to test relationships. The aim of this research design is to investigate the cause and effect relationships between different variables. This design aims to determine the effect of independent variables on dependent variables through experiments, thus allowing for more definitive conclusions.

As part of this design, cross-sectional designs show both advantages and disadvantages during the collection of data. Mihara and Higuchi (2017:248) explain that the cross-sectional study design is a type of observational study design. In a cross-sectional study, the investigator measures the outcome and the exposures in the study participants at the same time. This may be conducted either before planning a cohort study or as a baseline in a cohort study. One of the advantages of cross-sectional studies is that it simultaneously measures the exposure and health outcomes in a

given population and in a given geographical area at a certain time (Sedgwick, Oosterbroek & Ponomar, 2014:90). Wycoff and Berzins (2012:1119) emphasise that cross-sectional studies' generalizability is limited by the sampled population and population definition. Table 4.1 further explains the advantages and disadvantages of cross-sectional designs.

Table 4.1: Advantages and disadvantages of cross-sectional designs relating to the study

Advantages	Disadvantages
Reviews into the aspects of this research have revealed that the process involved is relatively simple and cheap, morally secure and the retrieval of data is evidently easy.	There is a possibility that results collected from participants could be very confusing.
Can estimate the prevalence of outcomes of interest because a sample is usually taken from the whole population.	Receiving a non-response when conducting a cross-sectional study can result in bias when outcomes are being measured.
It offers information for a descriptive analysis and comparison of data on a subject at a certain point in time.	It requires a larger sample size to provide accuracy and the data on the subject researched is not conserved.
Facilitates researchers to examine different variables at the same time.	It does not offer data about casual relationships
It provides a foundation for future research opportunities.	Studies can limit the availability of an outcome for researchers because they are not always able to determine why certain events occur within the population.

Source: Zheng (2015:70)

As the primary objective of this study was to identify the determinants to SMEs growth and its link to economic growth, development and job creation in the city of Johannesburg metropolitan region of South Africa, the use of a quantitative research approach was deemed most appropriate. The study made use of a cross-sectional design using primary data collected through structured questionnaires, which were subsequently analysed and interpreted in a statistical manner. A paper-based (questionnaire) survey technique was utilised to collect quantitative data related to the level of SME business growth, performance, opportunities and factors that are considered most important for sustained business growth.

4.5 SAMPLING STRATEGY

Uwonda and Okello (2015:158) define a population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. Similarly, Price, Rae and Cini (2013:486) point out that a sampling strategy makes provision for accurate and reliable conclusions from a given population. In relation to this, a sample refers to a sub-category of the

elements of the population selected for participation in a study, which triggers directions for identifying the target population (Mohlameane & Ruxwana, 2013:396). In this study, business owners are located within Berea, Braamfontein, Joubert Park, Hillbrow, Park Town, Marshall Town and New Town. SME owners of all races, age groups, educational status, socio-economic status, residential and business areas within the Johannesburg Metropolitan Region operating between 2018 and 2019 are included in the study.

4.5.1 Sampling frame

Heavey, Simsek and Fox (2015:15) emphasise that a selection procedure is needed in order to actualise a sample from a targeted population, which is referred to as a sampling frame. As stated in Chapter one, the sample frame is a list that includes members of the population from which a sample is taken, and which provides direction for determining which participants to be included in the sample (Doran & O’Leary, 2010:706). For the purpose of this research study, the targeted sample frame was SMEs operating during the last 12 months (from 2018 to 2019) in the city of Johannesburg’s metropolitan region.

4.5.2 Sampling approach

There are two types of sampling approaches: probability and non-probability sampling (Tam & Gray, 2016:15). Jaiyeoba (2014:52) states that with probability sampling, each participant of the population has an equivalent chance or probability of being selected. In other words, every individual in the population has the same chance of being selected. Furthermore, Wang and Ierapetritou (2017:533) state that probability sampling is a sampling technique in which each element of the population has a fixed probabilistic chance of being selected for the sample. Subsequently, probability sampling is frequently linked with survey and experimental research strategies (Mudamburi, 2012:14). Mudamburi (2012:15) adds that there are five types of probability sampling that are generally accepted techniques / standards.

These include: *random sampling* (choosing a separate from a sampling frame) and *systematic sampling* which is choosing a sample at even intervals from the sample frame. In addition, *stratified random sampling* encompasses separating the sample into two or more strata and later using systematic sampling to select from each strata. Finally, *cluster sampling* contains a division of the population into discrete groups and later selecting the sample from the groups (Khosa & Kalitanyi, 2016:49).

In contrast, that non-probability sampling is a sampling technique in which the sampling components are selected based on the personal judgments of the researcher (Rowley, 2014:315). Ardyan (2016:80) posits that there are many different categories of non-probability sampling which include for example quota sampling and snowball sampling. Typically, *quota sampling* refers to selection with controls, ensuring that specified numbers (quotas) are obtained from each specified population sub-group (Tam & Gray, 2016:680). Normally, quota sampling involves two-stage, restricted judgmental sampling. It ensures that the various sub-groups of the population will be represented on certain key characteristics to the exact extent that the investigator desires. Secondly, *snowball sampling* is a type of non-probability sampling where the first group of respondents is selected randomly, and then the second group are selected based on the recommendations of the first group (Siddique, Saleem & Abbas, 2016:850).

Thirdly, Kapitsinis (2017:710) maintain that “judgmental sampling” is a method of convenience sampling in which the population basics are selected based on the experience and beliefs. The fourth sampling strategy includes convenience sampling. Convenience sampling is where the researcher obtains the sample units that are most conveniently available to him/her (Sarker & Palit, 2014:237). The present study aimed to collect data from small business owners in Johannesburg metropolitan region to seek information about their entrepreneurial performance and the current market situation. As a result, the sample was based on convenience and snowball methods to identify a total of 200 SMEs. As no formal sample frame with a list of businesses was available for the Johannesburg area, a non-probability convenience and snowball sampling technique was considered most suitable to collect the data for this study.

4.5.3 Sampling size

Lee, Sameen and Cowling (2015:373) explain that sample size determines the most important aspects of any empirical research study. Pratono (2016:369) stresses that inadequate sample size undermines the power of the statistical tests of significance. In particular, a sample size can be determined by considering various factors which may include the nature of the study, sample sizes used in previous similar studies and the availability of resources (Ramasobana, 2017:161). Based on this previous example, studies by Meyer and Meyer (2017:132) investigated a total sample of 368 in the Vaal-Triangle region, which focused at stumbling blocks that hinder SMEs growth and development, Meyer *et al.* (2016:62) investigated a total sample of 50 SMEs in the Midvaal Local Municipal area which focus on small business development, whilst, Ramasobana (2017) also investigated a total sample of 100 SMEs in Polokwane Local Region which focused at marketing

communication and the performance of SMEs. As no formal sample frame for the number of SMEs in the Johannesburg region is known, the sample was determined based on the historic study method. Therefore, a total sample size of around 200 respondents were deemed appropriate.

4.6 DATA COLLECTION METHOD

Almalki (2016:290) posit that there are four data collection instruments, which includes participant observation, personal interviews, telephone interviews and self-administered questionnaires used in collecting primary data. Pratono (2016:300) contends that in a quantitative method, data collections involve the use of the survey method. This section explains the data collection process of the study. As data can be collected by both primary and secondary methods, a comprehensive explanation is further provided. Secondary data is fast and less expensive to obtain (Johnston, 2017:621). Similarly, Long-Sutehall, Sque and Addington-Hall (2011:340) indicate that the main advantage of using secondary data is that it is very easy to obtain as it can be collected from trustworthy sites such as StatsSA and other internet sources. Secondary data can also assist in the study by guiding the researcher on how to develop the questionnaire that is used in the primary data collection (Groeneveld, Bronkhorst, Ashikali & Van Thiel, 2015:70). Guerra-Santin and Tweed (2015:189) state that data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses and evaluate outcomes. Furthermore, a data collection component of research is common to all fields of study the physical and social sciences, humanities and business (Niels & Janneck, 2015:275). Data collection assisted the questionnaire to actualise responses from the respondent. Some of the key words used to gather information in the questionnaire were SME, business growth, partnership formation, safety and security, Local economic development (LED) initiatives infrastructure development, entrepreneurship development, access to opportunities and transport and enabling environment. In this study, primary data was used and collected by trained field workers using a questionnaire which had 13 sections. The following section explains how the questionnaire was designed.

4.6.1 Questionnaire design and format

A structured research instrument, a questionnaire, was used as the instrument to collect data through trained field workers whilst also electronically distributed via email (Ergu & Kou, 2012:15). The self-designed questionnaire was adapted from previously used and tested instruments, with the questions designed using concepts and variables that have been identified in

the exploratory study described in Chapters 1 and 2. According to Mitchell, Yadegarfar and Stubbs (2016:130), a questionnaire is defined as a document containing questions and other types of items designed to solicit data appropriate to analysis. Additionally, questionnaires are equally used in survey research, experiments and other modes of observation (Cho, Johnson & VanGeest, 2013:400).

In this regard, Buhrmester, Kwang and Gosling (2011:4) maintain that a questionnaire is a well-established tool within social science research for acquiring information on participants' social characteristics; present and past behaviour; standards of behaviour or attitudes; and their beliefs and reasons for action with respect to the topic under inquiry. Vicente and Reis (2010:260) add that in research, a questionnaire is a popular and fundamental tool for acquiring information on knowledge and perception. Hence, the analysis, outcomes, general conclusions, recommended policy and identified area for future research all depend on how perfectly the questionnaire is constructed (Franklin, Burns & Lee, 2014:199). Franco, Malhotra and Simonovits (2015:309) add that questionnaires should guarantee proof of trust and define a high volume of reliability and accountability during data collection. Furthermore, Agarwal (2011:7) indicates that structured questionnaires is a document that consists of a set of standardized questions with a fixed scheme, which specifies the exact wording and order of the questions, for gathering information from respondents.

Advantages of such structured questionnaires involve, less discrepancies, easy to administer, consistency in answers, accurate time frames and ease of use for data management (Pai & Huang, 2011:655). A questionnaire should not require more than 20 minutes to complete, nor exceed more than 100 to 120 items (Geuens & De Pelsmacker, 2017 :90). A well-structured questionnaire should be clear and precise and have it has a cover letter detailing the primary objective of the study and the anticipated time the questionnaire should take to complete (Paul & Rana, 2012: 415). This study used closed-ended questions and was exploratory in nature. The included questions were in line with the empirical objectives set in Chapter 1. The questionnaire allows for respondents to provide responses from pre-determined options. The content included in the scales used for the study were discussed and highlighted in Chapters 2 and 3, which focused on the economic determinants of SME growth. The questionnaire consisted of 13 section which are clearly outlined as follows:

Section A: This section consisted of demographic information such as race, age, education, job title and the duration of managing one's own business.

Section B: This section comprised the business information and entrepreneurial history.

Sections C to I: These sections comprised constructs of seven economic determinants to be used as derived from Meyer (2014:41). These determinants include partnership formation, local leadership, local economic development initiatives, infrastructure development, entrepreneurship development, access to opportunities and transport and safety and security.

Sections J: Comprises business growth determinant measures.

Section K: which is the final section within the questionnaire, measures the perception of the business owners on the creation of an enabling environment by local government and was derived from the 12-item scale by Meyer and Keyser (2017:62). Ranging from, 1= Strongly disagree, 2= Disagree, 3= Slightly disagree, 4= Slightly agree, 5= Agree, 6= Strongly agree.

4.6.2 Questionnaire Layout

The final questionnaire contained seven pages, with confidentiality assurances placed on the front page and at the end of the questionnaire. The overall results of the study were offered to the respondents as an incentive for their participation in the research questionnaire. The final questionnaire contained 18 items measuring six constructs and other questions related to SME determinants to growth. Items used to measure the constructs were adopted from the literature and are shown in Table 4.2, together with their working definitions, measurement items and item labels used in data analyses.

Table 4.2: Questionnaire layout

Section	Number of questions	Construct / Focus	Purpose
A	7	Demographic Information (Personal characteristics of the owner)	Assess whether personal characteristics have a positive impact on business growth.
B	8	Business information and source of working capital	Assess whether business characteristics have a positive impact on business growth.
C	5	Economic determinants of business growth. partnership formation	To investigate if there is a sufficient level and quality of partnership between small business and local government for sustained business growth.
D	4	Focused on government, local leadership and community support to small businesses	To test if there is government, local leadership and member of the community support in small business growth.

Section	Number of questions	Construct / Focus	Purpose
E	9	Economic development initiatives and creation of LED	This section was relevant to see if the local economic development (LED) initiatives and creation has a positive impact on small business growth in the Johannesburg region.
F	5	Infrastructural availability and development	The section suggests the impact and importance of infrastructural availability to promote business growth.
G	6	SME participation in entrepreneurial skills development	This section hypothesizes if SME participation and engagement in entrepreneurial skills development is more important for business growth.
H	6	Focus on access to opportunities and transport facilities	This section assesses whether access to opportunities and transport facilitates business growth.
I	3	Focus on safety and security	This section indicates the extent to which safety and security plays a pivotal role in SME growth.
J	4	Elements of growth of the business	A crucial section which shows business growth. It further indicates the extent to which the business grows, its lifespan, growth turnover (sales) and specifically, the estimate in which the business has grown in profit "sales less expense."
K	12	Enabling environment	Shows whether an enabling environment, and the affiliation between local government provides sufficient infrastructure development and entrepreneurial opportunities for local businesses to grow, specifically SMEs in the Johannesburg region.

Source: Author's own compilation (2019)

4.6.3 Pre-testing of the questionnaire

According to Chang (2011:365), the practice of pre-testing a questionnaire is highly regarded as an effective technique for improving validity in quantitative data collection procedures and the interpretation of findings. In the same way, Kumar, Luthra and Haleem (2013:6) contend that pre-testing of the questionnaire is one of the critical components in achieving high quality research. During pre-testing, the best of the sampling structure and estimation strategies will not yield accurate data if the answers provided by the respondent are not expressive (Kumar, 2013:6). Morin, Crocker, Beaulieu-Bergeron and Caron (2013: 270) point out that the main contributors of diagnosing questionnaire problems are to test questionnaire problems from the respondents

themselves. Shu, Tu and Wang (2011:925) indicate that responses during pre-testing of the questionnaire process involve comprehension, retrieval, judgment and response formulation, which occur within the respondent and the understanding of which allows researchers to get a grasp on issues that impact the quality of the data collected in surveys. Furthermore, this process involves simulating the formal data collection process on a small scale to detect practical problems with regard to data collection instruments, sessions and methodology (Hayes & Preacher, 2014:460).

In addition, Gupta, Nayak, Shivaranjani and Vidyarthi (2015:45) state that the value of pre-testing can lead to detecting errors in scale, word ambiguity, as well as discovering possible flaws in survey measurement variables. Hilton (2017:25) contends that pre-testing the questionnaire can also provide advance warning about how or why a main research project can fail by indicating where research protocols are not followed or not feasible. Generally, pre-testing a questionnaire in quantitative research involves administering the instrument to a group of individuals that have similar characteristics to the target study population, in a manner that reproduces how the data collection session will be introduced and what type of study materials will be administered, which includes consent forms, demographic questionnaires and interviews (Hilton, 2017:30). Speklé, Van Elten and Widener (2017:80) in their view, emphasise that pre-testing of the questionnaire provides an opportunity to make revisions to study materials and data collection procedures to ensure that appropriate questions are being asked and that questions do not make respondents uncomfortable. For this study, the questionnaires went through a pre-test procedure before administered. The reliability of the results from the pilot study that relates to the different scales used is shown below in Table 4.3.

Table 4.3: Summary of the pilot testing result

Scale	Items	Mean	Average item-item correlations	Cronbach's Alpha
C: Partnership formation	6	4.911	0.522	0.862
C: Partnership formation less C2	5	4.889	0.471	0.812
D: Local leadership	5	4.964	0.550	0.849
D: Local leadership less D4	4	4.956	0.495	0.778
E: Local economic development	9	5.227	0.374	0.822
F: Infrastructure development	5	5.031	0.355	0.737

Scale	Items	Mean	Average item-item correlations	Cronbach's Alpha
G: Entrepreneurship development	6	5.263	0.353	0.751
H: Opportunities and transport	6	5.315	0.320	0.730
I: Safety and security	3	5.211	0.611	0.754

Source: Survey data (2019)

As evident in Table 4.3 the questionnaire consisted of several sections. These were grouped into seven constructs. All items were measured on a six-point Likert scale. Bernardi (1994:768) states that the Cronbach Alpha coefficient values must be below 0.7 to be acceptable, but not lower than 0.6. Likewise, Malhotra (2010:319) avers that depending on the nature and purpose of the study and scale, a minimum Cronbach Alpha of above 0.6 is acceptable.

The average inter-item correlation values provide an indication of the convergent and discriminant validity estimates of construct validity. According to Clark and Watson (1995:316), average inter-item correlation values below 0.15 are indicative of a lack of convergent validity, whilst those that greatly exceed 0.50 may point towards a lack of discriminant validity. An acceptable Cronbach Alpha of above 0.6 was achieved on all the scales, with the majority exceeding the 0.70 level. Moreover, the majority of the average inter-item correlation values fell between the recommended 0.15 to 0.50 levels, with only two constructs marginally exceeding 0.50. From the pilot test scales C and D returned a higher than expected inter-item correlation statistic and after further inspection it was decided to remove item C2 and D4 from the final study. Doing so resulted in acceptable inter-item correlations. Scale I (Safety and security) also yielded a higher than expected inter-item correlation but as it was only a three item scale it was left unchanged.

4.7 RELIABILITY AND VALIDITY

This study used Cronbach's alpha coefficient to determine the reliability of the items used during data collection. Noble and Smith (2015:34) add that Cronbach's alpha is a reliability metric used to evaluate the extent to which item responses derived from a scale correlate with each other. Furthermore, a correlation matrix was likewise used to measure the extent to which the items that measure a variable correlate with each other (Peters, Fritz & Krotish, 2013:25). Furthermore, during data collection, required steps were taken to ensure both content and construct validity

(Nadal, 2011:34). Moreover, in line with Drost (2011:105), face-to-face interviews were conducted with all the respondents and also assessed their business growth. Comparatively, Arshad and Arshad (2019:625) explains that validity can be defined as the degree to which a certain measure correctly represents the perception of a study. Similarly, a complete review of literature was conducted for theoretical constructs and empirical conclusions in order to ensure the validity of the study.

Correspondingly, the study then used measures drawn from previous research which have been proven to be valid to measure variables (Ayo, Adewoye & Oni, 2011: 5109). Again, the researcher made use of statisticians and also conducted a pilot study to make sure that the questionnaires developed met the standards (Bolarinwa, 2015:195). Thereafter, feedback on the findings was given to all respondents in order to encourage their business growth and make suggestions (Nienaber & Martins, 2015:410). As a result, the study can confidently defend the credibility, reliability and validity of the results.

4.8 ETHICAL CONSIDERATIONS

Bardy, Drew and Kennedy (2012:270) state that ethical considerations are paramount and the responsibility lies on the study to be sincere with respondents, as well as treat the confidential information appropriately. Slade and Prinsloo (2013:1515) state that ethics in research is the code of behaviour which a researcher uses to conduct a study. In this study, the identified interviewees were given a cover letter explaining the purpose of this study and its importance. Furthermore, the respondents were also given the choice to not only participate in the questionnaire survey, but also to refuse to answer questions that made them doubtful. Verbal permission was required from each respondent before any information was documented. Similarly, all participants were also assured that the study is for academic purposes only and that their privacy was protected. Before collecting the data, ethical clearance was obtained from the ethics the department of NWU under clearance code ECONIT-2018-21. All findings of the research were reported. Confidentiality and anonymity of all the respondents that participated in this study was strictly followed in order to protect their rights. Moreover, all sources that were used in this study have been acknowledged.

4.9 ADMINISTRATION OF QUESTIONNAIRES

The field survey was conducted in March, 2019 and trained fieldworks were involved. The survey was conducted within Johannesburg central areas such as Park Town, Braamfontein, Berea, Hillbrow, Joubert Park, New Town and Marshall Town. In addition, the survey only interviewed

SMEs occupying formal shopping areas. No informal business owners were included. To ensure smooth and transparent data collection, the study made sure that participants understood the questionnaires and basic explanation were given if more clarity was requested.

4.10 DESCRIPTIVE STATISTICS

According to Ghasemi and Zahediasl (2012:486), descriptive statistics are used to describe raw data in quantitative terms. Furthermore, Bedeian (2014:125) adds that descriptive statistics can also be used to provide simple summaries about general characteristics of respondents. However, descriptive statistical tools such as frequency distributions were used in the study to interpret and present data in this study. By contrast, Hayes and Scharkow (2013:1919) believe that inferential statistics clarify the deeper relationship between the variables. In the same way, it aids the study to test and determine the relationship between variables (Strabac & Aalberg, 2012:178). For this purpose, inferential statistics including cross-tabulations, and Pearson’s Chi-Square were used to test two or more variables concurrently (Amo-Adjei & Anamaale Tuoyire, 2016: 555). Cross-tabulation tables were used to interpret and analyse the relationships between variables used for the study. For this study, Pearson’s Chi-Square test was measured to test and observe different variables about various economic determinants of SME growth in the city of Johannesburg’s metropolitan region.

4.11 ONE-WAY ANALYSIS OF VARIANCE (ANOVA)

Blanca, Alarcón, Arnau, Bono and Bendayan (2017:552) state that the one- way analysis of Variance (ANOVA) is a statistical technique for examining the differences amongst means for two or more populations. ANOVA as a technique is majorly used in determining the significance of the mean differences across groups (Jan & Shieh, 2014:73). In doing so, a dependent variable would be a continuous variable and the independent variables, categorical. ANOVA thus compares the variance between different groups with the variability within each of the groups. This is done by calculating an F-ratio which can be formulated as follows:

$$F = \frac{\sum n_j (\bar{X}_j - \bar{X})^2 / (k - 1)}{\sum \sum (X - \bar{X}_j)^2 / (N - k)} \dots\dots\dots (4.1)$$

where n_j is the sample size in the j^{th} group, \bar{X}_j represents the sample mean in the j^{th} group while \bar{X} is the overall mean. In addition, k represents the number of independent groups and N represents the total number of observations. Large F-ratios indicate more variability between groups

compared to that within groups. Calculating a significant F-test indicates that the null hypothesis may be rejected, indicating that sample means are equal. By supplementing these measures, the study likewise used partial eta squared effect size estimators with the purpose of determining the magnitude of the differences between groups. The calculation of these measures were done as follows:

$$\eta_p^2 = \frac{SS_{Effect}}{SS_{Effect} + SS_{Error}} \dots\dots\dots(4.2)$$

here, SS_{Effect} refers to the sum of squares for the effect of interest while SS_{error} is the sum of squares of the error variance. In categorising the static as having either large, medium or small effect size Cohen’s (1988) recommended benchmarks were adhered to. These posit the following margins for classification, small ($\eta_p^2 = 0.01$), medium ($\eta_p^2 = 0.06$) and large ($\eta_p^2 = 0.14$). In this study, the aforementioned measures were used to determine whether there is a relationship between various economic determinants and the different dimensions of SME growth. As such the following hypotheses were set:

- H_01 : There is no relationship between the selected economic determinant(s) and SME employee growth in the Johannesburg Metropolitan area.
- H_A1 : There exists a relationship between the selected economic determinant(s) and SME employee growth in the Johannesburg Metropolitan area.
- H_02 : There is no relationship between the selected economic determinant(s) and SME turnover growth in the Johannesburg Metropolitan area.
- H_A2 : There exists a relationship between the selected economic determinant(s) and SME turnover growth in the Johannesburg Metropolitan area.
- H_03 : There is no relationship between the selected economic determinant(s) and SME profit growth in the Johannesburg Metropolitan area.
- H_A3 : There exists a relationship between the selected economic determinant(s) and SME profit growth in the Johannesburg Metropolitan area.

4.12 PRELIMINARY DATA ANALYSIS

Emetere (2016:65) points out that statistical analysis ensures the transparency of data collection. Similarly, data analysis is the process of breaking down the accumulated research data to a

manageable format and forming summaries using statistical techniques (Vaughn & Turner, 2016:45). Strayhorn (2014:3) states that the objectives of preliminary data analysis are to edit the data to prepare it for further analysis, describe the key features of the data and summarise the results. This chapter presented the results of preliminary statistical analyses performed on the individual participant data, specifically the (ANOVA), testing each scale (Sections C to I: economic determinants of business growth) to get both average correlation and Cronbach's alpha. For this study, the data collected was of high value and all questionnaires were checked for errors and corrections where possible. The data collected using questionnaires were analysed using ANOVA, descriptive statistics and reliability measures, validity measures. In addition, various scales were used, which include the use of six-point Likert scales. Amugsi, Lartey, Kimani-Murage and Mberu (2016:16) describe a Likert scale as a scale that measures the extent to which a person agrees or disagrees with the question. Dzisi and Ofosu (2014:106) believe that a scale allows respondents to respond to questions like: strongly disagree, agree, slightly agree, strongly agree and disagree. In commencing with all the analysis of all data, collected questionnaire were coded and captured on Excel (Magweva & Marime, 2016:380). Thereafter, data were analysed using SPSS software. Afterwards, data were collated and interpreted and presented in the form of tables.

4.13 SYNOPSIS

The chapter discussed the methodology used for this study. The methodology discussed the seventeen steps of the research process. They are the research paradigm and philosophical underpinning; research approach; research design; sampling strategy; sampling frame; sampling approach; data collection method; questionnaire design; Questionnaire Layout; Pre-testing of the questionnaire; Pilot testing of the Questionnaire; administration of the questionnaire; together with the various statistical techniques used to analyse the data. Furthermore, the rationale for using the selected methods was also elaborated. In the discussions, it was seen that the study's descriptive statistics were used, coupled with ANOVA analysis (Ndamani & Watanabe, 2015: 595). The population identified from the study were SMEs in the Johannesburg region (Park Town, Braamfontein, New Town, Marshall Town, Joubert Park, Berea and Hillbrow). A final sample of 200 SMEs was drawn, using a combination of stratified random sampling and snowball sampling techniques. Structured questionnaires were used to collect data. The data obtained from the respondents was then analysed using different scales. Moreover, inter-item correlation, Cronbach's alpha and standard deviation were also used to test and analyse the data (Terera &

Ngirande, 2014:481). The chapter concluded by discussing the ethical considerations, administration of the questionnaire, preliminary data analysis and a synopsis of the study. The next section, Chapter 5, will present the results from the data analysis and elaborate on the necessary discussions of the results obtained from the empirical study.

CHAPTER 5

DATA ANALYSIS, DISCUSSION AND INTERPRETATION OF THE FINDINGS

5.1 INTRODUCTION

The primary purpose of this chapter is to outline and comprehensively discuss the analysis and interpretation of the findings of the study. The main aim of this study was to provide a broad understanding of various economic factors contributing to SME growth, with specific reference to the Johannesburg Metropolitan region. The second objective of this chapter was to identify the determinants of SME growth, specifically employee growth and the variables used to conduct and explore the different employee groups. The scope of the analysis includes the demographic features of the sample; specific characteristics that included business attributes of their entrepreneurial training; business growth in last 12 months; employee growth in the last 12 months; and business turnover in the last 12 months. Furthermore, the chapter analyses various other aspects including partnership formation, leadership, LED initiatives, infrastructure development, entrepreneurship development, access to opportunity and safety and security.

The analysis was based on quantitative questionnaires and was done using scales based on a measurement on a six-point Likert scale. The methodology as discussed in chapter four was used as a source of information for the tested variables. An analysis was done using descriptive statistics and scale reliability diagnostics, by applying statistical techniques such as analysis of variance, reliability and validity, as well as frequency and percentage distributions. The chapter provides an in-depth view of the various economic determinant of SME growth. Nevertheless, before the analysis could begin, data were subjected to screening and cleaning. The screening and cleaning process is as follows: Stage 1: Inspection for errors. Firstly, each data variable was checked for scores that were out of range. This stage was achieved through the use of descriptive statistics such as frequencies to enable the researcher to easily identify any value that fell outside the range values of the research variables, as well as to identify both the valid and missing cases. Stage 2: ensures finding and correcting errors in the data file. This comprised a process of identification of where mistakes occurred. This finding was achieved through the use of sorting cases to rectify or delete the value. When a data error was identified, the record of the questionnaire was checked to find out what the missing value should be. However, frequencies were repeated to double-check if there were any missing values. This chapter present and explain the demographic information of the participating SMEs, which includes race, age population, gender, education and the capacity of

SME owners with regard to their growth. The demographic information of the participating SMEs indicated the duration of self-employment and main reasons for starting a business. The chapter further explained the business profile of SMEs in the city of Johannesburg's metropolitan region, which included business set-up, main source of start-up capital, sector of operation, company's legal form, size of the business, exposure to business, entrepreneurial business training and creating an enabling environment for SMEs to grow. Profile growth of firms over the last 12 months was explained, using validity and reliability scales. ANOVA and descriptive statistics was used to test the differences in variables between different employee growth and SMEs turnover growth and profit growth.

5.2 DEMOGRAPHIC INFORMATION OF THE PARTICIPATING SMEs

To achieve vital information about the respondents, demographic data is essential. Cahill and Makadon (2014:34) explain that viewing demographic information allows for a better analysis of results and is also a way for identifying differences in responses by sub-groups, such as race and educational background. Sections 5.2-5.2.7 outline and discuss the demographic factors of the manager/owners' race, age, gender, education, capacity of owner, duration of self-employment and main reason for starting a business. Section 5.3 explains the business characteristic of the SMEs owners in the Johannesburg metropolitan region. The collected data pertaining to these demographic features are presented using, tables, graphs and figures.

5.2.1 Race

Figure 5.1 reveals that majority of the SMEs owners in Johannesburg metropolitan region are White (51%), while Black/African businesses accounted for 30 percent of the statement. The number of Indian business owners were estimated at 16 percent, while coloured business represent only 3 percent in the sample area. Littlewood and Holt (2018:525) state that the South African economy recorded its fastest growth rate with the national GDP growth for 2018 crawling to 0.8 percent, according to the global perspective and booming commodities markets. Although few selected races within the sample area show more growth in their businesses, they have impacted positively on economic growth. However, black businesses have declined from 1.5 percent in 2018 to 10 percent in 2019 (Higgs & Hill, 2019: 25). The government along with stakeholders are doing their best to assist SME owners/managers to be more business oriented.

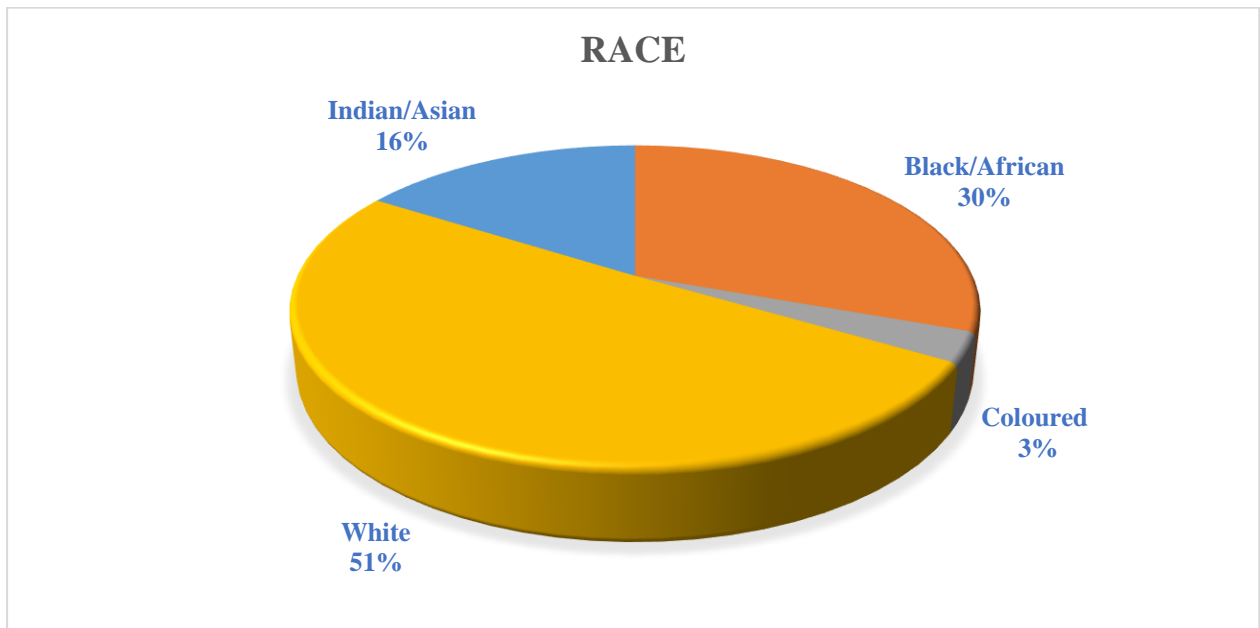


Figure 5.1: Frequency and the percentages of the different race groups of participants

Source: Own data (2019)

5.2.2 Age stages of the SMEs

Experience and longevity in a business can have a positive effect on the growth of a business. The frequencies and percentages of the participants are illustrated in Figure 5.2. The result shows the age group of SMEs that participated in study ranges from 41 to 50 with the highest frequency of 67 (33.5%). The frequency further indicated that business owners/manger within the age 41 and 50 years within the sample areas were educated, have family financial support and business experience. However, there was no business owners below the age of 21 years of age. The frequency indicates that those under the age of 21 are still in school or do not have adequate capital to run their business and those between the age of 51 and 60 years 47 (24.5%) could have been retired or have anxiety about continuing with their business. The results of business owners/managers age between 31 and 40 years a total of 47 (23.0%). However, the study believed that age and experience within the business context can help businesses be more competent and effective.

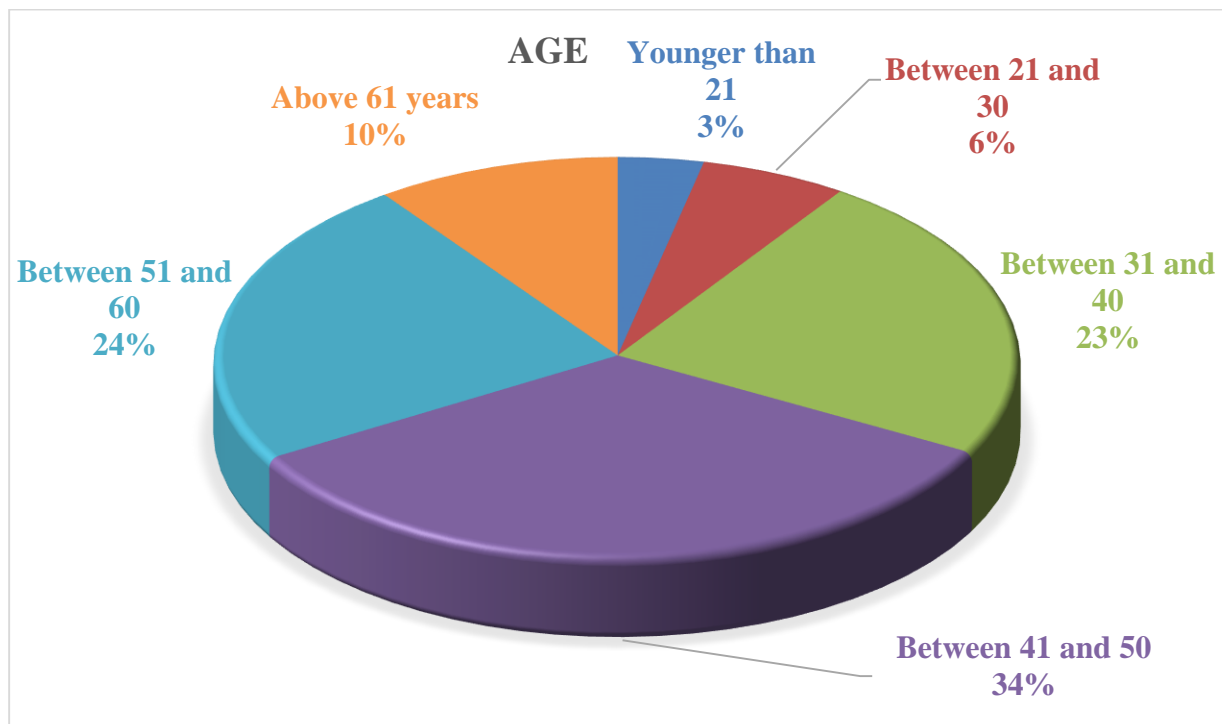


Figure 5.2: Frequency and the percentages regarding the different ages of participants

Source: Own data (2019)

5.2.3 Gender

The frequency pertaining to participant gender is indicated in Figure 5.3. The figure indicates that there are more male business owners 126 (63.0%), and a little less female 74 (37.0%). The sample report reveals that male business owners/managers are entrepreneurial risk-takers. Male owners are more financially buoyant and business educated, although female business owners have started showing positive efforts on how they can improve their business growth (Eniola & Entebang, 2017:565). This questionnaire result shows that more males are active and performing positively in their business in the Johannesburg metropolitan region.

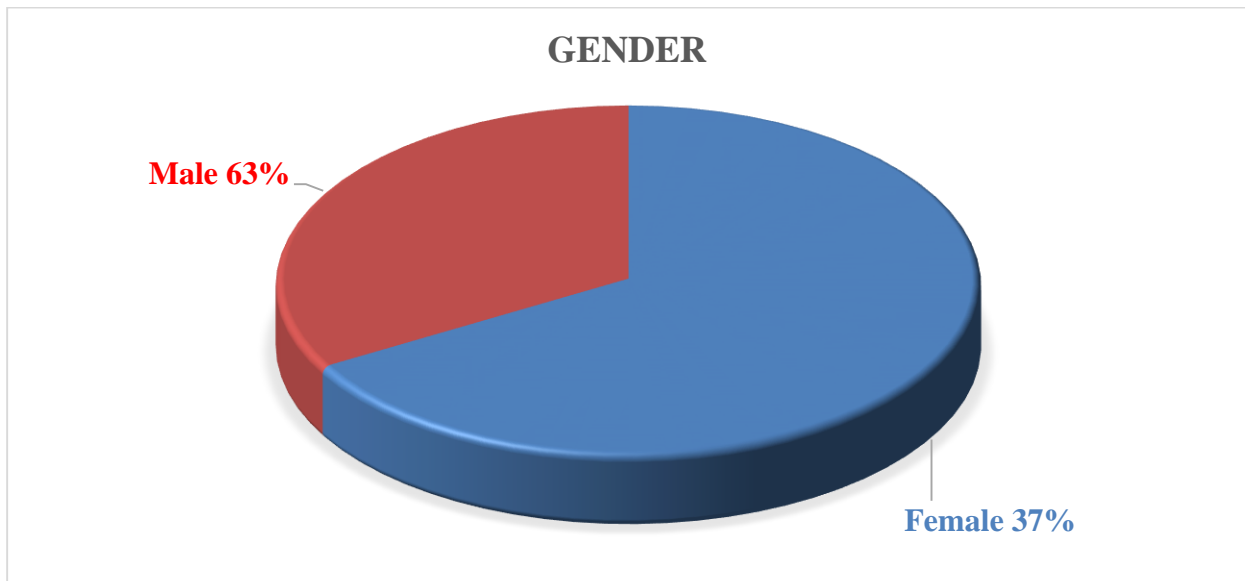


Figure 5.3: Percentages regarding gender of participants

Source: Own data (2019)

5.2.4 Education

Figure 5.4 gives an indication that in the Johannesburg metropolitan region, there more participants with a degree qualification at a frequency of 47 (23.5%), with participants who acquired a diploma at a frequency of 46 (23.0%). Fayolle and Gailly (2015:75) stressed that education plays a crucial part in entrepreneur growth. They explain that an educated manager/owner is responsible for making business plans with a long-term vision, creates new ways of doing business, introduces new production arrangements and explores new markets. From the results, participants with a secondary school completed education attributed a frequency of 37 (18.0%) had more ability to respond to questions and answers and they were able understand the need for SME growth. The lowest percentage were participants with primary and a non-completed education secondary at a frequency of 13 (65.0%). From the South African context, this result gives an indication that SMEs need education, literacy and skill for the growth of business.

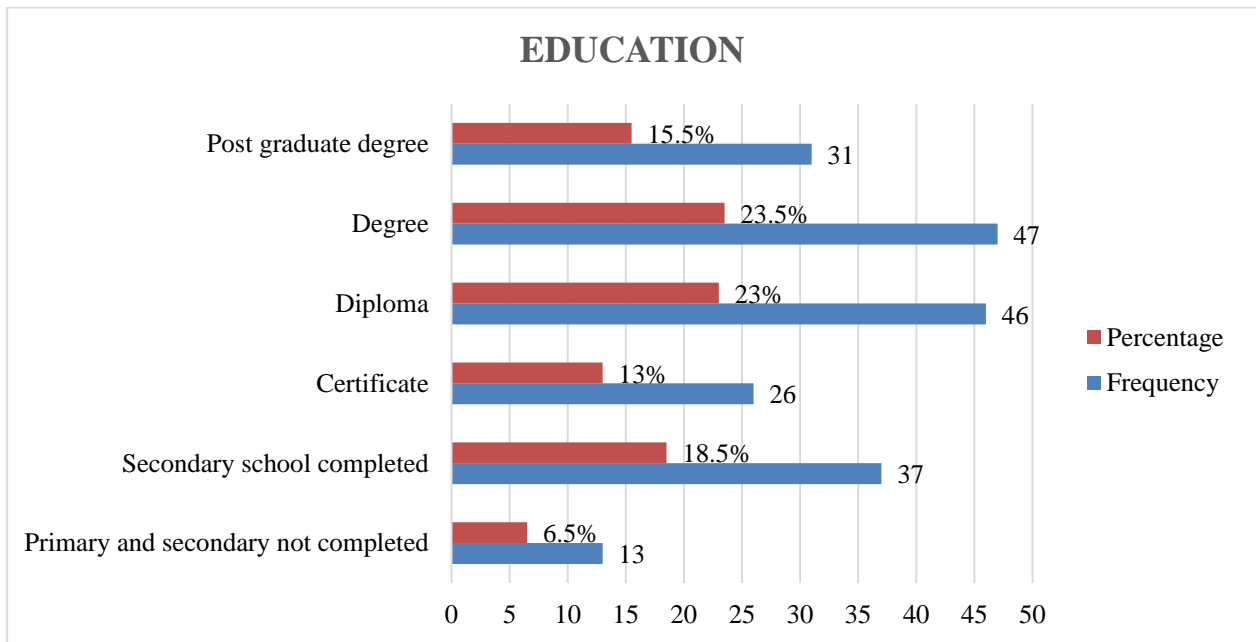


Figure 5.4: Frequency and the percentages regarding the level of education of participants

Source: Own data (2019)

5.2.5 Capacity of owner

In the survey SME owners participated more totalling 130 (65.0%) participants. Business owners believe that their businesses will show more growth and profit if they manage it on their own. They further believe that managing their businesses shows commitment and reduces wastages. By contrast, business managers which comprised a total of 70 (35.0%) believe in the expansion of wealth and creation of employment. Growth decreases the possibility of closing small businesses (Bouazza, Ardjouman & Abada, 2015:102). By contrast, Alasadi and Al Sabbagh (2015:293) indicate that some enterprises do not desire growth and others desire slow growth even though they are as successful as those that grow fast. Conversely, this result indicates that SME owners have more capacity to grow in their business.

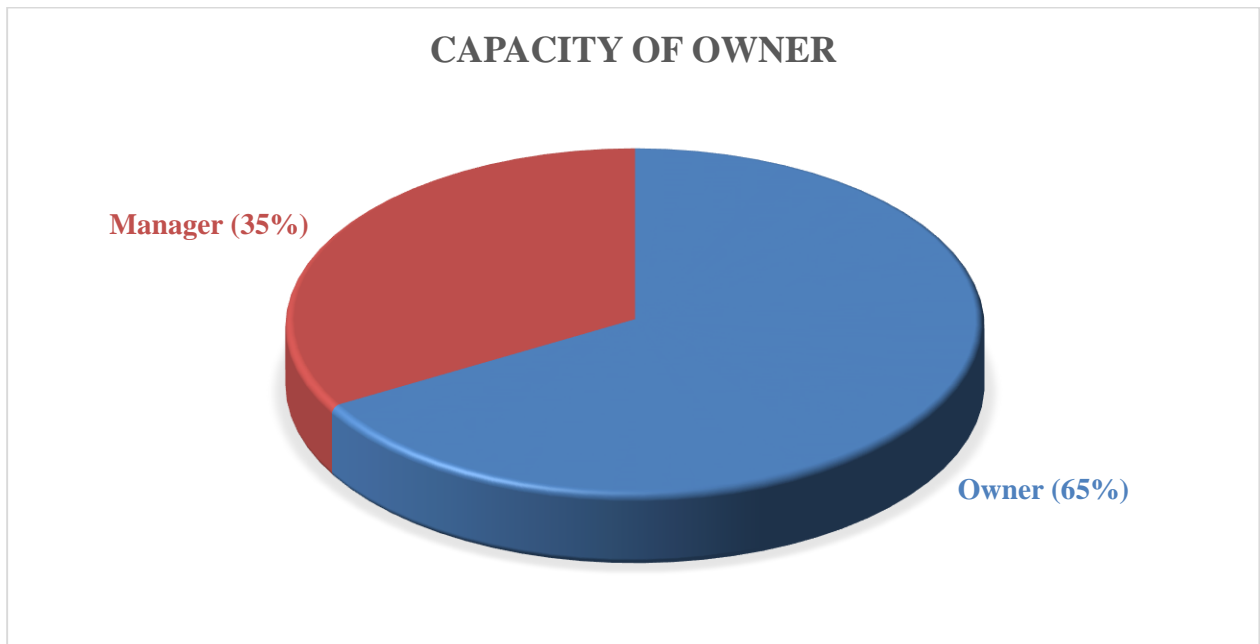


Figure 5.5: Frequency and percentages regarding the participation of owners of business
 Source: Own data (2019)

5.2.6 Duration of self-employment

Frequency and percentage of the duration of self-employment of the participants is demonstrated in Figure 5.6. The figure gives an indication that most of the participants have been self-employed between six and ten years at a frequency of 60 (30.0%) while 30 percent were self-employed for more than ten years in the sample area. Hong and Lu (2016: 45) add that being self-employed creates growth and responsibility of any business identity. In South Africa, hundreds of workers are leaving corporations and becoming self-employed. Otherwords, over 10 percent of South Africa's workforce is self-employed (Ngek, 2014: 253). In the sample area, there were low percentage of participant of business owners between one and five years at a frequency of 54 (27.0%). Likewise, only 4.5 percent of the sample were indicated. These results can possibly indicate a low survival rate for SMEs in their start-up phases. Neneh and Van Zyl (2017:166) argued that encouraging entrepreneurship will help reduce the unemployment rate in South Africa.

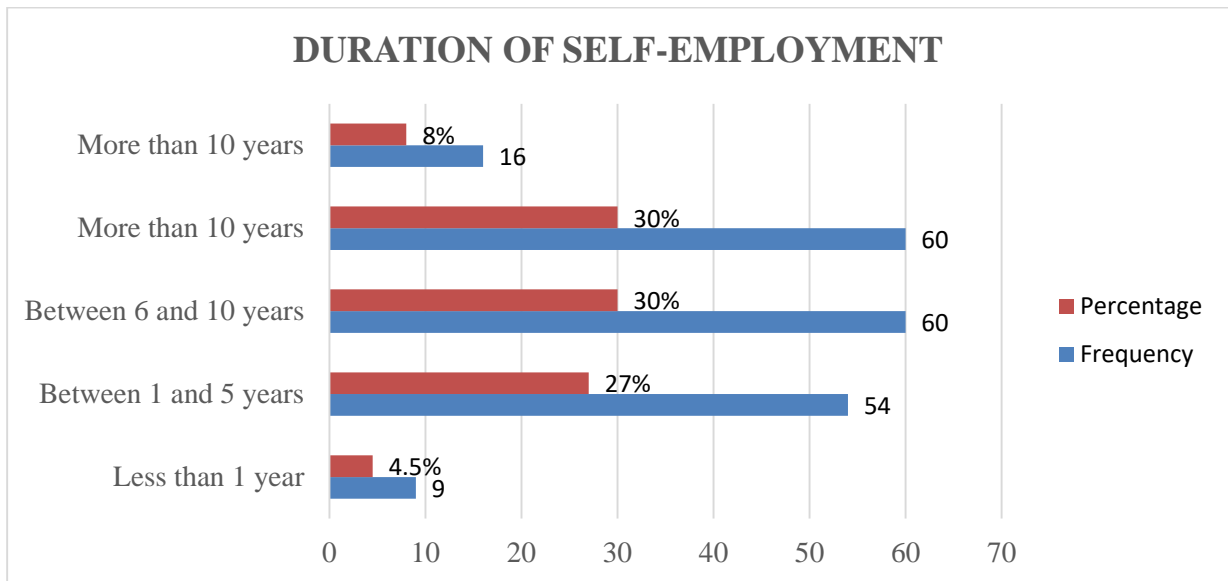


Figure 5.6: Participants' duration of self-employment

Source: Own data (2019)

5.2.7 Main reason for starting a business

In Figure 5.7, most of the SME owners/managers who participated in the study, started their business with the aim of community contribution 38 (19.0%), while other reasons for starting a business are for financial independence 34 (17.0%) and personal development (34;17.0%). Forsgren (2016:1135) maintains that the most important factor for business success is ambition, with starting out with high growth expectations performing most strongly. Moreover, motivation influences business success mainly by driving differences in growth outlooks, which in turn drive success (Gast, Gundolf & Cesinger, 2017:44). These results possibly show that starting a business with the aim of independence, personal development and wealth creation will have a positive effect on South Africa and further generate employment.

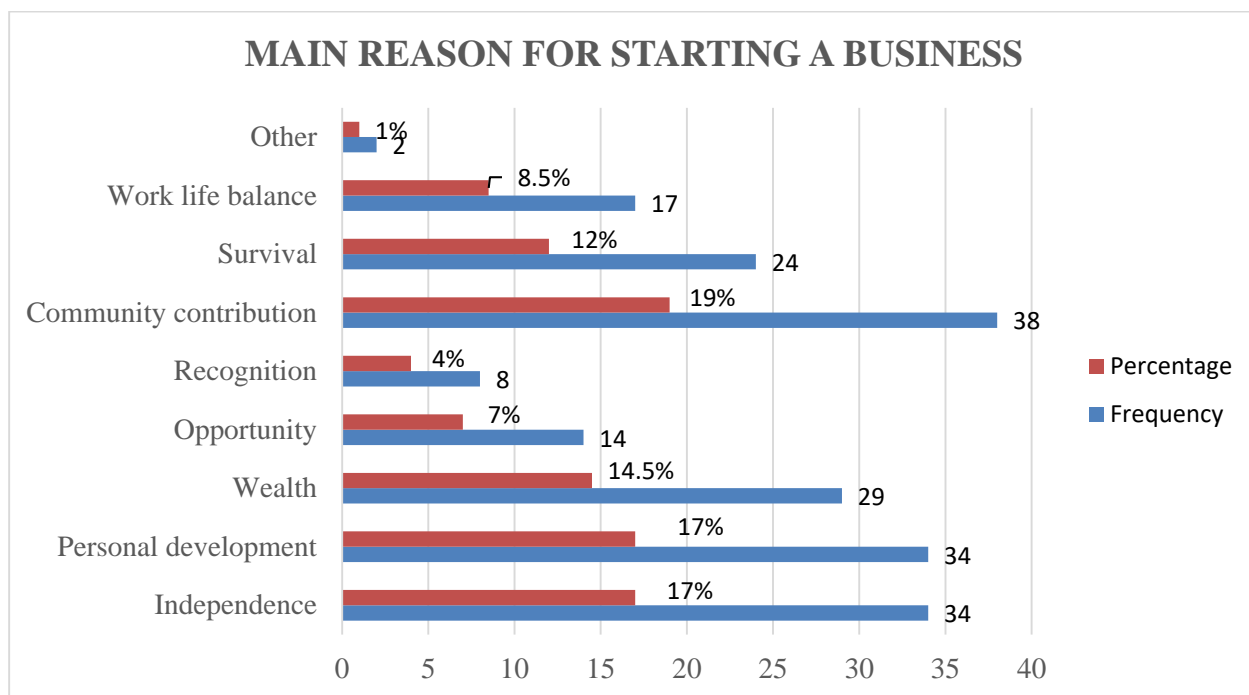


Figure 5.7: Main reason for starting a business

Source: Own data (2019)

5.3 SMEs BUSINESS PROFILE

The business profile of SMEs in this study includes aspects regarding SMEs business location, the types of business style as well as main source of start-up capital. In addition to the SMEs sector of operation, SMEs legal form, business scope, business exposure, level of entrepreneurial training, business growth in the last 12 months, employee growth in last 12 months, turnover growth in last 12 months and profit growth in the last 12 months are discussed. Furthermore, this section also explains the type of training SMEs received before, during and after their businesses were established and which factors created a more enabling environment for them.

5.3.1 Business set-up

Figure 5.8 shows the high percentage of business owners with the aim of setting up their business was because of high growth 172 (13.5%), while the sample recorded a low frequency of SME starting their business who indicated that was with the aim of lifestyle 28 (14.0%). Pape (2016:687) also indicated that SMEs who start up their business with the intention of growing and sustaining the business, can overtime increase business performance, which in turn contribute to economic growth.

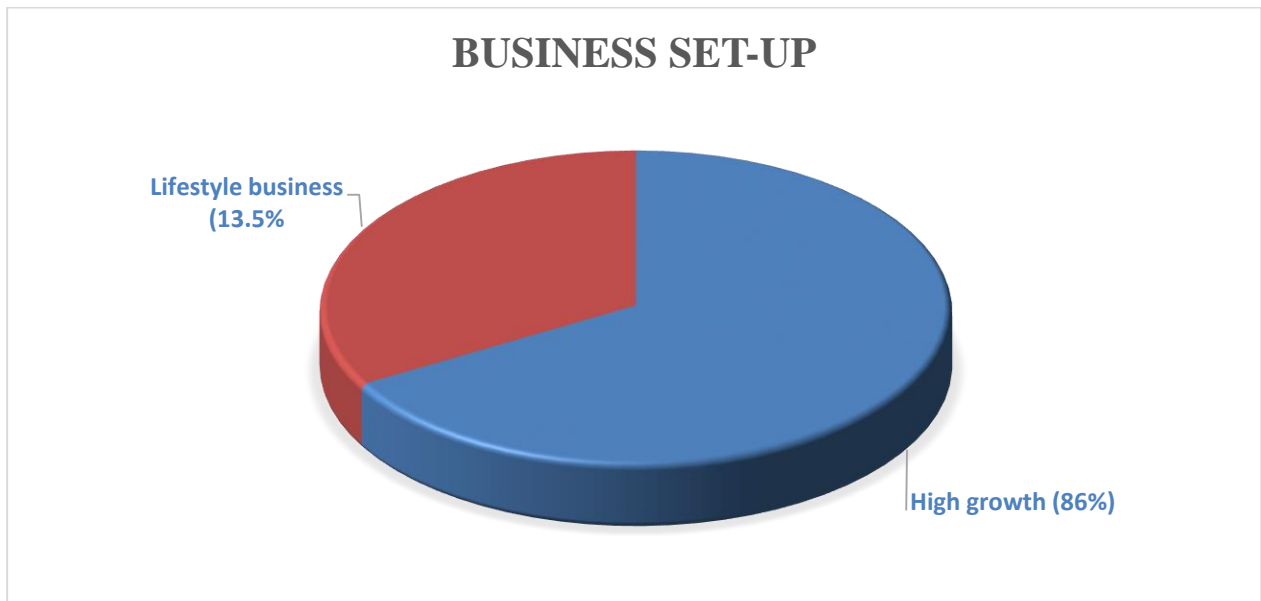


Figure 5.8: Frequencies and participation in business set-up

Source: Own data (2019)

5.3.2 Source of start-up capital

Within the sample area, the highest frequency of SMEs with their own resources was estimated at 75 (37.5%) as shown in Figure 5.9. The result shows that business owner's start-up business is either from family or their personal accounts, while slightly more than a quarter secured their capital through a loan from family and friends at a frequency of 56 (28.0%). With this, Fatoki and Oni (2016:187), Muriithi (2017:37) revealed that the level of SMEs capital loan and their level of loan recovery is still a disturbing issue among the South Africa policymakers and financial provider alike. SMEs trading on government loans were at a low frequency of 5 (2.5%). The overall results show that the South African government needs to create easier channels to assist SMEs within the sample size to achieve business growth.

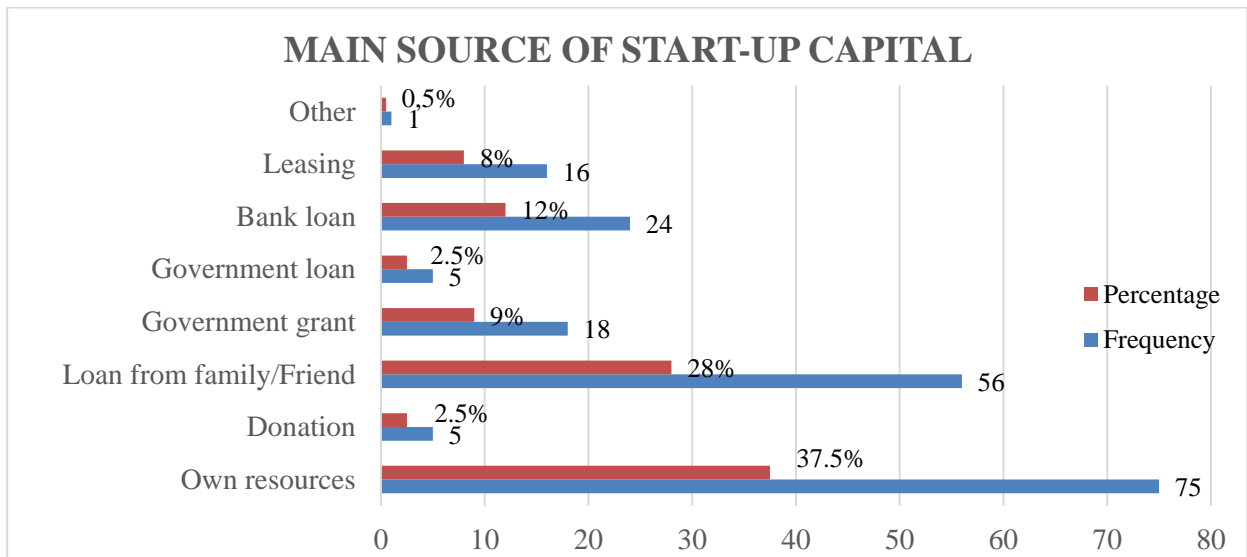


Figure 5.9: Main source of start-up capital

Source: Own data (2019)

5.3.3 Sector of operation

Frequency and percentages pertaining to which business sector the participants operate in are analyzed in Figure 5.10. Results from the graph show that the highest sector that participated in the survey was construction with a total of 34 (17.0%) followed by services at 29 (14.5%). Pillay and Mafini (2017:2) maintain that South Africa's construction in 2017 contributed significantly to 3.9 percent to the GDP. The Education sector showed a low involvement in the survey at 10 (1.0%), together with a very low participation of health and safety at 6 (3.0%).

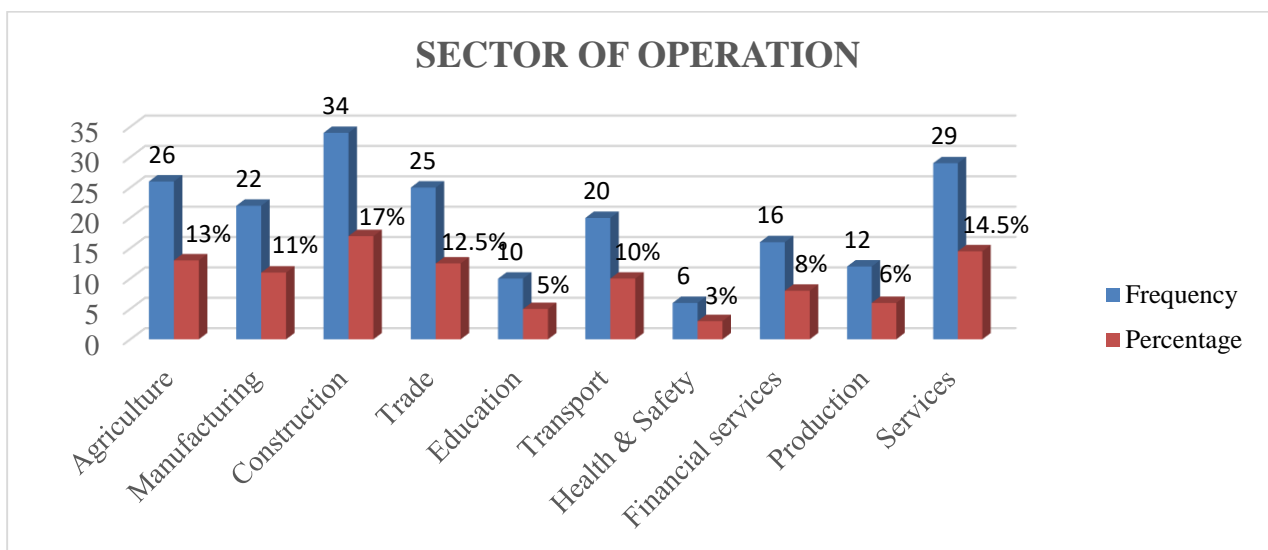


Figure 5.10: Percentage and frequency of sector of operation

Source: Own data (2019)

5.3.4 Company's legal form

Figure 5.11 indicates that most of the businesses identified themselves as registered and were legal. The figure shows that closed corporations with a frequency of 40 (20.0%) and private companies with a frequency of 40(20.0%) had the highest frequency in the sample area. A few small businesses within area did not register comprising a total of individuals with their businesses 22 (11.0%). Within the sample area, there was a high participation of close corporations and private companies.

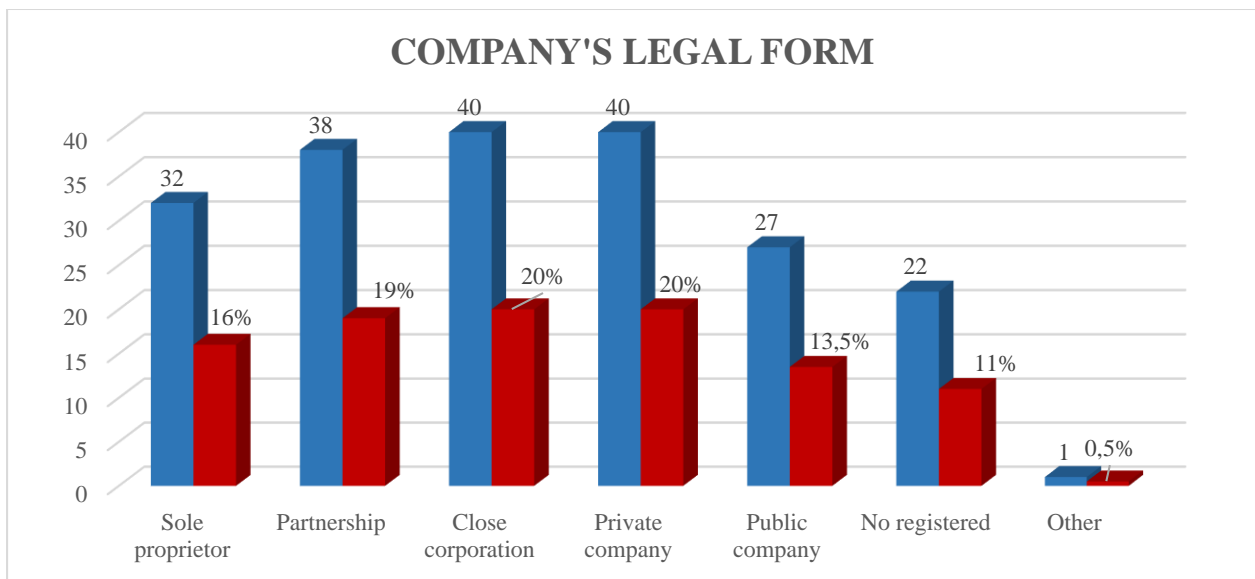


Figure 5.11: Company's legal form

Source: Own data (2019)

5.3.5 Size of the business

Figure 5.12 explains the results that was actualized in regard to the size of small businesses within the survey area. Most of the businesses participating within the sample area were small businesses, between 11 to 49 employees at a frequency of 69 (34.5%). This rate of participation indicated that SMEs are growing at a fast rate and are creating employment within the city of Johannesburg's metropolitan region. This result therefore confirms the level of SMEs contribution to the South Africa economy (Ayandibu & Houghton, 2017:134). Micro businesses also participated in the survey at a frequency of 49 (24.5%), while only one person businesses recorded a low record frequency at 3 (1.5%).

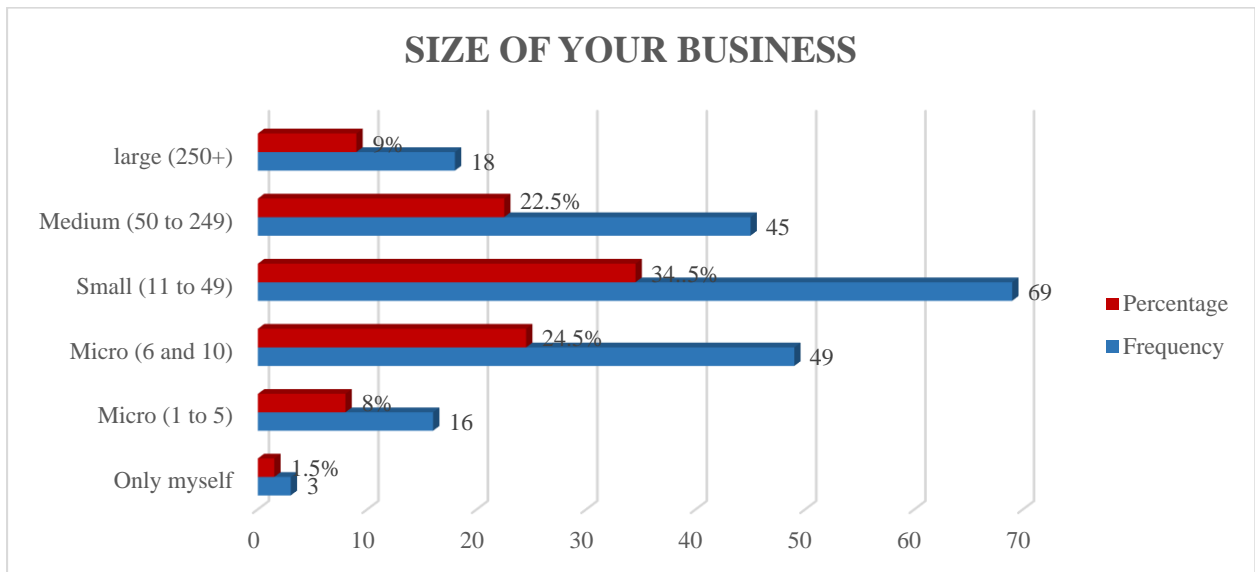


Figure 5.12: Frequencies and percentages pertaining to the size of business

Source: Own data (2019)

5.3.6 Exposure to business

Figure 5.13 explains that most of the small business owners that were interviewed within the sample area were already exposed to business ideas, risk and profit worth through personal savings at 95 (47.5%). This result is consistent with that of Adam Smith (1776), stating that SMEs exposure to business risk and strategies can contribute positively to SMEs business survival. SMEs within the sample size who were exposed through parents were at 80 (40.0%). However, the lower turnover of participants was 23 (12.5%). Akinsola and Ikhide (2019:81) emphasise that exposure to business ideas by SMEs in South Africa can lead to creativity and innovation.

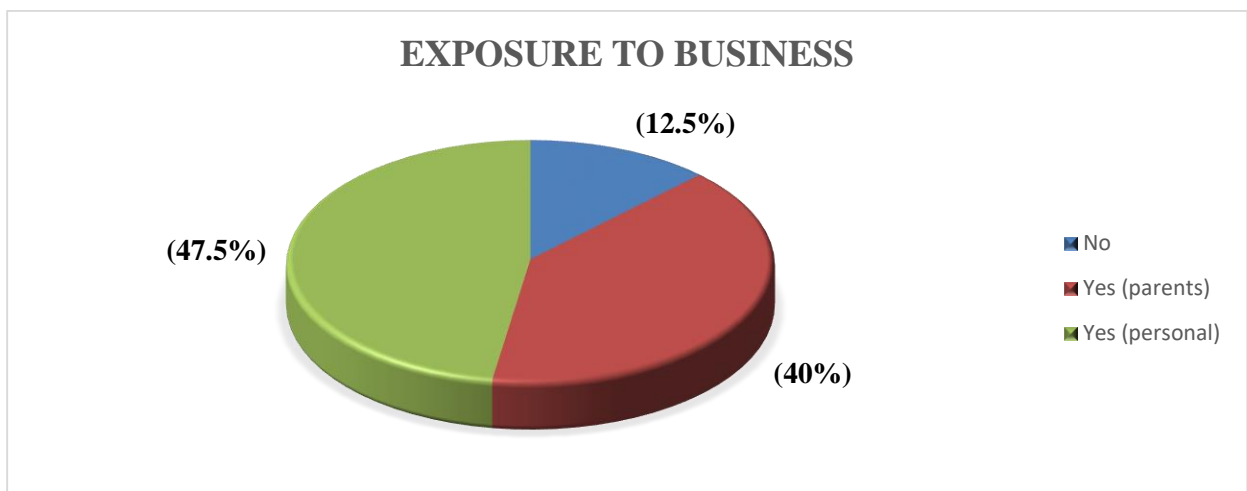


Figure 5.13: Frequencies and percentages pertaining to the exposure of business

Source: Own data (2019)

5.3.7 Entrepreneurial business training

Upgrading the skills of all small business owners and employees is central to firm performance in knowledge-based economies (Keraro, Oloo & Ragama, 2017:81). According to the result shown in Figure 5.14, most SMEs within the sample area did not receive any entrepreneurial training at 126 (63.0%). Simo Kengne (2016:118), Littlewood and Holt (2018:526), opined that the reason why many SMEs fail might be greatly attributed to lack of training and skills up-grading. While only a minority of SMEs within the sample received business training 74 (37.0%). This result therefore indicate that more emphasis should be placed on implementing the South African polices and strategy aimed towards aiding SMEs skill and development (Radebe, 2019:62).

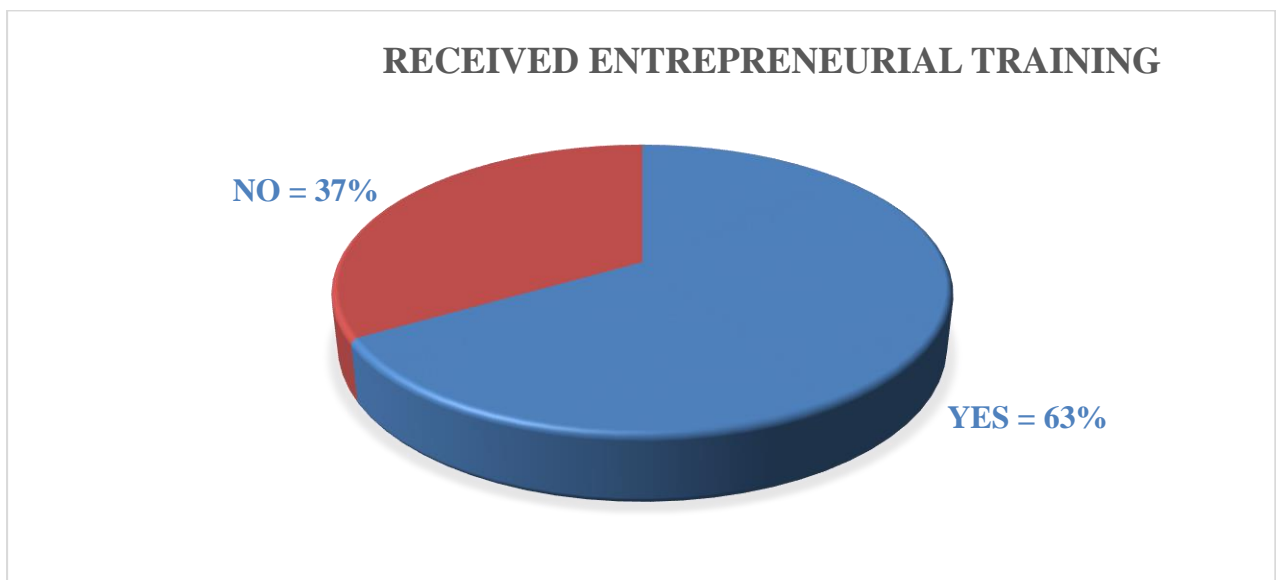


Figure 5.14: Business training

Source: Own data (2019)

5.3.8 Creating an enabling environment

Meyer (2014:9) states that an enabling environment can improve and help small businesses achieve growth and enhanced business activities. It can also assist them to manage their finances and business growth better. Figure 5.15 indicates that majority of small businesses 147 (73.5%) in the sample area believed they are not trading in a good enabling environment due to safety and strict government policies. However, only a 53 (26.5%) indicated with adequate capital they had and were able to survive in the business environment. The survey report further explained that for SMEs to grow and have a positive effect on the country economy, the need an enabling environment (Fiseha & Oyelana, 2015:282).

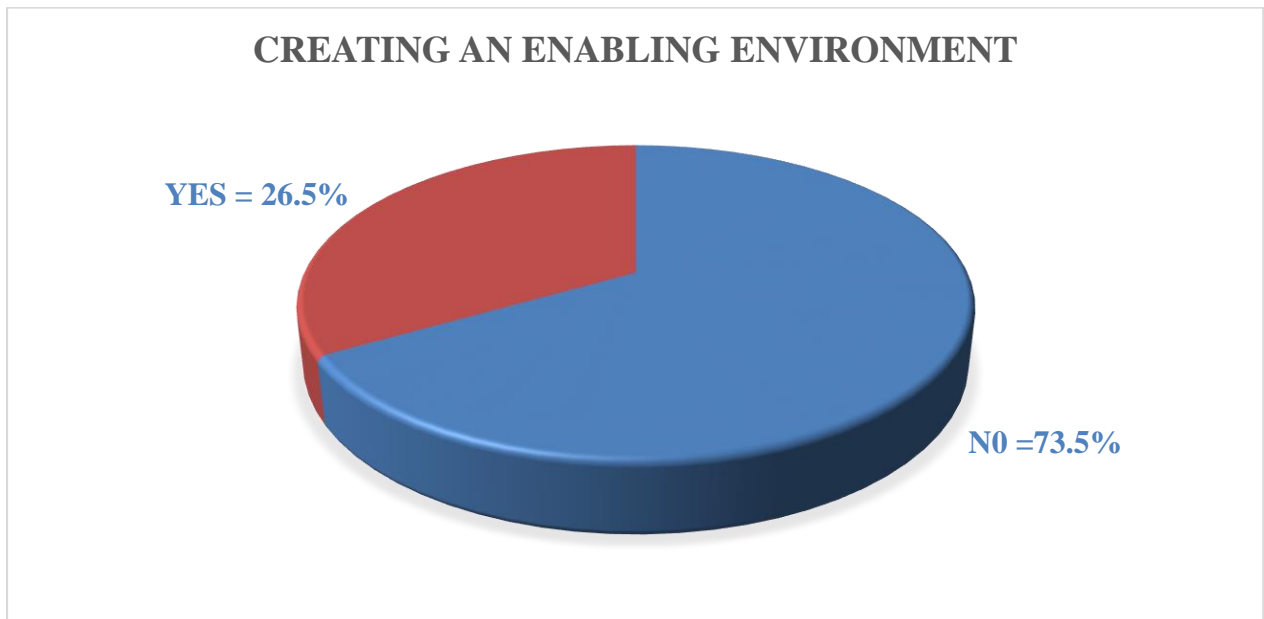


Figure 5.15: Creating an enabling environment

Source: Own data (2019)

5.4 PROFILE GROWTH OF FIRMS OVER THE LAST 12 MONTHS

Section 5.4 discusses the growth profile of SMEs who have participated over the last 12 months. For this study, growth is defined in terms of the level of revenue generated by SMEs, value creation counts as well as an expansion in relation to volume of the business (Mthimkhulu & Aziakpono, 2015:16).

5.4.1 Business growth in the last 12 months

Figure 5.16 indicates that the majority of small businesses' growth increased within the sample area at a frequency of 131 (65.5%), while 13.5 percent remained unchanged. This may be due to the lack of implementation of the entrepreneurial training program introduced by the government, which may in turn results into non-compliance to legalisation and taxation policies (Neneh & Vanzyl 2014:174). This has also resulted into twenty-one percent of participants indicated a declined rate in their business growth in the last 12 months. With this, Kasozi (2017:338), suggest that SMEs should invest in their skill and competencies as well as their personal background to achieve higher level of business performance.

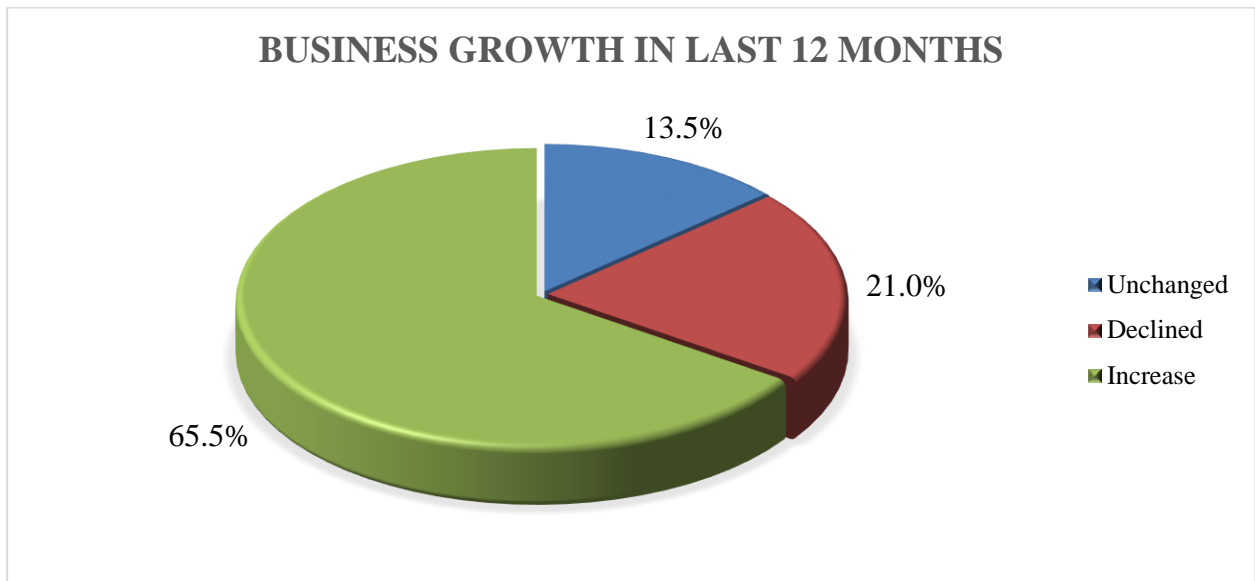


Figure 5.16: Business growth in the last 12 months

Source: Own data (2019)

5.4.2 Employee growth in the last 12 months

Figure 5.17 indicates that employee growth within the sample remained unchanged at a frequency of 55 (27.5%). SME owners/ managers emphasise that market competitiveness and low demand for locally produced goods affects them from employing more staffs. Also, within last the 12 months the growth of employees increased by two and three at a frequency 36 (18.0%). Ampomah (2016:30) posits that job satisfaction is a positive feeling and attitude that employees hold about their jobs and depends on many work-related factors, ranging from the sense of fulfilment of workers to how to manage their daily tasks. Also, the sample outlook shows that there was an increase by more than three employees in the last 12 months, while there was a low employment growth by more than four employees. The factors that affect job growth could be the tasks involved and the interest and challenge the job generates within the firm (Bhuvanaiah & Raya, 2015:93). The study shows that SME owners/manager should make efforts to understand what satisfies their staff and continuously check whether the business processes and management are in line with what the employees want.

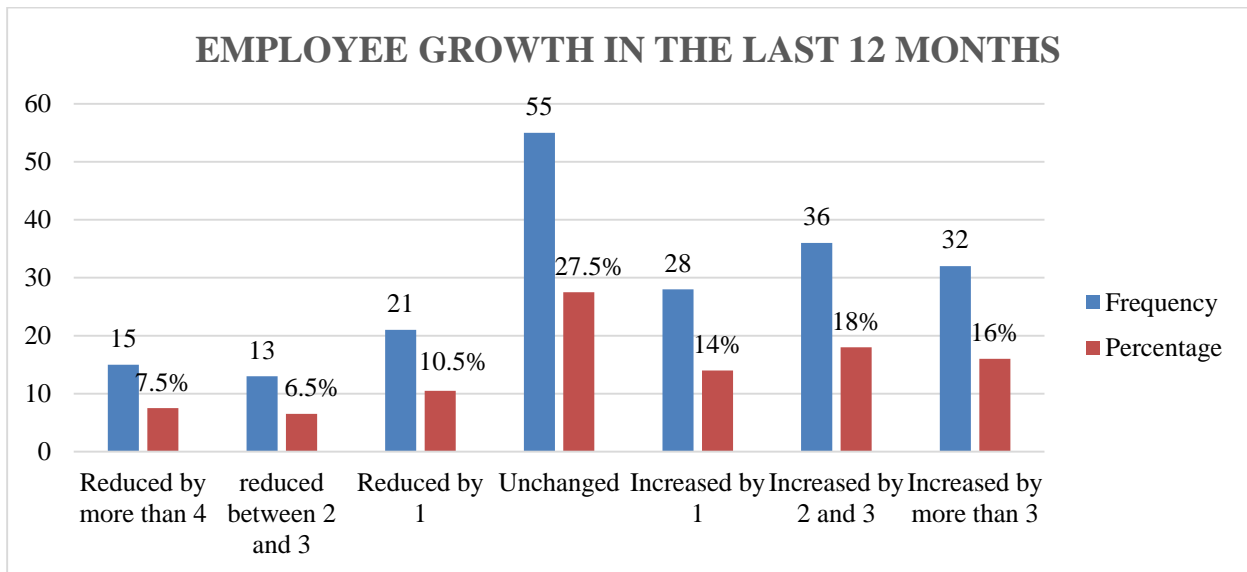


Figure 5.17: Employee growth in the last 12 months

Source: Own data (2019)

5.4.3 Profit growth in the last 12 months

Figure 5.18 shows an increase in overall profit by 10 percent at a frequency of 59 (29.5%). Similarly, there was also an increase between 10 percent at a frequency of 39;19.5 percent. Moreover, SMEs at a frequency of 46 (23.0%) profit level remain unchanged, while there was a low profit level at 21 percent at a frequency of 8 (4.0%). Hove, Sibanda and Pooe (2014:166) maintain that for SMEs to actualize profit, they need ongoing processes of understanding and developing themselves in order to achieve their fullest potential.

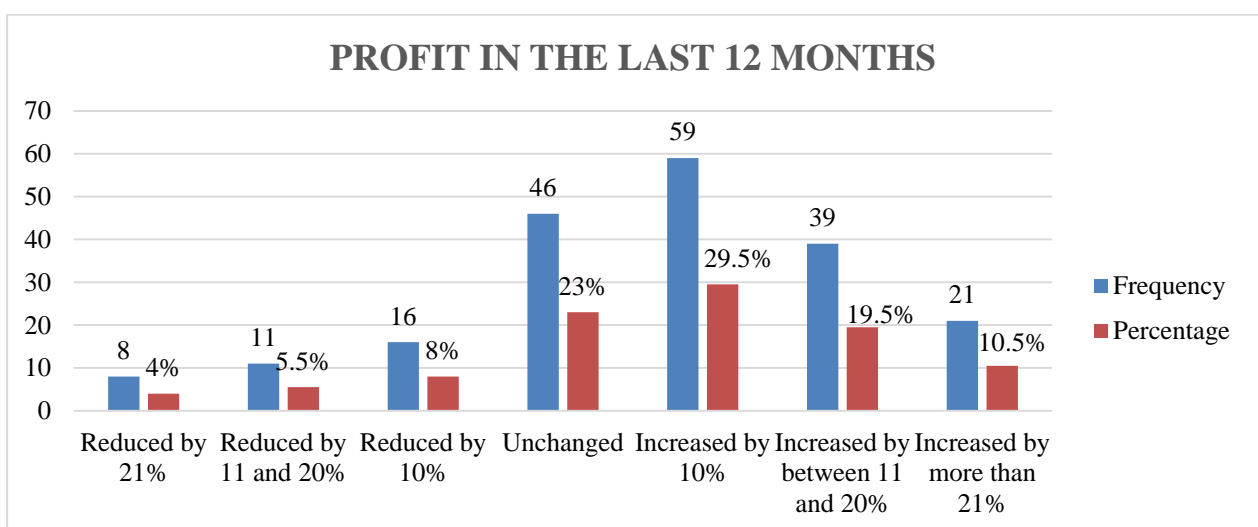


Figure 5.18: Profit growth in the last 12 months

Source: Own data (2019)

5.5 VALIDITY AND RELIABILITY OF SCALES

In chapter four on methodology, it was explained that reliability and validity of cross-sectional studies is important to give credibility to the results obtained from the data collection process (Bolarinwa, 2015:195; Jozkowski & Peterson, 2014:633). This section indicated the results achieved after using measuring scales during the survey data. Table 5.1 analyses scale reliability diagnostics results.

Table 5.1: Scale reliability diagnostics

Items	Construct name	Number of items	Mean	Std. deviation	Std. error	Cronbach alpha	Inter-item correlatin
C1 – C5	Partnership formation	5	4.0630	0.93262	0.06595	0.876	0.493
D1 – D4	Local leadership	4	4.2812	0.90675	0.06412	0.864	0.412
E1 – E7	LED initiatives	7	4.6461	0.79393	0.05614	0.871	0.494
F1 – F5	Infrastructure development	5	4.4840	0.84648	0.05986	0.866	0.465
G1 – G6	Entrepreneurship development	6	4.5383	0.76908	0.05438	0.843	0.373
H1 – H6	Access to opportunities and transport	6	4.6067	0.78317	0.05538	0.840	0.467
I1 – I3	Safety and security	3	4.5033	1.02236	0.07229	0.706	0.456

Source: Own data (2019)

The recommended cutoff average for a Cronbach alpha should be equal to or greater than 0.70 (Edwards, 2002:354). Cronbach's alpha is use in the study to check the reliability of measurement scales (Malhotra 2010:319). As shown in Table 5.1, the questionnaire consisted of several sections with various items which were grouped into 7 constructs. All items were measured on a six-point Likert scale. The pilot study shows that, all the constructs returned a satisfactory Cronbach alpha. Likewise, using the final data collected for the study, all the constructs had a satisfactory Cronbach alpha. The overall reliability and validity of the scales as shown in Table 5.1 was acceptable. Cronbach's alpha was greater than 0.7 in all the constructs, which indicates an elevated level of internal stability for the scales used in the survey. As recommended by Clark and Watson's

(1995:316;), the average inter-item correlation standards ranges from 0.15 to 0.50 which therefore indicate an acceptable convergent and discriminant validity.

5.5.1 Employee growth

This section presents the results from the one-way between groups ANOVA for the differences between variables and employee growth. Table 5.2 present the results.

Table 5.2: ANOVA results for differences between variables and employee growth

Variable	Declined	Unchanged	Increased	F	P	η^2
Partnership formation	3.759	4.000	4.254	4.930	0.008*	0.048
Local leadership	3.995	4.182	4.484	5.413	0.005*	0.052
LED initiatives	4.318	4.729	4.766	5.873	0.003*	0.056
Infrastructure development	4.237	4.607	4.540	2.937	0.055	0.029
Entrepreneurship development	4.313	4.518	4.665	3.510	0.032*	0.034
Access to opportunity	4.350	4.670	4.701	3.596	0.029*	0.035
Safety and security	4.061	4.449	4.760	8.257	0.000*	0.077

Note: * denotes significance at the 5 percent level of significance; Max = 6, Min =1

From Table 5.2, the participated SMEs were categorised into three groups according to their employee growth rate (Group 1: employee growth declined, Group 2: employee growth remained unchanged and Group 3: employee growth rate increased). The results show a statistically significant differences at the 5 percent level of significance level for partnership formation ($p = 0.008$); local leadership ($p = 0.005$); LED initiatives ($p = 0.003$); entrepreneurship development ($p = 0.032$); access to opportunity ($p = 0.029$); and safety and security ($p = 0.000$).

Of the three employee growth groups, the groups that reported an increase in their employees measured the highest means for all significant variables include partnership formation ($\bar{x} = 4.254$); local leadership ($\bar{x} = 4.484$); LED initiatives ($\bar{x} = 4.766$); entrepreneurship development ($\bar{x} = 4.665$); access to opportunity ($\bar{x} = 4.701$); and safety and security ($\bar{x} = 4.760$). The only variable that did not return a statistically significant difference was infrastructure development.

These results were supported by Sharu and Guyo (2015) whose study assessed the determinants or the factors which influence SME growth, owned by the youth in Kenya. The study emphasises

the important and the impact of entrepreneurial skills, well implemented government policy and unrestricted access to finance on the performance and growth of SMEs. This was in line with the results for this study where entrepreneurship development, access to opportunity, LED initiatives as well as safety and security were perceived the important variables influencing SMEs growth in South Africa when employee growth is concerned. In addition, the results show that LED initiatives had the highest mean ($\bar{x} = 4.766$) among all the significant variables. These include partnership formation ($\bar{x} = 4.254$), local leadership ($\bar{x} = 4.484$), entrepreneurship development ($\bar{x} = 4.665$), access to opportunity ($\bar{x} = 4.701$) and safety and security ($\bar{x} = 4.760$). Kasozi (2017:339) explains that entrepreneurial development influences growth and operations of SMEs. He adds that the identification of entrepreneurship skills such as problem-solving, creative thinking, motivation between owner/manager or employee and managing conflicts can lead to SME growth. Transparency International's (TI) 2018 Annual Global Report indicated that South Africa has dropped four places since 2001 out of 175 countries (Corruption Watch, 2018). Even Fatoki and Garwe (2010:730) stress that safety and security are one of the factors delimiting growth of SMEs in South Africa. This was supported by Sharu and Guyo (2015) who argued that government support through various policies can influence the growth and development of SMEs.

5.5.3 Turnover growth

In this section, the results for the one-way between groups ANOVA for the differences between variables and turnover growth are presented. The following table, Table 5.3 presents the results.

Table 5.3: ANOVA results for differences between variables and turnover growth

Variable	Declined	Unchanged	Increased	F	P	η^2
Partnership formation	3.782	3.947	4.243	4.472	0.013*	0.043
Local leadership	4.046	4.127	4.461	4.426	0.013*	0.043
LED initiatives	4.356	4.709	4.738	3.899	0.022*	0.038
Infrastructure development	4.427	4.498	4.501	0.126	0.882	0.001
Entrepreneurship development	4.474	4.487	4.592	0.523	0.594	0.005
Access to opportunity	4.432	4.610	4.680	1.552	0.214	0.016
Safety and security	4.197	4.497	4.638	2.919	0.056	0.029

Note: * denotes significance at the 5 percent level of significance; Max = 6, Min =1

Table 5.3 reports the results from the ANOVA conducted to differentiate the variables between different turnover growth. Respondents were divided into three groups according to the turnover growth rates (Group 1: turnover growth declined, Group 2: turnover growth remained unchanged and Group 3: turnover growth rate increased). There were statistically significant differences at 5 significance level for partnership formation ($p = 0.013$), local leadership ($p = 0.013$) and LED initiatives ($p = 0.022$).

Of the three employee growth groups, the groups that reported an increase in turnover measured the highest means for all significant variables were partnership formation ($\bar{x} = 4.243$), local leadership ($\bar{x} = 4.461$) and LED initiatives ($\bar{x} = 4.738$). The variables that did not return a statistically significant difference were infrastructure development, entrepreneurship development, access to opportunity, as well as safety and security.

These results were supported by Lekhanya (2016), whose findings showed that there is either negative or a positive relationship between SMEs market size and business growth. However, poor business infrastructure could exact greater impact on SMEs business growth. Business environmental specialists (SPB) developed the SME growth index by which they discovered that the regulatory burden is one of the issues which affects SMEs in South Africa (SBP: Business Environment Specialists, 2014). Also, the fact that LED initiatives had the highest mean ($\bar{x} = 4.738$) in terms of increase in turn over compared to partnership formation ($\bar{x} = 4.243$) and local leadership ($\bar{x} = 4.461$) implies that the government of South Africa is putting a lot of effort to guarantee that the SMEs have access to economic opportunities such as land, skill through supporting planning and employment creation at the local level (Rogerson, 2014:203). The Department of Provincial and Local Government (DPLG) (2005) views LED as a means by which employment and quality of life can be enhanced in South Africa. In addition, the DPLG (2005) insinuates that LED empowers local participants effectively utilize business enterprises, labour and capital in more profitable manner.

Moreover, the fact that infrastructure development, entrepreneurship development, access to opportunity and safety and security did not return a statistically significant difference may also be due to the arguments given by May and Furley (2016:11) that LED is not yet well embedded in the local government level in support of infrastructure development, entrepreneurship development, access to opportunity and safety and security. One indication according to May and Furley (2016:11) is the amount of funds allocated to the local government, which is limited in many occasions. Lin and Wesseh (2014:841) state that LED's contribution toward job creation

and improvement of the social-economic is minimal as economic problems such as inequality and under-development across the South African rural system persist. Muriithi (2017:38) concluded that SME owners/managers are key factors promoting LED as they are the generator of employment opportunities. Since LED is needed for SME growth, it has become the responsibility of the government to make sure that LED challenges are responded to within a regulated and supported framework of SMEs (Ngek, 2014:255).

Additionally, the fact that safety and security did not return a statistically significant difference with a mean ($\bar{x} = 2.919$) and ($p = 0.056$) supports the findings by Leboea (2017), who indicated that in South Africa, security is very low for businesses due to the fact that the crime rate is very high. As a result, the impact on SME growth in terms of revenue and profits becomes negative, which later compromises the overall success of the business. The high crime rate (Cant & Ligthelm, 2002) will end up increasing the total cost of doing business. Moreover, it is argued that in South Africa's SME sector, businesses view crime as the one of the biggest threats they face in their quest to survive and grow (Mihara & Higuchi, 2017:427). The next section explains the results from ANOVA and its relationship between variables and profit growth.

5.5.4 Profit growth

In this section, Table 5.4 presents the results indicating if SMEs grew profit wise.

Table 5.4: ANOVA results for differences between variables and profit growth

Variable	Declined	Unchanged	Increased	F	P	η^2
Partnership formation	3.926	3.826	4.195	3.120	0.046*	0.031
Local leadership	4.064	4.076	4.424	3.763	0.025*	0.037
LED initiatives	4.425	4.587	4.733	2.235	0.110	0.022
Infrastructure development	4.417	4.444	4.513	0.264	0.769	0.003
Entrepreneurship development	4.443	4.391	4.623	1.851	0.160	0.018
Access to opportunity	4.400	4.500	4.709	2.700	0.070	0.027
Safety and security	4.000	4.377	4.700	7.228	0.001*	0.068

Note: * denotes significance at the 5 percent level of significance; Max = 6, Min =1

Table 5.4 reports the results from the one-way between-groups ANOVA conducted to explore the differences in the variables between different profit growth groups. Respondents were divided into

three groups according to the profit growth rate (Group 1: profit growth rate declined, Group 2: profit growth rate remained unchanged and Group 3: profit growth rate increased). There were statistically significant differences at the 5 percent significance level for partnership formation ($p = 0.046$), local leadership ($p = 0.025$) and safety and security ($p = 0.001$). In the three profit growth groups, the groups that reported an increase in the profit measured the highest means for all significant variables were partnership formation ($\bar{x} = 4.195$), local leadership ($\bar{x} = 4.424$) and safety and security ($\bar{x} = 4.700$). The variables that did not return a statistically significant difference were LED initiatives, infrastructure development, entrepreneurship development and access to opportunity.

Various studies have likewise supported the findings Leboea (2017) research on the factors influencing survival of SMEs in South Africa, discovered quite a number of factors which affect the survival and growth of SMEs in South Africa. Firstly, levels of crime, health of the citizens, access to external finance, government laws, policies, and regulations and poor infrastructure were the factors which affect the survival of SMEs in South Africa. Likewise, Sitharam and Hoque (2016) in their study which attempted to identify the factors influencing the performance of small and medium enterprises in KwaZulu-Natal, South Africa. They discovered that technological advancement influences the performance of SMEs. In addition, many SMEs viewed competition as a major challenge to the growth of their businesses. Furthermore, corruption and crime were also discovered as major determinants of growth and survival of SMEs in South Africa.

All these results support the findings of this study, where partnership formation ($\bar{x} = 4.195$), local leadership ($\bar{x} = 4.424$) and safety and security ($\bar{x} = 4.700$) were the variables found to be significantly influencing the growth of SMEs in South Africa in relation to profit growth. In Egypt, Hassan and Hart (2016) study on determinants of firm growth in Egypt found that, the ability to adopt innovation in business can positively influence the growth of SME firms: Meaning that the ability of a firm to be innovative influences the its growth prospects. At the same time, SMEs that do export their products have more chances of growing. The fact that, safety and security ($\bar{x} = 4.700$) reported the highest increase in the profit measured by the highest means for all significant variables partnership formation ($\bar{x} = 4.195$) and local leadership ($\bar{x} = 4.424$) may imply that the government is putting a lot of effort to ensure that there is safety and security, even if Viviers (2004) found that the levels of security and safety in South Africa are still very low. According to the findings/variables identified above, it is vital for the city of Johannesburg's metropolitan region to further activate more favourable mechanisms that can enhance SME growth.

5.6 SYNOPSIS

The summary of this chapter covers mainly the city Johannesburg metropolitan areas, the results were presented according to the objectives. This chapter detailed the demographic information of the participating SMEs within the sample area, which includes factors of the business owners/managers such as race, age, gender, education, capacity of the business and its characteristic. This chapter also explained the business set-up, their source of start-up capital, sector of operation and its links to employment and growth of SMEs in South Africa. Entrepreneurial business training was discussed, as well as its impact on the creation of an enabling environment for SMEs owners /managers to grow their business.

Validity and reality scales was used to explain the cross-sectional studies and how data collection processes were actualise. Table 5.1 indicated scale reliability diagnostics which tested items C1-I3. Economic determinants of SME growth were tested. The results for the descriptive statistics were presented in the chapter. Scale reliability diagnostics tests were also presented. Cronbach alpha tests were employed and presented in this chapter, where it was discovered all the constructs had a satisfactory Cronbach alpha. Similarly, the results for the determinants of SME growth with the help of ANOVA test the differences between variables on employee growth, turnover growth and profit growth. The first part started with employee growth, followed by turnover growth and lastly profit growth. In the presentation of the results, previous studies were used in each case to support the results.

CHAPTER 6

SUMMARY, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

Entrepreneurship and small business development has been viewed as an important and strong contributor to economic growth and development from a global perspective. SMEs promote economic development, especially in developing countries. SMEs contribute greatly to exports as well as job creation. SMEs are viewed as a contributor to economic growth and development in South Africa and they impact significantly in creating employment (Parthasarathy & Gupta, 2017:328). The World Bank (2015:10) observes that contribution SMEs made shows up to 45 percent of total employment and 33 percent of national income in most developing economies. The aim and objectives of the study was to unravel the economic determinants of SME growth in Johannesburg, with the idea that the results be applicable for other regions and countries with the same features and conditions as the area under investigation. The primary objective is to identify the determinants to SMEs growth and its link to economic growth, development and job creation in the city of Johannesburg metropolitan region

In order to achieve the primary objective of the study, the following theoretical objectives were formulated: to define the terminology surrounding small business growth, economic growth and development; to discuss the literature on the various economic and business theories relating to small business growth; to discuss the link between small business growth and economic growth; to discuss the link between small business growth and local economic development; to conduct a literature review on the various determinants contributing to small business growth. Empirical objectives were formulated: to develop a regional economic profile; to determine the impact of various economic indicators on business growth; to determine the growth trends of small businesses operating in selected areas; to determine which start-up capital source is most used by small businesses; to determine the level of enabling environment for small business growth; and to determine the impact of business growth in the Johannesburg metropolitan region and thus, this chapter will further highlights the research process achieved between chapter one to five.

6.2 OVERVIEW OF THE STUDY

As previously discussed, the main objective of the study was to determine which factors are considered most important for sustained business growth amongst SMEs in the region. To achieve these, objectives, a review was conducted in Chapters two and three and a framework on the impact of SMEs with regard to business growth was explained. Beginning with Chapter 1, a brief background overview was provided in order to understand the link between entrepreneurship and small business development and how it has contributed to economic growth in South Africa. The chapter further highlights several factors contributing to the growth of SMEs, which include access to finance; market opportunities; the availability of infrastructure and services; entrepreneurial skills; strong government support in the form of partnership formations; leadership and having a safe and secure environment to do business (Section 1.1). These factors could be referred to as economic determinants which, if created through an enabling environment, could lead to increased business growth and potentially increased economic development and growth (Section 1.1). This however indicates a need for identifying which economic factors may contribute to SME improvement and growth, which may ultimately lead to improved job opportunities in the city of Johannesburg's metropolitan region.

From the problem statement (Section 1.2), it was noted that SME growth requires a conducive enabling environment in order to improve performance. However, difficulties faced by SMEs in the business environment are: shortages of economic development initiatives, poor infrastructure, a lack of entrepreneurship development, no technology and innovation knowledge and high risks to safety. There has been limited research on the determinants of business growth in the region. For example, SME business growth in terms of turnover, profit and job creation as well as the perceptions of small business owners of the creation of an enabling environment by local government (Section 1.2).

Since, SME failure in any economy can lead to economic downturn, the need for this study to further investigate the economic determinants of small business growth on a local level is visible. A primary objective was set which was supported by five theoretical objectives and six empirical objectives, based on the problem identified (Section 1.3). The chapter further briefly mentions the research design and methodology followed in order to achieve the objectives (Section 1.4), literature review, study area, target population, sampling frame, sample method, sampling size and element and measuring instrument (Section 1.5). The chapter used primary data, which includes the reliability and validity analysis, descriptive analysis, Analysis of variance (ANOVA), reliability and validity (Section 1.6). The contributions of the study (Section 1.7) were highlighted

as well as the ethical considerations (Section 1.8). Finally, in Section 1.9, a brief chapter classification was given in conclusion of the chapter.

Chapter 2 set out to address the theoretical questions that were outlined in Chapter 1. The chapter formed the theoretical foundation of the study by providing a literature background, definitions, theory and the importance of relevant concepts.

The **first theoretical objectives** aimed to define the terminology surrounding small business growth, economic growth and development. The study started by defining small businesses in the wider economic context and it was revealed that there are many definitions of small businesses. In fact, small businesses are defined differently by different scholars. For instance, the European Commission (2013:3) states that SMEs are “made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million”. Similarly, the World Bank (2018) defines an SME as an enterprise with less than 500 employees, or the cut-off to be 250 employees (Section 2.2). In South Africa, the “National Small Business Act 102 of 1996 amended by Act 29 of 2004” categorises SMEs into four categories, namely “microenterprises, including survivalist enterprises; very small enterprises; small enterprises; and medium enterprises” (South Africa, 1996, 2004; Smit & Watkins, 2012:325).

South Africa is rated as the second fastest growing economy in Africa with regard to GDP (Ngek, 2014:255). However, the economy is facing economic challenges which have a negative effect on SME growth (Section 2.2). Neneh and Van Zyl (2017:168) emphasise that only 10 percent of SMEs are doing well, while the other 90 percent are floundering due to the weak economy. Furthermore, SMEs keep 10.8 million people employed, accounting for 66 percent of all formal jobs and they contribute 20 percent to GDP (Neneh & Van Zyl, 2017:169). Therefore, SME sustainability is crucial for South African economic growth.

Second theoretical objective aimed at discussing literature on the various economic and business theories relating to small business growth and was detailed in Sections 2.3 and 2.3.2. The study reviewed the theoretical link between economic growth, development and SME growth. Firstly, different definitions of economic growth were given. Section 2.3 thus went on to discuss economic growth an increase in the national income per capita and it involves the analysis and increase of the gross domestic product (GDP), gross national product (GNP) and national income (NI) of any economy. Section 2.3.1 also stated that economic growth is the process of increasing the sizes of

national economies and the macro-economic indications, particularly the GDP per capita. In the same vein, Jorgenson (2016:436) adds that economic growth is determined by what a country produce goods and services. Section 2.3.3 further indicated the difference between economic development and economic growth where it was stated that economic development includes flows of goods and services across borders, international capital flows, reductions in tariffs and trade barriers, immigration, the spread of technology and knowledge beyond borders. According to section 2.4, “economic development has a positive effect on businesses with the lowest incomes; the eradication of mass poverty with its links to illiteracy, disease and early death; and changes in the composition of inputs and outputs that usually include shifts in the underlying structure of production away from agricultural towards industrial activities”. Section 2.5 investigated theories of economic growth, development and SME growth. Smith’s (1776) theory identified factors behind the need and causes of the wealth of nations and its role in economic growth and development within a region. His theory emphasises the significance of capital accumulation, population growth of a nation and labour productivity. Smith’s theory specifies that the key cause of economic growth is the nation’s working population which is employed in productive labour. Smith (1776) points out that both small and large businesses and the manufacturing sector were productive.

Another theory was the Demand and Location theory that emphasised the cost analysis, where demand is viewed constant and the locational interdependence of firms is overlooked (Weber, 1909). According to this approach, “firm’s location would vary according to the demand and size of market. In other words, each producer tries to choose the location and control the largest market in which he can sell at a lower price than his rival”. In this regard, the cost is presumed to be the same locations and in this way, the cost concept is disregarded (Storey, 1994). Hennart (2012:169) identified three stages of location which he believes are vital for a firm’s success: In the first stage, the firm’s location theory is vital as it facilitates sellers and buyers contacts without much difficulties. The second stage as identified by Rashid (2015:182) pertained to the ‘cost’ of a firm. He postulated that cost is significant when firms need to access location. Rashid (2015:185) added that ‘demand can be viewed as a variable, a factor that is crucial when a firm accesses a location for the business.

The third stage is that both cost and demand are perceived as variable. Here it is further alluded that firms should carefully select a location for business due to competitors and to maximise profit. Section 2.5 further discussed the Human Capital model. The Human Capital model was advocated

by Anaduaka (2014:26). The main assumption of this theory was that individual entrepreneurs possess unique business or management ability which influences the likelihood of their success in business. The other assumption was that the skills that workers possess vary across and as a result, the size distribution of firm is determined by the capacity and skills SMEs possesses. The major argument of this model was that the entrepreneurial ability of business owners and the skills possessed by the workers help to influence the growth of the firm, which will help in a way to increase the economic growth of a nation or country. This happens through increases in output that contribute to the GDP of a nation, and even contribute to exports, generating more income for the country and fueling economic growth in the process.

The **third theoretical objective** discussed SME growth and its impact on economic GDP. Section 2.6 indicated that in developing countries, the impact of the SMEs sector is well recognised due to its contribution to employment creation and expansion of entrepreneurship activities. Section 2.7 pointed out that SMEs has substantially contributed to stable economic growth and development of the economy. To attain stable economic development, SMEs should be financially supported and create financial literacy awareness to help them to overcome difficulties during the start-up phase and/or their normal business activities. The GEM reported that, the economic growth of a country is directly interrelated to its level of entrepreneurial activity, which is generated through SMEs (Section 2.7). Also, “SMEs play a very vital role with respect to their contributions to economic advancement and social empowerment, and the contributions made by SMEs may differ amongst countries.” Section 2.7 indicated that SMEs, specifically, at local level, play a significant role in both high and low income economies by significantly contributing to GDP and employment. However, only few small businesses could go beyond small local markets, due to inadequate innovation and do not have strong growth aspirations. Hence, it is vital for the government to create more conducive policies to help SMEs to grow and further contribute to economic growth.

The **fourth theoretical objective** aimed to discuss the link between small business growth and local economic development. Section 2.7.1 explained the significant impact SMEs play in the growth of South Africa. SME contribution to job creation and economic development cannot be overlooked. Even so, SMEs in South Africa have been receiving wide spread attention by the government through (LED) with “the intention of promoting empowerment, job creation, economic growth and community development”. The primary focus is on the role of SME in the local government sphere. SME development in local government exemplifies part of a LED

strategy that aims to, amongst other priorities, achieve local governments' constitutional mandate to promote economic growth and development amongst small businesses in South Africa. Section 2.7.1 indicated that within the South Africa economy, lack of literacy among SME owners/managers can influence to some extent SME capability towards employment creation. However, despite the important impact of SMEs and their anticipated contribution to the economy, there are still hindrance to their growth. The study suggests that the city of Johannesburg's metropolitan region must develop an approach towards economic development and development for residents to improve their quality of life

The **fifth theoretical objective** is to review literature on the various determinants contributing to small business growth. The aim of Section 2.9 is to review literature on determinants of SME growth. The section started with a brief discussion of the nature and type of factors influencing the growth of SMEs. Many factors influence SME growth in both developing and developed countries. Some of the noted determinants include the ability to form partnerships, the nature and skills of local leadership, government policies and infrastructure development, amongst other factors. Furthermore, this section showed that SME sector is seen as a yardstick to economic growth and development of the city of Johannesburg metropolitan region.

Policy evaluation can provide opportunities for both business and government to check between inputs, processes, outputs, outcomes and impacts within the theoretical framework, specifically its growth validity.

Section 3.7 emphasises that the growth of SMEs depends on a specific set of policies and requirements. However, policies set by the South African government, like SEDA the Small Enterprises Development Agency and Local Economic Development (LED) initiatives can help these businesses achieve their ambitions, thus continuing to contribute to the country's long-term economic development. Section 3.6 further explains the economic profile of the city of Johannesburg's metropolitan region. The Human Development Index (HDI) was described in relation to the region. South Africa's HDI value for 2017 is 0.69, which put the country in the medium human development category, hence positioning it at 113 out of 189 countries and territories. Section 2.7 detailed more about the economic data of the city of Johannesburg's metropolitan region, which includes the quarterly business output in the JMM (2018). The capital formation and business confidence index between 2015- 2019 and unemployment rate in the third quarter (2008-2018) and its impacts of local economic development were described. Lastly, section 3.7.1 suggests that the local government need to prioritize LED and address the challenges

affecting SMEs to grow and thus develop policies and framework for them so as to enhance employment creation.

6.3 FINDINGS OF THE STUDY

This section summarises the findings from Chapter 5 in accordance with the six empirical objectives set out in Section 1.3.3.

6.3.1 Empirical findings on the determinants of SME growth

The **first empirical objective** is set out to develop an economic regional profile of the Johannesburg metropolitan region. figure 5.1 shows that whites SME owners/mangers has highest, 51 percent and show more growth in their business. Experience and longevity in a business can have a positive effect on the growth of a business. Figure 5.2, shows that SME owners between the age between 41 and 50, has the highest frequency of 34 percent. Still, the study believed that age and experience within the business context can have a positive outlook and indeed help SME stay more competitive. figure, 5.3 indicated gender and that were more male business owners at 63 percent within the research filed. Figure 5.4 gives an indication that in the Johanneburg region metropolitan region, the participants with the highest education were SME with a degree qualification at a frequency of 47;23.5 percent. In figure 5.5, SME owners who participated during the survey was at 65 percent. Also, figure 5.6 give an indication that most of the pericipants were self-employed and they were between six to tens years at a frequency of 60 (30.0%).

The **second empirical objective** included various economic indicators on the business growth in the Johnnesburg metropolitan region. Table 5.1 (scale reliability diagnostics results). Edward (2002:354) explain that Cronbach's alpha is use to check the reliability of measurement scales.the questionnaire consisted of several sections with various items which were grouped into 7 constructs. Cronbach's alpha Items C1-C5- Partnership formation shows (0.879), while its iter-item correlation indicated (0.493). Cronbach's alpha Items for D1-D4 -LED initiatives indicated (0.871) and its inter-correlation shows (0.412). Items E1-E7 Cronbach's alpha results is (0.871) and inter-correlation shows (0.4.94). Item F1-F5- Infrastructure development shows (0.866) and its inter-item correlation is (0.465). the overall reliability and validty scal shown in Table 5.1 was acceptable. Cronbach's alpha was greater than 0.7 in all the constructs, indicated an elevated level of internal stability for the scales used in the survey.

The **third empirical objective** was to determine the growth trends of small businesses operating in selected areas in the Johannesburg metropolitan region. Figure 5.10 shows that the sector that participated more in the survey was construction frequency 34 (17.5%), followed by services at frequency 29 (14.5%) and both sectors contributed more to the economic expansion of the region.

The **fourth empirical objective** was to determine which start up capital source is most used by small businesses in the Johannesburg metropolitan region. Figure 5.9 shows that within the the sample area, the highest frequency of SMEs with their own resources was estimated at 75 (37.75%). The result shows that business owner's start-up business is either from family or their personal account.

The **fifth empirical objective** was to determine the level of an enabling environment for small business growth in a selected area in the city of Johannesburg metropolitan region. Figure 5.15 Figure 5.15 indicates that majority of small businesses 147 (73.5%) in the sample area believed they are not trading in a good enabling environment due to safety and strict government policies. However, only a 53 (26.5%) indicated with adequate capital they had and were able to survive in the business environment due private securities, installed cameras and good marketing network.

The **sixth empirical objective** was to determine the impact of business growth in the Johannesburg metropolitan region. Figure 5.16 explained that business growth in the last 12 months. The majority of small businesses increased within the sample area at 131 (65.5%), while 13.5 percent remained unchanged. Figure 5.17 shows that employess growth in the last 12 months remained unchanged at 55 (27.5%). While within the last last 12 months the growth of employess increased at 36 (18.0%). Figure 5.18 shows an increase in overall profit by 10 percent at 59 (29.5%). This anlysis indicated that small oweners/ managers have attained growth and still, they need ongoing processes of understanding and developing themselves in order to achieve fullest potential.

6.4 PROFILE OF THE STUDY AREA

In Chapter 3, it was important to provide a detailed outline of the profile of the study area where important information is provided to the reader to understand the context within which the study is being conducted. The survey area was Johannesburg metriopolitan area and it is perceived as an economic hub within Gauteng province (Naicker and Peters 2013:22). The Department of Trade and Industry (DTI) (2018), recorded an estimated population in the Greater Johannesburg Metropolitan Area at 8 million. In the same way, the Gauteng Province is regarded as the Economic hub to the country due to its industrialisation, manufacturing and its business history

(Hyde-Clarke, 2013:151). Fatoki (2013:210) added that the city of Johannesburg's metropolitan municipal area is known as the capital city of South Africa and it contributes 35.6 percent towards GDP in the country. "SMEs has potential to facilitate growth and create of employment" (Maduku, Mpinganjira & Duh, 2016:715). Botha, Van Vuuren and Kunene (2015: 55) added that within the Johannesburg metropolitan area the contribution of SMEs to the GDP growth has been noticed.

The growth of SMEs in South Africa brought about greater distribution of income and wealth, economic self-dependence, entrepreneurial development and economic growth. In the same fashion, Hove-Sibanda, Sibanda and Pooe (2017:10) indicated that SMEs are potential instruments in terms of employment generation with the capabilities of infusing growth into the economy. However, the study discovered that growth projections between 2016 to 2019 in South Africa are beginning to slow as recorded in the past, which have an impact on the Johannesburg metropolitan city's ability to meet its own growth targets and the challenge of high youth unemployment. In addition, the study discovered that there are reports that Johannesburg metropolitan city is relatively neglected by urban researchers.

However, this study hoped to match the gap of SMEs struggling to grow in their business and to suggest different growth determinants for the attainment of their business objectives. Thus, this study will have provided a comprehensive view of the South African small business development policy, coupled with the history and development of SMEs in the Johannesburg metropolitan area. This study discussed local economic growth and development (LED) strategies that have been put in place by national government, provincial and local government to accelerate the growth of SMEs, specifically within the Johannesburg area. Below is a Map of the City of Johannesburg Metropolitan. Geographically, the Johannesburg Metropolitan has a diverse urban structure, which includes historic suburbs like Braamfontein, Hillbrow, Joubert-Park, Park-Town, Marshall Town and New Town.

6.5 CONTRIBUTION OF THE STUDY

The contribution to the study was to fill a gap in the current literature base and identify possible economic determinants that may hinder SME growth and development, which is critical for sustained economic growth. For SMEs to be successful in terms of their performance, growth and development, they have to overcome hindrances that deter their business growth. As many developing countries rely on SMEs to assist in job creation, understanding which factors potentially may positively or negatively impact on their growth would be of value. In addition,

understanding SME growth patterns and linking these to the different economic factors can also prove to be valuable. Finally, this study contributed in the provision of more information on factors that influence SMEs to grow at a local level, more specifically within the city of Johannesburg's metropolitan region, which has also in the past proven to be more difficult to find as most studies only report on broader country specifics.

6.6 POLICY IMPLICATIONS

In terms of data collection, South Africa should also target data at the micro level where individual business owners are targeted. It proved to provide meaningful information on the factors that may influence their growth. The fact that partnership formation was found to be a factor that can influence the growth of SMEs, government need to ensure that small businesses acquires levels of literacy and also working together in the form of partnerships. Partnerships are important in that small businesses will share ideas and contribute more capital, which can have an impact on their growth levels. In addition, the government of South Africa should put in place mechanisms and strategies that can ensure that local leadership is intensified as it was identified to be one point that can help to ensure that SMEs grow in terms of turnover. Policies that encourage local business owners to start businesses should be put in place as well as intensifying LED initiatives as they proved to have an influence on the growth of SMEs.

Apart from the policy implication above, the government of South Africa should also make sure that it provides access to opportunities as it was discovered that access to opportunities was one of the factors which can influence the growth in SMEs in terms of employee growth. It is imperative that the government of South Africa through the Department of trade and industry gives small businesses opportunities in prescribed sectors of the economy where competition is limited, such as small shops offering services like hair-dressing, sewing, business consultancy etc. These can be reserved for small businesses so that they become customers to large firms in order for them to survive. Additionally, the fact that safety and security was seen as a variable tool in relation of employee and profit growth SMEs, it is imperative that the government of South Africa invests more in safety and security.

Other factor that many SMEs in South Africa lack is shortage of business skills. The fact that entrepreneurship ability proved to be an important factor that can encourage the growth of SMEs, means that the government of South Africa should make sure that SMEs do not learn about business in the business itself, but they should be encouraged to take courses in business

management so that their businesses grow. Awareness campaigns should be done to make sure that small business owners receive the necessary education that can help them to run their businesses.

6.7 RECOMMENDATIONS

Chapters, one-six conclude that SMEs is indeed an asset to south african encomy and creaton. It highlights the main lessons learnt from this research. It also further emphasises areas requiring further research. The aim of this section was to provide recommendations to possibly create policies which the South African government can use to strengthen SME growth. The recommendations below could be considered by SMEs in the city of Johannesburg region to overcome business failure as a factor affecting their performance:

6.7.1 Tertiary education and skills

Tertiary education provides skills and insight that are important and essential in managing a business for growth. The value of tertiary education is in relation to the critical skills that it provides. It is these logical skills which can assist SME owners / managers to analyze their businesses and make defined decisions that best facilitate business growth. The value of education and experience in business can also provide a network within the market which facilitates business growth in a variety of ways. In the line of education, government needs to create a framework that can make SME owners/managers more aware of various policies to make them grow.

6.7.2 Financial competence

To develop the financial competencies of SME entrepreneurs, organizations such as the South African Banking Association and SEDA (Small Enterprise Development Agency) impacts are needed, to offer training in financial management. As the country explores opportunities to grow its business industry, it should consider expanding the contribution both on local and national levels of SMEs, which can add to the (GDP). The services offered by all of the above-mentioned organisations should be integrated and coordinated so that can maximum benefit.

6.7.3 Establishing an enabling environment for SMEs

The creation of an enabling environment by local government for businesses to grow is one of the important factors in LED. In this creation of an enabling environment, effective service delivery by local government and its support by people at the grassroots level is significant. SME growth

can be improved by adopting an enabling environment through government support and policies. It is recommended that government needs to be more accommodating in order to promote business development. Economic development initiatives such as creating infrastructure, safety, providing loans, financial support, easy access to the market and also to provide education literacy to help create more business owners and managers are needed. It was also recommended that the creation for an enabling environment can trigger job creation and employment. Thus, it is important for the government to increase safety and security and reduce high levels of crime which have negatively impacted on society and local businesses and the environment. They must come up with policies and frameworks that are aimed at growth and development of SME in South Africa.

6.8 LIMITATION OF THE STUDY AND AREAS FOR FURTHER STUDY

The study has a number of limitations. Firstly, the study suffered from financial constraints which limited the scope of the study to one region of South Africa: the city of Johannesburg metropolitan region. The study was going to be more comprehensive if it was extended to all the provinces and regions in South Africa. More information was going to be revealed on the factors that can influence the growth of SMEs in South Africa. The study also used ANOVA in order to gather the determinants of SME growth. The study was going to be a more rigorous venture if models in the class of conditional probability were used, whereby more results could have been generated. Furthermore, the study focused on one region of South Africa and it is possible to do further studies focusing on a much broader perspective where other regions are added in the analysis. In addition, in order to understand more on the factors that can influence the growth of SMEs and the economy of South Africa in general, it is necessary that more businesses are added. Apart from focusing on SMEs alone, other business in the class of small to medium enterprises are to be added. This can help to understand what influences the growth of the economy of South Africa.

6.9 SYNOPSIS

This study was to identify the economic indicators that may potentially act as a determinant to SME growth and its impact on South Africa's GDP. It was noted that despite the prosperity of small businesses in South Africa, there are still challenges to their growth within the city of Johannesburg's metropolitan region. It was further revealed from the literature in the study that economic growth rates are still not high enough to make a real dent in the prevalent poverty within the research area. However, for SMEs to grow, what is needed is an enabling environment for business to liberate, which can lead to a sustained and substantial increase in real per capita GDP

growth of the county. It was further revealed that SME HDI in the city region has shown a positive increase in the last 12 months, which increased the business acquisition of skills and education. Another crucial aspect of SME growth which was explained in the literature were different institutional frameworks such as regulatory institutions like SEDA which can assist SMEs to move from surviving to mature stages, which can also directly influence economic growth. The study also shows that the city of Johannesburg has tremendous economic resources and it should be used to further strengthen the lives of people and businesses in the region. Furthermore, the contributions and limitations were briefly discussed, after which possible future research areas were identified.

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ANNEXURE A: QUESTIONNAIRE



ECONOMIC DETERMINANTS OF BUSINESS GROWTH

My name is Olusegun Adesile and I am currently doing my Master's Degree (Mcom) at the North-West University (Vaal Campus). The primary objective of my study is to determine which factors are considered most important for sustained business growth among SMEs in the region. SMEs were chosen as the sample group because they are vehicle to economic development and growth by helping to lighten poverty and increase job creation

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

Please take few minutes to complete the attached questionnaire. The duration of the questionnaire survey should not exceed between 10-15 minutes. All information you supply will be treated as anonymous and confidential and the result will be reported on in aggregate. Please feel free to contact me or any of my supervisors should you have any additional questions or concerns.

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SECTION A: DEMOGRAPHIC INFORMATION

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

A1. What race group do you fall in?

1	Black / African	3	White
2	Coloured	4	Indian / Asian

A2. What is your current age?

1	Younger than 21 years	4	Between 41 and 50 years
2	Between 21 and 30 years	5	Between 51 and 60 years
3	Between 31 and 40 years	6	Above 61 years

A3. What is your gender?

1	Male	2	Female
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A4. What is your highest level of education?

1	Primary and secondary school not completing matric	4	Diploma (Technical College or similar)
2	Secondary school completed matric	5	Degree (University)
3	Certificate	6	Post Graduate degree

A5. Please indicate under what capacity you run your business (job title)?

1	Manager	2	Owner
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A6. How long have you been self-employed (Managing a business)?

1	Less than 1 year	3	Between 6 and 10 years
2	Between 1 and 5 years	4	More than 10 years
5	If more than 10 years, please indicate how long:		

A7. What is your main reasons for starting the business?

Please select the most appropriate ONE

1	Need for independence	5	Recognition
2	Personal development	6	Contributing to the community
3	Wealth creation	7	Survival (Being unemployed)
4	Saw an opportunity	8	To have a work-life balance

9	Other, please indicate:
---	-------------------------

SECTION B: BUSINESS INFORMATION

B1. Which option below best describes your business style?

1	Lifestyle business (only for own income purposes, no desire to grow business into a large corporation)	2	High growth business (aimed at making maximum profit and growing the business into a large corporation)
---	--	---	---

B2. What was your main source of start-up capital?

Please select the most appropriate ONE

1	Own resources (Bootstrapping)	6	A bank loan
2	Donation	7	Leasing
3	A loan from a friend or family member		
4	A grant from a government department. If yes, please indicate which department or institution you received the grant from:		
5	A loan from a government department. If yes, please indicate which department or institution you received the loan from:		
8	Other: (Please specify)		

B3. Which sector does your business operate in?

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

B4. What is your company's legal form?

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

B5. What is the size of your business?

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

B6. Have you had any exposure to business before starting your own business?

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

B7. Have you ever received any entrepreneurial or business management training?

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

B8. Do you think that the current South African Government is creating an enabling environment for businesses to grow in?

1	No
2	Yes, please indicate how:

SECTIONS C TO I: ECONOMIC DETERMINANTS OF BUSINESS GROWTH

Please indicate the extent to which you agree or disagree to the following statement by marking **ONE** of the blocks using a cross (x) where 1 =Strongly disagree and 6=Strongly agree. Please complete in **PEN**.

SECTION C: PARTNERSHIP FORMATION		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
C1	A sufficient level and quality of partnership between business and local government is important for business growth.	1	2	3	4	5	6
C2	A sufficient level and quality of cooperation between local government and businesses is important for business growth.	1	2	3	4	5	6
C3	A sufficient level of involvement by local government is important for business growth.	1	2	3	4	5	6
C4	Empowerment initiatives provided by local government and in partnership with businesses is important for business growth.	1	2	3	4	5	6
C5	The existence of strong institutional relationships (internal and external) between business and local government is important for business growth.	1	2	3	4	5	6
SECTION D: LOCAL LEADERSHIP		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree

D1	The prevalence and quality of local champions (officials of local government and members of the community working towards improving the current status quo) is important for business growth.	1	2	3	4	5	6
D2	Having local leadership with clear and strong policy direction is important for business growth.	1	2	3	4	5	6
D3	Having strong political direction from local government is important for business growth.	1	2	3	4	5	6
D4	Having leader who can effective and efficient make decisions is important for business growth.	1	2	3	4	5	6
SECTION E: LOCAL ECONOMIC DEVELOPMENT (LED) INITIATIVES AND CREATION		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
E1	Job creation is important for business growth.	1	2	3	4	5	6
E2	Sustained market intervention efforts is important for business growth.	1	2	3	4	5	6
E3	Research and data collection initiatives is important for business growth.	1	2	3	4	5	6
SECTION E: LOCAL ECONOMIC DEVELOPMENT (LED) INITIATIVES AND CREATION		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
E4	Quality of policies to promote funding is important for business growth.	1	2	3	4	5	6
E5	The availability of funding important for business growth.	1	2	3	4	5	6
E6	The level of skills development initiatives available is important for business growth.	1	2	3	4	5	6
E7	The development of SMEs through for example incubators, is important for business growth.	1	2	3	4	5	6
SECTION E: LOCAL ECONOMIC DEVELOPMENT (LED) INITIATIVES AND CREATION		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
E8	The availability of mentorship programme initiatives is important for business growth.	1	2	3	4	5	6
E9	The level of marketing efforts by the business is important for business growth.	1	2	3	4	5	6
SECTION F: INFRASTRUCTURE DEVELOPMENT		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
F1	Having an adequate level of provision of infrastructure (e.g. roads, sewer, electrical) is important for business growth.	1	2	3	4	5	6

F2	The level of provision of soft infrastructure (e.g. schools, community facilities, hospitals) is important for business growth.	1	2	3	4	5	6
F3	The effectiveness of proper budget and funding from local government is important for business growth.	1	2	3	4	5	6
F4	The development and availability of capacity to promote business growth is important.	1	2	3	4	5	6
F5	The level of effectiveness and maintenance of infrastructure is	1	2	3	4	5	6
SECTION G: ENTREPRENEURSHIP DEVELOPMENT		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
G1	Having strong partnership with other businesses (networks) is important for business growth.	1	2	3	4	5	6
G2	Having strong partnership with communities (customers) is important for business growth.	1	2	3	4	5	6
G3	Participation and engagement in entrepreneurial skills development is important for business growth.	1	2	3	4	5	6
G4	Cooperation between all role players regarding entrepreneurship development (e.g. local business chambers, community and local government) is important for business growth.	1	2	3	4	5	6
G5	Clarity in allocation of roles and functions to enhance entrepreneurial development is important for business growth.	1	2	3	4	5	6
G6	Involvement of all role players in entrepreneurship development is important for business growth.	1	2	3	4	5	6
SECTION H: ACCESS TO OPPORTUNITIES AND TRANSPORT		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
H1	Having access to opportunities is important for business growth.	1	2	3	4	5	6
H2	Having access to transport facilities is important for business growth.	1	2	3	4	5	6
H3	Having access to ownership and assets is important for business growth.	1	2	3	4	5	6
H4	Having access to markets is important for business growth.	1	2	3	4	5	6
H5	Having access to information, technology and communication (ITC) is important for business growth.	1	2	3	4	5	6
H6	Having access to community facilities is important for business growth.	1	2	3	4	5	6
SECTION I: SAFETY AND SECURITY		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree

I1	Having proper law and order in place is important for business growth.	1	2	3	4	5	6
I2	Having proper crime prevention initiatives in place is important for business growth.	1	2	3	4	5	6
I3	High crime levels is negative for business growth.	1	2	3	4	5	6

SECTIONS J - L: BUSINESS GROWTH

Please indicate the extent to which your business grew in the last 12 months by marking **ONE** of the blocks using a cross (x). Please complete in **PEN**.

J1. In the last 12 months (2018), did your business show any growth?

- | | | | |
|---|--|---|-------------------------------|
| 1 | No, business growth remained unchanged. | 2 | No, business growth declined. |
| 3 | Yes, the business showed a positive growth | | |

J2. In the last 12 months (2018), what was your business' employee growth (job creation/retrenchment/resign)?

- | | | | |
|---|--|---|--|
| 1 | Employee numbers reduced by more 4 or more | 5 | Employee numbers increased by only 1 |
| 2 | Employee numbers reduced by between 2 and 3 | 6 | Employee numbers increased by between 2 and 3 |
| 3 | Employee numbers reduced by only 1 | 7 | Employee numbers increased by more than 3 |
| 4 | Employee number remained unchanged | | |

J3. In the last 12 months (2018), what was your growth in turnover (sales)? This can be an estimate.

- | | | | |
|---|---|---|---|
| 1 | Turnover reduced by more than 21% | 5 | Turnover increased by up to 10% |
| 2 | Turnover reduced by between 11 and 20% | 6 | Turnover increased by between 11 and 20% |
| 3 | Turnover reduced by up to 10% | 7 | Turnover increased by more than 21% |
| 4 | Turnover remained similar/unchanged | | |

J4. In the last 12 months, what was your growth in profit (sales less expenses)? This can be an estimate.

- | | | | |
|---|---|---|---|
| 1 | Profit reduced by more than 21% | 5 | Profit increased by up to 10% |
| 2 | Profit reduced by between 11 and 20% | 6 | Profit increased by between 11 and 20% |
| 3 | Profit reduced by up to 10% | 7 | Profit increased by more than 21% |
| 4 | Profit remained similar/unchanged | | |

SECTION K: ENABLING ENVIRONMENT

Please indicate the extent to which you agree if the local government is creating an enabling environment for businesses to grow in by marking **ONE** of the blocks using a cross (x). Please complete in **PEN**.

SECTION M: ENABLING ENVIRONMENT		Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
K1	The local government is creating partnership formation for local businesses to grow.	1	2	3	4	5	6
K2	The local government is providing local leadership for local businesses to grow.	1	2	3	4	5	6
K3	The local government is creating economic development actions (LED) for local businesses to grow.	1	2	3	4	5	6
K4	The local government is providing sufficient infrastructure development for local businesses to grow.	1	2	3	4	5	6
K5	The local government is providing sufficient entrepreneurial opportunities for local businesses to grow.	1	2	3	4	5	6
K6	The local government is providing sufficient access to opportunities for local businesses to grow.	1	2	3	4	5	6
K7	The local government is promoting a safe and secure environment for local businesses to grow.	1	2	3	4	5	6
K8	The local government is creating structures, capacity, policies and initiatives for local businesses to grow in.	1	2	3	4	5	6
K9	The local government is assisting in poverty alleviation and social development which may contribute to improved business growth.	1	2	3	4	5	6
K10	The local government is ensuring sound environmental and spatial development actions which contributes to business growth.	1	2	3	4	5	6
K11	The local government is improving human resource development which in turn can improve skills levels and eventually business growth.	1	2	3	4	5	6
K12	The local government is promoting agricultural development to ensure business growth in these sectors.	1	2	3	4	5	6

THE END - THANK YOU!

ANNEXURE B: LETTER FROM THE LANGUAGE EDITOR

EDITING LETTER

696 Clare Road
Clare Estate
Durban
28 November 2019

To: whom it may concern

Editing: Master's thesis for Olusegun Adesile

Economic determinants of small business growth: The case of selected areas in the city of Johannesburg's metropolitan municipality.

This letter confirms that the aforementioned thesis has been language edited.
Any queries may be directed to the author of this letter.

Regards



MP Mathews
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