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**THE FACTORS AFFECTING THE GROWTH OF SMEs IN THE POLOKWANE
MUNICIPALITY**

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SUPERVISOR

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**A research dissertation submitted to the Faculty of Commerce, Law and Management,
University of the Witwatersrand, in partial fulfilment of the requirements for the
degree of Master of Management in the field of Business Administration**

February, 2024

DECLARATION

I, Maite Evelyn Letsoalo student no: 885061, declare that this Research Project in relation to Critical Enquiry Skills BUSA7406A is my own work and that all sources which have been used in this study have been accurately recognized.

ABSTRACT

Small and medium-sized businesses are an essential component of the national economy, as they have been regarded as the sector that determines the country's economic growth rate and contributes significantly to the structure of the gross national product. Small and Medium Enterprises (SMEs) play a critical role in driving economic growth, particularly in regions like Polokwane Municipality, located in the Limpopo Province of South Africa. The study began by outlining the backdrop of SMEs in the national and global economy, emphasising their pivotal role in job creation and GDP contribution. Despite their importance, SMEs faced various challenges hindering their growth and sustainability, particularly in South Africa. The research problem addressed the stagnation and decline of SMEs in South Africa, contrasting with the growth observed in other African nations. This study aimed to fill the gap in understanding the specific impact of SMEs on the South African economy, particularly within Polokwane Municipality. Through a series of research questions, the study aimed to identify key drivers of SMEs, analyse their impact on local economic development, assess the effectiveness of support mechanisms, and explore the influence of digital technologies on SME growth. The research adopted a qualitative approach, utilising interpretivism as the paradigm to understand the phenomena within the context of the local economy. An exploratory research design was employed to delve into the complexities of SME growth in Polokwane Municipality. The population of the study comprised managers and owners of SMEs within the municipality. Through data collection and analysis, the study provided insights into the diverse landscape of SMEs in the region, highlighting their contributions to job creation, economic resilience, and cultural preservation. The findings underscored the indispensable role of SMEs in driving inclusive and sustainable development. Despite facing challenges such as financial constraints and regulatory complexities, SMEs remained vital agents of change, shaping socio-economic landscapes and fostering resilient, inclusive communities. Overall, this research contributed to a deeper understanding of the impact of SMEs on local economic development, offering valuable insights for policymakers, stakeholders, and the academic community.

KEYWORDS

Small and Medium Enterprises (SMEs), local economic development, Polokwane Municipality, Limpopo Province, South Africa, drivers of SMEs, support mechanisms, digital technologies, qualitative research, interpretivism, exploratory research design, job creation, economic resilience, inclusive communities

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LIST OF ACRONYMS

EO Entrepreneurial Orientation

GDP Gross Domestic Product

RBV Resource-Based View Theory

SMEs Small and Medium Enterprises

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1. CHAPTER ONE: INTRODUCTION

1.1.Statement of Purpose

The purpose of this research is to examine the growth impact of small and medium enterprises (SMEs) in Polokwane Municipality, Limpopo province, within the context of emerging markets. SMEs are pivotal to economic development, contributing significantly to national income and job creation. However, despite their importance, SMEs face various challenges, including limited access to capital and infrastructure deficiencies. This study aims to address the gap in understanding the influence of SMEs in emerging markets, particularly focusing on the South African economy. By investigating the drivers of SMEs, their impact on local economic development, the effectiveness of support mechanisms, and the role of digital technologies in SME growth, the research seeks to provide insights into strategies for enhancing SME performance and fostering economic growth. Additionally, this study is essential for policymakers, financial institutions, and other stakeholders to better support SMEs and leverage their potential for economic development. The findings will contribute to the body of knowledge on SMEs' significance in emerging economies and inform policies aimed at promoting their growth and sustainability.

1.2.Background of the study

Small and medium enterprises are one of the important sectors of the national economy as it has been described as the sector that determines the economic growth rate of the country and contributes significantly to the structure of the gross national product (Glonti *et al.*, 2021). Small and Medium businesses (SMEs) play a significant role in many economies, especially in emerging nations (Gherghina *et al.*, 2020). According to the World Bank report (2020), SMEs account for around 90 per cent of business and over 50 per cent of employment worldwide. Formal SME contributions to national income (GDP) in emerging economies can reach up to 40 percent and informal SMEs are included, these figures are substantially greater (World Bank, 2020). SMEs make up the bulk of enterprises worldwide and are significant contributors to job creation and economic growth on a global scale.

According to the World Bank (2020), 600 million jobs will be required by 2030 to absorb the expanding global labour force, making the development of small and medium-sized enterprises (SMEs) a top priority for many governments around the world. In emerging markets, 7 out of 10 formal jobs are generated by small and medium-sized enterprises

(Ndiaye *et al.*, 2018). Yet, access to capital is a significant barrier to SME growth; it is the second most frequently stated difficulty for SME expansion in emerging markets and developing nations (World Bank, 2020).

Giwa *et al.*, (2020) state, while SMEs are beneficial to a nation's economy, their performance in emerging markets is difficult to consider satisfactory due to factors such as poor governance structures, dilapidated or non-existent infrastructure, insufficient finance, and financing systems. The strength of small and medium businesses as a catalyst for stability and growth of the economy, job creation and social cohesion is very significant and cannot be taken lightly (Amoah & Amoah. 2018). The important role which small and medium business play in the economy is now getting the recognition it deserves (Naradda *et al.*, 2020; Gherghina *et al.*, 2020). Besides its contribution to the economy, the failure rate of small and medium businesses is very high worldwide. Chiloane-Tsoka and Mmako (2018) indicated that the failure rate of small and medium businesses in South Africa is predicted to be between 70 and 80 per cent and in Africa as a whole it is estimated to be between 40 to 75 per cent.

Hyder & Lussier (2016) stipulated that South Africa has been experiencing the challenges of reintegrating into world markets and the global economy since 1994. Small and medium businesses have been aggressively promoted since the year 1995 as a way of ensuring the achievement of economic growth objectives such as competitiveness and job creation (Hyder & Lussier, 2016). According to Ayandibu and Houghton, (2017), there are several growing small and medium enterprises in South Africa, and it is very encouraging, however, the prolonged existence and growth of these entities regarding assets and revenue seems to be a serious challenge. The South African established the Ministry of Small Business Development in 2014 and the role of the ministry was to support and alleviate the inception and growth of SMEs by creating a favourable environment for SMEs (Fubah & Moos, 2022).

1.3. Research problem

The SMEs are faced with a variety of challenges which are affecting their growth and development in South Africa. The lack of business growth and development poses a high risk of economic stagnation, and the growth of small and medium businesses continues to be a key to the development of the economy of many countries (Msomi & Olarewaju, 2021). A lot has been written about small and medium business challenges and possible solutions to the identified challenges in the literature, but the gap still exists in emphasising the influence of

SMEs in emerging markets (Hyder & Lussier, 2016). More importantly, the impact the SMEs have on the South African economy.

Despite the contributions of the SMEs to the economic growth of South Africa, the report by the Bureau for Economic Research (2019) indicated that there is an increase in the number of small and medium enterprises in South Africa and it has increased by only 3 percent in the past seven years. Other countries in Africa are continuing to record the sustainable development of the economy and South Africa is not only lagging but also failing to focus on the efforts to use the available resources such as SMEs to boost the economy and the citizens towards a high level of economic development (Akugri *et al.*, 2015).

The SMEs which have been described by several scholars as the backbone of the economy of many countries lagging in South Africa and this has been specified as an indication of a stagnating economy (Mpofu & Sibindi, 2022; Msomi & Olarewaju, 2021). The continuous decline of the small and medium business sector led South Africa to a growth rate of 0.3 per cent in the year 2016 and this has been described as having an impact on the country as it represented a slowdown in economic development. Several factors are affecting the growth and development of SMEs, and this is having an impact on the overall economy of South Africa. The slow growth in SMEs has been described as a setback affecting emerging markets as it is causing a downfall in asset prices and the depreciation of the rand (Saah, 2021). This results from an increase in the cost of capital which is the backbone of the economy in emerging markets. Therefore, this study intends to assess the impact of the growth of small and medium businesses in emerging markets in Polokwane Municipality in Limpopo province.

1.4. Research questions

This study will provide answers to the following questions that serve as the guidelines of the study:

1.3.1 Primary Research Question

What is growth impact of SMEs in Polokwane local municipal area?

1.3.2 Secondary Research Questions

- What are the key drivers of the small and medium businesses in emerging markets?
- What is the impact of small and medium businesses on local economic development in emerging markets?

- How effective are the various forms of support for small and medium enterprises (SMEs) in emerging markets?
- What is the influence of digital technologies on SMEs' growth in emerging markets?

1.4 Research objectives

1.4.1 Key Research Objective

The objective of the study is to understand the growth impact of Small Medium Enterprises in Polokwane local municipal area.

1.4.2 Secondary Research Objectives

- To identify the key drivers of small and medium enterprises (SMEs) in emerging markets.
- To analyse the impact of SMEs on local economic development in emerging markets
- To assess the effectiveness of various forms of support for SMEs in emerging markets.
- To explore the impact of digital technologies on SME growth in emerging markets

1.5. Justification/Rationale of the Study

Small and medium enterprises contribute more than 30% of the total gross domestic product of South Africa and almost 20% of the exported product by South Africa is produced by SMEs (van Staden, 2022). This means SMEs contribute significantly to the economy of South Africa and it is difficult to grow the national economy of South Africa without attaining the growth and development of SMEs. From this point of view, it means the failure of SMEs in emerging markets amount to the failure of the national economy. This study is essential for assessing the impact of the growth of small and medium businesses in emerging markets in Polokwane Municipality in Limpopo province.

The study will be of importance to the government, credit institutions and all the institutions which provide support to, and assistance based on the influence that SMEs have on the economy of emerging markets. To the body of Knowledge, this study will be valuable for additional knowledge it brings to understanding why small and medium businesses are very significant to emerging economies.

1.6.Delimitations of the study

The main aim of this study is to assess the impact of the growth of small and medium businesses in emerging markets in Polokwane Municipality in Limpopo province. The study will be delimited to the Limpopo province only. The outcome of the study may not be generalised to other provinces in South Africa or other countries.

1.7.Operational Definitions

Emerging market economy: Koepke, (2019) has defined the emerging market as the economy of a developing country that engages with global markets increasingly as it develops. Emerging market economies are countries with some, but not all, characteristics of developed market economies.

Small Business owner: Many studies use the term small business owner as the alternate term for the entrepreneur (Fairlie, 2020; Malik, & Younus, 2019). Kgoroadira *et al* (2019) have defined a small business owner as the person who starts and manages the business intending to further individual goals and the business which is the only source of income and it will take most of the owner's time.

Small business: Gerber (2021) has defined a small business as one that is independently owned, controlled and managed, and a business which is not dominant in its field of operation and employs less than 50 people with a turnover not exceeding five million rands. This study will adopt this definition.

Organisational Growth: according to Rehman *et al.* (2022) it is the process in which the business changes from a small, informal, and unstructured business to a bigger and formal, structured organisation.

1.8.Structure of the Dissertation

Chapter 1: This chapter will present the general overview of the study in terms of the introduction, the motivation of the study, and the contribution of the study. This chapter will begin by presenting the background of the study followed by the research problems and then research questions, the formulated aim of the study and the objectives of the study. The delimitations will be presented in this chapter.

Chapter 2: This chapter will present the literature review related to the topic of the study. This chapter will begin by defining the small business following the role and the significance of small and medium businesses in emerging markets, the factors affecting the growth and

development of SMEs, the impact of SMEs in the local economy and the last part of this chapter will present the key drivers of SMEs in emerging markets.

Chapter 3: This chapter will describe the suitable research methodology to address the research questions and the objectives of the study. The justification of the methodology will be provided by presenting the research designs and methodologies and providing the selected methodology and why the chosen methodology is appropriate to address the research questions and the identified problem. The ethical considerations and trustworthiness of the study will be discussed in this chapter.

Chapter 4: The analysis of the collected qualitative data will be presented and interpreted in this chapter.

Chapter 5: This is the last chapter of the study and it concludes the study by presenting a detailed discussion of the implications of the study. This chapter will present the limitations of the study and the last part of this chapter will present the conclusion and recommendations.

2. CHAPTER 2: LITERATURE REVIEW

2.1.Introduction

The previous chapter has presented the background and the motivation for the study. This chapter will provide a review of the literature related to the topic of the study. The chapter will begin by presenting the definition of the small business followed by the presentation of the role and significance of small and medium businesses. The factors affecting the growth and development of SMEs in emerging markets will be presented in this chapter followed by the presentation of the impact of SMEs in the emerging markets. The last part of this chapter will present key drivers of SMEs in emerging markets and a brief conclusion of the chapter.

2.2.The role and significance of small and medium business

Several scholars have indicated that SMEs contribute significantly to the national economies of many countries worldwide (Abisuga-Oyekunle *et al.*, 2020; Toomslu *et al.*, 2019; Fatoki, 2019). The contribution of SMEs has been identified as an important driver of the development of economic and social in emerging markets. The contribution of SMEs to the gross domestic product (GDP) growth and employment creation is well acknowledged worldwide. Strong small and medium businesses enhance the country's economy and supplement the GDP by reducing the level of poverty and unemployment (Sarwar *et al.*, 2021). This means SMEs play a significant role in developing countries. Fatoki, (2019) mentioned that the significance of SMEs is well acknowledged all over the world, but the role of SMEs is very significant in emerging markets. SMEs play a significant role in assisting in the transformation process of transition economies.

Small and medium-sized enterprises (SMEs) play a critical role in the growth and development of the South African economy (Fatoki, 2019). According to the Organisation for Economic Co-operation and Development (OECD), (2020), SMEs contribute approximately 42% of South Africa's Gross Domestic Product (GDP) and employ around 47% of the workforce. Despite their significant contribution, there are several factors which affect the growth and development of SMEs. The following section below will present factors which affect the growth and development of SMEs.

2.3.Factors affecting the growth and development of SMEs

Small and medium businesses face many barriers affecting their success and development. Several studies have shown a higher rate of failure of SMEs in developing countries than in developed countries (Khan *et al.*, 2020). From that point of view, it is very important to

acknowledge the challenges affecting the growth and development of SMEs in emerging markets as they are different from the ones that are faced by SMEs in developed countries. Despite their important roles in every economy, small firms confront several external environmental problems that impede their development, such as a lack of available funding to start and grow a business, legal issues, environmental circumstances, and a lack of managerial skills (Nkwabi & Mboya, 2019; Pulka *et al.*, 2021). However, there are other significant internal environmental factors, such as owner and business characteristics, that influence the efficacy and efficiency of small businesses' performance (Pulka *et al.*, 2021). SMEs in emerging markets face numerous challenges that hinder their growth and sustainability. This includes access to resources such as finance, human capital, network, and digitisation or technology. The challenges faced by the SMEs can be categorised into two groups which are financial and non-financial challenges (Khan *et al.*, 2020).

2.3.1. Financial factors affecting the growth and development of SMEs

The financial challenges include factors such as economic climate, lack of access to finance and market conditions which are not favourable to the SME as they do not work in a vacuum. These financial challenges are financial and economic. According to Khan *et al.*, (2020), the lack of funding affects the SMEs from achieving their full potential as an economic engine. Several problems are affecting the growth and development of the SMEs such as unfavourable market conditions and higher. The SMEs are considered as higher risky businesses and due to that they struggle to get business loans because of their inability to meet the collateral criteria of the creditors (Marom *et al.*, 2019). Hussain *et al.*, (2018) also agreed that the SMEs are failing to get loans due to a lack of information and an inability to meet the collateral requirements of the creditors. The economy of the country can influence the growth of SMEs as a country with a higher inflation rate has a low individual buying ability (Fatoki, 2019). According to Herrera and Kouame (2017), the business environment has a very important influence on the growth and development of SMEs. This means that the environment which is not favourable to the business can hinder the growth of the business. The business environment is determined by aspects such as policies and strategies which enhance the growth of the business and the creation of employment.

Several authors have agreed such as Mohammed and Bunyaminu (2021) and Wang (2016) have agreed that the performance of a small and medium business depends on the availability of financial resources as it enhances the chances for the business to grow. The lack of finance and capital resources can negatively affect the growth and development of SMEs. Khan *et al.*,

(2020) argued that businesses require funds to enhance their investment; however, they are experiencing difficulties in getting the necessary required funds due to the lack of detailed financial records as SMEs are more risky businesses than large firms. This means small and medium businesses are faced with the challenges of obtaining loans from commercial banks. Financial literacy has also been identified by Hussain *et al.*, (2028) as one of the factors that can have a positive influence on the growth and development of SMEs in emerging markets. Access to finance is a major challenge for the growth and development of SMEs in emerging markets (Bilal *et al.*, 2016). From this point of view, it means that there is a positive relationship between business success and having the business start-up capital and the lack of financial resources have a significant impact on the failure of small and medium businesses in emerging markets.

Small and medium businesses in emerging markets experience fewer financial and economic challenges in their growth and development. There are several economic challenges such as high taxes, the economy, which is not strong, lower purchasing power of the consumer, the high inflation rate and high exchange rate and all this has a significant impact on the growth and development of SMEs in emerging markets (Khan *et al.*, 2020). The buying power of the customers is directly affected by the high inflation rate, this means in a recession people avoid spending on goods and services. Due to this, the demand for goods and services is negatively affected, and this affects the growth and development of SMEs (Moder and Bonifai, 2017). The performance of small and medium businesses can be affected by the rising economic instability (Doan *et al.*, 2020). The SMEs in developed countries face fewer financial and economic challenges in growth and development of SMEs due to higher GDP per capita and the strong financial system (Moder & Bonifai, 2017). From this point of view, it means that economic challenges have an important relationship with the failure of SMEs in emerging markets.

2.3.2. Non-Financial factors affecting the growth and development of SMEs

The non-financial obstacles such as corruption and lack of infrastructure influence deprive the success of small and medium businesses (Mendy *et al.*, 2021). According to Khan *et al.*, (2020), the Management challenge has been identified as the key role in depriving the growth and development of SMEs. This means that educated and skilful management is significant for small and medium businesses to succeed in the competitive business environment.

The infrastructure has a significant role in the growth development of SMEs in the country as it is the major determinant of how businesses can perform (Spigel, 2017). This means that infrastructure can either enhance or hinder the performance of small and medium businesses. There are specific infrastructures that have an impact on the growth and development of SMEs, and this includes infrastructures such as telecommunications, roads, and electricity (Mendy *et al.*, 2021). The profit of small and medium businesses can be affected by the quality of infrastructure, and this means poor infrastructure can. Kubickova *et al.*, (2017) argued that SMEs in rural areas are more faced with infrastructure problems than the SMEs in urban areas and further stipulated that SMEs in rural areas are significantly affected by the cost of shipping products due to poor infrastructure. The lack of power and energy also challenges the growth and development of small and medium businesses in emerging markets (Mendy *et al.*, 2021). The lack of necessary infrastructure makes doing business to be expensive for SMEs. And from this point of view, it is clear that there is an important relationship between a lack of infrastructure and the failure of small and medium businesses.

The performance of small and medium businesses can be affected by management skills and the challenges related to management are lack of experience, leadership, personal issues and financing (Khan and Burki, 2020). Management issues have been identified as the main cause of small business failure specifically in the emerging markets (Khan *et al.*, 2020). Various small and medium businesses have failed to a lack of management skills and poor record-keeping (Khan and Burki, 2020). This means that a lack of management skills harms the growth and development of SMEs in emerging markets. Small and medium business managers who do not know about managing business finances end up misusing the available business resources and this led to business failure (Adam & Alarifi, 2021). Small and medium business has been described as risky business but with efficient management knowledge and skills, the business can be successful (Marom *et al.*, 2019). This means SME business managers require business management training to enhance the high growth ability of the business. From this point of view, it is clear that there is an important relationship between small business management and the failure of small businesses in emerging markets.

2.4.The Impact of SMEs

OECD (2021) indicated that, of the estimated 2.4 million micro, small, and medium enterprises (SMEs) in South Africa, about 37% are considered formal. Microbusinesses total 54%, and of the 15% are located in rural areas. The proprietors include those who have identified a business opportunity as well as those who are forced to engage in some form of

business because they have no other source of income. Two-thirds of SME owners are sole proprietors, while 32% provide between one and ten positions. Even though the number of small and medium-sized enterprises (SMEs) has grown more slowly than the economy over the past decade, their contribution to South Africa's gross value-added (which is equal to GDP before taxes and subsidies) has increased from 18% in 2010 to 40% in 2020 (OECD, 2021)

One of the most significant potentials for South Africa's economic growth is the creation of small enterprises that may both contribute to the economy and provide employment (Fatoki, 2019). Small businesses in South Africa are responsible for approximately 34 per cent of the country's gross domestic product and employ between 50 and 60 per cent of the country's workforce. Nonetheless, the small business sector has been relatively stagnant over the past decade, and just 14% of the country's small enterprises are formalized, which inhibits the ability of these businesses to create jobs and contribute to the economy (Rajagopaul *et al.*, 2020).

Even though small and medium-sized enterprises (SMEs) are beneficial to a nation's economy, it is difficult to consider their performance in emerging markets to be satisfactory for a variety of reasons, including inadequate governance structures, deteriorated or non-existent infrastructure, inadequate financing, and financing systems (Prasad *et al.*, 2022). Despite commendable efforts to expand their economies, emerging economies continue to experience high unemployment, destitution, and low economic growth. Four of the world's largest emerging markets are members of the BRICS, a significant contributor to the global economy (Giwa, 2020). South Africa, unlike other BRICS nations, for example, reported an unemployment rate of 32,7% in Q4:2022 (STATSSA, 2023)

2.5.Key drivers of SMEs and the interactions between these drivers

There is a growing interest since Small Medium and Micro Enterprises (SMMEs) play a significant role in propelling economic development through, among other things, the creation of jobs, the improvement of living standards, and innovation (Amoah, & Amoah, 2018).

Internal stakeholders strive for the survival of their firms, often with limited success, as achieving such requires a strategy informed by key factors influencing their business performance (Zhou & Gumbo, 2021). Inevitably, various stakeholders like research and development institutions have increased their interest in identifying SMMEs' key

performance drivers to ensure the deployment of appropriate support interventions for the sector (Coad *et al.*, 2016).

Rajagopaul, *et al.*, (2020) stipulated that SMEs have ongoing difficulty in connecting with prospective customers. SMEs are frequently excessively reliant on a small number of clients; in some instances, an entire business may be dependent on a single local redistributor. The emergence of online marketplaces and micro-sales platforms that enable manufacturers to access new markets is one method of overcoming this difficulty (Rajagopaul *et.al.* 2020).

Zhou and Gumbo's (2021) results show that only productivity, permanent workers, and temporary workers had a favourable conjoint influence on SMME success. This research emphasizes the critical importance of human resources in driving company performance. Firm age has a significant detrimental impact on SMME performance. These findings show that SMMEs should focus on human capital to improve business performance. (Zhou & Gumbo, 2021).

Chimucheka & Mandipaka (2015) added that it remains regrettable that despite the role played by the SME sector and the support they receive in South Africa, more than 70% of these businesses still fail within three years after having been established. The high failure rates of SMEs in South Africa can be attributed to the challenges faced by these businesses and to a lack of support from key stakeholders.

2.5.1. Innovation and digital technologies

The use of digital tools confers a great variety of significant advantages to businesses. The adoption of digital technology helps lower transaction costs by facilitating improved and more timely access to information as well as improved communication between the workforce, suppliers, and networks. It can assist small and medium-sized businesses (SMEs) in integrating into global markets by lowering the costs involved with transport and border processes and greatly expanding the range of services that can be traded (OECD, 2021).

However, despite the benefits and opportunities that digital technologies bring, as well as the significant increase in uptake in recent years, many small and medium-sized enterprises (SMEs) continue to lag in adoption. Furthermore, the digital adoption gap between smaller SMEs (those with 10–49 employees) and larger firms has grown over the last decade (OECD, 2021)

Matekenya and Moyo (2022) the necessity for entrepreneurship and digital transformation in SMEs has increased in the wake of the 4IR and the Covidian-19 epidemic. Fatoki, (2019) discovered that as technology advances, things are moving on to a cloud base, which is somehow good as almost all people now have smartphones with internet access wherever they want. However, problems occur with Internet connections, for example, maintaining the webpage so that the site does not crash. Also, as a business owner, one always has to keep up with new technology as it is always advancing. Maintaining technology also can become costly for individuals, as digital technologies are rapidly upgrading. As an external force, technology forces the business to create new working models to maintain competitive market advantage, and that needs a budget (Kulathunga *et al.*, 2020).

Despite such challenges, digital transformation significantly affects businesses in building customer relationships and ensuring easy accessibility to the business efficiently. This indicates that online sales and digital marketing as the leading digital platforms successfully implemented by most South African SMEs (Kulathunga *et al.*, 2020).

Matekenya and Moyo (2022) noted that policymakers should assist individuals in their efforts to invest in research and development (R&D) and launch new products. Innovation is crucial to the success of small and medium-sized enterprises (SMMs) in South Africa, which are seen as the engines of productivity, employment, GDP, and the achievement of socioeconomic goals like poverty and inequality.

2.5.2. Environmental and social sustainability impact on SMEs

Das (2019) states the role of sustainable practices in driving business excellence is clear in the case of large corporate houses and multinational corporations. These businesses have their sustainable practices audited regularly, and the results are typically included in their annual report. Unfortunately, in the case of small and medium-sized businesses, sustainability strategies, particularly those connected to the social and environmental elements of their operations, are woefully underutilized. This is especially true for emerging market SMEs (Das, 2019).

Phuoc *et al.*, (2022) study supports policymakers in formulating policies to improve the performance of small and medium-sized firms (SMEs) through corporate social and environmental responsibilities and managerial characteristics. According to the findings of Phuoc *et al.*, (2022) study, for SMEs to grow, they must implement policies that address social and environmental obligations while also improving managerial skills. It is also a

guideline for SME management to adopt efficient management features and meet their social and environmental commitments to increase performance.

Small and medium-sized firms (SMEs) will likely perform better if they feel accountable and seek to meet their social and environmental commitments. Furthermore, when enterprises in the SME industry have effective management, their operational, production, and marketing performance may be improved (Phuoc *et al*, 2022).

To promote environmental and social sustainability, SMEs can adopt sustainable business practices such as energy efficiency, waste management, and responsible supply chain management. Additionally, SMEs can seek sustainability certification and partner with organisations that promote sustainability practices. By adopting sustainable business practices, SMEs can create a positive impact on the environment and society, while also improving their own business operations and bottom line.

2.6. Identified research gaps and Limitations

- Even though a lot has been written about the obstacles and solutions to the problems by many authors in the literature, there is an existing gap in the interventions such as effective management through training has been identified as effective for SMEs, more especially in implementing top management functions of the business.
- The literature has shown that the lack of funding for small and medium business start-ups harms the development of SMEs. A detailed study is required on the role of microfinance in promoting small and medium enterprises in emerging markets.
- The literature has highlighted that most SMEs in emerging markets do not meet the collateral requirements of getting a loan. More research is required on the constraints of accessing financial loans from commercial banks among SMEs in emerging markets.
- Even though the use of digital tools has been conferred as a great advantage to businesses. There is a need for more research on how to improve the use of technology in rural small and medium businesses to improve the accessibility of the business globally.

Though there has been significant research on SME growth in South Africa, there are still gaps and limitations in the literature. These gaps and limitations highlight the need for further research that is more comprehensive, longitudinal, and geographically representative. In addition, there is a need for greater consistency in definitions and a greater focus on the social

and environmental factors that influence SME growth and development. Addressing these gaps and limitations will be critical to developing a comprehensive understanding of SME growth and development in South Africa

Several scholars have indicated that many SMEs fail within the first few years of the development of the business to various obstacles (Barkemeyer *et al*, 2018; Khan *et al.*, 2020; Gherghina *et al.*, 2020). There is a significant need for the identification of support strategies to ensure that small and medium businesses do not fail within a few years of establishment. This can contribute significantly to the economy of the developing countries.

2.7.The research framework and the conceptual framework

2.7.1. Theoretical framework

Small and medium-sized enterprises (SMEs) play a critical role in the growth and development of the South African economy. According to the Organisation for Economic Co-operation and Development (OECD), (2020), SMEs contribute approximately 42% of South Africa's Gross Domestic Product (GDP) and employ around 47% of the workforce. Despite their significant contribution, SMEs in South Africa face numerous challenges that hinder their growth and sustainability. This includes access to resources such as finance, human capital, network, and digitisation or technology.

Before analysing the growth of SMEs in South Africa, the study provides an overview of theories that could affect the firm's existence, structure, behavioural activity, relationship to the market, and business performance of SMEs.

2.7.1.1.Resource-Based View Theory (RBV)

Zahra (2021) States that the resource-based view theory (RBV) offers a comprehensive framework for examining the role of a firm's structural and intangible resources in developing and sustaining competitive advantage. As a result, the term has become extensively used to explain the strategic decisions made by entrepreneurial organizations that result in such an edge in the marketplace.

A firm's resources are a key determinant of its performance and competitive advantage. The theory holds that to provide a competitive advantage, a firm's resources must be valuable, rare, imperfectly mobile, and non-substitutable (Huddleston *et. al.*, 2007).

In the context of SMEs, this theory suggests that access to resources such as financial capital, human capital, technology, and networks can significantly influence their growth and

success. SMEs in South Africa often face challenges in accessing these resources, which can limit their ability to grow and compete in the market.

2.7.1.2. Entrepreneurial Orientation (EO) Theory

Entrepreneurship has been defined as the process of producing something new which has value by bestowing the required time and effort with the related financial and social risks and getting the rewards in the form of money as well as human satisfaction and freedom in return (Diandra & Azmy, 2020).

The theory of entrepreneurial orientation (EO) suggests that entrepreneurs take up risks to start new businesses. A firm is deemed entrepreneurial if it is innovative, proactive, and risk-taking. (Ortt & Rezaei, 2018). Entrepreneurs are considered innovators of newly developed products and services, which create jobs and promote growth in the economy. They are vital to the economy's growth. (Investopedia, 2023).

Zhou and Gumbo's (2021) hypothesis demonstrates, there is a non-linear concave relationship between performance and entrepreneur age. This relationship signifies that the age of the entrepreneur has no impact on the sales performance of SMMEs. The result of this study contradicts the findings of other earlier research, which found that the age of the entrepreneur has a substantial effect on performance (Amran, 2011; De Kok et al., 2010). However, this finding is connected to an investigation carried out by Essel et al. (2019).

The entrepreneurial mindset of a firm's leadership/owners is critical to its growth and success. This is the owners' willingness to take risks, to focus on innovation and creativity, and their desire to seize opportunities as this can help the firm overcome its challenges and achieve sustainable growth.

2.7.1.3. Institutional Theory

According to North (1990), a society's institutional framework is made up of the basic political, social, and legal laws that create the basis for production and distribution, and organizations must adhere to these rules to be supported and legitimate. He went on to say that the existing institutional matrix is usually crucial to the success, profitability, and continued existence of SMEs.

Encouraging the growth of small and medium-sized enterprises (SMEs) is about more than just creating a system of official incentive support organizations and offering a set of

incentives to budding business owners. Second, the type of institutions in a country can either promote or hinder the growth of small and medium-sized enterprises (North, 1990).

The theory focuses on the formal and informal institutions that shape the behaviour of SMEs, including legal frameworks, cultural norms, and social networks. In South Africa, for example, SMEs may face challenges such as corruption, bureaucratic red tape, and limited access to markets. Therefore, policies that improve the institutional environment for SMEs, such as regulatory reform, anti-corruption measures, and trade agreements, can help support their growth.

2.7.1.4.Social Capital Theory

Acquaah (2008) defines social capital as the actual and prospective resources embedded in networking relationships that can be accessed and utilized by actors (such as managers of business enterprises) for actions (such as conducting enterprise business activities).

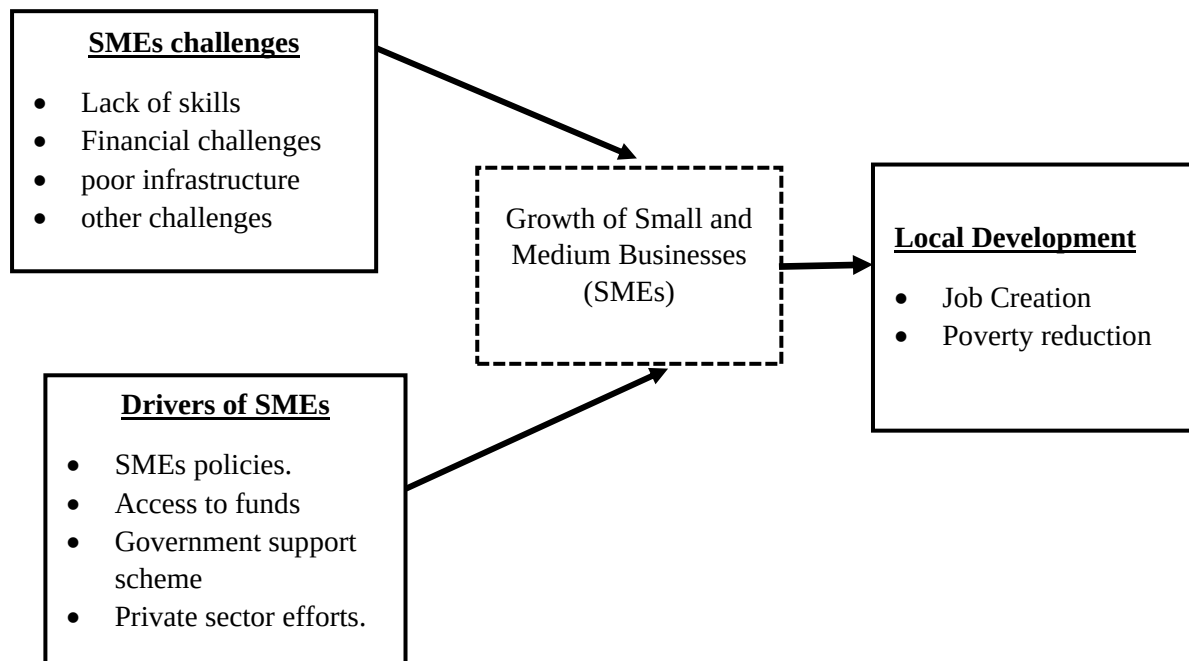
Okten and Osili (2004) analyse how social capital influences the development of small and medium-sized enterprises. The findings point to the importance of social capital for the development of small and medium-sized enterprises (SMEs), particularly in the form of connections with other business owners. Businesses of all sizes can benefit from social capital since it facilitates access to external resources and opens up new markets.

This theory emphasizes the importance of social networks and relationships in facilitating the growth of SMEs. SMEs may benefit from networks of suppliers, customers, and business partners, as well as mentorship and support from other entrepreneurs. Therefore, policies that encourage networking and collaboration among SMEs, such as business incubators and industry associations, can help them overcome the challenges of operating in a competitive market.

2.7.2. Conceptual framework

To resolve the research problem and research questions, the following conceptual framework put together how the following factors influence the growth and development of SMEs in the local economy.

Figure 2.7.2.: Conceptual Framework (Source: Authors own construct (2024))



The proposed conceptual framework in figure 2.7.2. assumes that the level of growth of SMEs influences the development of local markets. This means the growth and development of SMEs has an influence on the economy of the developing countries. The creation of employment in these economies is influenced by the growth and development of SMEs. The growth and development of small and medium businesses has a positive relationship with the reduction of poverty in developing economies. Despite the positive contribution of the SMEs to emerging economies, there are factors which affect the growth and development of the SMEs such as lack of management skills, lack of access to funds and poor infrastructure. The development of small and medium businesses can be driven the various support such as good SME policies, access to funds, government support scheme and private sector efforts.

The conceptual framework for understanding the growth of SMEs in South Africa can be divided into four main components:

2.7.2.1. Internal Factors

Internal factors refer to the resources, capabilities, and characteristics of SMEs that influence their growth and sustainability. These include factors such as the skills and experience of the management team, access to financial and non-financial resources, the ability to innovate, and the firm's culture and values (Khan *et al.*, 2020). SMEs that are well-managed, innovative, and have a strong entrepreneurial mindset are more likely to achieve sustainable growth.

2.7.2.2.External Factors

External factors refer to the broader economic, political, and social environment in which SMEs operate. These include factors such as government policies and regulations, market competition, access to markets and customers, and social and cultural norms (Doan & Tran, 2020). SMEs in South Africa face numerous external challenges that can limit their growth and sustainability, including a challenging regulatory environment, limited access to markets and customers, and a lack of supportive infrastructure.

2.7.2.3.Networking

Networking refers to the connections and relationships that SMEs have with other firms, organizations, and individuals (Ali *et al*, 2019). Strong networks can provide SMEs with access to resources, information, and support that can help them overcome challenges and achieve growth (Ali *et al*, 2019). Networks can also provide SMEs with access to new markets and customers and help them build their brand and reputation.

2.7.2.4.Support Programs

Support programs refer to the government and non-governmental organizations that aid and support SMEs (Metawea, 2020; Park *et al.*, 2020). These include programs that provide access to finance, training, and development, mentoring and coaching, and other forms of support. Effective support programs can help SMEs overcome challenges and achieve growth, but ineffective or poorly designed programs can have little impact or even hinder SMEs' growth.

2.7.2.5.Inconsistencies and Contradictions

While several theoretical and conceptual frameworks help to understand the growth of small and medium businesses (SMEs) in South Africa, there are also inconsistencies and contradictions within the literature. These inconsistencies and contradictions can make it challenging to develop a comprehensive understanding of the factors that influence the growth of SMEs in South Africa. Some of the key inconsistencies and contradictions within the literature are discussed below.

2.7.2.6.Access to Finance

One of the primary challenges faced by SMEs in South Africa is access to finance. While some studies suggest that lack of access to finance is a significant barrier to growth and development, other studies have found that access to finance is not the only factor that influences the growth of SMEs (Fubah & Moos, 2022). Some studies have suggested that

other factors, such as human capital and institutional support, may be more important in driving SME growth.

2.7.2.7. Informal Sector

The informal sector in South Africa is a significant contributor to the economy, and many small businesses operate in this sector. However, there are inconsistencies in the literature about the impact of the informal sector on the growth of SMEs. Some studies suggest that the informal sector can serve as a steppingstone for SMEs to transition into the formal sector, while others suggest that the informal sector may be a barrier to growth and development due to a lack of regulation and limited access to resources (Amoah & Amoah, 2018; Mendy *et al.*, 2021).

2.7.2.8. Size and Growth

Finally, there are also inconsistencies in the literature about the relationship between the size and growth of SMEs in South Africa. Some studies suggest that larger firms are more likely to experience growth and success, while others suggest that smaller firms may be more agile and better able to adapt to changing market conditions.

2.8. Summary of literature

The growth of SMEs is critical to the development of the South African economy. However, SMEs in South Africa face numerous challenges that limit their growth and sustainability. The concept of growth of SMEs in South Africa is shaped by several theoretical and conceptual frameworks, which help to understand the factors that influence their growth and development. The frameworks discussed in the study include the resource-based view theory, entrepreneurial orientation, institutional theory, and social capital theory. By understanding these frameworks, policymakers and business leaders can make more informed decisions about how to support the growth and development of the country.

3. CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

This chapter will describe the suitable research methodology to address the research questions and the objectives of the study. The justification of the methodology will be provided by presenting the research designs and methodologies and providing the selected methodology and why the chosen methodology is appropriate to address the research questions and the identified problem. The ethical considerations and trustworthiness of the study will be discussed in this chapter.

3.2. Research Paradigm

The paradigm is the set of assumptions and views shared by the members of a research community (Park *et al*, 2020). This study will use the interpretivism paradigm to get an understanding of the impact of the growth of small and medium businesses in Polokwane municipality Limpopo province. The main focus of the interpretive paradigm is to get an understanding of the phenomenon and avoid just generalising to the population (Alharahshe & Pius, 2020). This paradigm perceives reality and meanings making socially constructed and believes that people create their sense of social realities (Alharahshe & Pius, 2020). Interpretivist was used in this study because it aims to describe and translate the meaning of the phenomena. It describes the objective that the study is intending to satisfy. This paradigm enables the researcher to see the world through the view and experiences of the research participants (Bonache & Festing, 2020).

3.3. Research Design

Research design is the process of investigating the design of the academic study which is done to explore the procedure to be followed in carrying out the research study (Kothari, 2004). Creswell and Poth (2016) stipulated that this is done in the preparation for gathering and analysing research data. The research design is done to ensure that the study collects the relevant data to the study. The research design is guided by the aim of the study. According to Creswell and Creswell (2017), the research design is a plan of action that acts as guidance between the research topic and the execution of the adopted research strategy. There are three forms of research design which are exploratory, descriptive, and explanatory. Each form of research design serves a different purpose. The explanatory study is carried in where there is not much data or information about the phenomena. The descriptive study provides or presents the illustration of the situation or the situation of people and how things are related. This design does not provide a further explanation of how the situation took place (Creswell

and Creswell, 2017). According to Thomas and Lawal, (2020), the study focuses on explaining the descriptive study by identifying the causes of occurrence of the phenomena.

This study aimed to assess the factors that influence growth of SMEs for local economic development: The case of Polokwane Municipality in Limpopo province. For this study to achieve its objective the exploratory research design was adopted to explore the impact of the growth of SMEs in the Polokwane Region.

3.4. Research Approach

The research approach encompasses the procedures and methods employed for collecting, analysing, and interpreting data in a research study (Kothari, 2004). Creswell and Poth (2016) elaborate on the research approach as a systematic process consisting of actions and expectations, delineating methods for data collection, analysis, and interpretation. There are three primary forms of research approach: qualitative, quantitative, and mixed methods.

The qualitative research approach, as outlined by Leedy and Ormrod (2019), involves the collection, analysis, and interpretation of non-numerical data. Conversely, Babbie (2013) defines the quantitative approach as centred on gathering, analyzing, and interpreting numerical data to describe phenomena. The mixed method research approach, described by Leedy and Ormrod (2019), integrates both qualitative and quantitative approaches to incorporate both numerical and non-numerical data.

This study adopted the qualitative research approach. According to Van den Berg and Struwig (2017), the qualitative approach involves a systematic examination of real-life phenomena, such as organizational functionality or group behaviour. Hammarber et al. (2016) emphasize the significance of the qualitative approach in studying phenomena to inform decision-making processes. To enhance the utilization of the qualitative approach, this study employed an inductive mode of reasoning. Bingham and Witkowsky (2021) highlight that the inductive approach focuses on acquiring situational knowledge to establish relationships between people or organizations and the situation at hand.

3.5. Sampling

3.5.1. Population

The population of the study is the complete group of cases in which the study has an interest (Leedy & Ormrod, 2019). The identification of the population has been described as the second important step in the research study after the identification of the research problem. Babbie (2013) stipulated that the process of defining the target population of the study must

ensure that all the members of the population are considered, and this includes members who are described as not easily accessible for participating in the study. The population of this study constituted of the managers and the owners of the small and medium businesses in the Polokwane Municipality in Limpopo.

3.5.2. Sampling Strategy

Sampling is the procedure of selecting a sample from the population. The sampling consists of two types which are non-probability and probability sampling. For this study, purposive sampling will be used for selecting the sample from the population of the study. Purposive sampling is the non-probability sample selected the sample based on the characteristics of the population and the aim of the study (Palinkas et al, 2015). The other name used for purposive is judgemental or selective sampling. This sampling is very significant in situations when the researcher wants to get a specific target sample fast and the sampling proportionality is not a problem (Crossman, 2018). The purposive sampling is chosen to cover different ranges of SMEs in the Polokwane municipality of Limpopo province.

3.5.3. Sampling size and selection criteria

Qualitative research is a research study that involves a small sample or group of people, and the sample is not considered to be representative of a large population. The following qualifying criteria for the respondents were used:

- a. Respondents must be small business owners or a person who managed a small business for a period of between two to five years.
- b. The business should be having between 5 to 50 employees.
- c. The turnover of the small business must not be more than five million rand per year.
- d. The respondents should be 18 years of age and above for the study to comply with research ethics.

According to Mthuli et al, (2022) in conducting qualitative research utilising interviews the recommended sample size of the study is six respondents. This study interviewed a total of 15 respondents.

3.6. Data Collection

3.6.1 Data Collection Instrument

The suitable instrument for collecting qualitative data for this study is interview schedule. The interview is the data collection instrument used for collecting the qualitative data. The interview is the verbal interchanging between the researcher and the respondent which either

happens face-to-face or through the telephone (Edwards and Holland, 2020). There are two various forms of the interview which include unstructured interviews in which questions arise from the situation and the semi-structured interview in which questions are prepared in an interview schedule even though the researcher can still ask the follow-up questions (Edwards and Holland, 2020). The qualitative data was collected from the respondents described in the criteria above using semi-structured interviews.

3.6.2 Data Storage

In the course of conducting the study, attention was given to data storage, which played a pivotal role in ensuring the quality and reliability of both quantitative and qualitative research. For quantitative research, techniques such as calculating sample sizes for statistical power, standardizing treatment conditions, and using control groups required detailed data storage to maintain the truth value of evidence and internal validity (Frambach et al., 2013). This involved recording comprehensive information on the educational context, interventions, participant responses, and treatment conditions to accurately attribute observed effects to independent variables. Additionally, techniques like random or stratified sampling and replicating studies in different contexts relied on robust data storage practices to ensure external validity and generalizability of results. Similarly, for qualitative research, data storage was essential for maintaining the credibility, transferability, and confirmability of findings. Techniques such as collecting data over extended periods, triangulating data from multiple sources and methods, and involving participants in member checking necessitated systematic and organized data storage to ensure the neutrality and objectivity of evidence. Moreover, documenting the research process, decisions, and reflections through techniques like keeping a diary and maintaining an audit trail enhanced dependability and confirmability. By adhering to these data storage practices, the study upheld the quality principles and criteria outlined, ultimately contributing to the trustworthiness and believability of its findings. The data collected for this paper will be stored in an external hard drive in a lockable storage. Which will be stored for a period of 5 years and be disposed there after-voice recording- deleted, transcript- shredded.

3.6.3 Data Quality Criteria

According to Dannels (2017), qualitative research must adhere to four quality criteria: transferability, credibility, confirmability, and dependability, with reflexivity being essential for ensuring quality and transparency.

3.6.3.1. Credibility

Credibility, as viewed by participants, pertains to the believability of qualitative research findings (Rutberg & Bouikidis, 2018). Since qualitative research aims to grasp phenomena from participants' perspectives, their judgment determines the credibility of the findings (Ahmad et al., 2019). To ensure credibility, participant perspectives were prioritized, and their judgment was considered regarding the believability of the research findings.

3.6.3.2. Transferability

Qualitative research exhibits a high degree of transferability, indicating the extent to which results can be applied to other contexts (Brannen, 2017). Transferability relies on the researcher's ability to describe the research context and underlying assumptions, as emphasized by Ahmad et al. (2019). Assessing the sensibility of such transfers is crucial for individuals considering their applicability. Transferability was maintained by thoroughly describing the research context and assumptions underlying the study, allowing individuals to assess the applicability of the results to other contexts.

3.6.3.3. Reliability

Traditionally, reliability in qualitative research pertains to reproducibility, with Rutberg and Bouikidis (2018) suggesting that it involves determining whether the same result would be obtained upon repeated observation. Dependability, as argued by Brannen (2017), considers the researcher's adaptability to the changing study environment. Understanding the impact of such changes on the study approach is vital, as explained by Ahmad et al. (2019).

3.6.3.4. Confirmability

Confirmability in qualitative research acknowledges the diverse perspectives of researchers (Brannen, 2017), focusing on the ability to corroborate results. Strategies to enhance confirmability include documenting procedures, inviting critical appraisal by another researcher, actively seeking contradictory observations, and conducting data audits (Rutberg & Bouikidis, 2018; Rahi, 2017). Efforts were made to maintain confirmability by documenting procedures, inviting critical appraisal from another researcher, actively seeking contradictory observations, and conducting a thorough data audit after the study.

3.6. Data Analysis

The qualitative data collected through semi-structured interviews was recorded, and the recordings were transcribed to ensure accurate capture of all necessary data. According to Campbell et al. (2021), transcriptions are vital as they ensure precise data capture and facilitated the notation of gestures, which held significance for the study's findings.

Thematic analysis was adopted for this study's qualitative data analysis. Thematic analysis, as described by Labra et al. (2020), is a qualitative method involving the identification of patterns within collected data. The researcher initiated the thematic analysis by familiarizing herself with the collected and recorded data. During the transcription process, patterns were identified. These patterns were then organized into groups, from which themes were developed. Sub-themes were subsequently derived from the main themes to facilitate easy data interpretation. Themes irrelevant to the study or lacking sufficient supporting data were excluded. Finally, the analysis concluded with the interpretation of the themes, culminating in the report's composition (Labra et al., 2020). (Labra et al, 2020)

3.7. Ethical Considerations

The research ethic comprised principles governing how researchers should treat participants during the research process, aiming to uphold their rights and dignity (Ferreira et al, 2015). Given that the study involved human participants, adherence to ethical guidelines was paramount. To ensure participants provided informed consent, the research commenced by explaining the study's purpose and emphasizing their right to withdraw at any time. Additionally, the estimated interview duration of 45 to 60 minutes was communicated (Millum & Bromwich, 2021).

To safeguard participants from harm, the researcher-maintained vigilance by consistently checking if any aspect of the process caused discomfort or harm to them (Millum & Bromwich, 2021). Preserving participant anonymity was another priority. The researcher assured participants that neither their names nor identities would be disclosed in the research report, and the signed consent forms would not be included. This data would solely serve research purposes (Millum & Bromwich, 2021).

Furthermore, only individuals aged 18 and above were eligible to participate, and their involvement was entirely voluntary. This cohesive approach ensured ethical standards were upheld throughout the study.

3.8. Chapter Summary

In this chapter, the chosen approach and procedures for addressing the research questions and objectives were outlined. The selection and justification of the research methodology, including various research designs and ethical considerations, were discussed. The research approach, encompassing qualitative, quantitative, and mixed methods, was explored, with a focus on the qualitative approach for understanding real-life phenomena. Employing the interpretivist paradigm, the study aimed to comprehend the impact of SME growth in Polokwane, emphasizing socially constructed realities. The exploratory research design was adopted to assess factors influencing SME growth in the Polokwane Municipality, utilizing purposive sampling to select a diverse sample. Data collection involved semi-structured interviews, ensuring accurate capture through transcription, while thematic analysis was employed for data interpretation. Ethical considerations prioritized participant rights, informed consent, protection from harm, and anonymity, maintaining ethical standards throughout the study.

4. CHAPTER 4: ANALYSIS AND DISCUSSION

4.1. Introduction

In this analysis, the perspectives of small business owners within the Polokwane municipality, South Africa, were explored, examining their insights across various critical dimensions of business operations. Through a series of 15 interviews, a spectrum of factors influencing SMEs was investigated, ranging from economic and financial considerations to market dynamics, technological advancements, social responsibilities, and human resource management.

The interview questions were designed to capture nuanced insights into the challenges and opportunities encountered by small business owners, providing a comprehensive understanding of their strategies, concerns, and aspirations. From understanding the broader economic climate to delving into the intricacies of financial management and market adaptation, each question offered a unique lens through which to analyze the dynamics of SMEs in Polokwane.

Through this analysis, the aim was to uncover patterns, trends, and actionable insights that shed light on the role of small businesses in driving local economic growth, navigating challenges, and contributing to the socio-economic fabric of the region. By examining their responses to key questions, valuable insights into the strategies employed by SMEs to thrive in a competitive landscape, adapt to technological shifts, embrace social responsibility, and foster a skilled and engaged workforce were gained.

4.2. Response Rate

The research involved 15 participants from diverse industries in Polokwane Municipality, providing insights into small businesses' contributions to the local economy. The researcher interviewed the 15 participants as indicated in chapter 3 under sample size. This translates to a 100% response rate. Responses from the various sectors offered a comprehensive view, with 50% falling under "Other industries," reflecting a broad business spectrum. Each industry group presented unique perspectives on economic growth, social cohesion, and sustainability, from boutique design firms to solar energy providers. Job creation emerged as a common theme, highlighting small businesses' role in addressing unemployment. Specialized services, cultural preservation, and sustainability were emphasized, enriching local development efforts. However, some sectors were less represented, potentially limiting generalizability. Future research could aim for broader industry engagement for a

comprehensive understanding of small business dynamics in Polokwane. Overall, the study underscores small businesses' diverse contributions to inclusive and sustainable regional development.

4.3 Themes Identification

In exploring the dynamics of small businesses, it was essential to develop several key themes that underpin their success and resilience. These themes encompass the intricate interplay between technology and innovation, government support, the legal framework, and marketing forces. Small businesses thrive by leveraging technology and innovation to enhance operations and seize emerging opportunities while navigating regulatory landscapes. Moreover, government support through policies and financial assistance programs is pivotal in creating an enabling environment for small business growth. Comprehending the legal framework ensures ethical and sustainable operations, while adeptly navigating marketing forces allows businesses to effectively engage customers and differentiate themselves in competitive markets. By examining these themes, we gain valuable insights into the multifaceted nature of small business dynamics and their contributions to economic development.

Table 4.3: Analysis Themes

Themes	Theme description	Sub-themes	Description
Technology and Innovation	Explores how technological advancements impact operations and market reach. Small businesses integrate technological solutions to streamline operations and tap into broader consumer bases. Adapting to emerging technologies involves identifying opportunities they offer while addressing associated challenges.	Technology Factors	Focus on the impact of technology on small businesses, including the implementation of technical solutions, opportunities presented by emerging technologies, and challenges associated with technological advancements.
Government Support	This theme delves into the types of support small	Human Resource	Human resource factors involve attracting and

	businesses require from government entities. Discussions encompass financial assistance, regulatory reforms, and policy interventions aimed at creating an enabling environment for innovation and economic development.	Factor	retaining qualified employees, which can be supported by government interventions such as workforce development programs and policies aimed at creating an enabling environment for businesses to thrive.
Legal Framework	Outlines the legal and regulatory landscape within which small businesses operate. Compliance with industry-specific regulations and staying abreast of evolving legal requirements are essential. Navigating these frameworks ensures businesses operate ethically and within the confines of the law.	Legal and Regulatory Considerations	Addresses compliance issues, navigating regulations, and ensuring businesses operate within legal boundaries, reflecting the legal and regulatory landscape within which small businesses operate
Market Forces	Explores how small businesses navigate market dynamics to remain competitive. Understanding consumer behaviour, implementing effective branding strategies, and engaging with customers are key components. Tactics for differentiation from larger competitors and promoting	- Social Considerations - Business Type and Contributions	- Social considerations involve integrating social and environmental concerns into business operations, which aligns with marketing forces that include understanding consumer behaviour, leveraging social media

	products or services effectively are integral to success in this area.		for engagement, and effectively promoting products or services. - involve understanding the types of businesses operating, their contributions to the economy, recognizing changes in the market, and remaining competitive.
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4.4. Data Presentation

The data will be presented in terms of the above-mentioned themes and subthemes as presented in the interview schedule.

4.4.1 Technology and Innovation

4.4.1.1. Technology Factors

The responses from small business owners shed light on how technology influenced their operations and the strategies they employed to leverage emerging technological advancements. Small businesses across various industries experienced the positive impact of technology on their operations. They implemented specialized software, digital tools, and online platforms to streamline processes, improve efficiency, and enhance communication with clients. From design software in architecture firms to point-of-sale systems in restaurants, technology adoption facilitated smoother project management, inventory management, and customer engagement.

Developing technologies presented both opportunities and challenges for small businesses. Opportunities included further automation, enhanced data analytics, and diversified product offerings. However, staying abreast of rapid technological advancements and ensuring staff skill alignment were crucial challenges. Respondents emphasized the importance of ongoing training for staff, staying informed about emerging technologies, and investing in research and development to prepare for future advancements.

Each industry faced unique opportunities and difficulties associated with developing technologies. For instance, in the solar PV business, advanced monitoring systems and energy storage solutions offered opportunities for product diversification, while challenges included adapting to rapid technological changes. Similarly, in the legal sector, legal technology solutions simplified administrative tasks but raised concerns about cybersecurity. Respondents stressed the importance of consistent training, collaboration with tech partners, and secure technology implementation to address these challenges effectively.

Technology not only enhanced operational efficiency but also broadened consumer bases and improved customer experiences. Digital platforms, online sales channels, and virtual consultations offered new avenues for reaching customers and providing personalized services. Respondents recognized the significance of adopting e-commerce solutions, digital marketing strategies, and staying current on industry-specific technology advancements to remain competitive in their respective markets.

In summary, the responses highlighted the transformative role of technology in small businesses, emphasizing the need for proactive adaptation, ongoing training, and strategic investment to capitalize on emerging opportunities and navigate potential challenges effectively.

4.4.2. Government Support

4.4.2.1. Analysing Financial Challenges and Government Support for Small Businesses in Polokwane Municipality

The responses provided by the interviewees shed light on the multifaceted financial challenges faced by small businesses in Polokwane Municipality and their interactions with broader economic factors and government policies. Through an in-depth analysis of their perspectives, we can gain valuable insights into the intricate relationship between financial issues, policy interventions, and the operational dynamics of small enterprises.

One of the central themes highlighted by the respondents is the diverse array of financial challenges encountered by small businesses. Managing cash flow emerged as a primary concern across various sectors, with respondents emphasizing the importance of sustaining liquidity for day-to-day operations and long-term viability. Additionally, accessing capital for essential needs such as project investments, equipment upgrades, and inventory stocking was identified as a significant hurdle. This underscores the critical role that adequate financing

plays in supporting small business growth and resilience in the face of economic uncertainties.

The impact of economic policies, particularly interest rates, taxes, and regulatory frameworks, was another prominent aspect of the discussion. Respondents noted how fluctuations in these variables directly influenced their financial planning and decision-making processes. Stable economic policies and favourable tax structures were deemed essential for fostering a conducive environment for business growth and investment. Conversely, unpredictable regulations or burdensome tax regimes could impede entrepreneurial endeavours and inhibit economic dynamism.

Furthermore, the respondents articulated specific ways in which government intervention could support small businesses in overcoming financial challenges and driving economic growth. Accessible and affordable financing options, streamlined regulatory processes, and tax incentives were identified as key areas where government assistance could make a significant difference. By addressing these needs, policymakers have the opportunity to create an enabling environment that empowers small businesses to thrive, create jobs, and contribute to economic development.

It is also noteworthy that the financial concerns expressed by respondents were often sector-specific, reflecting the diverse nature of small businesses in Polokwane Municipality. From solar energy providers to pharmaceutical retailers, each industry faced unique challenges related to cash flow management, capital access, and regulatory compliance. However, common threads such as the need for stability, predictability, and tailored support ran through their narratives, underscoring the universal principles that underpin small business success.

In conclusion, the insights provided by the interviewees offer a nuanced understanding of the financial landscape facing small businesses in Polokwane Municipality. By addressing the identified challenges and leveraging targeted policy interventions, stakeholders have the opportunity to foster an ecosystem where small enterprises can thrive, innovate, and contribute meaningfully to economic growth and prosperity.

4.4.2.2. Human resources

Human resource management plays a pivotal role in the success and sustainability of small and medium-sized enterprises (SMEs). In examining the responses provided by various SMEs regarding human resource considerations, several noteworthy points emerge, shedding

light on how these businesses attract and retain talent while navigating workforce-related challenges.

One of the central themes across the responses is the emphasis on attracting and retaining qualified employees. SMEs recognize the significance of offering competitive salaries, benefits, and a positive work environment to appeal to potential candidates. Unique perks and benefits, such as flexible scheduling, profit sharing, and appreciation programs, are also highlighted as effective strategies to differentiate themselves in a competitive job market. By prioritizing employee satisfaction and well-being, SMEs aim to create an environment where talented individuals feel valued and motivated to contribute to the company's success.

Despite their efforts to attract talent, SMEs face various challenges related to managing their workforce effectively. Ongoing training to keep up with industry advancements, maintaining high levels of employee engagement, and adapting to evolving skill or client expectations are commonly cited challenges. These issues require proactive measures, including communication, training programs, and team-building activities, to address effectively. By fostering a culture of continuous learning and development, SMEs can equip their employees with the skills and knowledge needed to thrive in dynamic business environments.

It is essential to recognize that human resource management strategies may vary depending on the industry in which an SME operates. While the overarching principles of attracting talent and addressing workforce-related challenges remain consistent, there are also industry-specific considerations to consider. For instance, businesses in the IT sector may need to focus on staying updated on technological advancements and cybersecurity measures, while those in the agricultural sector may prioritize training on ethical farming practices and compliance with industry standards. Understanding these industry-specific nuances enables SMEs to tailor their human resource strategies effectively to meet the unique needs of their business environment.

Moreover, SMEs place a strong emphasis on professional development and ethical practices within their organizations. Providing opportunities for ongoing training, staying updated on changes in legislation or industry standards, and fostering a culture of ethical behaviour are essential components of effective human resource management. By investing in the growth and development of their employees and upholding ethical standards, SMEs not only attract top talent but also cultivate a positive workplace culture that drives organizational success.

In conclusion, the responses from SMEs underscore the critical role of human resource factors in shaping their success and competitiveness in the market. By prioritizing strategies to attract and retain talent, addressing workforce-related challenges, and upholding professional development and ethical practices, SMEs strive to build resilient and high-performing teams that contribute to their long-term growth and sustainability. As SMEs continue to evolve and adapt to changing market dynamics, effective human resource management will remain a cornerstone of their success.

4.4.3. Legal Framework

4.4.3.1. Legal factors

The responses provided by small and medium-sized enterprises (SMEs) shed light on the legal and regulatory considerations they face in their respective industries. Across various sectors, common compliance issues include navigating complex regulations, obtaining permits, adhering to safety standards, and staying up to date with evolving legal requirements.

Respondents emphasized the importance of continuous monitoring and adjustments to ensure compliance with changing regulations. Strategies to address compliance challenges included regular staff training, participation in industry associations, engagement with legal counsel, and staying informed about industry-specific regulations. These proactive measures enabled SMEs to mitigate compliance risks and maintain alignment with legal requirements.

Moreover, respondents highlighted the significance of active participation in relevant professional associations, industry forums, and training programs to stay informed about regulatory updates and industry best practices. By investing in ongoing education and maintaining strong relationships with regulatory authorities, SMEs were better equipped to navigate the complexities of compliance in their respective industries.

Overall, the responses underscored the proactive approach of SMEs in managing legal and regulatory considerations. By prioritizing compliance, staying informed about regulatory changes, and engaging with industry stakeholders, SMEs demonstrated their commitment to operating ethically and responsibly within the legal framework of their industries.

Overall, small businesses were proactively integrating social and environmental considerations into their operations and brand identity. By aligning with consumer values and leveraging digital platforms for engagement, these businesses not only met market demands but also contributed to broader societal and environmental goals.

4.4.4. Market Forces

4.4.4.1. Market Dynamics

The insights gathered from small business owners in Polokwane Municipality shed light on their strategies for navigating market factors, responding to changing consumer preferences, and thriving in a dynamic business landscape. These owners exhibited a keen awareness of the importance of understanding market trends and consumer behavior. They emphasized the necessity of conducting regular market research, gathering client feedback, and engaging with industry stakeholders to stay updated on shifting demands. By remaining informed about local preferences and cultural influences, businesses could tailor their offerings to effectively meet evolving customer needs, enabling them to stay agile and responsive amidst changing market dynamics.

To maintain a competitive edge, small businesses prioritized personalized service, unique offerings, and building strong client relationships. Leveraging their deep understanding of the local market, they differentiated themselves from larger competitors by offering specialized expertise, efficient service delivery, and enticing promotions. Despite resource constraints and limited marketing budgets, small businesses capitalized on their agility and flexibility to compete effectively against larger corporations. They recognized personalized service and community engagement as crucial elements of their competitive advantage, enabling them to establish a loyal customer base and carve out a niche in the market.

Despite facing challenges such as resource limitations and constrained marketing budgets, small businesses highlighted their strengths in agility, flexibility, and local appeal as factors that set them apart from larger competitors. While larger corporations may have possessed greater financial resources and brand recognition, small businesses leveraged their ability to provide personalized service and foster community connections to compete effectively. They emphasized the importance of government support in overcoming financial obstacles, accessing niche markets, and expanding their service offerings. Advocating for policies that facilitated access to resources, simplified regulatory processes, and provided incentives for business growth, small businesses underscored the role of supportive government intervention in driving economic growth and community prosperity in Polokwane Municipality.

4.4.4.2. Business Type and contribution

The answers given by the interviewees provide a wealth of insights into the diverse ways small businesses contribute to the growth and sustainability of Polokwane Municipality and the wider South African economy. First and foremost, the range of business types represented among the respondents illustrates the heterogeneous nature of the small business landscape. From boutique interior design firms to traditional African attire designers, from solar energy solution providers to poultry farmers, each business type brings its unique set of skills, expertise, and contributions to the table. This diversity is a testament to the richness of entrepreneurial activity within the region and highlights the varied needs and interests of local consumers and markets.

A recurring theme across the respondents' answers is the pivotal role of small businesses in job creation. Whether through direct employment within their own operations or through the stimulation of ancillary industries and supply chains, small businesses serve as vital engines of employment generation. This aspect is particularly crucial in the context of South Africa, where unemployment rates remain persistently high, especially among youth and marginalized communities. By offering opportunities for meaningful work and skill development, small businesses contribute not only to individual livelihoods but also to broader socio-economic inclusion and empowerment.

Furthermore, the emphasis on local economic development and community engagement underscores the intimate ties between small businesses and the neighborhoods they serve. Whether by providing essential services like laundry facilities and spaza shops or by preserving cultural heritage through traditional attire design, small businesses play an integral role in fostering vibrant and resilient local economies. Their presence creates anchor points for social interaction, cultural exchange, and collective identity formation, thereby strengthening the social fabric of communities and promoting a sense of belonging among residents.

Moreover, several respondents highlight the importance of small businesses in driving innovation and sustainability. From the adoption of green technologies in solar energy solutions to the promotion of sustainable agriculture practices in poultry farming, small businesses are at the forefront of pioneering new approaches to environmental stewardship and resource management. By embracing innovation and sustainability, these businesses not

only reduce their ecological footprint but also contribute to the broader transition towards a more resilient and equitable economy.

In addition to their economic and environmental contributions, small businesses also play a crucial role in promoting cultural diversity and preserving intangible heritage. Through the creation of culturally inspired products and services, such as African traditional attire or indigenous cuisine in restaurants, small businesses contribute to the richness and diversity of local cultural landscapes. Moreover, by providing platforms for cultural expression and exchange, they help to bridge divides and foster mutual understanding among diverse communities.

Overall, the responses provided by the interviewees paint a compelling picture of the indispensable role of small businesses in driving inclusive and sustainable development in Polokwane Municipality and beyond. By generating employment, fostering entrepreneurship, promoting innovation, and preserving cultural heritage, small businesses contribute not only to economic growth but also to social cohesion, environmental stewardship, and cultural vibrancy. As such, they represent valuable assets that deserve continued support and investment from policymakers, stakeholders, and consumers alike.

4.4.4.3. Social and Environmental Considerations

Small business owners recognized the importance of integrating social and environmental concerns into their operations, driven by evolving consumer expectations and demands for sustainability and ethical behaviour. Across various industries, respondents highlighted their commitment to ethical and sustainable practices, such as sourcing sustainable materials, promoting local products, and reducing waste. They acknowledged the shifting consumer expectations towards environmentally conscious businesses and prioritized actions that aligned with these values.

Moreover, small businesses leveraged social media platforms to engage customers and build their brand presence. Strategies included regular updates, showcasing completed projects, sharing industry insights, and actively participating in online forums. Through these efforts, businesses fostered a sense of community, established credibility, and communicated their commitment to social and environmental responsibility.

In adapting to changing consumer expectations, respondents demonstrated agility by adjusting their business practices and communication strategies. They recognized the importance of transparency, authenticity, and community involvement in building trust and

loyalty among customers. By staying attuned to market trends and consumer preferences, small businesses were able to tailor their approaches and differentiate themselves in competitive markets.

While not explicitly addressed in the provided responses, businesses may have also been preparing for technological advancements that facilitated social and environmental considerations. This could have included adopting digital tools for energy monitoring, waste management systems, or customer engagement platforms that promoted sustainability and ethical practices.

4.2.5. Financial Factors

4.2.5.1. Economic Dynamics

The interview responses provided valuable insights into the intricate relationship between the economic climate and small businesses in Polokwane Municipality. Across various industries, respondents acknowledged the direct influence of economic fluctuations on their operations. During downturns, reduced consumer spending impacted businesses like interior design firms and restaurants, leading to fluctuations in demand for their offerings. Conversely, economic upturns spurred increased consumer spending, positively influencing demand for services.

Small business owners emphasized the importance of monitoring key economic indicators to inform their decision-making processes. Indicators such as consumer confidence, inflation rates, and GDP growth served as crucial tools for assessing market conditions and anticipating shifts in consumer behaviour. By closely monitoring these indicators, businesses could adjust their strategies to navigate economic uncertainties effectively and position themselves for success.

Respondents showcased a proactive approach to adapting to economic fluctuations by tailoring their strategies to prevailing market conditions. This included adjusting pricing strategies, marketing efforts, and service offerings to align with changing consumer preferences. Businesses capitalized on trends towards environmental sustainability and digital transformation by offering innovative solutions that addressed evolving consumer needs. Despite challenges, economic fluctuations also presented opportunities for innovation and growth, emphasizing the importance of agility and adaptability in navigating dynamic market conditions.

4.3. Discussion

In this section, a comprehensive discussion of the interview findings in relation to the research questions posed at the outset of this study will be provided. Through a meticulous examination of the insights gleaned from the interviews with small business owners in the Polokwane municipality, South Africa, the aim is to elucidate the multifaceted nature of their experiences, challenges, and strategies. Each research question serves as a guiding framework for the analysis, allowing for the uncovering of nuanced patterns, identification of key themes, and extraction of valuable insights into the dynamics of small business operations within the context of growth of SME's.

By juxtaposing the interview responses against the research questions, a holistic understanding of the factors influencing small businesses, ranging from economic and financial considerations to market dynamics, technological advancements, social responsibilities, and human resource management, is aimed to be provided. Through this structured approach, the goal is to elucidate the diverse ways in which small businesses contribute to local economic development, foster social cohesion, champion sustainability, and navigate the complexities of the business landscape.

Furthermore, by contextualizing the interview findings within the broader framework of the research questions, meaningful connections are sought to be drawn and actionable insights generated that can inform policymaking, business strategy, and stakeholder engagement. Ultimately, this discussion serves as a synthesis of empirical evidence and theoretical perspectives, offering insights into the role of small businesses as drivers of inclusive and sustainable development in the Polokwane municipality.

4.3.1. Multifaceted Contributions of SMEs: Insights from Polokwane Municipality and Beyond

Small and medium businesses (SMEs) are the lifeblood of economic development, driving economic growth, fostering social cohesion, and championing sustainability. In this discussion, the multifaceted contributions of SMEs based on insights gleaned from analysis of their operations, challenges, and strategies in Polokwane Municipality, South Africa, and beyond are explored. By examining the diverse perspectives of SME owners and stakeholders, the key drivers propelling these businesses forward in dynamic and often challenging environments are uncovered. From job creation and local economic development to innovation, cultural preservation, and market adaptation, SMEs play pivotal roles in

shaping the socio-economic landscape. Furthermore, the importance of government support, technology adoption, and social responsibility in amplifying the impact of SMEs and fostering resilient, inclusive communities is examined. This discussion highlights the indispensable nature of SMEs as catalysts for sustainable development and underscores the imperative of nurturing their growth and resilience through targeted policies and collaborative efforts. The findings from the interviews reveal the following:

1. **Human Resource Development:** One of the most significant contributions of SMEs is job creation. By directly employing individuals and stimulating employment opportunities in ancillary industries and supply chains, SMEs serve as vital engines of economic growth. This is particularly crucial in regions with high unemployment rates, such as South Africa, where SMEs play a pivotal role in providing meaningful work and skill development opportunities, especially for marginalized communities and youth.
2. **Local Economic Development and Community Engagement:** SMEs contribute to local economic development by providing essential services and fostering vibrant local economies. Their engagement with the community goes beyond economic transactions; SMEs often become integral parts of the social fabric, creating anchor points for social interaction, cultural exchange, and collective identity formation. This not only strengthens the local economy but also promotes social cohesion and a sense of belonging among residents.
3. **Innovation and Sustainability:** SMEs drive innovation and sustainability by pioneering new approaches to environmental stewardship and resource management. From adopting green technologies to promoting sustainable agriculture practices, SMEs contribute to building a more resilient and equitable economy. By embracing innovation and sustainability, SMEs not only reduce their ecological footprint but also position themselves as leaders in their respective industries.
4. **Cultural Diversity and Preservation:** SMEs play a crucial role in preserving cultural heritage and promoting cultural diversity. Through the creation of culturally inspired products and services, SMEs contribute to the richness and diversity of local cultural landscapes. Moreover, by providing platforms for cultural expression and exchange, SMEs help bridge divides and foster mutual understanding among diverse communities, contributing to social harmony and cohesion.

5. **Market Adaptation and Competitiveness:** SMEs demonstrate a remarkable ability to adapt to market dynamics and compete effectively against larger corporations. By staying attuned to consumer preferences, leveraging their agility and flexibility, and prioritizing personalized service, SMEs carve out their niche in competitive markets. Their intimate knowledge of the local market and strong client relationships enable them to establish a loyal customer base and differentiate themselves from larger competitors.
6. **Government Support and Policy Interventions:** SMEs require supportive policies and interventions from the government to overcome financial challenges, navigate regulatory frameworks, and drive economic growth. Accessible financing options, streamlined regulatory processes, and tax incentives are essential for creating an enabling environment for small business development. Policymakers play a crucial role in providing the necessary support and infrastructure to foster SME growth and innovation.
7. **Technology Adoption:** Technology adoption is increasingly becoming a key driver of SME success. By implementing specialized software, digital tools, and online platforms, SMEs enhance operational efficiency, broaden consumer bases, and improve customer experiences. Technology enables SMEs to stay competitive in dynamic business environments, capitalize on emerging opportunities, and navigate challenges effectively.
8. **Social and Environmental Responsibility:** SMEs are recognizing the importance of integrating social and environmental considerations into their operations. Responding to evolving consumer expectations and demands for sustainability and ethical behaviour, SMEs prioritize ethical and sustainable practices. Through engagement with customers via social media and adaptation of business practices, SMEs align themselves with changing consumer preferences and contribute to broader societal and environmental goals.
9. **Human Resource Management:** Effective human resource management is critical for SME success. Strategies for attracting talent, addressing workforce-related challenges, and upholding professional development and ethical standards are paramount. By prioritizing employee satisfaction, offering competitive benefits, and

fostering a positive workplace culture, SMEs build resilient and high-performing teams that drive organizational success.

Based on insights gained from studying how small and medium-sized businesses (SMEs) operate in Polokwane Municipality, South Africa, and elsewhere, the discussion explores how these businesses create jobs, support local economies, innovate, preserve culture, adapt to markets, receive government help, use technology, act responsibly, and manage their employees. These findings show how crucial SMEs are for making development inclusive and sustainable. On the other hand, the literature review emphasizes how important SMEs are globally in boosting economic and social progress, especially in places that are still growing. Citing research by scholars like Abisuga-Oyekunle et al. (2020), Toomslu et al. (2019), and Fatoki (2019), the review highlights how SMEs contribute a lot to making the economy bigger, creating jobs, reducing poverty, and changing the economy. Specifically, in South Africa, SMEs are a big deal, making up about 42% of the country's money-making and employing about 47% of the workers, as said by the Organisation for Economic Co-operation and Development (OECD) in 2020. Despite being important, the review also says there are things that make it hard for SMEs to grow, which will be talked about more in the preceding sections.

4.3.2. Impact of Small and Medium Businesses on Local Economic Development

The findings from interviews with small and medium-sized enterprise (SME) owners in Polokwane Municipality, South Africa, and beyond shed light on the vital role these businesses play in local economic development. Through 15 interviews, insights were gathered on various dimensions of SME operations, including economic factors, financial challenges, market dynamics, technology adoption, social responsibilities, and human resource management. SMEs were found to be significant contributors to job creation, particularly in regions like South Africa with high unemployment rates. They also play crucial roles in fostering social cohesion, cultural preservation, and environmental sustainability. Despite facing financial challenges and regulatory hurdles, SMEs demonstrated adaptability and resilience, leveraging market opportunities and government support to drive economic growth. Technology adoption was identified as a key factor in enhancing operational efficiency and customer experiences. By integrating social and environmental concerns into their operations, SMEs built trust and loyalty with customers while contributing to broader societal and environmental goals. The findings underscore the

indispensable role of SMEs in driving local economic development and promoting sustainability and social responsibility.

These findings align with existing literature on SMEs in South Africa, which highlights their significant contribution to the economy despite challenges such as inadequate governance structures and financing systems. According to the OECD (2021), SMEs contribute about 40% of South Africa's gross value-added and employ between 50 and 60% of the workforce. However, the formalization rate of SMEs remains relatively low at 14%, hindering their ability to create jobs and contribute further to economic growth. In emerging markets like South Africa, SME performance is often hindered by factors such as inadequate infrastructure and high unemployment rates. Despite efforts to expand economies, unemployment remains high, with South Africa reporting a rate of 32.7% in Q4:2022 (STATSSA, 2023). Nonetheless, SMEs continue to play a crucial role in driving economic growth and employment creation, highlighting their importance in both local and global contexts.

4.3.3. Analysing the Multifaceted Contributions of Small Businesses

The responses from small business owners in Polokwane Municipality offer a wealth of insights into the diverse ways in which small businesses contribute to the growth and sustainability of the local economy and the broader South African landscape. By carefully examining these responses, we can gain a deeper understanding of the multifaceted role played by small businesses in driving economic development, fostering community engagement, promoting innovation, and preserving cultural heritage.

One recurring theme across the interview responses is the pivotal role of small businesses in job creation. Small businesses serve as vital engines of employment generation, providing opportunities for meaningful work and skill development. This aspect is particularly significant in South Africa, where high unemployment rates persist, especially among youth and marginalized communities. By offering avenues for employment and entrepreneurship, small businesses contribute not only to individual livelihoods but also to broader socio-economic inclusion and empowerment.

Moreover, the responses underscore the intimate ties between small businesses and the neighbourhoods they serve. Small businesses play a crucial role in fostering vibrant and resilient local economies by providing essential services, preserving cultural heritage, and creating anchor points for social interaction and community identity formation. Their

presence contributes to the social fabric of communities, promoting a sense of belonging and cohesion among residents.

Furthermore, small businesses are at the forefront of driving innovation and sustainability. Through the adoption of green technologies, promotion of sustainable practices, and commitment to ethical business conduct, small businesses contribute to environmental stewardship and resource management. By embracing innovation and sustainability, these businesses not only reduce their ecological footprint but also contribute to the transition towards a more resilient and equitable economy.

In addition to their economic and environmental contributions, small businesses also play a vital role in promoting cultural diversity and preserving intangible heritage. Through the creation of culturally inspired products and services, small businesses enrich the cultural landscape of local communities. Moreover, by providing platforms for cultural expression and exchange, they help bridge divides and foster mutual understanding among diverse populations.

Overall, the responses from small business owners in Polokwane Municipality paint a compelling picture of the indispensable role played by small businesses in driving inclusive and sustainable development. By generating employment, fostering entrepreneurship, promoting innovation, and preserving cultural heritage, small businesses contribute not only to economic growth but also to social cohesion, environmental sustainability, and cultural vibrancy. As such, they represent valuable assets that deserve continued support and investment from policymakers, stakeholders, and consumers alike.

4.3.4. Analysing the Effectiveness of Support for SMEs

The responses from small business owners in Polokwane Municipality shed light on the myriad ways in which these enterprises contribute to local and national economies. The findings underscore the crucial role of small businesses in job creation, economic development, community engagement, innovation, sustainability, and cultural preservation. Small businesses serve as vital engines of employment generation, particularly significant in regions with high unemployment rates, such as South Africa, where they provide opportunities for marginalized communities and youth. Additionally, small businesses foster vibrant local economies by offering essential services, preserving cultural heritage, and promoting social cohesion. They drive innovation and sustainability through the adoption of green technologies and ethical business practices, contributing to environmental stewardship.

Moreover, small businesses enrich cultural diversity by creating culturally inspired products and facilitating cultural exchange. Overall, these findings highlight the indispensable role of small businesses in driving inclusive and sustainable development. Conversely, the literature review on factors affecting SME growth and development emphasizes the various challenges faced by small and medium enterprises (SMEs), particularly in emerging markets. Financial challenges such as lack of access to finance, unfavourable market conditions, and economic instability hinder SME growth. Additionally, non-financial obstacles like corruption, inadequate infrastructure, and management issues further impede SME success. Addressing these challenges is crucial for fostering SME growth and enabling them to fulfil their potential as engines of economic development. (Khan et al., 2020; Nkwabi & Mboya, 2019; Pulka et al., 2021; Fatoki, 2019; Sarwar et al., 2021; Herrera & Kouame, 2017; Mohammed & Bunyaminu, 2021; Wang, 2016; Doan et al., 2020; Moder & Bonifai, 2017; Mendy et al., 2021; Spigel, 2017; Kubickova et al., 2017; Adam & Alarifi, 2021)

Overall, the analysis highlights the multifaceted nature of support required for SMEs in markets like Polokwane. While existing support mechanisms have contributed to SME resilience and growth, there is a need for targeted interventions and coordinated efforts from government, industry associations, and other stakeholders to address ongoing challenges effectively. By understanding the diverse needs and aspirations of SMEs and providing tailored support, policymakers can create an enabling environment where small businesses can thrive, innovate, and contribute to inclusive and sustainable economic development.

4.3.5. Influence of Digital Technologies on SMEs' Growth

The study findings shed light on the multifaceted impact of digital technologies on the growth of small and medium-sized enterprises (SMEs), particularly within the context of the Polokwane municipality in South Africa. Through insights gleaned from small business owners, it becomes evident that SMEs across various industries have embraced digital tools such as carrying out online meetings via ZOOM or MsTeams within the business and with customers, and using online workspaces to manage and streamline operations, enhance efficiency, and foster better customer engagement. This widespread adoption has enabled SMEs to broaden their market reach and enhance competitiveness in the digital age. Additionally, the study highlights how emerging technologies offer SMEs opportunities for innovation and diversification, allowing them to stay ahead of the curve and meet evolving consumer demands. However, despite the benefits, SMEs encounter challenges in navigating the complexities of digital transformation, including cybersecurity concerns and the need for

continuous training. The study underscores the transformative role of digital technologies in reshaping market dynamics, enabling SMEs to compete globally and access government support for digital adoption. Ultimately, the findings emphasize the critical importance of SMEs embracing digital transformation to unlock new growth opportunities and achieve sustainable development, calling for strategic investments and supportive policies to facilitate their digital journey.

The literature review on "Innovation and digital technologies" underscores the significant advantages that digital tools offer to businesses, including lower transaction costs, improved access to information, and enhanced communication. Despite these benefits, many SMEs lag in digital adoption, with a widening gap between smaller and larger firms. Matekenya and Moyo (2022) highlight the increasing necessity for entrepreneurship and digital transformation, especially in the wake of the Fourth Industrial Revolution and the COVID-19 pandemic. Fatoki (2019) emphasizes the challenges businesses face in maintaining technology, such as internet connectivity issues and the cost of upgrades. Kulathunga et al. (2020) discuss how digital transformation affects businesses in building customer relationships and driving accessibility, with online sales and digital marketing being successfully implemented by South African SMEs. The review also emphasizes the importance of policymakers supporting R&D investment and innovation to enhance SME productivity and socioeconomic goals attainment.

This literature review complements the analysis on "The influence of digital technologies on SMEs' growth," which explores how SMEs in Polokwane Municipality, South Africa, have embraced these digital tools to streamline operations and enhance competitiveness. Respondents highlighted the adoption of advanced technologies like monitoring systems and energy storage solutions to stay ahead of the curve. Despite the benefits, SMEs face challenges in navigating digital transformation, emphasizing the need for ongoing training and collaboration with tech partners. Government support is crucial in facilitating digital adoption among SMEs through accessible financing options and initiatives promoting digital literacy. The integration of digital technologies has become critical for SMEs' growth and competitiveness, requiring proactive measures and supportive policies to drive sustainable growth and prosperity. (Matekenya & Moyo, 2022; Fatoki, 2019; Kulathunga et al., 2020)

4.4. Conclusion

Small and Medium Enterprises (SMEs) stand as formidable pillars of sustainable development in developing markets. Through an in-depth exploration of SME operations, challenges, and strategies in Polokwane Municipality, South Africa, and beyond, it becomes evident that SMEs are not only economic entities but also social, cultural, and environmental catalysts.

From job creation and local economic development to innovation, cultural preservation, and market adaptation, SMEs play multifaceted roles in shaping the socio-economic landscape. Their contributions extend beyond profit margins, encompassing community engagement, environmental stewardship, and social responsibility.

However, the journey of SMEs is not without hurdles. Financial constraints, regulatory complexities, and technological disruptions pose challenges that require strategic navigation and supportive policy frameworks. Government support, technology adoption, and social responsibility are crucial elements in amplifying the impact of SMEs and fostering resilient, inclusive communities.

In conclusion, SMEs embody the spirit of entrepreneurship and resilience, driving forward the agenda of sustainable development in developing markets. By leveraging their strengths, adapting to changing landscapes, and receiving collaborative support, SMEs emerge as vital agents of change, ushering in an era of prosperity and progress for their communities and beyond.

5. CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The comprehensive examination of small businesses in Polokwane Municipality reveals their significant impact on the local economy and community. This introduction to the conclusions and recommendations section encapsulates the multifaceted nature of small businesses, emphasizing their pivotal role in driving socio-economic growth, fostering cultural preservation, and promoting environmental sustainability. Despite their invaluable contributions, small businesses encounter various challenges, including financial constraints, regulatory hurdles, and technological advancements. As such, effective government support and policy interventions are essential to bolster their resilience and facilitate their continued success. Additionally, the importance of robust human resource management practices cannot be overstated, as they play a critical role in attracting talent, nurturing workforce development, and upholding ethical standards. In light of these insights, this section provides actionable recommendations aimed at advancing knowledge, informing policy, and promoting inclusive economic growth within Polokwane Municipality and beyond.

5.2. Main findings

The insights gathered from the study's sections offers a foundation for discussing the impact of small businesses within Polokwane Municipality and their broader implications. To begin, the study underscores the diverse landscape of small businesses in the region, showcasing the richness of entrepreneurial endeavours and the diverse needs of local markets. From boutique interior design firms to solar energy providers, each business type brings unique expertise, enriching the economic and social tapestry of the community.

A recurring theme throughout the research is the pivotal role of small businesses in job creation, particularly in areas with high unemployment rates like South Africa. By offering meaningful employment opportunities and fostering skill development, small businesses not only support individual livelihoods but also promote broader socio-economic inclusion and empowerment. Furthermore, small businesses serve as linchpins for local economic development and community engagement. Through the provision of essential services and the preservation of cultural heritage, they contribute to the resilience and vibrancy of local economies, serving as hubs for social interaction and identity formation.

Innovation and sustainability emerge as critical factors driving the success of small businesses, with enterprises pioneering novel approaches to environmental stewardship and

resource management. By embracing innovation and sustainability, small businesses position themselves as industry leaders while fostering a more resilient and equitable economy. Additionally, small businesses play a vital role in promoting cultural diversity and safeguarding intangible heritage, fostering mutual understanding and social cohesion among diverse communities. However, small businesses face numerous challenges, including financial constraints, regulatory complexities, and technological disruptions. Government support and policy interventions are crucial for creating an environment that empowers small businesses to thrive and innovate.

Effective human resource management is also paramount for small business success, encompassing strategies for talent attraction, addressing workforce-related challenges, and upholding ethical standards. By investing in their employees and cultivating a positive workplace culture, small businesses cultivate resilient and high-performing teams that drive organizational success.

In summary, the findings underscore the indispensable nature of small businesses as drivers of inclusive and sustainable development in Polokwane Municipality and beyond. By leveraging their strengths, adapting to market dynamics, and garnering support from governments and stakeholders, small businesses play a pivotal role in shaping socio-economic landscapes and nurturing resilient, inclusive communities.

5.3. Limitations

While the interview findings offer valuable insights into the challenges, strategies, and contributions of small businesses in the Polokwane municipality, it is essential to acknowledge the limitations inherent in the research process. Understanding these limitations provides context for interpreting the findings and highlights areas for future investigation and refinement. In this section, the limitations of the research methodology and data analysis are discussed, offering a critical reflection on the scope and implications of the study. The limitations identified were as follows:

1. *Sample Size:* The research was based on interviews with a limited number of small business owners in the Polokwane municipality, which may not have fully represented the diversity of SMEs in the region. A larger sample size could have provided a more comprehensive understanding of the challenges and strategies across different industries and contexts.

2. *Generalizability*: Due to the specific focus on small businesses in the Polokwane municipality, the findings might not have been generalizable to other regions or countries. Factors such as local economic conditions, regulatory environments, and cultural dynamics may have varied, impacting the applicability of the research findings elsewhere.
3. *Bias*: There may have been inherent biases in the selection of interview participants, data collection methods, and interpretation of findings. Efforts to mitigate bias, such as using diverse sampling techniques and triangulating data from multiple sources, could have enhanced the credibility and validity of the research.
4. *Self-Reporting*: The research relied on self-reported data from small business owners, which could have been subject to social desirability bias or inaccuracies. Validation of findings through independent sources or supplementary data analysis could have helped mitigate potential biases and strengthened the reliability of the research.
5. *Contextual Factors*: The research might not have fully captured the influence of broader contextual factors, such as macroeconomic trends, industry dynamics, or government policies, on small business operations. A more in-depth analysis of contextual factors and their interactions with SME dynamics could have provided deeper insights into the research questions.
6. *Time Constraints*: The research might have been limited by time constraints, particularly in terms of data collection and analysis. A longer duration of study or follow-up research could have allowed for a more comprehensive exploration of SME dynamics and longitudinal assessment of trends over time.

5.4. Recommendations

In light of the multifaceted contributions of small businesses to economic development, social cohesion, and sustainability, there is a growing need for comprehensive research to deepen understanding and address existing gaps in knowledge. This study offers a discussion of key findings and recommendations for further research based on insights gleaned from analyzing the operational landscape, economic dynamics, financial challenges, market navigation, technology adoption, social and environmental considerations, legal and regulatory compliance, and human resource dynamics of small and medium-sized enterprises (SMEs).

The following recommendations emerge from the study to guide future research endeavours aimed at enhancing understanding of small business dynamics and informing policy and practice:

1. **Comparative Analysis:** Expand the scope of research to include comparative analyses of small businesses across different regions or countries. By examining how small businesses operate in diverse contexts, researchers can identify common trends, as well as unique challenges and opportunities specific to each locale.
2. **Sector-Specific Studies:** Conduct sector-specific studies to delve deeper into the nuances of small businesses operating within particular industries. By focusing on industries such as agriculture, tourism, or technology, researchers can uncover industry-specific challenges, innovations, and best practices that contribute to a more nuanced understanding of small business dynamics.
3. **Impact of External Factors:** Investigate the impact of external factors, such as global economic trends, climate change, and technological disruptions, on small businesses. Understanding how these macro-level forces shape the operational landscape of small businesses can inform strategies for mitigating risks and harnessing opportunities.
4. **Policy Evaluation:** Evaluate the effectiveness of existing policies and interventions aimed at supporting small businesses. By assessing the outcomes of government initiatives, financial assistance programs, and regulatory reforms, researchers can provide evidence-based recommendations for policy refinement and targeted interventions.
5. **Technology Adoption and Digitalization:** Explore the role of technology adoption and digitalization in small businesses across various sectors. Investigate how small businesses leverage digital tools, e-commerce platforms, and data analytics to enhance operational efficiency, reach new markets, and adapt to changing consumer preferences.
6. **Social and Environmental Impact:** Further investigate the social and environmental impact of small businesses, including their contributions to community development, cultural preservation, and sustainable practices. Research in this area can highlight the

role of small businesses as agents of positive change and identify strategies for enhancing their social and environmental footprint.

7. **Workforce Dynamics:** Examine workforce dynamics within small businesses, including recruitment practices, employee engagement, and skills development initiatives. By understanding the factors that influence employee retention and satisfaction, researchers can provide recommendations for fostering a supportive work environment and enhancing organizational performance.
8. **Resilience and Adaptation Strategies:** Investigate resilience and adaptation strategies employed by small businesses in response to economic shocks, natural disasters, or other disruptive events. By studying how small businesses navigate crises and bounce back from adversity, researchers can identify best practices for building resilience and mitigating vulnerability.
9. **Cross-Sector Collaboration:** Explore opportunities for cross-sector collaboration and partnerships to support small business development. By fostering collaboration between government agencies, academic institutions, non-profit organizations, and private sector actors, researchers can identify innovative approaches for addressing complex challenges and promoting inclusive economic growth.

By addressing these research recommendations, scholars and practitioners can contribute to advancing knowledge and promoting inclusive economic growth and sustainability through effective support for small businesses.

5.5. Conclusion

The study's findings highlight the diverse landscape of small businesses in Polokwane Municipality, showcasing their unique contributions to the local economy and community. Small businesses play a pivotal role in job creation, socio-economic inclusion, and cultural preservation, fostering resilience and vibrancy within the region. Innovation and sustainability emerge as key drivers of small business success, enabling them to pioneer new approaches to environmental stewardship and resource management. However, small businesses face challenges such as financial constraints, regulatory complexities, and technological disruptions, necessitating government support and policy interventions. Effective human resource management is crucial for small business success, emphasizing talent attraction, workforce development, and ethical standards. Overall, small businesses serve as catalysts for inclusive and sustainable development, shaping socio-economic

landscapes and nurturing resilient, inclusive communities in Polokwane Municipality and beyond.

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APPENDIX A

Interview Questions

1. General

- a) What type of business are you operating in?
- b) How do small businesses contribute to the growing the Polokwane municipality and overall South African economy?

2. Economic Factors:

- a) How has the general economic climate affected your business? Have you noticed any notable shifts in consumer spending or market demand?
- b) What economic indicators or trends do you keep a close eye on in order to make sound business decisions?

3. Financial Factors:

- c) What are the primary financial issues you encounter as a small business owner/manager? Are they capital access, cash flow management, or finance options?
- d) What impact do interest rates, taxes, and regulatory policies have on your financial planning and decision-making?
- e) How would you want the government or financial institutions to help small business to grow the economy?

4. Market Factors:

- f) Describe how you recognize and respond to changes in your target market. How do you keep up with changing client tastes and behaviours?
- g) What tactics do you use to remain competitive in your industry? Are there any particular difficulties you face while competing against larger corporations?

5. Factors of Technology:

- h) How has technology impacted your SME business? Have you implemented any special technical solutions to improve operations or expand your consumer base?
- i) What opportunities or difficulties do developing technologies bring for your industry, and how are you preparing for them?

6. Social Considerations:

- j) How do you integrate social and environmental concerns into your business operations? Have you noticed any changes in consumer expectations or demands in terms of sustainability or ethical behaviour?

- k) How do you engage your customers and build your brand using social media or internet platforms?

7. Legal and regulatory considerations:

- l) What are the most significant compliance problems you encounter as a SME? Are there any special regulations or legal requirements that have a substantial impact on the operations of your business?
- m) How do you keep your company in line with evolving rules and regulations in your industry?

8. Human Resource Factors:

- n) In a competitive job market, how can you attract and keep qualified employees? Do you have any unique tactics or benefits to recruit and motivate talent?
- o) What are your primary workforce-related challenges, such as training, development, or employee engagement?