

**PUBLIC SECTOR DEMAND-LED GROWTH STRATEGY FOR
SMALL AND MEDIUM ENTERPRISES – VALIDATION FROM
SELECTED SOUTH AFRICAN TOWNSHIPS**

by

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Preface

Parts of this thesis were adapted into journal articles and published in open-access platforms. The published journal articles are attached as Appendices E and F.

Paper 1:

Nhleko, Z., Ladzani, W. and Seeletse, S. 2023. Institutional development as a tool to facilitate economic access for South Africa's SMEs: the case of the Development Bank of Southern Africa. *International Journal of Research in Business and Social Science* (2147-4478), 12(7), pp.271-282. <https://doi.org/10.20525/ijrbs.v12i7.2727>

Paper 2:

Nhleko, Z., Ladzani, W. and Seeletse, S. 2023. South African public sector post-apartheid economic initiatives for human development: why were the strategies short-lived? *Management and Economics Research Journal*, 9(4): 9900082. <https://doi.org/10.18639/MERJ.2023.9900082>

Summary

This study focused on factors that affect the growth of township SMEs in selected townships in South Africa. The intention was to identify approaches to sustainable business growth that can be reinforced by a carefully crafted public sector strategy that is based on government demand. The strategy aims to support job creation and economic growth. Three theoretical underpinnings were discussed to show their natural linkage to township SMEs, namely, behavioural economics, business management principles and public demand. A comparison of BRICS and SADC SMEs to SMEs in South Africa found that SMEs face more or less the same challenges across these regions.

The overall research paradigm adopted for this study was epistemology in pursuit of gaining new knowledge. A mixed research method was used for the study. An interview and a questionnaire were used as the main data collection instruments. Descriptive and inferential analyses were done on the data collected.

The study assessed the evolution of the relevant factors that drive SMEs growth in townships. It concluded that factors that hindered SMEs growth a decade ago are still prevalent. The findings also revealed that there are new additional factors that have worsened the situation, i.e., the COVID-19 lockdown and loadshedding. It is recommended that the factors hindering SMEs growth should be the foundation for developing a public sector demand-led growth strategy for SMEs, while following sound strategy formulation and implementation principles.

The proposed public sector demand-led SMEs growth strategy is adaptable and considers the development of local value chains. The strategy can be implemented in any region, and it takes into account the core pillars of: undertaking the process of designating priority regions; coordinating human resource drivers; clarifying purpose, targets, products and value chains; harnessing government buying power; developing business sustainability approaches; pursuing cooperation and collaboration; instilling community involvement; maintaining databases; and conducting performance monitoring of the strategy.

Keywords: SMEs; township; public sector demand; business management; business growth; factors hindering growth

To my wife and kids, who always give me courage.

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The journey I embarked on for this study was tough yet fulfilling. I was thoroughly challenged and at times felt like I was going backwards. I am grateful to my family for allowing and encouraging me to pursue this study. I appreciate the assistance of the field workers in collecting data in Gauteng, KwaZulu-Natal and Mpumalanga. I am thankful to all the township SMEs that participated in both the questionnaire and the interview process to provide the data for the research. Thanks also go to all the UNISA staff members who assisted me along the way. Finally, I am grateful to Professor Watson Ladzani and Professor Solly Seeletse for patiently guiding me through this research.

Declaration

I, Zephania Nhleko, hereby declare that the thesis titled “Public sector demand-led growth strategy for small and medium enterprises – validation from selected South African townships”, which I hereby submit for the degree of Doctor of Philosophy at the University of South Africa, is my own work and has not previously been submitted by me for a degree at this or any other institution.

I declare that the thesis does not contain any written work presented by other persons, whether writings, pictures, graphs, data or any other information, without acknowledging the source.

I declare that where words from a written source have been used, the words have been paraphrased and referenced, and where exact words from a source have been used, the words have been placed inside quotation marks and referenced.

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I declare that during this study I adhered to the Research Ethics Policy of the University of South Africa, received ethics approval for the duration of the study prior to commencing the data gathering process, and have not acted outside the approval conditions.

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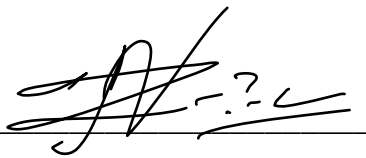
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CHAPTER 1: INTRODUCTION AND BACKGROUND

Background

John Keynes proposed that the government must intervene in an economy to smooth business cycle booms and busts by managing aggregate demand (Keynes, 1936: 378; Jahan, Mahmud and Papageorgiou, 2014). Government intervention generally ensures that labour and business activities are not adversely affected by economic swings. In the context of South Africa, government intervention is especially necessary because of the earlier existence of apartheid. Apartheid laws (such as the 1866 Pass law, the 1913 Natives Land Act, the 1927 Native Administration Act and the 1950 Group Areas Act) were among the legal means to support a separate development strategy being pursued (Glücksman, 2010; SAHO, 2011).

The Pass law required that Black people should always carry a Pass (authorisation document) from an employer, a magistrate, a missionary, a field cornet or principal chief, if they were outside their demarcated residential area, otherwise they could be arrested. The Natives Land Act allocated a tenth of the South African land to Black people to live on, thus establishing the notion of townships and constraining the right of Black people to use their own land. The Natives Administration Act provided a means to control and manage Black people through a separate legal system. The Group Areas Act entrenched the principles of the Natives Land Act by establishing group areas and controlling the activities of Black people, especially business activities and asset ownership, within and outside the allocated areas.

Apartheid was formalised in South Africa from 1948, following a realisation in the late 1930s and early 1940s by the National Party government that the economic development of Bantustan areas needed to be managed (including through stringent control of rights and privileges), in order to ensure separate development and limit the migration of Black people into urban areas (Dhiman, 2021; DISA, 2020).

Beyond pushing for a controlled working environment and providing small basic houses, the National Party government did not do much for Black businesses. The apartheid laws affected the ability of Black people to access jobs and accumulate wealth, which had a fundamental impact on their economic potential. Increased

participation by Black people in the South African economy today is needed to achieve the ideals of equity, prosperity and inclusive growth.

The separate development system of apartheid prevented many people from having access to a meaningful standard of living. This problem became entrenched over many decades and manifested in the massive wealth disparities in the South African economy (Thevenda, 2015). After the African National Congress (ANC) government came to power in 1994, many people were included in the social grant system; however, almost 30 years on, it is now becoming more difficult to use this system effectively, as unemployment continues to rise, with a large segment of the unemployed being the youth¹.

According to Chatterjee, Czajka and Gethin (2020), the top 10 percent rich people² in South Africa own some 80 to 86 percent of all assets in the country. This creates tension and contestation between the rich and the poor. While it is important to share existing assets through transformation and empowerment policies, a parallel emphasis must be on creating new assets. New productivity centres should be deliberately biased towards the historically excluded groups, that is, Black people and women in the main.

Post-1994 there was a deliberate intent to focus on reforming the legal system and the structure of the South African economy, including Bantustans (The Presidency, 2020:12). At that point, the nation was facing challenges such as a negative economic growth rate, high unemployment, confrontational labour relations, an escalating fiscal deficit, high inflation and declining levels of investment. Economic policy instruments were deployed to deal with specific economic issues such as macro-economic stability, trade reforms and access, industrialisation, productivity, attracting foreign direct investment, improving competition policies, reversing White minority economic control, developing small and medium enterprises (SMEs), promoting skills development, implementing affirmative action and black economic empowerment, implementing land

¹ Social security services are largely targeted at vulnerable citizens above the age of 60 or vulnerable children under the age of 18, with the exception of the disability grant and the social relief of distress grant issued for a maximum of 6 months.

² Using the Living Conditions Survey 2014/15, households are ranked into per capita deciles based on income and expenditure. The richest decile represents households belonging to the upper 10 percent, while the poorest decile represents households in the lower 10 percent in terms of per capita income. (*Living Conditions of Households in SA, Statistics South Africa, 27 January 2017*).

reform, supporting innovation and research, and implementing a social benefit system (DPME, 2019:29, 120-134). South Africa took advantage of its natural resource endowments and strengthened the financial, legal and social dialogue institutions such as property rights, the legal system, the South African Revenue Service, the South African Reserve Bank, the Competition Authority, the JSE Securities Exchange Limited and the National Economic Development and Labour Council.

Despite some initial legal reforms and some gains in economic growth during the first decade or so of democracy, there has been stagnation and, in some instances, a reversal in legal stability and economic gains (DPME, 2019:122). High unemployment, poverty and inequality have persisted in South Africa. Beyond the exceptionalism caused by apartheid, the structure of the present government and the fragmentation in economic policy formulation and implementation, have contributed to the status quo and fuelled incoherence in policies. There is a need for a complete rethink and overhaul of the public service structure and the delivery model used. The current government setup is cumbersome and ineffective in terms of delivery. A new centralised and simplified model must be considered. It should be noted that much larger countries that have more citizens and higher gross domestic product (GDP) than South Africa have a much leaner cabinet (Neethling, 2023).

For example, the United States has a GDP of about \$23 trillion and a population of 332 million but has a cabinet of only 26 ministers. Japan has a GDP of about \$5 trillion and a population of 126 million, and has a cabinet of 20 ministers. The United Kingdom has a GDP of about \$3 trillion and a population of 67 million, and has a cabinet of 24 ministers. Meanwhile, South Africa has a GDP of about \$0,4 trillion and a population of 60,6 million, but has a cabinet of 32 ministers (Neethling, 2023). Perhaps a leaner South African government would be more efficient.

To ensure effectiveness and efficiency, the public sector could be organised around five functions across all government spheres, namely:

- policy and monitoring;
- budgeting and funding;
- economic regulation;
- implementation of sector plans;
- public administration.

All departments, state-owned entities and their activities could easily fit under these functions, which would help to reduce the size of government, while narrowing its focus. This would help to minimise policy incoherence in the economy and to focus on challenges such as growing small businesses. There are many public examples of policy incoherence in South Africa (Mbekeni and Phiri, 2021; Sangweni and Ngalawa, 2023), including:

- Setting a three-to-six percent inflation target range, but approving that some administered prices be set above this range, such as electricity.
- Agreeing to a global carbon reduction strategy without clearly outlining the approach regarding the massive coal reserves or defining the future of the country's energy supply.
- Launching a sugar tax before clearly outlining the sugar industry transition process.
- Raising a sales tax without fully appreciating the impact thereof on the poor.
- Setting school pass rates far too low to enable meaningful knowledge for entry to tertiary studies for the huge, 'under siege' youth segment of the population.
- Embarking on a process of slowing public employment amidst unprecedented high levels of unemployment.
- Importing public goods despite a clear local designation being in place or, alternatively, insisting on localisation for products from industries that are immature.

The main impact of the fragmented implementation of economic policy has been the sustained dualism of the economy, as areas that were better off during apartheid continue to prosper and those that were worse off deteriorate further (Glaser, 2000). This is evidenced by the spatial performance of the economy, with spatial disparities occasioned by the dualism of the South African economy persisting, and which require complex structural transformation of the economy. For example, the high levels of unemployment have spatial patterns, with the highest unemployment levels found in the less developed parts of the country (Stats SA, 2023). The overall low pace of growth, especially in developed areas, means few people are absorbed into jobs and the number of job seekers that has been growing over time cannot be accommodated (Monbiot, 2023). The physical historical infrastructure gaps between the two types of areas mean that economic access is also unequal.

Various factors continue to typify the South African economy (Horowitz, 1991). First, there does not seem to be any large-scale innovation to break away from pre-

democracy structures. This has a bearing on the business environment, especially for small or medium-sized Black-owned enterprises. Second, investment and economic growth levels do not provide the required support to ensure a thriving small business sector. Third, national trade strategies do not sufficiently embrace and propel emerging businesses. The fourth observation is that inequality, especially for historically disadvantaged groups, is worsening (Biyase and Chisadza, 2023; Fosu, 2023).

The micro-economic arrangements in South Africa conforms with the general theory as it emphasises the rational behaviour of individuals and firms (Miller and Meiners, 1986, 6-7). The focus of this study is on firms and interrogates the small business sector. Small business in South Africa tend to be concentrated in the lower end of the business size spectrum, where there is a high level of informality as well as market supply and product concentration (Berry *et al.*, 2002:86-87; SEDA, 2016:5). These concentrations could present both constraints for SMEs and opportunities for government intervention.

SMEs are a major response option that can be focused on, as they have a good chance of supporting the economy to re-establish a sustainable growth path. It has been demonstrated in many other nations that SMEs can contribute meaningfully to economic growth and employment, for example in Brazil, Russia, India, China, Namibia, Botswana, Zimbabwe and Mozambique. This issue is explored in detail in Chapter 2.

1.1 Introduction

This chapter clarifies the basis for embarking on the research. It covers the study focus, problem statement and research questions, aims and objectives of the research, significance of the study, theoretical framework, research design and methodology, definitions of key terms, public sector interventions in townships, and the limitations of the study.

In the long-term, it is rational for nations to create and maintain domestic production capacity, in order to sustain economic growth and constrain unemployment and poverty. For this to happen, interventions should be packaged and directed at the right spatial localities where unemployment, poverty and inequality are highest (Hendrix, *et*

al., 2023). This requires intense analysis and prioritisation of activities in order to allocate resources effectively. In the case of South Africa, the priority localities requiring urgent attention are townships and rural economies (African Development Bank, 2018:8-9). Townships are residential settlements that were created for the historically disadvantaged population groups prior to 1994 (see item 1.6.1), while rural economies are areas in the countryside.

This study seeks, *inter alia*, to: contribute to crafting suitable interventions by assessing changes in the factors that drive SMEs growth in townships; and propose a public sector demand-led intervention to support these factors. The term enterprise in this context means a business enterprise. The recommendations of this study will be tabled to, *inter alia*, refine public sector tactics such as the District Development Model (DDM). The DDM was launched in 2019 to improve the coherence and impact of services provided by government and to address problems with service delivery in communities. (The DDM is discussed in more detail later.)

1.2 Focus of the study

This study focused on the factors that affect the growth of SMEs in selected townships in South Africa. The intention was to identify approaches to sustainable business growth that can be reinforced using a carefully crafted public sector strategy that is based on government sectoral demand to support job creation and economic growth. The unit of analysis is 392 SMEs practitioners with domestic citizenship who own or manage businesses that have physical addresses and have preferably, been operating for at least 10 years.

The unit of analysis was drawn from three townships demarcated as urban, rurban and rural in three different provinces in South Africa. These three types of locations are demarcated by certain characteristics, according to Weeks (2010) and FAO (2018:9-30), i.e.:

- Urban refers to densely populated former White areas that are amply resourced and well developed with built up infrastructure.
- Rural areas are areas in the countryside that are mostly under-resourced and mostly undeveloped with insufficient infrastructure.
- Rurban areas are somewhere in the middle – they are not fully urban nor fully rural.

The three provinces of Gauteng, KwaZulu-Natal and Mpumalanga were selected for use in this study to represent the urban, rurban and rural demarcations, respectively. This is in line with the latest national census of 2011 (Stats SA, 2003). As indicated in the general household survey of 2021, the population structure of these provinces has remained broadly intact over time (Stats SA, 2022). As shown in Table 1-1, the respective townships selected to represent the urban, rurban and rural demarcations are Saulsville Township, Ezakheni Township and Matsulu Township. Brief details on these townships are provided below.

- Saulsville Township in Gauteng

Saulsville Township in Gauteng Province represents the urban category. It is part of the City of Tshwane Metropolitan and was established about 1952. It is located about 16km west of the Pretoria central business district (Mulaudzi and Liebenberg, 2013). Saulsville Township is regarded as a township within a township, as it is located within Atteridgeville Township. It is also home to one of the remaining apartheid 'men only' hostels that was completed in 1957 to accommodate Black workers of the nearby then industrial giant, the South African Iron and Steel Corporation.

Stats SA (2011) indicates that the total population of Saulsville Township in 2011 was about 105 208 people, with 53 percent being males and 47 percent being females. The racial makeup of the population of Saulsville Township was: 99,1 percent Black people; 0,2 percent Coloured people; 0,1 percent each of Indian/Asian and White people; and a small 'other' unspecified race group. Black people are thus overwhelmingly dominant in Saulsville Township.

- Ezakheni Township in KwaZulu-Natal

Ezakheni Township in KwaZulu-Natal Province represents the rurban category. It is part of the Alfred Duma Local Municipality within uThukela District Municipality and was established in 1972. It is located about 22km south-east of the central business district of the city of Ladysmith (Beater, 2017). Ezakheni Township is known for the taxi drivers who often fight fiercely for routes. Locals often refer to this phenomenon as *kwafel'ubala*, which loosely means '(place) where you could die for doing nothing'.

According to Stats SA (2011), the population of Ezakheni Township was estimated to be 70 809, with a gender distribution of 45,5 percent males and 54,5 percent females. The racial makeup of the population was: 99,6 percent Black people; 0,2 percent Coloured people; 0,1 percent each of Indian/ Asian and White people; and a small 'other' unspecified race group. Black people are by far the dominant race group in Ezakheni Township.

- Matsulu Township in Mpumalanga

Matsulu Township in Mpumalanga Province represents the rural category. It forms part of the Mbombela Local Municipality, which falls under the Ehlanzeni District Municipality. The township was established around 1970 and is located about 42km east of the Mbombela (formerly Nelspruit) central business district (Celliers, 2010). Matsulu Township is known for its laid back, welcoming people and for having generally hot summers. The township also has some famous tourist attractions, such as the cenotaph for fallen heroes and heroines of Ehlanzeni District Municipality and the *tebe-tebe* (meaning 'shaky') bridge, which is a makeshift bridge that was used to cross the Crocodile River.

Stats SA (2011) estimated the population of Matsulu Township to be about 47 306. The racial makeup of the population of Matsulu Township was: 99.5 percent Black people; 0.2 percent Coloured people; 0.1 percent each of Indian/ Asian and White people, with a small 'other' unspecified race group. Similar to the other two townships assessed in this study, Black people are the dominant race group in Matsulu Township.

The demographics of the townships, as per the 2011 census are shown in the Table 1-1. Saulsville Township is the smallest in area but the most populous. Compared with the other two townships, Saulsville Township's population age is not as young. As expected, and as indicated above, in all three townships the racial make-up is mostly Black people. The top three spoken languages in both Ezakheni and Matsulu Townships account for 97 percent of the spoken languages, while Saulsville records 68 percent for this category.

Table 1-1: Selected township demographics

Item	Saulsville	Ezakheni	Matsulu
Total area	8,7 km ²	56,6 km ²	17,9 km ²
Population (number)	105 208	70 809	47 306
Proportion of population 34 years and younger	51%	73%	74%
Racial make-up (main groups):	99,5%	100%	99,9%
Black	99,1%	99,6%	99,5%
Coloured	0,2%	0,2%	0,2%
Indian/ Asian	0,1%	0,1%	0,1%
White	0,1%	0,1%	0,1%
Top three languages spoken (%):	68%	97%	97%
	1st - Northern Sotho (28,1%)	1st - Zulu (95,1%)	1st - Swati (92,8%)
	2nd - Tsonga (15,5%)	2nd - English (1,3%)	2nd - Tsonga (2,5%)
	3rd - Zulu (24,0%)	3rd - Ndebele (1%)	3rd - English (1,8%)

Source: Frith (2021)

The rationale for purposely selecting these three townships was to align with the three study categories, namely urban, rural and rural demarcations, and their seemingly adequate size to enable the study and the categorisations described. As reflected in the largely similar population growth and migration patterns in South Africa over the past 18 years, the three provinces of Gauteng, KwaZulu-Natal and Mpumalanga are estimated to have 90 percent, 46 percent and 41 percent of all urban dwellers, respectively (Stats SA, 2012:18,41; Stats SA, 2016:16,56-57).

1.3 Problem statement and research questions

Unemployment in South Africa worsened from around 20 percent in 1994 to about 32 percent at the beginning of 2023 (Stat SA, 2023). This represents 7,9 million unemployed people – mostly women and generally people with an academic qualification of a grade twelve (12) certificate or lower, with a smaller proportion holding a university/ college degree or diploma (Stats SA, 1998:3; 2020:2). This ongoing deterioration in the unemployment situation could be attributed in part to the expansion of the unemployment indicator to include Black people in the post-apartheid era, as well as to the apparent ineffectiveness of government interventions aimed at dealing with unemployment, including supporting SMEs in townships. This is despite the government recognising the importance of developing township entities and economies by introducing laws, policies and government departments to support

entrepreneurship and SMEs in particular (Department of Trade and Industry, 2005:3; Department of Small Business Development, 2019:6; 2020; Skinner, 2019:418).

The typical spatial arrangement of most townships in South Africa does not lend itself to widespread development of facilities and infrastructure to support efforts and initiatives to improve employment (Du Toit, 2018:94). In 2017, about 60 percent of all unemployment was found to be in townships and rural areas – of which roughly 33 percent was in township areas alone (World Bank Group, 2014:12; African Development Bank, 2018:8). Unemployment in townships, therefore, remains high, and is evidenced in the slow growth of recorded informal employment levels. In the eleven years between 2009 and 2019, employment in the informal sector showed a marginal increase of only 485 000 jobs. During that time, 24 of the total 44 calendar quarters (which translates into 55 percent of the time) recorded a notable decline in informal employment.

This then raises the question as to how business growth in townships has supported employment creation. One gets the sense that township businesses have not supported employment creation adequately. Previous studies have found that business growth in townships is affected by lack of knowledge about business registration, improper financing, poor inventory control, crime, lack of capital and guaranteed income, lack of experience, lack of abilities and skills, inadequate information and technology, and poor infrastructure (Mbonyane and Ladzani, 2011:552-558; Seeletse, 2012:11001). Cant and Rabie (2018:244) also found that a strong client base with sufficient buying power, as well as demand for products or services, are positive influencers of business growth.

Recommendations made by research almost a decade ago on how to improve the situation, and which also serve as a starting point for this study, include the following (Mbonyane and Ladzani, 2011:552-558; Seeletse, 2012:11001):

- Government should intensify information sharing as part of the effort to reach SMEs.
- SMEs owners and managers should learn business and management skills.

- SMEs should keep financial records.
- SMEs should diversify their product offering.
- SMEs should establish a credit system to monitor debt sales and collections.
- SMEs should attract and keep good employees.
- SMEs should take out insurance against crime.
- SMEs should understand their trading location by conducting thorough research on the market (size, competitors, demand), access to transport, and municipal by-laws.
- SMEs practitioners should participate in seminars and exhibitions on information technology.

The prevailing poor state of the South African economy provides the context and outlines the slow progress made with SMEs development in the townships. Given the increasing unemployment levels in townships, the study problem identified is that current public sector growth interventions for SMEs do not seem to be yielding the desired growth and employment results. This necessitates an assessment of factors that affect the growth of township SMEs, in order to craft a public sector strategy that is based on government demand to support SMEs growth and, by extension, the much-needed employment.

The key questions then become:

- *How have the township-specific factors that hinder small and medium enterprises from achieving sustainable growth rates evolved over the past decade?*

This question deals with the prevalent economic context of townships in South Africa and the most relevant factors that drive the growth of township businesses. It uses the previous recommendations outlined in the preceding bullet points in section 1.3 as a starting point.

- *What tailor-made and responsive public sector demand-driven measures can be implemented to support small and medium enterprises from townships to grow?*

This question focuses on the key elements and approach for an effective, public sector demand-led growth strategy for township businesses, which responds to the identified growth factors that will ensure SMEs support employment.

1.4 Purpose of the study

The purpose of the study is presented as the aim and objectives of the study. The aim describes the main goal, which, according to Corbin and Strauss (2007), is the primary driver of the study: it acts as the point of focus of the research and clarifies for the reader what the study entails. It is, therefore, a broad statement that indicates the general goal of the study. The objectives are specific outcomes that are expected to be achieved by the study, to enable the attainment of the aim (Babbie, 2007). Objectives are specific statements that define attainable and measurable outcomes and indicate specific ways of achieving the aim.

1.4.1 Aim of the study

The aim of the study is to assess the factors that affect the growth of township SMEs. The study also identifies approaches for sustainable business growth that can be reinforced by public sector demand-led strategies.

1.4.2 Objectives of the study

The objectives of the study are, therefore:

- To set out a theoretical foundation for the study.
- To set out a working reference list for significant townships in South Africa.
- To determine the required changes in the factors that hinder township SMEs from achieving growth.
- To establish the key elements of an effective, public sector demand-led growth strategy for township businesses.

- To develop a public sector strategy that can be implemented as an approach for a standardised intervention to grow SMEs.

1.5 Significance of the study

One of the biggest socio-economic challenges in South Africa is the inability of suitably qualified people who are actively looking for work to find employment and earn an income. Therefore, this study aims to respond to the unemployment challenge by contributing new knowledge and approaches to entrepreneurship-driven interventions for township businesses. To put the challenge in perspective, Chapter 3 of the National Development Plan (NDP) indicates that a key objective is to reduce unemployment from 24.9 percent in June 2012 to 6 percent in 2030. This represents a decrease in the unemployment rate towards the ideal cyclical unemployment rate.

For a country with developmental aspirations, the current unemployment rate of above 30 percent makes it an absolute necessity for South Africa to find ways to increase employment. This study is a step in that direction. A further importance of this study is outlined in specific terms below, first at the theoretical level, and then at the practical level.

1.5.1 Benefits of the study at the theoretical level

There is inadequate detailed research-driven literature on township SMEs, except where implications are drawn from the few studies that exist. Therefore, more empirical studies are needed to obtain first-hand data to understand the conditions that govern SMEs in townships. This study, therefore, attempts to close the obvious township identification gap by providing a working reference list of significant townships in South Africa. Currently, there is no clearly defined formal list of townships in South Africa, owing to a lack of organised township census data. The latest census in South Africa was in 2011. Using several data points³, the study aimed to propose a working list for significant townships in South Africa. Significance is defined as at least 1 000 homes or 5 000 households in the local economy population.

³ Such as the Touring Atlas of South Africa, Botswana, Mozambique, Namibia and Zimbabwe of 2000, the Census 2011 data, the Surveyor General data of July 2019, and Google Maps as at July 2019.

The study also contributes to the body of knowledge by assessing the relative importance and the change in factors that impact the growth of SMEs in townships. Township businesses are often expected to survive and provide a livelihood for their owners under informal, unregulated, unlicensed and unsupported conditions. Given the dire unemployment situation in many townships, most township businesses are established to fund basic household needs. In order to craft sound public sector interventions, there is a need to assess how the most important elements that impact on business growth have changed over the past decade.

1.5.2 Benefits of the study at the practical level

The study also contributes to economic development measures for townships by proposing a tailor-made, responsive public sector demand-led growth strategy for township SMEs. This strategy should enable a plug-and-play approach and should be informed by, for example:

- the designation of priority regions;
- human resource drivers;
- clarity of purpose and targets, products and value chains;
- government buying power and business sustainability approaches;
- databases and performance monitoring;
- cooperation and collaboration within government, as well as between government and other stakeholders;
- community involvement;
- the creation of institutional systems for funding, training, innovation, logistics markets and production.

Moreover, the strategy should be flexible (i.e., adaptable) and updatable to facilitate innovation through entrepreneurship as and when necessary. The approach should be implementable, irrespective of the size and locality of the township. The envisaged outcome of this process is township businesses contributing to economic growth and employment.

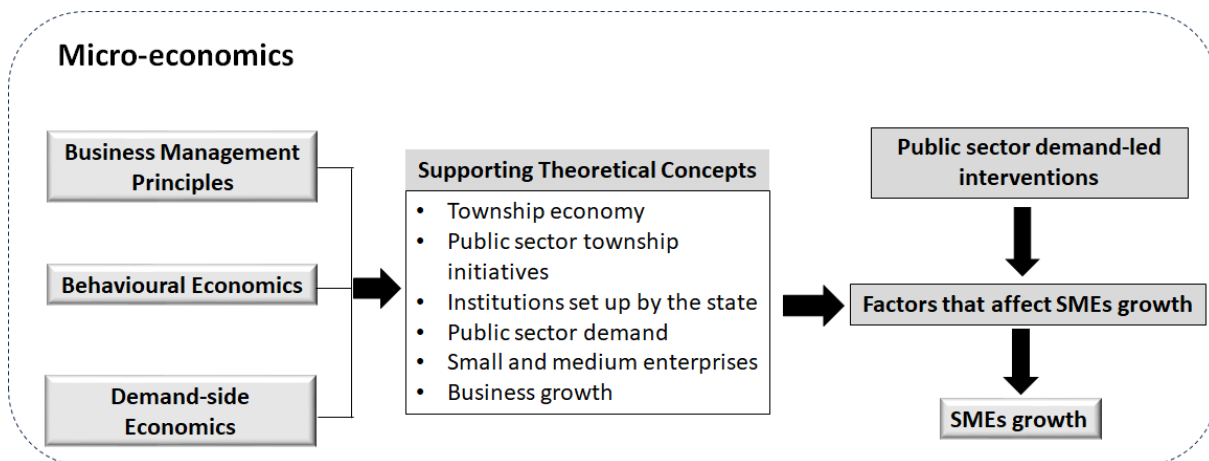
Lastly, the study could assist in strengthening the government's drive to set up and implement its envisaged district-based service delivery model. Although there is

general agreement that small businesses should be the engine for growth, key areas remain under-researched, such as understanding their characteristics in the township economy and conceptualising SMEs growth (Department of Small Business Development, 2017:25). The application of sound South African economic knowledge and business management principles in crafting effective approaches for state interventions to support SMEs in township economies will make a positive contribution. Townships are one of the areas where unemployment, poverty and inequality are most acute.

1.6 Theoretical framework and key concepts

The study is positioned in the field of micro-economics and uses business management principles and behavioural economics to explain the relative importance and changes in factors that impact the growth of SMEs in townships. Demand-side economics is then used to shape a proposal for a public sector demand-led intervention to support these factors. The theoretical framework is represented by the diagram in Figure 1-1.

Figure 1-1: Theoretical framework



The key theoretical concepts that support this theoretical underpinning are discussed below.

1.6.1 Township economy

Townships are residential settlements for the historically disadvantaged population

groups that were created during the apartheid era in South Africa as labour reservoirs for the more affluent adjacent towns. As noted by Bond (2008:405-407), there have been interesting debates among social scientists since the 1980s about whether to define townships through collective consumption, the urban accumulation of capital, administrative and spatial power or urban efficiency. The definition of townships in South Africa can therefore vary (Castells, 1983:459; McCarthy and Smit, 1984; Harvey, 1985; Urban Foundation, 1990; Robinson, 1995; Bond, 2008:405-407).

A working definition and a working reference list of significant townships are proposed in this study. The working definition proposed is that a 'township', which is also known as a 'location', 'lokasie' or 'kasie' / "kasi", refers to a large, under-developed space, with at least 1 000 homes or 5 000 people, that is usually located on the outskirts of a town, city or formally established rural residential area and which is inhabited in the main by Black people, Coloured people and Indians.

Using Census 2011 data and other sources, this research estimates that there are approximately 464 significant townships in South Africa, which are home to some 19,3 million people (Frith, 2021). (See Appendix D.) The total estimated national population in South Africa has grown by 17 percent from 2011 to 2022, i.e., from 51,8 million to 60,6 million. Applying this growth rate to the population in the significant townships shows that there were at least 22,6 million people living in townships in 2022. This estimate shows that some 37 percent of the South African population is located in significant townships.

Many studies show that the township economic context has created psychological challenges of confidence for township entrepreneurs, which need to be addressed (Cogta and European Commission, 2009; Grundling and Kaseke, 2010; SEDA, 2012; World Bank Group, 2014:5; Sustainable Livelihood Foundation, 2016; National Planning Commission, 2017; Stats SA, 2017; African Development Bank, 2018:8-9). While the labour reservoir argument for creating townships became muted after 1994, newer townships that have been established still have the characteristics of apartheid townships (Freund, 2010:293; Scheba and Turok, 2020:80). No major developments were implemented to improve townships and elevate them to a more advanced state. It can thus be argued that townships continue to be under-developed and under-served (Pernegger and Godehart, 2007:20; Harber, 2011:31,35; Cant, 2017:108).

Apartheid laws, such as the Group Areas Act of 1950, prohibited the ownership of fixed and movable property, and ensured tight control over the issuance of trading licences, thus prohibiting the free formation of businesses and limiting what could be sold in townships. This made it difficult for Black entrepreneurs to thrive (The Union of South Africa, 1950:407-467; Ladzani, 2010:69). Due to the backlog caused by restrictions on Black SMEs in the country, township entrepreneurs could not keep up with trends. Consequently, they lost opportunities relating to employment, job creation and money earning ventures. The restrictions also ensured township businesses were small and informal, with no linkages to stakeholders outside the townships. This created deep-seated challenges for township businesses, such as the perceived inferiority complex held by many township entrepreneurs and the perception of inferior goods/ services held by customers.

The township economy is a small, open, regional domain in which capital investment, production, trade and the consumption of goods and services takes place (McGaffin, Napier and Karuri-Sebina, 2015:19). The key participants in a township economy's flow of funds are the government, households, businesses and the rest of the country. The township economy is the focus of this study.

1.6.2 Public sector support initiatives for township businesses

Public sector business support initiatives are financial and non-financial interventions developed by the government to support township businesses. Analysing this concept, the study sought to assess the effectiveness of previous public interventions. The democratic government that was elected in 1994 has sought to correct injustices in township economies; therefore, all economic strategies developed since 1994 have included an element of township economy development.

For example:

- The Reconstruction and Development Programme (RDP) of 1994 emphasised: infrastructure development; land ownership; providing housing and basic services; and bringing industries and services closer to the people (Corder, 1997)
- The Growth, Employment and Redistribution (GEAR) programme of 1996 emphasised: fiscal reforms; a measured relaxation of exchange controls; reforming trade and industrial policies, including small business development; restructuring

public sector assets; expanding investment on public infrastructure in social and economic sectors; providing flexibility in the collective bargaining system; fostering a social agreement to support wages; price moderation of health and welfare services (Department of Finance, 1996; Addison, 2016).

- The Accelerated and Shared Growth Initiative for South Africa (ASGISA) of 2005 highlighted attending to the second economy using public procurement as key.
- The New Growth Path (NGP) of 2011 emphasised attending to spatial inequity through infrastructure development, investment and coordination of government efforts (Republic of South Africa, 1994; South African National Treasury, 1996; The Presidency, 2005; Economic Development Department, 2011).
- The NDP of 2012 emphasised: the creation of jobs and encouraged business activity closer to townships (spatial focus); enhancing transport networks and links between urban centres and peripheral townships; allowing new ideas, creative designs and alternative proposals by residents; the stimulation of bulk buying; the creation of economic hubs to sustain local spending; training and development (National Planning Commission, 2012).

Another initiative to support SMEs was driven by the South African national Economic Development Department (EDD), which was responsible for economic policy, economic planning and economic development. The EDD held annual forums in all the nine provinces to empower SMEs. These business forums showed that all spheres of government have set up one or other kind of financial programme to support small businesses (Economic Development Department, 2019:36). However, the required impact, namely the growth of SMEs and them contributing to the national economy, has not been realised, probably due to disjointed implementation efforts, among other reasons.

Non-financial services were also introduced for small businesses, such as the training services provided by the Small Enterprise Development Agency (SEDA) (SEDA, 2020). Recent regulatory changes to support small businesses include revision of the Competition Act, the B-BBEE Code of Good Practice and the National Small Enterprise Act (Economic Development Department, 2020; Department of Small Business Development, 2019; Department of Trade and Industry, 2019).

However, there has been limited or no success with developing enough sustainable township SMEs. Economic interventions by the government in South Africa have not targeted townships and rural areas fully (World Bank Group, 2014:5; African Development Bank, 2018:9). This reflects both incapacity and lack of organisation within government. This targeting gap for townships and rural areas has slowed the pace of economic inclusion for people in these areas, and they continue to miss out on participating in the entrepreneurship activities, the labour market and household demand activities.

In 2005, the Department of Trade and Industry launched a small business development strategy aimed at: increasing private initiatives and job creation in economically distressed communities and regions; improving community capacity to achieve and sustain economic growth; increasing trade opportunities for SMEs to advance international commercial and strategic interests, improve customer and stakeholder satisfaction, improve the competitive advantage, and increase opportunities and access for Black-owned businesses to the marketplace and financing (Adesile, 2020; Masutha and Rogerson, 2014).

Even though the strategy had the correct objectives and sought to target the relevant entities, it lacked the necessary institutional arrangements, consistent application across all government spheres and coordination mechanisms to address the underlying challenges facing SMEs (DPME, 2018:81-93). The key challenges identified by the strategy, and which remain largely unresolved, include lack of access to finance and markets, regulatory and administrative constraints, structural inequalities, lack of recognition of SMEs diversity, limited reach of government support, inadequate demographic representation of small business interest groups, and the lack of a comprehensive monitoring and evaluation system.

As part of the realisation that interventions into township and rural areas have remained largely uncoordinated and unimpactful, the government launched the DDM in the fourth quarter of 2019 as a key tool to revitalise rural and township economies (Cogta, 2019; Cogta, 2020). The mission of the DDM is to improve the coherence and impact of services of government, and to address problems of service delivery by, for example:

- coordinating the state's response to unemployment, poverty and inequality;
- ensuring gender inclusivity;

- strengthening government's coordination role at city and district levels;
- improving intergovernmental relations to facilitate and align planning and budgeting;
- building government capacity to better support municipalities;
- sharpening the monitoring and evaluation process for interventions;
- balancing the development approach between urban and rural areas.

The responsibility for developing this model was delegated to the deputy president of the country, who coordinated all work in this regard through the Ministry of Cooperative Governance and Traditional Affairs (Cogta). A multi-party Task Team was set up in the office of the deputy president to contribute to the conceptual exercise. The process sought to achieve consolidation, alignment and scalability of government programmes in townships and rural areas (The Presidency, 2020:4). Due to lack of capacity, Cogta signed a memorandum of understanding with the Development Bank of Southern Africa in March 2020 for it to develop the DDM (Development Bank of Southern Africa, 2020).

1.6.3 Institutions set up by government to support small businesses

Institutions are devised by humans to structure their political, economic, social and other interactions (North, 1991:97). This structuring is believed to create order and certainty. Institutional development can refer to both building institutions from scratch and to improving existing institutions (Moore, 1995:10). Using panel data from the World Bank, it was shown that institutions have a significant influence on the economic growth of nations (Sari and Prasetyani, 2021:19-28).

This study focused on institutional development by the government or its subsidiaries in South Africa. The post-apartheid South African government has established several institutions dedicated to supporting small businesses, most of which have been merged over time (South African Government, 2022). Small business support is provided in the form of direct lending, grant finance and non-lending support services. The main national institutions providing this support are discussed below.

- **Direct lending programmes**

The main institution that administers direct lending to small businesses on behalf of the government is the Small Enterprise Finance Agency (SEFA). SEFA was founded in April 2012 from the merger of Khula Enterprise Finance Limited, South African Micro-Finance Apex Fund and the small business funding unit of the Industrial Development Corporation (SEFA, 2022). Examples of its key lending programmes are:

- **Business Recovery Package**
This recovery package is a blended finance scheme that assists uninsured businesses affected by the vandalism and looting that occurred in KwaZulu-Natal and Gauteng provinces in 2021.
- **Business Viability Programme**
This programme aims to promote SMME competitiveness, sustainability, viability and growth, and provides both financial and non-financial support.
- **Youth Challenge Fund**
The fund provides support to South African youth-owned start-up businesses.
- **Township and Rural Entrepreneurship Programme**
This programme supports informal, micro and small businesses in rural and township economies.
- **Inyamazane Funding Scheme**
The scheme was established to provide credit facilities to military veterans to allow them to participate in the economy.
- **Amavulandlela Funding Scheme**
This scheme supports South Africans with a disability to participate in the economy.
- **Small Enterprise Manufacturing Support**
This initiative was developed to boost the manufacturing sector by focussing on import replacement and developing the industrial base in South Africa.

The total credit extended to small businesses by SEFA (including by its predecessor entities) since its establishment in 2012 is only R12 billion (SEDA, 2022a).

- **Non-lending support services and grant finance**

The main institution that administers non-lending support services to small businesses

on behalf of the government, including programmes that administer grants, is SEDA. SEDA was established in December 2004 through the merger of Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre and the Community Public Private Partnership (CPPP) programme (DSBD, 2022; SEDA, 2002). The GODISA Trust and the National Technology Transfer Centre were also later added into SEDA (in April 2006), as the Seda Technology Programme. By 2008, the South African Quality Institute and the technology activities of Technology for Women in Business were also incorporated into the Seda Technology Programme.

Some of the main small business non-lending support services provided by SEDA are:

- Seda Talk
This public medium provides information on starting a business.
- Business Start
This initiative is a set of tools and techniques that enable entrepreneurs to start a business.
- Seda Build
This is a SEDA-driven service that provides skills needed to sustain and strengthen a business.
- Seda Grow
This initiative facilitates business growth for small businesses and entrepreneurs.
- SheTrades
This initiative was designed to help South African women entrepreneurs increase their international competitiveness and connect with external markets.
- National Gazelles
This is a pilot programme that is being used to identify and support SMEs with growth potential. The intention is to distribute the service to a larger SMEs population in the country.
- SMME Relief Schemes
This scheme was established to ensure that SMMEs did not shut down completely due to the COVID-19 pandemic lock down.

Since 2012, SEDA has reported annually on the number of small businesses, which has fluctuated from year to year (SEDA, 2022a). About 10 208 existing and new businesses were supported in 2013, and this increased to 23 253 in 2017. This

represented a promising 128 percent growth, but support then declined to 17 325 in 2022. This signified a disappointing 25 percent decline. Furthermore, the approach used reports a combined number for existing and new support, which blurs the picture. Nonetheless, the total support reported accounts for less than 1 percent of the estimated over 2,4 million known small businesses in South Africa (SEDA, 2022b).

In 1995 it was estimated that the total national allocation of financial support to small businesses was less than R700 million in 1994 (Parliament of the Republic of South Africa, 1995). The office of the Chief Procurement Officer later estimated that public sector procurement from SMEs was about 77 percent of total procurement for goods and services in the 2016/17 fiscal year (South African National Treasury, 2018).

1.6.4 Public sector demand

Keynesian economics advocates for practical government policy to manage aggregate demand (Keynes, 1936:378). Aggregate demand is the total national consumption of goods and services, while public sector demand specifically refers to the consumption of goods and services by the government. These goods and services consumed by the government could be produced in the public or the private sector.

During the 2020/21 fiscal year, the government allocated about R244 billion to the procurement of goods and services (South African National Treasury, 2022:31). The public strategy envisaged by this study seeks to use the procurement concept to support the growth of township businesses.

1.6.5 Small and medium enterprises

SMEs are defined differently around the world. In South Africa, small businesses are defined as having up to 50 employees and medium businesses have up to 250 employees (Republic of South Africa, 2019:110-111). Similarly, small businesses are those that generate a revenue of up to R80 million per year, while medium businesses generate a revenue of up to R220 million per annum. These definitions are all encompassing and only segment business on the upper threshold of revenue generation. This means from the smallest entity in an informal setup to an entity on the upper revenue threshold, are included. The definitions also mean that it is probably

best to categorise entities based on ongoing performance as opposed to once off performance results.

These categories of entities form the basis for this study and it is envisaged that many township businesses might fall within these definitions. A sectoral split and a definition by turnover are shown in Table 1-2.

Table 1-2: Definition of small and medium businesses

SECTOR	SIZE	MAXIMUM TURNOVER
Agriculture	Small	R17 million
	Medium	R35 million
Mining and quarrying	Small	R50 million
	Medium	R210 million
Manufacturing	Small	R50 million
	Medium	R170 million
Electricity, gas, water	Small	R60 million
	Medium	R180 million
Construction	Small	R75 million
	Medium	R170 million
Retail, motor trade, repair	Small	R25 million
	Medium	R80 million
Wholesale	Small	R80 million
	Medium	R220 million
Catering and accommodation	Small	R15 million
	Medium	R40 million
Transport, storage and communication	Small	R45 million
	Medium	R140 million
Finance and business services	Small	R35 million
	Medium	R85 million
Community, social and personal services	Small	R22 million
	Medium	R70 million

Source: de Wet (2019)

1.6.6 Business growth

The concept of business growth is at the heart of this study, and the factors that affect business growth will help inform the ultimate intervention strategy to be developed. Business growth is a function of several factors and depends on the stage of development of a business (Janeska-Iliev and Debarliev, 2015:4). The stages of

business development are typically initial, survival, success, take-off and resource abundance. These stages are explained below.

- Initial stage

This is the establishment stage. The creation of products, the provision of financial and human resources and entry into markets is undertaken.

- Survival stage

At this stage, a business stabilises its performance and builds on previous successes. Businesses in this stage focus on growth through increased trade and expanding their operations.

- Success stage

The success stage entails taking decisions on how to take advantage of business growth. In this stage, a lot of effort goes into planning how to take the business forward strategically.

- Take-off

In the take-off stage, plans to increase turnover and market share are executed. The bulk of the decisions made at this stage are strategic and tactical.

- Resource abundance

This stage refers to the careful management of financial gains to ensure that growth continues, while remaining nimble and entrepreneurial. The business is run and operated professionally.

According to various authors (Mboniyane and Ladzani, 2011:552-558; Seeletse, 2012:11001; Cant and Rabie, 2018:244), for township SMEs, the growth function (g) depends on several factors that need to be incorporated in a model for predicting growth. These include: proper financial records; product offering; systems to monitor debt sales and collections; good employees; insurance against crime; trading location; market - size, competitors, demand; access to transport; municipality by-laws; and attending relevant seminars. Accordingly, presenting the minimum model for predicting growth, the growth function is:

$$g = f(x_1, x_2, x_3, x_4, x_5, x_6, x_7, x_8, x_9, x_{10}, x_{11}, x_{12})$$

Where:

x_1 = proper financial records

x_2 = product offering

x_3 = systems to monitor debt sales and collections

x_4 = good employees

x_5 = insurance against crime

x_6 = trading location

x_7 = market size

x_8 = competitors

x_9 = demand

x_{10} = access to transport

x_{11} = municipal by-laws

x_{12} = attending relevant seminars

The complexity of business growth can be seen from the above model as:

Growth = f(proper financial records; product offering; systems to monitor debt sales and collections; good employees; insurance against crime; trading location; market - size, competitors, demand; access to transport; municipality by-laws and attending relevant seminars)

This model fundamentally implies that the growth of SMEs is expected to happen when the SMEs: prepare financial records; diversify product offering; has systems to monitor debt and embark on collections of debt; is insured against crime; has a proper trading location; has a proper market size; deals with competitors; manages demand; has access to transport; obeys municipal by-laws; attends relevant seminars.

1.7 Research design and methodology

This section outlines the research design and methodology that was used in the study. The study area, population, sampling process, data collection instruments, pilot study and data analysis techniques are all covered under the research methodology. The overall research paradigm adopted for this study is epistemology, as it was intended

to gain new knowledge, mainly by interpreting authoritarian knowledge, gathering and interpreting empirical knowledge, applying logical reasoning to facts and, to a lesser extent, drawing on intuition (Guba and Lincoln, 1994:105-117; Kivunja and Kuyini, 2017:26-41; Perera, 2018).

1.7.1 Research design

The research design is the glue that holds the various elements of the research together (Akhtar, 2016:68). Given the deficiency in both in-depth research undertaken and readily available data on townships, the adopted research design was exploratory and descriptive in nature (Akhtar, 2016:73-77). The exploratory approach is a blend of explanatory and descriptive research approaches. An exploratory approach is applied when there are few or no earlier in-depth studies to which reference can be made for information. The descriptive approach is suitable for obtaining information on the nature of a particular matter, in order to deepen research in future.

1.7.2 Research methodology

The study employed a mixed method approach (combination of quantitative and qualitative methodologies) to ensure that useful data was gathered using explanatory and descriptive designs. Hammersley (2023) explains that a mixed-methods study counts and measures of quantitative approach are explained using qualitative descriptions, while information provided through text, i.e., qualitative information, is justified and supported by numerical facts. The choice and application of the mixed method was informed by the fact that the two individual methodologies of quantitative and qualitative research can be used in a mutually reinforcing manner (Wang *et al.*, 2023). It was considered particularly important to use the mixed method in the context of townships where no official databases on SMEs exist, to ensure that the data gathered are not only complementary, but can also be cross-checked.

1.7.3 Study area, population and sampling

It is reiterated that this study deals with three townships in three provinces in South Africa. The selection of the unit of analysis was confined to businesses in three townships: urban, rurban and rural. Gauteng, KwaZulu-Natal and Mpumalanga

provinces can be regarded as urban, rurban and rural in terms of human settlement, respectively (Stats SA, 2003; Stats SA, 2012:18,41; Stats SA, 2016:16,56-57). The three provinces are estimated to have 90 percent, 46 percent and 41 percent of all their dwellers living in urban areas, respectively.

A three-stage sampling approach was used to select the required sample. Both qualitative and quantitative research approaches were used. While the qualitative data obtained from interviews captured the views, opinions and beliefs of the entrepreneurs, the quantitative data collected from the survey was used to make generalisations about the findings.

First, a purposive non-probability sampling technique was used to select three townships that meet the urban, rurban and rural area definitions, namely Saulsville Township in Gauteng, Ezakheni Township in KwaZulu-Natal and Matsulu Township in Mpumalanga (Palys, 2008:697-698).

Second, a sampling frame of the targeted enterprises that are believed to have been in existence for at least 10 years was drawn from businesses with physical addresses in the dominant traditional business sectors in these townships. An initial business population assessment was done on all three townships selected, based on desktop research and engagement with dwellers in these townships. This showed an estimated total of 160, 126 and 156 businesses, respectively, with a physical address in the respective townships.

The most common types of business are shown in Table 1-3. For purposes of this study, the focus sectors for all three townships were the five dominant sectors, namely, retail, catering, services, automotive and construction.

Lastly, a random selection of about 392 township entities in these three selected townships were surveyed across the five selected sectors. A further 125 entities were also randomly selected and interviewed. The latter selection was made based on an assumption of a conservative portion of 32 percent per township, which was drawn from the statistical samples of 142 entities from Saulsville Township, 109 entities from Ezakheni Township and 141 entities from Matsulu Township.

Even though the growth obstacles for SMEs in South Africa tend to be concentrated in a few factors across all provinces, the natural strata of the target group were retained (Grundling and Kaseke, 2010). Overall, the sampling approach supported the mixed method of research chosen for this study.

Table 1-3: Initial assessment of prevalence of type of business in each township

Business Types	Saulsville	Ezakheni	Matsulu
Retail enterprises – supermarkets, spaza shops, artwork	36%	33%	42%
Catering – bakeries, restaurants, taverns, <i>shisa nyama</i> *	18%	18%	13%
Services – beauty salons, legal, health, funeral, banking	20%	20%	17%
Automotive – repairs, panel beating	9%	8%	8%
Construction – buildings, roads	7%	8%	10%
Care economy – caring for the elderly and vulnerable	4%	1%	2%
Tourism – bed and breakfast establishments, township tourism	4%	3%	4%
Educational institutions – crèches, tutoring, adult schools	2%	5%	3%
Metal fabrication – building materials	1%	5%	1%
TOTAL	100%	100%	100%

*buy and braai

1.7.4 Data collection instruments

A questionnaire and an interview guide were used as the data collection instruments to gather views and opinions, personal information, business information, and the experiences and challenges of practitioners. These instruments are appended as Appendix B (a) and Appendix B (b), respectively. The tools were used together in a complementary manner for each enterprise to ensure rigour of the collected information through triangulation.

The questionnaire captured mostly quantitative information. In order to capture the attitudes of practitioners regarding the questions asked, a 5-point Likert scale was used to capture responses to close-ended questions. Additionally, dichotomous questions that require one of two responses were also used (Likert, 1932:8; Rinker, 2014:4; McLeod, 2018:1-3).

The interview collected qualitative information, with the central interview question being: *“What are the key factors that have hindered the growth of the business and how have these changed over time?”* The interview was structured and used a standard schedule in the form of a questionnaire to ensure the reliability and accuracy of the data collected (Korstjens and Moser, 2018).

Three fieldworkers were trained to facilitate the completion of 392 (or 142, 141 and 109 each) questionnaires as they collected the data. A confidentiality agreement was signed with each of the field workers. The data collection process involved first explaining the purpose of the study to business practitioners surveyed and assuring them of confidentiality, to ensure that the fieldworkers obtained the required responses. A pilot study was used to test the validity and reliability of the questionnaire.

Validity refers to the extent to which collected responses from measures represent the intended measures, while reliability denotes the consistency of a measure (Kember and Leung, 2008:342-345; Heale and Twycross, 2015:66-67; Mohajan, 2017:59). The aim was to ensure a questionnaire that was both valid and reliable, which covered the selected variables in a consistent manner. The questionnaire was deemed valid and reliable since it was structured such that the conclusions drawn from the data collected was appropriate and could be replicated under similar conditions

The validity tests used in this study were both theoretical and empirical (Bolarinwa, 2015:196-199). Theoretical validations included face and content assessments, while empirical validations related to criterion (such as predictive validity) and construct (such as factorial validity) assessments. Reliability tests focused on internal consistency assessments across different items. Assessment tools, such as the Rasch model and Cronbach’s alpha coefficient, were used to test the questionnaire (Gliem and Gliem, 2003; Bond, 2003:179-194; Taherdoost, 2016:28-36; Garba, Kabir and Mahmoud, 2017).

Similarly, to ensure more rigour in the outcomes of the interviews, strategies for triangulation and transferability were employed (Korstjens and Moser, 2018). For triangulation, a method triangulation strategy that emphasises multiple methods of data collection was used. For transferability, a description strategy that describes practitioners’ behaviour and their context was used.

1.7.5 Pilot study

The pilot study was undertaken in two phases. First, the questionnaire was informally validated by three academics or colleagues. Second, data were then collected from five SMEs in Gauteng Province to determine the extent to which the questions were understood as required and expected. The feedback obtained from piloting the questionnaire indicated where questions required rephrasing to ensure the understanding required by the study. Soshanguve Township in Gauteng Province, which was not part of the main study, was used for this exercise.

1.7.6 Data analysis techniques

Qualitative data were categorised into themes and analysed using the narrative data analysis approach to derive 'stories' from practitioners (Kawulich, 2004:104; Riessman, 2005:2). In line with the animal spirits principle, which, according to some authors (Arkelof and Shiller, 2009; Keynes, 1936:161-162), entails emotions of confidence, hope, fear and pessimism that can affect financial decision-making, the narrative data analysis approach emphasises the content of the stories, rather than how the stories are told. The term 'stories' in this context means the views, opinions, observations, experiences and beliefs of practitioners.

The quantitative data were arranged in Excel and XLSTAT, which were also used to do descriptive and inferential analysis (Lutabingwa and Ariacombe, 2007:534-538). Descriptive analysis entails summarising the collected numerical data and finding patterns, while inferential analysis refers to assessing and showing relationships between multiple variables to arrive at statistically-sound generalisations and predictions. Comparisons of results within and among the three township categories were done using relevant charts and tables.

1.8 Limitations of the study

The key limitations of the study included:

- Lack of financial resources to conduct a broader assessment beyond 392 entities in the three types of townships selected.

- Limited time within which to complete the study, which meant there was a focus on three provinces only.
- Limiting the focus to South African practitioners only.
- The inherent potential of not accessing some of the practitioners sampled. In this regard, a resampling need assessment was planned to be done at the end of the survey period concluded. However, it was not necessary to do this, as all respondents were accessed.
- A minor limitation arose from not using a longitudinal study design which would have enabled a comparison of results over time and across several data points.

1.9 Study outline

The remainder of the study report is structured as follows:

- Chapter 2 deals with the reported theoretical and observed reviews in micro-economics, with a special focus on behavioural economics and business management principles for SMEs in townships. Business growth and public demand strategies also receive attention.
- Chapter 3 outlines the research methodology used, in line with the key research questions to be addressed.
- Chapter 4 discusses the data analysis techniques used and details the study findings.
- Chapter 5 provides the conclusion and the recommendations, developed in line with the findings of the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Assessing factors that impact on the growth of small businesses in townships can be approached from various angles, including economic, psychological, political and operational. For purposes of this study, the literature review focuses on three theoretical elements, namely, behavioural economics, business management principles and public demand, to support the development of a public sector demand-led business growth strategy. Therefore, these three elements were the key theoretical underpinnings that informed the assessment of factors that affect the growth of successful SMEs in townships. Before these theoretical underpinnings are discussed, the theory of small business growth is explored.

This chapter starts by discussing small business growth theory, followed by the three theoretical underpinnings indicated above. The discussion then considers SMEs in Brazil, Russia, India, China and South Africa (BRICS), and then in the Southern African Development Community (SADC) - the association and region to which South Africa belongs. The descriptions of BRICS and SADC are provided later.

The process of developing and proposing a responsive public sector demand-led intervention for township SMEs flows from the theoretical assessment in this chapter and the data analysis detailed in Chapter 4.

2.2 Small business growth theory

It is estimated that small businesses employ more than a third of the labour force in South Africa (Mutyenyoka and Madzivhandila, 2014:65). Given this impressive contribution of SMEs to employment, business growth in this study is specifically defined to mean expansion of a business in terms of an increase in its revenue, sales, net worth, profit, clients or employees. This definition acknowledges that not all expansion factors will always be present, and that various SMEs will exhibit different expansion factors.

Business growth is a function of several factors, and depends on the stage of development of a business and the ambition of the entrepreneur (Janeska-Iliev and Debarliev, 2015:4; Owusu and Ismail, 2018:302,304-307). Despite the large body of work in this area, previous empirical research has not triumphed in developing one coherent theory that explains small business growth (Davidsson, Achtenhagen and Naldi, 2005:3). Hence, due to the importance of SMEs in the economic development of all nations of the world, the scarcity of research, especially in terms of distressed areas such as townships, is a gap. In this era of information and technology, research and innovation are essential in these areas.

Nonetheless, improvements have been made to the earlier work done by Lawrence Steinmetz and Larry Greiner that positioned small business growth theory in terms of growth stages. Several business growth perspectives have been developed over the past 65 years that are different to the growth stages perspective, in which growth is viewed as a process. These differing perspectives include *strategic adaptation, motivation and configuration, stochastic, descriptive, evolutionary, learning, deterministic and resource-based view*, briefly described below (Penrose, 1959:88; Dobbs and Hamilton, 2007:297-299; Owusu and Ismail, 2018:303):

- The strategic adaptation approach, which entails making continuous adjustments to support business growth.
- The motivation approach to business growth, which assigns the pace of growth to the level of enthusiasm of the entrepreneur.
- The configuration growth approach, which is concerned with managing business growth through various phases.
- The stochastic business growth approach, which posits that there is no dominant theory, as several factors affect growth.
- Descriptive approaches, which refer to the internal adaptation of small businesses for purposes of growth.
- Evolutionary growth models, which emphasise the idiosyncratic factors applicable to each small business.
- A learning business growth approach, which uses continuous learning to support business decisions aimed at growing the business.
- The deterministic approach to business growth, which aims to identify and work with a basket of factors that explain business growth.

- The resource-based view to business growth, which suggests that businesses arrange their resources to advance growth.

There is reasonable consensus that the main stages of business growth are typically initial, survival, success, take off and resource abundance (Steinmetz, 1969; Greiner, 1972; Churchill and Lewis, 1983; Kemp and Verhoeven, 2002). The initial stage involves setting up the business and making it viable. The survival stage entails making sure that the business breaks even and starts making profits. The success stage means that the owner can start reaping benefits from the business. In the take off stage the business starts expanding, and the resource maturity stage ushers in an end to the growth phase, with a stable business being in place. However, there is an indication that quite a large proportion of SMEs in South Africa do not go through all these stages, as most fail before they even reach the survival stage (Schaap, 2023).

There has been some critique of the stages approach to defining small business growth, and alternative small business growth measurement approaches have been proposed (Breslin and Gatrell, 2023; Frese and Gielnik, 2023). However, these alternatives have not been thoroughly verified and might still need further work. For example, Davidsson, Achtenhagen and Naldi (2005:4;15) suggest that the predictors of growth should at least be researched and confirmed before assessing their impact on SMEs growth. In encouraging longitudinal research approaches for small business growth, they argue that standard cross-sectional studies of business growth are often biased towards after-the-fact criteria selection and hindsight. However, because of the long time required for longitudinal research, this approach may only be feasible for certain research projects that are not time sensitive.

The key critique of the business growth stages are that this approach:

- assumes that a business must go through each growth stage (Graver, 2022; Tjemkes, Vos and Burgers, 2023:1-10);
- indicates that the stages are cyclical and the business tend to revert to the starting point over time (Di Vaio *et al.*, 2022);
- does not consider the predominantly informal structures and processes of small businesses and instead focusses on the evolution of formal structures (Welter, Smallbone and Pobel, 2015);
- over-simplifies the entrepreneurial role (De Bruin *et al.*, 2023);

- lacks systematic empirical evidence (Davidsson *et al.*, 2023).

Coad (2007:55-59) challenges the implicit assumption that small business growth follows the growth stages sequentially, and states that this process is not unidirectional, because an entity may revert to an earlier stage. He concludes that business growth is rather a stochastic and idiosyncratic process, that is, it is a random process and depends on the peculiar circumstances within which the business operates.

In an attempt to build a broad and parsimonious integrative model of small business growth, Wiklund, Patzelt and Shepherd (2009:351-374) proposed that the growth of a small business is directly and indirectly influenced by entrepreneurial orientation, environmental characteristics, the resources the firm has and the personal attitudes of the managers. This can be interpreted to mean that small business growth is a multifaceted process in each stage, with each stage being influenced by several factors. Specifically, entrepreneurial orientation through strategic choices has a positive influence on small business growth, while the environmental characteristics of the business – such as dynamism, hostility and heterogeneity – have both negative and positive effects on small business growth in a direct and an indirect manner (Bennett and Chatterji, 2023). Firm resources such as staff and finances have an indirect positive impact on growth, while the personal attitudes of managers to growth have both a direct and an indirect positive effect on the growth of small businesses.

While these critiques present alternative approaches, they also tend to rely on formal business elements to determine small business growth (Romano, Tanewski and Smyrniotis, 2001; Ligthelm, 2008). This approach is rather removed from the reality of SMEs in small township, where informality is the norm. The implementation of formal business growth strategies for these businesses is often unintentional and unplanned. For example, in the process of searching for profit and fighting for survival, township SMEs might unwittingly exhibit the characteristics of implementing Porter's competitive forces. This can come from finding new and cheaper suppliers, looking for new buyers or markets, watching new entrants, looking for substitute products and watching the business' competition. Similarly, they might exhibit the hedgehog concept of 'knowing one big thing' by gravitating towards their passion within the prevailing economic environment of the township in the quest to be the best at what they do (Kumar, 2018).

The business growth concept is at the centre of assessing the factors that affect the growth of SMEs and which were considered in formulating the ultimate intervention strategy. However, given the many factors that can impact on business growth, it is not surprising that business growth is a complex and a multi-pronged phenomenon. Research undertaken thus far has shown that for a typical small and medium business operating in a township in South Africa, the growth function may be influenced by factors such as (Mbonyane and Ladzani, 2011:552-558; Seeletse, 2012:11001; Owusu and Ismail, 2018:306; Madela, 2019:16):

- proper financial records – keeping accurate, up-to-date records;
- product offering – offering a diverse range of goods or services for sale;
- a system to monitor debt sales and collections – an organised manual or information technology-based system;
- good employees – responsible and dependable staff;
- insurance against crime – protection against possible loss of stock or cash;
- trading location – a convenient place with all the required amenities, inputs and customers;
- market size – the segment of buyers that are stable buyers of the goods and services provided;
- competitors – knowing and monitoring other market players participating in the same market;
- demand – understanding and tracking the quantum of goods and services buyers are willing and able to buy;
- access to transport – effective logistics that provide the ability to receive stock orders and make deliveries to clients on time;
- municipality by-laws – understanding and abiding by municipal by-laws;
- attending relevant seminars – improving own understanding of business management principles.

2.3 Theoretical underpinnings of SMEs growth

2.3.1 Behavioural economics

Behavioural economics is the study of animal spirits that represent the human irrationality explained by psychological, emotional, cognitive, nudges, cultural and

social factors in decision-making (Smith, 1790:4-57; Keynes, 1936:161-162; Tversky and Kahneman, 1974:1124; Thaler and Sunstein, 2008:6; Arkelof and Shiller, 2009:3-4). This irrationality is not only applicable to individuals, but also to the decision-making aspect of businesses, as they are managed by people who are influenced by these factors (Armstrong and Huck, 2010:2).

Unlike *homo sapiens* (humans), to which the concept of behavioural economics belongs, the *homo economicus* (humans capable of making decisions) that is often assumed in traditional economic theory is selfish and rational (Bee and Desmarais-Tremblay, 2023; McNeill, 2023:317-337). In the case of businesses, the operational environment and the growth approach adopted have a bearing on the business decisions taken (Ogaki and Tanaka, 2017:4).

Behavioural economics has generally evolved in three phases since the early 1900s (Heukelom, 2007; Nagatsu, 2015:443-449). The first phase, as Hausman (2023:23-35) indicates, was the introduction of the expected utility theory, which holds that a course of action depends on both the intended value to be derived and the deciding person's belief about the prevailing environment. Accordingly, circumstances and the subjective judgement of a decision maker are important for any decision related to business growth. Any decision-making process will most likely have biases in terms of both reasoning and intuition (Virlics, 2013: 1011-1015).

The second phase occurred in the 1950s when the expected utility theory was challenged on the grounds that it was not readily acceptable in societies and was empirically unsound (Borchert, 2023). Corr and Plagnol (2023) indicated that this challenge missed the important detail that this theory sought to introduce psychology as another discipline in economic thinking. This was clarified some fifty years later by elevating attention and enthusiasm in the field, as well as by emphasising the importance of behavioural economics in decision-making (Sent, 2004:735-750).

The third and latest phase was launched in the 1970s. It challenged rational choice models and introduced alternatives that include traditional dynamic modelling in behavioural economics modelling (Ashman, Solomon and Wolny, 2015; Sher *et al.*, 2022). It is now generally accepted that behavioural economics enhances the explanatory power of economics from a psychological basis (Sent, 2004:748). In fact,

Thaler (2016:1577-1600) questioned whether we should even be referring to this aspect of economics as behavioural, because this suggests that the rest of the economics discipline is somehow “unbehavioural”.

The prevalent psychological, emotional, cognitive, cultural and social factors in townships are therefore important in assessing the decisions of practitioners as they steer their businesses to growth. These factors include the perceptions of entrepreneurs, cultural factors and the motivation for starting a small business (Njiro, Mazwai and Urban, 2010).

Further examples of decision-making aspects regarding small business growth that can be classified under behavioural economics include risk preference, confidence level and non-pecuniary benefits (Astebro, Herz, Nanda and Weber, 2014:54-64). As such, in order for an effective public sector intervention to be developed, and in keeping up with the acknowledgement of animal spirits, the idea of survivalist enterprises in townships (which are largely formed as a means to pay for the necessities of the owners) needs to be understood in the context of the economic environment of the township (Charman, Peterson and Piper, 2012:48; Ranyane, 2015:305).

2.3.2 Business management principles

Business management principles refer to directing a business entity’s practices associated with the coordination, organisation, planning, leading and controlling activities to accomplish the goals outlined by the entity (Carpenter, Bauer and Erdogan, 2012:27). The over-arching objectives of managing a business are generally profitability and growth (Maverick, 2019). Sustainability is also one of the imperative objectives, because without it, profitability and growth become short-lived, and business failure occurs.

According to Burrow, Kleindl and Everard (2007:280), coordination (which is a management principle) entails making sure that staff members and the other resources of an organisation are channelled towards achieving the same goal. Planning is about setting out a road map to execute coordination (Gunder, 2003; Yiftachel, 1998). Organisation is about ensuring that the most effective approach is chosen (Hewlett, 2006). Implementation, which can be interpreted as leading, entails putting plans into

action (Laudon and Laudon, 2018:57), while controlling is about assessing the results achieved against the planned objectives (Gruber, 2023:1-16).

Van Staden (2019) explains that Ian Hetherington explored the economic and legal conditions under which small businesses operate. Ian Hetherington covered several topics in his five-part assessment of small business development in South Africa, based on speeches and presentations made between 1982 and 1992. On the issue of business management principles and township entities, five ideas stand out (Fields, 2023), as discussed next.

First, small business establishment in the 1980s was more concerned with the operational environment, especially with advocating free enterprise and increasing the scale of participation, as opposed to, for example, business management principles (Hetherington, 1985:21-23).

Second, managing small business growth does not necessarily need to pass logically through the sole proprietor phase, employing a few people, running the business professionally and forming a big company (Hetherington, 1985:160-164). In fact, a small business can be managed professionally, even as a one-man-show exercise. There are some legal and ethical dynamics that are not necessarily in documented form, which can make SMEs thrive. These can be researched in another study, as they are not within the scope of this study.

Third, small business practitioners were required to manage their businesses so as to navigate the bureaucratic barriers put in place by the authorities (Hetherington, 1986:32-39). Indeed, regulations are by far one of the biggest challenges facing small businesses.

Fourth, small business managers, especially those in informal setups, must consider that even though there is a democratic regime in South Africa, economic integration is a slow process and ordinary people – not politicians – must take the lead (Hetherington, 1991:16-17).

Lastly, small business practitioners need practical skills to manage the affairs of a business (Hetherington, 1992:42-53). Undertaking relevant short courses and

programmes would assist in nurturing the entrepreneurial spirit while elevating the level of business management skill.

Managing a township business should also contend with any remnants of the apartheid system and find ways to escape the traps set by this system. Lessons from those who started and built a business during the apartheid period could prove a useful yardstick for township SMEs, for example treating employees with respect, encouraging less experienced members to perform better, passing business skills on to others, saving surplus proceeds for business expansion, obtaining external assistance when it is required, dreaming big and being bold enough to take controversial and risky decisions if the situation requires this (Hetherington, 1998:17, 24,30,39,84,129)

2.3.3 Public sector demand

Public demand usually refers to the flow of funds from a government department, any company owned by the government or any local authority, in exchange for goods and services provided to it (Schwartz and Hursh, 2023). Demand-side economics is Keynesian economics that attempts to promote government intervention where necessary (Jahan, Mahmud and Papageorgiou, 2014). Whenever citizens are involved, the government is called on to participate. Therefore, Keynesian economics advocates for practical government policies to manage aggregate demand (Keynes, 1936:378). Public sector demand therefore refers to the consumption of goods and services by the government. These goods and services could be produced in either the public or the private sector.

In the case of South Africa, the public sector is defined as the consolidated general government plus public corporations (South African Reserve Bank, 2017:4-5). Public corporations can be split into non-financial and financial. Non-financial corporates include those that develop and maintain national assets, and provide training, such as Eskom, Transnet and the Small Enterprise Development Agency. Financial corporates, on the other hand, operate in the financial sector and specialise in issuing loans and grants, and managing government and government employees' financial assets, such as the Public Investment Corporation and the Industrial Development Corporation. The consolidated general government is made up of the consolidated central government, provincial governments and local governments. The consolidated central government

consists of national departments, extra-budgetary institutions, social security funds and institutions of higher education.

For economic development purposes, it becomes blatantly clear that public sector demand is an important aspect of every country's economy. For example, government is obviously responsible for all its citizens, and for the activities that occur within a country's borders (Biancalana and Mazzoleni, 2023:37-54). Therefore, it makes sense that government should take responsibility for funding and taking care of everything inside the country, such as the wellbeing of all people and entities (such as government departments and institutions), and for internal and external relationships (Hüncke, 2023:157-191). By default, the government is also responsible for all people within its borders, either legally or illegally. This means that public sector demand far exceeds the responsibility that the government has committed to for its own citizens, as long as its laws allow non-citizens to be in the country. This is the case with South Africa.

The demand structure of the South African economy, which can also be referred to as the expenditure side of the economy, is organised in terms of consumption, investment and trade (Udeagha and Breitenbach, 2023). As shown in Table 2-1, the numbers for 2020 show that, as a percentage of gross domestic product (GDP), consumption by households and government constitutes about 70 percent of total consumption, while investment or capital constitutes 16 percent and trade about 5 percent (Udeagha and Breitenbach, 2023).

Table 2-1: Economic demand in South Africa – percentage of GDP*

	Households	Government	Investment	Net exports	Total
2010	59	20	19	1	100
2011	60	20	19	1	100
2012	62	20	19	-1	100
2013	61	21	20	-2	100
2014	60	21	20	-1	100
2015	61	20	20	-1	100
2016	59	21	19	1	100
2017	59	21	19	1	100
2018	60	21	18	0	100
2019	60	21	18	1	100
2020	57	23	16	5	100

*Households include macro-economic balancing residual. Items might not add up to exactly 100 due to rounding.

Source: Data from South African Reserve Bank (2021) used in own calculations.

As expected, the bulk of consumption in the economy is by households, which indicates the importance of consumption in driving the South African economy. Table 2-1 shows the distribution of the percentage of economic demand that is shared among various beneficiaries. Table 2-1 shows positive and negative values. Positive entries are easily interpreted as the proportion spent by the entity or recipient. In the case of exports, some negative proportions are listed, specifically for the years 2012 to 2015. These show that imports were higher than exports during those years, meaning that there was a net outflow of funds from South Africa. The opposite is true where net exports are positive: this represents a net inflow of funds from exports.

Public demand can be quantified by considering public sector procurement of goods and services. During the eleven years from 2010 to 2020, the South African public sector procured more than R6 trillion worth of goods and services (South African Reserve Bank, 2021). The total value of procurements increased from about R400 billion in 2010 to over R740 billion in 2020. As Table 2-2 indicates, combined procurement of goods and services by the general government, that is excluding public corporations, was 69 percent of total public sector spend. The office of the Chief Procurement Officer estimated that total public sector procurement from SMEs was about 77 percent of goods and services procured in the 2016/17 fiscal year (South African National Treasury, 2018). When applying this percentage to the figures in Table 2-2, 2020 expenditure on procurement from small businesses can be estimated to be as high as R572 billion.

Table 2-2: Public sector procurement of goods and services

R million	Public corporations	Local governments	Provincial governments	Central government	Public sector
2010	141 512	92 196	71 578	95 289	400 575
2011	143 239	104 860	76 757	107 603	432 459
2012	190 171	121 909	85 088	120 383	517 551
2013	194 041	129 469	89 512	130 807	543 829
2014	270 832	146 280	94 841	158 046	669 999
2015	236 602	157 143	101 893	166 339	661 977
2016	230 677	169 471	114 807	185 365	700 320
2017	213 602	176 559	121 656	164 394	676 211
2018	218 402	176 959	128 777	162 863	687 001
2019	234 550	201 003	128 409	174 667	738 629
2020	233 061	206 583	134 219	169 288	743 151

Source: Data from South African Reserve Bank (2021) used in own calculations.

Five dominant sectors were identified and surveyed in the South African townships selected, namely: retail enterprises such as supermarkets, spaza shops and artwork; catering such as bakeries, restaurants, taverns and *shisa nyama* (buy and braai); services such as beauty salons, legal, health, funeral and banking; automotive such as repairs and panel beating; and construction of buildings and roads. This means that, in line with government demand patterns, the goods and services items aligned to these dominant sectors should form part of the proposed public sector demand-led growth strategy for SMEs and should be part of public procurement from townships, i.e.:

- retail: consumable supplies, learning and teaching materials, stationery and office supplies, clothing and material supplies, groceries;
- catering: food supplies, catering, venues and facilities;
- services: legal services;
- automotive: vehicle repair services;
- construction: roads and paving, contractors, buildings and other fixed structures.

Public spending on the items listed above was R44 billion as at December 2017 (South African National Treasury, 2018). However, it is astonishing that there is little to no information as yet that indicates dedicated and deliberate targeting of procurement from township SMEs by the public sector. Given the government's strategic position (since the dawn of democracy) to support and improve township economies, it is not far-fetched and would, in fact, be justifiable, to expect that a portion of total public sector procurement should be allocated to procurement from township SMEs.

2.4 SMEs in BRICS countries

BRICS is an acronym referring to the voluntary and informal club of emerging economies that consists of Brazil, Russia, India, China and South Africa. The group had its first summit in 2009 (SAHO, 2023). South Africa was the last country to join the BRIC formation, in 2010, and BRICS currently remains a five-country group. Although the group has often been criticised for not having a charter or coherent agenda, economic cooperation programmes are in place in terms of infrastructure development, trade and investment (SAHO, 2023).

In recent times there has been heightened interest from other nations that have registered their interest in joining the group, such as Indonesia, Bangladesh, Pakistan, Iran, Saudi Arabia, Turkey, Egypt, Nigeria, Senegal and Argentina (Jha, 2022). The group's combined GDP exceeds that of the Group of Seven (G7) advanced countries,⁴ which has dominated global growth since its formation in the mid-1970s (Devonshire-Ellis, 2023; UNCTAD, 2023).

A discussion on SMEs in the four BRICS members follows, and South Africa's standing is discussed after the discussion on SADC. The discussion assesses proposed solutions to SMEs challenges with a view to adopting those relevant to the creation of a public sector demand-led growth strategy for SMEs in South Africa.

2.4.1 Brazil

SMEs in Brazil operate mostly in the commerce sector (42%), which is dominated by the wholesale and retail trade, followed by services at 37 percent. In third place is industrial activities – 13 percent (Dantas, 2017). Over 90 percent of all businesses in Brazil are SMEs (FGV, 2022), and they play a significant role in the Brazilian economy, contributing 54 percent to formal jobs and about 30 percent to GDP.

A recent survey found that most SMEs investigated in Brazil were struggling to achieve digital transformation due to a lack of financial resources, a lack of strategy and a lack of basic knowledge on how to implement transformation (FGV, 2022). Most SMEs face challenges with innovation. Furthermore, according to Smits, Sagoenie and Cuppen (2018), access to capital is restricted by high interest rates and onerous documentation requirements. Most SMEs need skilled personnel and entrepreneurs are exposed to tax and labour-related lawsuits in their personal capacity.

In order to deal with the innovation challenge, the Brazilian government introduced the Innovation Law (Lei de Inovação) in 2004 to incentivise research and development expenditure, stimulate venture capital and angel investment, introduce innovation-related fiscal incentives and simplify the SMEs tax regime (Smits, Sagoenie and Cuppen, 2018). In order to deal with the low enterprise survival rate - about 55 percent

⁴ G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

in 2009 - the government introduced the Micro Empreendedor Individual (MEI) tax and regulatory regime (OECD, 2020). MEI is a simplified small business registration process that was created to support the formalisation of businesses, while helping them to access benefits and simplify the tax requirements. By 2012, the survival rate of small businesses had improved to about 76 percent.

Using data on Brazilian SMEs, Cravo, Gourlay and Becker (2012) showed that the presence and even the size of SMEs are not sufficient determinants of the contribution made by SMEs to GDP. Instead, the quality of entrepreneurship, represented by education level, and the percentage employment by SMEs are important indicators. This means that SMEs contribution to the production side of GDP is a function of the rationale for starting the business.

Necessity (survivalist) entrepreneurship contributes to livelihood mostly through boosting consumption by the entrepreneur, his workers and consumers. However, opportunity-driven entrepreneurship contributes to the production side of the economy through innovation and by providing intermediate goods and services, plus the demand elements exhibited by necessity entrepreneurship. So, it can be concluded that the extent of the contribution made by SMEs to the production side of economic growth in an economy depends on the distribution of survivalist entrepreneurship and opportunity-driven entrepreneurship in that economy.

An analysis done by OECD (2020) made the following policy recommendations to improve the performance of Brazil's SMEs:

- Streamline product and market regulations to strengthen competition.
- Reduce generic support for the dominant wholesale and retail trade sector in favor of knowledge-intensive activities in other sectors.
- Support collaborative innovation among SMEs and between SMEs and large companies.
- Promote the use of digital technologies.
- Encourage SMEs exports.
- Create targeted growth-oriented programmes, such as business incubators/accelerators.

2.4.2 Russia

Russian SMEs have traditionally been concentrated in the trade sector (57% of total turnover), followed by the manufacturing sector, which accounted for 11.5 percent. In third place is the construction sector, at 11 percent of total turnover (EIB, 2014). SMEs contribute up to 25 percent of GDP and employ about 23 percent of the workforce.

According to EIB (2014), the key areas of concern for SMEs in Russia are:

- A shortage of qualified personnel – this is particularly prevalent in the manufacturing sector.
- The need to reduce the tax burden – the doubling of social tax for individual entrepreneurs drove most to close their businesses.
- The need to reduce administrative barriers – onerous administrative requirements and corrupt practices place an operational burden on SMEs.
- The need for financial support – current financing challenges include high interest rates on loans, inability to provide collateral on loans, inability to package documents properly and unsound financial positions.
- The need for non-financial support – programmes to upgrade business skills are considered critical for business progress.

The number of SMEs in Russia declined by 118 000 in 2019, due to an increase in value added tax, the requirement to use online cash registers for small businesses and stagnant household income that affected demand for products and services (Barinova, Zemtsov and Tsareva, 2020). The COVID-19 pandemic depressed consumer demand even further, especially for the hospitality sector. In fact, when assessing the effectiveness of government policies to support SMEs that existed just before the COVID-19 pandemic, Razumovskaia *et al.* (2020) found that measures such as support in terms of tax, administration and finance, needed to be implemented to counter the effects of the pandemic. Zemtsov *et al.* (2022) argued that the anti-crisis measures introduced to cushion SMEs against COVID-19 must remain in place for a while, as SMEs are still in need of this support. This includes subsidies for vulnerable SMEs, increasing public procurement from SMEs to maintain demand for their goods and services, tax incentives and a deferral on loans or rental payments, and support with retraining, especially on technology.

2.4.3 India

According to Das (2008), SMEs are historically important contributors to the economy of India, through the production of goods and services, and the creation of employment and income. Dixit and Kumar Pandey (2011) found that SMEs make a significant contribution to a sound national economy. Growth in SMEs fixed investment supports exports and thus economic growth. Pradhan and Husain (2021) estimated that SMEs contribute about 32 percent of GDP and employ close to a billion people.

General attitudes converge to the recognition that, over the years, Indian SMEs have acted as a principal source of innovation and entrepreneurship. Their contribution includes to the retail trade, services sector and manufacturing sector, which dominate the industry at 36 percent, 33 percent and 31 percent of total industry, respectively (Pawar and Sangvikar, 2019). (Industry is used in this context to mean SMEs activities).

The main constraints to Indian SMEs were identified as being poor access to credit, low levels of technology use and inadequate infrastructure (Das, 2008). An important reform made to the SMEs sector in India, in 2015, was the de-reservation of certain products that were previously exclusively reserved for production by SMEs (Das, 2008). Following strong critique by Indian scholars on the grounds of technical inefficiency and relevance, the Indian government repealed the reservation policy. Constraints were then eased, and SMEs were 'freed from bondage', which allowed them to be innovative and to employ local staff while using locally available resources.

Pradhan and Husain (2021) identified seven factors that impact on the formation of small enterprises in India, namely: market conditions; technological conditions; spatial clustering of existing entities; condition of the infrastructure; availability of loan finance, entrepreneurial culture of the region; and the distribution of foreign direct investment in the region. They found that regions with higher local demand, technology-intensive manufacturing, a high endowment of skilled labour, better land transportation and strong entrepreneurial culture, received most start-ups and outperformed other regions between 1989 and 2007.

Pawar and Sangvikar (2019) made the following suggestions for improving the performance of SMEs in the Indian economy:

- Institutional finance should be made available without cumbersome procedures.
- Inadequate basic infrastructure must be addressed.
- Government concessions and subsidies must be considered.
- There must be regular trade fairs and exhibitions that serve as market platforms.
- Entrepreneurs must be upskilled.
- Labour laws should be sensitive to small businesses, e.g., allow for overtime work.
- A new tax regime for SMEs should be considered.

2.4.4 *China*

SMEs in China employ 82 percent of the working population and contribute about 60 percent of GDP (Liu, 2008). True to China's industrial nature, most SMEs in the country operate in the manufacturing sector - about 64 percent of total industry – followed by wholesale and retail trade (27 percent) and then the construction sector at (4 percent).

Yang, Lim and Kanamori (2008) developed an analytical framework to assess innovation development strategies for SMEs in China. They concluded that it should be the government's responsibility to create structures that will support SMEs with innovation.

SMEs in China are plentiful, which means they face a number of challenges, including: inability to achieve economy of scale when buying equipment or raw materials; sourcing finance or procuring consultation services; often being unable to reach global markets while facing domestic competition; difficulty accessing training, technology and market intelligence (Liu, 2008; Yang, Lim and Kanamori, 2008).

The key policy recommendations to improve the performance of SMEs, according to Liu (2008) and Fong (2011) are the following;

- Strengthen SMEs' service quality – relevant initiatives must be publicly funded.
- Use the experience of the Jiangsu local government – the local government has developed functional SMEs policies that could be emulated.

- Enhance SMEs competitiveness – a policy framework must be developed to set up industrial clusters for SMEs.
- Develop SMEs financing system – financing policies and systems to support SMEs need to be developed.
- Develop SMEs technological innovation system – a technological platform needs to be set up, preferably through incubation, to drive technological innovation in SMEs. Chinese SMEs tend to be slow to adopt technological systems due to a lack of finance and technological skills (Fong, 2011).

2.5 SMEs in selected SADC countries

SADC is a regional treaty of Southern African countries that was established in 1992 to replace the Southern African Development Co-ordination Conference that was launched in 1980 (SADC, 2023). The current SADC member states are Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, United Republic of Tanzania, Zambia and Zimbabwe.

The stated objectives of the SADC treaty are (SADC, 2023):

- “Achieve development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa, and support the socially disadvantaged through regional integration.
- Evolve common political values, systems and institutions.
- Promote and defend peace and security.
- Promote self-sustaining development on the basis of collective self-reliance and the inter-dependence of Member States.
- Achieve complementarity between national and regional strategies and programmes.
- Promote and maximise productive employment and the utilisation of resources of the region.
- Achieve sustainable utilisation of natural resources and effective protection of the environment.
- Strengthen and consolidate the long-standing historical, social and cultural affinities and links among the people of the region.”

The discussion on SMEs in these countries is limited to four countries, namely, Namibia, Botswana, Zimbabwe and Mozambique. These countries were chosen because they border South Africa and their combined population and GDP are significant, at 14 percent and 10 percent of the total SADC aggregates, respectively (SADC, 2023a). Research on SMEs in these countries is also available. The discussion includes assessing proposed solutions to SMEs challenges, with a view to adopting those relevant to the creation of a public sector demand-led growth strategy for SMEs in South Africa.

2.5.1 Namibia

In the two decades to 2012, Namibia witnessed remarkable growth in the number of new businesses (Ogbokor and Ngeendepi, 2012). SMEs in Namibia employed roughly a third of the workforce and contributed some 11 percent to GDP in the early years of the 21st century (Schöneburg-Schultz and Schultz, 2006; Ogbokor and Ngeendepi, 2012). Namibian SMEs operated mainly in services, catering and manufacturing at about 31 percent, 24 percent and 22 percent of the total SME industry, respectively. However, due to the small population in Namibia (about 2,5 million people) and previous apartheid laws, the SMEs industry is small. About 41 percent of all SMEs businesses started were in response to a lack of employment alternatives.

The key factors that affect SMEs growth in the Namibian economy include: the characteristics of the business, such as size, location and business focus; the extent of the entrepreneurial spirit of the owner; the ability of the owner to make managerial decisions; and external factors such as the economy, competition, access to infrastructure, access to information, access to markets and access to financial resources (Schöneburg-Schultz and Schultz, 2006).

At an SMEs development symposium, Smorfitt (2010) suggested a suite of key interventions that would propel SMEs growth in Namibia, as follows:

- Create an angel funders' association and a venture capital association.
- Develop tax incentives for SMEs investors and SMEs themselves.
- Craft a specific survivalist funding and trading strategy.
- Provide title deeds to landless citizens.
- Explore the creation of community banks.

- Pursue targeted SME tenders.
- Increase educational interventions for entrepreneurs.
- Simplify the process of business registration and licensing.

Similarly, Ogbokor and Ngeendepi (2012) recommended that the government need to attend to the following matters to improve the performance and contribution of SMEs to GDP in Namibia:

- Develop relevant financing models for SMEs.
- Provide appropriate basic infrastructure to SMEs.
- Provide business training and capacity building to entrepreneurs.
- Establish an SMEs information centre.
- Subsidise youth employment by SMEs.

Five years earlier, April (2005) had made similar recommendations to the government to develop SMEs incubator facilities, strengthen collaboration with the private sector to support SMEs, fund more research into the SMEs industry, and increase educational interventions.

2.5.2 Botswana

SMEs make a significant contribution to Botswana's economy, amounting to 50 percent of total employment and up to 20 percent of GDP (Mannathoko, 2011; Jefferis, 2014; Nathan *et al.*, 2015; Khanie, 2018). The dominant sectors in the SMEs industry are retail trade, manufacturing, services and agriculture.

Mannathoko (2011) determined that in order to maintain the development of SMEs in Botswana: relevant training matched to the type of SMEs was required; a 50/50 blended loan/ grant offering was preferable; and a monitoring and mentoring system should be developed. Nathan *et al.* (2015) stated that the more influential determinants of SMEs growth in Botswana are: the internal characteristics of SMEs, such as borrowing and liquidity issues; physical productivity capacity; the extent of technology adoption; the number and effectiveness of employees; ownership structure; and ability to access credit. External factors, such as the location of the business and the sector focus, were deemed less influential.

Baleseng (2015) argued that the factors that affect SMEs sustainability in Botswana are:

- lack of financing;
- inadequate managerial skills;
- inadequate marketing skills;
- lack of access to land;
- skewed procurement process, with neighbouring countries being preferred;
- onerous government laws and regulations;
- weak customer relationships;
- adverse socio-economic issues;
- technological challenges.

Curiously, all the solutions proposed to deal with these issues were to be administered by the government to assist SMEs to grow exports, access finance, technology and business development services, and to minimise government bureaucracy.

2.5.3 Zimbabwe

SMEs in Zimbabwe contribute to the production of goods and services in the economy. They are a major force behind the Zimbabwean informal economy, which contributes about 50 percent of GDP and has the potential to employ up to half the labour force (Chigwenya and Mudzengerere, 2013). Zimbabwean SMEs operate mostly in the manufacturing sector, at 72 percent of the total SME industry, while retail trade has a 22 percent share and the construction sector about 4 percent (Odero, 2006). However, sentiments are there that these sectors are capable of providing beyond the visible.

Karedza *et al.* (2014) argue that despite the government support provided to SMEs in Zimbabwe, such as investment promotion, tax relief, discounts and rebates, SMEs continue to face obstacles, such as:

- poor access to finance;
- inadequate marketing skills and knowledge;
- insufficient business skills;
- inadequate infrastructure;
- insufficient access to land;

- insufficient business information;
- unsupportive regulatory environment.

On the question of how government policies have influenced the performance of SMEs in Zimbabwe, Musabayana, Mutambara and Ngwenya (2022) arrived at the conclusion that SMEs have very little information about public policies set up to assist them because the government does not have adequate mechanisms to distribute information properly. They also concluded that the government is not adequately committed to implementing policies put in place by, for example, making sure that entrepreneurs are adequately trained. The key recommendations that Musabayana, Mutambara and Ngwenya (2022) make to advance Zimbabwe's SMEs industry include:

- Consulting role players to create a strengthened and re-focused national SMEs sector that reflects its SMEs policies.
- Developing a new SMEs strategic framework that contains stakeholder views and logical processes to ensure effective implementation.

2.5.4 Mozambique

SMEs play an important role in producing goods and services in the Mozambican economy (Alfazema, 2021). The SMEs sector in Mozambique is dominated by the retail trade sector, which accounts for 57 percent of the industry, followed by the hospitality sector (20%) and the manufacturing sector (10%). According to Krause *et al.* (2010: 5), the SMEs industry contributes some 52 percent to GDP and employs about 43 percent of the labour force.

Krause *et al.* (2010) investigated the formalisation of Mozambican SMEs, i.e., integration of informal entities into the regulatory system of the government, to assess what interventions are necessary for this formalisation process. They proposed that SMEs should be categorized and approached in terms of whether or not they:

- Have the option to choose their level of formality.
- Are obliged to formalise.
- Do not have the necessary requirements to formalise.

Osano and Languitone (2016) considered the factors that impact on access to finance by SMEs in the country and found that, in the main, the problems are:

- inadequate collateral assets;
- insufficient SMEs support services;
- inability to access finance;
- lack of awareness of funding opportunities;
- difficulty accessing equity finance.

In an assessment of the factors that threaten the survival of SMEs, Sawaya and Bhero (2017) held that the spirit of entrepreneurship is alive and well in Mozambique and it is not the main cause of SMEs failure. Instead, they argue that lack of competition is one of the key factors that contribute to SMEs' failure.

2.6 BRIC-South Africa-SADC

2.6.1 South Africa within BRICS and within SADC

South Africa is a member state of BRICS by agreement (Belli and Doneda, 2023), and a member state of SADC by geographical location and by treaty. In both communities, South Africa is committed to participating at all levels, such as political, economic, sport, education and so on (Mkhabela and Nshimbi, 2023). The level of positioning of South Africa differs in terms of BRICS and SADC: South Africa is a minor economy in BRICS (probably the lowest), while it is at the top in SADC. Hence, the roles South Africa is required to play in each community should suit its relative position.

2.6.2 South Africa's trade alliances with BRICS and with SADC

There is no BRICSADC, but South Africa connects the two unrelated groups. This role favours South Africa-BRIC-SADC trade alliances on South Africa's economy. Mazenda, Masiya and Nhede (2018) support this view and explain some implications of BRICSADC trade alliances on South Africa to address the rising cost of living. Their empirical results reveal a negative contribution of South Africa-BRIC trade on South Africa's economy, while South Africa-SADC trade produced positive results. Thus, trade composition is a challenge for South Africa-BRIC trade.

2.7 SMEs in South Africa

2.7.1 General outlook for South African SMEs

There are roughly 2,4 million known SMEs in South Africa, including township SMEs – about 710 000 formal and 1,7 million informal SMEs (Makgetla, Moshikaro and Levenson, 2023). It is estimated that SMEs contribute 35 percent to South Africa's GDP and generate 32 percent of the jobs in the economy. The share of women entrepreneurs is about 35 percent. The dominant sectors within which South African SMEs operate are retail trade, construction, professional services, manufacturing and logistics. More than 90 percent of all businesses in South Africa are SMEs (Rajagopaul, Magwentshu and Kalidas, 2020).

In South Africa, SMEs are prone to collapse within the first two years (Msomi, Olarewaju and Ngcobo, 2021), with access to finance and low literacy being among the key reasons. Lekhanya (2015) stated that a lack of adequate entrepreneurial education and training, a lack of financial support and inadequate human capital further contributes to the high rate of failure SMEs in South Africa. The COVID-19 pandemic worsened SMEs vulnerability (Rajagopaul, Magwentshu and Kalidas, 2020). In the South African case, this means access to affordable funding, financial knowledge, demand for products and the awareness of support opportunities have been negatively affected.

The unstable electricity supply, as manifested in loadshedding – i.e., scheduled electricity supply interruptions to manage excess demand - has had a negative effect on SMEs (Makgetla, 2023), including:

- Additional expenses for off-grid energy generation, such as solar systems or diesel generators.
- Equipment breakdown due to intermittent electricity availability.
- Business closure during loadshedding, due to loss of sales.
- Possibility of heightened crime during loadshedding.

Lekhanya (2015), and Msomi, Olarewaju and Ngcobo (2021), suggested the following key recommendations to support SMEs in South Africa:

- The government should mentor and monitor SME performance with a view to developing the correct interventions.
- The government should provide business and financial training programmes to SMEs with a view of improving human capital and business skills.
- Entrepreneurship should be a compulsory subject at school.

Rajagopaul, Magwentshu and Kalidas (2020) added that, in order to support SMEs in South Africa, there needs to be a deliberate effort to:

- Improve the national entrepreneurship environment.
- Invest in relevant skills and capabilities required by SMEs.
- Steer SMEs research and development.
- Provide targeted SMEs support in the post-lockdown period.

2.7.2 Comparing South African SMEs and BRIC SMEs

Table 2-3 shows the key factors relating to relevant economic aggregates in all BRICS countries to facilitate comparison. Most of the factors are similar for all BRICS countries, which confirms that SMEs around the world face similar issues. For example, the comparison shows that SMEs make a significant contribution to both national GDP and employment, and that challenges such as lack of finance and inadequate business skills are common. Similarly, solutions such as providing training programmes, providing financial support and simplifying laws, regulations and administrative processes relating to SMEs, are common in all BRICS countries.

This comparison is consistent with findings from research undertaken to uncover lessons from Brazil and India for South African SMEs (Timm, 2011). Brazil and India face similar economic challenges to South Africa, such as low quality of education and infrastructure gaps. An assessment of policies, government support schemes and the SMEs operational environment shows that policies and schemes to support SMEs seem to be working in Brazil, but less so in India and South Africa (Timm, 2011). The key reasons for this are functioning monitoring systems, driving economic targets from the top and a simple support structure in Brazil compared to India and South Africa.

The key findings and lessons for South Africa are (Timm, 2011):

- Government support should be coordinated better through a simplified and automated structure, not the current multitude of departments and entities that support SMEs.
- Credit guarantees should be provided for SMEs on a large scale.
- Government should get buy-in from private sector companies, especially banks, to set up a credit subsidy scheme for SMEs.
- SMEs that promote innovation should be rewarded.
- Government should allocate clear procurement set asides for SMEs where relevant.
- Government should automate its procurement system.
- Government agencies that support SMEs should be professionalised and capacitated.
- SME business incubators and accelerators should be supported.
- The benefits of clustering SMEs should be assessed.
- A national entrepreneurial vision should be crafted and supported at presidential level.
- Collaboration and partnership platforms should be put in place.
- An effective, real-time monitoring system should be put in place.

Table 2-3: Comparing BRICS SMEs and South African SMEs

Brazil	Russia	India	China	South Africa
Contribution to the economy and areas of focus				
<ul style="list-style-type: none"> • contribute 30% of GDP and employ 54% of labour force • dominated by the wholesale and retail trade, services and industrial activities 	<ul style="list-style-type: none"> • contribute 25% of GDP and employ 23% of labour force • dominated by retail trade, manufacturing and construction 	<ul style="list-style-type: none"> • contribute 32% of GDP and employ close to a billion people • dominated by retail trade, services and manufacturing 	<ul style="list-style-type: none"> • contribute 60% of GDP and employ 82% of the labour force • dominated by manufacturing, wholesale and retail trade and construction 	<ul style="list-style-type: none"> • contribute 35% of GDP and employ 32% of the labour force • dominated by retail trade, construction, professional services, manufacturing and logistics
Challenges faced				
<ul style="list-style-type: none"> • struggling to achieve digital transformation • challenges with innovation • access to capital is restricted • need skilled personnel • entrepreneurs are vulnerable to lawsuits 	<ul style="list-style-type: none"> • shortage of qualified personnel • need to reduce tax burden • high administrative barriers • need for financial support • need for non-financial support 	<ul style="list-style-type: none"> • adverse market conditions • adverse technological conditions • low SMEs spatial clustering • bad condition of infrastructure • unavailability of loan finance • weak entrepreneurial culture • low foreign direct investment 	<ul style="list-style-type: none"> • low buying for economies of scale • difficulty sourcing finance • difficulty getting consultation services • unable to reach global markets • high domestic competition • difficulty accessing training, technology and market intelligence 	<ul style="list-style-type: none"> • lack of access to funding • inadequate financial knowledge • weak customer demand • unaware of available support • unstable electricity supply • additional energy expenses • equipment breakdown, loss of sales and heightened crime due to loadshedding
Policy recommendations				
<ul style="list-style-type: none"> • streamline competition regulations • support for knowledge-intensive sectors • support collaborative innovation • promote digital technologies • encourage SMEs exports • create incubators/ accelerators 	<ul style="list-style-type: none"> • support with tax, administration and finance • subsidise vulnerable SMEs • increase public procurement • provide tax incentives and deferrals on loans and rental payments • support with re-training 	<ul style="list-style-type: none"> • simplify institutional finance • address inadequate infrastructure • consider government concessions and subsidies • host regular trade fairs and exhibitions • upskill entrepreneurs • provide sensitive labour laws • new tax regime for SMEs 	<ul style="list-style-type: none"> • improve SMEs service quality • use experiences from other parts of the country • enhance SMEs competitiveness • develop SMEs financing system • develop SMEs technological innovation system 	<ul style="list-style-type: none"> • mentor and monitor SMEs • provide training programmes • make entrepreneurship a compulsory school subject • improve the national entrepreneurship environment • steer SMEs research and development • provide targeted SMEs with support in the post-lockdown period

2.7.3 Comparing South African SMEs to those in selected SADC countries

Table 2-4 provides a comparison of SMEs in a selected list of SADC countries to those in South Africa. Similar to the BRICS comparison table, this table shows that SMEs in both SADC and South Africa face similar challenges, such as inadequate finance, insufficient skills, inadequate infrastructure and onerous government policies. The policy recommendations provided include recommendations about resolving these and similar challenges, especially in terms of financing and regulations.

In a similar comparison, Muriithi (2018) compared the conditions faced by SMEs in China to those on the African continent. He found that what has come to be known as the economic “growth miracle” of China has its foundations in SMEs, which account for 97 percent of all businesses in the country. The contribution of Chinese SMEs to GDP is high in some sectors, e.g.: up to 70 percent in the paper and printing sector; 80 percent in the food, garment tannery, recreation and sport, metal works and plastic sectors; 90 percent in the wood and furniture sector. Similarly, their sectoral contribution to employment can be as high as 85 percent in the industrial sectors and 65 percent in the construction sector.

Muriithi (2018) suggested the reasons for this superior performance in China to be:

- conducive policies (preferential taxation, a financially-supportive fiscal policy, favourable credit terms for SMEs);
- relevant forms of business, such as township or village-based versus private enterprise;
- a one-product-one-town concept (businesses in an area specialise in one product).

Beyond this, SMEs growth in China is pursued as part of the national strategic plan, and the government provides relevant training, technology and business zones to SMEs.

Table 2-4: Comparing selected SADC SMEs and South African SMEs

Namibia	Botswana	Zimbabwe	Mozambique	South Africa
Contribution to the economy and areas of focus				
<ul style="list-style-type: none"> • contribute 11% of GDP and employ 33% of labour force • dominated by services, catering and manufacturing 	<ul style="list-style-type: none"> • contribute 20% of GDP and employ 50% of labour force • dominated by retail trade, manufacturing, services and agriculture 	<ul style="list-style-type: none"> • contribute up to 50% of GDP and employ about 50% of the labour force • dominated by manufacturing, retail trade and construction 	<ul style="list-style-type: none"> • contribute 52% of GDP and employs 43% of the labour force • dominated by retail trade, hospitality and manufacturing 	<ul style="list-style-type: none"> • contribute 35% of GDP and employ 32% of the labour force • dominated by retail trade, construction, services, manufacturing and logistics
Challenges faced				
<ul style="list-style-type: none"> • inadequate size, location and business focus • weak entrepreneurial spirit • inability to make managerial decisions • adverse external factors, e.g., economy, competition, markets 	<ul style="list-style-type: none"> • lack of financing • inadequate managerial and marketing skills • lack of access to land • skewed procurement process • onerous government laws and regulations • weak customer relationships • adverse socio-economic issues • technological challenges 	<ul style="list-style-type: none"> • low access to finance • inadequate marketing skills and knowledge • insufficient business skills • inadequate infrastructure • insufficient access to land • insufficient business information • unsupportive regulatory environment 	<ul style="list-style-type: none"> • difficulties integrating informal businesses • inadequate collateral assets • insufficient SMEs support services • inability to access finance • lack of awareness of funding/equity opportunities 	<ul style="list-style-type: none"> • lack of access to funding • inadequate financial knowledge • weak customer demand • unaware of available support • unstable electricity supply • additional energy expenses • equipment breakdown due to loadshedding
Policy recommendations				
<ul style="list-style-type: none"> • create an angel funding platform • develop tax incentives • craft a specific survivalist funding and trading strategy • create community banks and financing models • pursue targeted SMEs tenders • provide capacity building • simplify business registration and licensing • provide appropriate basic infrastructure for SMEs 	<ul style="list-style-type: none"> • assist SMEs to access export channels, finance, technology, business development services • minimise government bureaucracy 	<ul style="list-style-type: none"> • develop adequate mechanisms to distribute knowledge properly • government to commit to implementing policies • consult role players to create national SMEs policies • Develop SMEs strategic framework 	<ul style="list-style-type: none"> • foster competition • provide financial support • communicate opportunities to SMEs clearly 	<ul style="list-style-type: none"> • mentor and monitor SMEs • provide training programmes • make entrepreneurship a compulsory school subject • improve the national entrepreneurship environment • steer SMEs research and development • provide targeted SMEs with support in the post-lockdown period

2.7.4 Most valuable lessons for South African SMEs from BRICS and SADC

The BRICS and SADC assessments reveal that there are many lessons for South African SMEs. The three most valuable lessons can be summarised as follows:

- It is important for SMEs to keep learning from each other. Challenges faced by SMEs are the same the world over, differing purely in context and extent.
- SMEs should assist the government's effort by organising themselves and engaging the state as a coherent body. Government is willing to support SMEs, but not always seem certain how to go about it. In the same vain, SMEs should assist the government when collecting SMEs data by responding to surveys where possible.
- SMEs must embrace digitalisation and upskilling in order to remain innovative.

Even though SMEs challenges are similar around the world, advanced countries have had more experimenting time and have largely succeeded in alleviating SMEs development challenges by identifying SMEs with high growth potential and developing relevant policies to support them (OECD, 1997; 2002). SMEs growth potential is often identified through assessing innovation, market/technology linkages, organisation and management, teamwork and networking. However, skills shortages in the OECD make skills matching difficult, which in turn makes it challenging to expand SMEs workforce (Raes, 2021). Relevant policies designed by the OECD to support SMEs development include training assistance, innovation assistance and financing assistance.

2.8 Conclusion

This chapter assessed the theoretical and observed reviews on micro-economics, with a special focus on three theoretical elements, namely, behavioural economics, business management principles and public demand. There is an established link between these theoretical concepts and township SMEs. The chapter also compared SMEs in BRICS and SMEs in SADC to SMEs in South Africa, and found that SMEs in these regions face more or less the same challenges. This finding suggests that the challenges faced by businesses that operate at the bottom of the wealth pyramid are similar across the world. Continued engagements with the contexts and extent of challenges faced by SMEs outside of South Africa may assist in the formulation of South African solutions and interventions.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The previous chapter provided a literature review on the topics that informed this study. These topics relate to business growth theory, behavioural economics, business management principles and public demand. This chapter presents the study approach. It covers the following topics: research design; study area, population and sampling; data collection instruments and data collection process; pilot study; validity and reliability of data; data analysis; bias and ethical considerations.

The overall research paradigm adopted for this study was epistemology in pursuit of gaining new knowledge, mainly by interpreting authoritarian knowledge, gathering and interpreting empirical knowledge, applying logical reasoning to facts and, to a lesser extent, drawing on intuition about factors that influence the growth of township SMEs, in order to design a public sector demand-led growth strategy for these businesses (Guba and Lincoln, 1994:105-117; Kivunja and Kuyini, 2017:26-41; Perera, 2018).

3.2 Research design

The research design is the construct within which the study is implemented and which holds the various elements of the research together (Akhtar, 2016:68). It constitutes systemic planning for the research (Smith, 2000:27). Given the deficiency of both in-depth research undertaken on SMEs and readily available socio-economic data on townships in South Africa, the research design adopted was exploratory and descriptive in nature (Akhtar, 2016:73-77). The exploratory approach is applied when there are few or no earlier in-depth studies to which reference can be made for information (Kumari *et al.*, 2023). The descriptive approach is suitable for obtaining information on the nature of a particular matter and then providing a detailed description of it in order to deepen research in future (Savin-Baden and Major, 2023).

In terms of the research evolution, scholarly interest in South African townships remains largely anchored in the effects of apartheid, albeit through various themes, as articulated by Jürgens, Donaldson, Rule and Bähr (2013:256-260). In the post-apartheid period, research interest in terms of townships became less concerned about

political correctness and justification of the township structure and more about:

- The provision of realistic empirical research on the situation in townships.
- Revealing the dire need for social and economic infrastructure in townships.
- Broadening the understanding that townships are stand-alone economic spaces that need not be appendages of white cities in order to survive.
- Identifying the multiple social ills, as manifested in the lack of education opportunities at par with those in urban areas, as well as high unemployment and poverty levels.

Lack of proper service delivery and unsatisfactory economic support in South African townships, and other deficiencies, remain the key challenges that also have a negative impact on township SMEs.

The study employed a mixed research method, i.e., a combination of quantitative and qualitative methodologies in an integrated fashion, to ensure useful data was gathered using exploratory and descriptive designs (Archibald, 2023). Choosing the mixed method approach was informed by the suggestion made by Knappertsbusch *et al.* (2023) that the two methodologies of quantitative and qualitative research can be used in a mutually reinforcing manner, as their different strengths create synergy, and the weaknesses of one method are rectified by the strengths of the other.

3.3 Study area, population and sampling

The study area analysed consisted of three townships from three provinces in South Africa, namely Gauteng Province (Saulsville Township), KwaZulu-Natal Province (Ezakheni Township) and Mpumalanga Province (Matsulu Township). The unit of analysis was businesses in an urban, a rurban and a rural township. Urban areas in South Africa are at the one extreme, being former White areas that are amply-resourced and well-developed with functional infrastructure, while rural areas are at the other extreme, being mostly under-resourced and undeveloped with insufficient infrastructure. Rurban areas fall somewhere in the middle of these two extremes.

The study area townships were purposively selected because they fit within these definitions. Purposive sampling refers to a non-probability sampling procedure in which units are selected because they have the required characteristics (Obilor, 2023). In

other words, sampling units are picked 'on purpose' in purposive sampling. Gauteng, KwaZulu-Natal and Mpumalanga Provinces can be delineated, respectively, as urban, rurban and rural on the basis of human settlements (Stats SA, 2003; Stats SA, 2012:18,41; Stats SA, 2016:16,56-57), as these provinces are estimated to have 90 percent, 46 percent and 41 percent of their population living in urban areas, respectively. The urban, rurban and rural demarcations are therefore also defined in terms of the extent of urban area in each province, i.e., high, medium and low.

A three-stage sampling approach was used to select the required sample. It is a special case of multistage sampling. Multistage sampling means that the researcher collects a research sample from a study population using smaller and smaller groups at each process stage (Wu *et al.*, 2023) – in this case, three sampling stages. This method is often applied to draw research data from a large, geographically distributed group of people in national surveys.

Both qualitative and quantitative research approaches were used in this study. While the qualitative data from interviews captured the views, opinions and beliefs of the entrepreneurs, the quantitative data from the questionnaire was used to make generalisations of the findings. First, as established in Palys (2008:697-698), a purposive non-probability sampling technique was used to select three townships that meet the urban, rurban and rural areas definitions by virtue of being in the selected provinces, i.e., Saulsville Township in Gauteng, Ezakheni Township in KwaZulu-Natal and Matsulu Township in Mpumalanga.

Second, a sampling frame was drawn of the targeted enterprises that have a physical address in the dominant traditional business area in these townships. An initial business population assessment, based on desktop research and engagement with dwellers in these townships, showed that there was an estimated total of 160, 126 and 156 businesses with a physical address in Saulsville Township, Ezakheni Township and Matsulu Township.

The most dominant types of SMEs businesses are shown in Table 3-1. For purposes of this study, the sectors of focus for all three townships were the five dominant sectors, namely, retail enterprises, catering, services, automotive and construction.

Table 3-1: Dominant types of business in the townships

Business Types	Saulsville	Ezakheni	Matsulu
Retail enterprises – supermarkets, spaza shops, artwork	36%	33%	42%
Services – beauty salons, legal, health, funeral, banking	20%	20%	17%
Catering – bakeries, restaurants, taverns, <i>shisa nyama</i>	18%	18%	13%
Automotive – repairs, panel beating	9%	8%	8%
Construction – buildings, roads	7%	8%	10%
TOTAL	89%	87%	90%

Lastly, a random sample of entities was drawn from the dominant sectors per township. The dominant sector samples totalled 142 for Saulsville Township, 109 for Ezakheni Township and 141 for Matsulu Township. The interview sample was 32 percent of the dominant sectors, comprising 45 entities for Saulsville Township, 35 entities for Ezakheni Township and 45 entities for Matsulu Township. Even though the growth obstacles for SMEs in South Africa tend to be concentrated in a few factors in all provinces, the natural strata of the target group were kept when collecting the data (Grundling and Kaseke, 2010). This sampling approach supported the mixed method of research chosen for this study.

3.4 Data collection instruments

A questionnaire and an interview were used as data collection instruments to gather primary data on views and opinions, personal information, business information and details regarding the experiences and challenges of practitioners with regard to business growth. The data collection instruments were used together in a complementary manner for each SMEs to ensure rigour in the information collected through triangulation.

The questionnaire was used to capture quantitative information. In order to capture the attitudes of practitioners in terms of each question asked, a 5-point Likert scale was used with closed questions. Dichotomous questions that require one of two responses were also used with questions on business growth (Likert, 1932:8; Rinker, 2014:4; McLeod, 2018:1-3).

The interview tool was used to collect qualitative information. The central question being: “*What are the key factors that have hindered the growth of the business and*

how have these changed over time?” The interview used a standard schedule of questions to ensure reliability and accuracy of the data collected (Korstjens and Moser, 2018).

Three field workers were trained on the data collection process and completed a total of 392 questionnaires for the three townships. The data collection process first clarified the purpose of the study to business practitioners surveyed, and assured them that their contributions would remain confidential. This also ensured that the fieldworkers obtain the required responses. A pilot study was used to test the validity and reliability of the questionnaire.

3.5 Pilot study

A pilot study is a small-scale introductory study that is undertaken to evaluate the practicality (feasibility), duration, cost and adverse events related to the study, and to then improve the study design before embarking on a full-scale study (Leon, Davis and Kraemer, 2011). The pilot study for this research was undertaken in two phases. First, the questionnaire was informally validated by two academics and one colleague. The style of questions in the questionnaire was simplified to ensure that no jargon was used. Second, data was collected from five SMEs from Soshanguve Township in Gauteng Province to determine if the questions were understood as required.

The feedback from the pilot study assisted with correcting the tool by adjusting and rephrasing questions to enhance understanding of the study. In particular, the question on sector of operation of each entity to be surveyed was expanded to allow for the type of business to be captured. An additional question on the impact of the COVID-19 lockdowns on business growth was added, as the pilot candidates raised it as one of the factors under “other factors”. The questionnaire was also cleared of all pre-selected tick boxes in the questionnaire were also cleared to avoid the identified prevalent confusion when completing it.

3.6 Validity and reliability of data

In addition to guiding the correction of the questions in the tool, the pilot study enabled an assessment of the validity and reliability of the questionnaire. Validity refers to the

extent to which collected responses for measures represent the intended measures, while reliability denotes the consistency of a measure (Kember and Leung, 2008:342-345; Heale and Twycross, 2015:66-67; Mohajan, 2017:59). The aim was to have a questionnaire that was both valid and reliable in covering the intended variables in a consistent manner. As indicated below, the questionnaire was deemed valid and reliable, as it is structured such that conclusions drawn from the data collected are appropriate and can be replicated under similar conditions.

The validity tests employed were both theoretical and empirical (Bolarinwa, 2015:196-199). Theoretical validation included appearance and content assessment, while empirical validation related to criterion (predictive validity) and construct (factorial validity) assessment. The questionnaire was developed based on the known SMEs growth factors identified in the literature reviewed. The two academics and one colleague who assessed the questionnaire confirmed that the questions contained in the questionnaire are within the conceptual domain of SMEs growth. Hence, at face value, and given its content, the questionnaire is theoretically valid.

The criterion assessment done sought to confirm whether the questions on SMEs growth factors contained in the questionnaire do predict business failure. In other words, the test is whether the factors outlined do hinder business growth, if they are absent. Given that the assessed business growth factors are critical for SMEs growth, the positive overall correlation ratio of 90 percent among the questions indicates that the absence of these factors results in business failure. Furthermore, based on the factors identified in literature as hindering SMEs growth, the questionnaire was deemed to pose relevant questions.

The factorial validity test confirmed that the questions posed in the questionnaire measure different aspects of the same underlying construct, i.e., assessing business growth factors. Although the pilot study had a small sample, all the items loaded correctly into the retained factors of the factor analysis exercise and had a generally positive correlation. Items with a low correlation of less than 0.3 were not discarded, as all items had a high correlation. The factor loadings were almost equally distributed among the retained factors and a high loading appeared in only one factor per question.

The reliability test focused on the internal consistency of the assessment across the different business growth items. Two assessment tools - Cronbach's alpha coefficient and the Guttman index - were applied to test the questionnaire for reliability (Gliem and Gliem, 2003; Bond, 2003:179-194; Taherdoost, 2016:28-36; Garba, Kabir and Mahmoud, 2017).

The Cronbach's alpha coefficient was 0.672 for the pilot study, while the standardised Cronbach's alpha was 0.816. The Cronbach alpha employs mainly covariances among the assessed items and the standardised version uses correlations among items. However, the Guttman index splits the collected observations in half to assess reliability, and it recorded a value of 0.828. These values are acceptable indicators of the reliability of the questionnaire. If the questions on respondent and business profiles are excluded from the assessment, the Cronbach alpha values increase to 0.913 and 0.911, respectively, while the Guttman index increases to 0.997.

To ensure more rigour in the outcomes of the interviews, strategies for triangulation and transferability were also employed (Korstjens and Moser, 2018). For triangulation, a method triangulation strategy that emphasises multiple methods of data collection was used while for transferability, a thick description strategy that describes practitioners' behaviour and their context was adopted.

3.7 Data collection and analysis techniques

Data collection consisted of the interviews and the questionnaire, which were emailed to the respondents. Both tools have been described in section 3.4. The interviews were based on the interview guide. The interviews collected qualitative data, while quantitative data were collected using a questionnaire. At the planning stage, and the preparation and survey stages for data collection, great care was taken to ensure that COVID-19 protocols were followed because the process unfolded throughout the pandemic era.

Qualitative data were categorised into themes and analysed using the narrative data analysis approach, so as to derive 'stories' from practitioners, as shown in Chapter 4 (Kawulich, 2004:104; Riessman, 2005:2). In line with the animal spirits principle, this approach emphasised the content of the stories, rather than how the stories were told.

In this context, 'stories' means the thoughts, reflections, views, opinions, dialogue and beliefs of the sampled practitioners.

The quantitative data were arranged in Excel, and XLSTAT was used to do descriptive and inferential analysis. Descriptive analysis entails summarising the collected variables and finding patterns, while inferential analysis refers to assessing and showing relationships between multiple variables to arrive at statistically sound generalisations and predictions. A comparison of the results within and between the three township categories was done using relevant charts and tables.

3.8 Bias

Research bias occurs when systemic errors occur in any aspect of the methodology, such as sampling, data collection, analysis or testing, for example by selecting study units in a preferential way, rather than a scientific way, encouraging one outcome or answer rather than another, or influencing a respondent to answer in a specific way (Chen *et al.*, 2023). This means that quality assurance should be done at every stage of the study, because bias can take place at any stage, including at the study design or data collection, as well as in the process of data analysis and publication. Bias can also occur if wrong data analysis methods are used, or if analytical analysis methods are used incorrectly. In this study, quality checks were used to offset any bias.

3.9 Ethical issues

An ethical research clearance certificate was obtained from the College of Economic and Management Sciences in terms of the UNISA Policy on Research Ethics (UNISA, 2016:5). (See Appendix A.) An application was lodged and, upon approval, the university policy guidelines for research involving human participants were followed. The pandemic protocols in UNISA's guide to planning, preparing for and conducting fieldwork in the context of COVID-19 were followed, as the COVID-19 pandemic that was still unfolding during the data collection phase (UNISA, 2021).

All survey respondents were informed about the purpose of the study, they were protected in terms of COVID-19 protocols and they participated voluntarily. Respondents were assured of the confidentiality of their responses and the survey

results were reported on in an aggregated manner so that no respondent's identity was revealed.

3.10 Conclusion

Chapter three outlines the research methodology. A mixed research method was used for the study, and an exploratory research design was preferred. The evolution on township research shows that scholarly interest remains anchored on the effects of apartheid. The townships studied are defined as urban, rurban and rural areas. An interview guide and a questionnaire were used as the main data collection instruments. A pilot study was used to adjust the questionnaire and to assess its validity and reliability. Descriptive and inferential analyses were drawn from the data collected. The next chapter details the findings of the study.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Introduction

A comprehensive description of the research methodology used is provided in Chapter 3. The chapter explained that this study employed a mixed research method to ensure useful data was gathered using the exploratory and descriptive designs. The data collection instruments used to gather primary data were a questionnaire and an interview. Descriptive and inferential analyses were done on the data collected. Descriptive analysis entailed summarising the collected variables and finding patterns, while inferential analysis comprised assessing and showing relationships between multiple variables to arrive at statistically sound generalisations and predictions.

This chapter provides a presentation of the study findings. It presents the analysis of questionnaire responses and then the interview responses. The questionnaire results include respondents' profiles, business profiles and business growth factors. The profiles are the demographics of gender, age of owner, province of business location, nationality of owner, educational attainment of the owner and the sector in which the business operates. Percentages are used to enable comparability of the number of small businesses. Tables and graphs (bar charts) are also used in some instances for easy understanding and to show emphasis. The interviews focussed on the main research question and the supporting questions. The chapter ends with a discussion of the findings.

4.2 Analysis of questionnaires

The study aimed at and successfully distributed 392 questionnaires in three townships in South Africa, corresponding to statistical samples of 142 entities in Saulsville Township, 109 entities in Ezakheni Township and 141 entities in Matsulu Township. All the questionnaires were completed and collected, yielding a response rate of 100 percent, which is not common. Hence, this study is considered to be auspicious. The questionnaires captured quantitative and qualitative information on the respondents' profiles, business profiles and business growth factors. These elements are explored in detail below.

4.2.1 Respondents' profiles

4.2.1.1 Province and gender

Table 4-1: Province and gender

Province	Total respondents	Percent male	Percent female
Gauteng, Saulsville Township	142	54%	46%
KwaZulu-Natal, Ezakheni Township	109	57%	43%
Mpumalanga, Matsulu Township	141	61%	39%

Table 4-1 demonstrates that the Gauteng township has the most small businesses, which is not a surprise, given that the province is viewed as a business hub for the country. However, it was surprising that the Matsulu rural area of Mpumalanga had more entities than the rural area of KwaZulu-Natal, given that the latter is more urban, the province is bigger, it is a more renowned tourist attraction, and it has an international airport and a seaport. The respective capitals cities of these two provinces are Mbombela and Durban.

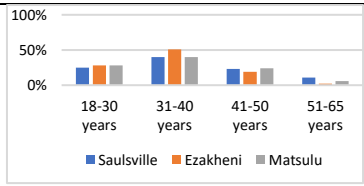
The table also shows that, in all three townships, male business owners are dominant. The lowest percentage for male business owners is seen in Gauteng, which automatically means that the percentage of women business owners is higher in Gauteng than in the other two provinces. Mpumalanga has the lowest percentage of women business owners, which means that Mpumalanga has the highest percentage of male owners of SMEs compared to the other two provinces. However, Mpumalanga does not have the most businesses - Gauteng does.

Of the businesses surveyed, 57 percent are owned by males. This dominance is slightly more pronounced in the rural township than in the urban township. For example, the percentage of male business ownership in Saulsville Township, which is defined as urban, is 54 percent, while it is more than 60 percent in Matsulu Township, which is considered rural. These survey outcomes show that the entrenched societal norm that men are the main providers for their families is being eroded faster in urban areas than in rural areas, placing women on almost an equal footing as men.

4.2.1.2 Age of respondents

Table 4-2: Business owner’s age*

	Saulsville	Ezakheni	Matsulu
18-30 years	25%	28%	28%
31-40 years	40%	51%	40%
41-50 years	23%	19%	24%
51-65 years	11%	2%	6%

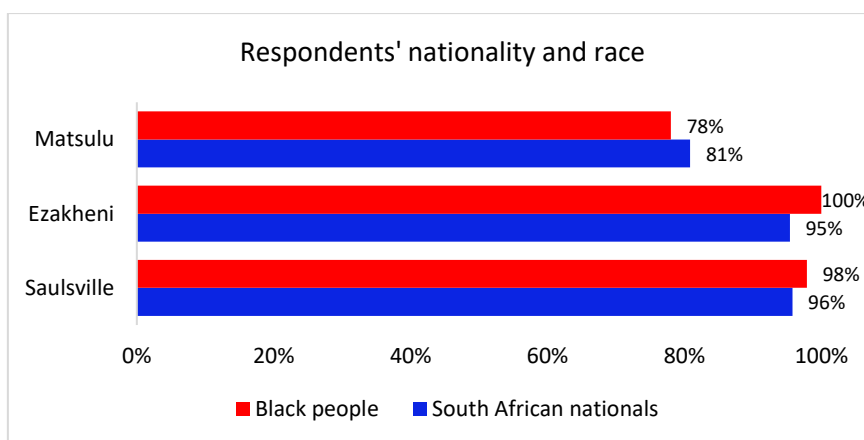


*Numbers might not add up to 100, due to a small ‘other’ age category.

As shown in Table 4-2, the majority of business owners surveyed in the three townships were between 31 and 40 years old. At least 40 percent of business owners in Saulsville Township and Matsulu Township were between 31 and 40, while the proportion was 51 percent in Ezakheni Township. The rural township of Ezakheni Township has a younger entrepreneur cohort, with 79 percent of the business owners surveyed being younger than 41. The urban township of Saulsville Township had the most business owners in the mature or middle-to-late adulthood categories (30-60 years), with 33 percent of SMEs surveyed being older than 40. These results reflected Saulsville Township’s more than 70 years of existence, which means that its early inhabitants had a head start.

4.2.1.3 Nationality and race

Figure 4-1: Nationality and race of respondents



The initial aim was to focus the survey on businesses owned by South Africans only. However, it was not feasible to determine which businesses are owned by South

Africans before starting the data collection process. Thus, it was decided that an analysis of the nationality of the business owners would be done during the data analysis stage. The survey results show that more than 80 percent of all businesses surveyed are owned by South African nationals. Figure 4-1 shows that these business owners are mostly Black people, with 100 percent in Ezakheni Township, and Matsulu and Saulsville Townships recording 78 percent and 98 percent, respectively. Matsulu had the highest percentage of foreign national business owners – 19 percent - including Ethiopians, Mozambicans and Asians.

4.2.1.4 Education level

Table 4-3: Business owners' education level

	Saulsville	Ezakheni	Matsulu
No qualification	5%	0%	18%
Grade 1 – 7	1%	0%	8%
Grade 8 – 11	22%	39%	19%
Grade 12	43%	50%	38%
First Degree/ Diploma	25%	9%	16%
Postgraduate Degree	4%	2%	1%

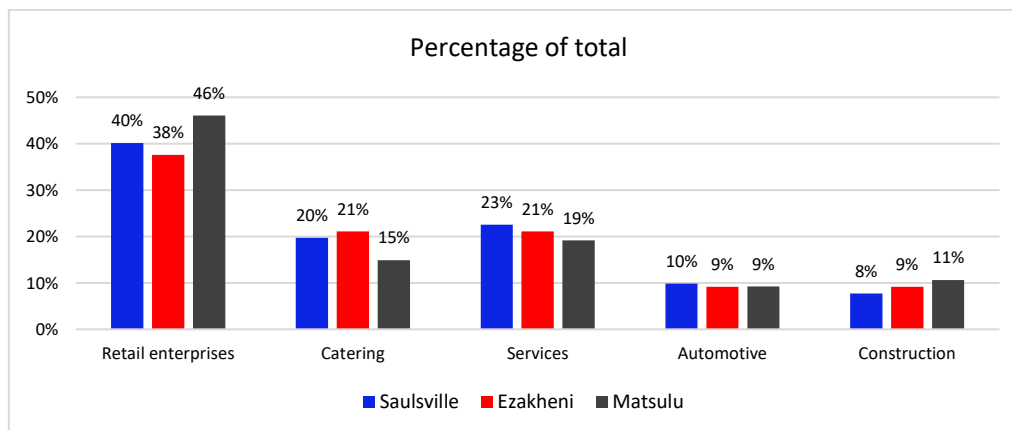
The dominant education level among township business owners is Grade 12. As shown in Table 4-3, Ezakheni Township has the highest percentage of business owners in the Grade 8 to Grade 12 category: 89 percent of total businesses surveyed. Saulsville Township and Matsulu Township recorded 65 percent and 57 percent, respectively, in this category. Saulsville Township has the highest number of business owners with a post-matriculation qualification, followed by Matsulu Township.

Interestingly, and despite the high number of Grade 8 to Grade 12 business owners in Ezakheni Township, this township has the lowest number of business owners with a post-matric qualification. The data shows that business owners in the urban township are more educated than their rural and rural counterparts. This suggests that interventions for township businesses cannot be standardised, and that consideration should be given to the differing levels of education when SMEs support interventions are developed.

4.2.2 Business profiles

4.2.2.1 Business sector

Figure 4-2: Business sector prevalence



Retail enterprises, such as supermarkets and spaza shops, constitute the most prevalent type of business in townships. Services businesses, such as beauty salons, health services and funeral parlours, are the second most common type of business, followed by catering businesses, such as bakeries, restaurants, taverns and *shisa nyama*, in third place. Notably, construction works, such as paving and home building, featured strongly in Matsulu, at 11 percent of total businesses. (See Figure 4-2.) The automotive sector is the fifth most prevalent business sector in all townships: about 9 percent of all businesses surveyed. This survey outcome points to the prevalent procurement areas that must be considered when setting up public sector procurement activities to support townships. It is also important to note that the sector prevalence levels are consistent across all three townships surveyed, with no outliers identified.

4.2.2.2 Number of employees

Table 4-4: Average number of employees per entity

Business within:	Saulsville	Ezakheni	Matsulu
Retail enterprises	2	2	3
Catering	2	3	4
Services	4	3	4
Automotive	5	2	4
Construction	9	3	30

Table 4-4 shows the total number of jobs created by the 392 township businesses that were surveyed is 1 652. This demonstrates the power of township businesses to create jobs at an average ratio of 1:4 (one business: four jobs). At a sector level, various job creation ranges exist for township businesses: a retail enterprise can create between 2 and 3 jobs; a catering business can create between 2 and 4 jobs; a services business can create between 3 and 4 jobs; an automotive-related business can create between 2 and 5 jobs.

Since the average number of jobs recorded in Matsulu Township for job creation by the construction sector (30) is neither corroborated by the survey outcomes of the other townships nor supported by the interviews with SMEs, it was adjusted for outliers. Removing the eleven outliers then shows that the sector created four jobs per business on average. The realistic number of average jobs created by the construction sector is therefore not 14 $((9+3+30)/3)$, but more likely to be between three and nine jobs, as represented by Saulsville Township (3) at the low end and Ezakheni Township (9) at the high end.

4.2.2.3 Type of business

Figure 4-3: Dominant type of business

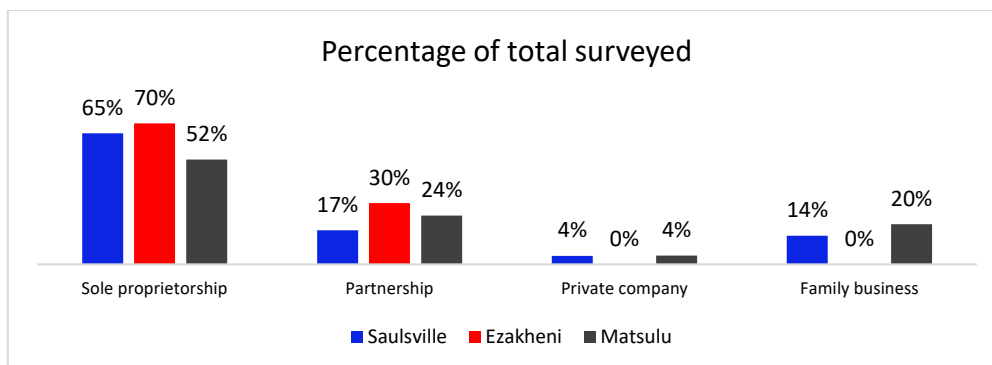
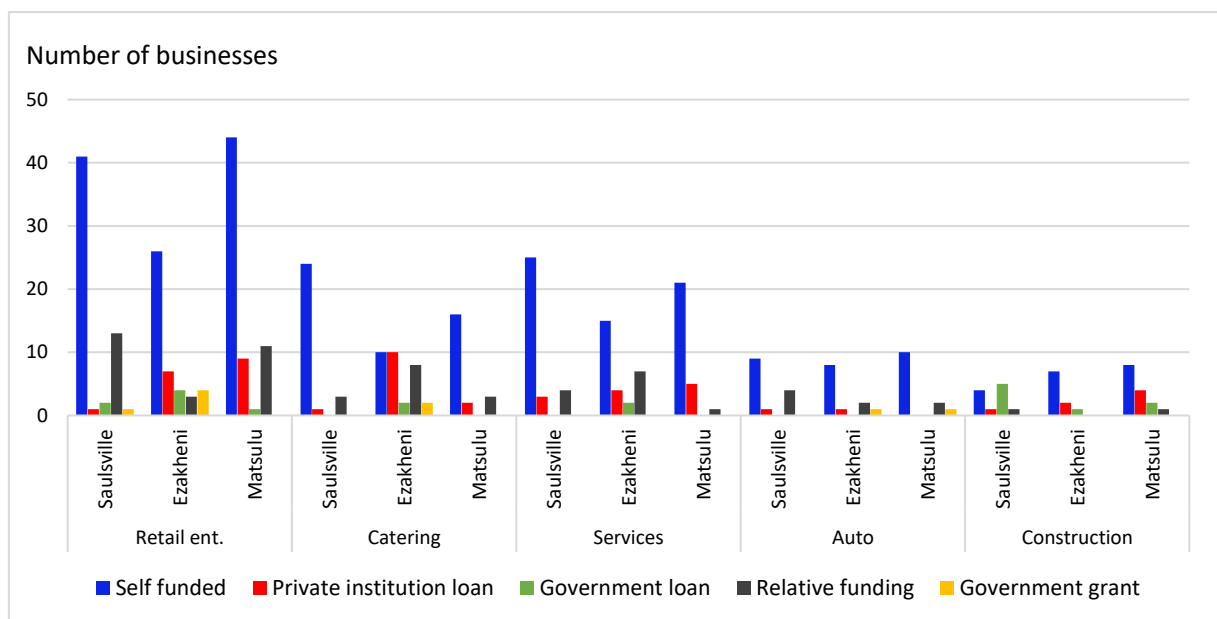


Figure 4-3 indicates that sole proprietorship is the dominant type of business in townships, followed by partnerships, as 70 percent of businesses surveyed in Ezakheni Township are sole proprietorships. Sole proprietorships also constituted 65 percent and 52 percent of all businesses surveyed in Saulsville and Matsulu Townships, respectively. Partnerships accounted for 30 percent, 24 percent and 17 percent of all businesses surveyed in Ezakheni, Matsulu and Saulsville Townships, respectively. These two business types are relatively easy and less costly to set up

than other types of businesses. This explains why they are preferred. The number of family businesses is much higher in Matsulu than in the other two townships – at 20 percent of SMEs surveyed SMEs. This figure is boosted by the fact that business owned by most foreign nationals are family businesses. The lowest business type is private companies: only 4 percent of the SMEs surveyed in Saulsville and Matsulu Townships reported that they are private companies, and no private companies were reported in Ezakheni Township.

4.2.2.4 Source of start-up capital

Figure 4-4: Source of start-up capital



Township businesses raise their start-up capital from various sources, with self-funding being the main source (68 percent on average) among all SMEs surveyed. Borrowing money or receiving a donation from a relative is the second most prevalent way of raising start-up capital: 16 percent. Loans from private institutions is the third most popular source, i.e., 13 percent.

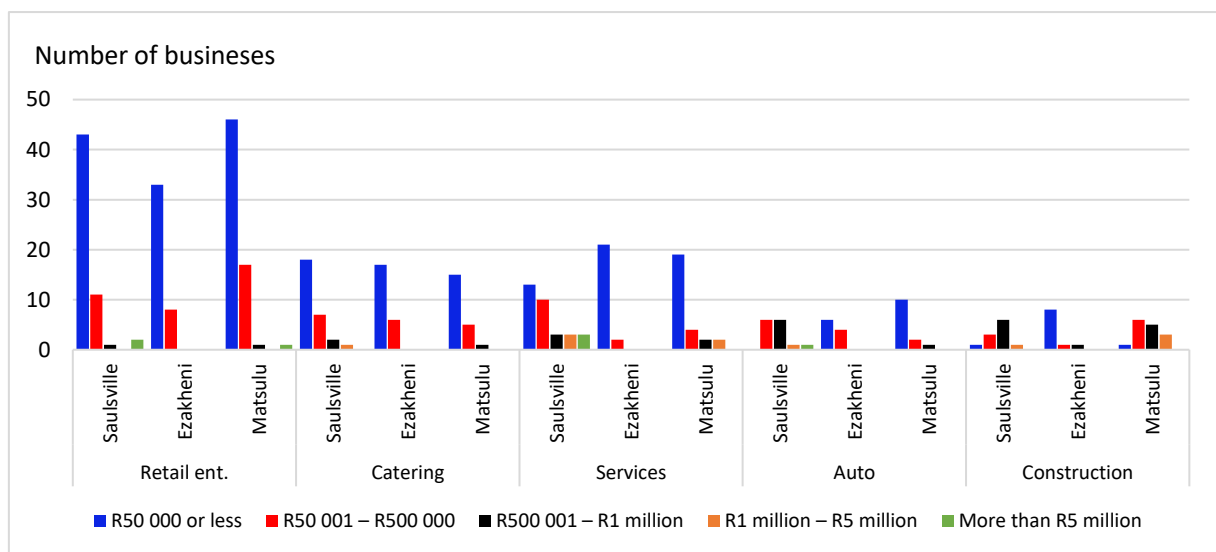
The number of self-funded businesses indicated in Figure 4-4 represent 73 percent of SMEs in Saulsville Township, 70 percent in Matsulu Township and 61 percent in Ezakheni Township. The percentage of SMEs that raised start-up capital from relatives is 18 percent for both Saulsville and Ezakheni Townships, and 13 percent for Matsulu Township. Twenty-two percent of SMEs in Ezakheni Township took out a loan to

finance their start-up, while 14 percent and 5 percent of SMEs from Matsulu and Saulsville Townships took out a loan, respectively.

The number of institutions that reported using a government loan or government grant as start-up capital was only 7 percent across all sectors. This highlights the uninspiring role that the government plays in funding township business start-ups and points to a massive opportunity for public sector intervention.

4.2.2.5 Total assets

Figure 4-5: Total assets per business sector



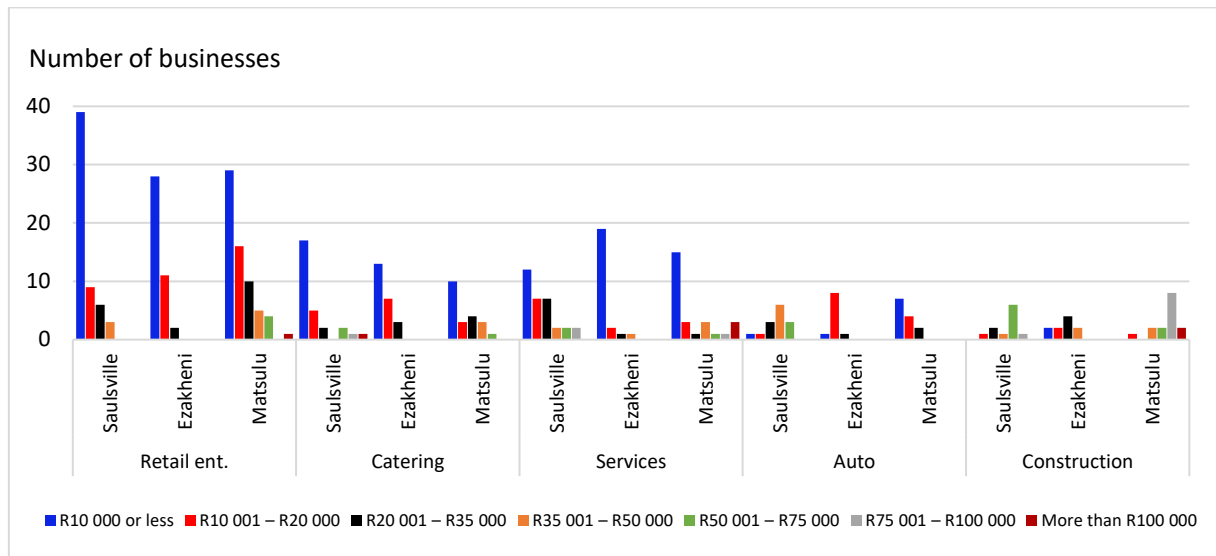
Most township businesses are small, with those owning assets worth R50 000 or less accounting for 64 percent of total SMEs surveyed. Businesses with assets worth between R50 000 and R500 000 and assets of more than R500 000 are 24 percent and 12 percent, respectively.

The numbers shown in Figure 4-5 represent 86 SMEs or 79 percent of the businesses surveyed in Ezakheni Township that have assets worth R50 000 or less. Matsulu and Saulsville Townships have 91 SMEs or 65 percent and 75 SMEs or 53 percent, respectively, in this category. SMEs with assets of between R50 001 and R500 000 were reported as follows: Saulsville Township has 37 SMEs or 26 percent of its surveyed businesses; Matsulu Township has 34 SMEs or 24 percent of businesses surveyed; and Ezakheni Township has 22 SMEs or 20 percent of businesses surveyed.

In the category of assets valued at more than R500 000, Saulsville Township reported the highest number, with 30 SMEs or 21 percent of its total surveyed businesses. Matsulu and Ezakheni Townships have 16 SMEs or 11 percent, and 1 enterprise or 1 percent, respectively.

4.2.2.6 Monthly turnover

Figure 4-6: Average monthly turnover



A total of 82 percent of all surveyed township businesses generate a turnover of R35 000 or less per month. Only 10 percent of township businesses generate a monthly turnover of more than R50 000.

The number of businesses shown in Figure 4-6 represents a total of 69 SMEs or 49 percent of total businesses surveyed that generate a monthly turnover of R10 000 or less in Saulsville Township. The equivalent indicator for Ezakheni and Matsulu Townships is 64 SMEs (59 percent) and 61 SMEs (43 percent), respectively.

Ezakheni Township reported the highest number of SMEs that generate a monthly turnover of between R10 001 and R20 000: 31 SMEs or 28 percent of the businesses surveyed in the township. The equivalent indicator for this category in Matsulu and Saulsville Townships is 27 SMEs (19 percent) and 23 SMEs (16 percent). In the category of SMEs that generate a monthly turnover of between R20 001 and R35 000, Saulsville Township reported 20 SMEs or 14 percent of total businesses surveyed in

the township. Matsulu Township reported 17 SMEs (12 percent) and Ezakheni Township reported 11 SMEs (10 percent) in this category. Matsulu reported the most SMEs that generate a monthly turnover of more than R35 000, i.e., 36 SMEs or 26 percent of total businesses surveyed in the township. Saulsville Township reported 30 SMEs (21 percent) and Ezakheni Township reported a low 3 SMEs (3 percent) in this category.

4.2.3 Business growth factors

4.2.3.1 Factors hindering growth at start-up

Table 4-5: Overall responses on factors that hinder growth at business start-up

	Saulsville	Ezakheni	Matsulu	Overall
Lack of abilities and skills	Agree	Disagree	Disagree	(49%) Disagree
Lack of knowledge about business registration	Agree	Agree	Agree	(52%) Agree
Inadequate financing	Agree	Agree	Agree	(60%) Agree
Poor inventory control	Agree	Agree	Agree	(54%) Agree
Inadequate information and technology	Agree	Agree	Agree	(47%) Agree
Crime	Agree	Uncertain	Disagree	(45%) Mixed
Inadequate infrastructure	Agree	Agree	Disagree	(42%) Agree
Lack of capital and guaranteed income	Agree	Agree	Disagree	(57%) Agree
Lack of experience	Agree	Agree	Disagree	(54%) Agree

Responses to the question on factors that hinder business growth at business start-up were captured using a 5-point rating scale of 'strongly disagree', 'disagree', 'uncertain', 'agree' and 'strongly agree'. The ratings that received the highest number of responses are summarised in Table 4-5 per township. The overall view (across all townships) is averaged in terms of a two-thirds or more average and shown in the far-right column. The percentages in the far-right column represent the overall average extent of the outcome per factor. An outcome of 50 percent or more is regarded as a strong outcome.

Township businesses reported that the seven factors that hinder business growth at start-up are:

- (i) Lack of knowledge about business registration.
- (ii) Improper financing.
- (iii) Poor inventory control.
- (iv) Inadequate information and technology.

- (v) Inadequate infrastructure.
- (vi) Lack of capital and guaranteed income.
- (vii) Lack of experience.

There is a mixed view about crime, which suggests that crime continues to be a challenge. Respondents from Saulsville Township agreed that crime is a hinderance to business growth, while respondents from Ezakheni Township were uncertain about crime. However, respondents from Matsulu Township disagreed that crime was a hinderance. Overall, respondents disagreed that a lack of abilities and skills hindered business growth at start-up. However, respondents from Saulsville Township maintained that a lack of abilities and skills was a hinderance at business start-up.

4.2.3.2 Factors that currently hinder growth

Table 4-6: Overall responses regarding factors that currently hinder growth

	Saulsville	Ezakheni	Matsulu	Overall
Lack of abilities and skills	Disagree	Disagree	Disagree	(71%) Disagree
Lack of knowledge about business registration	Disagree	Disagree	Agree	(56%) Disagree
Inadequate financing	Agree	Disagree	Disagree	(45%) Disagree
Poor inventory control	Uncertain	Disagree	Disagree	(49%) Disagree
Inadequate information and technology	Uncertain	Agree	Agree	(39%) Agree
Crime	Agree	Uncertain	Disagree	(45%) Mixed
Inadequate infrastructure	Uncertain	Agree	Disagree	(46%) Mixed
Lack of capital and guaranteed income	Agree	Disagree	Disagree	(49%) Disagree
Lack of experience	Disagree	Disagree	Disagree	(72%) Disagree
COVID-19 lockdown	Disagree	Agree	Disagree	(46%) Disagree

Similar to item 4.3.2.1, responses to the question on factors that hinder business growth after a number of years of operation were provided using the 5-point rating scale of 'strongly disagree', 'disagree', 'uncertain', 'agree' and 'strongly agree'. The ratings that received the highest number of responses are summarised in Table 4-6 per township. The overall view (across all townships) is shown in the far-right column.

The only factor that was confirmed to hinder business growth after several years in operation is 'Inadequate information and technology'. However, at 39 percent, this was not a strong agreement. Respondents had mixed views about crime and inadequate infrastructure. The responses to these questions do not seem accurate, and in fact, later responses to questions in the survey seem to suggest that these factors continue

to be problematic in terms of business growth. The only logical explanation for this is the possibility that respondents interpreted the word “currently” in the question to mean “most pressing”. However, the consistency in the responses to interview questions on factors that hinder business growth suggest that these factors continue to be hinderances to SMEs growth.

4.2.3.3 Other factors affecting business operations

Table 4-7: Factors affecting operations

	Saulsville	Ezakheni	Matsulu	Overall
Quality of infrastructure is inadequate	True	True	False	(61%) True
Adequate finances	True	True	True	(67%) True
Adequate non-financial resources	True	True	False	(54%) True
Client base has sufficient buying power	True	True	True	(74%) True
Enough demand for product/ service	True	True	True	(87%) True

Notwithstanding the responses shown in Table 4-7, respondents confirmed that the following have a bearing on business operations and, as a result, on business growth:

- (i) quality of infrastructure (at a level of agreement of 61%);
- (ii) financial and non-financial resources (at a level of agreement of 54% to 67%);
- (iii) client base (at a level of agreement of 74%);
- (iv) consumer demand (at a level of agreement of 87%).

These responses can be regarded as strong, as they are all above 50 percent.

4.2.3.4 Factors that would support faster growth in future

Table 4-8: Factors that would support faster growth

	Saulsville	Ezakheni	Matsulu	Overall
Government increases information sharing	Agree	Uncertain	Uncertain	(52%) Uncertain
Take out business insurance against crime	Agree	Disagree	Agree	(52%) Agree
Attract and keep good employees	Agree	Agree	Agree	(73%) Agree
Improve my business and management skills	Agree	Agree	Agree	(62%) Agree
Keep accurate financial records	Agree	Agree	Agree	(55%) Agree
Diversify my product offering	Agree	Agree	Agree	(67%) Agree
Establish a credit system to monitor debt sales	Agree	Disagree	Agree	(61%) Agree
Understand trading location	Agree	Disagree	Agree	(51%) Agree
Participate in seminars and exhibitions	Agree	Disagree	Disagree	(51%) Disagree

Responses to the question on factors that would support faster business growth were provided using a 5-point rating scale of 'strongly disagree', 'disagree', 'uncertain', 'agree' and 'strongly agree'. The ratings that received the highest number of responses are summarised in Table 4-8 per township. The overall view (across all townships) is shown in the far-right column. All responses in this category are very strong and above 50 percent.

Contrary to the responses shown in Table 4-6, township businesses confirmed that the seven factors that would support faster business growth are:

- (i) Taking out business insurance against crime.
- (ii) Attracting and keeping good employees.
- (iii) Improving business and management skills.
- (iv) Keeping accurate financial records.
- (v) Diversifying product offering.
- (vi) Establishing a credit system to monitor debtors.
- (vii) Understanding the trading location.

Even though the overall view was initially unclear about whether some of the factors, hinder business growth after several years of business operation (such as crime and business management skills), the above responses provide clear confirmation that these factors are important in achieving faster business growth. Logically, therefore, if they are not attended to, they will hinder SMEs growth.

4.3 Analysis of interviews

The interviews collected qualitative information from 125 respondents from 45 SMEs in Saulsville Township, 35 in Ezakheni Township and 45 in Matsulu Township. As indicated in Figure 4-1, most respondents were black South Africans and were accommodated in answering questions in their native language, if necessary, i.e., Sepedi (Saulsville Township), isiZulu (Ezakheni Township) and siSwati (Matsulu Township).

The responses are represented by specific storyline themes captured into keywords. Sometimes a question contained more than one keyword, and because each keyword is treated as a separate response, the result may be more responses than the number

of questions asked. The frequency of keywords across respondents and across townships represents areas of importance for SMEs that require urgent attention.

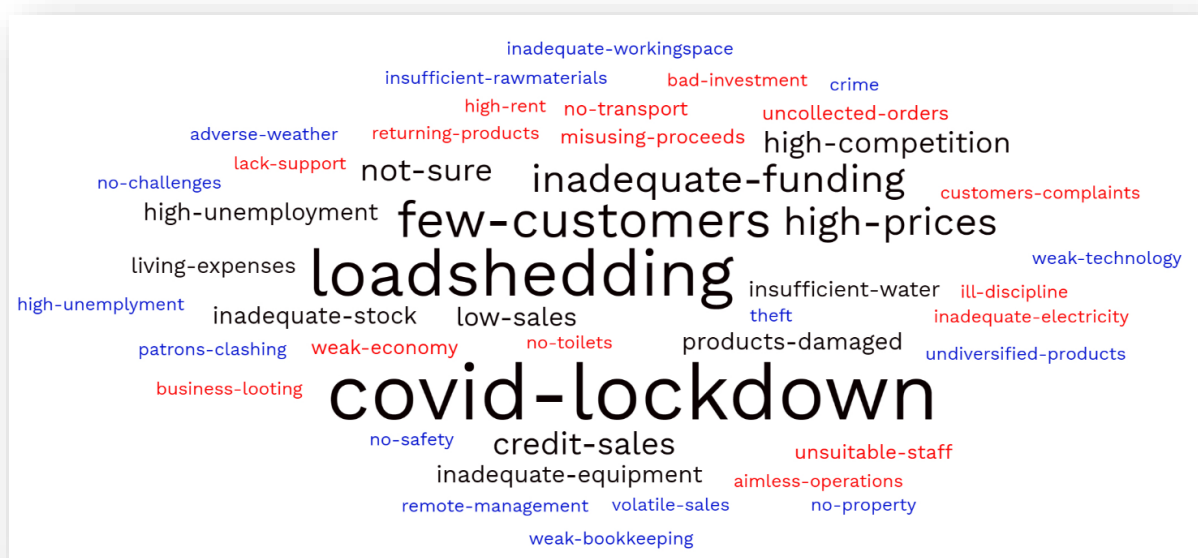
Once the storyline themes were identified in the interview answers, they were consolidated into word clouds to show more prominent and more prevalent themes, as represented by the larger letters. The interview results were arranged in terms of two categories, the central question and the supporting questions, as discussed below.

4.3.1 Central question

4.3.1.1 Key factors that have hindered business growth and how these have changed

The interviews confirmed that the seven factors identified using the questionnaire did hinder business growth. The interviewees' storylines highlighted the key factors that hinder business growth as including: theft and crime; unsuitable staff; mis-using business proceeds; weak bookkeeping; high credit sales; undiversified products; and inadequate working space,. However, as can be seen in Figure 4-7, while the seven factors are still prevalent, they are not top-of-mind, as shown by the size of the letters.

Figure 4-7: Factors that have hindered business growth over the past ten years



The factors that have loomed large and affected township business growth significantly over the past three years are the COVID-19 lockdown, frequent loadshedding,

insufficient customers, inadequate funding to buy capital or trading goods, high prices that affect the cost of new stock, and a high level of competition as people who lost their jobs also started a business. The reason these factors are top-of-mind is because they affect cashflow and respondents feel this immediately. However, this does not mean that other factors, are less important – such as the seven factors identified using the questionnaire - they are just not felt as strongly.

Table 4-9: Top five factors that hinder business growth

Factors	Saulsville		Factors	Ezakheni		Factors	Matsulu	
	#	%		#	%		#	%
Few customers	11	18%	COVID lockdown	10	20%	Loadshedding	17	23%
COVID lockdown	10	16%	High prices	5	10%	COVID lockdown	13	18%
Loadshedding	5	8%	Loadshedding	4	8%	High prices	6	8%
Low sales	5	8%	High unemployment	3	6%	Inadequate funding	6	8%
Credit sales	5	8%	Credit sales	3	6%	Few customers	5	7%

- frequency of response

% - percentage of total responses

As indicated in Table 4-9, an inadequate number of customers and the effects of the COVID-19 lockdown were the highest ranked factors hindering business growth in Saulsville Township. Loadshedding, low sales and trading on credit, and thus battling with repayments, were deemed the second most important set of factors that hinder business growth. The top five factors accounted for 58 percent of the total responses to this question. When consolidated, the top five factors in Table 4-9 amount to eight and of these eight, two are applicable to other BRICS and SADC SMEs. As shown in Chapter 2, Botswana SMEs also reported low sales as a constraint. All other SMEs in the analysed countries across BRICS and SADC, except Brazil, reported inadequate funding or finance (both used to mean sourcing money) as a constraint. This implies that there is a reason to seek common solutions and continued interaction among these SMEs would ensure best solutions are found for these challenges.

Respondents in Ezakheni Township felt that the effects of the COVID-19 lockdown and high prices (which impact the cost of purchasing stock) were the most important factors hindering business growth. Other important hinderances to business growth were: loadshedding, which affects business operations; high levels of unemployment, which mean that potential clients do not have any income to make purchases and therefore

buy on credit, which leads to challenges with payment from debtors;. The top five factors accounted for 49 percent of the responses to this question.

SMEs in Matsulu Township indicated that loadshedding and the effects of the COVID-19 lockdown are the most important factors hindering business growth. Elevated prices, insufficient funding and inadequate customers completed the list of the top five factors that hinder business growth. Additional funding was seen as a critical factor that would ensure business continuity and growth. The top five factors accounted for 64 percent of the responses provided to this question, which indicates that these factors are the most important and top of mind for SMEs in Matsulu Township.

4.3.2 Supporting questions

4.3.2.1 Why the business was started

The most prominent reasons offered for starting township SMEs are a lack of jobs, the need to support a family, serving the community, to make money and a living, and following one's business passion. (See Figure 4-8.) Putting food on the table is by far the most pressing reason for starting township businesses. Many SMEs indicated that they need to survive and therefore the ability to generate money from a business was an important objective in setting up their business. The COVID-19 lockdown exacerbated poverty levels in townships, as many respondents indicated that losing their job was a major concern. With fixed costs to be paid (such as living expenses and school fees), citizens turned to setting up a business as a means of survival.

Figure 4-8: Reason for starting business



As indicated in Table 4-10, the leading reason for starting a business in Saulsville Township was unemployment. In Ezakheni Township, it was to serve the community while supporting the family; in Matsulu Township it was to make a living. This highlights that, in the main, SMEs are started as an alternative to a day job, because of inability to find work. This is not necessarily a bad thing, if the business is functional.

Table 4-10: Top five reasons why the business was started

Reason	Saulsville		Reason	Ezakheni		Reason	Matsulu	
	#	%		#	%		#	%
Unemployed	13	28%	Serve community	7	18%	Make a living	15	28%
Support family	8	17%	Support family	7	18%	Unemployed	9	17%
Business passion	7	15%	Make a living	4	10%	Support family	8	15%
Make a living	5	11%	Unemployed	4	10%	Serve community	7	13%
Make money	4	9%	Market gap	3	8%	Make money	6	11%

- frequency of response

% - percentage of total responses

Additional factors that complete the top five reasons for starting a business in Saulsville Township were to support the family, to implement a business passion, to make a living and to make money. The top five reasons reported in Saulsville Township make up 80 percent of all reasons provided.

The rest of the reasons that make up the top five provided for starting a business in Ezakheni Township were making a living, responding to unemployment and closing a market gap. The top five reasons make up 63 percent of all reasons given by SMEs in Ezakheni Township.

Additional reasons completing the top five in Matsulu Township are responding to unemployment, supporting a family, serving the community and making money. The top five reasons provided for starting a business make up 83 percent of all reasons provided. The reasons provided for starting a business are more diverse in Matsulu Township than in both Saulsville and Ezakheni Townships.

4.3.2.2 Year business was started and how the start-up was financed

A significant portion of the businesses interviewed were established within the past ten years – about 61 percent (See Figure 4-9). Of all the businesses established over the past ten years, more businesses (11 percent) came into existence in 2021 as a result of the fallout from COVID-19. A total of 37 businesses, amounting to 30 percent of the businesses interviewed, were established between 1973 and 2012, which means they are more than ten years old. Surprisingly, 8 percent of all respondents interviewed were not sure of the year in which they started their business, which perhaps points to a low focus on advancing the business along a planned growth path.

Figure 4-9: Year business started

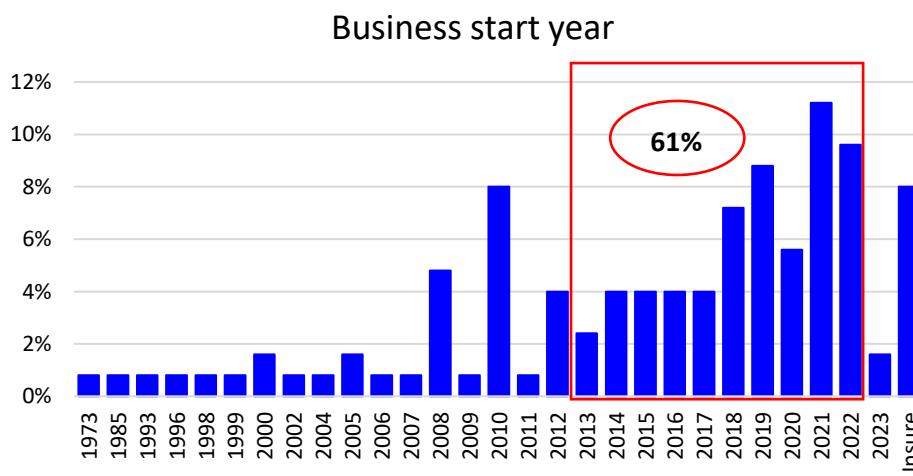


Table 4-11 indicates that 47 percent of all SMEs interviewed in Saulsville Township

were established between 2012 and 2022, with some of them having been in existence for more than 10 years. As indicated earlier, the business start-up timeline is longer, the table shows the concentration of just the top five new start-ups by year.

In Ezakheni Township, 46 percent of all SMEs interviewed were established between 2010 and 2023. A total of 47 percent of all SMEs interviewed in Matsulu Township were established between 2008 and 2021, which means that some have been in existence for more than 14 years.

Table 4-11: Year most businesses were started

Year	Saulsville		Year	Ezakheni		Year	Matsulu	
	Responses	Percent		Responses	Percent		Responses	Percent
2022	8	18%	2010	4	11%	2018	6	13%
2021	4	9%	2019	4	11%	2021	5	11%
2019	3	7%	2022	3	9%	2019	4	9%
2012	3	7%	2020	3	9%	2008	3	7%
2017	3	7%	2023	2	6%	2010	3	7%

As shown in Figure 4-10, own funds, own savings and own capital were the main sources of funding for Matsulu Township, Saulsville Township and Ezakheni Township, respectively. This is because it is not easy for start-up businesses to raise finance from commercial third parties, due to inadequate collateral and other reasons. Funds borrowed from friends and family members, including allowances, are a common source of business finance. In some cases, township businesses have been started without any start-up funding, for example, car mechanic businesses.

Figure 4-10: Source of start-up finance

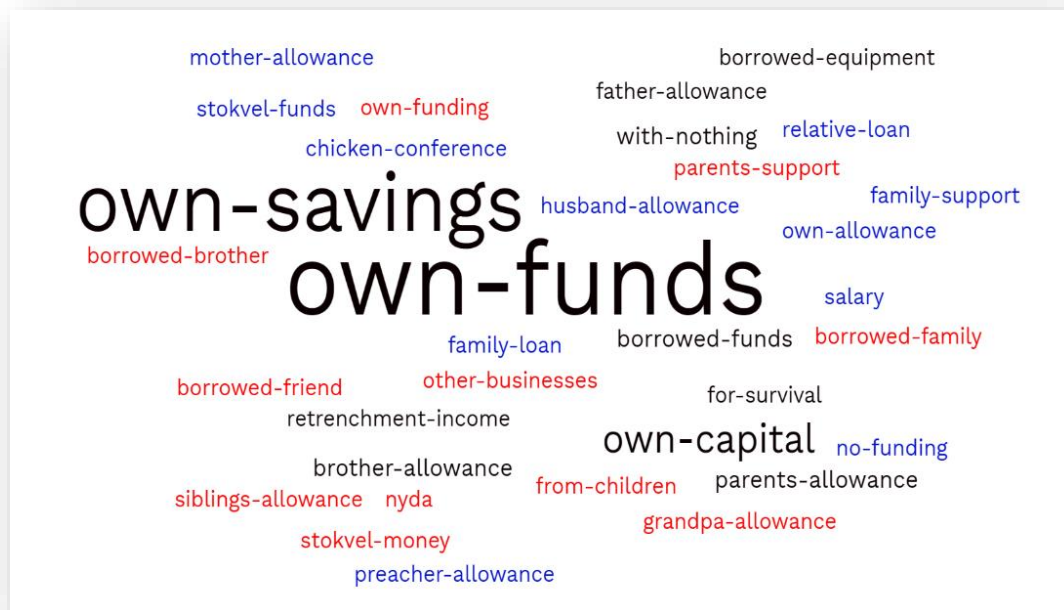


Table 4-12 shows the top five sources of finance for SMEs per township. The data refers specifically to sources of finance to start the business and does not deal with funding to expand the business.

In Saulsville Township, SMEs used own savings, own funds, started with nothing, borrowed from family members or borrowed from relatives. This constitutes 84 percent of all sources reported.

In Ezakheni Township, SMEs reported that the top five sources of start-up funding were own capital, own funds, own savings, borrowing funds or tapping into allowances received from parents. These top five sources of finance constitute 71 percent of all reported sources of finance.

SMEs interviewed in Matsulu Township reported that the top five sources of start-up financing were own funds, own savings, using allowances from relatives, utilising own salary or tapping into family support. The top five sources of finance in Matsulu Township constitutes 82 percent of all sources of finance reported.

Table 4–12: Top five sources of finance

Source	Saulsville		Source	Ezakheni		Source	Matsulu	
	#	%		#	%		#	%
Own savings	23	51%	Own capital	10	29%	Own funds	27	60%
Own funds	12	27%	Own funds	7	20%	Own savings	7	16%
Started with nothing	1	2%	Own savings	5	14%	Brother allowance	1	2%
Borrowed - family	1	2%	Borrowed funds	2	6%	Salary	1	2%
Borrowed - brother	1	2%	Parents support	1	3%	Family support	1	2%

- frequency of response

% - percentage of total responses

4.3.2.3 Challenges faced when starting the business

Figure 4-11 shows that the main challenge faced by township businesses at start-up was that the business is unknown and so attracts very few or no customers. Furthermore, the entrepreneurs generally have insufficient funds to purchase sufficient equipment and stock up. The interviewees confirmed this survey result, as they emphasised improper technology, improper infrastructure and lack of experience, as being among the key challenges when starting a business. The leading challenges when starting business in Ezakheni Township were inadequate funding and the business being unknown. In Saulsville Township, the leading challenges were that the business was unknown and did not attract enough customers. SMEs from Matsulu Township reported that the main challenge was the business being unknown.

Figure 4-11: Challenges at start up

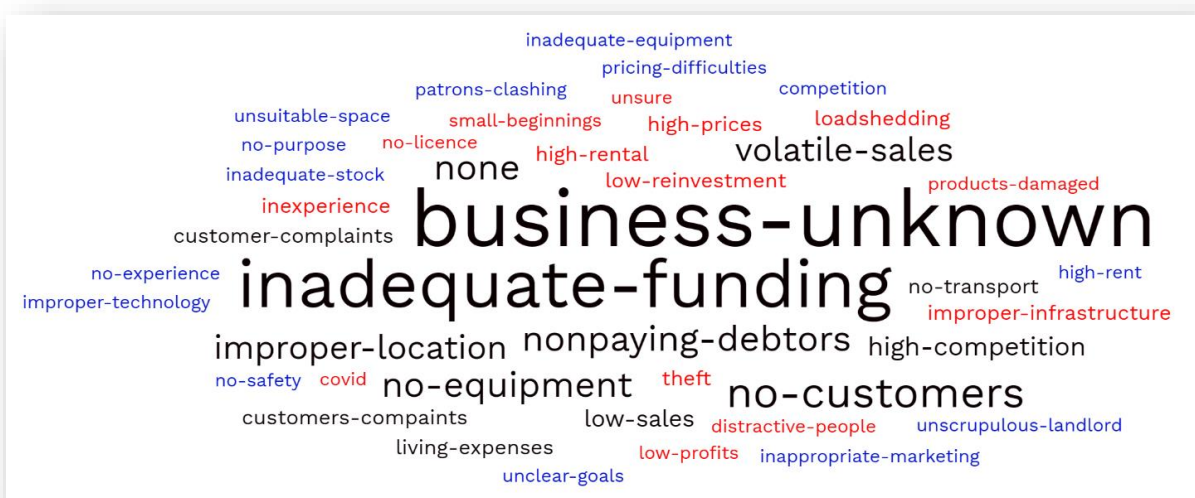


Table 4-13 indicates that the top five challenges encountered in Saulsville Township accounted for 58 percent of all challenges encountered. The list is completed by inadequate funding, difficulty collecting from debtors and incorrect location of the business. The top five list for Ezakheni Township is completed by non-paying debtors, having no working equipment and a high level of competition. The top five challenges faced when starting a business accounted for 53 percent of all challenges encountered. The top five challenges encountered when starting a business reported by SMEs in Matsulu Township accounted for 60 percent of all challenges faced. The list is completed by inadequate funding, volatile sales, not having proper working equipment and experiencing low sales.

Table 4-13: Top five challenges faced when starting a business

Challenges	Saulsville		Challenges	Ezakheni		Challenges	Matsulu	
	#	%		#	%		#	%
Business unknown	10	20%	Inadequate funding	8	19%	Business unknown	9	17%
No customers	9	18%	Business unknown	7	17%	Inadequate funding	9	17%
Inadequate funding	4	8%	Non-paying debtors	3	7%	Volatile sales	7	13%
Non-paying debtors	3	6%	No equipment	3	7%	No equipment	5	10%
Incorrect location	3	6%	High competition	2	5%	Low sales	2	4%

- frequency of response

% - percentage of total responses

4.3.2.4 How was the business grown to its current position

The three most important factors reported to assist township businesses to grow to their current level was staying focussed, perseverance and respecting customers. (See Figure 4-12.) The terms *kgotlelelo*, *ukubekezela* and *kubeketela*, which all mean perseverance, were often used by respondents when answering this question, which suggests that they have had a difficult business journey. Twenty-three percent of all respondents advised that in order to grow their business, they have had to stay focussed and ignore distractions, which range from unsupportive neighbours to lack of financing and economic shocks such as loadshedding and the recent COVID-19 lockdown.

Difficulties faced by township businesses require an extraordinary level of perseverance to overcome and, like with any other business, customers must be

treated with the utmost respect. Business-related factors that have been used effectively as the main drivers of growth of a township business include product diversification, reinvesting profits, advertising and referral marketing, selling on credit and plain hard work. The leading factor that supported business growth in Saulsville Township was extending sales on credit, while in Ezakheni and Matsulu Townships it was staying focused.

Figure 4-12: How the business was grown



Table 4-14 indicates the frequency of responses that emphasise non-business actions and the discipline required to grow an enterprise. Staying focused accounts for 43 percent of the effort in Ezakheni Township and 28 percent in Matsulu Township. Perseverance accounts for 16 percent of the effort required in Saulsville Township. The top five approaches applied to grow the businesses in Saulsville Township accounted for 45 percent of the approaches used, and the list is completed by reinvesting profits, selling on credit, treating customers with respect and staying focused. In Ezakheni Township, the top five approaches applied to grow the businesses accounted for 68 percent of the effort made. The list is completed by respecting customers, having the right attitude to persevere, diversifying the product offering and reinvesting profits into the business.

The top five approaches to grow a business reported by SMEs in Matsulu Township accounted for 60 percent of all approaches used. The list is completed by perseverance, working hard on the business, respecting customers and diversifying

the product offering.

Table 4-14: Approaches used to ensure business growth

Approach	Saulsville		Approach	Ezakheni		Approach	Matsulu	
	#	%		#	%		#	%
Perseverance	9	16%	Staying focused	17	43%	Staying focused	14	28%
Credit sales	5	9%	Customer respect	4	10%	Perseverance	8	16%
Reinvested profits	4	7%	Perseverance	2	5%	Hard work	3	6%
Customer respect	4	7%	Product diversification	2	5%	Customer respect	3	6%
Staying focused	3	5%	Reinvested profits	2	5%	Diversified products	2	4%

- frequency of response

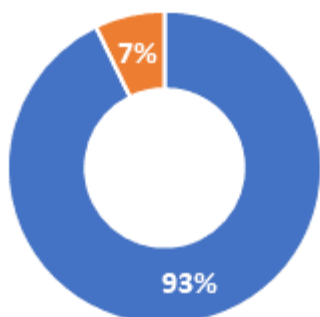
% - percentage of total responses

4.3.2.5 Use of financial or non-financial government support

Most SMEs interviewed have not yet received any government assistance, as shown in Figure 4-13. Only 9 of the enterprises interviewed (7 percent of the total surveyed) reported receiving government support of some kind, in the main from the National Youth Development Agency. Interviewees clarified that government officials who show up to take down their business details and promise public sector support often never return to provide feedback. The overwhelming response from businesses in all three townships assessed was that, even though they need funding, they have never actually received any government support.

Figure 4-13: Government support received **Table 4-15: Government support received**

Ever used government support



■ No ■ Yes

Extent	Saulsville		Extent	Ezakheni		Extent	Matsulu	
	#	%		#	%		#	%
No	44	98%	No	31	89%	No	41	91%
Yes	1	2%	Yes	4	11%	Yes	4	9%

- frequency of response

% - percentage of total responses

As shown in Table 4-15, only one entity in Saulsville Township reported having received some form of government support, and four entities from Ezakheni and Matsulu Townships. The lack of targeting SMEs in townships by the government is demonstrated by this low level of support received by entrepreneurs. Even the few that received public sector support lamented that the support takes very long to arrive, thus leading to a low impact on the businesses. An entrepreneur from Matsulu Township provided this example: He received the COVID-19 relief funding that was meant to support small businesses during the pandemic “two years after he had applied and way after the COVID lockdown has been lifted”. By that time, the entrepreneur had already struggled, but found alternative means to keep the business afloat, so the government funding did not serve the purpose it was meant for.

In fact, according to various surveys taken during and after the COVID-19 hard lockdown, many other SMEs were not as fortunate and had to close down during the pandemic. For example, Finfind (2020) reported that its survey showed that 42.7 percent of small businesses did not survive the effects of COVID-19. Similarly, in just the two months between April and May 2020, about 234 registered SMEs shut down permanently (Stats SA, 2020a, 2020b, 2020c).

4.3.2.6 Issues hindering the business from growing beyond the current stage

As indicated in sub-section 4.3.1.1 and illustrated in Figure 4-14, the evolution of factors that are currently hindering business growth shows that the key factors are currently loadshedding, inadequate funding, improper equipment, debtors not paying their bills, a shortage of customers, high competition, insufficient trading stock, high prices, inadequate operating space, intermittent electricity supply, the weak economy and an inadequate water supply.

The leading factor hindering SMEs business growth in Saulsville Township currently is a lack of customers. In Ezakheni Township it is inadequate funding, while in Matsulu Township it is loadshedding.

list as improper equipment, inadequate funding, difficulties collecting from debtors and insufficient trading stock. The top five factors mentioned by SMEs in Matsulu Township account for 66 percent of all factors listed as hindering business growth.

4.3.2.7 Most important issues to resolve to ensure business to grow

Interviewees were asked to indicate one or two issues that they felt very strongly about and which, if resolved, could help their business to grow. A number of issues were reported, as shown in Table 4-8. Figure 4-15 shows that the six key factors that were mentioned most by interviewees included obtaining funding, having a steady supply of electricity, procuring proper working equipment, introducing a debtor management system, increasing trading stock and attracting more customers. The leading factor in Saulsville Township is the management of debtors; in Ezakheni and Matsulu Townships it is obtaining funding.

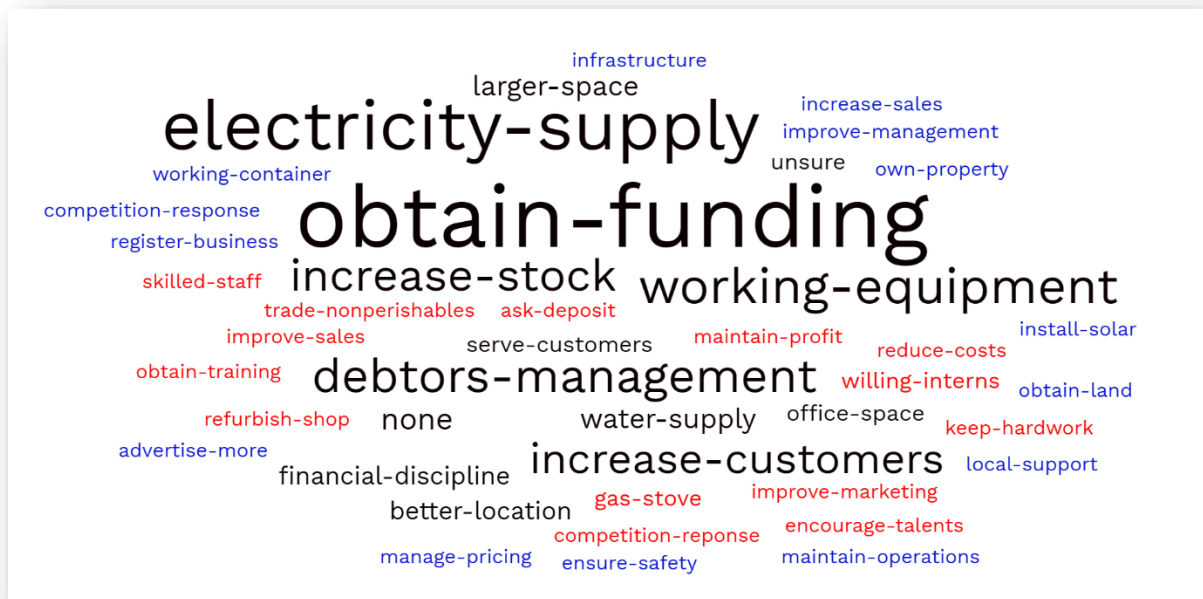
Of the six factors, obtaining funding and having reliable electricity supply are by far the most important factors to resolve for business growth. During the three years from 2020 to 2022, SMEs experienced more bouts of loadshedding than in previous years, i.e., a total of 242 days of outages were experienced, compared with only 68 days of outages in the thirteen years from 2007 to 2019 (CSIR, 2023). A day of load shedding is calculated as the summation of outages hours into 24 hours. The trajectory of electricity outages in South Africa is firmly on the rise and can be expected to worsen in the short term.

SMEs require power in order for their equipment to function, ranging from refrigerators to power tools. An entrepreneur in Matsulu Township provided one example: he has to ensure that his “ice cream is sold out before the next loadshedding episode”, otherwise he makes a loss from the spoilt product. The difficult choice he faces is abandoning the product or finding alternative sources of energy, which will mean extra cost.

Another entrepreneur in Saulsville Township made the point that his “drinks are not cold enough and customers do not like to buy warm drinks”. The outages are costing SMEs more money, as they have to find alternative ways of continuing to trade. For example, a Saulsville Township entrepreneur mentioned that he has to ensure that he

has ice cubes. This type of additional cost is often not budgeted for.

Figure 4-15: Most important issue to resolve



The question on most important issue was aimed at identifying what SMEs consider the most pressing issue requiring resolution, and respondents had to prioritise the matters that are hindering business growth at the moment. Of course, the issues were many and varied, but the top three in each township are indicated in Table 4-17. The top three factors that have to be resolved to enable business growth in Saulsville Township account for 43 percent of all factors mentioned. The top three factors are debtor management, increasing customers and obtaining funding for the business.

In Ezakheni Township, the three most important issues to resolve in order for businesses to grow accounted for 48 percent of the issues raised. Obtaining funding, having proper working equipment and a stable supply of electricity are the top three factors.

The top three matters mentioned by SMEs in Matsulu Township that need to be resolved in order for a business to grow accounted for 61 percent of the factors reported. The top three factors are obtaining funding, a stable electricity supply and suitable working equipment.

Table 4-17: Top three factors to resolve and enable business growth

Growth issue	Saulsville		Growth issue	Ezakheni		Growth issue	Matsulu	
	#	%		#	%		#	%
Debtor management	9	18%	Obtain funding	11	24%	Obtain funding	13	24%
Increase customers	8	16%	Working equipment	6	13%	Electricity supply	13	24%
Obtain funding	4	8%	Electricity supply	5	11%	Working equipment	7	13%

- frequency of response

% - percentage of total responses

4.4 Discussion of overall findings

The results of the survey show that township SMEs owned by black male South African nationals are dominant, especially in rural townships. The average age of township business owners is between 31 and 40. The education level most common among township business owners is Grade 12.

Retail enterprises, such as supermarkets and spaza shops, are the most prevalent type of business in townships. Second is services businesses, such as beauty salons, with catering businesses, such as taverns, coming in third place. On average, township businesses create jobs at a ratio of 1:4 (one business: four jobs). Sole proprietorship is the dominant type of business in townships, followed by partnerships.

Township businesses are largely self-funded by their owners. Most township businesses own assets worth R50 000 or less and generate a turnover of R35 000 or less per month. The key factors that would enable faster business growth are:

- (i) Taking out business insurance against crime.
- (ii) Attracting and keeping good employees.
- (iii) Improving business and management skills.
- (iv) Keeping accurate financial records.
- (v) Diversifying the product offering.
- (vi) (vi) Establishing a credit system to monitor debtors.
- (vii) (vii) Understanding the trading location.

If not attended to going forward, these factors will continue to hinder the growth of township businesses.

The interviews confirmed the seven factors identified through the questionnaire as hindering business growth. The interviewees' storylines were consolidated into key words and the factors highlighted included theft and crime, unsuitable staff, mis-using proceeds, weak bookkeeping, credit sales, undiversified products and inadequate working space. The top keywords identified from the interviews are summarised in Table 4-18, based on the frequency of repetition and therefore importance.

Table 4-18: Summary of leading keywords used in the interviews

Item	Saulsville	Ezakheni	Matsulu	Overall
Factors that hinder business growth	Covid lockdown	Covid lockdown	Loadshedding	Covid lockdown
Why was business started	Unemployed	Support family	Make a living	Unemployed
Start year and source of funds	Own savings	Own capital	Own funds	Own funds
Challenges when starting business	Business unknown	Inadequate funding	Business unknown	Business unknown
How did business grow	Credit sales	Staying focused	Staying focused	Staying focused
Ever used government support	No	No	No	No
Current hinderances to business growth	Few customers	Inadequate funding	Loadshedding	Loadshedding
One important growth matter to resolve	Debtor management	Obtain funding	Obtain funding	Obtain funding

The impacts of the COVID-19 lockdown and loadshedding are important additional factors that are hindering township businesses from growing. Most SMEs reported that businesses are generally started because of unemployment or a lack of income. The interview results further showed that the most important factors that need to be resolved to unleashed township business growth are: obtaining funding; having a steady supply of electricity; procuring proper working equipment; introducing a debtor management system; increasing trading stock; attracting more customers. Any intervention aimed at township businesses should therefore attend to the factors that are hindering growth and the key factors identified by business owners as requiring attention.

These research results provide a foundation for developing a public service demand-led SMEs growth strategy. The approach should be to align the prevalent business conditions in townships, the types of goods and services produced by SMEs operating in townships, the key factors that are hindering business growth in townships and public sector demand, as explained by public procurement. The strategy should balance these factors to ensure that government objectives regarding both townships and the broader South African economy are pursued in a systematic and targeted manner.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought to: assess the evolution in the factors that drive SMEs growth in townships; and propose a public sector demand-led intervention based on these factors. The intention was to identify approaches to sustainable business growth that can be reinforced by means of a carefully crafted public sector strategy.

This chapter presents the conclusion and recommendations based on the study focus, research questions, study aims and objective, and the analysis detailed in Chapter 4. The research overview and research limitations are also outlined. Factors that hinder township business growth were researched to inform the development of a public sector demand-led growth strategy for small and medium enterprises.

5.2 Overview of the research

The research design adopted was exploratory and descriptive in nature (Akhtar, 2016:73-77). The study employed a mixed research method, i.e., a combination of quantitative and qualitative methodologies in an integrated fashion. This ensured that useful data were gathered using explanatory and descriptive designs. The study area analysed was three townships located in three provinces in South Africa, namely: Gauteng Province – Saulsville Township; KwaZulu-Natal Province – Ezakheni Township; Mpumalanga Province – Matsulu Township.

The unit of analysis samples were drawn from these three townships, using a three-stage sampling approach. First, three townships classified as being urban, rurban and rural areas were purposively sampled using non-probability sampling. Next, the dominant sectors were identified and businesses were targeted that have a physical address in the dominant traditional business areas in these townships. A random selection of 392 entities across all three townships and the five dominant sectors was then drawn, for inclusion in the study. An interview and a questionnaire were used to collect data. A total of 392 surveys and 125 interviews were completed.

The literature review reported on in Chapter 2 focussed on previous research conducted on factors that impact the growth of small businesses in townships. The review focused on behavioural economics, business management principles and public demand, in order to support the development of a public sector demand-led business growth strategy. The study evaluated SMEs in BRICS and SADC (as these geographical areas are considered to be comparable to townships), and these were then compared to the SMEs sampled in this study. This secondary research was important to this study for two reasons. First, investigating and comparing SMEs in BRICS and SADC provided a benchmark and suggested possible collaboration as a result of similarities. Second, it demonstrated the level of development of SMEs in South Africa, with the leading SMEs possibly serving as points of reference and learning examples for those that are lagging behind.

Small business growth theory states that the strategic adaptation approach entails making continuous adjustments to support business growth. This is similar to the environment experienced by township businesses.

From a behavioural economics point of view, the prevalent psychological, emotional, cognitive, cultural and social factors in townships are important in assessing businesses growth. Luqman *et al.* (2023) assert that the emotions that affect psychological power are sometimes discrete. SMEs should not under-estimate or undermine their potential, just because they are in townships. They can do well, despite the location of their business. There is a wide market in townships, and greater population outside towns and cities. Liu, Chakravarty and Beamish (2023) demonstrated that SMEs success means displacing other player in the markets and increasing market share to match and eventually outperform competitors operating in developed areas.

An assessment of business management principles in townships shows that township businesses must contend with the remnants of apartheid. Tu and Akhter (2023) stress the role of entrepreneurial education, employing technology wisely, creativity and innovation, which should be considered to offset the after-effects of apartheid. This insinuates that blaming the past legacy signals a lack of preparedness and failure to employ these attributes in running an SMEs, or any other business for that matter.

Finally, public sector demand for goods and services from SMEs does not extend sufficiently to township businesses; however, this limitation is not unique to South Africa. Other countries, including members of BRICS and SADC, demonstrate the same discrepancy on the supply side, where the provision of goods and services is inadequate. For example, Cavite province in the Philippines also experiences poor goods and service delivery (Mendoza *et al.*, 2013). Indian locations also show a lack of integrated development between well-developed and poorly developed areas (Parida and Madheswaran, 2023). In Zambia, similar inconsistencies in goods and service delivery are prevalent (Miti, Hapompwe and Karim, 2023). There are two opposing potential implications for this limitation. First, it hampers the ability for SMEs to participate in providing such goods and services that could possibly be demanded by the public sector. This has a direct impact on the ability of the SMEs to grow. Second, it provides an opportunity for the government to redirect its demand and in the process help create new areas of economic activity for SMEs. For these activities to be effective, the government should assist the SMEs with setting up and implementing standards to ensure that the relevant quality goods and services are provided.

The situation is very different in developed countries. In Sweden, for example, Brozović, Jansson and Boers (2023) demonstrate the way strategic flexibility is applied to nurture SMEs. Other European Union countries (such as Belgium, Germany, Netherlands and Portugal) distribute goods and services more rationally compared to BRICS and SADC countries. The research also benefitted from previous research that has suggested a number of interventions related to key SMEs challenges, in order to advance business growth. These include:

- Government should intensify information sharing as part of the effort to reach SMEs.
- SME owners and managers should learn business and management skills.
- SMEs should keep financial records.
- SMEs should diversify their product offering.
- SMEs should establish a credit system to monitor debt sales and collections.
- SMEs should attract and keep good employees.
- SMEs should take out insurance against crime.
- SMEs should understand their trading location by conducting thorough research on: market (size, competitors, demand); access to transport; municipal by-laws.

- SMEs should participate in seminars and exhibitions on information technology.

The vast majority of unemployed people in South Africa live in townships and rural areas, as indicated by several authors (Mkhize, Mthembu and Napier, 2023; Schenck *et al.*, 2023). This raises the question as to whether and how business growth in townships has supported employment creation. But there is doubt that SMEs in South African townships create jobs to a significant level (Enaifoghe and Vezi-Magigaba, 2023; Maliwichi, Manenzhe-Ramarope and Strydom, 2023; Ziyane, Arogundade and Osei-Assibey, 2023). Ultimately, the government need to reduce unemployment to cyclical levels, that is, unemployment levels related to changes in business cycles. To date, government interventions have included providing financial and non-financial support to township businesses.

This study showed that all national economic strategies developed since 1994 in South Africa included an element of developing the township economies (Rogerson, 2010; 2013; Plagerson, 2023; Scheba and Turok, 2020). Similarly, the South African government has established specific institutions to implement direct lending programmes and to provide non-lending support services or grants. The finding of this study on this matter is that there has been limited success in developing sustainable township SMEs, and interventions and initiatives by the South African government have not fully targeted townships and rural areas.

5.3 Summary of the research

The study is positioned in the micro-economics field and used business management principles and behavioural economics to explain the relative importance and changes in factors that impact the growth of SMEs in townships. Demand-side economics was used to inform the development of a proposal for a public sector demand-led intervention to support overcoming these factors. The nature of township businesses is survivalist, as most are set up to earn sufficient funds to cover necessities for owners.

Township business management requires the owners to deal with the standard business challenges, as well as with the remnants of apartheid. Public demand is about 23 percent of GDP, with about R572 billion of that being procurement from SMEs. There is scope to increase the public procurement from townships, because current

levels of SMEs procurement are not leading to growth of township businesses. Given the persistent unemployment levels in townships, the problem studied is that current public sector growth interventions for SMEs do not seem to be yielding the desired growth and employment effect. The key questions in the study were:

- *How have township-specific factors that hinder small and medium enterprises from posting sustainable growth rates evolved over the past decade?*

The answers to this question indicated that all nine factors identified by previous research as being critical to advancing business growth are still prevalent and have not been resolved. (See Table 5-1.) Additionally, the research highlighted seven key factors that continue to hinder business growth in townships: poor inventory control; inadequate infrastructure; lack of capital and guaranteed income; lack of experience; COVID-19 and its impacts; loadshedding; improper financial and non-financial resources; insufficient client base or consumer demand.

Table 5-1: Evolution of factors that hinder business growth

Literature review	This research*
<p>Interventions to advance business growth</p> <ol style="list-style-type: none"> 1. The government should intensify information sharing. 2. SMEs owners and managers should learn business and management skills. 3. SMEs should keep financial records. 4. SMEs should diversify their product offering. 5. SMEs should establish a credit system to monitor debt sales and collections. 6. SMEs should attract and keep good employees. 7. SMEs should take out insurance against crime. 8. SMEs should understand their trading location, access to transport and municipal by-laws. 9. SMEs should participate in seminars and exhibitions on information technology. 	<p>Factors that hinder business growth</p> <ol style="list-style-type: none"> (i) Lack of knowledge about business registration. (1) (ii) Poor inventory control. (iii) Inadequate information and technology. (9) (iv) Inadequate infrastructure. (v) Lack of capital and guaranteed income. (vi) Lack of experience. (vii) COVID-19 and its impacts. (viii) Loadshedding. <p>Factors that have a bearing on business operations and, as a result, on growth</p> <ol style="list-style-type: none"> (i) Financial and non-financial resources. (ii) Client base/ consumer demand. <p>Factors that would support faster business growth</p> <ol style="list-style-type: none"> (i) Taking out business insurance against crime. (7) (ii) Attracting and keeping good employees. (6) (iii) Improving business and management skills. (2) (iv) Keeping accurate financial records. (3) (v) Diversifying product offering. (4) (vi) Establishing a credit system to monitor debtors. (5) (vii) Understanding the trading location. (8)

*Figures in parenthesis indicate unchanged factors from previous research, as per the literature review.

Indications are that the factors identified over a period of more than a decade as interventions required to advance SMEs growth have not been attended to. There has not been a dedicated approach by the government or SMEs themselves to resolve these matters. This research shows that, instead, additional issues have been added to the existing list of matters that hinder business growth. This research provides insight into why factors identified more than a decade ago are still prevalent. It shows that the two basic issues that have a significant bearing on business operations are: challenges with financial and non-financial resources: a low client base or consumer demand. This means that without a sound resource base and a steady flow of trade activity, the financial means to enrol into capacity building programmes, improve business operating systems and shield operations against adverse events becomes extremely difficult, if not impossible. This is especially true if no dedicated public sector support programme is in place.

- *What tailor-made, responsive, public sector, demand-driven measures can be implemented to support township small and medium enterprises to grow?*

The answers to this question show that the public sector must align its interventions to the 17 prominent factors that hinder the growth of township businesses. The public sector response can be categorized into three measures that cover the 17 factors, namely, training, financing and procurement. (See Table 5-2.)

Table 5-2: Key strategy elements

Strategic elements for government response	Issues addressed
1. Training – develop a training package to be administered centrally.	(i) business registration (ii) business and management skills , including: inventory control; information and technology; business insurance; recruitment; financial records; diversifying products; credit systems; trading location
2. Financing – consolidate the SMEs support budget and administer it through designated public/ private financial institutions.	(iii) financial and non-financial resources for: infrastructure; capital; COVID-19 recovery; energy supply
3. Procurement – target township businesses to deliver part of public sector demand.	(iv) expanding client base/ consumer demand

Training covers capacitating SMEs regarding business registration and on both business and management skills. Fit-for-purpose packages need to be developed in line with the educational level of entrepreneurs to ensure they receive maximum benefit. Critical topics that have been identified as hampering business growth and that should be included are: understanding inventory control; improving information and technology skills; understanding business insurance; recruitment issues; understanding financial record keeping; strategies for diversifying products; learning about credit systems; and key issues related to determining a trading location.

The financing aspect deals with supporting SMEs with direct financing or indirectly through non-financial resources to ensure their businesses move ahead. A number of private and public institutions exist to support SMEs and they need to work from a central objective. Key aspects of this strategic element are ensuring that SMEs have the infrastructure they need, the capital they require, support to recover from the COVID-19 pandemic and a way to cushion themselves from the raging loadshedding problem.

The third strategic element is procurement. It entails using public procurement to target township businesses and so improve demand for the products and services provided by these SMEs. Improving procurement from SMEs will immediately deal with the low customer base. Public procurement is at the heart of the suggested public sector, demand-led strategy to support SMEs growth. Procurement might also enhance chance of self-upliftment element in which SMEs can improve their own business experience.

The aim of the study was to assess the factors that affect the growth of township SMEs. The findings on each objective are discussed below.

5.4 To set out a theoretical foundation for the study

The research set its theoretical foundation within micro-economics, using business management principles, behavioural economics and demand-side economics. The key theoretical concepts supporting this theoretical foundation are:

- Township economy: this defines townships as residential settlements for members of historically disadvantaged population groups, which were created during the apartheid era in South Africa (1949-1994) as labour reservoirs. About 464 significant townships were identified. The concept assisted with providing an understanding of what townships and the township economy are. In the quest to assess the factors that affect the growth of township SMEs, it was crucial to define the operating space for SMEs.
- Public sector business support initiatives: these are defined as financial and non-financial interventions by the government to support township businesses. These took the form of national economic policies developed since 1994, grants, loans and technical support offered to SMEs. The concept clarified the initiatives introduced by the government to support SMEs and thereby supported the determination of elements of an effective, public sector demand-led growth strategy for township businesses.
- Institutional development to implement the policy positions of government on direct lending programmes and non-lending support services and grants. The concept clarified the role of government in supporting SMEs and thereby supported the determination of elements of an effective, public sector demand-led growth strategy for township businesses.
- Public sector demand: defined as the Keynesian aggregate demand. This concept facilitated the determination of elements of an effective, public sector demand-led growth strategy for township businesses and the development of such a public sector strategy for a standardised intervention to grow SMEs.
- SMEs: defined as organisations with up to 250 employees, with an annual turnover of up to R220 million per annum. The concept set the scene and defined the type of institutions analysed in the study. The range of institutions in terms of size and types was outlined to clarify the institutions analysed.
- Business growth: defined as a function of several factors and depending on the stage of development of the business. This is the central concept for the study that supported the determination of required changes in factors that hinder township

SMEs from achieving growth. The concept also facilitated the establishment of the key elements for effective, public sector demand-led growth strategy for township businesses.

5.5 To set out a reference list of significant townships in South Africa

The research established that townships in South Africa were developed as residential settlements for historically disadvantaged population groups and to serve as labour reservoirs for the more affluent adjacent towns. Chhetri (2023) and McFarlane, and Silver and Truelove (2017) state that it is sometimes difficult to explain why the government continues to ignore traditional and clearly under-developed areas, instead of developing them to be on par with the rest of the country. The study established a working definition for townships as being a large, under-developed space with at least 1 000 homes or 5 000 people, usually located on the outskirts of a town, city or formally established rural residential area, which is inhabited mainly by Black people, Coloured people or Indians. There are approximately 464 significant townships in South Africa, which are home to more than 22,6 million people.

5.6 To determine the changes required in factors that hinder township SMEs from growing

The research identified 17 factors that continue to have a bearing on business growth. These are explained below, together with the suggested interventions required from the public sector or SMEs (indicated in bold).

- (i) Lack of knowledge about business registration: ***training intervention required***

Lack of knowledge on business registration is an entrepreneur skill gap and requires a training intervention. So far, the initiatives implemented have not been successful, and the policies established for SMEs have not been effective. The government, through its agencies, should intervene effectively by capacitating SMEs.

(ii) Poor inventory control: ***training intervention required***

Poor inventory control is a skill gap among entrepreneurs that requires a training intervention. The government should intervene by capacitating SMEs on systems of inventory control through its agencies.

(iii) Inadequate information and technology: ***financial intervention required***

Adequate information and technology, as well as continuous upgrading of knowledge on new information and technology processes and equipment will ensure that SMEs take the right business decisions and use relevant information and technology.

(iv) Inadequate infrastructure: ***financial intervention required***

A critical determinant of the success of SMEs is the provision of infrastructure to supply basic services such as water, electricity, transport and communication. Without these types of services, SMEs will not grow, and will remain inefficient and ineffective in their operations. The supply of basic infrastructure is the responsibility of the government.

(v) Lack of capital and guaranteed income: ***financial intervention required***

SMEs must have a steady flow of income to increase their capital base. The proposed public sector demand-led SMEs growth strategy seeks to ensure this flow. This will ensure that SMEs remain in operation even during a difficult economic downturn.

(vi) Lack of experience: ***business decision/ action***

Lack of business experience hampers SMEs making progress, because they are not able to read the business environment and take appropriate decisions. While they might have the will to run a business, their actions might be negative in terms of business growth. Entrepreneurs should take responsibility to improve their skills thorough practice, while the government can provide additional avenues to equip entrepreneurs. Unfortunately, experience cannot be bought or learnt.

(vii) COVID-19 and its impact: ***financial intervention required***

At its peak in April and May 2020, the COVID-19 pandemic led to the great shutdown, with many countries around the world implement a hard lockdown to limit the spread of the coronavirus. South Africa was no different, and this was devastating for SMEs. South African SMEs also faced the challenge of fickle support from the government, because result of onerous requirements to access funding. The government should simplify its interventions and continue to support SMEs in the post-lockdown period.

(viii) Loadshedding: ***financial intervention required***

The intermittent supply of electricity in South Africa has caused enormous problems for SMEs, particularly in recent years, as they struggle to maintain steady business operations. The knock-on effect is a decline in customers, as they became accustomed to not obtaining quality products and services during lockdown, given that SMEs do not have alternative sources of energy. SMEs should investigate an alternative energy supply, which can be done in a collaborative or clustered manner, because resolving the problem loadshedding will take a very long time.

(ix) Financial and non-financial resources: ***financial intervention required***

SMEs find the lack of financial and non-financial resources debilitating to business operations. SMEs need money to acquire assets and trading stock, but similarly they need the government to pay for other non-financial interventions, such as training, that are critical to their growth.

(x) Client base/ consumer demand: ***business decision/ action***

A steady flow of business for SMEs is only provided by customers who keep demand elevated. The public sector demand-led SMEs growth strategy seeks to cushion SMEs against a low client base by maintaining a constant demand for goods and services provided by SMEs.

(xi) Taking out business insurance against crime: ***business decision/ action***

SMEs find that incidents of crime set them back and require them to replace trading stock that if it is stolen. Taking out business insurance is a logical response by SMEs to ensure that stolen goods and damaged assets can be replaced timeously to ensure business continuity. More education on business insurance would be helpful for SMEs.

(xii) Attracting and keeping good employees: ***business decision/ action***

Most often, running an SMEs requires more than just the owner to be present and knowledgeable: there should be other knowledgeable and trusted workers to ensure that business activity does not stall if the owner is absent. Most owners do not invest enough effort and money to hire or groom good employees. SMEs should dedicate time and effort to developing reliable employees.

(xiii) Improving business and management skills: ***training intervention required***

Adequate business skills help SMEs to operate smoothly and stay on a relevant growth path. These skills are critical for SMEs to survive and grow. The government should use its agencies to equip entrepreneurs to uplift their business and management skills.

(xiv) Keeping accurate financial records: ***training intervention required***

A key business activity is keeping financial records that show how the business is performing. A lack of accurate financial records has an impact on the ability to source funds and on other business decisions, such as liquidity management. Entrepreneurs must upskill themselves on how to keep accurate financial records.

(xv) Diversifying product offering: ***training intervention required***

The lack of a diverse product offering limits sales and leads to missed trading opportunities for SMEs. This affects business growth and might even lead to business failure. Entrepreneurs need to know how to read the market to identify demand for new product. Training might assist in this regard.

(xvi) Establishing a credit system to monitor debtors: ***training intervention required***

Most SMEs cited their inability to collect from debtors as a factor that has a negative effect of their business. Entrepreneurs need support in procuring an appropriate credit system and training on how to use it. In the absence of proper credit system that facilitates collection of monies owed, it is futile to sell on credit.

(xvii) Understanding the trading location: ***training intervention required***

A good trading location facilitates the flow of business custom, which contributes to growth. Most SMEs, but especially those in townships, use any available space to do business, as there are limited suitable locations in townships. Entrepreneurs should understand the shortcomings of their chosen business location and work to mitigate against these.

Overall, three types of changes are required to respond to the factors that hinder business growth, namely, training interventions, financial interventions and procurement. There is a need to capacitate SMEs to ensure they take relevant decisions and action to grow their businesses.

5.7 To establish the key elements of an effective public sector demand-led township business growth strategy

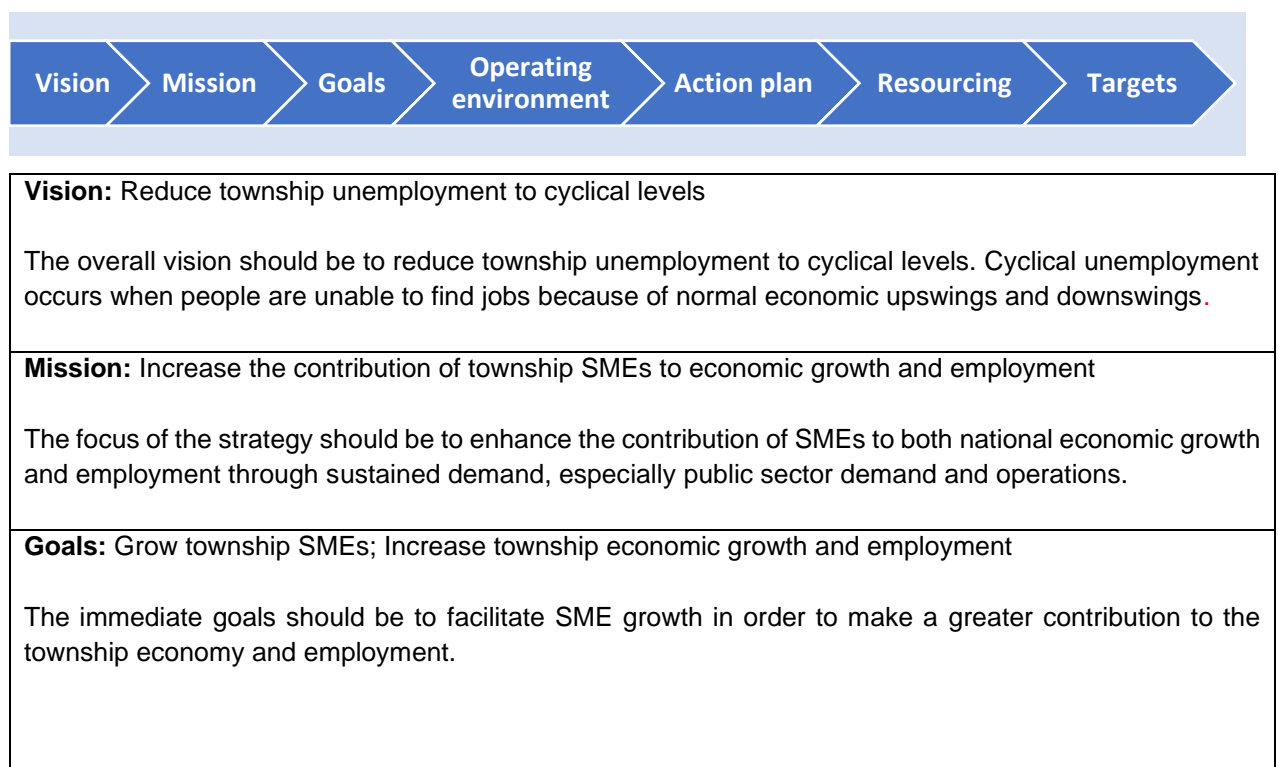
The research shows that the key elements that must form part of an effective public sector demand-led township business growth strategy are business training, business finance and procurement. Westman *et al.* (2023) stated that these are among the essential elements of SMEs success. Individually, these elements are necessary but not sufficient. They must therefore be applied simultaneously, as a package, to respond to and address the specific factors that hinder business growth, as shown in Table 5-2. A public sector, demand-led SMEs growth strategy should be informed by the factors that hinder the growth of SMEs businesses, and by public sector demand, as represented by procurement.

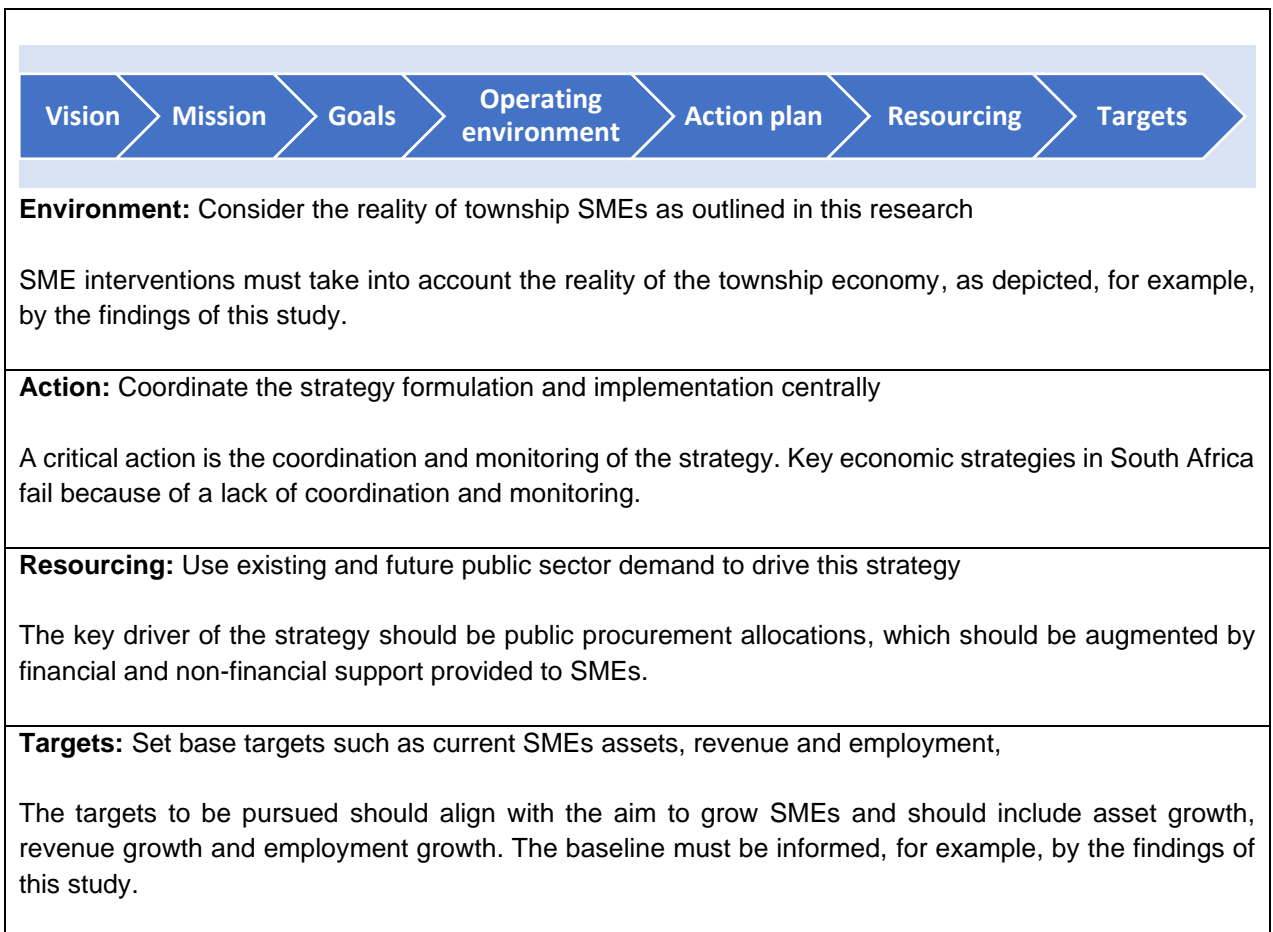
5.8 To develop a public sector strategy that can be implemented as an approach for a standardised intervention

A public sector, demand-led growth strategy for SMEs should have, as its guiding objective, the need to reduce unemployment in townships and rural areas. It should, therefore, respond to the factors that hinder business growth, as outlined in Table 5-1. The need to grow township SMEs is not for its own sake, but as a means to achieving the broader aim of economic growth and employment. The research has shown that incapacity and lack of organisation within government are among the key factors that have limited achieving national economic strategies.

The proposed public sector, demand-led growth strategy for SMEs should be coordinated centrally and should have a township focus. Public demand should inform the various business training interventions, financing and procurement from SMEs. Opportunities for business growth, such as financing and government projects, should be extended to townships and rural areas. Both the formulation and implementation of the strategy should be equally pursued (Li, Guohui and Eppler, 2008; Alharthy, McLaughlin, and Rashid, 2016). A strategic value chain that supports the formulation of such a strategy could take the form shown in Figure 5-1.

Figure 5-1: Strategy value chain





5.9 Recommendations for a public sector demand-led growth strategy for SMEs

The economic trajectory and various government reviews showed that there has been limited success in developing sustainable township SMEs. Therefore, it is recommended that the government should adopt a public sector, demand-led growth strategy for SMEs. The strategy should be developed with lessons from previous strategies used being considered. The strategy should take the format of the value chain proposed in Figure 5-1, and should address the issues that hamper the effectiveness of national economic strategies by: following proper design principles; considering the critical factors that hinder SMEs growth; and pursuing both strategy formulation and implementation with the same vigour.

A recent South African example that is instructive and demonstrates the key areas that weaken the implementation of national economic strategies can be found in the rapid review of the Economic Reconstruction and Recovery Plan (ERRP) (DBSA, DPME and NPC, 2023). This rapid review, which was done in a systematic manner, details the

causes of most economic policy failures in South Africa, and identifies the pitfalls to avoid. The ERRP was launched in October 2020 to introduce measures to restore the economy post-lockdown and to respond to structural weaknesses in the economy in pursuit of an inclusive economic growth trajectory.

A rapid review of the ERRP was commissioned in December 2023, because of the lack of meaningful economic recovery between October 2020 and September 2022, with economic growth averaging less than 1 percent and most other economic aggregates showing lacklustre growth, including investment and employment. The evaluation design provided for an assessment of the robustness of the ERRP design and the risks to its implementation, and recommended key interventions required.

An analytical framework of 13 eclectic criteria (indicated in bold below) was used for the ERRP rapid review, which found as follows:

- **Forward looking** - assesses the long-term objectives of a policy. There is no concrete evidence that the ERRP is forward looking and links to other long-term policies are weak.
- **Clear goals** - inspect the coherence and adequacy of defining policy aims, goals and objectives. The interventions and outcomes of the ERRP are stated broadly, without any roles or responsibilities being indicated and without specific targets or clear goals being outlined.
- **Theory of change** - uses causal linkages and available evidence to demonstrate how a policy intervention leads to a development impact. A clear theory of change is lacking, as problem statements in the ERRP are generic and do not discuss root causes.
- **Outward looking** - assesses whether a policy has considered potential external influences, such as the experience of other nations on the subject. The ERRP does not mention external influences in its aims and objectives.
- **Innovative, flexible and creative** - checks if the proposed policy provides alternative ways of doing things in comparison to previous similar exercises. The

ERRP does not offer new ways of coordinating how it must be implemented, how it is to be monitored and how implementation risks will be dealt with.

- **Evidenced based** - assesses whether the policy considered current research and engaged experts in the field for its development. There is no indication that the ERRP considered the latest thinking in the field.
- **Inclusive** - reflects on whether the views of potential recipients of the policy were considered. Indications are that there was some element of consultation through the National Economic Development and Labour Council, where all social partners are represented, i.e., government, organised labour, organised business and community organisations.
- **Joined up** - examines if the policy clearly defines the working relationship between the various government departments and entities. The ERRP is cross-cutting and identifies the lead partner and the required partnerships, but does not specify roles and responsibilities.
- **Lessons learned** – checks if lessons learnt from previous economic policies were disseminated to all relevant stakeholders. No such dissemination took place during the process of developing and adopting the ERRP.
- **Communication** - confirms whether the strategy was adequately communicated to all relevant stakeholders. Comments were sought from the public and the launch of the ERRP was communicated. However, its implementation remains a mystery.
- **Evaluations** - checks if the policy has built-in evaluation requirements and whether an evaluation framework was developed for the policy. The ERRP does not have a meaningful monitoring and evaluation framework.
- **Review** – assesses whether the policy is constantly reviewed to check if it is solving the intended problems and that feedback is provided to policy makers to enable corrective action to be taken. There is no evidence that the ERRP has been reviewed periodically.

- **Implementability** - investigates whether the policy design is realistic and does not have any implementation challenges.

The next steps that were undertaken to complete the rapid review were:

- undertaking informant interviews on the ERRP;
- undertaking a policy and legislative review to embed the government's planning, budgeting, monitoring, evaluation and reporting functions into the ERRP implementation;
- creating a problem tree that outlines the nature of the problems that the ERRP aims to solve;
- developing a theory of change;
- creating a logical framework that includes indicators for all the elements in the theory of change;
- developing a monitoring and evaluation framework to guide implementation and reporting.

At the end of the rapid review, the following six recommendations were made to strengthen the ERRP:

- The ERRP document should be revised.
- Dedicated resources should be allocated to coordinate and manage the ERRP.
- A technical working group on economic recovery should be established to monitor progress and make recommendations.
- A new monitoring and evaluation framework should be implemented.
- A quantitative modelling exercise should be undertaken to inform the next set of targets.
- Evaluate key aspects of the ERRP, such as Operation Vulindlela, the energy crisis, sectoral masterplans, employment creation, infrastructure and so on, and introduce relevant interventions.

Another example that clearly demonstrates the causes of policy failure and absolute unimplementability of policies is to be found in the newly gazetted SMEs policies, the National Integrated Small Enterprise Development Masterplan (NISED) of 2022 and the SMMEs and Co-operatives Funding Policy for South Africa (SCFP) of 2023 (DSBD, 2022a; 2023). The NISED seeks to facilitate the contribution of SMEs to GDP and

labour absorption, while the SCFP seeks to provide a coordinated development finance framework for SMEs. The glaring shortcomings in both policy documents are that while they correctly outline the *status quo* of SMEs, they: do not define the root cause of the state of SMEs in South Africa; do not define the targets to be pursued to achieve the policy aims; despite mentioning possible participants, they do not allocate implementation roles; they do not outline available resources and the allocation thereof. Furthermore, the broad outcomes and outputs tabled do not have delivery timelines, and both documents refer to structures and processes that are still to be developed. Also, the broad solutions proposed are not helpful, for example, suggesting legal reforms without listing the actual laws to be reformed.

The core of the proposed public sector, demand-led SMEs growth strategy is about pursuing a dedicated procurement process that entails government spending on goods and services provided by township SMEs. In this regard, the government already runs a number of programmes that require different types of goods and services. For example: feeding schemes that use uncooked food are required for schools, hospitals and prisons; clothing and bed linen is required for schools and hospitals; cooked food is required for government meetings; construction work is required for roads and government buildings; car repair services are required for government fleets; and groceries are required for government departmental kitchens.

The goods and services to be targeted by the government should be procured in a manner that builds value chains for the creation of a final product. Value chains are demand driven and usually sector focused. The development of value chains ensures that several producers/ suppliers, who participate as competent intermediaries on specific aspects of the process, are supported. An example is the procurement of a meal for a government meeting, bought from a township caterer who obtained raw produce delivered by a township transport company that buys from a township farmer. State support can extend beyond the caterer to the entire value chain to support and strengthen it. Required food quality standards can be set by the government for all participants in this value chain to adhere to, based on relevant health standards. The value chain approach would help with adapting the public sector procurement process to local realities and the types of SMEs prevalent in townships.

Developing value chains has the potential to support aggregation, i.e., providing a platform for local suppliers to sell their products at a local central point. Aggregation ensures that there is more community involvement in the operation through direct employment or participation as a role player in the value chain. This would be positive for the township economy as a whole.

To develop a comprehensive public sector demand-led SMEs growth strategy, adaptable implementation principles must be emphasised, such as: integrated and forward-looking; involving multi-stakeholder deliberation; contains automatic policy adjustment mechanisms; enables self-organization and social networking; decentralises decision making; promotes variation; has a formal policy review and continuous learning (Bizikova *et al.*, 2018). The strategy must be implementable across all townships; therefore, it must be easy to check its core pillars for the targeted area.

In order to ensure success, a South African public sector, demand-led SMEs growth strategy should reflect the following key pillars.

- **Designation of priority regions** – Regions could be provinces, municipal districts, local municipalities or townships where specific goods and services are to be procured. The contributing factors that should be used to identify and prioritise regions should include the availability of the goods and service in the government's procurement list, the willingness of local stakeholders (including SMEs) to participate and the potential to make a significant development impact.

The list of priority regions should also indicate the additional support required by SMEs in the area. This might include infrastructure to facilitate the provision of basic services such as water, electricity and communication. However, the list of infrastructure requirements should not be used as a decision-making factor because most townships have inadequate infrastructure: instead, it should be considered additional support required.

- **Human resource drivers** – The availability of suitably qualified human resources in the area where the SMEs are located must be assessed. The level of business and management skills of the entrepreneurs responsible for the identified SMEs to

procure from must similarly be assessed. Development programmes for entrepreneurs and relevant upskilling for the local communities who might participate in the targeted SMEs and value chains should be put in place. If this is not done, there will probably be challenges with the sustainability of the business and the quality of goods and services produced.

- **Clarity of purpose, targets, products and value chains** – The purpose of supporting SMEs growth must be clearly defined. In the case of South Africa, this purpose is to reduce township unemployment and support the growth of the local and national economy. This will contribute to national employment levels. SMEs growth is therefore a means to higher economic growth and employment. This information will be useful when setting targets.

Targets should be set for SMEs growth, employment creation and economic contribution. The targets should consider the baseline numbers (such as those discussed in this study) on the lifespan of SMEs, current contribution to GDP and current ability to employ people. The targets must be SMART – they should be Specific, Measurable, Achievable, Relevant and Time-Bound -otherwise, they will be impossible to monitor at a later stage.

The products (goods and services) made available for sale should be informed by what the government is consuming. All government departments and entities located near the designated region, whether national, provincial or municipal, should use their procurement list to match their aggregate demand. The government should be invested in the quality of the products provided and should intervene if there is a problem in terms of acceptable standards and the quality of products.

The goods and services included in the public procurement list should determine the value chains that should be developed. If the value chain is incomplete upstream, there is a public responsibility to develop it, and to ensure any production standards required. Development of the value chain would also ensure that SMEs are not only producing to meet government procurement demand, but for the broader market as well.

- **Government buying power** – Government buying power in terms of goods and services should be broken down into the demand for goods and services supplied by SMEs in a designated region. Regional SMEs procurement budgets should be part of the annual national budget allocation process to enable SMEs to plan accordingly. Initially, the government must factor in a margin in its budget allocation to cater for replacing some unusable products, and once the SMEs have been developed to meet the required standard, this margin should fall away.

The government's buying power can be used as leverage on the input side of SMEs operations. For example, they can use the procurement agreement to source inputs in bulk and therefore at lower cost. Similarly, they can buy in bulk as a group to save on other costs such as transport. Central facilities such as storage, packaging and similar processes can be made available on the back of this buying power.

- **Business sustainability approaches** – At the centre of the proposed government SMEs buying process, is the sustainability of SMEs. This depends on understanding and resolving the factors that hinder SMEs growth. This study has determined that the following approaches are necessary to ensure business sustainability:
 - A *training approach* must be provided for SMEs to deal with: lack of knowledge about business registration; poor inventory control; the need to improve business and management skills; keeping accurate financial records; how to diversify the product offering; establishing a credit system to monitor debtors; understanding the trading location.
 - A *financial intervention approach* is required to deal with: inadequate information and technology; inadequate infrastructure; lack of capital and guaranteed income; the remnants of COVID-19; a response to loadshedding; gaining access to much-needed financial and non-financial resources.
 - *SMEs self-upliftment approach* is needed to deal with: gaining more experience; increasing the SMEs client base/ consumer demand; taking out business insurance against crime; attracting and keeping good employees.

- **Cooperation and collaboration** – A critical factor for the success of the proposed public sector demand-led SMEs growth strategy is cooperation and collaboration between government entities, as well as between government entities and other stakeholders. Most national policies in South Africa have failed because of lack of cooperation and collaboration. The cooperation and collaboration to grow government procurement from SMEs must be embedded in the national budget allocation process.

Outside of government, cooperation and collaboration between SMEs and other economic units must be informed by the procurement relations to fulfil the reciprocal functions of demand and supply. Cooperation and collaboration support a smooth trading process between the government and the private sector.

- **Community involvement** – Community involvement in public sector projects assists with educating society and also ensures the protection of public assets. In recent years, and with the promulgation of preferential procurement laws, communities have become sensitive to public projects being implemented in their areas. There is heightened scrutiny of who wins a tender and how local people get involved. Due to the dearth of jobs in South Africa, this even leads to local people sometimes forcefully demanding that they participate in projects.

It is important to understand the community in a designated region. The proposed government procurement programme might also lead to other community benefits, such as corporate social investment that might flow from the public-private relationships created. Broader avenues and opportunities for job creation should be part of the programme, because creating jobs is one of the top challenges facing township citizens.

- **Databases and performance monitoring** – It will be crucial to compile a database of participating SMEs from the designated regions, and the list of goods and services offered by each. This information will be important for auditing purposes, as well as for marketing purposes, especially as the SMEs grow over time.

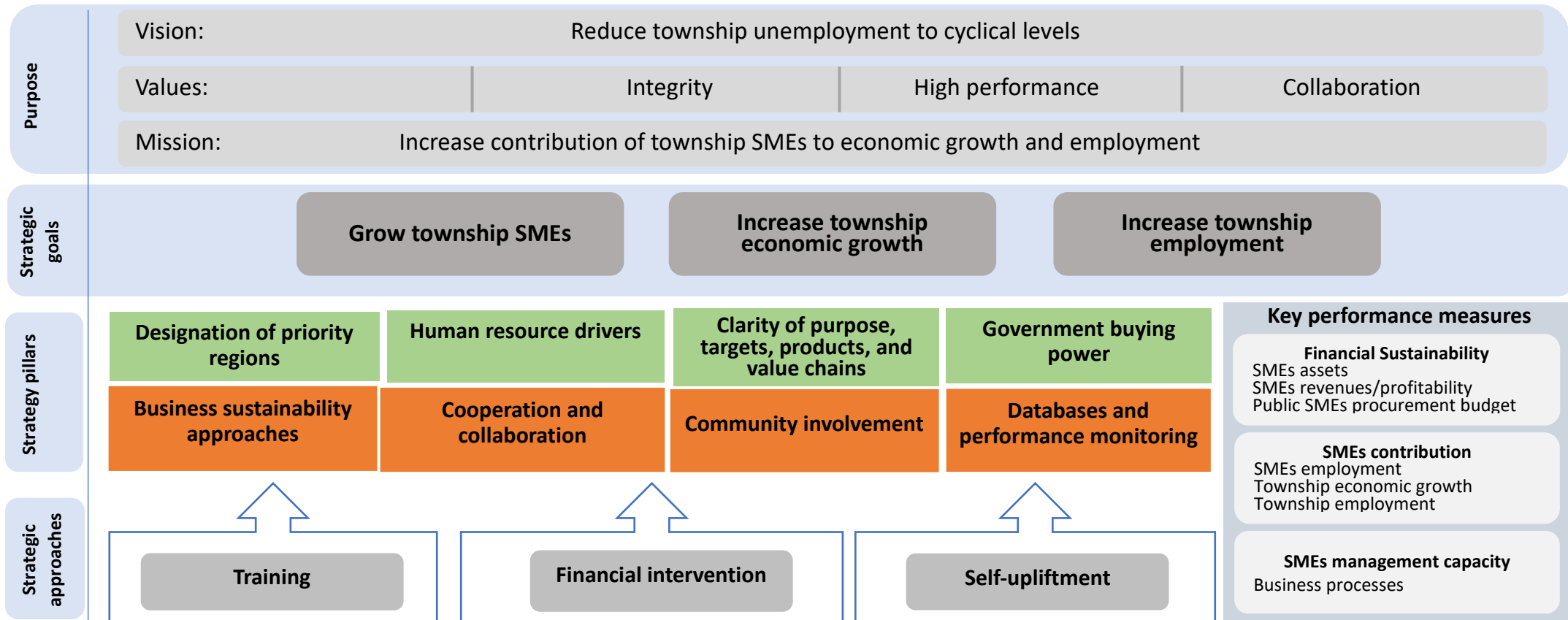
The performance of the strategy must be monitored to allow for the identification of gaps and the interventions required. The rationale for future budgets should be

based on the performance of the programme, and by definition, the strategy. The performance monitoring functions should incorporate both the government side and the SMEs, side to check that government is spending its full SMEs procurement allocation, and to check if the targets set for the strategy are being met.

However, the performance monitoring process should assess if the identified factors that hinder SMEs growth are improving or not. This will ensure timeous interventions to move the township economy towards the targets set for SMEs growth, township economy growth, township employment growth and, as a result, higher national economic growth and employment.

The proposed public sector demand-led SMEs growth strategy model, which consolidates the factors discussed in this study, is depicted in Figure 5-2.

Figure 5-2: Public sector demand-led SMEs growth strategy model



5.10 Recommendations for further research

Further research is recommended as follows:

- Research in more townships in more provinces in South Africa, and the findings should be compared to the findings of this research.
- Research on the key disconnect resulting from government officials visiting township businesses to discuss possible support, but no assistance being provided thereafter.

5.11 Limitations

The key limitations of the study that were initially identified were:

- (i) the lack of financial resources to conduct a much broader assessment beyond the 392 entities in the three townships identified;
- (ii) limited time within which to complete the study, which meant focusing on three provinces only;
- (iii) limiting the focus to South African practitioners only;
- (iv) possibility of not accessing some of the practitioners sampled;
- (v) minor limitation from not using a longitudinal study design.

The fieldwork did not discriminate regarding nationality of respondents, thus catering for limitation number (iii). Similarly, limitation number (iv) was moot, as the full identified sample was collected. Future research could address the minor longitudinal study design limitation by conducting a long-term assessment of the research question.

5.12 Conclusion

The research questions and objectives of this research were clearly defined and the findings from the data collected discussed. It was concluded that factors that hindered SMEs growth a decade ago are still prevalent. The findings also revealed that there are additional new factors that are worsening the situation. It was recommended that the factors that hinder SMEs growth should be the foundation for developing a public sector, demand-led growth strategy for SMEs, and that sound strategy formulation and implementation principles are followed.

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APPENDICES

Appendix A: Ethics Clearance Certificate



UNISA ETHICS REVIEW COMMITTEE

16 August 2021

NHREC Registration # : N/A
ERC Reference # 2021_CEMS_BM_119
Name : Mr Z Nhleko
Student #32447361
Staff #N/A

Dear Mr Z Nhleko

**Decision: Ethics Approval from
16 August 2021 to 15 August
2026**

Researcher(s): Name: Mr Z Nhleko
E-mail address: 32447361@mylife.unisa.ac.za
Telephone # 082 898 8060

Supervisor(s): Name: Prof Watson Ladzani
E-mail address # wladzani@unisa.ac.za
Telephone # (012) 429-3777

Supervisor(s): Name: Prof S Seeletse
E-mail address # seelletse@smu.ac.za
Telephone # (012) 429-4291

Working title of research:

**Public Sector Demand-Led Growth Strategy for Small and Medium Enterprises-
Validation from selected South African Townships**

Qualification: PhD

Thank you for the application for research ethics clearance by the Unisa Ethics Review Committee for the above-mentioned research. Ethics approval is granted for 5 years.

*The **low risk application** was reviewed by a Sub-committee (Department of Business Management Ethics Review Committee) of URERC on 21 July 2021 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment. The decision was approved on 16 August 2021.*

The proposed research may now commence with the provisions that:



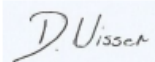
University of South Africa
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1. The researcher(s) will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid-19 position statement on research ethics attached.
2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
3. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the Ethics Review Committee.
4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
6. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's Act, no 38 of 2005 and the National Health Act, no 61 of 2003.
7. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
8. No field work activities may continue after the expiry date 15 August 2026. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Review Committee approval.

Note:

The reference number 2021_CEMS_BM_119 should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Chairperson: Prof T Visser
Department of Business Management
E-mail: vissed@unisa.ac.za
Tel: (012) 429-2113



Executive Dean: Prof Thomas Mogale
Economic and Management Sciences
E-mail: mogalmt@unisa.ac.za
Tel: (012) 429-4805

Appendix B: Research Instruments

(a) Research questionnaire



Ethical clearance reference number: 2021_CEMS_BM_119

COVER LETTER TO AN ONLINE ANONYMOUS WEB-BASED SURVEY

Dear Prospective Participant

You are invited to participate in a survey for a Phd study conducted by Zeph Nhleko under the supervision of Prof. W. Ladzani, a Professor in the Department of Business Management at UNISA and Prof. S Seeletse, a Professor in the Department of Statistics and Operations Research at the Sefako Makgatho Health Sciences University.

The survey you have received has been designed to study the factors that impact small and medium enterprises in townships. The title of the study is "Public Sector Demand-led Growth Strategy For SMEs – Validation From Selected South African Townships". You were selected to participate in this survey because you own and/or manage a township enterprise. You will not be eligible to complete this questionnaire if you are younger than 18 years or do not own/manage a township business. By completing this survey, you agree that the information you provide may be used for research purposes, including dissemination through peer-reviewed publications and conference proceedings.

It is anticipated that this survey will help us to collect important information that could assist in the drive to reduce unemployment in the country, especially in townships. You are however under no obligation to complete the survey and you can withdraw from the study prior to submitting the survey. The survey is developed to be anonymous, meaning that we will not put your name on the completed questionnaire. We will use a code name. Once we receive your information, you will not be able to withdraw from the study and we will use the anonymous information received. If you choose to participate in this survey it will take up no more than 30 minutes of your time.

You will not benefit from your participation as an individual; however, it is envisioned that the findings of this study will identify approaches to sustainable business growth that can be reinforced by public sector demand-driven (through procurement) strategies. We do not foresee that there will be any negative consequences from completing the survey. The researcher undertakes to keep any information provided herein confidential, not to let it out of our possession and to report on the findings from the perspective of the participating group and not from the perspective of an individual.



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You will not be reimbursed or receive any incentives for your participation in the survey. To assist with data costs for emailing the consent form and this survey back to us, you will receive a once-off data bundle

The records will be kept for five years for audit purposes where after they will be permanently destroyed - hard copies will be shredded and electronic versions will be permanently deleted from the hard drive of the computer.

The research was reviewed and approved by the UNISA Ethics Review Committee. The primary researcher, Zeph Nhleko, can be contacted during office hours at 082 898 8060 or email address 32447361@mylife.unisa.ac.za. The study leader, Professor Watson Ladzani can be contacted during office hours at 012 429 3777 or wladzani@unisa.ac.za. Should you have any questions regarding the ethical aspects of the study, you can contact Professor Thea Visser, Chair of the Departmental Ethics Committee at 012 429 2113 or vissed@unisa.ac.za. Alternatively, you can report any serious unethical behaviour at the University's Toll-Free Hotline 0800 86 96 93.

You are making a decision whether or not to participate by continuing to the next page. As indicated, you are free to withdraw from the study at any time prior to send the survey back to us.



**Research Questionnaire
for**

**Public Sector Demand-led Growth Strategy For SMEs – Validation From Selected
South African Townships**

Date: Respondent number:

1. Purpose and instructions for completing questionnaire

- 1.1 This questionnaire aims to collect information that will identify factors that are important for advancing small and medium enterprises growth in the townships of South Africa.
- 1.2 Your participation in the survey is voluntary and both your name and that of your business will be kept confidential.
- 1.3 The questionnaire is to be completed by the owner/manager. Please complete the entire form as honestly as you can and mark the relevant buttons.

2. Respondent profile

What is your:

2.1 Province ? GP KZN MP

2.2 Gender? M F Other

2.3 Age?

18 – 30 years	<input type="radio"/>
31 – 40 years	<input type="radio"/>
41 – 50 years	<input type="radio"/>
51 – 65 years	<input type="radio"/>
Other (please specify)	<input type="radio"/>
<input type="text"/>	

2.4 Nationality? South African: Non-South African:

2.5 Race?

Black : <input type="radio"/>	Indian: <input type="radio"/>	Other: <input type="radio"/>
Coloured: <input type="radio"/>	White : <input type="radio"/>	



2.6 Education level?

No qualification	<input type="radio"/>
Grade 1 – 7	<input type="radio"/>
Grade 8 – 11	<input type="radio"/>
Grade 12	<input type="radio"/>
First Degree/Diploma	<input type="radio"/>
Postgraduate Degree (Honours/B. Tech, Masters/M. Tech, Doctorate/D. Tech)	<input type="radio"/>

3. Business profile

3.1 In which sector are you operating?
Please mark and specify.

Retail enterprises – supermarkets, spaza, artwork	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Catering – bakeries, restaurants, taverns, shisa-nyama	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Services – beauty salon, legal, health, funeral, banking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Automotive – repairs, panel beating	<input type="radio"/>	<input type="radio"/>	
Construction – buildings, roads	<input type="radio"/>	<input type="radio"/>	
Other – please specify sector/business below:	<input type="radio"/>	<input type="text"/>	

3.2 What is the type of business you are in?

Sole proprietorship	<input type="radio"/>
Partnership	<input type="radio"/>
Private company	<input type="radio"/>
Family business	<input type="radio"/>
Other (Please specify): <input type="text"/>	<input type="radio"/>

3.3 How many people do you employ?

Total number of employees	<input type="text"/>
---------------------------	----------------------



3.4 Who financed your start-up capital?
Please mark all that apply.

Self	<input type="checkbox"/>
Private institution loan	<input type="checkbox"/>
Government loan	<input type="checkbox"/>
Relative	<input type="checkbox"/>
Government grant	<input type="checkbox"/>
Other (Please specify all that apply): <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<input type="checkbox"/>

3.5 How much are the estimated total business assets?

R50 000 or less	<input type="radio"/>
R50 001 – R500 000	<input type="radio"/>
R500 001 – R1 000 000	<input type="radio"/>
R1 000 001 – R5 000 000	<input type="radio"/>
More than R5 000 000	<input type="radio"/>

3.6 What is the business average monthly turnover?

R10 000 or less	<input type="radio"/>
R10 001 – R20 000	<input type="radio"/>
R20 001 – R35 000	<input type="radio"/>
R35 001 – R50 000	<input type="radio"/>
R50 001 – R75 000	<input type="radio"/>
R75 001 – R100 000	<input type="radio"/>
More than R100 000	<input type="radio"/>



4. Business growth factors

Please indicate the extent to which you agree or disagree with the following statements.

4.1 The following factors hindered me from growing my business **when I started** trading:

FACTOR	Strongly disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)
Lack of abilities and skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of knowledge about business registration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improper financing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Poor inventory (stock) control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate information and technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Crime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate quality of general infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of capital and guaranteed turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of business experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other factors (please specify and rate): <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4.2 The following factors are **still** preventing me from growing my business now:

FACTOR	Strongly disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)
Lack of abilities and skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of knowledge about business registration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improper financing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Poor inventory (stock) control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate information and technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Crime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate quality of general infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of capital and guaranteed turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of business experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
COVID-19 lockdown	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other factors (please specify and rate): <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



4.3 The following factors are true/false:

FACTOR	True (1)	False (2)
The quality of general infrastructure (e.g., roads, buildings, telecommunications, water and sanitation) is inadequate	<input type="radio"/>	<input type="radio"/>
My enterprise has adequate	finances for the business	<input type="radio"/>
	non-financial resources	<input type="radio"/>
My client base (market) has sufficient buying power	<input type="radio"/>	<input type="radio"/>
There is enough demand for my product or service in the township	<input type="radio"/>	<input type="radio"/>

4.4 My business would grow faster if:

FACTOR	Strongly disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)
The government improves information sharing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I take business insurance against crime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I attract and keep good employee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I improve my business and management skills	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I keep accurate financial records	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I diversify my product offering	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I establish a credit system to monitor debt sales and collections	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understand my trading location by conducting thorough research on the market (size, competitors, demand), access to transport and municipality by-laws	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I participate in seminars and exhibitions on information technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Please mention other factors you feel can be applicable to your business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input type="text"/>					

END



**Research Interview Guide
for**

**Public Sector Demand-Led Growth Strategy For Small And Medium Enterprises –
Validation From Selected South African Townships**

A. GUIDE

- Before commencing with this online interview, please ensure that you read and complete the Participant Consent Form sent to you via email.
- This study is undertaken to identify factors that are important to propel small and medium enterprises growth in the townships of South Africa. It is envisaged that its findings will assist in crafting a government-led sectoral demand strategy by reinforcing the prevalent growth factors. Your participation is therefore kindly requested and will be greatly appreciated.
- This interview guide is for South African owned small and medium enterprises in townships that have physical addresses. The interviewees should preferably be the owners/managers who are overseeing the business.
- Please be assured that your answers to this interview are completely confidential. There is no information in this interview that can identify you or your business.
- I will ask you some questions. If a question is not clear, you are welcome to ask me to repeat it. I will record the interview for later analysis.
- The interview will take no more than 30 minutes and if you wish we can conduct it in MS Teams. You will be supported with a once off data bundle to enable you to participate in the interview.



B. INTERVIEW

1. Central question:

1.1 Over the past ten years, what are the key factors that have hindered the business from growing beyond where it is now and how have these changed over time?

.....
.....

2. Supporting questions (depending on how comprehensive the central question was answered):

2.1 Can you briefly tell me about yourself and why the business was started?

.....
.....

2.2 Which year did you start the business and how did you finance the start up?

.....
.....

2.3 What challenges did you face when starting the business?

.....
.....

2.4 How did you grow the business to its current position?

.....
.....

2.5 Have you ever used any government financial or non-financial support for your business since its establishment? If so which one?

.....
.....

2.6 What issues are hindering you from growing the business beyond where it is now?

.....
.....

2.7 Which of the issues in 2.6 above do you regard as the most important to resolve? Please elaborate.

.....
.....

ENDS



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Appendix C: Language Editing Certificate

Write Skills

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14 July 2023

To whom it may concern

DOCUMENT EDITING

This serves to confirm that an academic report was submitted for the substantive editing service, as follows:

- Editing date: 2-14 July 2023
- Title: Public sector demand-led growth strategy for SMEs – validation from selected SA townships
- Length: 207 pages; 48861 words.
- Author: Zephania Nhleko
- Comments: The substantive editing service was completed and detailed comments were provided to guide the student on how to finalise the document.

Gillies

Appendix D: Significant townships reference list in South Africa – 2021

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
1	Eastern Cape	Alfred Nzo	Matatiele LM	Maluti	Maluti	7 223
2	Eastern Cape	Alfred Nzo	Matatiele LM	Matatiele	Matatiele	12 466
3	Eastern Cape	Alfred Nzo	Mbhashe LM	Idutywa	Idutywa	11 076
4	Eastern Cape	Alfred Nzo	Mbizana LM	Bizana	Bizana	7 974
5	Eastern Cape	Alfred Nzo	Umzimvubu LM	Mount Ayliff	Mount Ayliff	5 367
6	Eastern Cape	Alfred Nzo	Umzimvubu LM	Mount Frere	KwaBhaca	5 252
7	Eastern Cape	Amathole	Amahlathi LM	Stutterheim	Cumakala	7 103
8	Eastern Cape	Amathole	Amahlathi LM	King Williams Town	Kwatshatshu-Izeleni-Ndevana-Ilitha	22 379
9	Eastern Cape	Amathole	Amahlathi LM	Stutterheim	Mzamomhle	8 338
10	Eastern Cape	Amathole	Amahlathi LM	Frankfort	Namahadi	20 304
11	Eastern Cape	Amathole	Great Kei LM	Komga	Komga	8 090
12	Eastern Cape	Amathole	Raymond Mhlaba LM	Alice	Alice	15 143
13	Eastern Cape	Amathole	Raymond Mhlaba LM	Adelaide	Lingeletu	6 065
14	Eastern Cape	Buffalo City Metro	Buffalo City Metro	Bisho	Bisho	11 192
15	Eastern Cape	Buffalo City Metro	Buffalo City Metro	Dimbaza	Dimbaza	21 783
16	Eastern Cape	Buffalo City Metro	Buffalo City Metro	Grahamstown	Eluxolweni	15 300
17	Eastern Cape	Buffalo City Metro	Buffalo City Metro	East London	Mdantsane	171 522
18	Eastern Cape	Buffalo City Metro	Buffalo City Metro	East London	Mzamomhle	8 338
19	Eastern Cape	Buffalo City Metro	Buffalo City Metro	King Williams Town	Ndevana	12 680
20	Eastern Cape	Buffalo City Metro	Buffalo City Metro	East London	Potsdam	5 649
21	Eastern Cape	Buffalo City Metro	Buffalo City Metro	King Williams Town	Zwelitsha	18 189
22	Eastern Cape	Chris Hani	Emalahleni LM	Dordrecht	Dordrecht	10 261
23	Eastern Cape	Chris Hani	Emalahleni LM	Indwe	Indwe	20 000
24	Eastern Cape	Chris Hani	Engcobo LM	Engcobo	Masonwabe	24 080
25	Eastern Cape	Chris Hani	Enoch Mgijima LM	Queenstown	Ezibeleni	20 113
26	Eastern Cape	Chris Hani	Enoch Mgijima LM	Illinge	Illinge	10 689
27	Eastern Cape	Chris Hani	Enoch Mgijima LM	Queenstown	Mlungisi	24 901
28	Eastern Cape	Chris Hani	Enoch Mgijima LM	Whittlesea	Sada	13 493
29	Eastern Cape	Chris Hani	Intsika Yethu LM	Cofimvaba	Cofimvaba	8 783
30	Eastern Cape	Chris Hani	Inxuba Yethemba LM	Middelburg	KwaNonzame	5 839
31	Eastern Cape	Chris Hani	Inxuba Yethemba LM	Cradock	Lingelihle	17 412
32	Eastern Cape	Chris Hani	Sakhisizwe LM	Cala	Cala	14 520
33	Eastern Cape	Chris Hani	Sakhisizwe LM	Elliot	Elliot	14 376
34	Eastern Cape	Joe Gqabi	Elundini LM	Ugie	Dyoki	13 467

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
35	Eastern Cape	Joe Gqabi	Elundini LM	Maclear	Maclear	8 559
36	Eastern Cape	Joe Gqabi	Elundini LM	Mount Fletcher	Mount Fletcher	11 488
37	Eastern Cape	Joe Gqabi	Walter Sisulu LM	Aliwal North	Dukathole	19 152
38	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	Port Elizabeth	Bethelsdorp	182 012
39	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	Port Elizabeth	Ibhayi	237 799
40	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	Port Elizabeth	Kwadwesi	20 116
41	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	Port Elizabeth	Kwamagxaki	7 445
42	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	Uitenhage	Kwanobuhle	107 474
43	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	Motherwell	Motherwell	140 351
44	Eastern Cape	Nelson Mandela Bay Metro	Nelson Mandela Bay Metro	New Brighton	New Brighton	47 917
45	Eastern Cape	OR Tambo	King Sabata Dalindyebo LM	Mthatha	Mthatha	137 589
46	Eastern Cape	OR Tambo	Ngquza Hill LM	Flagstaff	Flagstaff	10 250
47	Eastern Cape	OR Tambo	Port St Johns LM	Port St Johns	Port St Johns	6 441
48	Eastern Cape	Sarah Baartman	Blue Crane Route LM	Cookhouse	Bhongweni	5 707
49	Eastern Cape	Sarah Baartman	Dr Beyers Naudé LM	Willowmore	Willowmore	7 678
50	Eastern Cape	Sarah Baartman	Dr Beyers Naudé LM	Graaff-Reinet	Umasizakhe	9 087
51	Eastern Cape	Sarah Baartman	Dr Beyers Naudé LM	Jansenville	Jansenville	5 612
52	Eastern Cape	Sarah Baartman	Kouga LM	Humansdorp	Humansdorp-Kruisfontein	14 942
53	Eastern Cape	Sarah Baartman	Kouga LM	Patensie	Patensie-Noorshoek	31 980
54	Eastern Cape	Sarah Baartman	Kouga LM	Jeffrey's Bay	Pellsrus	8 500
55	Eastern Cape	Sarah Baartman	Kou-Kamma LM	Joubertina	Joubertina	5 752
56	Eastern Cape	Sarah Baartman	Makana LM	Grahamstown	Rhini	67 264
57	Eastern Cape	Sarah Baartman	Ndlambe LM	Alexandria	KwaNonqubela	10 085
58	Eastern Cape	Sarah Baartman	Ndlambe LM	Bushmans River	Marseille	6 147
59	Eastern Cape	Sarah Baartman	Ndlambe LM	Port Alfred	Nkwenkwezi	25 559
60	Eastern Cape	Sarah Baartman	Sundays River Valley LM	Addo	Addo	16 935
61	Eastern Cape	Sarah Baartman	Sundays River Valley LM	Kirkwood	Bontrug	13 765
62	Eastern Cape	Sarah Baartman	Sundays River Valley LM	Paterson	Paterson	5 582
63	Free State	Fezile Dabi	Mafube LM	Frankfort	Namahadi	26 144
64	Free State	Fezile Dabi	Mafube LM	Tweeling	Mafahlaneng	6 465
65	Free State	Fezile Dabi	Mafube LM	Villiers	Qalabotjha	16 028
66	Free State	Fezile Dabi	Mafube LM	Tweeling	Tweeling	6 465
67	Free State	Fezile Dabi	Metsimaholo LM	Deneysville	Refenggotso	19 479
68	Free State	Fezile Dabi	Metsimaholo LM	Sasolburg	Zamdela-Coalbrook	153 038
69	Free State	Fezile Dabi	Moqhaka LM	Kroonstad	Maokeng	168 762
70	Free State	Fezile Dabi	Moqhaka LM	Steynsrus	Matlwangtlwang	9 106

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
71	Free State	Fezile Dabi	Moqhaka LM	Viljoenskroon	Rammulotsi	29 377
72	Free State	Fezile Dabi	Ngwathe LM	Koppies	Kwakwatsi	12 667
73	Free State	Fezile Dabi	Ngwathe LM	Vredefort	Mokwallo	13 293
74	Free State	Fezile Dabi	Ngwathe LM	Heilbron	Phiritona	27 407
75	Free State	Fezile Dabi	Ngwathe LM	Parys	Tumahole	37 675
76	Free State	Lejweleputswa	Masilonyana LM	Winburg	Makeketle	12 701
77	Free State	Lejweleputswa	Masilonyana LM	Theunissen	Masilo	21 963
78	Free State	Lejweleputswa	Matjhabeng LM	Odendaalsrus	Kutloanong	54 350
79	Free State	Lejweleputswa	Matjhabeng LM	Virginia	Meloding	44 362
80	Free State	Lejweleputswa	Matjhabeng LM	Ventersburg	Mmamahabane-Twelangpele	9 963
81	Free State	Lejweleputswa	Matjhabeng LM	Allanridge	Nyakallong	16 976
82	Free State	Lejweleputswa	Matjhabeng LM	Hennenman	Phomolong	20 562
83	Free State	Lejweleputswa	Matjhabeng LM	Welkom	Thabong	126 013
84	Free State	Lejweleputswa	Nala LM	Bothaville	Kgotsoong	41 878
85	Free State	Lejweleputswa	Tswelopele LM	Bultfontein	Phahameng	21 189
86	Free State	Lejweleputswa	Tswelopele LM	Hoopstad	Tikwana	14 738
87	Free State	Mangaung Metro	Mangaung Metro	Dewetsdorp	Morojaneng	8 665
88	Free State	Mangaung Metro	Mangaung Metro	Botshabelo	Botshabelo	181 712
89	Free State	Mangaung Metro	Mangaung Metro	Bloemfontein	Mangaung	747 431
90	Free State	Mangaung Metro	Mangaung Metro	Thaba Nchu	Thaba 'Nchu-Seloshesha	82 476
91	Free State	Thabo Mofutsanyana	Nketoana LM	Petrus Steyn	Mamafubedu	12 893
92	Free State	Thabo Mofutsanyana	Nketoana LM	Lindley	Ntha	10 990
93	Free State	Thabo Mofutsanyana	Nketoana LM	Reitz	Petsana	16 821
94	Free State	Thabo Mofutsanyana	Phumelela LM	Warden	Ezenzeleni	8 889
95	Free State	Thabo Mofutsanyana	Phumelela LM	Vrede	Thembalihle	15 727
96	Free State	Thabo Mofutsanyana	Phumelela LM	Memel	Zamani	6 523
97	Free State	Thabo Mofutsanyana	Setsoto LM	Clocolan	Hlohlolwane	17 602
98	Free State	Thabo Mofutsanyana	Setsoto LM	Senekal	Matwabeng	25 542
99	Free State	Thabo Mofutsanyana	Setsoto LM	Ficksburg	Meqheleng	35 848
100	Free State	Thabo Mofutsanyana	Setsoto LM	Marquard	Moemaneng	15 502
101	Free State	Thabo Mofutsanyana	Dihlabeng LM	Bethlehem	Bohlokong-Old location-Vuka-Phumlamqashi	76 667
102	Free State	Thabo Mofutsanyana	Dihlabeng LM	Clarens	Kgubetswana	5 628
103	Free State	Thabo Mofutsanyana	Dihlabeng LM	Fouriesburg	Mashaeng	12 974
104	Free State	Thabo Mofutsanyana	Maluti a Phofung LM	Harrismith	Ntabazwe (42nd Hill)	52 765

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
105	Free State	Thabo Mofutsanyana	Maluti a Phofung LM	Phuthaditjhaba	Makwane	18 550
106	Free State	Thabo Mofutsanyana	Maluti a Phofung LM	Phuthaditjhaba	Phuthaditjhaba	54 661
107	Free State	Thabo Mofutsanyana	Maluti a Phofung LM	Kestell	Tlholong	8 269
108	Free State	Thabo Mofutsanyana	Maluti a Phofung LM	Harrismith	Tshiamo	14 856
109	Free State	Thabo Mofutsanyana	Mantsopa LM	Tweespruit	Borwa	5 791
110	Free State	Thabo Mofutsanyana	Mantsopa LM	Excelsior	Mahlatswetsa	5 591
111	Free State	Thabo Mofutsanyana	Mantsopa LM	Ladybrand	Manyatseng	21 598
112	Free State	Xhariep	Kopanong LM	Edenburg	Ha-Rasebei	5 051
113	Free State	Xhariep	Kopanong LM	Bethulie	Lephoi	6 497
114	Free State	Xhariep	Letsemeng LM	Petrusburg	Bolokanang	7 491
115	Free State	Xhariep	Letsemeng LM	Koffiefontein	Ditlhake	7 686
116	Free State	Xhariep	Letsemeng LM	Koffiefontein	Koffiefontein	10 402
117	Free State	Xhariep	Mohokare LM	Zastron	Matlakeng	13 714
118	Free State	Xhariep	Mohokare LM	Rouxville	Roleleathunya	5 955
119	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Sandton	Alexandra	179 624
120	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Johannesburg	Soweto	1 271 628
121	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Johannesburg	Eldorado Park	65 698
122	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Johannesburg	Ennerdale	71 815
123	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Johannesburg	Kanana Park	21 005
124	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Orange Farm	Orange Farm	76 767
125	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Johannesburg	Lenasia	89 714
126	Gauteng	City of Johannesburg Metro	City of Johannesburg Metro	Roodepoort	Zandspruit	31 716
127	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Atteridgeville-Saulsville	169 633
128	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Eersterust	29 676
129	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Ekangala	Ekangala	48 493
130	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Ga-Rankuwa	Ga-Rankuwa	90 945
131	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Mabopane	Mabopane	110 972
132	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Hammanskraal	Kudube	58 431

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
133	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Laudium	19 102
134	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Lotus Gardens	10 547
135	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Mamelodi	334 577
136	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Hammanskraal	Marokolong	21 345
137	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Olievenhoutbos	70 863
138	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Cullinan	Refilwe	19 757
139	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Pretoria	Soshanguve	403 162
140	Gauteng	City of Tshwane Metro	City of Tshwane Metro	Bronkhorstspuit	Zithobeni-Rethabiseng	33 398
141	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Benoni	Chief A Luthuli Park	17 718
142	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Nigel	Duduza	73 295
143	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Tembisa	Tembisa	463 109
144	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Benoni	Etwatwa	151 866
145	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Alberton	Katlehong	467 890
146	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Springs	KwaThema	99 517
147	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Vosloorus	Vosloorus	163 216
148	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Alberton	Tokoza	105 827
149	Gauteng	Ekurhuleni Metro	Ekurhuleni Metro	Brakpan	Tsakane	135 994
150	Gauteng	Sedibeng	Emfuleni LM	Vanderbijlpark	Boipatong-Bophelong-Tshepiso	97 525
151	Gauteng	Sedibeng	Emfuleni LM	Vereeniging	Evaton	254 678
152	Gauteng	Sedibeng	Emfuleni LM	Vereeniging	Sebokeng	218 515
153	Gauteng	Sedibeng	Emfuleni LM	Vereeniging	Sharpeville	37 599
154	Gauteng	Sedibeng	Lesedi LM	Heidelberg	Ratanda	36 102
155	Gauteng	West Rand	Merafong City LM	Carletonville	Khutsong	62 458
156	Gauteng	West Rand	Merafong City LM	Fochville	Kokosi	26 407
157	Gauteng	West Rand	Merafong City LM	Carletonville	Wedela	17 928
158	Gauteng	West Rand	Mogale City LM	Krugersdorp	Kagiso	115 802
159	Gauteng	West Rand	Rand West City Local	Randfontein	Mohlakeng	55 033
160	Gauteng	West Rand	Rand West City Local	Randfontein	Toekomsrus	17 241
161	Gauteng	West Rand	Rand West City Local	Westonaria	Bekkersdal	47 213
162	Gauteng	West Rand	Rand West City Local	Westonaria	Simunye	18 350
163	KwaZulu-Natal	Amajuba	Newcastle LM	Newcastle	Madadeni	119 497
164	KwaZulu-Natal	Amajuba	Newcastle LM	Newcastle	Osizweni	77 845
165	KwaZulu-Natal	Ethekwini Metro	Ethekwini Metro	Clermont	Clermont	52 075
166	KwaZulu-Natal	Ethekwini Metro	Ethekwini Metro	Folweni	Folweni	30 402
167	KwaZulu-Natal	Ethekwini Metro	Ethekwini Metro	Inanda	Inanda	158 619
168	KwaZulu-Natal	Ethekwini Metro	Ethekwini Metro	KwaDabeka	KwaDabeka	54 953
169	KwaZulu-Natal	Ethekwini Metro	Ethekwini Metro	KwaMakhutha	KwaMakhutha	21 336

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
170	KwaZulu-Natal	Ethekewini Metro	Ethekewini Metro	Durban	KwaMashu	175 663
171	KwaZulu-Natal	Ethekewini Metro	Ethekewini Metro	Pinetown	KwaNdengezi	53 843
172	KwaZulu-Natal	Ethekewini Metro	Ethekewini Metro	Chatsworth	Lamontville	32 421
173	KwaZulu-Natal	Ethekewini Metro	Ethekewini Metro	Ntuzuma	Ntuzuma	125 394
174	KwaZulu-Natal	Ethekewini Metro	Ethekewini Metro	Umlazi	Umlazi	404 811
175	KwaZulu-Natal	iLembe	Mandeni LM	Mandini	Sundumbili	12 455
176	KwaZulu-Natal	King Cetshwayo	Mthonjaneni LM	Melmoth	Thubalethu	7 814
177	KwaZulu-Natal	King Cetshwayo	uMhlathuze LM	Richards Bay	Esikhawini	32 437
178	KwaZulu-Natal	King Cetshwayo	uMhlathuze LM	Richards Bay	Ngwelezane	18 319
179	KwaZulu-Natal	King Cetshwayo	uMhlathuze LM	Richards Bay	Nseleni	8 379
180	KwaZulu-Natal	Ugu	Ray Nkonyeni LM	Port Shepstone	Gamalakhe	14 098
181	KwaZulu-Natal	Ugu	Umdoni LM	Hazelwood	Umzinto	16 205
182	KwaZulu-Natal	Ugu	Umzumbe LM	Umzumbe	Mnamfu	12 700
183	KwaZulu-Natal	uMgungundlovu	Richmond LM	Richmond	Ndaleneni	8 282
184	KwaZulu-Natal	uMgungundlovu	uMngeni LM	Howick	Mpophomeni	25 732
185	KwaZulu-Natal	uMkhanyakude	Mtubatuba LM	Mtubatuba	KwaMsane	27 237
186	KwaZulu-Natal	uMzinyathi	Endumeni LM	Dundee	Sibongile	34 924
187	KwaZulu-Natal	uMzinyathi	Endumeni LM	Glencoe	Sithembile	17 548
188	KwaZulu-Natal	uMzinyathi	Nqutu LM	Nqutu	Nqutu	170 307
189	KwaZulu-Natal	uMzinyathi	Umvoti LM	Greytown	Enhlalakahle	9 090
190	KwaZulu-Natal	uThukela	Alfred Duma LM	Ladysmith	Ezakheni	70 809
191	KwaZulu-Natal	uThukela	Inkosi Langalibalele LM	Estcourt	Wembezi	5 820
192	KwaZulu-Natal	Zululand	Abaqulusi LM	Vryheid	Bhekuzulu	7 922
193	KwaZulu-Natal	Zululand	Abaqulusi LM	Vryheid	Mondlo	28 871
194	KwaZulu-Natal	Zululand	eDumbe LM	Paulpietersburg	Dumbe	9 094
195	KwaZulu-Natal	Zululand	Ulundi LM	Ulundi	Ulundi	19 840
196	KwaZulu-Natal	Zululand	UPhongolo LM	Pongola	Ncotshane	13 701
197	Limpopo	Capricorn	Blouberg LM	Blouberg	Blouberg	161 003
198	Limpopo	Capricorn	Lepele-Nkumpi LM	Lebowakgomo	Lebowakgomo	35 087
199	Limpopo	Capricorn	Molemole LM	Soekmeaar	Botlokwa-Mohodi-Ramokgopa	48 425
200	Limpopo	Capricorn	Polokwane LM	Pietersburg	Badimong-Bloodriver-GaMothiba-GaThoka-Mankweng-Perskebult-Polokwane-Sebayeng-Seshego	322 937
201	Limpopo	Mopani	Ba-Phalaborwa LM	Phalaborwa	Ben Farm-GaMakhushane-GaMashishimale-GaSelwana-Majeje-Namagale-Phalaborwa	128 874
202	Limpopo	Mopani	Greater Giyani LM	Giyani	Giyani	25 954
203	Limpopo	Mopani	Greater Letaba LM	Duiwelskloof	GaKgapanne-Greater Letaba-Mamaila-Medingeng	46 039

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
204	Limpopo	Mopani	Greater Tzaneen LM	Tzaneen	Dan-Khujwana-Lenyenye-Mohlaba-Nkwankowa-Tzaneen	93 419
205	Limpopo	Mopani	Maruleng LM	Hoedspruit	Hlohlokwe-Turkey	16 069
206	Limpopo	Sekhukhune District	Elias Motsoaledi LM	Groblersdal	Elandsdoring-Kgobokwane-Moteti-Sehlakwane-Tafelkop	82 974
207	Limpopo	Sekhukhune District	Ephraim Mogale LM	Marble Hall	Leeufontein-Marble Hall	24 549
208	Limpopo	Sekhukhune District	Fetakgomo LM	Polokwane	Mashung	5 834
209	Limpopo	Sekhukhune District	Makhuduthamaga LM	Jane Furse	GaMosehla-Phokwane	23 072
210	Limpopo	Vhembe	Collins Chabane LM	Malamulele	Malamulele	13 070
211	Limpopo	Vhembe	Makhado LM	Louis Trichardt	Elim-HaMashau-HaNesengani-Kutama-Makhado-Mpheni-Nkhensani-Sinthumule-Tshakhuma-Tshibupfe	201 387
212	Limpopo	Vhembe	Musina LM	Musina	Musina	42 678
213	Limpopo	Vhembe	Thulamela LM	Thohoyandou	Itsani-KaMhinga-Khubvi-Lwamondo-Shayandima-Thohoyandou	132 198
214	Limpopo	Waterberg	Bela-Bela LM	Bela-Bela	Bela-Bela	45 001
215	Limpopo	Waterberg	Lephalale LM	Ellisras	Lephalale-Marapong	43 972
216	Limpopo	Waterberg	Modimolle LM	Nylstroom	Leseding-Modimolle-Phagameng	54 487
217	Limpopo	Waterberg	Mogalakwena LM	Potgietersrus	GaMapela-Lekalakala-Mahwelereng-Mokopane-Sekgagapeng-Tshamahansi	125 980
218	Limpopo	Waterberg	Mookgopong LM	Naboomspruit	Mookgophong	24 853
219	Limpopo	Waterberg	Thabazimbi LM	Thabazimbi	Northam-Thabazimbi	56 458
220	Mpumalanga	Ehlanzeni	Bushbuckridge LM	Bushbuckridge	Acornhoek-BollaTau-Buyisonto-Hlanganani-Legokgwe-Maboke-Mafemani-Mkhuhlu-Thulamahashe-Xikhuseshe	185 936
221	Mpumalanga	Ehlanzeni	Mbombela LM	Nelspruit	Daantjie-Gutshwa-Kabokweni-Kabokweni-Kanyamazane-Mahushu-Mbombela-Msogwaba-Ngodini-Nyamazaneni-Phola-Pienaar-Tshabalala-White River-Zwelisha	305 405
222	Mpumalanga	Ehlanzeni	Mbombela LM	Matsulu	Matsulu	47 306
223	Mpumalanga	Ehlanzeni	Mbombela LM	Barberton	Emjindini	33 241

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
224	Mpumalanga	Ehlanzeni	Nkomazi LM	Tonga	Driekoppies-KaSibhejane-Kamaqhekeza-KaMatsamo-KaMhlushwa-Mangweni-Nkomazi-Sibayeni-Tonga	185 974
225	Mpumalanga	Ehlanzeni	Thaba Chweu LM	Lydenburg	Mashishing	37 258
226	Mpumalanga	Ehlanzeni	Thaba Chweu LM	Sabie	Simile	6 932
227	Mpumalanga	Gert Sibande	Albert Luthuli LM	Elukwatini	Elukwatini	13 149
228	Mpumalanga	Gert Sibande	Albert Luthuli LM	Mayflower	Mayflower	13 547
229	Mpumalanga	Gert Sibande	Albert Luthuli LM	Carolina	Silobela-Nhlazatje-Tjakastad	57 781
230	Mpumalanga	Gert Sibande	Govan Mbeki LM	Secunda	Embalenhle	118 889
231	Mpumalanga	Gert Sibande	Govan Mbeki LM	Bethal	Emzinoni	31 283
232	Mpumalanga	Gert Sibande	Govan Mbeki LM	Leandra	Lebohang	31 553
233	Mpumalanga	Gert Sibande	Lekwa LM	Standerton	Sakhile	40 418
234	Mpumalanga	Gert Sibande	Mkhondo LM	Piet Retief	Ethandakukhanya	28 635
235	Mpumalanga	Gert Sibande	Mkhondo LM	Amsterdam	Kwathandeka	7 289
236	Mpumalanga	Gert Sibande	Msukaligwa LM	Breyten	KwaZanele	8 318
237	Mpumalanga	Gert Sibande	Msukaligwa LM	Ermelo	Wesselton	49 792
238	Mpumalanga	Gert Sibande	Pixley ka Seme LM	Amersfoort	Ezamokuhle	10 293
239	Mpumalanga	Gert Sibande	Pixley ka Seme LM	Volksrust	Vukuzakhe	16 235
240	Mpumalanga	Nkangala	Dr JS Moroka LM	Mdutjana	Mmakau	36 605
241	Mpumalanga	Nkangala	Dr JS Moroka LM	Mdutjana	Siyabuswa	36 882
242	Mpumalanga	Nkangala	Emakhazeni LM	Machadodorp	eNtokozweni	8 835
243	Mpumalanga	Nkangala	Emakhazeni LM	Emakhazeni (Belfast)	Siyathuthuka	12 159
244	Mpumalanga	Nkangala	Emakhazeni LM	Waterval Boven (Emgwenya)	Emgwenya	6 178
245	Mpumalanga	Nkangala	Emalahleni LM	Emalahleni (Witbank)	KwaGuqa	130 920
246	Mpumalanga	Nkangala	Emalahleni LM	Emalahleni (Witbank)	Phola	31 885
247	Mpumalanga	Nkangala	Emalahleni LM	Kriel	Thubelihle	13 251
248	Mpumalanga	Nkangala	Steve Tshwete LM	Hendrina	Kwazamokuhle	20 427
249	Mpumalanga	Nkangala	Steve Tshwete LM	Middelburg	Mhluzi	76 462
250	Mpumalanga	Nkangala	Thembisile Hani LM	Kameelpoortnek	Kameelpoortnek	29 716
251	Mpumalanga	Nkangala	Thembisile Hani LM	Kwaggafontein	Kwaggafontein	45 104
252	Mpumalanga	Nkangala	Thembisile Hani LM	KwaMhlanga	KwaMhlanga	7 123
253	Mpumalanga	Nkangala	Thembisile Hani LM	Moloto	Moloto	29 634
254	Mpumalanga	Nkangala	Thembisile Hani LM	Tweefontein	Tweefontein	67 902
255	Mpumalanga	Nkangala	Thembisile Hani LM	Verena	Verena	20 793
256	Mpumalanga	Nkangala	Thembisile Hani LM	Vlaklaagte	Vlaklaagte	12 098
257	Mpumalanga	Nkangala	Victor Khanye LM	Delmas	Botleng	44 727
258	North West	Bojanala Platinum	Kgetlengrivier LM	Swartruggens	Borolelo	8 580

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
259	North West	Bojanala Platinum	Kgetlengrivier LM	Koster	Reagile	17 157
260	North West	Bojanala Platinum	Madibeng LM	Brits	Bapong-Lethlabile-Majakaneng-Mmakau-Oukasie	143 997
261	North West	Bojanala Platinum	Madibeng LM	Brits	Mothutlung	11 601
262	North West	Bojanala Platinum	Moretele LM	Mathibestad	Mathibestad-Makapanstad-Mmakaunyana-Mmotla-Mogogelo	75 540
263	North West	Bojanala Platinum	Moses Kotane LM	Moruleng	Lerome-Manamakhotheng-Mogwase-Moruleng-Tlokweng	55 413
264	North West	Bojanala Platinum	Rustenburg LM	Rustenburg	Boitekong	76 786
265	North West	Bojanala Platinum	Rustenburg LM	Rustenburg	Kana-Marikana-Meriting-Phokeng	78 274
266	North West	Bojanala Platinum	Rustenburg LM	Rustenburg	Seraleng	9 356
267	North West	Bojanala Platinum	Rustenburg LM	Rustenburg	Tlhabane	50 073
268	North West	Dr Kenneth Kaunda	City of Matlosana LM	Matlosana (Klerkdorp)	Alabama-Jouberton	129 306
269	North West	Dr Kenneth Kaunda	City of Matlosana LM	Orkney	Kanana	78 419
270	North West	Dr Kenneth Kaunda	City of Matlosana LM	Stilfontein	Khuma	45 895
271	North West	Dr Kenneth Kaunda	City of Matlosana LM	Hartbeesfontein	Tigane	17 141
272	North West	Dr Kenneth Kaunda	JB Marks LM	Potchefstroom	Ikageng	87 701
273	North West	Dr Kenneth Kaunda	JB Marks LM	Ventersdorp	Tshing	17 869
274	North West	Dr Kenneth Kaunda	Maquassi Hills LM	Makwassie	Lebaleng	12 433
275	North West	Dr Kenneth Kaunda	Maquassi Hills LM	Wolmaranstad	Tswelelang	17 233
276	North West	Dr Ruth Segomotsi Mompoti	Greater Taung LM	Taung	Taung (and surroundig)	174 089
277	North West	Dr Ruth Segomotsi Mompoti	Lekwa-Teemane LM	Bloemhof	Boitumelong	23 155
278	North West	Dr Ruth Segomotsi Mompoti	Lekwa-Teemane LM	Christiana	Utlwanang	14 169
279	North West	Dr Ruth Segomotsi Mompoti	Mamusa LM	Schweizer-Reneke	Ipelegeng	35 495
280	North West	Dr Ruth Segomotsi Mompoti	Naledi LM	Vryburg	Huhudi	25 457
281	North West	Ngaka Modiri Molema	Ditsobotla LM	Lichtenburg	Bodibe-Boikhutso	40 799
282	North West	Ngaka Modiri Molema	Ditsobotla LM	Lichtenburg	Itsoseng	19 959
283	North West	Ngaka Modiri Molema	Ditsobotla LM	Coligny	Tlhabologang	15 007

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
284	North West	Ngaka Modiri Molema	Mahikeng LM	Mahikeng	Lomanyaneng-Mmabatho-Mahikeng-Magogoe-Setlopo	101 265
285	North West	Ngaka Modiri Molema	Ramotshere Moiloa LM	Zeerust	Dinokana-Gopane-Moshana-Lehurutshe	55 308
286	North West	Ngaka Modiri Molema	Tswaing LM	Sannieshof	Agisanang	11 016
287	North West	Ngaka Modiri Molema	Tswaing LM	Ottosdal	Letsopa	17 488
288	Northern Cape	Frances Baard	Dikgatlong LM	Barkley West	Mataleng	11 847
289	Northern Cape	Frances Baard	Magareng LM	Warrenton	Ikhutseng	16 683
290	Northern Cape	Frances Baard	Phokwane LM	Pampierstad	Pampierstad	21 707
291	Northern Cape	Frances Baard	Sol Plaatjie LM	Kimberley	Galeshewe	107 920
292	Northern Cape	John Taolo Gaetsewe	Gamagara LM	Olifantshoek	Olifantshoek	10 233
293	Northern Cape	John Taolo Gaetsewe	Ga-Segonyana LM	Mothibistad	Mothibistad	9 616
294	Northern Cape	Namakwa	Nama Khoi LM	Springbok	Springbok	12 790
295	Northern Cape	Namakwa	Richtersveld LM	Port Nolloth	Port Nolloth	6 092
296	Northern Cape	Pixley Ka Seme	Emthanjeni LM	De Aar	Nonzwakazi	6 230
297	Northern Cape	Pixley Ka Seme	Kareeberg LM	Carnavon	Carnavon	6 612
298	Northern Cape	Pixley Ka Seme	Renosterberg LM	Petrusville	Petrusville	5 211
299	Northern Cape	Pixley Ka Seme	Siyancuma LM	Douglas	Douglas	18 476
300	Northern Cape	Pixley Ka Seme	Siyathemba LM	Prieska	Prieska	13 106
301	Northern Cape	Pixley Ka Seme	Thembelihle LM	Hopetown	Hopetown	10 259
302	Northern Cape	Pixley Ka Seme	Ubuntu LM	Victoria West	Victoria West	8 254
303	Northern Cape	Pixley Ka Seme	Umsobomvu LM	Colesburg	Colesburg	16 869
304	Northern Cape	ZF Mgcawu	Dawid Kruiper LM	Upington	Paballelo	17 614
305	Northern Cape	ZF Mgcawu	Kai !Garib LM	Keimoes	Keimoes	11 400
306	Northern Cape	ZF Mgcawu	Kgatelopele LM	Daniel Skuil	Daniel Skuil	13 597
307	Northern Cape	ZF Mgcawu	Tsantsabane LM	Postmasburg	Boitshoko	8 156
308	Western Cape	Cape Winelands	Breede Valley LM	Worcester	Worcester	78 906
309	Western Cape	Cape Winelands	Drakenstein LM	Paarl	Mbekweni	30 875
310	Western Cape	Cape Winelands	Drakenstein LM	Wellington	Wellington	47 212
311	Western Cape	Cape Winelands	Langeberg LM	Robertson	Robertson	17 762
312	Western Cape	Cape Winelands	Stellenbosch LM	Stellenbosch	Kaya Mandi	24 645
313	Western Cape	Cape Winelands	Witzenberg LM	Ceres	Ceres	10 413
314	Western Cape	Central Karoo	Beaufort West LM	Beaufort West	Beaufort West	17 257
315	Western Cape	Central Karoo	Laingsburg LM	Laingsburg	Laingsburg	5 214
316	Western Cape	Central Karoo	Prince Albert LM	Prince Albert	Prince Albert	6 208
317	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Cape Town	Delft	152 030
318	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Cape Town	Guguletu	98 468
319	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Cape Town	Khayelitsha	391 749

NO.	PROVINCE	DISTRICT	LOCAL MUNICIPALITY (LM)/METRO	TOWN/CITY	TOWNSHIP/VILLAGE*	POPULATION (Census 2011)
320	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Cape Town	Langa	52 401
321	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Bishop Lavis	Matroosfontein	77 121
322	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Mfuleni	Mfuleni (Cape)	52 274
323	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Cape Town	Mitchells Plain	310 485
324	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Cape Town	Nyanga	57 996
325	Western Cape	City of Cape Town Metro	City of Cape Town Metro	Philippi	Philippi	200 603
326	Western Cape	Garden Route	Bitou LM	Plettenburg Bay	KwaNokuthulu	14 016
327	Western Cape	Garden Route	George LM	George	Thembaletu	43 103
328	Western Cape	Garden Route	Knysna LM	Knysna	Knysna	40 352
329	Western Cape	Garden Route	Mossel Bay LM	Mossel Bay	KwaNonqaba	27 561
330	Western Cape	Garden Route	Oudtshoorn LM	Oudtshoorn	Bongolethu	14 724
331	Western Cape	Overberg	Cape Agulhas LM	Bredasdorp	Bredasdorp	12 574
332	Western Cape	Overberg	Overstrand LM	Zwelihle	Zwelihle	18 210
333	Western Cape	Overberg	Swellendam LM	Swellendam	Swellendam	17 527
334	Western Cape	Overberg	Theewaterskloof LM	Caledon	Caledon	13 020
335	Western Cape	West Coast	Bergrivier LM	Piketberg	Piketberg	10 385
336	Western Cape	West Coast	Cederberg LM	Clanwilliam	Clanwilliam	7 060
337	Western Cape	West Coast	Matzikama LM	Vredendal	Vredendal	15 626
338	Western Cape	West Coast	Saldanha Bay LM	Vredenburg	Vredenburg	33 009

*All township units/extensions, excluding agriculture holdings but including major villages, with at least 1000 households or 5000 people included.

Appendix E: Paper 1 - Institutional development as a tool to facilitate economic access for South Africa's SMEs: the case of the Development Bank of Southern Africa

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Institutional development as a tool to facilitate economic access for South Africa's SMEs: the case of the Development Bank of Southern Africa



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ABSTRACT

The lack of economic access is one of the main challenges facing small and medium enterprises (SMEs). It contributes to the elevated levels of unemployment and slows the resolution of high inequality and poverty in South Africa. Economic access is the ability of historically disadvantaged individuals and entities to participate in the economy. This study aimed to explore how institutional development can support economic access for SMEs. The study explored how setting up new or improving existing socio-economic structures or legal entities could support economic access for SMEs. The support received by SMEs in South Africa from three institutions, the Independent Power Producer Office (IPPO), the Infrastructure Delivery Division (IDD) and the Development Laboratories (DLabs), set up by the Development Bank of Southern Africa (DBSA) was assessed. Quantitative data from the DBSA and IPPO, as well as qualitative views from informants, were used to assess the economic access of SMEs. The study shows that the IPPO, IDD and DLabs added value by achieving the objectives for which they were created. Furthermore, the results show that institutional development supports economic access for SMEs, and that this support is scalable. The study showed that institutional development could be a tool to support SMEs to participate in the economy. This study contributes to the body of knowledge on ways to support SMEs to grow and contribute to reducing unemployment, inequality and poverty.

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Introduction

The term economic access has been used since the 1980s by the Food and Agriculture Organization (FAO) of the United Nations in the context of food security to refer to availability and affordability of food (FAO, 1983:14). The key components of access in this context include factors such as price, income, markets, infrastructure, distribution and gender issues (Azizi, Kumar, Van den Akker, Irmeler and Herold, 2016). Other researchers have used the term in a similar manner or expanded it to mean the ease of enjoying opportunities and participation (USAID, 1995:7-8; Liu and Zhang, 2018:25-40; Ambler, Jones and O'Sullivan, 2021:1-13). Wachs and Kumagai (1973:437-456) further showed that, in the context of Los Angeles in the United States, accessibility, especially to employment and public services, is an important measure of standard of living.

In the case of South Africa, economic access is defined in terms of participation (Republic of South Africa, 1994). Given that the economic system was driven to enforce racial divisions prior to 1994, there was widespread non-representativity and non-participation in economic activities by a large segment of the population. Post-1994, this situation triggered the concept of empowerment, which required that historically disadvantaged population groups had to be given the ability to make strategic economic choices. This ability had to be given to both individuals and companies. Disadvantaged companies are largely small, micro or medium-sized, given that they did not have the opportunity to grow under the prior divisive economic regime. About 66 percent

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of registered businesses in this category are less than ten years old and roughly 73 percent of them are owned by Black people (SEDA, 2021:23-29). Institutions provide a powerful tool and lens for setting up and assessing a nation's progress towards prosperity as they tend to have very long lifespans (Hodgson, 1998). In fact, in a study of long-run performance of nations, Lloyd and Lee (2018) highlight the reality that, if used correctly, institutions could determine the direction of economic growth and development. Institutions and institutional development are dealt with in detail later.

This study sought to explore how institutional development can support economic access for small and medium enterprises (SMEs). It assessed the support received by SMEs in South Africa from institutions set up by the Development Bank of Southern Africa (DBSA). Small businesses are broadly defined as having up to 50 employees and making no more than R80 million in annual turnover, while medium-sized businesses have up to 250 employees and make no more than R220 million in annual turnover (Republic of South Africa, 2019:110-111).

The DBSA is a state-owned development finance institution that is mandated to: promote economic development and growth, human resources development and institutional capacity building as well as support development projects and programmes on the African continent (Republic of South Africa, 1997). One important tactic used by the DBSA in pursuit of its mandate is to set up institutions that focus on specific elements of its mandate to support economic development, e.g., the Independent Power Producer Office (IPPO), the Infrastructure Delivery Division (IDD) of the DBSA and the Development Laboratories (DLabs) of the DBSA. These institutions were considered in this study.

Economic access is one of the main challenges facing SMEs and it is contributing to the high unemployment rate and the slow resolution of high inequality and poverty levels in South Africa. Several factors can fast-track SME growth, and by extension, affect economic access (Nhleko, unpublished), including: attracting and keeping good employees, improving business and management skills, keeping accurate financial records, diversifying the product offering, establishing a credit system to monitor debt sales, understanding the trading location and ensuring adequate infrastructure and information and technology. The question that arises is: Can institutional development be used to facilitate economic access for SMEs? A case study of DBSA institutions was used to address this question. The problem investigated was, therefore, how and to what extent can institutional development be used as a tool to facilitate economic access for SMEs. This was done by showing applied results from the IPPO, IDD and DLabs. It is hoped that the findings can be of general use in South Africa.

The study that led to this paper highlights the process of developing institutions to advance economic development, and by definition, SMEs growth as one of the key interventions by the public sector, and thus paving a way to assess the extent to which such institutions facilitate economic access for SMEs while highlighting the possible general use of the process in this paper. The study contributes to the body of knowledge on ways to support SMEs to grow and contribute to reducing unemployment, inequality and poverty.

The rest of the paper is organised as follows: following the introduction, a literature review on institutional development is undertaken. This is followed by a description of the research methodology utilised. The findings and discussion section follows with an analysis of the experiential findings, a summary of the gaps and institutional contributions, the interview results, and the overall discussion of the findings. The paper concludes by answering the problem statement questions.

Literature Review

Conceptual Background, Empirical Review and Hypotheses Development

Institutional development

In the early 20th century, Veblen (1912:1-21;23-26) introduced the concept of institutional economics along social class lines. He asserted that as society evolved from primitive to modern, institutions were created to accommodate and shape the behaviour of different classes. For example, the shift from a peaceful to a predatory phase in man's evolution led to the creation of ownership-marriage and slavery. Ownership-marriage is considered one of the early forms of ownership in the barbarian culture, as men treated women seized from enemy groups as their property. The drive for ownership of people and goods ultimately shaped how asset acquisition, conspicuous leisure and consumption take place in society. These aspects – ownership, acquisition, leisure and consumption – are therefore early forms of institutions that supported economic development.

The evolution of institutional economics has generally followed four broad paths of emphasis: first, a focus on legal institutions; then a focus on political institutions; followed by a focus on culture; and, finally, a focus on the role of colonial institutions and the role of power in politics (Lloyd and Lee, 2018:1-16). North (1991:97) defines institutions as controls devised by humans to structure their political, economic and social interaction. This process of structuring interaction is believed to create order and certainty. Hodgson (2006:2,18) views institutions in a similar manner, i.e., as systems developed to structure social interactions. These systems are defined broadly, not only confined to formal and informal classifications, e.g., property rights and the moral code in society, respectively.

A review of the institutional development concept shows that there is no standard definition for this concept (McGill, 1995:63-70; McGill, 1996:3-23). However, there is no doubt that institutions do not have to be organisations or legal entities in order to enhance or hinder development, that is, uplifting the standard of living.

Institutions as development tools

Hoff (2003:205-226) used research outcomes in Latin America to show that institutions are a key factor in creating wealth and fighting poverty for many nations. Sari and Prasetyani (2021:19-28) summarised the literature that emphasizes that economic growth is influenced by institutional factors. Using panel data from members of the Association of Southeast Asian Nations and key institutional indicators from the World Bank, it was shown that institutional factors had a significant influence on the economic growth of these nations (Sari and Prasetyani, 2021). The indicators used to show this were political stability, voice and accountability, government effectiveness, regulatory quality, rule of law and control of corruption, and exports and imports.

While the activity of institutional development is in most instances treated as a learning opportunity, it needs to align with the operational environment and the objectives of those who create the institutions. The ECDPM (2017:7) reflects the same view in its assertion that institutional development is both complex and experimental in nature, which is why it is useful to assess its results over time. Institutional development must therefore be viewed as a process. In their classification of institutions, Rodrik and Subramanian (2003:31-34) state that the quality of institutions is extremely important for development. They distinguish between market regulating, market stabilizing, market legitimizing and market creating institutions. Market creating institutions protect property rights and facilitate the enforcement of contracts while supporting investment and entrepreneurship. It is these types of institutions that were of interest in this study, as the process of supporting SMEs is regarded as a market creating activity.

Using various assessment dimensions, Churampi-Cangalaya *et al.* (2023), demonstrated in the case of Peru that institutional development would lead to efficient and responsible provision of services. Similarly, sectoral studies such as organic farming, cultural heritage tourism, human development and foreign capital flows, have concluded that institutional development is a critical precondition for the success of economic development (Githaiga and Kilong'i, 2023; Mzembe, Koens and Calvi, 2023; Simin *et al.*, 2023). There does not seem to be a scholarly problem with using institutional development to refer to both building institutions from scratch and improving existing institutions (Moore, Stewart and Hadock, 1995:10). Therefore, institutions were considered to be both socio-economic structures and legal entities in this study, while their development refers to both setting up new institutions and improving existing institutions. The above discussion supports the study hypothesis shown below.

H1: Institutional development can support economic access for SMEs.

Research and Methodology

This study used a qualitative research approach to gain in-depth information on the effectiveness of institutional development as a tool to ensure economic access for SMEs in South Africa (Busetto, Wick and Gumbinger, 2020). The DBSA has used the approach of setting up institutions nationally to execute its mandate, which includes economic development, capacity building, and supporting development projects and programmes. Three of these institutions (IPPO, IDD and DLabs) were explored in this study, with the aim of assessing their roles in facilitating SMEs access to the economy. The three institutions were selected because they are operational, have data and were accessible within the available research time. This selection could be regarded as a limitation to the methodology. Furthermore, it was difficult to obtain detailed data from beneficiary SMEs. This presented an additional limitation to the study.

Three senior DBSA officials who participated in setting up the institutions or are currently involved in managing them, were purposely selected as informants, and requested to provide information on these institutions in a semi-structured interview format. Internal founding documents at the DBSA that outline the rationale and processes for establishing the institutions investigated were also reviewed. Desktop research data were used to define the theoretical aspects of the topic.

Findings and Discussions

Experiential findings

This section provides the results of the analysis of institutions developed by the DBSA, in terms of their performance in facilitating economic access for SMEs in South Africa. These institutions are the IPPO, IDD and DLabs.

Independent Power Producer Office

The IPPO was established in 2010 through a three-way memorandum of agreement (MOA) between the DBSA, the Department of Mineral Resources and Energy (DMRE, formerly Department of Energy) and National Treasury (DBSA, 2010). The primary mandate of the IPPO is to secure electrical energy from the private sector or independent power producers (IPPs), and mainly from renewable energy sources. Additionally, the energy procurement programme is designed to facilitate job creation and economic development, and to broaden economic ownership. The MOA has thus far been renewed three times, i.e., in 2016 for three years, in 2019 for one year and in 2020 for three years (DBSA, 2016; DBSA, 2019, DBSA, 2020).

The parties agreed that the key objectives of the MOA are to:

- i. Identify and implement interventions that will advance the introduction of IPP projects into the South African energy market.
- ii. Commit to the interventions process and successful implementation of IPP projects.
- iii. Jointly formulate terms of reference to appoint transaction advisors, evaluate bids submitted and provide advisory services to other service providers.
- iv. Monitor the procurement and development of each IPP project.
- v. Formulate standard documents and protocols to support the implementation of IPP projects.
- vi. Avail senior executives to address critical matters that require unblocking.
- vii. Review all documents produced during the implementation of the MOA.

The DBSA provided a total of R80 million to fund the establishment of the IPPO during its initial years of set up and this amount has since been recovered through project development fees, project management fees and market development fees. The specific role of the DBSA in setting up the IPPO was outlined in the MOA as being to:

- i. Appoint and pay the costs of a suitably qualified project manager as and when required, and to recover such portion of these costs as contemplated in the MOA.
- ii. Be responsible for the day-to-day management of the project manager, including ensuring compliance with DBSA's internal policies and procedures.
- iii. Establish, manage and maintain a fully functioning project office dedicated to IPP projects.
- iv. Procure transaction advisors where relevant, while complying with internal procurement policies, and manage the service delivery and quality of service of these transaction advisors.
- v. Serve on the joint implementation committee and provide relevant expertise to the funding structure of the project.
- vi. Provide support in respect of contract management, from financial close to technical and financial completion.

The IPPO will eventually be institutionalised as a stand-alone entity (IPPO, 2022). This process is quite advanced, with a mandate, business model, functions and institutionalisation options already completed. A draft business case has been finalised, and the draft legislation and the implementation plan have also been completed. Over the past decade or so, the energy procurement process run by the IPPO has been regarded as competitive, transparent, fair and well managed (Eberhard and Naude, 2012:1-2,22). In pursuing broader economic ownership, the request for proposals that invite bids require bidders to respond to several elements, including economic development qualification criteria. A minimum 40 percent local entity participation and a level 5 broad-based black economic empowerment (B-BBEE) level are set as bidding hurdles (IPPO, 2015).

As indicated in Table 1 below, after eight bid windows (BW) have been opened (BW1, BW2, BW3, BW3.5, BW4, BW4-additional, BW5 and the risk mitigation window), 125 renewable energy projects have been awarded since 2012 (IPPO, 2022). A total of R342 billion has been raised in investments for the bid windows indicated above (IPPO, 2022). On average, it takes just over a year for a project to reach financial close and the finance allocated to the project becomes available.

Table 1: IPP Bid windows

	BW* 1	BW 2	BW 3	BW3.5	BW 4	BW 4 (add)	BW 5	Risk Mitigt.	BW 6
Bid closing date	Nov 2011	Mar 2012	Aug 2013	Mar 2014	Aug 2014	Aug 2014	Aug 2021	Dec 2020	Aug 2022
Bid financial close	Nov 2012	May 2013	Jul 2014	Jul 2019	Apr 2018	Dec 2018	Sep 2022	Sep 2021	May 2023
Number of bids received	53	79	93	3	74	-	102	28	56
Number of projects awarded	25	19	17	2	13	13	25	11	5 [^]
Capacity requested (MW)	3 625	1 275	1 473	300	1 105	1 170	2 600	2 000	2 600
Capacity awarded (MW)	1 425	1 040	1 457	200	1 121	1 084	2 583	1 995	860
Value of investment (R billion)	49	33	48	23	55	24	50	60	12
Economic development criteria % set	1	1	1	1	1	1	1.8	1.5	1.5*
Outcome achieved	1.8	1.1	4	14	7.2	7.2*	2.1	1.7	-
B-BBEE minimum % level set	12	12	12	12	12	12	30	30	30*
Outcome achieved	14	16	18	18	30	30*	35	43	-

Source: IPPO (2022); Own calculations. *BW = Bid window, [^]Sixth under consideration, *Assumed previous levels

Despite possible potential revisions to BW5, the total energy capacity awarded over the eight bid rounds (BW1 to risk mitigation window) is 10 905 megawatts (MW), of which 5 826MW from bid windows 1 to 4 have been added to the national grid. Entities are expected to comply with the minimum empowerment thresholds for job creation, local content, ownership, and enterprise and supplier development.

The IPPO (2022) states that the IPP programme has facilitated 64 590 jobs to date, which could be held for at least a year for bid windows 1 to 4. A total R1,8 billion has been spent on supporting the socio-economic needs of local communities. The programme has also supported 1 388 SMEs with R307 billion provided for equipment, finance, transport, and training and development for BW1 to BW4. Small empowerment businesses that participate in the IPP programme typically take out loans or receive an equity injection from various investors to facilitate their participation. Initially, there was lack of policy clarity on how to support SMEs and difficulties with national grid access persist.

The minimum level of broad-based empowerment support, which targets Black-owned SMEs, was set at 12 percent of the project value in BW1; it was gradually increased to 30 percent for later bid windows. On average, the renewable energy projects have reached 25% in terms of Black empowerment. In this way, the programme has succeeded in creating economic access opportunities for SMEs.

Infrastructure Delivery Division

The DBSA operates across the full infrastructure development value chain, i.e., planning, preparation, financing, building and maintenance of infrastructure projects and programmes (DBSA, 2022). At its 2012/2013 organisational review session, the DBSA resolved to accelerate the roll-out of infrastructure building and maintenance (DBSA, 2013). This came on the back of the unabated infrastructure development gap in the country, including inappropriate school infrastructure, poor housing conditions, unmaintained roads and poor health facilities.

The IDD was re-purposed to respond to government institutional and structural challenges at all levels of government. Specifically, the IDD was designed to enhance government's capacity to plan, design, construct, maintain and manage social and economic infrastructure. Some of the specific challenges identified were:

- i. inadequate infrastructure planning and budgeting
- ii. lack of innovation
- iii. slow and poor execution of procurement processes
- iv. inability to spend infrastructure grants allocated
- v. poor project execution
- vi. poor infrastructure maintenance
- vii. weak management and operational capacity to implement projects.

As shown in Figure 1, from inception to 2022, the IDD has delivered infrastructure worth R25,3 billion (IDD, 2022).

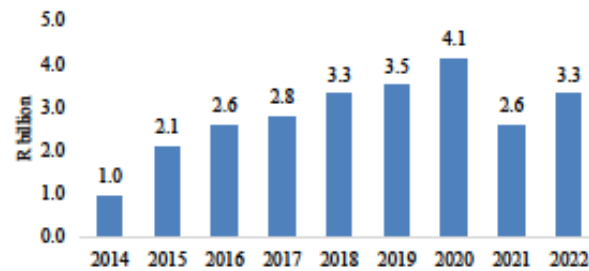


Figure 1: IDD - infrastructure delivered; Source: IDD (2022)

The contribution made by the IDD is shown using a selection of indicators in Table 2 below. A notable outcome is the number of small businesses that benefitted from its efforts, i.e., more than 7 500 small business in the nine-year period from 2014 to 2022. A total of R4,1 billion was transferred to small businesses during this period (IDD, 2022), which confirms IDD supporting SMEs to gain economic access. For this work, the IDD often contends with building sites invasions which often set contracted SMEs behind schedule and cause employee protests.

Table 2: IDD contribution to the economy

IDD Numbers	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of projects completed	918	1 266	1 539	364	196	183	186	641	369
Number of employment opportunities created	5 768	7 144	6 462	9 077	8 492	8 344	9 758	8 190	9 230
Education facilities built/refurbished	49	14	34	89	136	115	114	62	105
Health facilities built/refurbished	109	87	117	26	11	46	2	5	1
Human settlement facilities built/refurbished	760	1 128	1 382	342	112	-	200	-	-
Municipal projects completed	-	-	-	25	16	14	43	13	3
SMME and sub-contractors that have benefitted	80	734	665	500	717	1 087	1 219	1 031	1 543
Of which total value earned (R million)	-	170	710	493	364	536	948	611	914

Source: IDD (2022)

Development Laboratories

DLabs were conceptualised as one of the strategic moonshot¹ projects of the DBSA. The DLabs precinct model was activated in 2020. The aim is to create economic development spaces in local economies to allow connectivity and a digital presence for participants (DBSA, 2021). Infrastructure and development investment are purposely linked to advance local economic development and a community-based ecosystem. DLabs have the following main objectives:

- i. Create an environment for locals to participate.
- ii. Partner with stakeholders to co-produce sustainable platforms that yield impactful development solutions.

The effort made by the National Party government to develop Black enterprises separately and outside the mainstream economy prior to 1994 yielded very limited results (The Presidency, 2020). Thereafter, despite the various efforts made by the democratic government to arrest high unemployment and unbearable poverty and inequality levels, these socio-economic challenges remain. There is consensus that township and rural economies are still under-served, and a task team created within the deputy president's office points out that certain deep-seated challenges remain unresolved (The Presidency, 2020), including:

- i. Continued gains by the beneficiaries of colonialism and apartheid.
- ii. Continued benefiting by the rich from the little growth in townships and rural areas due to sector concentration.

¹ Ambitious and innovative projects that explore and break new ground.

- iii. Unfair technological advantage of incumbents.
- iv. Big business mentality, which undermines the growth of small businesses.
- v. Perpetual victimhood syndrome from the colonial and apartheid psychological impact.
- vi. Escalating unemployment and persistent poverty.

The DLabs precinct model was designed to address some of these challenges faced by township and rural economies (DBSA, 2021). The model articulates the challenges addressed as shown below, most of which have been exacerbated by the COVID-19 pandemic:

- i. *Socio-economic challenges* – elevated unemployment, poverty and inequality levels trap citizens, especially young people, in a vicious cycle that prevents them from participating meaningfully in the economy. Even if they break out of this cycle, the skills mismatch between academic qualifications and industry demands makes it difficult for them to reach ideal levels of economic participation.
- ii. *Inadequate healthcare* - many people still do not have access to primary health care, and in rare cases where they do, the services are provided by overcrowded and inefficient health facilities.
- iii. *Poor spatial planning* – inadequate spatial planning has sustained the unfair spatial layout in the country, with adverse results for townships and rural areas.

DLabs provide communities with future skills learning programmes and youth employment opportunities. They also drive entrepreneurship, create safe spaces for sport and other recreational activities, through technology and sustainable solutions. The DBSA provides seeding capital and operational support over a three-to-five-year period to set the precincts up and nurture them into self-sustaining entities (DBSA, 2021). This is a novel approach which comes with market leading challenges and massive coordination requirements, as partners, especially SMEs, are not always organised. As at February 2022, there were five DLabs pilot sites supported by the DBSA in South Africa and some R47 million had been disbursed. The sites are in Jabulani in Gauteng, Westridge in the Western Cape, Alexandra in Gauteng, Louwsburg in KwaZulu-Natal, and Waterberg in Limpopo. The impact results that have been recorded are provided in Table 3 (DBSA, 2022a).

Table 3: Development results for DLabs precincts

	2021	2022
Capital disbursed (R million)	26	24
Number of beneficiaries of future skills training	1 031	775
Number of jobs created	41	54
Number of SME supported through training and finance	51	182

Source: DBSA (2022a)

In just two years, the programme has demonstrated its potential usefulness in terms of providing an operational platform, and equipping locals with skills, creating jobs, and providing economic access to local small businesses. Providing support to SMEs in terms of economic access has clearly been demonstrated.

Summary of gaps and institutional contributions

The individual institutional gaps identified, challenges with support, contributions to economic access and successes achieved, especially for SMEs, are outlined in Table 4 below.

Table 4: Institutional gaps and contributions

	IPPO	IDD	DLabs	
Gaps and challenges	Gaps identified	Lack of competitive and transparent IPPs procurement process Need to add power to the national grid Need to increase Black equity participation Need to improve socio-economic benefits such as creating jobs	Need to increase public sector capacity for infrastructure delivery Challenges experienced with infrastructure delivery, e.g., planning, budgeting and under-spending	Lack of access to opportunities experienced by youth in disadvantaged urban and rural environments Lack of basic business skills training for entrepreneurs Need to improve social returns
	Challenges with support	Initially lack of policy clarity on how to support SMEs and currently, difficulties accessing grid	Navigating site invasions to avoid protests by SMEs employees	Challenge to organise partners, including SMEs
Contributions and success	Contribution to economic access	Increased Black ownership Created advisory panels for emerging firms Increased spend on socio-economic development of communities and SMEs	Delivery logic provided access to SMEs Procurement strategy mainstreamed for SMEs and local economy empowerment Mobilisation of working capital for SMEs	Increased skills Increased employment More participation by local service providers and business support Investment allocated
	Successes from support	5 826MW added to the national grid 64 590 jobs facilitated R1,8 billion spent on supporting the socio-economic needs of local communities 1 388 SMEs supported for a total of R307 billion for equipment, finance, transport, and training and development 25% achieved per deal on average for Black empowerment (equity and loans)	R25,3 billion of infrastructure delivered 7 500+ SMEs supported for a total of R4,1 billion through contracts and cashflow	R50 million spent on infrastructure and operations 1 806 individuals received skills 95 jobs created 233 SMEs supported through finance and training

Source: Authors' own summary

Interview results

The summary of the interview results is shown in Table 5.

Table 5: Summary of interview results

Outcome of survey	IPPO	IDD	DLabs
Key goals of entity	Capacity to design, structure, procure and oversee the implementation of IPP programmes Increase megawatts onto the grid, given the load shedding that started in 2008 Meet the country's green climate commitments Economic transformation	To augment the capacity of the state to deliver and maintain infrastructure Embrace the building of institutional capacity Build a capable state that is able to plan infrastructure projects, manage the design, construction, upgrades, refurbishment and maintenance using innovative, turnkey solutions Provide programme management services and mobilise specialist expertise	To drive development through targeted, community-based investment in human capacity Provide access to skills of the future for youth and women Attract and retain capital in local micro economies
Challenges being resolved	Competitive, transparent IPPs procurement Power added to the grid Black equity participation Socio-economic benefits	Public sector infrastructure delivery Challenges experienced with infrastructure delivery (e.g., planning, budgeting, innovative delivery models, under-spending, infrastructure maintenance)	Access to opportunities for communities, especially women and youth, in disadvantaged environments Lack of basic business skills training for micro entrepreneurs Social returns
Input required to make entity setup work	Clear definition of the objective(s) to be achieved in order of importance Political and administrative stewardship Clear roles and responsibilities of the parties to a programme Funded mandates	Corporate mandate alignment and organisation support system Working capital Setting up management and board governance structures	Board vision and executive support Financial commitment Clear governance structures Approved operating policies/processes Suitable implementation partners
Supporting economic access for SMEs	Black ownership Advisory panels for emerging firms Socio-economic development spend on SMEs	Delivery logic provides access to SMEs Procurement strategy mainstreams SME empowerment and local Mobilisation of SME working capital	Employment Local service providers and business support
Requirements for scaling up performance	Increase SME ownership and advisory role. Increase revenues to SMEs	Improve technical, business and financial skills of SMEs. Broaden partnerships. Institutionalise SME performance evaluation system	Set up capital and human capacity. Functional governance structures. Development performance measures and reporting. Conflict management mechanisms and adequate convening capacity. A broader pool of implementing partners

Source: Authors' own summary

As summarised in Table 5, the purposive survey results showed that the key goals for establishing the entities were developmental in nature, and incorporated transformation and capacity building. The overarching challenge being resolved is economic access by local communities to both infrastructure and livelihood activities. The survey showed that the main input required to make these types of institutional setups work is clarity of goals and an appropriate governance structure for the institution. In this regard, all three institutions were set up to support SMEs, and the survey results confirmed the positive contributory outcomes observed from data analysis. Lastly, the survey also showed that SME support and meaningful partnerships are key to scaling up the performance of institutions.

Discussion

Prior to 2010, the participation of SMEs in the energy sector was limited by their historical experience, capacity and available opportunities. The IPPO identified and responded to the gaps in the sector and SME participation was enabled. Many factors have subsequently contributed to the slow in the participation of SMEs in the energy sector, with the lack of relevant infrastructure being one of them. Overall, the results show that the IPPO was successful in reducing the gaps identified for SMEs and enabled them to increase their economic participation, while also capacitating them. The key achievements for the IPPO with regards to SMEs include increasing Black ownership in the energy sector, creating advisory panels to guide emerging firms, increasing spend on socio-economic development of communities and SMEs and creating jobs.

The IDD exists to enhance government's capacity to plan, design, construct, maintain and manage infrastructure. Central to this activity and as part of the DBSA's developmental role is to support the development of SMEs as players in the development of infrastructure. The study results show that the IDD succeeded in making a massive contribution to infrastructure development needed by SMEs, while also supporting these entities participate in the infrastructure development value chain. The key achievements for IDD in terms of supporting SMEs include the delivery of infrastructure that can be used by SMEs and their members, as well as the direct support to SMEs by allocating infrastructure development contracts to them and working capital facilities.

Modern businesses can only compete in the market if they have effective connectivity and the skills to ensure effective use of digital platforms. Most SMEs do not. DLabs have a mandate to contribute to easing these challenges for SMEs. The DLabs have succeeded in contributing to the connectivity and digital needs of SMEs, especially in townships and rural places, where the precincts have been set up, while also creating a conducive environment for local economic development in which SMEs can participate in business opportunities. The major achievements of the DLabs programme include investment in infrastructure, facilitating an increase in skills, employment and the participation of local businesses.

Despite the gaps and challenges encountered (as outlined in Table 4), the formation of the IPPO, IDD and DLabs was the DBSA's institutional development that succeeded in facilitating economic access for SMEs in South Africa. There have been clear successes recorded across all three institutions. These findings validate the hypothesis that institutional development can support economic access for SMEs. This is an avenue that could be considered by the government as part of the toolkit to support SMEs. The findings can therefore be used as a building block for a public sector policy position and regulatory support to advance institutional development with the specific aim of facilitating SMEs economic access. However, scaling up institutional development has potential limits in that for it to succeed it must be implemented in a deliberate and targeted manner. A key strategy to mitigate this shortcoming is to ensure that the institutions developed are well capacitated and operate within the relevant functional sectors.

Conclusions

This study explored how institutional development can support economic access for SMEs. It focused on the support received by SMEs in South Africa from institutions set up by DBSA. The key findings of the study are that SMEs received support through increased Black ownership, advisory support, infrastructure development contracts, working capital support, increased skills and increased employment.

The overall results indicate that the IPPO, IDD and DLabs succeeded in supporting SMEs to participate in the South African economy. This was confirmed by the purposive survey undertaken to supplement the performance analysis. The survey also showed that the performance of these institutions can be scaled up, thus indicating that replication is possible. The hypothesis that institutional development can support economic access for SMEs was validated.

The study has three key limitations. The first is the limited selection of institutions analysed, as informed by the chosen institutions being operational, data availability and accessibility within the available research time. The second is the unavailability of detailed data from beneficiary SMEs to further outline successes. The third relates to challenges with scaling the process up, such as having the right capacity to drive the setting up of institutions.

The public sector should consider these outcomes with a clear aim of adopting a policy and regulatory positions that can facilitate institutional development to support SMEs economic access. Such a position, and in line with the third study limitation, should be accompanied by a clear capacity development plan to ensure that institutional development is effective. Future research can respond to the first and second limitations by broadening the sample of institutions selected for analysis and attempting to find detailed beneficiary SMEs data to strengthen findings.

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Appendix F: Paper 2 - South African public sector post-apartheid economic initiatives for human development: why were the strategies short-lived?

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South African Public Sector Post-Apartheid Economic Initiatives For Human Development: Why Were The Strategies Short-Lived?

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ABSTRACT

This paper investigates the extent to which the national economic initiatives introduced in post-apartheid South Africa were successful, why they were removed and why they were unsustainable or indefensible. In order to address the research questions, this study used a qualitative design involving the views of government officials who participated in the formulation of national policies. A total of six officials for each strategy (RDP, GEAR, ASGISA, NGP, NDP, and DDM) were sampled purposively in order to generate rich information on the performance of each policy considered and the decision to replace the policy. A semi-structured survey form was developed for this purpose. The study results show that none of the economic strategies were able to change the trajectory of South Africa's economic development decisively. The key reasons are the removal of the economic strategies before they achieved the stated objectives potential, the inability to adjust and refocus strategies continuously, and a lack of implementation and monitoring capacity. The study contributes to the understanding of how South Africa's economic development strategies performed and why they were removed. This informs future approaches to the development and management of economic strategies. The findings suggest that there must be sound and consistent public management to drive and coordinate implementation in order for economic development initiatives to be effective.

KEYWORDS: Development Support, Historically Disadvantaged Individuals, Economic Access, Human Development, Economic Strategy.

ABBREVIATIONS

HDI: Historically Disadvantaged Individual, RDP: Reconstruction and Development Program, GEAR: Growth, Employment and Redistribution, ASGISA: Accelerated and Shared Growth Initiative for South Africa, NGP: New Growth Path, NDP: National Development Plan, DDM: District Development Model; COGTA: Cooperative Governance and Traditional Affairs; DBSA: Development Bank of Southern Africa.

1.0 INTRODUCTION

The apartheid system in South Africa was an oppressive political system that was adjudged globally as being detrimental to Black people and systematically undermined their potential to assume leading roles in the public and private sectors [1]. Only the White minority population was able to participate fully in economic activities related to wealth creation and the upliftment of their standard of living. Furthermore, the apartheid system suppressed freedom of choice for most citizens of South Africa.

When democracy dawned in the country, it brought hope to these masses, who were anticipating "a better life for all," as the African National Congress 1994 voting campaign pamphlet promised. This was when the racial apartheid system formally expired and was replaced by a democratic dispensation [2].

Democracy brought drastic changes in policies and rules, legislation, and personnel serving public and government institutions. Apartheid had made most people poor, so the urgent priority at the dawn of democracy was to develop economic development strategies and initiatives that would facilitate a reduction of poverty and empower the masses to participate in creating better livelihoods that were free from poverty. Strategies and initiatives are used interchangeably in this paper to highlight that while the interventions provided a new way of dealing with socio-economic challenges, they remained comprehensive plans of action to uplift the standard of living for South African citizens. This public stance on national economic development initiatives gave people hope that their lives were about to improve.

Public sector economic development initiatives comprised various financial and non-financial interventions introduced by the democratically elected South African government to support people. This was especially true for those whom apartheid had relegated to poverty and suffering. These were principally the Black people who suffered the most

neglect, then the mixed-race people and Asians, who suffered less neglect [3]. By introducing these initiatives, the democratic government sought to correct injustices for these sections of the population, who were labeled HDIs and still retain this label. These three HDI groups were reclassified as Black people by the democratic government.

All the economic development strategies developed since 1994 had an element of Black empowerment and human development, as they prioritized HDIs equally. The notable economic development strategies launched by the government after apartheid to accelerate economic development include the RDP, GEAR, ASGISA, NGP, NDP, and recently, DDM [4, 5]. These initiatives are discussed below.

2.0 LITERATURE REVIEW

2.1 POST-APARTHEID ECONOMIC DEVELOPMENT STRATEGIES

Internal and external forces working against the administratively chaotic apartheid regime had been intensifying since the 1970s and culminated in the democratic election of the African National Congress in 1994 [6]. To respond to the lack of social upliftment prior to 1994 and embed this approach in government processes, the democratic government had to develop inclusive economic policies [7]. Social partners, labor, business, civil society, and government would subsequently have many debates about the appropriate economic policy in the years that followed [8]. These debates led to the introduction of many economic development strategies within a short space of time, with very little progress in resolving the socio-economic challenges and a derailment from the original economic inclusivity project [9, 10]. In particular, social grants have emerged as the preferred approach to dealing with poverty, as opposed to facilitating higher levels of inclusive growth and creating jobs [11]. Given the economic business cycles, this preference is unsustainable.

2.1.1 RECONSTRUCTION AND DEVELOPMENT PROGRAM

The RDP was introduced in 1994. The emphasis of the program was on facilitating institutional development, economic participation, infrastructure development, land ownership, the provision of basic housing services, and the provision of jobs closer to the people [12].

The program acknowledged that alleviating poverty and inequality was critical to achieving the required transformation from apartheid to democracy. Similarly, it was deemed important to reconcile reconstruction and development with economic growth through the development of infrastructure and human capital. The RDP was developed to provide a new economic order aimed at transformation by developing democratic institutions, ensuring participation and a democratic, non-racial, non-sexist society, and creating sustainable economic growth. In other words, both economic growth and redistribution were to happen simultaneously.

The RDP was a necessity because the South African economy was built on a segregationist approach at all levels in both the public and private sectors. The key tenets of the RDP were meeting basic needs, developing human resources, building the economy, democratizing the state and society, and implementing reconstruction and development [13]. Various administrative and political structures were set up to oversee and coordinate the implementation of the program.

The RDP Fund was established to finance the program, with the source of funding envisaged as being fiscal allocations, the sale of state assets, lotteries, and domestic and international grants/donations. Close to R2 billion was set aside for the initial lead projects, as shown in Table 1.

It is postulated here that if the RDP had proved to be a successful development support initiative, it would have been celebrated, run for an extended period and perhaps upgraded to ensure more success – but not replaced. This view is also held by Lodge [14], who argues that minimal economic improvement was seen, with most of the projects suffering from numerous design flaws and generally following the apartheid economic architecture. Even though the program was canceled, its objectives surfaced in subsequent initiatives, signaling that the objectives were unmet and indicating the glaring failure to resolve difficulties with planning and implementing projects. This initiative lasted for only 2 years before GEAR (discussed below) was introduced.

2.1.2 GROWTH, EMPLOYMENT, AND REDISTRIBUTION

GEAR was introduced in 1996 to replace the RDP strategy [15] just 2 years after the latter was implemented. It was argued that GEAR was not a replacement strategy but was introduced to build on the RDP, as it was already evident that the growth trajectory of about 3% was not making a dent in unemployment, not expanding social service delivery, not making enough headway to enhance equitable distribution of income and wealth [15]. In reality, the introduction of GEAR was the beginning of the drift away from focusing on solving the original economic development challenges identified in 1994. The rapid introduction of macroeconomic targets through GEAR undermined the need to advance both growth and redistribution as envisaged by the RDP [16].

Table 1. RDP initial lead projects.

R million	Budget 1994/1995
Rural water provision	59.5
Land reform pilot projects	28.6
Land restitution	23.8
Land redistribution	2.1
Small-scale farmer development	4.0
Urban infrastructure investment	1.5
National urban reconstruction and housing	20.0
Extension of municipal services	500.0
Urban renewal	304.6
Culture of learning	100.0
Primary school nutrition	472.8
Capacity building	18.0
Free healthcare	25.0
Public works	250.0
Provincial project preparation facilities	28.3
Provincial projects	100.0
TOTAL	1936.2

Source: Republic of South Africa [12].

According to the South African National Treasury [15], GEAR emphasized the provision of administrative and welfare services, including the following matters:

- fiscal reform
- a measured relaxation of exchange controls
- reforming trade and industrial policy, including small business development
- restructuring public sector assets
- expanding investment in public infrastructure in the social and economic sectors
- providing flexibility in the collective bargaining system
- fostering a social agreement to support wage and price moderation.

After a thorough assessment, Streak [17] deemed the policy legacy of GEAR to have been dismal development outcomes but excellent macroeconomic policy outcomes. For example, inequality and poverty remained high while the government deficit and the general economic liberalization improved. Compared to the RDP, GEAR lasted close to 9 years, which is 4.5 times that of the RDP and ASGISA.

2.1.3 ACCELERATED AND SHARED GROWTH INITIATIVE FOR SOUTH AFRICA

ASGISA came into effect in 2005, replacing GEAR. It lasted for about 6 years, three times the lifespan of the RDP but 3 years less than that of GEAR. By this time, the government had largely developed its policy-making capacity and was relying less on external parties in this regard. ASGISA focused on attending to the second economy through public procurement as one of the key interventions [18]. Employment creation, economic access, asset acquisition, and equitable distribution of income were among the key matters to be addressed in the second economy.

Grossman [19] defines the concept of a second economy in terms of production and the exchange that takes place for private gain that is often done in a manner that undermines legislation. Without emphasizing the notion of breaking the law, Gábor [20] takes a similar view and refers to the second economy as using the capacity to work and income redistribution outside of standard socially recognized sectors and norms. In addition to these definitions in the South African context is the marginalization of the second economy.

Masters [21] states that ASGISA yielded mixed results. For example, notable progress was made in growing the economy, tracking government projects, increasing the output of artisans, introducing competition, and strengthening municipal operational support. At the same time, poverty and unemployment levels remained high, with inadequate funding for ASGISA projects and weak coordination/implementation, which was exacerbated by insufficient reporting and monitoring.

2.1.4 NEW GROWTH PATH

The NGP replaced ASGISA. It was adopted by the Cabinet toward the end of 2010 and launched in 2011. It provided the strategic focus for just 1 year before the NDP was introduced. The NGP underscored the need to attend to spatial inequity through infrastructure development, investment and coordination of government efforts [22].

Fine [23] states that the NGP was riddled with weaknesses and inconsistencies, such as calling for economic trade-offs in an economy that does not operate at full capacity, not addressing the financialization of the economy and ignoring capital flight. The adoption of the NGP also exposed the classical smokescreen approach with policy adoption in South Africa, with the underlying factors that policies are meant to address remaining unchanged, even though the policy is argued to be the required response. After the adoption of the NDP, the NGP was relegated to obscurity, even though one or two government departments continued to refer to it.

2.1.5 NATIONAL DEVELOPMENT PLAN

The NDP emerged in 2012 and replaced the NGP. The emphasis of this plan was on the creation of jobs and encouraging business activity closer to townships and rural areas [24]. As an economic blueprint, the NDP continues to be referenced in public sector documents. However, even though the government claims to be implementing it, it is obvious that the targets will not be met in their current form within the timeframes indicated.

As far as human development is concerned, the NDP sought to enhance transport networks and connections between urban centers and peripheral townships; facilitate new ideas, creative designs and alternative proposals by residents; inspire bulk buying and the creation of economic hubs to sustain local spending; emphasize training and development.

A review of the NDP done by the National Planning Commission [25] shows that the economy has lost significant capacity over the past decade or so and has made no meaningful progress toward the aspirations of the NDP.

2.1.6 DISTRICT DEVELOPMENT MODEL

After finally realizing that interventions in the township and rural areas remained largely uncoordinated and showed no impact, the government introduced the DDM in the fourth quarter of 2019 as a tool to revitalize rural and township economies [26]. The DDM was introduced parallel to the NDP, and it was argued that the DDM was informed by the NDP and designed to improve cooperative governance and build a capable developmental state.

The responsibility for establishing this strategy was delegated to the deputy president of the country, who coordinated all the work done in this regard through the Ministry of COGTA. A multi-party Task Team was set up in the office of the deputy president to contribute to the conceptual exercise. The Task Team process sought to achieve consolidation, alignment and scalability of government programs in townships and rural areas [27]. Due to a lack of capacity, COGTA signed a memorandum of understanding with the DBSA in March 2020, for the DBSA to develop a DDM blueprint from the three piloted districts, i.e., OR Tambo, eThekweni, and Waterberg [5]. Although the blueprint from the three pilot programs has been developed, it appears that the government does not have the capacity to roll out the model effectively and with speed to the other district municipalities in South Africa.

2.2 PERFORMANCE OF THE INITIATIVES

In order to appraise the initiatives detailed above, a reference lens should be used to gauge the level of progress or achievement. This is provided here.

After 1994, the South African government introduced several social grants to assist poor people who were not earning income, with the hope of terminating the grants when people started earning income. Ideally, a growing economy would support a higher level of employment and address the homelessness and poverty levels. In turn, this would lead to a reduction in the payment of grants and their ultimate removal. The successes achieved with the economic initiatives should be viewed in terms of these ideals.

Each initiative was introduced with every new president of South Africa; thus, the initiatives were implemented approximately in line with the public administration 5-year periods. When the RDP came into effect, many people hoped to receive housing, but there was no indication that most homeless people had been given proper housing when it was removed. Furthermore, according to several authors [28, 29], there was limited success in developing citizens and indigenous people. Moreover, the economic interventions implemented by South Africa's democratic government have not fully addressed the development challenges for individuals and businesses in townships and rural areas due to a lack of capacity and organization within the government [30, 31].

The key challenges identified by these initiatives, and which remain largely unresolved, include low economic growth, high unemployment, lack of access to finance, regulatory and administrative constraints, structural inequality, lack of recognition of diversity, limited reach of government support to designated groups; inadequate demographic representation of certain interest groups; and a lack of comprehensive monitoring and evaluation.

3.0 PURPOSE OF THE STUDY

It seems that most of the economic initiatives introduced in post-apartheid South Africa were not in place for the intended period, nor did they fully achieve the objectives they were designed to achieve. Applying the notion of "no one replaces a working machine" or "coach keeps the winning team," it seems that the policies did not show effectiveness. The authors postulate that had any of the policies showed enough merit, they would have been retained and improved. The scrapping of most of them is an indication that they did not produce the expected results. Thus, the problem that this study investigated was why the policies were not sustainable and what the level of effectiveness of each one of them was. The hypothesis was that these policy initiatives achieved very little in terms of economic development progress.

This study investigated the extent to which the policies identified were successful and in what way; why they were replaced by others (i.e., what they offered and what they lacked); what factors rendered the policies unsustainable; and in what way were they indefensible.

4.0 RESEARCH METHODOLOGY

This paper was of a qualitative design [32], which requires non-numeric responses to address the research aim. A qualitative research approach was necessary to gain a deeper, holistic understanding of the policies and what impact they had on the lives of the people they were introduced to serve.

The people who participated in the process of formulating the policies were from the various government departments and the private sector. This meant that it was difficult to locate the decision-makers who ruled on discontinuing earlier policies while facilitating the introduction of newer ones. Therefore, the sampling method used was snowballing [33], which entails using purposive sampling starting with one identified person who knows a good deal about the phenomenon under study. Then, additional participants are identified by requesting that person to identify the next ones. As it was a qualitative study, a large number of respondents were not needed, as a sample is considered adequate when the saturation point is reached, i.e., when no more new information emerges from additional responses [34]. Therefore, in qualitative research, the sample size does not have to be large in order to gain a deep understanding of a phenomenon.

This study focused on understanding the underlying reasons for discontinuing one policy and introducing another; therefore, the sample included individuals who were involved in either the establishment or the discontinuation of the policies. Creswell [33] and Mason [35] state that saturation can be reached with as little as three participants. This means the minimum sample size required to reach the saturation point is three. However, Morse *et al.* [36] state that a sample size of six enables the saturation point to be reached. In this study, 36 officials (six in each group: RDP, GEAR, ASGISA, NGP, NDP, and DDM) were sampled purposively in order to generate rich information on the performance (successes and failures) of each of the policies and on the decisions taken to replace these policies. Targeting an equal number of respondents for each initiative was done in an attempt to compare the various initiatives in an equivalent way. A semi-structured survey form was developed for use in the study.

5.0 FINDINGS

The difficulty of reaching role players kept the overall response level low, at 36%. However, there was at least one informant who responded fully to the questions in terms of each policy initiative. The key points derived from the survey responses are summarized in Table 2 below.

6.0 RESULTS AND DISCUSSION

At the dawn of democracy, it was clear that apartheid had diminished the ability of many South Africans to participate usefully in the economy. This meant that an economic development strategy that would facilitate economic growth, employment, the reduction of poverty, and the empowerment of people was required. Since 1994, several initiatives have been introduced, i.e., RDP in 1994, GEAR in 1996, ASGISA in 2005, NGP in 2011, NDP in 2012, and DDM in 2019. While the NDP and the DDM are still in operation, none of these strategies fully achieved what they were designed to accomplish. The study results show that:

- Although national budget spending was refocused away from the apartheid objectives in the RDP strategy, the program required elevated levels of spending, and the newly reformed fiscus was unable to cater to this.
- GEAR stabilized the economy but was unable to generate growth so that more people could benefit.
- ASGISA was unable to take off meaningfully and was ultimately thwarted by the turnover of political and administrative officials, as well as fragmentation in state institutions.

Table 2: Survey outcomes.

		RDP	GEAR	ASGISA	NGP	NDP	DDM
1	What was the policy initiative intended to achieve?	Focus on social infrastructure in Black communities to drive the socio-economic development mandate of the democratic state and disrupt the budget spending patterns of the apartheid state.	Intended to rebuild, stabilize the economy and ensure economic growth.	Simultaneous pursuit of higher rates of growth, and economic inclusion of Black people, including redistribution.	Central concern was improving the economy's employment outcomes.	Took a long-term, broad, cross-cutting, independent and critical view to define South Africa's development path to solve the country's socio-economic challenges.	To help government departments across all three spheres plan together at a district level through a framework called the One Plan.
2	How did it perform against this intended goal(s)?	Overwhelmed by a skewed apartheid development that deliberately marginalized black people. The RDP refocused the budget spend.	Achieved its main goal of stabilizing the macro-economy but was unsuccessful on developmental goals.	Did not quite take off, due to loss of political continuity and weak/fragmented institutional mechanisms.	Implementation suffered from political/administrative leadership turnover and institutional weakness.	Deadline not reached yet, but key milestones have been missed.	The development of a blueprint for One Plan and their implementation has been achieved, but the full roll-out of the model to all districts remains to be seen.
3	What warranted the discontinuation of the policy initiative?	Required high levels of expenditure from a fiscus that was constrained with high levels of debt.	Needed a policy that would both grow the economy and ensure that more people can benefit socially, once the economy was stabilized.	Discontinuity in strategic planning and focus by the political and administrative leadership of government.	Increased misalignment in ideological dynamics at political and policy-making levels.	Not discontinued as the government continues to reference it; however, the continued lack of coordinated implementation means its performance remains dismal.	Not discontinued; however, the lack of enthusiasm in its implementation is attributed to its being heavily bureaucratized with less focus on the actual delivery of services/projects.
4	Was its substitution an addition or an introduction of a new initiative?	Unlike the RDP, GEAR was an austerity program with a focus on debt reduction to meet certain matrices that the capital markets relied on to measure economic stability and sustainability.	GEAR and RDP were different initiatives – the former an economic policy and the latter a development program, but GEAR incorporated the social objectives of RDP.	The assumption was that the strategic thrust and priorities of ASGISA would be accommodated within GEAR's, but this proved wrong.	Partly an addition, because the NGP also had an interventionist approach, but also a re-orientation toward a sector focus and job creation approach.	The NDP was regarded as a separate long-term economic vision for the country, while the idea that the NGP was envisaged to be its economic strategy was short-lived.	A new initiative – the NDP is a long-term plan, and the DDM focuses on intergovernmental relations in implementing interventions.

		RDP	GEAR	ASGISA	NGP	NDP	DDM
5	What were the determined weaknesses of the initiative before this one?	N/A	Although the timeframe was short, RDP did not uplift the economic performance and did not outline broad fiscal prudence.	Emphasis on macro balance and fiscal prudence in the implementation of GEAR overshadowed economic transformation issues and did not provide the required stimulus to growth and investment.	Poor job creation outcomes.	The NGP proposals were considered to be potentially disruptive at the time and would have entailed difficult trade-offs between a consumer-led and an investment-led economy. Also, socio-economic ills were not getting resolved.	The DDM does not replace the NDP, but is another tool to foster inter-governmental relations and ensure that government departments do not duplicate efforts.
6	What were the anticipated merits of this new initiative introduced?	To drive the socio-economic development.	A focused economic policy framework aimed at stabilizing and growing the economy and resolving unemployment.	Interventionist, and targeted several development binding constraints.	The job-creation goal was given a degree of sectoral breakdown and granularity, while attempts to specify numerical targets were also made.	Presented a long-term vision on creating conducive economic development conditions and a plan on how the vision can be achieved.	To ensure that government programs are responsive to challenges on the ground and departments do not duplicate interventions.
7	Any other information regarding this initiative?	With the fiscal headroom in the mid-2000s, the government should have returned to the RDP strategy to pursue employment and distribution.	GEAR probably needed to be tweaked after it had achieved macro-economic stabilization by revising its targets to focus on inclusive growth to benefit more people.	It became clear during the first year of review that the envisaged targets were not going to be met.	No deliberate step change in interventions; business as usual was monitored and reported.	Even though its targets require review, the NDP vision remains relevant.	Bureaucratization and heavy political presence are the biggest shortcomings of the DDM.

Source: Authors' summary.

- Implementation of the NGP continued to suffer from political and administrative leadership turnover and institutional weakness, which created misalignment in ideological dynamics at political and policy-making levels. This eventually relegated the NGP to the sidelines.
- The NDP continues to be a long-term reference document for the government, but the unachievable targets and lack of coordination with its implementation are rendering the plan irrelevant.
- The intention of the DDM to coordinate government departments across all spheres in order for them to plan and intervene together is germane. However, bureaucratization and a heavy political presence are threatening the continued existence of the initiative.

Given the average levels of economic growth, unemployment, poverty and inequality recorded from 1995 to 2021 (about 2%, 25%, 51%, and 70%, respectively), it is clear that these economic strategies were unable to ensure a decisive change of trajectory in the economic development of South Africa. Key among the reasons for this are economic strategies being removed before they reach their potential, an inability to adjust and refocus strategies continuously, and the lack of implementation and monitoring capacity.

7.0 LIMITATIONS OF THE STUDY

The study achieved a low informant response due to difficulties in locating government officials who had participated in the development and discontinuation of economic strategies. A larger sample would have assisted in gathering more details on the establishment and discontinuation rationale for the strategies.

8.0 CONCLUSION

The paper assessed the extent to which the economic strategies that have been implemented in South Africa since 1994 were successful and why they were removed. The factors that rendered the initiatives unsustainable were investigated, and it was found that the following played a major role: removal of economic strategies before they reached their full potential, inability to adjust and refocus strategies continuously, and a lack of implementation and monitoring capacity. The review showed that none of the initiatives fully achieved their goals. This was confirmed by the purposive survey undertaken to supplement the review.

AUTHOR CONTRIBUTIONS

ZN adapted from the doctoral research study, and designed and carried out the full study.

WL provided supervision, guidance, and a review of the study.

SS provided supervision, guidance, and a review of the study.

CONFLICT OF INTEREST

None.

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