



Exploring the sustainability of SMEs in the textile and clothing industry to create employment in South Africa

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DECLARATION

I, **Refilwe Masego Mkwana**, declare that the content in this mini-dissertation, **exploring the sustainability of SME's in the clothing and textiles industry to create employment in South Africa**, is my original work and that all the sources I have used or cited have been appropriately indicated and acknowledged using complete references.

RM Mkwana

18 December 2020

SIGNATURE

DATE

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I would like to thank some individuals without whom my MBA studies and this mini-dissertation could not have been completed.

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ABSTRACT

Small and Medium-Sized Enterprises (SMEs) are considered critical drivers of economic growth within economies, especially developing economies such as South Africa. In South Africa, SMEs create jobs for a semi-skilled and unskilled workforce who would otherwise be unemployed. However, SMEs' optimal contribution to employment creation is constrained by poor performance and a high failure rate. This study aimed to explore SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa.

Considering the groundwork on the neoclassical growth theory, this study was underpinned by an interpretivist research paradigm. An exploratory research design and qualitative research approach were adopted for this study. Data was collected through face-to-face interviews with ten participants who were selected using a purposive sampling technique. The data was analysed using thematic coding and content analysis.

The result reveals that cheaper imports, lack of government support, lack of support of local production, lack of access to loans and finance, high crime rates, and inadequate electricity supply were significant challenges affecting SMEs' sustainability in the South African textiles, clothing and leather goods industry. The study recommended that the South African government implement safeguard measures, especially on Chinese imports, and promote locally made textiles, clothing and leather goods to consumers, which will go a long way to enhance SMEs' sustainability in the textiles, clothing and leather goods industry. Suggestions for future research were also provided.

Keywords: sustainability, SMEs, textiles, clothing and leather goods, employment, South Africa

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LIST OF ABBREVIATIONS

COVID-19	Corona Virus 2019
DTI	Department of Trade and Industry
EMS-REC	Economic and Management Sciences Research Ethics Committee
GDP	Gross Domestic Production
ICT	Information Communication Technology
NDP	National Development Plan
NWU	North-West University
SARB	South African Reserve Bank
SEDA	Small Enterprise Development Agency
SMEs	Small and Medium-Sized Enterprises
WTO	World Trade Organization

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

In the advent of recent economic globalisation, Small and Medium-Sized Enterprises (SMEs) are regarded as the pillar of sustainable economic development in both the first and third world nations (Prasanna *et al.*, 2019:1). SMEs employ more than half of the workforce in most third-world countries, with more than 60% in non-agricultural private employment (World Trade Organization [WTO], 2016). In South Africa, SMEs in the textiles, clothing and leather goods industry are considered a vulnerable sector to sustainable growth due to global competitive challenges (Ahmedova, 2015:1104). Asare *et al.* (2015:26) argue that the impact of large-scale multinational textiles, clothing and leather goods companies is critical due to the growing role they play in most developing countries' economies. The Corona Virus Disease 2019 (COVID-19) presented unprecedented challenges to SMEs, especially the textiles, clothing and leather goods industry; a large number of these SMEs had to temporarily or perhaps even permanently close.

Through global and regional chains, trade-in manufacturing has played a vital role in the global growth of economies in recent decades (Kaplinsky & Morris, 2019:47). The textiles, clothing and leather goods industry in South Africa forms an integral part of the manufacturing industry. This industry provides employment and trade opportunities for low-income households (Keane & Velde, 2017:7). However, SMEs in the textiles, clothing and leather goods industry face other diverse problems, such as low capabilities, lack of technical expertise, a weak business climate, and a lack of suitable location (Sorasalmi & Tuovinen, 2016:675). According to Bonga and Biyase (2018:2-3), the textiles, clothing and leather goods industry in South Africa has suffered job losses due to cheap imports, particularly from the Chinese market.

Considering the significant contributions that SMEs are making in global economic growth, poverty alleviation, and job creation (Masocha, 2019:1), there is a lack or limited studies in the sustainability and growth of SMEs in the textiles, clothing and

leather goods industry, especially in the South African context. This study explores SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa.

Following the introduction, this chapter will provide the background to the study and the problem statement, wherefrom the research objectives and questions that guided the study were derived. The chapter further provides a preliminary literature review and definition of critical concepts. The research methodology, limitations, the significance of the study, and the ethical considerations will be highlighted next. The chapter concludes by providing the chapter layout for the study.

1.2 BACKGROUND TO THE STUDY

The textiles, clothing and leather goods industry plays an essential part in everyday life and is regarded as an essential industry in the global economy (Allwood *et al.*, 2006:1; Ellen MacArthur Foundation, 2017:18). Clothes are used by almost everyone nearly all the time, and for many, clothing is an essential expression of individuality. The South African textiles, clothing and leather goods industry has been documented as a significant employment source, especially for women (Vlok, 2006:227). The majority of organisations operating in the textiles, clothing and leather goods industry can be found in the Western Cape, Kwazulu-natal, Free State, and the Gauteng provinces (Vlok, 2006:227). However, various factors such as cheaper imports, lack of government support, and local production support threaten the South African textiles, clothing and leather goods industry (Gazzola *et al.*, 2020:7).

The high level of cheap imports from China and India have negatively affected local business (Molekwa, 2018:2). The low Chinese wage, high investment in machinery, and the technical skills of their labour force enable them to manufacture and have a steady supply base to all corners of the world (The South African Government, 2019). The value-added manufacturing sectors in South Africa, including apparel and textiles, have successfully produced low-cost production (Blissick *et al.*, 2017:265). One of Botswana's significant incentives to its local textiles, clothing, and leather goods manufacture is a payment of 80% of payroll costs for the first three years of operation to boost the industry's growth (Mnguni, 2019:1).

The current business environment, economic and social realities in South Africa demand an urgent public and private investment to develop and sustain indigenous SME leaders (Mwamayi *et al.*, 2013:7). SMEs are making continuous contributions to global economic growth, job creation, and poverty alleviation (Prasanna *et al.*, 2019:2). The SME sector in South Africa plays an essential role in jobs and wealth creation in the economy, entrepreneurial spirit and innovation, and it is vital for fostering competitiveness (Fatoki, 2011:193). However, some of the challenges that threaten SMEs' sustainability in Africa (WTO, 2016), especially in South Africa, include vocal trade unions, labour unrest, strict business regulations, and high tax rates.

Various authors have provided deferent definitions of SMEs (Ayandibu & Houghton, 2017:50). In the South African context, SMEs are defined using several criteria, “commonly by the enterprise's size, namely, the number of employees or turnover bands” (Ayandibu & Houghton, 2017:51). Standard Bank of South Africa defined SMEs as “firms with a turnover of between R150 000 and R5 million per annum and registered businesses with fewer than 250 employees” (Kunene 2014:3). An all-inclusive definition of SME in South Africa is “an enterprise with fewer than 200 employees, the annual turnover of less than R64 million, capital assets of less than R10 million and direct managerial involvement by owners” (Du Toit, E. & Strydom, 2009:49). According to the Small Business Development Act of 1996, SMEs' definition is shown in Table 1.1.

Table 1.1: Classification criteria of SMMEs in South Africa

Categories of SMEs	Description
Microenterprise	- Between one to five employees, usually the owner and family - Annual turnover of less than R0.15 million - Informal – no license, formal business premises - Necessary business skills and training. Potential to make the transition to a viable formal small business
Small enterprise	- Less than 100 employees - Annual turnover of less than R10 million - More established than tiny enterprises, formal and registered, fixed business premises - Owner managed, but with a more complex management structure
Medium enterprise	- Up to 200 employees - Annual turnover of less than R20 million - Still predominantly owner-managed but with a decentralized management structure with a division of labour - Operates from fixed premises with all formal requirements

Source: Department of Small Business Development (2019:111).

For a textiles, clothing and leather goods company in South Africa to qualify or to be classified as an SME, the company needs to be in any one of the following criteria, as shown in Table 1.1:

- Total full-time employees of less than 200
- Total annual turnover of ± R20 million

South Africa is experiencing a low growth rate, high inflation, and a high unemployment rate (Fatoki, 2011:193; StatsSA, 2020:1). The unemployment rate is currently increasing at 30.8% in the third quarter of 2020 (StatsSA, 2020:1). Small and Medium Enterprises (SME's) can help solve unemployment issues in South Africa.

Despite SMEs' contributions to the South African economy, SMEs are faced with a high failure rate, which is estimated to be approximately 70% to 80% (Fatoki, 2011:193). According to StatsSA (2020:1), on average, 71% of SMEs in South Africa close-down by year 5. Many SMEs in South Africa do not reach their full potential and fail to sustain their business, resulting in a loss of jobs and wealth.

Kaplinsky and Morris (2019:47) debate that slow sustainability growth in the textile manufacturing sector has been partly due to technological changes in production methods. Hence, SMEs in South Africa do not have adequate financial and capital resources to afford modern technology and production resources. These impacts are indirectly blocking the South African textile export market growth and directly affecting the South African textiles, clothing and leather goods market with cheaper Asian imports (Kaplinsky & Morris, 2019:47).

1.3 PROBLEM STATEMENT

Developing economies are subject to fragile institutions, weak business environments, complex economies, socio-economic problems such as unemployment, poverty, low per capita income and unstable economic growth and development (Banwo, Du & Onokala, 2017:1). With these complex challenges, especially in a fragile business environment, SMEs have been identified as a potential employment creation source (Deng *et al.*, 2013:717). Despite the significant roles that SMEs play in employment creation and economic growth (Aga *et al.*, 2015:1), these SMEs are confronted with various challenges impacted by their sustainability and growth (Sorasalmi & Tuovinen, 2016:675). Asare *et al.* (2017:27) affirm that most SMEs in Africa are confronted with inadequate industrial capacity, lack of innovativeness, and slow economic growth.

SMEs are considered critical drivers of economic growth within economies, especially in developing economies such as South Africa (Calza & Goedhuys, 2017:2). In South Africa, SMEs create jobs for the semi-skilled and unskilled workforce who would otherwise be unemployed (Matarirano *et al.*, 2019:1). However, SMEs' optimal contribution to employment creation is constrained by poor performance and a high failure rate. Prasanna *et al.* (2019:1) concur that most SMEs in the textiles, clothing and leather goods industry faces global competitive challenges such as sustainability,

global challenges, and technical challenges. Furthermore, the increasing demand for textiles, clothing and leather goods products from China has negatively impacted these products' local production and threaten the sustainability of SMEs operating in this industry (South African Reserve Bank [SARB], 2015;6). Other challenges affecting SMEs' sustainability in South Africa include access to finance and markets, poor infrastructure, labour laws, crime, skill shortages, and inefficient bureaucracy (The Small Enterprise Development Agency [SEDA], 2016:1).

One of the main factors affecting SMEs' sustainability in the textiles, clothing and leather goods industry in third world nations is the high labour rate and labour unrest (Xiaoyang, 2014:7). Labour unrest and high labour costs in South Africa have pushed most textiles, clothing and leather goods companies to relocate their manufacturing facilities to other countries like Swaziland, Lesotho, Botswana, and even China are cheaper. Furthermore, the lack of available technologically skilled workforce in the textiles, clothing and leather goods industry (Prasanna *et al.*, 2019:1) in South Africa has also impacted SMEs' sustainable growth in this industry. Brendon (2014:1) affirms that SMEs in the textiles, clothing and leather goods industry in South Africa face challenges such as power shortages, lack of financial support from the state, inadequate management competencies, political instability, and unpleasant economic conditions for the sustainability of SMEs.

SME's are the driving force of the economy in the country. This study explores the unique challenges in the textiles, clothing and leather goods industry and makes recommendations to ensure SMEs' sustainability in the industry to help create employment opportunities. Therefore, the problem statement of this study is as follows:

“South African SMEs in the clothing and textile industry play a pivotal role in the economy however, the challenge is the lack of sustainability to create employment”.

1.4 OBJECTIVES OF THE STUDY

The research objectives for this study are discussed in the sections that follow.

1.4.1 Primary objective

The study's primary objective was to explore SMEs' lack of sustainability in the textiles, clothing and leather goods industry to create employment in South Africa.

1.4.2 Secondary objectives

To achieve the primary objective of this study, the following secondary objectives were formulated:

- To obtain insight into the various challenges affecting SMEs' lack of sustainability in the textiles, clothing and leather goods industry in South Africa.
- To obtain an insight into the roles played by SMEs in employment creation.
- To make recommendations on possible strategies to promote SMEs' sustainability in the textiles, clothing and leather goods industry.

1.5 RESEARCH QUESTIONS

- What are the various challenges affecting SMEs' lack of sustainability in the textiles, clothing and leather goods industry in South Africa?
- What are the critical roles played by SMEs in employment creation in South Africa?
- What are the possible recommendations to promote SMEs' sustainability in the textiles, clothing and leather goods industry?

1.6 DEFINITION OF KEY CONCEPTS

The following key concepts were defined and applied in the context of the current study. These will serve as a guide for any further discussion in this study (Oben, 2019:15).

SMEs: The official definition of an SME is provided in Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004 (NSB Act). It defines an SME as:

“... a separate and distinct business entity, including co-operative enterprises and Nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in Column I of the Schedule...”.

The National Small Business Act of South Africa of 1996, as amended in 2003, describes an SME as “a separate and distinct entity including cooperative enterprises and non-governmental organizations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards and can be classified as an SME by satisfying the criteria mentioned in the schedule of size standards” (Government Gazette of the Republic of South Africa, 2003

According to Jiang and Hui, (2021) define SME's as those firms which have employees less than 250. The researcher will plan to collect data from employees working in manufacturing SMEs”.

Textiles, clothing and leather goods industry: The textiles, clothing and leather goods industry is defined as "an industry primarily concerned with the design, production, and distribution of yarn, cloth, and clothing (ApparelSearch, 2020:1).

Sustainability: “The property of being environmentally sustainable; the degree to which a process or enterprise is able to be maintained or continued while avoiding the long-term depletion of natural resources” (Oxford Learners Dictionaries, 2020).

Unemployment: In economics, unemployment is defined as "those persons who, being 15 years and older, are not in paid employment or self-employment, were available for paid employment or self-employment during the seven days preceding the interview and took specific steps during the four weeks preceding the interview to

find paid employment or self-employment (Mohr, 2015:400). In the context of the current study, unemployment was considered as "the fact of a number of people not having a job; the number of people without a job" (Oxford Learners Dictionaries, 2020).

1.7 RESEARCH METHODOLOGY

This section provides a brief discussion of the research paradigm, research design, and approach employed to generate answers to this study's research questions (refer to section 1.5). The section also highlights the population and sampling techniques and the data collection methods and data analysis.

1.7.1 Research paradigm

A research paradigm is referred to as the standard set of beliefs shared by researchers, a collection of agreements about how research problems are to be understood, how individuals perceive the world, and how to conduct research (Rahi, 2017:403). The interpretivist paradigm underpinned this study. According to Hammersley (2013:26), an interpretivist paradigm is initially rooted in the methods used to understand knowledge related to human and social sciences as humans interpret their world and then act based on such interpretations, while the world does not. The interpretivist paradigm was considered appropriate for this study. It provides the researcher with prospects to obtain an in-depth understanding of the problem under investigation and its complexity in its unique context, instead of generalising the base of understanding the whole population (Creswell, 2014:214).

1.7.2 Research design

Research designs are inquiry classifications within qualitative, quantitative, and mixed methods that provide a specific direction for procedures in a research study (Creswell, 2014:295). An exploratory research design was adopted for this study. An exploratory research design is conducted to clarify and increase the understanding of a problem (Saunders *et al.*, 2009:138-140). The exploratory research design was considered appropriate for this study because it provides the researcher with the guidelines to find

answers for the research problem, which can be done by searching the literature, interviewing experts, and focusing groups on the subject.

1.7.3 Research approach

Research approaches are plans and procedures for research that extend the decisions from broad to specific data collection methods and analyses (Creswell, 2014:295). Creswell (2014) further asserts that a research approach involves the interaction of philosophical assumptions, designs, and specific research methods. The study employed a qualitative research approach. Qualitative research emphasises human understanding of the world, and it is related to certain phenomena using semi-structured questions that highlight the flexible nature of this research method (Anderson, 2010:141). According to Saunders *et al.* (2000:208), qualitative research refers to studies used to understand the meaning of themes and words. The qualitative research approach was considered appropriate for this study as it provides the researcher with the possibility of obtaining an in-depth understanding of human behaviour using observation and interviews.

1.7.4 Study population and sample

The study population is referred to as the fundamental elements of interest that the researcher wishes to understand (Rahi, 2017:3). Most South African SMEs operating in the textiles, clothing and leather goods industry are located in Kwa-Zulu Natal, Gauteng, and the Western Cape provinces. This study's study population consists of all the Gauteng province-based SMEs operating in the textiles, clothing and leather goods industry. According to Rahi (2017:3), sampling is selecting elements of the population for investigation. A non-probability, purposive sampling technique was employed to select the participants for the study. Ten Johannesburg-based SMEs operating in the textiles, clothing and leather goods industry were purposely selected to be interviewed for this study.

1.7.5 Data collection and analysis

Data was collected through the use of semi-structured interviews. The advantage of this method is that it allowed the researcher to ask follow-up questions. The interview was conducted with the SME owners. In the case where the SME owner was not available, the interview was conducted with the managers. The interviews aimed to elicit views and opinions from participants (Creswell, 2014:294). After all the interviews were concluded, the researcher transcribed the interviews and developed themes. These interviews explored the challenges SMEs in the textiles, clothing and leather goods industry are facing. The researcher was satisfied that data saturation was obtained after the 10th interview.

More on the research methodology is explained in chapter three of the study.

1.8 LIMITATIONS OF THE STUDY

This study experience certain limitations. Firstly, the study was limited in terms of research methodology as only a qualitative research approach was adopted. Data was collected from ten SMEs owners/managers (participants) in South Africa, in the Gauteng province. Therefore, this study's findings may not represent all of the views of SMEs in the textiles, clothing and leather goods industry of South Africa. Secondly, the textiles, clothing and leather goods industry of South Africa is dominated by legacy family businesses inherited by family members over the years. The customers, suppliers, and government's views within the SME setting about employment creation were not included in this study. In this regard, this study's findings were not generalised to the entire South African SMEs in the textiles, clothing and leather goods industry.

1.9 SIGNIFICANCE OF THE STUDY

This study investigated SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa. The failure rate of SMEs in the textiles, clothing and leather goods industry is very high in South Africa, and it was necessary to investigate the sustainability of SMEs in this industry. This study could add to the

theoretical knowledge of SMEs within the textiles, clothing and leather goods industry discourse. The significance of the study is that it could:

- Provide recommendations on possible strategies to promote SMEs' sustainable growth in the textiles, clothing and leather goods industry in South Africa.
- Provide possible strategies to alleviate the challenges faced by SME's in the textiles, clothing and leather goods industry in South Africa.
- Add to the body of knowledge on factors affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa.

1.10 ETHICAL CONSIDERATION

According to Bell and Bryman (2007:63-65), ethics are a set of standards for our behaviour and attitudes. Ethics affects both the researcher and the participants. The researcher obtained ethical clearance (refer to Appendix C) from the North-West University's (NWU) Economic and Management Sciences Research Ethics Committee (EMS-REC). Fouka and Mantzorou (2011:3) highlighted that the main ethical issues that the researcher must take into consideration when conducting research are: respect for anonymity and confidentiality, respect for privacy, protection from harm, and informed consent. Research participants have the right to control access to their personal information and understand how the information provided will be stored and shared (Weinbaum *et al.*, 2019:6). No personal information was required from the participants. The researcher took all reasonable steps to ensure that respondents were not exposed to any harm. All the study participants voluntarily agreed to participate in the study by signing the informed consent form (refer to Appendix A). The purpose of the research was explained to the participant in the cover letter of the interview schedule. The researcher also demonstrated a respectable level of honesty and truthfulness at all levels of this study.

1.11 LAYOUT OF THE STUDY

This study comprises five chapters.

Chapter 1: Nature and scope of the study

This chapter provided the introduction and background to the study, as well as the problem statement. From there, the research objectives and questions that guided this study were derived. Next, the research methodology, limitations, the significance of the study, and the ethical considerations were highlighted. The chapter concluded by providing the chapter layout for the study.

Chapter 2: A literature review

Chapter two of the study explains this study's theoretical framework, namely, the neoclassical theory and its applicability to the current study. The chapter further provides a literature review and definition of critical concepts. The chapter reviews the literature relating to SMEs' sustainability in South Africa, global and local challenges facing the textiles, clothing and leather goods industry, and factors affecting SMEs' sustainability in the textile industry.

Chapter 3: Research methodology

This chapter discusses the interpretive paradigm, exploratory research design, and qualitative research approach to generate answers to the research questions. The chapter elaborates on the study population, purposive sampling techniques, and face-to-face interviews as data collection methods and data analysis. The chapter concludes with an explanation of the trustworthiness and the ethical consideration applicable to the current study.

Chapter 4: Data presentation and discussion of findings

Chapter four of the study focuses on the analysis of the qualitative data obtained from participants through interviews. The chapter also provides a detailed discussion of the findings that stem from the data analysis.

Chapter 5: Summary of findings, conclusions, and recommendations

This chapter focuses on the conclusion and recommendations. The chapter begins with conclusions based on the study's main findings, followed by constructive recommendations and the achievement of research objectives. The chapter concludes with suggestions for further studies.

1.12 SUMMARY

This chapter provided the introduction and background to the study, as well as the problem statement. From there, the research objectives and questions that guided this study were derived. The chapter further provided a preliminary literature review and definition of critical concepts. Next, the research methodology, limitations, the significance of the study, and the ethical considerations were highlighted. The chapter concluded by providing the chapter layout for the study.

The next chapter reviews relevant literature relating to the phenomenon under investigation for this study.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter provided the roadmap by which the study was conducted. This chapter will review relevant literature relating to the phenomenon under investigation for the study. The chapter explains the theoretical framework for this study: the neoclassical theory, resource-based theory and cluster theory and the rationale for adopting these theories. Next, the chapter will review the literature relating to SMEs and employment creation in South Africa. The chapter reviews the textiles, clothing and leather goods industry with specific reference to SMEs' sustainability operating in this industry. Furthermore, the chapter reviews the literature relating to SMEs' challenges in the textiles, clothing and leather goods industry. The chapter concludes by looking at possible strategies to promote SMEs' sustainability in the textiles, clothing and leather goods industry.

2.2 THEORETICAL FRAMEWORK

Theories are used in research to explain, predict, and understand a research phenomenon and challenge and extend existing knowledge within the limits of critical binding assumptions (Swanson, 2013:22). Swanson (2013) further advocates that a theoretical framework should articulate the name and purpose of the discipline with enough precision to determine what could be considered within or outside the purview of that discipline. Various theories, such as the neoclassical growth theory, resource-based theory, cluster theory, networking theory, and institutional theory, have been widely used to examine the factors contributing to SMEs' growth (Nguyen *et al.*, 2008:113). For this study, the neoclassical theory, the resource-based theory, and the cluster theories are discussed and positioned with the current study's content.

2.2.1 Neoclassical growth theory

The neoclassical growth theory is a theoretical economic framework that outlines how an organisation's growth depends on three driving forces, namely: labour, capital, and technology (Banton, 2019:1). The neoclassical growth theory states that "firms increase investment and maintain sustainability if sales increase, but investment and sustainability diminish if sales fall" (Chirinko, 1993:1878). The neoclassical growth theory argues that SMEs are not only the best allocators of resources, but their sustainability should be led by market forces (Rasiah *et al.*, 2009:305). The neoclassical growth theory has been widely accepted as the theoretical framework to model organisational sustainability of growth in the long term (Masoud, 2013:11). Applying the neoclassical growth theory in the current study implies that technological improvements, decrease in the imports of textiles, clothing and leather goods, decreases in wage rates, increases in exports, and minimum wage rates can enhance the SME's economies of scale and sustainability (Masoud, 2013:11).

According to Das, Hunter and Botha (2017:20), the Neoclassical theory seeks to create a perfect competition with long-term prices that meet demand and supply for all commodities in consumption and production. Due to SMEs' strategic role in the global economy, studies have investigated their changing aspects in a diverse context using different variables and perspectives (Banwo *et al.*, 2017:2). However, there are a limited number of studies on SMEs' sustainability using the neoclassical growth theory (Chirinko, 1993:1878), especially in the South African perspective. The current study examines the factors contributing to the sustainability of SMEs' in the textiles, clothing and leather goods industry by employing a theoretical framework based on the neoclassical growth theory. According to this theory, economic growth is directly linked to free trade. It allows countries to follow policy and liberalisation to achieve their desired economic growth, which will create a competitive environment in which producers will have incentives to participate in a global market.

2.2.2 Resource-based theory

According to Mweru and Mira (2017:214), the resource-based theory reviews the resources a business has in its possession to determine its performance. The resources remain dormant until it is used and contributes to its sustainable competitive advantage (Mweru & Mira, 2017:214). In essence, the resource-based theory focuses on company assets and their influence on market performance, but not its profitability. Researchers recommend rare and valuable resources, which results in outsourcing. This means the firm shall seek an external provider to address a weakness by outsourcing, which leads to improved performance and costs by investing in its internal capabilities that are characterised as valuable, rare, inimitable, and non-sustainable. This theory suggests that a firm should employ a value-creating strategy to reduce its weaknesses by outsourcing or exploiting opportunities that will remain dormant (Mweru & Mira, 2017:214). This helps to allocate resources efficiently so that in the long run, costs are minimised, and consumer use is maximised to create economic growth through the interaction of the consumer and producer (Das *et al.*, 2018:20).

2.2.3 Cluster theory

Another theory that was considered for this study was Cluster Theory. According to Foghani *et al.* (2017:2-3), this theory utilises the geographical and sectoral focus of firms that produce or sell the same range of goods and services that experience the same challenges and opportunities. These clusters are supported by institutions based within specific proximity, such as training providers and business-related associations suitable for the growth of a network in public and private institutions, supporting economic growth through group learning and innovation.

Cluster theory is similar to network theory, as it focuses on a network of relationships that characterise clusters and networks. The network study is defined by alliances that belong to a group of companies that work together to achieve economic objectives and cooperate on development projects while complementing one another to solve everyday challenges and achieve their goals. They are recognised as methods to elevate poverty (Foghani *et al.*, 2017:3) and growth in competing industries. Nevertheless, certain drawbacks could hinder their success.

Even though clusters and networks vary, both are observable and connected. The term “network” in this study is defined as the alliances belonging to a group of companies. These companies function together to achieve an economic objective and cooperate based on joint development projects while complementing one another. They specialise in solving common challenges to reach an efficient collective goal while conquering markets that would have been too difficult to reach on their own. These factors can be set among clustering firms as well as those present outside of these clusters (Foghani *et al.*, 2017:3).

2.3 DEFINING SMEs

There is no global consensus on what constitutes an SME, as SMEs are classified into formal, informal, and survivalist and are influenced by their geographical location. In South Africa, SMEs are classified in terms of the sector or environment in which they operate (Bvuma & Marnewick, 2020:3). It is essential to define an SME within the defined limits as set by a country's policies. The South African National Small Business Act, 102 of 1996, defines SMEs "as a separate entity that can be within any sector or sub-sector of the economy and which can be classified as a micro-enterprise, a small or a medium enterprise." The South African National Small Business Act 102 of 1996 Amendment Acts of 2003 and 2004 further defines an SME as a "distinct business entity managed by one or more persons which must meet specific specified criteria." In terms of employment, SMEs in South Africa are defined as any business that employs not more than 200 employees (Department of Small Business Development (2019: 111).

SMEs represent an extensive and heterogeneous class of entities, and their legal and technical definition varies by country (Koirala, 2018:5). In the South African context, SMEs are defined as businesses that help maintain revenues, assets and employ employees below a certain threshold, which may vary from one country to another (Opuni & Asiedu, 2017:9). The SME sector plays a critical role in economic development by creating wealth, employment, products, and services (Zafar & Mustafa, 2017:195). Nugent (2017:1) concurs that SMEs play a fundamental role in society and significantly impact employment creation. SMEs in South Africa operate in different environments located in rural and urban areas (Bvuma & Marnewick,

2020:1). Although the literature reveals that SMMEs in South Africa may generally share common challenges, such as a lack of access to finance, they also have unique challenges that may be influenced by their environment and historical background (Bvuma & Marnewick, 2020:1). Furthermore, despite the growth potential in South Africa, the country is still marked with high poverty concentration areas compared to Africa and the world (Mwangi *et al.*, 2013:7). In this regard, SMEs are regarded as key players in generating new jobs and the country's economic development.

2.4 DEFINING THE TEXTILES, CLOTHING AND LEATHER GOODS INDUSTRY

The textiles, clothing and leather goods industry in South Africa has been facing numerous challenges to restore its competitive advantage, which it lost to global competitors for more than two decades (Mbatha, 2018:2). Furthermore, the textiles, clothing and leather goods industries have long been a strong force of industrialisation worldwide (Ellen MacArthur Foundation, 2017:18). The textiles, clothing and leather goods industry has been documented as very competitive in the past two decades (Yaozhong, 2016:6). The industry's ability to support long-term growth and provide employment is influenced by factors such as labour costs, import duties, policy changes, and political influence that affect the economy to create sustainability in the textiles, clothing and leather goods sector (South African Cotton Cluster, 2019). Mbatha (2018:1) argues that despite the decline in employment and competitive advantage witnessed in the South African textiles, clothing and leather goods industry, this industry is still contributing approximately 14% to the South African manufacturing sector.

The textiles, clothing and leather goods industry can be defined as a diverse industry covering numerous activities from transforming raw material into fibre, yarn, and fabric through a production process that creates synthetic textiles, geo-textiles, and clothing. The final product is then used for furniture, civil engineering for automobiles and aircraft and medical garments (Manenzhe, 2018:6-7). Mason and Nyoni (2018:200-201) affirm that the textiles, clothing and leather goods industry is a significant contributor to the manufacturing sector's growth in job creation and also beyond the textile and fashion industries to other related sectors such as cotton farming, spinning,

weaving, and chemical manufacturing. In the past few years, there has been a decline in textile manufacturing due to the region's economic downturn and the importation of cheap clothing from the east, especially from China (Mason & Nyoni, 2018:200-201).

In South Africa, the textiles, clothing and leather goods industry is home to SMEs. However, the South African textiles, clothing and leather goods industry is being affected by international competition from China and Malaysia (Hans, 2019:1). Yaozhong (2016:6) concurs that China is dominating the world's textiles, clothing and leather goods industry, with the total fibre processing volume in China accounting for half of the world's production. Due to the high fibre importation rate, the textiles, clothing and leather goods industry in South Africa has retrenched most of their unskilled employees, with some having to close down operations (South African Cotton Cluster, 2019). These have added to the already high unemployment rate in South Africa, as shown in Figure 2.1.

2.5 EMPLOYMENT CREATION BY SMES IN SOUTH AFRICA

SMEs are vital for local economic development as they play a remarkable role in job creation, poverty alleviation, and economic growth, but with numerous barriers (Gherghina et al., 2019:1). Luo et al. (2016:1161) concur that SMEs play a vital role in reducing poverty, employment creation, foreign trade promotion, and technological innovation. In line with global trends (Aga et al., 2015:1), SMEs dominated South Africa both in terms of absolute numbers and economic contributions. The Banking Association South Africa (2020:1) states that “in South Africa, SMEs make up 91% of formalised businesses, employ about 60% of the labour force and total economic output accounts for roughly 34% of GDP.”

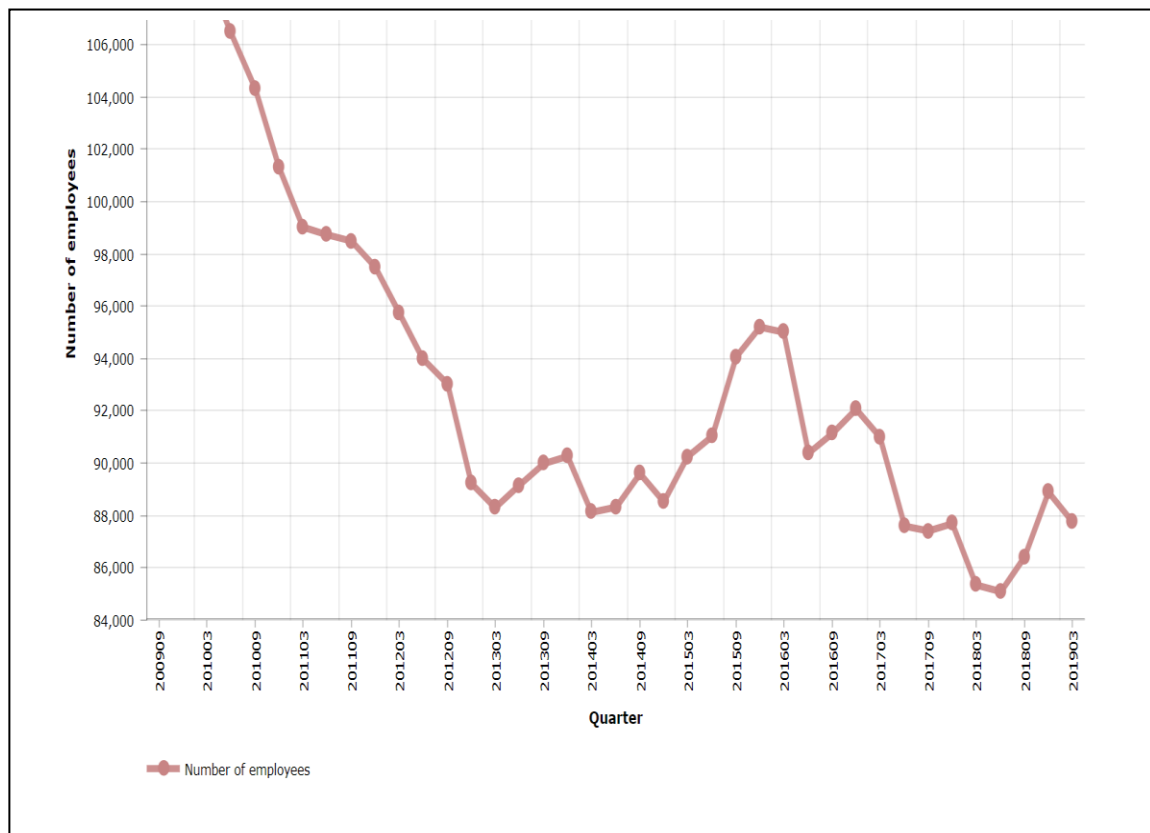
SMEs play a vital role in many economies, particularly those in third-world nations (Chanakira & Masunda, 2019:62). Sitharam and Hoque (2016:277) concur that SMEs in South Africa contribute positively to GDP, they reduce unemployment levels, assist in poverty reduction, and promote entrepreneurial activities. According to the World Bank (2019), formal SMEs contribute about 60% of total employment and about 40% of GDP in developing countries. Kaplinsky and Morris (2019:48) concur that most large firms in Africa are more capital intensive. Hence, they do not create more employment

compared to SMEs, which are classified as labour intensive. In addition to employment challenges, South Africa's formal sector has limited capacity to absorb labour (Kaplinsky & Morris, 2019:48). Kaplinsky and Morris (2019:48) further highlighted that slow sustainability growth, especially in the SME sector, has a significant negative impact on employment growth, especially among women and the youth. An earlier study by Gebremariam, Gebremedhin, and Jackson (2004) empirically established a positive relationship between SMEs and employment creation, poverty alleviation, and economic growth.

According to Bhorat and Rooney (2017:2), the South African economy is challenged by a high wage rate that has increased faster than its productivity, a high electricity rate that has increased on an average of 20% over the years and the South African Government forming part of the World Trade Organisation (WTO) obligations that limit the scope of implementing protectionist policies. The world is becoming more globalised, affecting competition from other developing countries, mainly from South East Asia (Bhorat & Rooney, 2017:2). The South African government recognises that the manufacturing sector plays a pivotal role in achieving its National Development Plan, to increase employment to 24 million by 2030 (Bhorat & Rooney, 2017:2).

Clothes are used by almost everyone, nearly all the time, and for many, clothing is an essential expression of individuality. The South African textiles and clothing industry has been documented as a significant employment source, especially for women (Vlok, 2006:227). The majority of organisations operating in the textiles, clothing and leather goods industry are found in the Western Cape, Kwazulu-Natal, Free State, and the Gauteng provinces (Vlok, 2006:227).

Figure 2.1: Number of employees within the textiles, clothing and leather goods Sector



Source: South Africa's manufacturing industry (2019)

Research has argued that the South African textiles, clothing and leather goods industry has experienced a significant negative sustainable growth and lost its competitive advantage due to several reasons (Das & Hunter, 2015; Mbatha, 2018:2; Morris & Barnes, 2014:1). Some of these challenges include inadequate infrastructure, a flawed technological system, and an unsophisticated domestic value chain (Das *et al.*, 2017:1).

2.6 SUSTAINABILITY OF SMES IN THE TEXTILES, CLOTHING AND LEATHER GOODS INDUSTRY

The textiles, clothing and leather goods industry is a global business of 1.3 trillion Dollars, that employs more than 300 million people, and it is regarded as a powerful economic force and a significant driver of the global gross domestic product (Gazzola *et al.*, 2020:1). South African SMEs face several sustainability and growth challenges

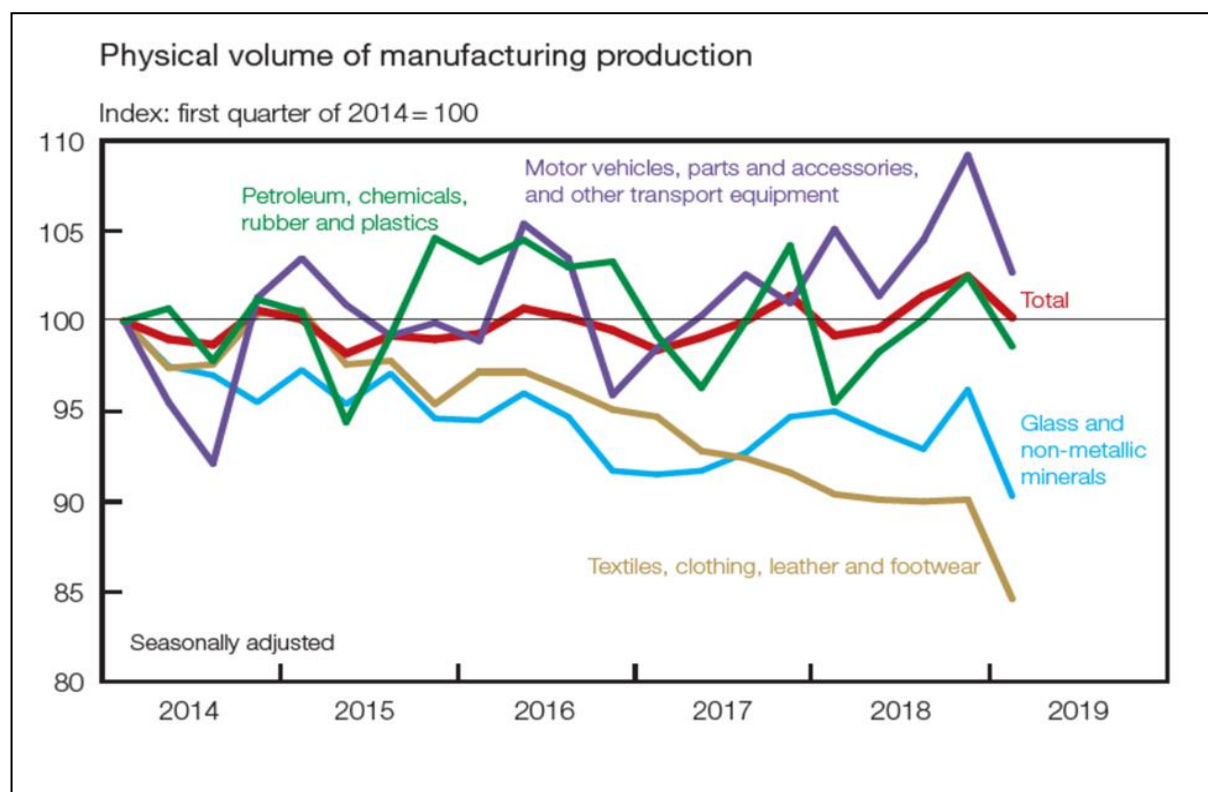
due to growing manufacturing activities in China and Southeast Asia and the competitive dominance of global textiles, clothing and leather goods product markets (Kaplinsky & Morris, 2019:47). The textiles, clothing and leather goods industry's ability to support long-term growth and provide employment is influenced by factors such as labour costs, import duties, policy changes, and political influence that affect the economy to create sustainability in the textiles, clothing and leather goods sector (Keane and Vrede, 2008). According to Ramdass and Kruger (2011:10), the South African textile industry has succumbed to international pressure affecting local industries severely.

In South African, the National Development Plan (NDP) is set out to achieve great ambitious goals by the year 2030. The NDP has designed a set of measures alongside a new and coherent policy for SMEs. This policy's main aim is to support SMEs' growth, development, and sustainability in close relation to the employment market (Gherghina *et al.*, 2019:1). Gherghina *et al.* (2019:1) further advocate that the SME sector would have to grow at least 20% a year to achieve the NDP goals. For the past two decades, the South African textiles, clothing and leather goods industry was amongst the largest employers of unskilled workers, with a majority of these workers being women (Mwamayi *et al.*, 2013:621). Keane and Verde (2017:8) assert that the textile industry has become a capital-intensive industry that requires modern machinery to enable competitiveness.

SMEs are regarded as the pillar of an economy as they contribute significantly to the growth of a developing economy (Yoshino & Taghizadeh-Hesary, 2019:242). However, the market for textiles, clothing and leather goods products has become gradually more competitive in fashion (Gonzalez-Loureiro & Pita-Castelo, 2012:312). Ayandibu and Houghton (2017:50) concur that inadequate entrepreneurial cultures and business skills are some of the factors promoting SMEs' high failure rates in South Africa. In this regard, SMEs in the textiles, clothing and leather goods sector assert themselves via new product advances to remain sustainable and compete with larger enterprises and the massive inflow of fibre products from China (Gherghina *et al.*, 2019:2). Popescu (2014:512) echoes that for SMEs to remain sustainable, they have to embrace innovation, be oriented towards novel products, make use of original marketing and management methods, and use genuine technologies.

Another factor impacting SMEs in South Africa is the inadequate supply of raw material for the textiles, clothing and leather goods industry to manufacture products that can satisfy domestic demand (Morris & Barnes, 2014:21). Mbatha (2018:2) highlighted that because of the preliminary production results from the government strategy that has reduced tariffs on imported textiles, clothing and leather goods products, it has resulted in a competitive price advantage for international firms' domestic textile industry expense. This has negatively affected the sustainability of SMEs operating in this industry, which has also impacted negatively on local production, as shown in Figure 2.2.

Figure 2. 2: Volumes of manufacturing production



Source: South Africa's manufacturing industry (2019)

From Figure 2.1, it can be seen that there has been a dramatic decline in the production of clothing, textiles, leather, and footwear in South Africa. Takala-Greenish (2015:4) argues that the increase in South African labour costs, the increase in cheap imports, and the shortage of skills highlight the South African textile industry trends. Mbatha (2018:2) concurs that the sustainability challenges in the South African

textiles, clothing and leather goods industry is a result of the decline in the number of industry operators and their employees. Furthermore, the fourth industrial revolution's advancement will also add to a significant global challenge on SMSs and employment growth (Rodrik, 2018:1).

2.7 CHALLENGES FACED BY SME'S IN THE TEXTILES, CLOTHING AND LEATHER GOODS INDUSTRY

The sustainable growth rate of SMEs in South Africa is amongst the lowest globally, with an average of 50% of SMEs failing to grow (Cacciotti & Hayton, 2015:165). The low growth rate in the SME sector in South Africa is attributed to both internal and external factors, such as inadequate business skills and knowledge (Mrasi *et al.*, 2018:27), insufficient finance and funding (Sitharam & Hoque, 2016:278), lack of relevant information on government support (Lekhanya, 2016:1), inadequate government support (Bvuma & Marnewick, 2020:4), high crime rates and a shortage of infrastructure (Myeko & Iwu, 2019:2). Other factors affecting SMEs' sustainability in South Africa, include inadequate technological capabilities, perceived high setup cost, and an ever-changing technological environment (Leboea, 2017:56).

The textile industry offered entry-level jobs for unskilled labour in developed and developing countries, but now, industries are characterised by retrenchments and closures of firms (Mbatha & Mastamet-Mason, 2015:25). Statistics show that there is no better way to provide a broad basis for rapid economic growth than to dramatically increase the number of active entrepreneurs in a society (Ayandibu & Houghton, 2017:49). Ayandibu and Houghton (2017:49) further assert that South Africa is one of the countries encouraging the SME sector's growth and sustainability.

2.7.1 Imports from the foreign sector

Before 1994, the economic sanctions meant that local industries were protected if they did not participate in a globally competitive environment that enabled them to be profitable (Kunene, 2014:1). Developed countries were known to want access to emerging economies but were not prepared to do the same in return, which meant that local producers in South Africa could not compete with international competitors (Liou & Rao-Nicholson, 2019:355). According to Takala-Greenish (2015:4), the

increase in South African labour costs, the increase in cheap imports, and the shortage of skills highlight the South African textile industry trends.

The world economy is now more integrated and open, enabling countries to create sustainable economies by investing in diversification and raising investment; this will allow growing economies to take ideas, technology, and knowledge from the world (Schwab, 2018:41-42). According to Zalk (2014: 2-3), when looking at the current international markets, ten of the thirteen success stories were cases of manufacturing-led growth: Brazil, China, Indonesia, Japan, the Republic of Korea, Malaysia, Singapore, Taiwan, China, and Thailand. Their success was because of imported ideas from other successful economies, investment in technology, and knowledge from other countries with the correct know-how (Zalk, 2014:2-3).

According to Manenzhe (2018:25), the South African textiles, clothing and leather goods industry has been vulnerable since trade liberalisation and rising Chinese competition. Bonga-Bonga and Biyase (2018:1) concur that the textiles, clothing and leather goods industry is affected by China's cheap imports since the late 1990s, which has negatively impacted South Africa's local production. In this regard, local retailers and manufacturers in the textiles, clothing and leather goods industry struggle to compete with Chinese retailers (Manenzhe, 2018:25). As a result of the Chinese import challenges, the number of jobs in the sector is on a downward trend from 210 000 jobs in 2000 to 90 000 jobs in 2016 (Ndalana 2016:1). Therefore, in line with the South African Market Insights Report (2019), which indicated that every quarter, on average, over 577 people lose their job in the textiles, clothing and leather goods industry, Gazzola *et al.* (2020:7) suggest that the South African government should put certain restrictions on importing clothes to promote SMEs' sustainability in the textiles, clothing and leather goods industry.

This extraordinary growth in Chinese foreign trade and investment has met mixed reactions internationally, with some countries seeing it as a threat to their local industries (Bonga-Bonga & Biyase, 2018:2). The authors further maintain that China's low-cost labour could be considered advantageous to their manufacturing industries. However, the perceived threat of Chinese foreign trade and investment is not only to developed countries but also to developing countries. For instance, some South

African trade unions and non-governmental organisations (NGOs) have attributed the South African textiles, clothing and leather goods industry's poor performance to China's cheap importations. This threat of Chinese imports has resulted in the loss of lots of jobs in South Africa (Bonga-Bonga & Biyase, 2018:2).

Sitharam and Hoque (2016:277), in a study conducted in South Africa, found that most SME owners view competition from the foreign sector as a significant challenge affecting the sustainable growth of their businesses. Sitharam and Hoque (2016:277) further found that many developing countries have considered importing goods and services an opportunity to improve GDP. According to the South African Market Insights Report (2019), China, on its own, contributed 57.75% of textiles, clothing and leather goods imports into South Africa. In April 2019, R16 billion in textiles, clothing and leather goods items were imported into South Africa. Therefore, supplying cheap textiles, clothing and leather goods to South Africa is a big business in China (Bonga-Bonga & Biyase, 2018:3). China's speed in response to markets, labour productivity, and the quality of products they provide has given them an advantage over other markets as they appeal to most low-income earners (Manenzhe, 2018:25).

Globalisation has allowed the world to connect, and this connectedness has resulted in challenges in the SME sector of South Africa (Leboea, 2017:63). Globalisation brings in pressure for SMEs in terms of economies of scale and the importance of research and development to remain competitive (Leboea, 2017:63). The above suggests that if a country creates an environment where the conditions are favourable for business and where the state provides maximum support for companies that perform operations in local and global markets, these conditions will give the nation a competitive advantage, and this can also be implemented at regional levels (Molekwa, 2019:101). Banwo *et al.* (2017:2) put it in yet another way, in that, due to SMEs' strategic role in the global economy, studies have investigated SMEs' changing aspects in diverse contexts using different variables and perspectives.

2.7.2 Access to finance

One of the significant challenges SMEs in South Africa face is access to finances, which affects small businesses' survival and impedes the potential to help alleviate poverty, employment creation, and economic growth (Leboea, 2017:72). Mazanai and Fatoki (2012:11) debate that although SMEs are considered critical drivers of economic growth and employment creation, they are perceived as risky by financial services as they lack the education and skills to run businesses effectively. Therefore, businesses need access to finances to reduce the impact of cash flow problems (Sitharam & Hoque 2016:12), but credit processing has become complex making it more difficult for small business owners to understand its procedure when requesting loans.

Lack of financial acumen and poor planning, lack of motivation to even start an SME affects their success in South Africa (Leboea, 2017:43). Mukwarami *et al.* (2018:1) found that inadequate support from stakeholders, inadequate knowledge on SME legal matters, inadequate business acumen, and inadequate managerial and marketing skills are some of the challenges facing SMEs in the textiles, clothing and leather goods industry. Other scholars offer that inadequate education and training, lack of information and communication technology awareness, competition, high tax rate, limited resources, and inadequate sustainability skills are also some of the challenges SMEs face in South Africa (Bhorat *et al.*, 2018).

2.7.3 Wage rate

A minimum wage is a legally enforced income for all unskilled employees and sets guidelines on how much a worker can be paid per hour, per day, or month for minimum work done (Zeng, 2019:10-11). According to Meer (2015:2), even though the minimum wage rate addressed inequalities and alleviated poverty, it affected small businesses' profitability and had no impact on employment. According to Human Rights Watch World Report (2018), labour within the textile industry is often subcontracted to countries where labour is cheap and domestic laws are not aligned to the international human rights standards. A few campaigns globally hold countries accountable for improving working conditions and supporting workers' empowerment in the global

garment and sportswear manufacturing industry. Businesses will continue to use the Asian markets despite them introducing the minimum wage and nearshoring that expands production to significant markets - near the major markets that benefit the Asian markets as they are close to China (Heinemann, 2018:1).

For a nation to have a competitive advantage, its prosperity is created and not inherited from endowments, as classical theories suggest (Molekwa, 2018:102). A country that includes values, economic structure, culture, and history contributes to a nation's competitive advantage. The below table depicts the neoclassical theories as to the best theory from various authors to measure competition in productivity. Molekwa (2018) further argues that productivity includes all other elements of competitiveness such as the growth rate of the standard of living, domestic productivity, high wages, a strong currency, and attractive returns on capital, and for a country to achieve a standard of living depends on its companies' ability to achieve productivity.

The manufacturing sector wage rate within the textiles, clothing and leather goods industry has been declining over the years, at a year-on-year rate of 54% (Koti, 2019:17). Koti (2019:24) further argues that labour costs are important drivers of competitiveness in the manufacturing sector as they increase productivity. Labour costs have increased, but productivity has remained low, which affects the manufacturing sector's growth. Inadequate education and spatial development associated with low productivity significantly affect the manufacturing sector (Koti, 2019:24).

2.7.4 Technology

According to Hansell (2016:1), by 2050, the world's population will increase to 9.6 Billion, and critical resources such as water, oil, the raw material of textiles, clothing and leather goods are running out because of global warming. The fashion industry is the second most polluting industry after oil, discharging billions of toxic waste from its manufacturing process per year (Wicker, A. 2020:1). The South African textiles, clothing and leather goods industry must introduce modern-day technology with less damage to the environment (Hansell, 2016:1).

Studies have shown that modern technology amongst SMEs in the textiles, clothing and leather goods industry has sustainability challenges (Morris & Barnes, 2014:18). Mbatha and Mastamet-Mason (2015:2425) contend that the differences in technological adoption between SMEs in South Africa and their international counterparts have resulted in a low textile production level and decreased employment. Therefore, this indicates that the South African textile industry might be suffering from an advanced skill gap to embrace technological changes (Mbatha, 2018:9). A study conducted by Sitharam and Hoque (2016) reveals that technological advancements would enhance SMEs' sustainability.

Despite technological advancements globally, SMEs in South Africa are still not updated with modern technology (Sitharam & Hoque, 2016:278-279). According to Pillay (2016:41), challenges to small businesses implementing technology include the manager's level of awareness of the cost and return on investment. The SMEs cannot address some of these challenges alone and government intervention is needed. Without technology, these SMEs will find difficulty in competing or growing. It can be deduced from the above literature that SMEs must invest in technology to become progressively essential to everyone and all businesses in today's world. Technology plays a very crucial role in the development of businesses. The presence of technology in an SME will help a business maximise opportunities presented and is also seen as a critical enabler to improving sales. SME's using advanced Information Communication Technology (ICT) have higher productivity and growth rates Pillay (2016:37). Pillay (2016) further asserts that technology alone cannot address the issues, but technology combined with relevant skills makes ICT work.

2.7.5 Management skills

According to Sitharam and Hoque (2016:12), entrepreneurs or small business managers have limited knowledge of accounting and financial information that has severe consequences to the business, especially for financial planning. SME owners have low education levels compared to large corporations (Bhorat *et al.*, 2018:29). For small business entrepreneurs to grow their businesses, they need to acquire skills through education and training. Without these skills, this creates a constraint for their growth. According to Koti (2019:13), having managerial skills that include education

and understanding of start-ups positively impacts the business's performance, but many small businesses lack these skills and are the main reason small businesses fail. According to Koti (2019:13), there is a need for proper education and training to uplift this industry.

There is a mismatch between the skills taught at schools and the skills needed (Manenzhe, 2018:12). Factory work is no longer appealing to the youth as a legitimate career option, and these perceptions are worsened by perceptions of the industry being a "sunset industry" and should be avoided. The Department of Trade and Industry (DTI) has been working on various strategies to enhance its competitiveness by improving its productivity, including intra-Africa trade, developing new fashion markets. The development of the African Continental Free Trade Agreement has also offered South African SMEs the opportunities to export textiles, clothing and leather goods products (Manenzhe, 2018:12).

2.7.6 Other global factors

The COVID-19 pandemic is expected to impact the textiles, clothing and leather goods industry in 2020 significantly and beyond (Stiglitz, 2020). In this regard, most manufacturing entities had shifted their production chain to products that were needed in the changing COVID-19 pandemic environment (McKnight, 2020). Subramanian (2020) states that SMEs in the textiles, clothing and leather goods industry in several countries, including South Africa, had shifted their production to face mask production where the demand had increased.

Most developing countries, including South Africa, are prone to weak institutions, weak business environments, complex economic and social problems such as poverty, unemployment, low per-capita income, and unstable economic growth and development (Banwo *et al.*, 2017:1). Due to the fragile business environment problems, most SMEs turn to look for a suitable location to maximise opportunities (Deng *et al.*, 2013:717). Heinemann (2018:1) point out that due to price and competition, most SMEs in the textile industry are now relocating to new and cost-effective production locations, which may lead to jobs being migrated to other emerging areas. Masocha (2019) further argues that SMEs have specific

characteristics in terms of capabilities and resources that differ from large firms. Wang and Shi (2011:200) put this in yet another way in that globalisation impacts SMEs' sustainability in that governments are increasingly eliminating the traditional barriers on their borders that protected local SMEs.

2.8 POSSIBLE STRATEGIES TO PROMOTE THE SUSTAINABILITY OF SMES IN THE TEXTILES, CLOTHING AND LEATHER GOODS INDUSTRY

Many regions in South Africa today face the challenges of high unemployment, a dwindling economic base, profoundly rooted poverty, and low human capital formation. SMEs in developing nations require substantial aid from their respective government in finance, technology, logistics, human resources, and entrepreneurship developments (Nguyen *et al.*, 2008:113). In these regards, the state should instead work towards improving the performance and sustainability of existing SMEs and strengthening business competitiveness rather than increasing SME numbers. Each business's sustainability depends on gaining a competitive advantage, access to funding, and good infrastructure (OECD, 2017:5). Tilly *et al.* (2013) argue that protectionist measures from the South African government, which offered grants and incentives to SMEs while increasing import duties, will go a long way to enhance SMEs' sustainability.

Masocha (2019:3) asserts that although most SMEs in South Africa are operating in rural areas on small premises, their business can be sustainable if strategies are put in place to relocate to larger premises in urban areas where there is a ready market. Research has argued that social capital significantly impacts SMEs' sustainability, primarily through contacts with other entrepreneurs (Fatoki, 2011:197). Gherghina *et al.* (2019:2) proposed that governments adopt a series of strategies to promote SMEs' sustainability, especially in the textiles, clothing and leather goods industry. Some of these strategies should include a "community policy to stimulate innovation through SMEs; industrial policy for globalisation conditions; the competitiveness issue and the issue of business opportunities; the re-industrialisation of the economy to provide competitiveness and sustainability; and supporting ICT development regarding the transition towards a type of sustainable economy." Gherghina *et al.* (2019:2) further

endorse that policies should be put in place for SMEs to have easy access to financing opportunities.

Government support is defined as "government commitment to providing growth and development through its policies and establishments" (Ayandibu & Houghton, 2017:52). In South Africa, various strategies have been implemented to enhance SME sustainability, increase the employment rate, and enhance the economy (Ayandibu & Houghton, 2017:52; Ferreira, 2007). The South African government has an initiative in place, called the Small Enterprise Development Agency (SEDA). SEDA was established to assist small businesses with registrations, provide consultation and monitor small businesses' growth and sustainability (Ayandibu & Houghton, 2017:59). However, the objectives of SEDA are not being implemented as effectively and efficiently as intended. Ayandibu and Houghton (2017:59) mention that the "SEDA initiatives must still be polished, with small business owners being properly advised on how best to move their new businesses forward." The National Development Plan (NDP) has set out plans to eliminate poverty, inequality, and unemployment by 6% by 2030 (Bhorat *et al.*, 2018:5). There is a massive gap in achieving these plans with the current economic climate in the country. Leboea (2017:51) argue that small businesses in South Africa contribute 36% towards Gross Domestic Production (GDP); this is low compared to other developing countries like Brazil, where they contribute 59%.

2.9 SUMMARY

SMEs, especially in developing countries, aid in addressing many development issues such as poverty, inequality, and unemployment, especially among the youth and women (Prasanna *et al.*, 2019:2). An insight into factors affecting the sustainability of SMEs in the textiles, clothing and leather goods industry through a review of relevant literature has shown that the SME sector plays a critical role in the economic development atmosphere of nations through the creation of wealth, employment, products, and services (Zafar & Mustafa, 2017:195). However, SMEs in the South African textiles, clothing and leather goods industry faces numerous challenges affecting their sustainability. The literature further reveals that the South African government has mostly focused on increasing SME numbers in the country instead of

enhancing their performance and sustainability and strengthening business competitiveness.

The South African economy has experienced a high level of job losses in the last few years, but the sub-sector losses, such as in the textiles, clothing and leather goods sectors, were significant. The barriers affecting this sector's success are the high supply of cheap labour in China, Vietnam, and Indonesia. South Africa has a skills shortage that affects the stagnation of this sector, as it is still unable to produce sophisticated products due to many other challenges. The National Development Plan clearly shows the government's interest in boosting economic challenges through investment in the manufacturing sector by making the sector competitive again by the year 2030. To drive this, SMEs will not survive if the government does not review current policy issues restraining small business success, by creating an environment that will enhance performance to compete successfully.

The next chapter discusses the research design and methods employed to obtain answers to the research questions.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The previous chapter had relevant literature relating to the phenomenon under investigation for this study. This chapter will focus on the research methodology that was adopted in the study. The chapter commences with a discussion of the research paradigm, which is an interpretive paradigm applicable to the study. Next, the research design and approach that were relevant to the study and the rationale for adopting an exploratory research design and qualitative research approach will be discussed. The chapter further defines the research population and the selection of participants for the study. Data collection procedures and analysis are elaborated. The chapter concludes with the trustworthiness and ethical consideration for the study.

3.2 RESEARCH PARADIGM

Research is defined by Ugwuowo (2016:4) as "a combination of both experience and reasoning and can be said to be the most appropriate way of discovering the truth, precisely in the Natural Sciences." In discovering the truth, the researcher has to question the research paradigm applicable to the current study. A research paradigm is referred to as how the researcher perceives the world (Hughes, 2010:35; Kamal, 2019:1388). Fraser and Robinson (2004:59) assert that a research paradigm is a set of beliefs about how a specific research problem exists and a set of agreements on how such problems can be investigated. An interpretive paradigm underpinned the current study.

Interpretivist researchers believe that people are different from objects and cannot study them in the same way as human beings change all the time and the environment they find themselves in always influenced (Du Plooy-Cilliers *et al.*, 2014:160). According to Hammersley (2013:26), the interpretivist paradigm was initially rooted in methods used to understand knowledge related to human and social sciences because humans interpret their world and then act based on such interpretations while the world does not. The interpretivist paradigm was considered appropriate for this

study because it allows the researcher to diversify views to look into a phenomenon. Furthermore, the interpretivist paradigm provides a detailed description of human perspective or phenomena by seeking knowledge from across situations with caution not to generalise (Nicotera, 2019:4). Pham (2018:3) affirms that the interpretivist paradigm's advantage is that the researcher describes objects, humans, or events and obtains an in-depth understanding of these objects in a social context.

3.3 RESEARCH DESIGN

Research design is referred to as the general plan that the researcher uses to clearly and logically integrate a study's different elements (Kabir, 2016:112). Mishra and Alok (2017:8) state that research design "comprises the outline for collecting, measurement, and analysis of data." An exploratory research design was adopted for this study.

Exploratory research design is conducted to clarify and increase the understanding of a problem (Saunders *et al.*, 2009:138-140). The main aim of exploratory research is to search for new insights into the research problem (Rahi, 2017:2). Kabir (2016:160) states that "exploratory design is conducted about a research problem when there are few or no earlier studies to refer to or rely upon to predict an outcome." The objective of adopting an exploratory design for this study was to help the researcher get acquainted with the necessary details, settings, and concerns, for a well-rounded picture of the developing situation. Further to this, the research design will aid in the generation of new ideas and assumptions, the development of tentative theories or hypotheses, determining whether a study is feasible in the future, issues can be refined for more systematic investigation and formulation of new research questions and finally direction for future research and techniques can be developed. The exploratory research design was considered appropriate for this study because it provides the researcher with the guidelines to find answers to the research problem, which can be done by searching the literature, interviewing experts, and focusing groups on the subject.

3.4 RESEARCH APPROACH

The research approach includes all the research techniques for conducting a research study (Mishra & Alok, 2017:1). For this study, a qualitative research approach was adopted to explore SMEs' lack of sustainability in the textiles, clothing and leather goods industry to create employment in South Africa. Qualitative research is described as an approach for exploring and understanding people's meaning to a social or human problem (Creswell, 2014:32). Braun and Clarke (2013:3-4) state that "qualitative research uses words as data collected and analysed in all sorts of ways." Lemon and Hayes (2020:604) argue that qualitative research aims to capture individual life experiences, leading to an in-depth understanding of the research problem. Merriam and Tisdell (2016:6) affirm that the purpose of qualitative research is to divulge the meaning of an occurrence for the subjects under investigation. The qualitative research approach was considered appropriate for this study because the researcher is concerned with identifying how individual owners of SMEs operating in the textiles, clothing and leather goods industry describe their own experiences regarding the various challenges impacting their sustainability.

3.5 POPULATION

The population is referred to as the fundamental element of interest that the researcher wishes to understand (Rahi, 2017:3). The study population comprises of all the South African SMEs operating in the textiles, clothing and leather goods industry. According to Business Partners South Africa (2014), most South African textiles, clothing and leather goods industry is in Kwa-Zulu Natal, Gauteng, and the Western Cape province. In this regard, this study's population will be limited to all the Gauteng province-based SMEs operating in the textiles, clothing and leather goods industry. Alvi (2016:10) suggests that the target population for a study must include all the members who meet the researcher's particular criteria for the investigation. The selection of participants for this study was based on the following inclusion criteria:

- The business must be an SME in the textile and clothing industry. The researcher obtained the database of all listed SME's based in Johannesburg within this sector from the Department of Trade and Industry.

- The SME must be based in Johannesburg because of limited funds and resources to reach all SME's in the country. Therefore the selection of Johannesburg-based SMEs was easier to reach.
- The SME must be involved in the manufacturing or selling of textiles, clothing and leather goods. The selection of these SMEs was based on the contribution of the study within this sector.

3.6 SELECTION OF PARTICIPANTS

A sample is referred to as selecting a relatively smaller group of participants selected from a population for investigation purposes (Alvi, 2016:10). According to Rahi (2017:3), sampling is selecting elements of the population for investigation. A non-probability also known as the purposive sampling technique was employed to select the participants for the study. The researcher selected the participants through purposive sampling as it was impossible to know which business would form part of the study. With this process, the population had an equal chance of being selected. The list of SMEs was obtained from the Department of Trade within the Johannesburg area. All the listed SME's were contacted through telephone requesting to be part of the study. It was important for those who formed part of the interview process to be an entrepreneur that started the business or the delegate running the operations of the business. This way the researcher would engage with the entrepreneur on their experience and challenges they have faced within the sector. Therefore, purposive sampling was considered well suited for this study as the researcher aimed to use an exploratory research design to generate new knowledge regarding the research problem for this study.

Asiamah *et al.* (2017:1609) suggested that a qualitative researcher should draw a relatively small sample from a large study population entirely made up of reasonably eligible members. Although all the selected SMEs were willing to provide access to information at their convenience in harmony with the researcher's schedule and interest, no new themes emerged from the data after the seventh interview. In this regard, the data collection was assumed to have attained a point of saturation as discussed by Guest *et al.* (2006:59).

3.7 DATA COLLECTION PROCESS

Various data collection methods involve interacting with respondents based on interviews. Qualitative data collection involves observations and interviews. For this study, semi-structured face-to-face interviews were conducted to collect the relevant data necessary to answer the study's research question (Creswell, 2014:43). Jamshed (2014:87) states that “semi-structured interviews are those in-depth interviews where the respondents have to answer pre-set open-ended questions.” Semi-structured interviews are employed extensively to collect data from individuals and focus groups (Jamshed, 2014:87). A semi-structured interview aims to understand the participant's emotions, feelings, and opinions on a specific subject matter. The face-to-face interview approach was considered appropriate for this study as it provides an in-depth understanding of the problem from the participants' perspective under investigation. According to Bridges et al. (2008), deriving themes from the interview process helps reflect on the interviewee's personal experiences to collect richer and more textured data from the participants.

3.7.1 Interviews

The interview method for collecting data occurred through a recorded verbal communication between the participants and the interviewer. Semi-structured interviews were used to gather information from the entrepreneurs to understand their challenges in the textiles, clothing and leather goods industry. The interviews were semi-structured to allow the researcher to encourage the participants to speak freely and openly. The interviews were conducted by the researcher and were all conducted in English. Conducting the interviews in English allowed the researcher to transcribe the interviews as presented by the participants without translating them.

The interview was conducted with selected Johannesburg-based textiles, clothing and leather goods SMEs owners. If the SME owner was not available, the interview was conducted with the managers at the selected business premises. The interviews aimed to elicit views and opinions from participants (Creswell, 2014:294). The interviews were conducted in April 2020. The interviews were conducted over two weeks and the average time of each interview was 15-20 minutes long. Before the interview commenced, the participant questionnaire sheet (refer to Appendix B) was

read to the participants. The interviews were only conducted with participants who signed the informed consent form (refer to Appendix A).

All interviews were recorded on an audiotape. As a result, the researcher could relate to the participants in a subjective way rather than on the researcher's terms. Some participants were not sure what to say with certain questions, and further probing was needed. Showing an interest in their opinion also helped throughout the conversation. It was easy for the researcher to build rapport with the participants and engage in conversation with them about the subject. Participants were open to discussion and shared their experiences.

In total, ten interviews were conducted, and by the seventh one, no new themes emerged. However, the researcher continued with the interviews, whereby all questions were adequately answered, and the saturation point was reached. After the last interview, the researcher concluded the interviewing process and proceeded to the analysis. The interview questions were grouped into six broad questions (refer to Appendix B).

3.8 DATA ANALYSIS METHOD

Data analysis is described as the procedures performed to summarise and organise the collected data in such a way that would yield answers to the research questions (Ibrahim, 2015:99). In other words, data analysis is a process whereby a phenomenon is broken down into its constituent parts to be understood better. The interviews were transcribed in a word document from the audio recordings. After the interviews were transcribed from audios to text, thematic coding was applied to identify the text passages into common themes or ideas, thereby allowing the researcher to group the text index into categories (Peersman, 2014:10). The researcher utilised the following steps during the data analysis process:

- The texts were read several times and notes were captured in an excel sheet.
- The notes were reviewed and the different types of themes that emerged were listed.

- Each item in the list was categorised in a way that described what the subject was, forming the operational definition.
- The operational descriptions were used to code the data and place the information in particular categories.
- Once all the categories were identified, the researcher developed coded themes that could be linked in any way once they were grouped. Once this was done, the researcher checked whether the themes were mutually exclusive, or whether each category consisted of minor categories.

The steps above were performed on all the collected data for this study.

3.9 TRUSTWORTHINESS

According to Du Plooy-Cilliers *et al.* (2014:258), qualitative research does not use numbers; they use different criteria to determine trustworthiness or credibility in research findings. According to Lemon and James (2020: 605), qualitative researchers speak of trustworthiness, which asks the question can the findings be "trusted"? The truth comes from an in-depth exploration of people's experiences, that is not universal but an understanding of a person's unique reality and that does not include the researcher's bias. Trustworthiness is established when the research findings closely replicate the research participants' meanings (Lincoln & Guba, 1985). Trustworthiness has been divided into four components: credibility, transferability, dependability, and confirmability (Gunawan, 2015:10).

3.9.1 Credibility

Credibility is described as a strategy to ensure rigor in the research process and in communicating the research findings to others (Gasson, 2004:95). Morrow (2005:252) states that "credibility can be achieved by prolonged engagement with participants; persistent observation in the field; and participant checks' the credibility of this research was enhanced by ensuring that the data analysis has an audit trail by keeping all recorded interviews and transcripts." Lemon and Hayes (2020:605) affirm that credibility is grounded in the truth value, determining whether the researcher has established and articulated a certain degree of confidence in the findings based on the research problem under investigation.

This study's credibility was enhanced through an in-depth exploration of participants' experiences regarding the sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa. Lemon and Hayes (2020:605) contend that these experiences do not necessarily result in universal truths but rather a comprehensive understanding of the participants' unique reality.

3.9.2 Transferability

Transferability is described as the extent to which the research audience can generalise the study's findings to their context and address the main issues of how a researcher can make claims for a general application of their theory (Gasson, 2004:98).

This study's transferability was attained through a detailed explanation of the data collection process, research context, research participants, and the research participant's relationship. The aim was to enable the reader to decide how the study's findings may be transferred to different contexts (Morrow, 2000:199). Furthermore, to ensure transferability, the verbatim transcripts from the interviews have full details of the data analysis process.

3.9.3 Dependability

Dependability is concerned with how the study is conducted, the study's consistency across time, and the consistency in the data analysis technique (Gunawan, 2015:24).

This study's dependability was attained by providing an in-depth explanation of the research processes and activities and keeping an audit trail. An expert in the field of research for this study examined the dependability of the audit trail.

3.9.4 Confirmability

Confirmability addresses whether the interpretations and research findings were based on participants' life experiences and did not include the researcher's biases (Lemon & Hayes, 2020:605). According to Kothari (2004:38), to avoid bias, it is important for the research instruments to remain structured for each participant and

should be reviewed by doing a pre-test to avoid ambiguity. According to Donald, Cooper, Pamela and Schindler (2014:332), confirm that leading questions can cause an error by implying the one response should be favoured over the other. Therefore, the researcher as the research instrument for the study distributed the interview questions to the relevant subject matter expert before using them on the participants. There were no changes made to the interview questions. This process was done to eliminate ambiguity, bias and leading answers.

3.10 ETHICAL CONSIDERATION

Ethics refers to the behaviour of researchers towards participants and their rights during the interview process. For this research process, before starting the interviews, the participants were asked if they wanted to participate or not, and it was also explained to them that the research would not use their names or refer to their store where they worked. Confidentiality was maintained throughout the study. The researcher applied all possible steps to respect the research site to ensure that the participants were left undisturbed after the research study (Creswell, 2014:137). The researcher also respected the privacy of the participants. The use of aliases and pseudonyms protected the identity of the participants and the premises of the SMEs.

Permission to record the interview was obtained from the participants, two had objections to the recording of the interview and pulled out of the process, and the rest had no issues with the recorder. It was explained to the participants that the discussion and information would remain confidential. No names of the participants were used in the interview to remain confidential. Ethical clearance (refer to Appendix D) was obtained from the North-West University ethical committee.

3.11 CHAPTER SUMMARY

This chapter provided a detailed discussion of the interpretive paradigm, experimental research design, and qualitative research approach to generate answers to this study's research questions. The chapter elaborated on the study population and purposive sampling techniques and the face-to-face interview as a data collection method and also thematic coding as a data analysis technique. The chapter concluded with a detailed dialogue of the ethical consideration applicable to the current study.

The next chapter presents the findings of the study that explores the lack of sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa.

CHAPTER 4

DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

The previous chapter discussed the research methodology used in this study. This chapter presents the findings of a study that explore the sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa. The data was collected through semi-structured interviews. The chapter begins with the data and then presents the research findings to address this study's research objectives. The chapter ends with a summary.

4.2 PRESENTATION OF FINDINGS

This study's findings are presented in this section in line with the study objectives to foster understanding.

4.2.1. Interpretation of data

Qualitative research generates non-numerical data transcribed and analysed to arrive at the participant's authentic meaning as implied to the study (Rossman & Rallis, 2012:262). The researcher collected qualitative data, transcribed it, and analysed it to generate themes and categories necessary for the study. The generated themes and categories were used for further discussion and understanding.

4.3 OBJECTIVES OF THE STUDY

4.3.1 Primary objective

The study's primary objective was to explore the SMEs' lack of sustainability in the textiles, clothing and leather goods industry to create employment in South Africa.

4.3.2 Secondary objectives

To achieve the primary objective of this study, the following secondary objectives were formulated:

- To obtain insight into the various challenges affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa.
- To empirically explore the critical roles of SMEs in employment creation.
- To make recommendations on possible strategies to promote the sustainability of SMEs in the textiles, clothing and leather goods industry.

4.4 FINDINGS FROM THE INTERVIEWS

To understand the challenges impacting SMEs' in the textiles, clothing and leather goods industry, interviews were conducted with representatives from ten selected SMEs in Gauteng. The data was organised into themes, as discussed in the following subsections. The participants were represented with "Participant A, B, C, D until the last person" to foster clarity. Table 4.1 below shows the research questions that were answered in this study and themes generated from the participant's responses:

Table 4.1: Research questions and themes generated from the study

Research question	Themes
What are the various challenges affecting SMEs' lack of sustainability in the textiles, clothing and leather goods industry in South Africa?	• Cheaper imports • Lack of government support • Lack of support for local production • Poor business skill • Poor infrastructure • Lack of mentorship • High tax rate
What are the critical roles played by SMEs in employment creation in South Africa?	• Enhance competition • Expand the tax base • Drive innovation • Big hirers of the workforce
What are the possible recommendations to promote SMEs' sustainability in the textiles, clothing and leather goods industry?	• Restrictions on imported textiles, clothing and leather goods products • Government Support • Promotion of locally manufactured textiles, clothing and leather goods products

4.4.1 Research question 1: What are the various challenges affecting SMEs' lack of sustainability in the textiles, clothing and leather goods industry in South Africa?

This study's first objective was to obtain insight into the various challenges affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa. To actualize the above objective, the participants were asked a research question followed by an in-depth probing of the question for in-depth data. The main question was, what are the various challenges affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa? This question aimed to identify the qualitative factors and challenges affecting South African SMEs' growth and sustainability operating in the clothing industry. The responses to this question were analysed to generate the above theme and the under-represented categories for the study. The theme 'challenges in the textiles, clothing and leather goods industry in South Africa' demonstrate SMEs' challenges in the South Africa textile industry. Furthermore, the associated categories were presented below in line with direct quotes from the participants for a comprehensive understanding of the study.

Cheaper Imports: Some of the participants mentioned that cheaper imports, specifically from China, are a significant factor affecting SMEs' sustainability in the textile industry of South Africa. The cheap imports negatively impact local business because it is cheaper to import than to produce locally and contain costs.

"The posing challenges of the textiles, clothing and leather goods industry of South Africa is there are too many imports from China with SA relying heavily on material coming from China. There is no investment in capital needed for the machinery needed to produce in the country in SA. So that machinery can produce the kind of clothing we want." (Participant A)

"South Africa SMEs in the textiles, clothing and leather goods industry are suffering owing to cheap importation. Many companies have access to China and have the resources and large market which they take advantage of in importing so many materials cheaper, resulting in low competition for our SMEs. With that, it is a serious challenge to SMEs because they do not have what it takes to compete with big companies." (Participant B)

“To me, the major challenge we face is cheap importation by big companies that frustrate the SME owners. Most of the SME owner has packed up, and many are still packing up daily because they cannot match these big companies that import all sorts of cheap products.” (Participant C)

Similarly, with the stance of other participants on cheap imports.

“Cheap import is a serious challenge to SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa.” (Participant G)

These responses suggest that the South African textiles, clothing and leather goods industry is affected by the cheap import of final products from China and heavily affected by importing raw material for the textiles, clothing and leather goods. Chinese imports are easily accessible in South Africa and create an inductive environment that enables the Chinese to dominate the South African market due to their lower prices compared to locally produced items. SMEs are regarded as the pillar of an economy as they contribute significantly to the growth of a developing economy (Yoshino & Taghizadeh-Hesary, 2019:242). However, the market for textiles, clothing and leather goods products has become gradually more competitive in fashion (Gonzalez-Loureiro & Pita-Castelo, 2012:312).

According to the South African Market Insights Report (2019), China, on its own, contributed 57.75% of textiles, clothing and leather goods imports into South Africa. In April 2019, R16 billion in textiles, clothing and leather goods items were imported into South Africa. Therefore, supplying cheap textiles, clothing and leather goods to South Africa is a big business in China (Van Eeden, 2007:3). China's speed in response to markets, labour productivity, and the quality of products they provide has given them an advantage over other markets as they appeal to most low-income earners (Manenzhe, 2018:25).

Lack of government support: Limited Support from the government appears to be among the significant factors affecting SMEs' sustainability in the South African textiles, clothing and leather goods industry. What one can deduce from the responses is that it is evident that SMEs in the textile industry are struggling to survive. Below are

the direct quotes from the participants that confirm the SMEs' challenges in the textile industry.

“Lack of Government support is a serious challenge facing SMEs in the textile industry. The government failed to recognise SMEs' roles in employment creation, which is enormously affecting many of us. Is not everyone who has the resources to invest in this industry to maximise profit, and that is where the government support should come to give people a favourable environment to do well.” (Participant B)

“Government are not giving us the needed support in order to meet up with the increasing market competition. For instance, the Chinese are bringing cheap products into our country because they have many resources, which affects our productions and sales.” (Participant C)

“Government are not helping us because they are completely disengaged from the local industry, neglecting the type of jobs we can create and how we can contribute to the economic growth of our country. The government allows a high tax rate, which discourages most of us from functioning. We are struggling to cope, to match the market value of imported material, but if the government can consider us, it will make us be performing very well and that we can employ more people and as well pay tax to the government.” (Participant D)

“One of the challenges SMEs in the textile industry is a lack of government support. The government does not care about how we perform, and they do not care about how we help the country's growth. SMEs is an extensive business unit capable of creating many jobs for various people, but we found ourselves in a country where the government is complacent about how we cope and what we can do better.” (Participant F)

Numerous challenges continue to cripple SMEs' sustainable growth and development in South Africa (Sitharam & Hoque, 2016:278). The sustainable growth rate of SMEs in South Africa is amongst the lowest globally, with an average of 50% of SMEs failing to grow (Cacciotti & Hayton, 2015:165). Most SMEs in South Africa do not grow in size due to various challenges that are both internal and external (Mrasi et al., 2018:26).

These challenges have a significant impact on the survival and sustainability of SMEs (Lekhanya, 2016:1). Some of these challenges include inadequate business skills and knowledge (Mrasi *et al.*, 2018:27), insufficient finance and funding, lack of relevant information on government support and inadequate government support (Bvuma & Marnewick, 2020:4), high crime rates, and shortage of infrastructure (Myeko & Iwu, 2019:2). Also, Bilal, Khan, and Akoorie (2016:369) demonstrated that the lack of government support to SMEs results from SMEs having insufficient external resources with external suppliers and customers.

Lack of support of local production: Participants identified a lack of local production demand as another significant factor affecting the sustainability of the textiles, clothing and leather goods industry in South Africa. The participants are of the view that South African consumers do not believe in locally produced items. The quality is questionable, which hinders the local industry as more trust is placed on international brands than local brands.

“Lack of support of local production by the citizens is a serious challenge facing the SMEs in the textile industry in South Africa. Most citizens prefer imported products which directly affect the production and sales of local products.” (Participant A)

“Consumers have more trust and love for foreign-made products than the locally produced ones even when the locally produced products tend to be more superior in quality. These attitudes of the people result in discouragement of the SME owner. When you notice that people do not patronize locally made products rather, they are proud to, but use foreign-made products, it results in serious discouragement.” (Participant B)

“Locally made products are not standard, as people, we still believe in overseas products than our own. We have thousands of fashion designers; at the end of the day, no one supports them. People doubt them. As black people, we doubt it is not easy for people to believe it is something real. Because of the disbelief on locally produced products, people go for an imported design, making the SMEs in the textile industry struggling.” (Participant C, Participant E)

“So many local owners of SMEs in the textile industry are willing to put in their best in order to see that they are producing a huge quantity of the products while so many have tried producing large quantity, but the negative attitudes of the local consumers of the products is a serious challenge to those great efforts.” (Participant I)

“Other challenges are distribution; once you have created your brand, it is challenging to get people to buy into a local brand. They seem not to trust a local brand. So that is a challenge in itself. We need to change the mindset around buying SA products that its quality made and supporting local. There needs to be more emphasis put on all of that.” (Participant J)

This lack of support for local production is a serious challenge to the SMEs in the textiles, clothing and leather goods industry. The South African government moved to lower tax duties for imported goods and services in 2004, worsening this situation resulting in a decline in the level of sales, Gross Domestic Product (GDP), and employment in the textile industry (Nattrass & Seekings, 2012:10; Rotunno, Vézina & Wang, 2013:2). The textiles, clothing and leather goods industry in South Africa represents one of the five primary employment sectors (Matsoma & Ambe, 2016:194). Besides lack of local support for SMEs in the textile industry, Amoah and Amoah (2018:153); Aryeetey, Baah-Nuakoh, Duggleby, Hettige, and Steel (1994:49) adds that there are other challenges faced by SMEs, which include challenges in accessing the international market, regulatory and legal challenges, technical know-how as well as lack of proper administrative, record-keeping procedure and a lack of managerial knowledge and skill.

Low business skill: Participants believe that poor business skills are among SMEs' challenges in the textile industry. Many SME owners in the textile industry lack the business skills necessary to facilitate their business success. The following direct quotes were taken from participant's responses.

“Most SMEs in the textile industry lacks the necessary business skill needed to perform well in the industry. You will find out that there is no proper training for business owners, which generally affects their approach to business management and performance.” (Participant D)

“That the impacts of poor business skills affect many of the SME owners in the textile industry. It is not all about starting the business rather starting and managing it well to maximize profit. Many SME owners in the textile industry see the business as lucrative, which clouds their ability to acquire the necessary skills to succeed. This is a serious challenge confronting SME owners in the textile industry.” (Participant F)

“Owing to an SME in the textile industry provides lots of opportunities to the society, but it is challenged by a lack of adequate business skills needed to operate properly and be successful. So, to me, lack of business skills is a serious challenge which needs to be addressed.” (Participant H)

“Poor business skill is a serious challenge to SMEs in the textile industry because it hinders the business owners inadequately competing with their mates, both those operating within the country or those importing materials from China and rest of the world. So, it is a huge challenge to many people in this business.” (Participant I)

“Many of us lack business skills, and the lack of business skill stretches to the area of marketing. When you do not market your products well despite how to go they are, buyers will not patronize it very well. So poor business is a serious challenge in achieving sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa.” (Participant J)

The participant's reports agree with the literature that maintains that poor business skills are among SMEs' challenges in the textile industry. For instance, Ayandibu and Houghton (2017:50) concur that inadequate entrepreneurial cultures and business skills are some of the factors promoting SMEs' high failure rates in South Africa. In this regard, SMEs in the textiles, clothing and leather goods sector assert themselves via new product advances to remain sustainable and compete with larger enterprises and the vast inflow of fibre products from China (Gherghina *et al.*, 2019:2). Popescu (2014:512) echoes that for SMEs to remain sustainable, they have to embrace innovation, be oriented towards novel products, original marketing and management methods, and genuine technologies. Masocha (2019:3) asserts that although most SMEs in South Africa are operating in rural areas on small premises, their business

can be sustainable if strategies are put in place to relocate to larger premises in urban areas where there is a ready market.

Poor infrastructure: For a business of any type or nature to thrive well in contemporary society, there needs to be the presence or availability of enabling infrastructure. However, as seen from the participant's response, poor infrastructure is among the challenges confronting the SMEs in the textile industry in the study areas. This theme represents the responses of the participants regarding the research question. Below are the extracted quotes from the responses regarding the research question.

"Most SME owners in the textile industry are struggling because of the poor state of infrastructure. Many of us easily pack up and leave the business because the current infrastructure is a discouragement to their dreams." (Participant A)

"We do not have a good infrastructure that could support our business growth. Many of us have huge dreams for this business, but the nature of infrastructure is not allowing us to thrive well." (Participant C)

"In a country where the level of infrastructure that could support good business like ours is poor, what do you expect? Things do not work well because it is a dream killer, and that is a serious challenge to us here." (Participant E)

"You must consider the role of good infrastructure in business, which we do not have for this our business. As you should know, SMEs can create huge jobs for society, but what we are facing is a challenge that you feel like relocating your business to another country when you think about it. Even, if you want to relocate your business to another, it is so cost-intensive, so we need good infrastructure." (Participant G)

Lack of mentorship: Mentorship is crucial in guiding and directing one in the right direction. Thus, succeeding in a business necessitates proper mentorship to learn how to go about the business. Some participants maintain that lack of mentors is a severe challenge to SME growth in the selected study areas. The below-presented quotes

were extracted from the responses regarding the challenges of SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa.

“You see most of these SMEs in the textile industry business owners. They are not well mentored, so that is one of the challenges affecting their growth. When you are not mentored and join this type of business, it will be very difficult to cope, which will compound the challenges in the business.” (Participant D)

“Mentorship is crucial, but it lacks among most SMEs in the textile industry, and it manifests in their productivity.” (Participant F)

“I think that mentorship is lacking among the business owners, and it is one of the challenges we are seeing in this business. People in business without taking out time to be mentored.” (Participant G)

These participant responses are in agreement with existing literature. For instance, according to Leboa (2017:43), the lack of financial acumen, research, the lack of mentorship, poor planning, and lack of motivation to even start an SME are factors affecting SMEs' success in South Africa. Mukwarami *et al.* (2018:1) found that inadequate support from stakeholders, inadequate knowledge on SME legal matters, inadequate business acumen, and inadequate managerial and marketing skills are some of the challenges facing SMEs, especially in the textiles, clothing and leather goods industry. Other scholars (Bhorat *et al.*, 2018) offer that inadequate education and training, lack of information communication technology awareness, competition, high tax rate, limited resources, and inadequate sustainability skills are also some of the challenges faced by SMEs in the South Africa.

High tax rate: Participants complained that one of the challenges facing SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa is the high tax rate. The below-presented quotes were extracted from the responses.

“High tax rate is suffocating them. We are struggling because of the high tax rate. In light of other challenges such as poor marketing skills and the rest of them, we still struggle with a high tax rate, which is so discouraging.” (Participant E)

“To me, a high tax rate is killing SMEs in the textile industry. You found out that you are working for the government, like in the course of the struggles in running your business, you still end up paying huge tax, which is not encouraging.” (Participant H)

“High tax rate is a serious challenge to the progress of the SMEs in the textile industry. Because of that, many of us are struggling in continuity, i.e., keeping up with the business and growing the business to meet up with the growing competition in the business world.” (Participant I)

In support of the above responses, Katua (2014:467) asserted that SMEs are faced with lots of challenges, such as problems of taxation. The high taxation rate negatively affects the SME owners' ability to keep up with the increasing market competition in society. Robertson, Collins, Medeira & Slater (2003:311) also stated that high taxation is among the challenges facing SMEs. Most SMEs in the textiles, clothing and leather goods industry struggles to keep up with the associated high tax rate, making the business owner either pack up or consider relocating to a more favourable country. Furthermore, Clover & Darroch (2005:242) and Viviers, Van Eeden & Venter (2001:4) affirmed that high taxation is a serious challenge facing SMEs, adding that South Africa's VAT and corporate tax are among the highest in the world. This implies that the SMEs in the South African textiles, clothing and leather goods industry are in a distressing business environment. Also, Luiz (2002:65) confirmed that due to the complex South African tax system, the cost of doing business increases, as many SME owners cannot administer tax returns, hence they resort to expert involvement for a fee to meet the legal requirement.

4.4.2 Research question 2: What are the critical roles played by SMEs in employment creation in South Africa?

The second objective of this study was to empirically explore the critical roles of SMEs in employment creation by answering the broader research question of, what are SMEs' critical roles in employment creation in South Africa? This question sought to

understand the critical roles played by SMEs in the creation of employment in South Africa. The analysis of the participants' responses led to the generation of the above theme of "roles of SMEs in employment creation." Participants enumerated the essential roles of SMEs in the textiles, clothing and leather goods industry in creating employment. The generated theme demonstrates the critical role of SMEs in the textiles, clothing and leather goods industry in creating employment. The generated categories are further presented below in the form of participants' direct quotes, used for an in-depth understanding of the study.

Enhance competition: SMEs are crucial in piloting the growth of countries' economies due to their ability to enhance a business's competitive environment. The participants asserted that the ability of SMEs to enhance competition among business owners helps them in critical thinking regarding how to improve their business and employ more workers.

"SMEs foster job creation through enhanced competition. When I say the competition, I mean healthy competition, in a situation where business owners strive to improve their business better and legally. For instance, in this our textile industry, more jobs could be created when there are healthy competitions."

"I think SMEs can create more jobs when there is a competition like business owners striving to get better, think far and while, and make the right investment. By so doing, you will find out that these SMEs can create more jobs for society. As you can see, we are trying already in creating jobs for the people." (Participant E)

"More jobs could be created when there is an enhanced competition among SME owners such as in this textile industry that we are into. Enhanced competition can make a business owner try new things and employ more workers to execute projects for them." (Participant G)

SMEs are familiar in South Africa and are referred to as the primary source of employment, the core of economic activities, and a significant contributor to economic growth (Aga *et al.*, 2015:1; Banwo *et al.*, 2017:1). Furthermore, these SMEs contribute to the growth and development of the South African economy. Ayandibu and

Houghton's (2017:52) study reveals that SMEs are more labour-abortive than any other sector, and fewer skills are required in some cases. The textiles, clothing and leather goods industry operates in a highly dynamic competitive market dominated by global brands and technological changes, and increasing uncertainties (Gazzola *et al.*, 2020:1). Omar, Arokiasamy, and Ismail (2009:75) further maintain that SMEs play crucial roles in every country, especially in creating employment. Therefore, this could be seen as small companies springing up with lots of potentials, which is also seen among the textiles, clothing and leather goods industry. Truett and Truett (2010:73) added that the textile industry is considered an essential part of any country's economic development because they are highly labour-intensive, especially in a country that has a high labour workforce, such as in South Africa.

Furthermore, Truett and Truett (2010:74) maintain that the "Textile Federation, the South African textile industry is the sixth largest manufacturing sector employer, and the eleventh largest manufactured good exporter." This demonstrates the considerable employment gap posed by the textiles industry, including the SME manufacturers.

Expand the tax base: Countries generate funds that help run the country in various ways, such as their citizens' tax. Thus, more SMEs entails more tax return to the country and more creation of employment positions.

"SMEs are playing huge roles in society, including in the area of expanding the tax base. You know that tax helps countries a lot in taking care of the citizens in so many ways such as payment of government employees etc. With more SMEs in the society, the more government makes more money due to the tax they pay." (Participant D)

"The SMEs play crucial roles in expanding the tax base through their tax contribution, and those taxes are used by the government in creating more employment positions for the good of her citizen." (Participant F; Participant J)

In support of the above participants' responses, Katua (2014:464) demonstrated that globally, SMEs are drivers of job creation because they can expand their tax base. Notwithstanding the advantage in expanding the tax base, Amoah and Amoah

(2018:151) maintained that globally, SMEs constitute a considerable force in job creation and socio-economic development. The sector helps in creating employment in both developing and developed nations globally. For instance, SMEs provide an estimated 60%-70% of employment in developed and transitional economies (Nickell, 2006). Furthermore, Stein, Goland, and Schiff (2010:1) and Kumar (2017) maintain that SMEs offer 45% of total employment and 33% of Gross Domestic Products (GDP) in developing nations. SMEs are often considered the drivers of employment, innovation, social mobility, and economic growth (Ayyagari, Demircuc-Kunt & Maksimovic, 2011:2; Page & Söderbom, 2015:44). These created jobs and employment provided by SMEs generally enhance the standard of living, individual income, social stability, and welfare of the people globally.

Drive innovation: SMEs are crucial drivers of innovation in society through innovative thinking and new technologies. Thus, these products of innovation create job opportunities for people. The SMEs' owners usually strive to survive in the competitive business community, fostering their innovative quest.

“The SMEs’ owners are drivers of job creation through the driving of innovation. They engage in research within their limit in order to ascertain the affordable and adaptable technologies that could help boost their business in order to produce more products. For instance, in this textile industry, we drive innovation, we try to look for the latest cheap technologies that will help us produce more products for the consumers.”
(Participant C)

“The SMEs helps in attracting technological advancement in a country through the procurement of new technologies that advance faster and more production of goods for the consumers.” (Participant J)

Katua (2014:467) concurred with these participants' views, adding that the driver of innovation is one of SMEs' characteristics around the globe. Their ability to drive innovation contributes to the economic growth of the country. Amoah and Amoah (2018:153) added that SMEs' technical innovation is crucial in driving the economy to success. The owners of SMEs and their employees possess innovative ideas and risk exploring, thus discovering potential opportunities that result in job creation.

Ayandibu and Houghton (2017) reported that SMEs in South Africa play a vital role in the nation's technical and innovative development. According to Luo *et al.* (2016:1161), SMEs play crucial roles in reducing poverty, fostering employment, promoting foreign trade and technological innovation. Furthermore, and in line with global trends (Aga *et al.*, 2015:1), SMEs dominated South Africa both in terms of absolute numbers and economic contributions. Statistically, SMEs in South Africa account for approximately 98% of the formal economy across all business sectors. SMEs account for 28% of the formal workforce in employment, whereas large companies, including the government, state-own entities, and civil services, contribute 56% of employment in South Africa. In this regard, Mathende and Nhapi (2017:143) assert that understanding SMEs' contribution to employment is critical as they provide the substantial potential for social upliftment.

SMEs play a vital role in many economies, particularly those in third-world nations (Chanakira & Masunda, 2019:62). Sitharam and Hoque (2016:277) concur that SMEs in South Africa contribute positively to GDP, reduce unemployment levels, reduce poverty, and promote entrepreneurial activities. According to the world bank (2019), formal SMEs contribute about 60% of total employment and about 40% of Gross Domestic Product (GDP) in developing countries. Kaplinsky and Morris (2019:48) concur that most large firms in Africa are more capital intensive. Hence, they do not create more employment compared to SMEs, which are classified as labour intensive. In addition to employment challenges, in the South African context, the formal sector has limited capacity to absorb labour (Kaplinsky & Morris, 2019:48). Kaplinsky and Morris (2019:48) further highlighted that slow sustainability growth, especially in the SME sector, has a significant negative impact on employment growth, especially among women and the youth. An earlier study by Gebremariam, Gebremedhin, and Jackson (2004) empirically established a positive relationship between SMEs and employment creation, poverty alleviation, and economic growth.

Big hirers of the workforce: SMEs are considered a crucial component of economic growth through their various activities in creating and sustaining employment, with SMEs in the textile industries, not being an exception. Some of the participants maintain that SMEs play enormous roles in hiring workforces, thereby creating employment.

“The SMEs help a lot in creating employment through hiring workers. Despite how small the business appears in most cases; you will find out that those fewer numbers of employed by the business owners are taking people out of the street and getting them meaningfully engaged.” (Participant C)

“You shouldn’t neglect the impacts of SMEs because they are called small-medium enterprises, we have lots of things we contribute to the country, we hire people lots of people, and that’s one of the ways of helping the government in getting people employed.” (Participant E)

“We play a huge role in creating employment through our ability to hire lots of people.” (Participant I)

“What can I say, but you should understand that we hire big, we can hire lots of people to work for us. You cannot hire like that when you did not create employment, so we endeavour in creating employments in order to have enough workforce in competing in the business market, which is so competitive.” (Participant J)

In support of the above participants’ responses, Saleh, Caputi and Harvie (2008) maintain that SMEs help provides flexible and skilled production in Singapore. This skilled and flexible production helps in attracting large multinational corporations (MNCs). Furthermore, Bouazza (2015:2) added that SMEs play crucial roles in facilitating economic growth and job creation, fuelling social development, and constantly changing economic environment in different countries globally. Besides this, SMEs are flexible and possess a significant capacity to adjust, fostered by low dimension and rapid decision making. Amoah and Amoah (2018:151) affirmed that SMEs constitute a significant creator of employment in Ghana. The sector employs a large percentage of the employable population in both urban and rural areas in Ghana. In Ghana, an estimated 92% of all the businesses are SMEs, making it one of the most critical economic development sectors. These SMEs’ job creation is stretched to various business types, including the textiles, clothing and leather goods industry.

4.4.3 Research question 3: What are the possible recommendations to promote SMEs' sustainability in the textiles, clothing and leather goods industry?

The study's third objective was to make recommendations on possible strategies to promote SMEs' sustainability in the textiles, clothing and leather goods industry. A broader research question was presented to help address his question, which reads: "what are the possible recommendations to promote the sustainability of SMEs in the textiles, clothing and leather goods industry?" The collected data was analysed with the above theme generated for discussion in the study. The theme represents the participants' recommendations of the possible strategies to promote SMEs' sustainability in the textiles, clothing and leather goods industry. Furthermore, the below-presented categories were deduced from the themes and discussed in line with the participants' direct quotes for a broader understanding of the study.

Restrictions on imported textiles, clothing and leather goods products: The influx of imported clothing material is a serious challenge to the production and sales of locally made clothes and clothing materials. On this premise, the participants enumerated various possible strategies to promote SMEs' sustainability in the textiles, clothing and leather goods industry.

"All imported textile items go through all points of entry. The government can train individuals on how to handle specific commodities like wool, polyester, cotton, among others, and control the points of entry by imposing taxes appropriately. Once the entry points have designated people that understand how to handle the commodity like its weight, how to tax it and avoid bribes, this can create strict control and manage what enters South Africa in a structured way." (Participant A)

"Cheap foreign goods are not paying import taxes. This affects local produce's pricing as they need to pay for import taxes and already affects their pricing, which gives imports an added advantage. Therefore, the government needs to consider managing import taxes also to favour local producers." (Participant B)

“Yo this idea of importing almost everything, such as importing textile material China, it is not helping our SMEs in the textile industry. So, there should be a restriction to that in order to help the locals have a breathing space to survive.” (Participant F)

“There must be a restriction on imported textiles, clothing and leather goods material because the locals are negatively affected.” (Participant G)

“Local SMEs can do well if competition from foreign products is curtailed.” (Participant J)

In support of the above participants' responses, Norris (2015:184) maintains that many countries globally engage in restrictions on the level of imports to protect and encourage domestic industries. The restriction on imports, such as the restriction of the importation of textiles, clothing and leather goods material, is crucial in the sustainability and growth of local industries. Local textiles, clothing and leather goods industries are essential in creating employment; hence, restricting foreign textiles, clothing and leather goods material will help local industries.

Government Support: The sustainability of SMEs in the textiles, clothing and leather goods industry in South Africa necessitates active government support. Government support can give a more enabling market environment to the business owner. Participants suggested different ways that the government can support the SMEs in the textiles, clothing and leather goods industry in South Africa.

“The buying power of Rand affects business in South Africa. This adds cost to locally produced items, and items end up costing more than the cheaper imports. The government needs to find a way to stabilise the rand to help the business survive in South Africa. Another way government can support SMEs is through equipping them with machinery, this will open room for skills development and create jobs. The government can come up with payment structures, where Government buys the machinery on behalf of the SME and the SME says it back over a certain period.” (Participant A)

“Government needs to ensure there is a relatively standard wage, not for fighting high salaries. Rather ensure everyone earns an amount of bread, or everybody gets a half a loaf instead one person getting ten loaves.” (Participant B)

“Government can help with skills development, making sure the high impact status are having the right machinery and training on how to use that machinery and that they are being used by multiple people, not just one designer but multiple. Get Import duties cut down on material that is not stocked locally. I would say feedback sessions that big business is learning from, so they can learn from this. Get the conversation going and a marketing drive, to support local this could help a lot.” (Participant C)

“Because of the nature of capital required and the potential growth in the economy, that the availability of this material can contribute, the government itself needs to assist small businesses, black-owned enterprises so the industry can afford to buy this machinery on their behalf and make a payment structure where SMME can repay this money that they were advanced in the form of capital. It is the only way we can see SA’s getting involved in the textile industry.” (Participant D)

The reliance of SMEs on their internal resources, especially in developing countries, is insufficient to gain a competitive advantage in the ever-growing business environment. The need for government support in providing relief, financial incentives, opportunity recognition, and support for competitive advantages (Tahir *et al.*, 2016:173). Furthermore, Songling, Ishtiaq, Anwar, and Ahmed (2018:3495) affirmed that government support such as incentives, loan schemes, and training institutions that could foster an organisational networking system could help SMEs.

Lamoureux, Movassaghi, and Kasiri (2019:110) further add that government support to SMEs and other businesses has always been fruitful in facilitating their success. The authors further asserted that the anecdotal evidence from their research and past studies revealed that SME owners acknowledged that government support is supportive of the growth of their business. Government support is crucial in promoting the sustainability of SMEs in the textiles, clothing and leather goods industry. Graafland and Smid (2017:967) add that direct government regulation and

involvement are essential in helping SMEs. However, adopting them in conjunction with other factors like social license pressure could be more effective.

“Government need to create institutions where students can be attracted into the sector. Just like Bangladesh where they have a textile university where they can source those Engineers into the sector.” (Participant E)

“Government should continue supporting in terms of funding, also expanding skills and productivity. Minimizing the imports is by improving production and scale economics, which will help the firms negotiate the retailers' pricing. Currently, they are getting almost nothing from the retailers. If one produces a simple T-shirt for R5, that is what the manufacturers get; retail sells it for R150, that is where the problem is. There needs to be a reasonable margin so that the two can survive.” (Participant G)

“Maybe the Government needs to have a special task team to find a middle ground, not to shut them down because people need to earn a living. Find an ideal compromise that the Government needs to facilitate because the labour and business will always have their view. With the cheap imports coming in, we cannot compete locally or try very hard to compete with cheap international imports. Our market is very price-sensitive, and more often people do not have enough spending power, therefore go for cheap imports and not support local businesses as well.” (Participant H)

“Besides the funding, the government should reduce the administrative burden. There is so much red tape in terms of regulatory reporting and trying to source new funding. Everywhere it has just bogged down with red tape. They have to make it easier for small businesses; the small business does not have a special department to handle it this like a big corporate. A man is barely making it to keep the business running and still has to be bogged down with administration. It is necessary, but most of it is onerous and cumbersome and not necessary.” (Participant F)

According to Ayandibu and Houghton (2017:52), Government support is defined as “government commitment to providing growth and development through its policies and establishments.” In South Africa, various strategies have been implemented in an attempt to enhance the sustainability of SMEs, increase the employment rate, and

overall enhancement of the economy (Ayandibu & Houghton, 2017:52; Ferreira, 2007). Despite these implemented measures, the textiles, clothing and leather goods industry still needs more support from the government, such as funding, acquisition of modern equipment, and technology that will help them compete sustainably. Matsoma and Ambe (2016:194) posit that it requires organisational planning due to the South African textiles, clothing, and leather goods industry's importance. The textiles, clothing, and leather goods industry is essential for garment existence and fashion styles globally (Wong & Guo, 2010:614). Jonson and Tolstoy (2012:62) suggested that there should be a proper application of demand planning activities for a competitive textiles, clothing and leather goods industry. The government's activities could foster this demand, planning to ensure that the textiles, clothing and leather goods industry can enhance substance and create employment.

The promotion of locally manufactured textiles, clothing and leather goods products: The promotion of locally manufactured products encourages manufacturers to boost their business, expand the tax base, and create more employment in the country. To that effect, the participants enumerated ways to promote SMEs' sustainability in the textiles, clothing and leather goods industry.

“Supporting foreign items does not do much for our struggling economy. The South African textile industry possesses the potential to grow, currently processes for funding support from Government take long. Madagascar and Mauritius have a speedy return, as opposed to processes in Madagascar and Mauritius, turnaround times are 48 hours as opposed to South Africa, where a request could take three to four years. If the Government can create a connection between retail and local production, it will create a need to support local.” (Participant B)

“It is supporting local. When we start selling things, we need to sell them at a good affordable price, once you do that it attracts people, it becomes a brand because it is word of mouth, people get to know you, from word of mouth from there it becomes brand, and people get to know you. Like the local brand Bathu its local brand, it has become global. Once we start doing that, we do not trust ourselves; it is not easy to adapt to the brands that are in the country.” (Participant D)

In support of the above participants' responses, Darku and Akpan (2020:650) emphasised buying local campaigns that are primarily a campaign to encourage consumers to patronize goods and services manufactured within a particular geographical area and socio-economic sector. The campaigns to buy local could make the locals see the need to patronize the goods manufactured within their area. In this study, the researcher believes that encouraging locally made textile materials can enhance SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa. Darku and Akpan (2020:650) further maintain that the buy local campaign in the textiles, clothing and leather goods industry usually yields to cultural forms due to the importance of that economic sector to any country. Scott (1999:107) defined cultural economy as "comprises all those sectors in modern capitalism, which cater to consumer demands for amusement, ornamentation, self-affirmation, and self-display." It is a sub-set of a country's general economy that integrates fashion, media, craft, service industry, and entertainment (Darku & Akpan, 2020:650).

"People need to stop buying things from overseas. People need to believe in themselves; before believing in someone else, you need to believe in yourself. Let us believe in ourselves first. Try something. If it can work for other people, it can work for you, everyone in the world and the country." (Participant E)

"Our local producers are suffering, and it is not healthy. This is because people undermine locally made products, which is what the textile industry is suffering from. So, if the consumers can change their approaches and be using locally made products, it will help everyone." (Participant F)

"Locally manufactured cloths should be promoted at all cost because it will help employ more of the local so I think we should do everything possible to promote locally made textile and clothes." (Participant G)

Kereth (2020:61) demonstrated that culture is crucial in promoting locally manufactured goods and services, including textiles, clothing and leather goods. The authors maintain that culture plays a huge role in controlling human behaviours. Akpan (2016:44) further maintain that any time consumers are subjected to consumers with

varying cultural principles, they tend to be conscious of how culture shapes their behaviours. Thus, the purchase of locally made products with textiles, clothing and leather goods materials, is not an exception, which could be noticeable by recognising its cultural basis. On the above premise, Lawan and Zanna (2013:519) declared that cultural factors such as customs, norms, languages, ethical and social values, religion, and belief help ascertain consumers' purchasing attitudes. As a result of the ability of culture to influence human actions. In this study, the author believes that promoting culture could directly promote locally manufactured clothes and textile material. By promoting the purchase and usage of locally manufactured textiles, clothing and leather goods material could promulgate the sustainability of SMEs in this industry to create employment in South Africa.

4.5 CHAPTER SUMMARY

Considering the critical roles SMEs play in global economic growth and sustainability, the purpose of this study was to explore the lack of sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa. To actualise the study's primary objective, this chapter demonstrated the data presentation and discussion of findings. The data was analysed, and themes and categories were generated. The generated themes were discussed under each of the study objectives. Furthermore, the categories were discussed in line with the participants' direct quotes and elaborated on with literature.

This study's problem statement was to explore the lack of sustainability of SMEs in the textile and clothing sector. This study explores the unique challenges in the textiles, clothing and leather goods industry. The study reveals that cheaper imports, specifically from China, are significant factors affecting SMEs' sustainability in the textile industry of South Africa. The cheap imports harm the local business because it is cheaper to import than to produce locally and contain costs.

The next chapter summarises the main findings for this study, conclusions, and constructive recommendations.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This study has dealt with the following four objectives: to explore SMEs lack of sustainability in the textiles, clothing and leather goods industry to create employment in South Africa; to obtain insight into the various challenges affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa; to obtain an insight into the roles played by SMEs in employment creation; and to make recommendations on possible strategies to promote the sustainability of SMEs in the textiles, clothing and leather goods industry.

This chapter focuses on the conclusion and recommendations. The chapter begins with conclusions based on the main findings of the study. Next, constructive recommendations and the achievement of research objectives will be discussed. The chapter concludes with suggestions for further studies.

5.2 CONCLUSIONS

There are various debates on the challenges facing SMEs in South Africa and the world. This study has not set out to focus on these debates but rather to explore SMEs sustainability in the textiles, clothing and leather goods industry to create employment in South Africa. The empirical findings identified three key themes: challenges in the textiles, clothing and leather goods industry in South Africa, the roles of SMEs in employment creation and promoting the sustainability of SMEs in the textiles, clothing and leather goods industry.

In terms of the challenges in the textiles, clothing and leather goods industry in South Africa, it was debated that it operates in a highly dynamic competitive market dominated by global brands and technological changes with increasing uncertainties (Gazzola *et al.*, 2020:1). Importation of cheap textiles, clothing and leather goods material reduces employments for the local population (Ramdass, 2007:1). Therefore, it resulted in the clothing market's broader unpredictability and hindered the ability to

deal with competition in the clothing industry (GGDA, 2014:4). Furthermore, Cao, Scudder, and Marsha (2017:82) emphasised the adverse effects of cheap textiles, clothing and leather goods materials from foreign countries, especially from China. Seekings (2015:11) further maintains that imports of Chinese textiles, clothing and leather goods materials are hugely affecting South Africa's economic stability and reducing the price of clothes, thus affecting local manufacturers. Matsoma and Ambe (2016:197) ascertained that the influx of clothes and textile materials is a severe challenge in the Gauteng clothing industry.

The findings from this study reveal that complex business problems such as cheaper imports, lack of government support, lack of support of local production, lack of technological know-how, and capital issues are some of the factors negatively affecting the sustainability and growth of SMEs in the textiles, clothing and leather goods industry in South Africa. The study further reveals that limited support from the government and the lack of support for local production were other significant factors impacting SMEs' sustainability in the textiles, clothing and leather goods industry.

Concerning the role of SMEs in employment creation, literature (refer to Section 2.4) has shown that SMEs in South Africa make up 91% of the formalised business, provide employment to approximately 60% of the labour force and contribute to about 34% of the GDP. Literature reveals that SMEs are more labour-absorptive than any other sector, and fewer skills are required in some cases (Ayandibu & Houghton, 2017:52). Ayandibu and Houghton (2017) further found that SMEs in South Africa play a vital role in the nation's technical and innovative development.

The study reveals that SMEs play a vital role in the growth of the South African economy due to their ability to enhance the business competitive environment as well as create more jobs. The study further revealed that the more SMEs are involved in economic activities the more tax return there will be to the country and the more employment creations will be created. SMEs are drivers of innovation in society through innovative thinking and new technologies. Thus, these products of innovation create job opportunities for people.

In terms of promoting the sustainability of SMEs in the textiles, clothing and leather goods industry, it was deduced that SMEs are unique and require interventions that will be of benefit to them. This study further reveals that the textiles, clothing and leather goods industry needs more support from the government, such as funding, acquisition of modern equipment, and technology that will help them compete sustainably.

5.3 RECOMMENDATIONS

In general findings from the study reveals that there is a need to address the challenges affecting the sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa. The following recommendations were made on possible strategies to promote the sustainability of SMEs in the textiles, clothing and leather goods industry.

Government should build foundations for SMEs by prioritising the needs of SMEs. This can be through partnering with private institutions to assist SMEs with adequate access to finance. This can also be done in the form of offering tenders to SMEs in the various sectors.

Although the South African government has initiatives in place to assist SMEs, some of these initiatives are not rolled out correctly. For example, SEDA was established to help in registering small businesses, and provide consultation and mentoring for them. However, this is not being rolled out as quickly and efficiently as intended, which is in part because initiatives must still be polished, with small business owners being properly advised on how best to move their new businesses forward. Furthermore, these initiatives should be intensified through awareness campaigns to encourage their use for emerging businesses to achieve sustainable socio-economic growth and help solve their challenges.

Most SME owners/managers have no formal training in managing a factory or managing its financial income affecting decision-making in the long run. A lack of formal training limits their ability to adapt to the changing technology and digital world. More business links that can help SMEs should be established. Such business links

should be able to subsidise the cost of training and development, together with any costs incurred which enhance the performance and sustainability of the SMEs.

The South African government should support the SME textiles, clothing and leather goods industry by providing operational assistance. The South African government should implement restrictions (quotas) on imported textiles, clothing and leather goods products, especially from China.

There are essential skills SME owners need to gain to understand their customer and consumer needs in the environment in which their organization operates. Essential skills include marketing and financial management. These are skills that are vital to run a business that Government should provide to entrepreneurs. The importance of these skills is to strengthen skills development. This initiative can also be done by exposure to production and manufacturing processing within the textiles, clothing and leather goods sector in partnership with the private sector.

The DTI has introduced an initiative called the textiles, clothing and leather goods Competitiveness Programme (CTCP) funded by the National Government and administered by the Industrial Development Corporation (IDC). This programme aims to improve the sector's global competitiveness through structured interventions covering all aspects of business operations. In this regard, increasing textiles, clothing and leather goods manufacturing export in Africa will significantly contribute to the employment challenge.

There should be effective collaborations between SMEs in the textiles, clothing and leather goods industry and the companies that assist SMEs. This can act as a sustainable plan.

5.4 ACHIEVEMENT OF OBJECTIVES

The sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa can be improved by conducting an in-depth analysis on the challenges faced by SMEs. The objectives of this study were achieved, as discussed below.

5.4.1 To obtain insight into the various challenges affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa.

This objective is intended to provide an understanding of the various challenges affecting SMEs' sustainability in the textiles, clothing and leather goods industry in South Africa. Participants answered the research questions derived from the objective to the best of their knowledge which provided a clear understanding of the objective. From the participants' responses, it was clear that factors such as cheaper imports, inadequate government support, lack of support of local production, low business skills, poor infrastructure, lack of mentorship and high tax rate are affecting the sustainability of SMEs in the textiles, clothing and leather goods industry in South Africa.

5.4.2 To obtain an insight into the roles play by SMEs in employment creation

This objective aided the researcher to obtain an insight into the roles play by SMEs in employment creation. Participants were able to provide answers to the questions derived from the objective including follow-up questions which enhanced the understanding of the research problem. It was deduced that SMEs in South Africa acts as a primary source of employment and are a significant contributor to the growth and development of the South African economy. From the participant's responses, it was further deduced that SMEs are more labour-abortive than any other sector because fewer skills are required in some cases. It was deduced from the literature that the South African textiles, clothing and leather goods industry is the sixth largest manufacturing sector employer, and the eleventh largest manufactured good exporter. This demonstrates the generation of a considerable employment gap posed by the textiles industry, including SME manufacturers.

5.4.3 To make recommendations on possible strategies to promote the sustainability of SMEs in the textiles, clothing and leather goods industry

This objective enabled the researcher to explore possible strategies to promote the sustainability of SMEs in the textiles, clothing and leather goods industry. Participants were able to provide answers to the questions derived from the objective including follow-up questions which enhanced the understanding of the research problem. The

participants confirm that the state should implement restrictions on imported textiles, clothing and leather goods products as the influx of imported clothing material is a serious challenge to the production and sale of locally made clothes and clothing materials. It was further deduced from the participant's responses that government support can enhance the sustainability of SMEs in the textiles, clothing and leather goods industry in South Africa. Participants suggested that government support can be in the form of incentives, loan schemes, and training institutions that could foster an organisational networking system. The study further reveals that the promotion of locally manufactured products encourages manufacturers to boost their business, expand the tax base, and create more employment in the country.

5.5 LIMITATIONS OF THE STUDY

The research was limited to participants based in Gauteng within the textile and clothing sector and therefore the limitation is that results cannot be generalised to a larger population which can be regarded as a flaw in qualitative research (Cooper and Schindler, 2014:145).

5.6 SUGGESTIONS FOR FUTURE RESEARCH

Further studies should be conducted using a mixed-method approach that includes all South African SMEs to obtain diverse perspectives of the challenges impacting South African SMEs' sustainability in the textiles, clothing and leather goods industry. Future research can be conducted from a wider geographical point of view by comparing South Africa and other countries regarding challenges impacting SMEs' sustainability in the textiles, clothing and leather goods industry.

All nine provinces in South Africa share some similarities, therefore, this research can be applied in other provinces to validate the challenges affecting the sustainability of SMEs in the textiles, clothing and leather goods industry in South Africa.

The key participants in this study were SMEs. Further research can include larger enterprises operating in the textiles, clothing and leather goods industry in South Africa concerning their perception/opinion towards sustainability in the industry and employment creation.

Further research should consider the view of customers, suppliers, governments and other stakeholders within the SME setting with regards to the sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa.

5.7 SUMMARY

Considering the critical roles SMEs play in global economic growth and sustainability, research has mostly focused on investigating SME's changing aspects in different contexts using different perspectives and variables. There is a lack of studies on SMEs' sustainability and growth in the textiles, clothing and leather goods industry, especially in the South African context. This study aimed to explore SMEs' sustainability in the textiles, clothing and leather goods industry to create employment in South Africa. The extent of the South African textiles, clothing and leather goods industry's challenges is clear from this study's empirical evidence. There is unfavourable domestic demand for locally made textiles, clothing and leather goods products and so it is not surprising that the industry's sustainable growth is threatened.

Factors such as cheaper imports, inadequate government support, lack of support of local production, low business skills, poor infrastructure, lack of mentorship and high tax rate are hindrances towards sustainability and growth, hence affecting the livelihood of SMEs negatively by not allowing growth and development. In general findings from the study reveals that there is a need to address the challenges affecting the sustainability of SMEs in the textiles, clothing and leather goods industry to create employment in South Africa. The study recommended that the South African government implement safeguard measures, especially on Chinese imports, and promote locally made textiles, clothing and leather goods to consumers, which will go a long way to enhance SMEs' sustainability in the textiles, clothing and leather goods industry. Suggestions for future research were also provided in this chapter.

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APPENDIX A: INFORM CONSENT



Ethics informed consent form

MBA-STUDY:

-

FIELD OF STUDY:

NORTH-WEST UNIVERSITY

RESEARCHER: Refilwe Masego Mkwana

SOUTH-AFRICA

CELL: 0835125323

Email: mmokwana@gmail.com

Dear Interviewee

This **Informed Consent Statement** serves to confirm the following information as it relates to the MBA mini-dissertation on the

-
1. The sole purpose of this study is to obtain information from experts (such as yourself) employed and operating in the energy industry to determine the nature of your everyday experience related to the research topic.
 2. The procedure to be followed is a mixture of qualitative and quantitative research design, which includes structured, controlled and prescriptive questions and open-ended questions where you will have the opportunity to communicate your views on the relevant topic during a face-to-face in-depth interview. Necessary background information related will be asked, e.g., your name, academic qualifications and related experience to the topic.
 3. The duration of the interview will take no longer than a maximum of 2 hours.

4. If you should feel uncomfortable at any point during the interview, you will be provided with the opportunity to make your discomfort known or immediately have the option to end your participation.
5. This interview takes place voluntarily.
6. The confidentiality of the interview data is guaranteed. Fictitious names will be utilised when quoting statements in the dissertation.
7. Any confidential information that prohibits the researcher from publishing it in the final dissertation should be communicated during the interview.
8. A list of questions to be asked in the interview will be made available to the interviewee before the interview. This is done to ensure a mutual understanding of what will be asked to avoid confusion during the interview.
9. A summarised copy of the final dissertation will be made available to the interviewee upon request.
10. The data gathered from the interview will only be used for research purposes.

I, **Masego Mkwana** (name and surname), hereby declare that I have read and understood the contents of the Informed Consent Statement, and give my full consent to progress with the interview on _____ (date) and use the information communicated by myself to him in his MBA dissertation.

Name and designation	Signature	Date
Interviewee		

APPENDIX B: INTERVIEW GUIDE

Purpose of the Research

This study will focus on exploring challenges that entrepreneurs in the textiles, clothing and leather goods industry face and uncover ways that Government can support SME's in the textiles, clothing and leather goods industry of South Africa.

Research Questionnaire

1. What are the challenges of the textiles, clothing and leather goods Industry of South Africa?
2. Do you have any suggestions on how these challenges can be addressed?
3. Can you elaborate on the opportunities of the textiles, clothing and leather goods industry in South Africa?
4. Where do you see the future of the textiles, clothing and leather goods industry in South Africa?
5. In your view, what should the government do to improve the success of SME's in the textiles, clothing and leather goods Industry of South Africa?
6. What advice would you give someone who wants to build a sustainable SME in the textiles, clothing and leather goods industry of South Africa
7. Do you have any further suggestions on what should be done to ensure a sustainable textiles, clothing and leather goods Industry in South Africa?

APPENDIX C: ETHICAL CLEARANCE



NORTH-WEST UNIVERSITY
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Economic and Management Sciences Research Ethics
Committee (EMS-REC)

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29 November 2019

Prof S van der Merwe

Per e-mail

Dear Prof van der Merwe

EMS-REC FEEDBACK: 29112019

Student: Mokwana, M (20955340)(NWU-01440-19-A4)

Applicant: Prof S van der Merwe - MBA

Your ethics application on, Exploring the challenges and opportunities of SMMEs in the textiles, clothing and leather goods industry in the Gauteng province, South Africa, which served on the EMS-REC meeting of 29 November 2019, refers.

Outcome:

Approved as a minimal risk study. A number NWU-01440-19-A4 is given for three years of ethic clearance.

Kind regards,

Prof Bennie Linde

Chairperson: Economic and Management Sciences Research Ethics Committee
(EMS-REC)

Potchefstroom Campus