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Exploring Challenges & Support Structures for Small, Medium & Micro Enterprises in South Africa

Lephoko, Nolwazi

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University of the Witwatersrand, Johannesburg

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INDIVIDUAL ASSIGNMENT

CLASS	SAT A
STUDENT #	552637
STUDENT NAME & SURNAME	Nolwazi Lephoko
COURSE CODE	BUSA7417A
COURSE	
SUPERVISOR	Chantal Banga
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Declaration

This research thesis is my original work and has not been presented to any other learning institution outside of the University of the Witwatersrand. I give consent that this study may be made available for reference at the approval of the university.

Acknowledgment

I would like to express my deepest gratitude to my family who supported me along this journey, it wasn't an easy one financially and personally, at some point I did not think I would manage to complete this study. A huge thank you to the participants who agreed to take time out of their busy schedules to engage me on this topic. The biggest thanks goes to my supervisor who supported me throughout this study even though I at times made the process difficult and for that I would like to also use the opportunity to apologize to her.

Dedication

I dedicate this project to my late father who inspired both the title and the research. He spent most of his career dedicated towards servicing and assisting entrepreneurs in South Africa. Assisting all stakeholders within the SMME ecosystem to drive acceleration of SMME growth and sustainability in South Africa with passion and great dedication.

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List of Abbreviation

BBBEE: Broad Based Black Employment Equity

CIPC: Companies and Intellectual Property Commission

DTI: Department of Trade & Industry

ESD: Enterprise Supplier Development

ESG: Environmental, Social & Governance

LRA: Labour Relations Act

MNC: Multi-National Corporation

NDP: National Development Plan

NGO: Non-Governmental Organization

NIBUS: National Informal Business Upliftment Strategy

NPO: Non-Profit Organization

NYDA: National Youth Development Agency

SASDC: South African Supplier Diversity Council

SEDA: Small Enterprise Development Agency

SEFA: Small Enterprise Finance Agency

SME: Small and Medium Enterprises

SMME: Small Medium and Micro Enterprises

STATS SA: Statistics South Africa

SEDA: Small Enterprise Development Agency

SEFA: Small Enterprise Finance Agency

MNC: Multi-National Corporation

ANDE: Aspen Network of Development Enterprises

EXPLORING CHALLENGES & SUPPORT STRUCTURES FOR SMALL, MEDIUM AND MICRO ENTERPRISES IN SOUTH AFRICA

CHAPTER 1: INTRODUCTION

Key Words: *Impediments; SMME's; Support Programs*; *South Africa, Unemployment;Poverty*

Abstract

The purpose of this study is to explore what are the current impediments that still face SMME's in South Africa and whether support programs in place have been effective in mitigating these impediments that result in the observable high failure rate of this sector. The study explores the SMME sector as well as all responsible and participating stakeholders within government, NPO's and conglomerates that aid in the progress of the sector, as a crucial vehicle in job creation in South Africa. The research uses lack of funding as a focal point and aims to critically analyze any measures and efforts made thus far to eliminate this continuous barrier, primarily in South Africa. The research method used is a qualitative approach which was deemed as an effective approach to identify impediments faced by SMME's through semi-structured questions conducted through an interview, while also investigating efforts and strategies employed by interviewing key stakeholder within support programme initiatives in the country. The study revealed the following findings: Access to finance remains an impediment for micro and small business in South Africa; Micro and small enterprises utilize mainly non-traditional funding alternatives due to the difficulties of accessing traditional funding avenues; Informal sector transition in South Africa continues to be stalled; Lastly there have been evident changes regarding supplier diversity efforts in South Africa's private sector owed to governments support program and incubation efforts.

1.1 Background information

1.1.1. Unemployment a global wicked problem

When looking at the ratio that compares adult versus youth employment globally the ratio currently sits at 2.9, in some countries like Sweden the current unemployment of youth is four times higher than those of adults (O'higgins, 2001). Youth unemployment is a global wicked problem with various causes and requires different solutions to combat and mitigate this growing global issue (Görlich, Stepanok, & Al-Hussami, 2013).

Unemployed citizens in most countries usually fall within specific categories such as those that come from poorer communities, lack tertiary education or failed to complete their final year in high school and lastly discouraged and disgruntled youth that have stopped seeking for employment (Adian, Doumbia, Gregory, Ragoussis, Reddy, & Timmis, 2020).

1.1.2. SMME's contribution towards poverty alleviation

Small to Medium Enterprises (SME's), globally contribute significantly toward poverty reduction and economic sustainability across the globe. SME's contribution towards job creation and employment is unprecedented, employing approximately 60% of the global economy (Gamage, Ekanayake, Abeyrathne, Prasanna, Jayasundara, & Rajapakshe, 2020). The SME sector in Chile, Greece and Thailand employs approximately 80% of the population and GDP contribution in Thailand is reported to be 71% (). When looking at an African context, in Ghana SME's make up 92% of business in the country which all contribute 70% towards the country's overall GDP (). Small and Medium Enterprises are deemed as significant drivers of economic growth and poverty alleviation for developing countries across the world (Chimucheka, 2013). South Africa's classification of this sector differs, including micro enterprises. This sector currently contributes 90% towards formal business in the country and employs approximately 50-60% of the country's working- class population (). South Africa continues to prioritize the growth of this sector to aid in reducing the

high unemployment rate in the country by encouraging entrepreneurship (Chimucheka, 2013).

1.1.3. The role of Support Programs in addressing the Impediments faced by SMME's in South Africa

Developing countries all over the world have supported and welcomed the use of business incubation as a support mechanism to aid the growth and sustainability of small and medium enterprises (Msimango-Galawe, & Hlatshwayo, 2021). However most of these support programs do not have enough empirical evidence through research to address the effectiveness of these programs in reaching their mandate (Msimango-Galawe & Hlatshwayo, 2021). The success of these can only be measured by the survival rate of the SMME's they aim to support. In South Africa the government has continued to establish business incubators across the country at alarming rates while the statistics in the country continue to show a decline in the number of SMME's year on year (Msimango-Galawe & Hlatshwayo, 2021). The main purpose of these types of support programs is to propel the development of new business in the communities in which they operate (Stephens & Onofrei, 2012). This tends to bring about community development and ensures that citizens are granted access to jobs which contributes to poverty alleviation (Stephens & Onofrei 2012).

Unlike many support programs that look at enterprise development as a whole, business incubators do not support the full spectrum of entrepreneurs that exist within the SMME segment (Stephens & Onofrei (2012). The incubation programs are mainly tailored towards start-up's that have ideas that can meet a specific need in the market. Start-up's can access these services through an application process that has to meet the incubation programs admission criteria and objectives (Stephens & Onofrei, 2012). Incubation support programs cannot however replace enterprise development and supplier development efforts that need to be aided and supported by all stakeholders within the SMME ecosystem (Stephens & Onofrei, 2012).

1.2 Background analysis

When evaluating support programs, studies have demonstrated that many private and public entities within the business ecosystem have reached a consensus that business incubation programs are highly effective in providing start-up ventures with advice, infrastructure and support that accelerates both their development and market access (Lose & Mapuranga, 2022). The role of government support programs facilitated through business incubation has been implemented by the government in South Africa to ensure the continuous sustainability of micro and small enterprises in South Africa (Msimango-Galawe & Hlatshwayo, 2021). Business incubation support programs are essential to the growth of micro and small enterprises in South Africa as they play a crucial role in de-risking these enterprises in the early inception stages which assists with their survival and longevity further decreasing the current high failure rate ((Lose & Mapuranga, 2022). These support programs should also facilitate funding opportunities and access to markets for these SMME's.

Support programs alongside measures put in place by various countries in support of SME recovery and sustainability, should have clear, specific and well-defined goals with the aim of long-term business development and sustainability in their markets governed by both legislation and policy.

Assessing available business and economic recovery strategies will be critical in exploring the efficacy of these strategies in addressing impediments that exist to date and primarily since the hit of the Covid-19 pandemic. Further exploring available support programs will be critical in assessing whether they aid in creating an environment conducive for SME success in the states in which they implement their mandates in.

1.3 Context of the Study

Small to Medium Enterprises (SME's), globally contribute significantly toward poverty reduction and economic sustainability across the globe. SME's contribution towards job

creation and employment is unprecedented, employing approximately 60% of the global economy (Gamage, Ekanayake, Abeyrathne, Prasanna, Jayasundara & Rajapakshe, 2020). SME's play primarily within the development of rural and underdeveloped communities, combating inequality as it allows many households to put food on the table and provide for their basic needs, primarily amongst the uneducated, previously disadvantaged, disabled and female headed households in underdeveloped and developing countries across the world. SME's are vulnerable to global economic crises caused by global pandemics like COVID-19 mainly due to limitations in resources caused by financial constraints. COVID-19 led to SME's inability supply (demand shock), due to both operational and inventory shortcomings caused by lack of funding

South Africa having been hit with the most Covid-19 infections in the whole of Africa has resulted in a detrimental effect in economic activity in the last year. The drop-in economic activity has been mainly observed amongst SMME's, where revenue has dropped below fifty percent (Chauke & Chinyakata, 2020). This is evidently seen with street vendors and other small businesses that were heavily hit due to the imposed lockdown restrictions that have continued since March 2020 (Chauke & Chinyakata, 2020). South Africa's alarming unemployment rate is currently sitting at 32, 6% according to data published by STATS SA in the first quarter of 2021. The current rate is the highest reported rate since 2008, this was mainly due to the many job losses that have occurred since South Africa was hit with the Covid-19 pandemic. The biggest loss recorded is amongst private households amounting to about 70 000 job losses that are expected to continue with the recent third wave of infections that started in June 2021, primarily amongst the informal sector. Currently due to Covid-19 the youth unemployment rate for young people aged between 15-24 years (includes discouraged job seekers) in South Africa is sitting at 74% (Neves, 2021), however the overall rate amongst the youth is reported to be 43.6% as of quarter one 2021(STATS SA). The youth unemployment rate in South Africa is projected to fluctuate between 49-55% between now and 2022 and historically because of this staggering statistic, the youth in South Africa has resorted to participating in informal trading activities and embarking in entrepreneurship (Rachmawati, 2014).

SMME's/small businesses in South Africa have been historically identified as a vehicle to address both the unemployment rate and the lack of access to opportunities (Fatoki, 2014). SMME's comprise of above ninety percent of the existing business entities in South Africa's labor market, its contribution to job creation is imperative in bridging the socio-economic gap that currently exists amongst the marginalized population in the country (Fatoki, 2015). The historic high failure rate of SME's has contributed to the stalled transition of socio-economic development in South Africa (Fatoki, 2014). In addition, the existing contribution of SMEs towards economic activity cannot be sustained without the sustainable addition of new and emerging small businesses (Fatoki, 2015). New SMME's are those classified as businesses that have successfully existed for less than four years and currently in South Africa about 60% of small businesses fail within the second year of existence (Fatoki, 2015). It is imperative we address the reasons for failure while also ensuring that the environment is conducive for the establishment of new businesses into the segment and economy.

Lack of funding is identified as the biggest impediment of business success globally with South Africa not being excluded from this finding. Many businesses, primarily those in the informal and micro-enterprise sector rely on personal capital as part of their start-up cost, caused by the inability to access debt and equity (Fatoki, 2014). The inability to access finance is mainly due to the fact that banks are reluctant to provide financial support due to many business owners not having any collateral for security purposes (Ingle, 2014). This immediate constraint further exacerbates other known factors of small business failure such as lack of management skills and repressive market regulations.

SME's have been reluctant to turn to banks for lending, due to complex processes, stringent terms on loans and the required collateral and supporting documents needed to obtain the loan. Banks being risk averse, providing debt to SME's that require short term loans will be more difficult as preference will mainly fall with long term debt options. Lenders will prioritize industries that have better chances for sustainable growth or short-term growth projections such as small and medium businesses operating within healthcare. Banks criteria will include businesses with a high retained earnings and

equity to secure sustainable returns. Selection will include companies with clearly outlined business models that focus on inclusive strategies in their employment equity and Broad-Based Black Empowerment (BBBEE) statuses and female owned companies, this mainly due to small businesses mainly operating within the supplier industries in various countries

In South Africa SMME's defined as Small Micro and Medium Enterprise includes business owners who are categorized as both entrepreneurs and non-entrepreneurs as well as street traders (Bolarinde, Germinah, & Collins, 2020). Many business owners lack management skills due to the above reason, as many were pushed into business due to lack of employment and circumstance as opposed to capitalizing on an identified business opportunity with potential high prospects (Ligthelm, 2006). Entrepreneurial skill is gained through knowledge and experience and one study further adds that the experience needed is one which is gained from past employment of at least 3-4 years (Bolarinde, et *al* 2020). Knowledge required is that which comes from an educational background or work experience that has resulted in skills development and training (Bolarinde, et al 2020). In a South African context with many business owners within the SMME sector lacking tertiary education, with those from the informal sector having not completed matric coupled by young people who have never experienced formal employment, this requirement continues to be absent or lacking. Transitioning informal businesses into the formal sector, plays a key role towards poverty reduction in South Africa as it creates opportunities for sustainable job creation while broadening the economies tax base (Maduku & Kaseeram, 2019). Funding which provides capacity, continues to be the main incentive for small businesses to expand and formalize their processes (Maduku & Kaseeram, 2019). This is the very reason why programs driven by both NGOs and government play an essential role in mitigating this gap. The objective of these programs is to increase capacity for small businesses to enable their success and introduction into the formal economy of the country (Maduku & Kaseeram, 2019). South Africa prides itself with many labors activation, incubation and developmental support programs as well as funding agencies however are these sufficient or effective enough in meeting the current demand and scale that exists to support such a subsequent and ever so growing sector.

1.4. Problem Statement

Although the government has continued to invest heavily in this sector over the last 15 years, the sector continues to face several challenges/impediments that have contributed to its stalled growth (Chimucheka, 2013). These challenges/impediments have been noted as lack of skills development and training, limited access to funding, markets and infrastructure. Management competencies are crucial for the longevity and success of any business venture (Chimucheka, 2013). In South Africa, poverty has resulted in many South Africans lacking the appropriate education and training needed to enhance management competencies needed to run any successful business (Chimucheka, 2013). The current lack of education and training amongst many businesses falling within the SMME sector is one of the many causes of the observable high failure rate of these businesses (Chimucheka, 2013). Growth in a business is highly reliant on the ability of a business to access markets and having a deep understanding of the competition landscape within that market (Chimucheka, 2013). The degree of competition within the market affects the existing market potential and opportunities for growth (porter's five forces) available for SMME's (Chimucheka, 2013). Infrastructure and technology has become increasingly important for the development and sustainability of any business (Chimucheka, 2013). Operational equipment, office space and computer software are essential for the day to day operations of a business and acquiring these often have associated start-up costs. Businesses without access to finance find it difficult to access the much needed infrastructure and modern technology (Chimucheka, 2013).

Financial resources are a mandatory requirement for all businesses to trade and fund growth prospects (Chimucheka, 2013). Studies have proven that limited access to finance is one of the biggest contributors to SMME failure in South Africa. Globally many SME’s rely on finance institutions with exorbitant interest rates for lending, this resulting in impediments in infrastructure and capital for many small businesses. Funding constraints result in operational pitfalls for many of these businesses contributed by unskilled workforce, inexperienced management and inadequate business processes. Majority of small businesses in South Africa, have indicated that

they have not accessed funds from formal bank loans in less than five years. Studies have indicated that approximately 70% of bank loan applications made by SMME's are rejected in South Africa, mainly due to lack of collateral security and sufficient credit history (Chimucheka, 2013). Many banks also have specific requirements that many small businesses often fail to meet such as financial statements, business plans/presentations etc (Chimucheka, 2013). Capital for many small businesses is sourced from personal savings, family members and in rare and minor cases from bank loans (Swanepoel, Strydom & Nieuwenhuizen, 2010). The inaccessibility of funds in South Africa from lending institutions is one of the biggest reasons why most small businesses fail within the first three years from inception.

The informal sector is a significant contributor to both GDP and employment in South Africa, which in numbers amounts to 20% of the total employment in the country and 5.1% towards GDP contribution (StatsSA, 2019, Roger & Skinner,2017;9). Governments neglect and inefficient policies and plans have significantly stalled the transition and growth of the informal sector in South Africa. This neglect has contributed to the many social ills still facing South Africa to date post democracy and many South African citizens still reliant on the government for social grants. Within the South African economy there is evidence of lack of regulation through tax avoidance, underreporting of companies' headcount and in some cases formal registration of entities (Ligthelm, 2006). These factors make it difficult to truly capture an accurate picture of the unemployment figures in the country and the accurate contribution of micro enterprises and survivalists (incl. informal traders) contribute to the economy.

Supporting programs facilitated by government organizations have played a significant role in addressing the market access issue and monopolized economy faced by many small businesses however this is dependent on awareness and accessibility (Luiz, 2002). There has been significant growth of incubation support programs in the country to help further this mandate to insure the growth and sustainability of SMME's in the country (Msimango-Galawe & Hlatshwayo, 2021). Support programs such as business incubators mainly focus on skills and capacity building while studies have indicated that

the challenges that result in the high failure rate of SME's globally is access to finance and access to markets. Can it be argued that there is a gap and misalignment in the current mandate of support programs and whether or not they have been effective in reducing the current failure rate experienced predominantly by small businesses?

1.5 Research Problem Analysis

- SMME failure has been a highly researched topic across the globe. The research findings have been impactful in shaping and motivating for changes in policies and strategies in various countries. A country that heavily relies in SMME success to drive economic activity and GDP, need to ensure that the right vehicles are being utilized to address the biggest challenge which is funding and resource availability and more importantly skills development to support sustainability of micro and small business enterprises to transition in medium sized business that will contribute significantly towards job creation.
- The high rejection rate of micro and small business funding (loan and grant) application by commercial banks and funding agencies has continued to stall the growth of SMME's in South Africa. These institutions need to tailor their application processes and requirements to allow flexibility for the unique ecosystem that micro and small businesses belong to. Commercial banks continue to exacerbate the SME funding issue globally and it will take intentional changes from conglomerates like banking institutions to aid sustainability of start-up's and small businesses.
- Failing to come up with appropriate and effective strategies will result in a downward trajectory from an already difficult period caused by COVID-19, for another decade South Africa will remain with one of the highest unemployment rates globally. This will further exacerbate the existing wicked problems that could potentially include a hostile ungovernable youth that uses crime i.e. looting to express their grievances. Government needs to tighten efforts in establishing policies and legislations that will accommodate the informal sector in South Africa to facilitate the formalization of this sector, enabling accurate statistics of the unemployment rate in the country. Having a clear picture of unemployment in

South Africa will ensure the right strategies are adopted to aid economic transformation and alleviate decades of poverty and inequality.

- Support programs have been launched and implemented in South Africa, some with years of success or longevity. It is important to assess whether their mandates and tactics have been effective in mitigating the impediments that have existed since the inception of SMME's in South Africa. Support programs should play an active role in engaging stakeholders to further facilitate activities that will improve SMME's access to markets to ensure both the growth and sustainability of this sector.

1.6 Research Purpose

This study aims to explore the impediments that currently exist for small and medium size businesses and the efficacy of available supporting programs aimed to address these impediments in South Africa.

1.7 The Objectives of the Study

- Identify existing challenges/impediments faced by small businesses in South Africa.
- Investigate the role of conglomerates i.e. banks in bridging the lack of capital and infrastructure gap.
- The impact of regulation and governing bodies in transitioning SMME's from the informal sector into the formal sector as means of combating the unemployment gap.
- The role of Support Programs (i.e. NGOs, NPO's, incubators etc.) through supplier diversity strategies in creating links between big corporations and small businesses.

1.8 Research Questions

- What are the existing challenges/impediments faced by small and medium businesses in South Africa?
- How does conglomerates i.e. banks aid in bridging the lack of capital and infrastructure gap being faced by SMME's in South Africa?

- Why does regulation and policy play a crucial role in transitioning SMME's from the informal sector into the formal sector, how effective have these policies been in facilitating this transition?
- How do Support Programs (i.e. NGO's, NPO's, incubators etc.) ensure supplier diversity practices are implemented by major corporations by creating links between big corporations and small businesses?

1.9 Qualitative approach: Propositions

- Lack of funding still remains one of the biggest impediments to SMME success in South Africa
- Accessing finance from commercial banks is an ever-growing challenge for micro and small enterprises in South Africa.
- There is stalled progress in transforming the informal sector business into the formal economy.
- Support programs facilitated by NGOs have not been effective enough in its efforts of creating access for small businesses through supplier diversity strategies.

1.10 Delimitations and Exclusions

- Based on the research objective the study aims to identify impediments that currently exist for SMME's in South Africa and explore the efforts that support programs, government and conglomerates have in addressing these gaps and impediments.
- The aim of the study was to put a magnifying glass on small and micro businesses in particular who are mostly affected by these constraints (mainly lack of access to funding), this will also include micro enterprises that may fall within the informal sector.
- The study aims to assess the effectiveness of support programs in the country by investigating current activities and mandates of these support

programs and their effectiveness in addressing the current challenges faced by micro and small enterprises.

- The SMME sector is quite broad therefore the companies chosen will be companies who hired more than one person (micro and small enterprises) who fall within this category and exclude medium sized businesses that hire more than 100 people.
- The study will not investigate the lending institutions in the country through data collection however will use literature and public information to assess these stakeholders within the SMME ecosystem

1.11 Assumptions

- The identified impediments through conducted and published research is lack of funding, infrastructure gaps, no management experience, no skilled workforce, etc.
- Most funding is mainly possible through overdrafts, fixed term loans and business mortgages, credit etc.
- To date only NIBUS (National Informal Business Upliftment Strategy) exists as a supporting policy for informal sector businesses. NIBUS functions include and are not limited to stakeholder engagement and partnership development, enterprise development and knowledge and information sharing across all interested stakeholders. Also monitors and addresses any illegal trading practices and works closely with DTI. In addition, there is the South African Informal Traders Alliance an organization that allows informal traders to discuss any issues, concerns and queries informal traders may have
- SASDC (South Africa Supplier Diversity Council) is an organization whose core mandate is around supplier diversity and works closely with small to medium sized business, government and big conglomerates like Kumba Ore Mines to create a link between black owned businesses and MNCs. CIPC also facilitates this function through its database

1.12 Significance of the Study

With many South Africans, primarily the youth who are most affected by the growing unemployment rate, exploring entrepreneurial activity as a means of additional income and means of survival, due to the many job losses, Covid-19 caused. It is essential now more than ever for South Africa to look into strategies to accelerate success and eradicate existing impediments that contribute toward SMME failure in South Africa.

Small business focus and advancement remains ever more crucial for all nations across the globe. SMME's are the vehicles that can improve job creation, contribute significantly towards economic activity and through revenue generation grow toward becoming large enterprises that will help shape the economy while aiding in addressing various socio-economic ills (Fatoki, 2014).

The finding obtained from this study will help the following sectors with:

- Government and NGOs to create support programs that address gaps in skills development, supplier diversity, mentorship and capacity building for SMME's
- Funding and financing institutions to consider non-conventional financing options for SMME's such as security options and contract financing. These options give SMME's options when providing potential alternatives for collaterals
- Support Programs such as Incubation Hubs to increase their visibility and access to information to the stakeholders that need it most.
- Conglomerates and MNC's to focus their corporate responsibility initiatives to meet gaps that can actually contribute to economic growth and not only focus on socio-economic issues.
- Government develops policy frameworks that will aid in the transformation of the SMME sector, focusing on efforts to move micro informal enterprises into the formal economy and have this sector contribute towards increased, censored job creation.

1.13 Rationale of the Study

According to Business South Africa over 80% of jobs in South Africa come from small and medium size businesses, these businesses play an active role in transforming the South African economy (Seeletse, 2012). SMME's growth in South Africa has been

significantly stalled, identifying the impediments that contribute to this stalled growth continue to be crucial, as this will aid in better understanding of their causes and enable the country to properly address them. There is huge research focus on the SME sector globally, primarily around causes of SME failure. Even with a database of studies published in various journals, clear directives on how to address the growing failure are limited, primarily strategies that can be best implemented in developing and under-developed markets. Doing an exploratory evaluation on policy frameworks, funding agencies and existing support programs available for small business, will aid in identifying the gaps and misalignments that currently exist. The study will aim to propose possible solutions, not explored in the South African market, needed adjustments to policy frameworks that will aid SMME success in South Africa. The study will explore whether the same impediments identified in many markets across the world are common in South Africa and highlight whether these are potentially caused by failing support structures and programs. The study will evaluate the effectiveness of government aided support programs in addressing micro and small enterprises challenges around accessing funding and markets and how partnerships within the SMME ecosystem as a whole i.e. private entities have supported their objectives.

1.14 Preface

Passionate about unemployment in South Africa, primarily how it affects the youth. Concerned that after over 20 years of democracy the marginalized population still consists of the young black person aged between 24-30years.

1.15 Definition of Key Terms

- **Conglomerate**: a corporation formed by the acquisition by one firm of several others, each of which is engaged in an activity that generally differs from that of the original.
- **Multinational:** any corporation that is registered and operates in more than one country at a time
- **Informal Sector:** represents an important part of the economy, and certainly of the labor market, in many countries.

- **Supplier Diversity:** the use of minority-owned businesses as suppliers, and a supplier diversity program is a proactive business program which encourages such use within an organization's supply chain
- **Enterprise Development**: the deliberate and planned growth of a business by creating increased value for customers in its offering of products and services
- **Incubation:** name given to the process wherein an individual or an organization supports the establishment and growth of a start-up.

1.16 Chapter layout

Chapter 1: speaks to the introduction and focuses on the background issues around the topic, primarily looking at impediments that result in SMME failure, lack of funding remaining the most pressing cause. The chapter also explores supporting programs available for SMME's to address the gaps that currently exist. The chapter explores this primarily in a South African context.

Chapter 2: Focuses on the literature around the topic addressing impediments that exist that contribute towards SMME failure. Access to funding being a continuous block for small business, the literature aims to investigate the role that conglomerates (finance institutions) and other funding agencies have in addressing this. Chapter also explores exiting policy frameworks and regulations that govern this sector and explores support programs that aim to mitigate and minimize the impediments that continue to exist for this sector drastically impacting employment in South Africa

Chapter 3: highlights the research methodology and design used to investigate the problem statement. The research approach used is a qualitative method to address the objectives of the study. Data will be collected through the use of an open ended survey (text box input of answers) and interviews (face to face or virtual). Followed by data transcription through Sonix. Data will be analyzed through a qualitative software called Quirkos.

Chapter 4: highlights the analysis and interpretation of the findings obtained from the study which aimed to explore the existing challenges faced by SMME's in South Africa and the effectiveness of the available support programs in the country.

Chapter 5: provides a summary of the overall study, conclusion of the findings and provides recommendations for practice that will potentially guide further research on the problem statements the study aimed to address.

Chapter 2: LITERATURE REVIEW

2.1. Introduction

To support my research questions and primarily explore and investigate if support programs accessed and available to SMME's in South Africa are effective in their mandate to mitigate against the gaps that result in a continuous rising failure rate. It is critical as part of the research to review other literature from other researchers who have studied reasons for failure, consequences of lack of funding and capital and the current mandate of support and incubation business programs in South Africa. This will also help establish theoretical foundations shared by other scholars that are related to the research questions this study aims to explore.

In South Africa with small business constituting such a high percentage there is more pressure put on the success of these businesses (Cant, 2017). SMME's are the vehicles that can improve job creation, contribute significantly towards economic activity and through revenue generation grow toward becoming large enterprises that will help shape the economy while aiding in addressing various socio-economic ills (Fatoki, O. 2014). The big question is government, conglomerates and NPO's doing enough through their strategies facilitated through support programs to contribute towards this sector that drives economic activity.

The themes discussed in this chapter are impediments facing SMME's, lack of access to finance for small business primarily from financial institutions, policy and regulation driven towards creating access to opportunities and enhancing supplier diversity and lastly government support and incubation programs.

2.2. Theoretical Foundations

2.2.1. Resource Based Theory

The theory states that it is important that founders/owners of businesses accessing resources determine their ability to access opportunities and the

potential growth of their new venture (Simpeh, 2011). The rate at which new ventures are established are highly dependent on the ability of funders to access financial capital. Inequality caused by the injustices of the past has led to the declining trajectory of employment amongst the marginalized population of South African citizens. To address impediments that still exist for SMME's, both government and the private sector should tailor their funding processes to create flexibility when it comes to collateral requirements and exorbitant interest rates which make it difficult if not impossible for small businesses to rely on lending institutions for funding.

2.2.2.Financial Capital/LIquidity Theory

The liquidity theory states that people with access to finance are in a better position to acquire the needed resources to capitalize on the available opportunities within the market (Simpeh, 2011). However some scholars have contested this by stating that there are many business owners who start new ventures without any financial capital and that although access to capital determines the number of new ventures formed it is not a requirement for starting a new business (Simpeh, 2011). In South Africa funding , infrastructure and import trading licenses are not readily accessible to SMME's which impedes their growth potential and the ability to access new markets.

2.2.3. Sociological Theory

Sociological theory states that business owners that belong or have access to a particular social network are able to capitalize on available market opportunities (Simpeh, 2011). The theory emphasizes that having stronger networks within the market to key stakeholders also known as resource providers increases the ability to capitalize on existing opportunities (Simpeh, 2011). Entrepreneurs who have stronger relationships within the market have higher success rates. The theory supports how the government needs to work closely with the private sector and NGOs to create opportunities for small businesses to access markets. By creating beneficial partnerships with multinational and JSE listed companies to empower small businesses and communities as part of their ED (Enterprise

Development) & ESG (Environmental, Social & Governance) Frameworks. This will aid in the sustenance and sustainability of small business within the economy.

2.2.4. Human Capital Entrepreneurship Theory

Human capital entrepreneurship theory states that the knowledge acquired through education and training is critical to being able to understand the market dynamics and management competencies needed to fully exploit an opportunity (Simpeh, 2011). Uneducated and unskilled citizens continue to be discriminated against in the job market, leading to an increase in the informal job market. Local government strategies have been unsuccessful in supporting survivalists in the country, primarily those trading as street vendors and often perceive them as law-breakers who need to be monitored and imposed with heavy fines. The theory supports that government and NGOs focus must be towards policy framework and regulation adjustments that favor all economic key players, ensuring a fair trading field that supports economic activity. Government also needs to focus on bringing skills development and capacity building to township businesses.

2.2.5. Opportunity Based Theory

The theory states that entrepreneurs do not change the environment however they respond by exploiting the opportunities that arise from the change (Simpeh, 2011). The theory on the environment states that changes in the environment known as environmental factors will either positively or negatively affect the business, the business will need to be agile enough in order to remain competitive in the market (Simpeh, 2011). The general system theory states that nothing occurs in a vacuum and that the entire SMME ecosystem operates in an open system, environmental impacts will determine the success and sustainability of the sector (). Support and Incubation Programs need to intensify efforts in marketing their services to the targeted market and ensure information

is easily accessed, pertaining to their geographic locations, services and application processes for funding. Incubation programs in the country are more focused on start-up's and getting them to commercialization stage however have no processes and support mechanisms in place to measure the success of these businesses once they have graduated from the programs. Incubation hubs also need to investigate what environmental factors influence the success or failure of these businesses once they are left to fend for themselves in the external market without incubation or support. This continues to pose difficulty in measuring the effectiveness of these support programs in minimizing the SMME failure rate in South Africa.

2.3 Literature Review

2.3.1. Impediments facing small and medium sized business in South Africa

Based on various articles that have been published a common thread of two reasons come up as reasons for small business failure, these being lack of capital and management experience (Lussier, 1996). Capitalization is crucial for any start up business as it is advised to start a business with adequate capital while keeping fixed cost low (Lussier, 1996). Insolvency in businesses has been strongly correlated with gaps in operational management that are usually caused by inherent adequacies in business capital (Hall, 1992). Capital is essential for business sustainability, the initial capital investment is what predicts what profitability will be attained as a return (Seeletse, 2012).

Capital constraints mainly affect the marginalized, poorer and uneducated communities in South Africa. Black Whenn looking at the SMME sector, the black population in South Africa make up the majority in survivalist and micro enterprises and display a minority percentage within very small enterprises and an insignificant number within small and medium enterprises (Luiz, 2002). This could be due to the fact that black citizens lacked management experience but more especially lack of capital to self-fund their ventures. This results in poor cash flow, as the only available funds is from revenue generated from customers, in most cases the demand generated is more than the inventory available, a reason why many small businesses do not operate formally (Seeletse, 2012).

Lack of Management experience is a common yet significant reason for failure for many SMME's. Many entrepreneurs go into business due to circumstance with very little background experience in business, in order to escape the plait of unemployment (Seeletse, 2012). As indicated in the category section, the majority of SMME's hire less than 10 people and usually these are family members who also are in dire need of a job, in most cases with no formal employment experience. This is mainly observed within small and micro enterprises that continue to perpetuate informal employment due to the high cost associated with skilled and formal labor (Luiz, 2002). The cost of such arrangements results in businesses that lack training and the required skills in finance, inventory management and customer relations, required to sustain their businesses (Seeletse, 2012).

Lack of Demand of sustainable products is still a significant obstacle for small businesses in South Africa (Luiz, 2002). This mainly due to dominance of conglomerates that exist in the South African private economy market. BBBEE Act of 2016, The Companies Act of 2008 and Preferential Procurement Policy Framework Act 2000 aim to facilitate the success of SMME's in South Africa major strides need to be made in creating linkages between small business and the rest of the business sector (Luiz, J. 2002). This can be achieved through compiling a national database of SMME's in the country accessible to big firms to ensure that supplier diversity is practiced primarily within the conglomerates and multinationals that play in the private sector in South Africa (Luiz, J. 2002).

2.3.2. Lack of access to financing for SMME's due to stringent red tape by banks

Lack of finance has been expressed by many entrepreneurs in studies, particularly stating that there is limited interest from funders who were willing to fund their businesses (Seeletse, 2012). In South Africa entrepreneurs have expressed capital as a serious concern which affects the business ability to prioritize or attain inventory, infrastructure and provide credit to their loyal customers essential for business success (Luiz, 2002).

To address the funding gap with commercial banks, Small Enterprise Funding Agency (SEFA) a government owned agency in South Africa, currently provides access to bridging and term loans, as well as other tailored loan options that include credit (Fatoki, 2014). There is still a high potential of rejection due to banks limited appetite for risk and high qualifying criteria, an obstacle that results in limited access to funding for small businesses (Luiz, J. 2002). There is huge bias in how banks base funding criteria when small businesses apply for funding as the requirements for both small and large enterprises remain the same however with differences in interest rates (Cele, 2015).Commercial banks remain the most efficient way for SMME's to obtain debt financing options such as overdrafts, fixed term loans and business mortgages (Fatoki, 2014). However for small businesses lack of collateral and limited management experience and education which often affects the quality of the applications, puts such businesses in an inferior position resulting in application for funding being denied (Cele, 2015). Micro enterprises also get disqualified from accessing funding mainly due to them being unregistered businesses, banks are also more likely to decline credit to businesses that are just entering the sector (i.e. start-ups) (Cele, 2015).

Improving accessibility to funding has been a huge focus for the government in order to support the sustainability of SMME's in South Africa. Government efforts and commitment towards the sustainability of SMME's was recently seen with the COVID Relief fund under SMME Debt Relief Finance Scheme and the Spaza Support Scheme, that aimed to mitigate job losses as a result of lockdown restrictions that were imposed due to national pandemic (2030 NDP). The fund offered funds to cover business capital, inventory and stock management as well as infrastructure costs to help sustain businesses during the difficult period (2030 NDP). The Fund was however aimed at sustaining less than 30% of SMME's, as only formal businesses that were registered with CIPC could register for funding, indicating that this needed to be done by 28 February 2020, leaving no timeline for other informal businesses to register. A great initiative by the government but one that still left a huge exclusion that in turn significantly affected the hike in

unemployment that was witnessed between Q1 of 2020 and 2021. A funding initiative that was launched in 2020 in partnership with Nedbank was the Spaza Shop Fund that demonstrated commercial banks' support in driving SMME success in South Africa. This in turn accelerated the registration of Spaza shops and grocery traders in the township with CIPC supporting the country's formal trading efforts and improving the employment census.

2.3.3. Regulations impact on stalled transition of informal sector into the formal sector

Very small (micro), and small enterprises usually trade within the informal sector and are differentiated according to the number of employees they employ, respectively (Seeletse, 2012). The biggest differentiator for micro enterprises that trade within the informal sector is that they are not subject to government regulations such as tax (Rachmawati, 2014). The biggest benefit of the informal sector is that it provides income opportunities for those citizens who cannot access formal employment mainly due to prevalent gaps in education and skills within the most marginalized in society (Rachmawati, 2014).. Micro enterprises are businesses that usually have an employee base of between 1 and 5 that usually comprises either family or friends. (Seeletse, 2012). Micro enterprises currently make up the majority of all five categories, contributed by individuals who trade in the informal sector with no employees (Luiz, 2002). Majority of micro enterprises usually trade in the informal sector with an annual revenue below the tax threshold of R300 000, however have great potential of transitioning into a viable formal small business (Seeletse, 2012). Very small enterprises also include self-employed professionals and skilled laborers such as artisans who don’t necessarily have employees working within the business (Seeletse, 2012). These enterprises are further classified into first and second economies. Businesses that exist in the first economy are those that are regulated, have access to advanced technology, formally integrated into the country’s economy and are huge revenue generators (Ligthelm, 2006). There is evidence of lack of regulation through tax avoidance, underreporting of companies’ headcount and in some cases formal registration of entities (Ligthelm, 2006). Businesses have several reasons why they would want to avoid regulation, the biggest concern is

lack of compliance in the labor market (Ligthelm, 2006). Some businesses pay employees less than industry standard due to desperation, and hire illegal immigrants which put a halt in the country's efforts of supporting job creation through SMME's. The second economy comprises businesses that contribute very little to the country's Gross Domestic Profit however it contains a significant percentage of the country's population and in most cases is susceptible to high failure rate. These reasons are why there has been a huge focus in the country in providing funding and supportive tools in order to aid in the success of the second economy in order to combat poverty and drive economic growth (Ligthelm, 2006). Second economy comprises unregistered companies belonging to survivalist enterprises, micro enterprises and sometimes very small enterprises.

2.3.4. SMME Support and Incubation Programs involvement in supplier diversity, skills development and capacity building

There has been huge focus in South Africa for the last 20 years since the inception of National Small Business Act in addressing strategies that will support SMME's through capacity building (finance, skills training and leadership development), proving an enabling environment for success and lastly enhancing competitiveness primarily through policy (Rogerson, 2008)

SMME Support plans exist in order to aid in the following strategies:

1. To ensure that the South African environment is fertile enough to facilitate the growth and success of SMME's
2. To ensure that laws and regulations consider the needs of SMME's in relation to their aspirations within the South African Market
3. To evaluate and provide solutions to the obstacles and opportunities experienced by SMME's
4. To promote a culture of entrepreneurship and SMME's development in South Africa

Incubation and Support programs exist to promote skills and avail resources through providing sustainable business strategies for businesses that show great potential for economic growth and job creation (Lesakova, 2012). Some support programs exist as funding agencies that provide micro-credit and start-up loans to support capital and infrastructure capability for new business ventures that support and demonstrate uniqueness and innovation (Lesakova2012).

The biggest drivers of the above government support programs are agencies such as SEDA, SEFA and DEDAT/NYDA. SEDA stands for the Small Enterprise Development Agency, funded in 2004 under the Department of Small Business Development, a government organization. The mandate of SEDA is to establish a national network of small enterprises that is both standardized and formalized (Lose, T. 2016). This is aimed at providing business development and support services to small businesses in South Africa in partnership with other private key stakeholders and government (Lose, 2016). SEDA currently has 42 incubation centers with various sector industries, 12 enterprise development services and various information centers and access points located across the country (Lose, 2016). SEFA stands for Small Enterprise Finance Agency. It mainly functions as a funding agency by providing access to financial support to entrepreneurs through direct and wholesale lending, it also provides advice on aspects that pertain to running a business such as marketing, soft skills to name a few (Chopra, 2017).. SEFA extensive due diligence has been viewed as stringent primarily amongst the youth, marginalization still exists amongst the youth due to lack of education needed to provide quality applications and no collateral to minimize the risk for SEFA (Chopra, 2017). South Africans who turn to entrepreneurship due to lack of employment opportunities, struggle to obtain available government resources such as funding, incubation and skills development programs due to the poor quality of their applications and proposals (Chopra, 2017). National Youth Development Agency plays an essential role in addressing this gap by providing various products (micro-finance grants to youth survivalist entrepreneurs) and services to the youth including career counseling, in the last years the agency has shifted its focus towards Education and Skills

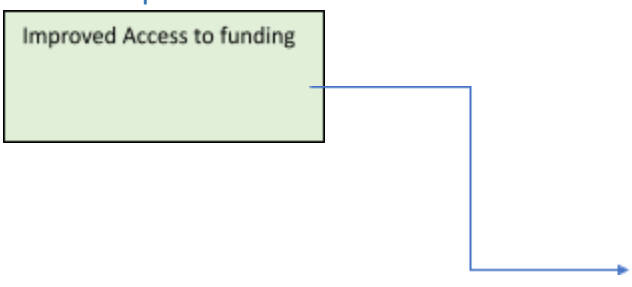
development (National Treasury). NYDA focuses funding for working capital such as stock purchases and asset financing i.e. infrastructure capabilities, funding can range from R1000 to R100 000 for youth who display potential for future sustainability (Holmes, 2016).

Agencies like the NYDA and SEDA work closely with incubation programs to drive their mandates. Business incubation programs have been recognized as one of the most essential vehicles to provide the SMME sector the much needed support and aid needed for success and sustainability (Msimango-Galawe & Hlatshwayo, 2021). The report published by ANDE revealed that South Africa has in excess of 250 incubation programs across the country and when looking at support programs as a whole there are approximately 340 organizations currently mandated towards driving entrepreneurial success in the business ecosystem(Msimango-Galawe & Hlatshwayo, 2021). Incubators target market are mainly start-up businesses (entrepreneurs with ideas) and the main objective is developing these businesses into sustainable and profitable entities (Msimango-Galawe & Hlatshwayo, 2021).

2.4 Gaps of the literature

The literature fails to address alternative financial models that financial institutions can adopt in order to minimize the red tape around, the need for collateral, managerial and industry experience, years in business. Literature also does not indicate how Support Programs facilitate equity funding, facilitate connections with angel investors and venture capitalists. The study will therefore aim to use literature and public information to answer what existing funding options are available to address the current limitations that prevent micro and small enterprises from accessing loans and credit from commercial banks and lending institutions. Investigate from support program stakeholders what methods they use to improve SMME's access to funding within their own programs.

2.5 Conceptual frameworks



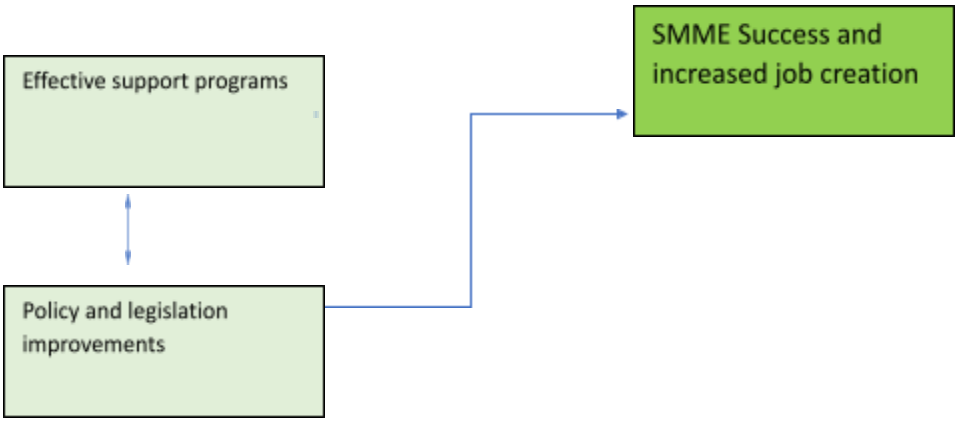


Figure 2.5.1: Conceptual Framework indicating factors that would reduce the failure rate of SMME's

Improving access to funding: This can be achieved through contract financing when SMME's that are BBBEE compliant are issued contracts and awarded RFQ's.

Effective support programs: Solutions brought forward to mitigate the current gaps i.e. accessibility, database that meets the registered business within the sector according to CIPC, skills development programs, mentorship, company rotational programs run in collaboration with big corporations.

Policy and legislation improvements: Tailor policies to facilitate SMME success in a monopolized market primarily through emphasized, monitored and effective supplier diversity strategies.

2.6. Conclusion

Purpose of the study was to identify what impediments currently exist for SMME's in South Africa and explore whether the support programs in place are effective in their efforts in addressing these. Literature review stated that lack of funding still remains a major impediment for many small and micro enterprises, mainly amongst conglomerates offering financing through loans, overdrafts and other credit. This mainly caused by an application process and requirements that mainly favor large enterprises and absorbent interest rates and no collateral. Funding constraints result in businesses that lack capital and infrastructure, which results in poor cash flows that affect day-to-day operations, including hiring skilled staff. The literature also highlights the many policies such as BBBEE, Companies Act and the PPPF Act that aims to address

the monopoly that exists in the market, opening up the market for small businesses to have a stake in the economy. Support Programs mainly through Incubation programs exist to provide funding, aid in skills development, provide mentorship and coaching, and create an environment that is conducive for SMME's to conduct business. Lastly, help assist to provide solutions around policy frameworks that provide solutions to existing programs and promote a culture of entrepreneurship.

Chapter 3: RESEARCH METHODOLOGY

3.1.Introduction

This chapter provides information on the applied research methodology. It aims to cover information pertaining to the research design and all other aspects concerning the research methodology describing the population selection, research instrument, data collection and interpretation techniques.

3.2.Research paradigm

The research paradigm used in this qualitative research is an interpretive paradigm. Interpretive paradigm is a process that aims to look at the world from a subjective lens based on the experience of others (Thomas, 2010). This approach is effective as it puts the researcher in a position where they make an effort to understand the world in which the participant exists and minimize any inherent biases (Kivunja & Kuyini, 2017). The study aims to explore the experiences and perceptions of the participating stakeholders based on their context i.e. as a business owner and as an executive/associate working within the selected support or incubation programs. Data gathered in both contexts is subjective. The study aims to collect information and draw inferences in order to address the topic of the study.

3.3.Research Approach

Qualitative research uses the researcher as an instrument that will collect data from research participants and further interprets and analyzes the collected data (Hammarberg, Kirkman, & de Lacey, 2016). The study relies heavily on an inductive approach, a process that relies heavily on the derived data in order to construct themes through coding followed by theories in order to answer the research questions. The study aims to develop theories through coding the responses obtained from the

open-ended semi-structured interview questions using two separate data collection instruments one targeting business owners, the other targeting stakeholders within support programs residing in South Africa. This is preceded by using responses/statements obtained from interviewees under each theme to construct theories in response to the study research question. The theories will further be explored and qualified through published information and literature.

3.4. Research method

The research method is a process of enquiry that essentially looks at both research design (architectural outline) and the collection of data (Thomas, 2010). There are many methodology options that can be suited to interpretivist paradigm i.e. case study methodology and grounded theory methodology however this study will make use of a narrative inquiry methodology. The study aims to use a narrative approach/research or otherwise known as a narrative inquiry approach where the unique stories shared by the participant's forms the data (Butina, 2015). Narrative inquiry methodology records the unique experiences, perceptions or views of an individual or small group of participants, this data is usually collected through an interview process(Kivunja & Kuyini, 2017). Relevant contacts from various SMME's that fit the selection criteria will be contacted through various means, telephone, email, social media i.e. LinkedIn and the study will be explained to them. The importance of the study will be clearly articulated and explained that it is for a Wits Business School MBA ARP submission. Stakeholder consent will be obtained, an email was sent to consenting small businesses to request for an interview date. An email was sent to key stakeholders within support program initiatives and NGO's to participate in an interview. All interviews will be either virtual or face to face, meetings are to be scheduled for minimum 30 min and maximum of an hour via Zoom. Meetings will be recorded pending participants consent or alternatively notes taken will be used as reference. Recorded interviews were then transcribed using a transcription software called Sonix and further manually transcribed by listening to the saved mp4 recording and noting each interviewee's response on paper. The manually transcribed transcript will be used to edit the software transcription to enhance reliability of the data. The transcripts were downloaded and saved as Microsoft Word files and were then used as loaded attachments on the Quirkos software for coding purposes.

Each file representing an interviewee's responses to the semi-structured questionnaires was then coded using Quirkos software in order to establish themes to address the four research questions.

3.5.Research Choices

The study uses a mono-method research choice that will only use the qualitative research method in order to answer the study research questions. The study aims to employ purposeful sampling to target the study participants, to attain data that is central and critical to the research topic (Thomas, 2010). Specific data sources and avenues will be used such as: personal networks, Yellow pages and internet browsers will be used to identify and contact qualifying micro, small and medium enterprises and stakeholders from support programs. Small businesses operating in South Africa that have existed for more than three years were selected from various industries i.e. transport and logistics, manufacturing, construction, etc.

3.6.Time horizon

Cross-sectional study that will analyze the data collected from the sample of participants, collected within a period of days, weeks or months. Cross-sectional studies the researcher will select the study participants based on a set inclusion and exclusion criteria (Setia, 2016). The study aimed to collect data within a period of 3-5months. Participant information sheets and consent forms were sent to potential participants fitting the selection criteria from February 2022 to June 2022 and interviews were conducted between that period.

3.7.Research procedures and techniques

An email was sent or a telephonic discussion was initiated with all identified SMME's that fit the inclusion criteria and data was only obtained from willing participants (once informed consent was received) taking into account ethical considerations. Interviews were self-administered to willing stakeholders i.e. business owners or stakeholders working within support programs in South Africa.

3.7.1Target Population

Target population is the population that the researcher will collect data from in order to form conclusions from the finding of the collected data (Magara, 2016).

Participants included business owners (owner, manager, and partner) that hired at least one employee and were in existence for a minimum of 3 years. Participants also included stakeholders working with support programs i.e. incubation hubs in South Africa.

3.7.2Sampling

Sampling is the steps that are taken to determine the sample size of a particular study (Magara, 2016). The study utilized a convenience sampling method based on a set inclusion criteria and consented participation. The study is qualitative in nature and does not require a specific sample size. In qualitative research the depth and abundance of insight contained from the data is more crucial than the sample size (Wesevich, 2022).

3.7.3 Data Collection

The study utilized a semi-structured open-ended questionnaire to collect data through a virtual interview conducted through Zoom. Semi-structured interview is an effective way to seek an individual's views on specific topics or institutional perspectives (Hammarberg, et al. 2016). The semi-structured open-ended questionnaire consisted of five sections, the first section consisting of demographic questions and the following sections consisting of open-ended questions specifically constructed to address the four research questions of the study.

3.7.4. Data analysis unit

Research studies that utilize interpretive methods aim to collect the data from participants that strongly relate to the topic that is being assessed or investigated (Thomas, 2010). The study will select organizations from specific support programs and incubation programs relevant to the research objectives. Also certain companies belonging to either micro or small enterprises will be selected based on the selection criteria. Individuals will give their own experience and perspective by answering semi-structured interview questions. These individuals will preferably be executives, management or key stakeholders within the organizations.

3.7.5.Data Analysis

Data analysis was achieved through thematic analysis. Thematic analysis is a commonly used strategic data analysis method to reduce data gathered as part of qualitative research through the use of themes (Castleberry & Nolen, 2018).The study adopted a non-statistical narrative thematic analysis strategy, which includes a series of steps known as: organization and preparation of data; getting a sense of the data; coding process; creating themes or categorizing the data; interpretation of the data (Butina, 2015). This was achieved through the following series of steps. Data will be collected through specific and tailored interview questions. Information gathered will then be cleaned and transcribed to form various descriptive tables with the help of Qualitative Data Analysis Software Sonix. This process was then followed by thematic analysis. This process is a series of steps that involves coding, sampling based on theories and reaching a point of theory saturation (Leboea, 2017). This process was applied to analyze the data and formulate theories (thematic analysis) based on patterns obtained from interview questions responses using Quirkos Software.

3.8.Reliability and validity of data

3.8.1. Reliability

Reliability looks at the pattern of consistency and assesses whether the research would derive the same outcome if the same research instrument was used again (Magara, 2016). In order to check for reliability the audio files were transcribed using both a transcription software and manually by listening and transcribing using pen and paper to ensure participants were represented accurately as possible. Repetition and consistency were also addressed. This was achieved through the use of codes, statements that made use or made inferences to certain coded words that were further categorized into one theme.

3.8.2. Validity

Validity is a means to assess the quality of the research and determine the soundness of the study and if the research met its objectives (Magara, 2016). Validity was achieved by ensuring that the data collection instrument (questionnaire) was validated by an experienced researcher (study supervisor) to

ensure that all the questions addressed the four research objectives of the study. Validity was further tested through present reality (dependability) and how closely the findings relate to the literature (how the information gathered relates to the known data/information) of the study.

3.9.Ethical considerations

Attaining formal permission of participation by ensuring that all participants provide informed consent from all participants. All information shared will ensure there is no conflict of interest and ensure that information is kept confidential and used only for study purposes. Participants who want to remain anonymous have the option of not filling in their names on the survey questionnaires and interviewees names will not be mentioned only what role they play in the participating organization.

The study will also apply for WITS ethics certification which ensures that the study is conducted in an ethical manner, according to the guidelines set by the University of Witwatersrand and the researcher must comply and confirm that they have understood the guidelines of Human Research Ethics Wits ethics certificate application should be discussed here.

3.10.Limitations of the study

Biggest difficulty is the new POPIA Act as per July 2021, getting contact details primarily email addresses cannot be given without the parties consent. Obtaining information over the phone of relevant stakeholders to send emails to potential respondents will be difficult, which means unconventional methods through the use of social media messaging i.e. LinkedIn and Instagram will be considered.

Three companies and three support program organizations consented to participate as set out. However the target of 12 participants was not achieved as two of the supporting organizations consented for only the most senior stakeholder to participate in the interview on behalf of the organization.

Chapter 4: Data Analysis and Interpretation

4.1.Introduction

This chapter aims to provide an analysis and interpretation of the findings obtained from the study which aimed to explore the existing challenges faced by SMME's in South Africa and the effectiveness of the available support programs in the country. The study aimed to address the outlined research objectives by applying thematic analysis as a form of qualitative research analysis.

4.2.Response Rate

The study applies an in-depth exploratory analysis and therefore does not require a specific sample size. The study aimed to identify three entities both from the SMME sector and available support programs/organizations in the country. Three stakeholders were to be interviewed from each support program that consented to participate and three business owners would be interviewed from consented SMME's. Interviewees would advise which interview method is preferred between virtual and face-face and due to the available option only stakeholders residing in close proximity to or in Gauteng were considered i.e. North West, Mpumalanga. Two support program organizations opted that only the most senior representative would participate in the interview on behalf of the organization, making the interviewees within the support programs 5 instead of the intended 9. This resulted in an overall number of 8 interviewees instead of 12, giving the study a response rate of 67%.

4.3.Background Information

All interviewees in the study were requested to provide a brief background of themselves. This was achieved by asking specific questions that aimed to assess the interviewees' educational background and experience within the sector of interest in this study. The below descriptive graphs illustrate the demographic profile of all the participants in this study: gender, titles and positions, education and experience.

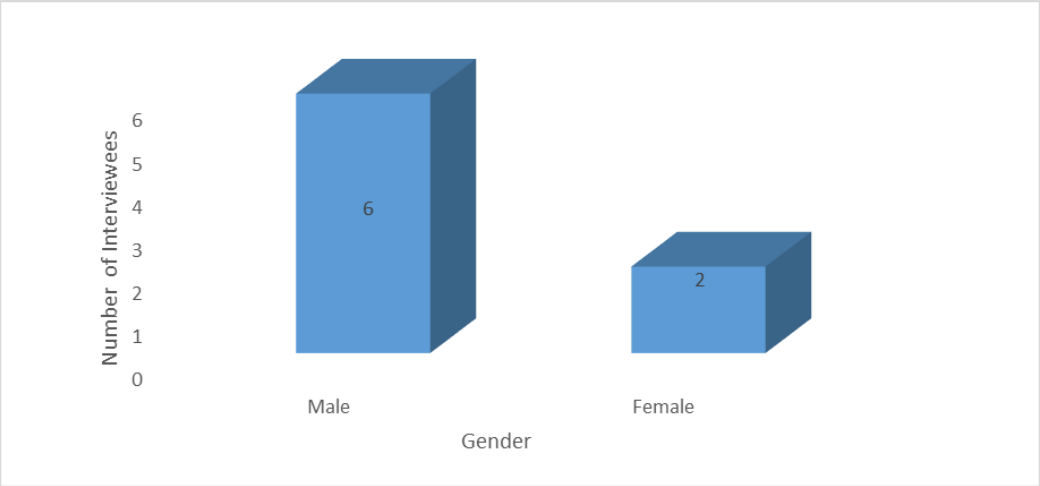


Figure 4.1: Gender profile of Interviewees

This demonstrates that 80% of the participants in the study were male and 20% female, a fair illustration of the South African market where majority of leadership positions are occupied by males and majority of business owners are male.

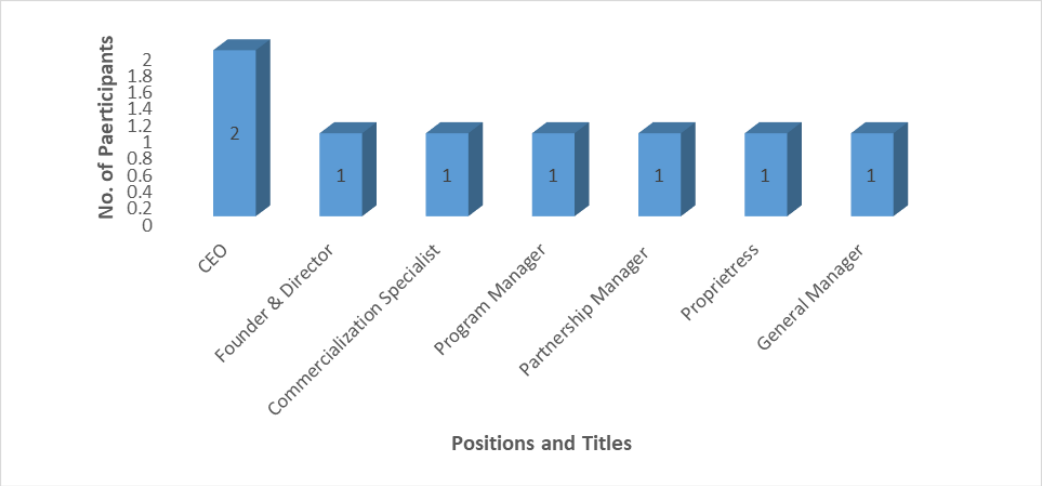


Figure 4.2: Titles and Positions of Interviewees

Majority of the participants in the study occupy either leadership positions in the respective organizations as the study aimed to target business owners or experts within the SMME sector that occupy positions within the various support programs in the country

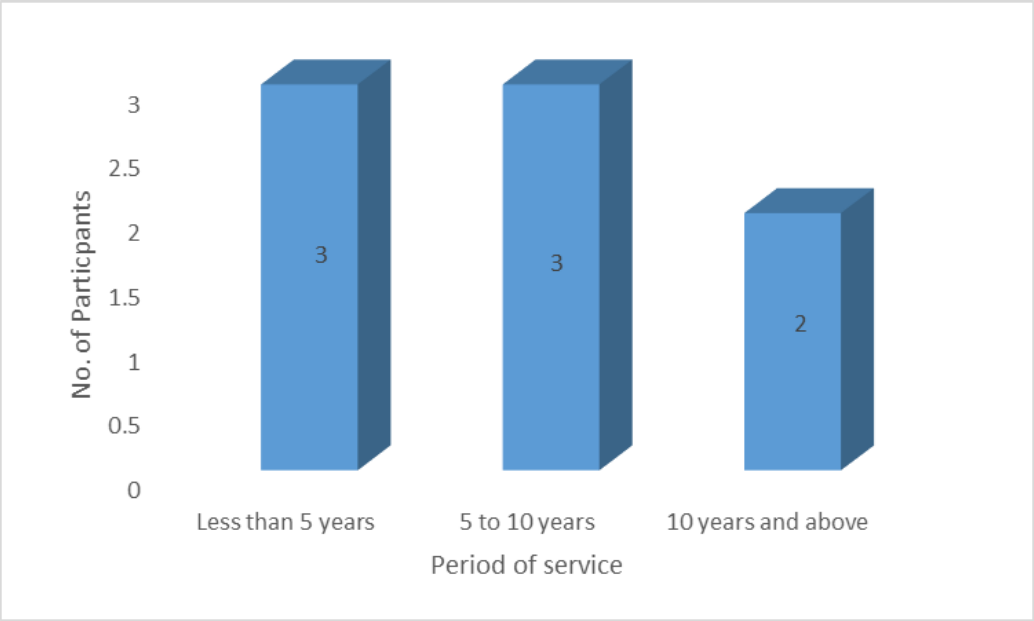


Figure 4.3: Interviewees years of *experience in SMME sector*

Majority of the business owners have respectively been in business for less than 5 years. The interviewed experts that occupy positions within the support programs have experience of above 30 years in the business and enterprise development sector.

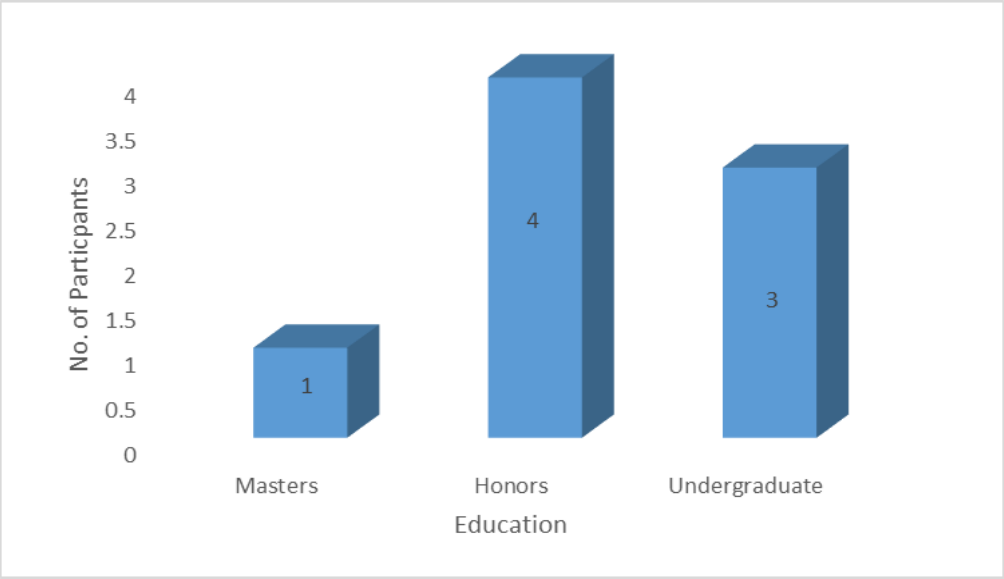


Figure 4.4: Highest Level of Education of Interviewees

The above demonstrated that all the participants are educated and have invested in tertiary education.

Transport, Storage and Communications	Medium	51 - 250	≤140,0 million
	Small	11 - 50	≤45,0 million
	Micro	0 - 10	≤7,5 million

Figure 4.5: SMME Classification according to Industry/Sector in South Africa ***Zulu, (2019).***

Based on the business owners responses obtained from the background information each belonging from the sectors above there are 2 micro enterprises (Participant 3) and (Participant 1) and one small business (Participant 2)

4.4. Tabulated Interviewee responses on the semi-structured questions

The below aims to demonstrate key comments and opinions made by all study participants that were transcribed from audio files recorded from Zoom meetings. The software used to transcribe the audio files was Sonix (see appendix 1-8), the transcripts were then analyzed and key points addressing the questions were then summarized in the tables below.

4.4.1 Table 1: Responses from General Manager (Participant 1) in response to Business Owner Data Collection Instrument

A1	The greatest is corruption, I think in most of this interview I'll just be indicating more on corruption. It is wreaking havoc because you find that the business doesn't like the civil engineering space, the construction space is not guarded. At this point it doesn't need high qualifications as a result is now because it is run by politicians and then so it's hard again to get work consistently, I mean even getting a contract that will last you at least three years. For example, you find you are appointed on a panel for three years, you are likely to do a project for only six months and that's it. Hence, I say there is no consistency in getting work, as a result it makes it challenging to operate. Accessing finances for let us say we want to purchase drilling machines and we really need this plant for a project, it makes it challenging because when we go to the funding agencies, which in turn ask you, 'what projects are you doing in the next three years?' and you find you are only appointed for six months, of which that's not guarantee enough for them that you as the company will be able pay back the amount. Adding on that, the second challenge would be the tendering system. We work based on this system, unlike a product that is in the market. The tendering space is where corruption is once again a challenge, as well as consistency. The company could be appointed today then wait another period to be appointed again so I think those are greatest challenges in the business that we are in."
A2	Firstly, you need to have good capital, I'm just talking for just when you start, you need a good amount of capital to buy these machines, of which the I mean, we are speaking large amounts of money the cost of the machines is very high. And so, for you to raise that money seems almost impossible and over and above that, having to raise money again to take care of the day to day running costs of the business it's draining in a way. Hence, we end up getting some of the machines second hand for the upkeep of cash flow. This helps because those are affordable also maintaining some money for the operations of the business becomes possible. With that said, the downside of this loophole is that you no longer have a maintenance plan for the machines because you bought them secondhand. Then now you filter in the cost of breakage. I mean, these machines are not manufactured locally. The people who will fix the machines are they are qualified mechanical engineers. For example, when the machines no longer function or operate accordingly and it happens that it need a new part, we somehow need to order parts and stuff qualified enough to fit that part. So, the case flow is a problem. Especially because well, there's no funding for these things, the funding is there but for you to get ahold of this funding and say this is funding from SEDA or wherever we could get the money is, the process to apply is very long and chances of getting it, is very slim.
A3	I will say it partially did, I was very fortunate. Just as 2019 was about to end. I managed to secure a contract for six months. Of which when COVID started there was already construction of the wall so just when COVID started, I had that project already. It managed to keep me afloat for the whole of 2020 because it was concluded that at the end of 2020, if my memory serves me well, that kept me going although from 2020, business was quiet. 2021, business was still slightly quiet but again, but I later received about two projects. I will say partially they were negative effects but since we are used to these breaks, you get a contract, it stops you spend another 2 to 3 months or even four months without project it's how the cycle goes in our business. I will say that it never really affected that much because during that strict lockdown, well, I stopped completely and like I said I'm used to it. And then just after the strict measures were lifted a bit, there was another project we received. I will say I was very fortunate considering the circumstance that was COVID-19.
B1	What I did was, initially I approached the SEFA, I went through with them I almost got it, but I think it was also during the time of COVID as well, to cut a long story short, I never got it. What I did then was I managed to approach the person with these missionaries that I was looking for. Thereafter we spoke, using my experience and some of the connections I had with people I knew and his financial muscle I then partnered with him. Then that's how I managed to have access of the missionaries. And since then, we have been working. Regarding funding, I never got it. I mean, we're speaking of machines that the cheapest you can get is still not less than 1.5 million Rand. So, I mean, that's not money you can save, and you cannot borrow. Especially from the bank or private institutions. Also, the nonconsistency of work is does not help. The projects come and go. What I mean is that, when I deal with municipalities, you take the financial and they push projects around. June usually is the financial year end. The months June and July they push projects from March to July. After that, things go down they'll bring them back again during elections. So, you know, you have got those dynamics to deal with. So, you cannot go to the bank for such things, well you can but it's a very high risk. This business is risky, so rather get someone who you can partner with who has got the financial muscle at the time and you join forces with them. I think that's the best way to raise capital.
B2	What I did was, initially I approached the SEFA, I went through with them I almost got it, but I think it was also during the time of COVID as well, to cut a long story short, I never got it. What I did then was I managed to approach the person with these missionaries that I was looking for.
B3	A few times.

B4	I submitted all the documentation that was needed for funding, I think there were two reasons I did not get the funding. One reason was they needed in my bank account to reflect because I was borrowing 3 million from them. I needed funding for 3 million, they need it on my account. My business account rather. To show them half of that amount, which is 1.5 million before they can grant funding, also so that they can test the genuine the money will go to the business. Secondly, they then want to see the cash flow, on the cash flow they needed me to at least have 1.5 million in the business bank account. At the time I did not have that money and that's how I think I failed to get the funding. And again, when I investigated on how I'll pay them back monthly and the amount that I had to pay back, I thought to myself, what if it happens that one or two months we go without work, how will I pay them back. So, you know, I also ended up not continuing with that but the one big reason because they needed my bank account which needed to reflect a lot of money that I did not have. So, I think that's how I never was granted the funding.
B5	I would say partially. I know when I started. When I started to file for application, I tried to attend to other people for I'd like to get a business plan and stuff like that. But eventually, from the knowledge that I got from the post grid, I structured my own business plan and structured my own business plan from that knowledge and the emails that I'm reading for you now from CFA
B6	I did at some point try and get I think it was Gap, if I'm not mistaken, for them to build for me a website. Not to say at the time building a website is cheaper. Not that I just needed their expertise. You see, it's the government.
C1	Between small and Medium.
C2	I registered my company with the CIPC

C3	As soon as I score a project that will be consistent for at least three years I can live on, I can leave the formal employment. The employment is for me to cover the gaps. I'm in a government space, so I'm employed with the very same people that I want to work for service. I'm a contractor, so it makes it easier for me to connect to people because every day I meet these people and then I can be able to tell them about my company and to consider my company if they want services me can provide. For over three years, I can consider leaving employment but as it stands now I cannot, I need to afford the cost of today.
D1	I would say 70% is an excuse.
D2	And that 30% then would be the business.
D3	Well, 90% is reliant on the public and then the remaining 10% is private. It is, I would say, is hard to penetrate the private sector. I'm in the private sector and the public is two different worlds. Like completely different. Their relationships of private are private and the relationships of public are public. For you to penetrate the private is not as easy.

4.4.2 Table 2: Responses from Proprietress (Participant 3) in response to Business Owner Data Collection Instrument

A1	Okay. I'm going to mention one big challenge that we as SMME's are facing in South Africa. Basically, number one is the financials. It's very difficult as a startup company to get finances because most people or most of the funders, it's very rare to find a funder who can believe in your vision, you know, so you have to start it up yourself and lay a foundation. And then once they see the foundation, you may attract funders or something like that moving forward. But that is number one big challenge. Number two. I can say in my space it's actually finding contracts because you will go to a certain mine. Maybe you have to convince them, even if it's not even necessary for you to convince them, because now there's a lot of scammers, there's a lot of jokers in the industry. So it put us as the upcoming big companies in a position whereby we have to explain ourselves and what's so hard for us to be trusted or for us to actually be found reliable companies that say this, the big mines or the big manufacturers and so forth. So that is actually the second challenge and it's big challenge. And the third one that I can say is that as a young woman, it's a challenge for myself to be young in the industry because it's a male dominated industry. It's so difficult to convince, again, a person to say, I'm not fronting. This is what actually I am actually doing. This is my bread and butter. This is me. I've started from the ground. So you have to do a lot of explaining and proving to say, this is mine. I am not fighting. So it's difficult for me to actually close even a simple deal because of I'm a young woman and I'm in a logistics and transportation, which is a male dominated industry. No young women are found in here like you hardly find a SME. That is doing logistics and transportation compliant and everything. So when you come to say, this is me to client, this is what I can do, this is what I can provide. The first question you will get is that is the company yours or you are fronting? But even if you answer that, I'm not saying this is mine, there's still that skeptical person to say, we know that maybe there's a man behind the desk. So that is a big challenge for me. And yeah, it's actually what I have been facing from 2020 moving forward, like moving forward until now, I'm still experiencing that challenge. And another thing, the challenge is that you get a lot of people who want to take advantage of you as a young woman, black against you. When they see you, they see somebody that they can actually take advantage of or rob, you know, because in the industry, as you learn, you struggle with your waiting, you're getting to do your projections, right? So they will take advantage of that. And then some they might even try and kill your business because you end up agreeing to things that don't make any business sense because of like lack of knowledge or lack of information of some sort. Yeah. Yeah. The challenge is that you get to be dealing with men, you know, who are your employees or maybe some part of your team members. You also in that regard have to like and show them that we are in this and I'm capable of doing this and I'm not going to fail you don't fail me. So it's also a challenge again, after closing a deal, you have to come back home again and then make sure that this men who are going to be driving your trucks or on machines and everything are comfortable with you being a young leader while they are even way older than yourself.
A2	Yes, I do struggle with that time and time again. I also think it depends on the contract that you are running or the client that you are servicing or who you are working for as the company. Because even the client can play a very big role in, in leaving you cashless because of late payments. Yeah. So I do run out of cash flow. I'm going to make an example about the client that I was actually servicing. I worked for that client for almost six months. I never got paid. I got paid on the six month. So you can imagine from the first month I started working, what was I using to pay for the trucks insurance? They have a lot of big spec that they want the covers and your drivers, all the employee, all the headcounts, you know. So you can imagine that if your budget or maybe your monthly expense is around R200, 000 or R150, 000, you have to run for the whole six months without being paid, you know. So that plays a very big impact in your finances because now you can't even tell whether the site/project is profitable. You can even decide whether to leave the site or not. So you are just stuck in waiting for the invoices. So it just leaves you so frustrated. So you need to know how to handle the pressure and handle the frustration so that you keep on going. I worked for that six months only, but in total I can say I worked for almost nine months. I only got paid twice. So you can imagine how that affected my financials, how that affected my cash flow. So, yeah, I do run out of cash. You know, sometimes on the last month I would start to panic a bit to say, Oh my gosh, what am I going to use to pay people? You know? So it is a very big challenge. I do run out of cash flow. So that taught me to restructure and then to get into things that are not going to kill my business, instead grow my business
A3	I can say this company was established in chaos. So this company was established in during the time of COVID. So it was a vision that came to me during that time. So I'm still going to go back to say I had to enquire with God. I had to ask a lot of questions, say, but how do I start a company where you see what's happening in the world? So but he gives you a vision, gives you a provision. So that's what he said to me on that year. So actually after I established the company, I think on the following year, then I got a contract so that I actually started operating during COVID. So he then said, I operate in the storm. So it doesn't mean if I give you the vision in the storm, I'm going to fail you. So I had to run with that knowing that God is going to make a plan. He cannot just give me a vision. So it didn't affect my company as such. Instead, I grew in COVID, so I grew so much that I was not even expecting to be growing so fast like that in a very short period of time and in a very bad time for other entrepreneurs. So when other companies were closing doors, I was then opening this door that is operational even today.

B1/2	To be honest with you, I haven't applied for any funding at the moment. Yeah. I didn't apply for funding, mainly because. What I actually have come across when I'm making an inquiry would be, no, we need a direct contract with you. They were a bit discouraging for me to, to actually go and look for funding. So I rather did not even go that route. What I did was to take my savings and every money that I had, I had sold my house to say, let me sell this and I will see how it goes. You know, so by the time I could see that money is almost ending and it's almost finishing and the bank account, it's starting to be a bit weak now. Then that's when I got a paying contract that was paying. So I managed to save. So what I did was, okay, let me run my projections for the whole year. It's, it's like I have a little fleet and then put the money aside and so that it can sustain me. So when I make it, I know I'm paying people who are working, even if it's not a lot. I mean that little that I have we share until I get the long term contract. Because while you go there and say, I need finance, I need cash flow, my expenses are too high. So you will also find that when I say I need around R150, 000, it's only for a month. What's going to happen for the following? So my expenses would be very high than what they would actually offer, you know.
B5/6	I haven't made use of any of those at the moment. I was waiting for the right time. So, yeah, there isn't. The other reason why I had to launch my company was to officiate it. So based on the challenges I was facing in the logistics side, I always then thought, even if I go there, they will think maybe I missed a game or something.. That's number one. And number two, I didn't have the proper channels. I didn't know the proper channels on how to go about it and all that, how to access certain things, you know. So yeah, but I am going to start looking into approaching them and see what I can get out of that.
C1	
C3	I hired the services to register the company.
D1/D3	Eish. I prefer to run on contract in our line of business we do not do RFQ's. I actually haven't started anything that has to do with tendering. I'm actually my own marketing executive until further notice. So I prefer. Going out there, you know, to create my own to create my own chamber. So I create my own job. I'm not depending on tender. Maybe on a later stage. Yeah. I would do it but it's not now.
D2	0% on government, 100% private entities, Well, I have nothing against government business is just that I haven't got any opportunities. Yeah. So I'm still going to engage with them. But government most of the time they take out tenders. So it's very difficult for me to compile a profile, send an email, and ask for maybe a short presentation. You know, it's very difficult, but I'm still going to do it, Yeah. And see. But I would do government as well.

4.4.3. Table 3: Responses from CEO, Participant 2 in response to Business Owner Data Collection Instrument

A1	"Okay. When it comes to access to the market. You're competing with the big guys. So your pricing has to be very competitive. Like, how can I put it? There are many players within a small field. And the other thing, it's the experience. Your experience and then your name. Is it known in that field because you have to compete with BHO and the likes of so many guys that are known in the game for some time? As an SME, they will want you to have all those machinery that cost an arm and a leg. So in that case, you cannot compete with the big guys that have credit lines of millions of rand whereas maybe your credit line it's up to R250, 000. So you cannot afford to have this machine. And at the end of the day, you have to go back to these guys. They well established guys to rent their machines. At a certain rate. Where now you also making money for them. Its resources and capital requirements that you need. The other thing that is making it difficult for us is that we have to compete. Okay. The banks and the financial institution, they all want to have a security."
A2	"It affects you badly, let me just make an example. You've got the capital that you have when starting your business, maybe let's say R250, 000. You get the contract. The first job you have to spend R150, 000. Then you do that job. Then it comes with the profit. Then as you grow, they give you contracts of millions. And. What happens, because maybe now you have close to R500, 000? You've got the job of 1.2 million that you have to do and you have to spend R900, 000. So what do you do? You spend what is in the pot, do what will fit in the R500, 000. We have to wait for 30 days to be paid so that you can continue doing the other parts so your business gets to be affected badly on the cash flow and on the financing because there's nobody there to finance you as you are a small guy. If you go to SEFA and them, they'll take about three months to six months studying your case. And then your client wants this job to be finished within a month or so. And so SEFA and them, you can count them out unless you go to the bank maybe. And then according to them, you have to have a good security so that they can give you the money. So your cash flow is being affected in that way because now you've got a R500, 000 that is available and maybe you need another R400 000 to finish the job."
A3	"Yes. It has affected my business a lot. Pre-covid-19, I will have a turnover of 5 million a month. Then after COVID 19 it was about R1 million. Okay. Now we sitting on an average of R700, 000. Ten of. Yeah. It has affected us in such a way that most of the clients that we used to have, some of them don't show up. And most of the guys, they are now very strict in spending money nowadays. They used to give them a budget of so much they've cut their budgets. So. After COVID, we are suffering most of the small businesses."
B1	"I borrowed some money. It was from my father when he went out on pension. He helped me a lot and the other thing that I did was that I diversified my business to farming. In farming, you have money at your disposal, when you need money that is not tied to interest, let me just make an example. I need to finish a project, and that project requires me to have R250, 000. What I can do. I can go and check on my livestock, the ones that I can take to auction and sell which gives me some money. That's how I managed to weather the storm again after COVID. Because when you need something, you can just sell something (cattle and sheep) and then you can just pay up."
B2	"I was lucky to get some partner. I had a partner who was financially well-off, and he was running his own businesses. And there was a challenge with his then partner then they decided to part ways. And there was a challenge with his then partner then they decided to part ways. I came in and then we worked together. That's how it all started. Until we separated into 2018. We worked together for almost a year. That's how my business started. I was helped by one white guy. It as a profit sharing agreement. Where when we finished the project, she will say we go 50/50."
B3	"In 2018 after parting with that guy. My order book was 1 million and something. I was denied a loan to facilitate that order book."
B4	"My company bank statements, my company financial records were not in. They said they are not in order. How can I put this? Yes. They were not audited. And then because I started 2017, they needed five years to see if I was running very good and all of those things. So that's of the reason they needed me to have a track record to say that I would be able to pay them back their man. You're an outsider to them. They need you to prove that you can, pay back the loan. And then the requirement was that I should go to an auditor and all of those things and acquire audited financial statements. And then my auditor has to write a list of all the assets that I have, list them so that they can see if they can assist me with their loan."
B5	"I have never used any of those ones. Because you'll see that with them. As I told you before, they require you to give them certain information. Some of the documentation that they require. Its how can I put it? Well, some of the documents that they require, you have them. But it takes a longer period for them to process your application. Yeah. It took them close to six months to reply to me. And if you're doing a project that needed you to be completed by a specific time, you wouldn't be able to do it for that. Because of their red tapes, for instance. I was applying. It took them too long for me to get a reply that my credit score is too low for me to apply. That they require credit score and stuff. The only difference between SEFA and the bank is the interest. The bank can take it up to 21%.They're charging between 10-15%. It starts from five up to fifteen, depending on various factors. Because they say its tailor made where now they can charge you 5%. The next guy that can charge him 15%. But in terms of the application process documentation, a period in which you have to pay back, it's very much also similar to how a bank does it."

B6	"I've tried IDC. IDC is proving to be more time consuming. Process and the things they need for you to be granted the grants. So the problem with our system. They want you to be as approved SABS as it belongs to the government. And if, for instance, the same manufacturing buses that we need this type of sabs approved so that we can give you a grant of 50 million. Okay. Go to CBS and tell them that you are referred by this institute at IDC so that they can assist you with the accreditation. And according to it, does not come like this. We have to start the process of being accredited. And that documentation after documentation, you see. You end up leaving the thing and concentrating on what you are doing now just to put bread on the table." What's happening now that there's taxi stockvel market, we can we can call it the black market funding. Let's say you have an order for 500,000. And then you're going to make 200, 000. They'll give you the 500,000. You pay them the 500,000 back, and then they take 70% of the 200,000. They guaranteed to get their money back plus high margins of profit. So you are
	working for them until you no longer need the funding for the order book because you are making a high profit margin and you can sustain yourself. But initially you are kind of working for them."
C1	"It's a small. Okay. We can say it's a small/medium. Because the other thing. Okay. The number of employees I have plus or minus ten permanent employees, you see. And with the scale of business we are doing less than 50 million per annum. I'm a small business because my turnover has gone down."
C2	N/A
C3	No, I wouldn't. I wouldn't go back to formal employment because of one thing. Because of the rewards. That came with the business because 9 to 5, you are guaranteed a certain rate. When you're in business, you are not guaranteed a certain rate. But returns. They might be higher if you work very hard. They might be low if you work. A. If you don't work.
D1	100%.
D2	100%. I don't do business with government. There are red tapes and with the government institutions, you have to supply each and every documents. With private entities you can submit it like once at most two pages. Government it would be let's say 5000 pages for another two, three hundred thousand. So it's for me, it's time consuming, and it does not make any sense. Why should I submit those documentations?
D3	It depends on the price that you quoted. As long as you quoted the right amount, then you would be fine with the private institutions/The private companies. What I like about them is that they've got a closed system. It's not an open system. And with the government, it's an open. Why? Why do I say it's an open system? Anybody can register on CSG. Anybody can put a tender. See with the private companies. It's only those that are on their on their database that can apply for those tender. Once you do something correct, next time they can recommend you and ask you to come back and just give us a quotation. How much can you do this thing for us? And then you give them a quotation and then you do it for them because you know what changed the last time? Then you try and improve. It's a waiting thing. Or is it a relationship thing? And because a lot of people would say private monopolies, private entities, it's so hard to get into the supply chains. It's who you know. It is the vetting that is hard. Yeah. But after that, you are good to go.

4.4.4. Table 4: Responses from CEO (Participant 4) in response to Support Program Stakeholders Data Collection Instrument

A1	"Research conducted at the time showed that there's a lot of support in terms of non-financial support for capacity building of SMEs. There was also a plethora of financial solutions. That means we're not necessarily being able necessarily able to access, which is also linked them to the lack of capacity and the maturity and capability of the businesses that needed to be at a specific level to access it. But the research was based upon the fact that as anywhere in the world, in South Africa, there were three main challenges for small businesses. And black businesses in particular have an even greater challenge as a result of the history of apartheid and the impact of apartheid on black communities, black people and black business as a whole. As we know, it's access to skills, access to finance. The most important thing is you can have the money, you can have the skills, but if you don't have the markets through which you trade, your business will not succeed. The research showed that government was already putting in place the necessary policy framework to support small businesses and particularly black businesses, through the preferential procurement regulations or preferential Procurement Policy Framework Act. But private sector at the time be wasn't yet there, but it was coming. Private sector was viewed as a huge market opportunity that went untapped for market access opportunities. What you need to bear in mind is that the business to business environment is a much more lucrative space for supporting black businesses to enter then the business to consumer space and a lot of the development support mechanisms that were in place through SEDA's predecessors, the likes of SICA and all of these different government driven programs, both nationally, eventually and locally. Most of the market access was focused on servicing communities as part of business to consumer or business to customer business models, with government procurement being the type of be to be. But very little inroads was being made when it came to business to business with private sector or private sector procures differently from government. Every private sector company has their own policies, systems, processes, different levels of maturity, internal capacity, internal skillsets and the discretion through which they leverage that in terms of a strategy". Government had a set of rules, so private sector was viewed as an excellent market opportunity, where 70% of the B2B market opportunity allied with, with and still lies, if not more, still lies with private sector. "The benefit of selling in the B2B space is that it's volumes driven and therefore being able to drive volumes results in higher revenue levels, higher profitability compared to selling to a consumer.] "So instead of having to make 1000 sales of 1000 units, you can make one sale of 1000 unit". So it makes better sense. So the problem with black businesses and small businesses in particular, but it works both ways, was the inability to access those markets as easily as your more established and larger players. And our role as **SASDC** was to look at how through the business model that we adopt, we can create a demand, leveraging preferential procurement as a mechanism. But going beyond that, leveraging the business case and evidence in support of that business case for an internal demand to be created within corporates to source and buy from, develop and grow the procurement with. Marginalized Black businesses that were underrepresented in their supply chain. Because it's about driving the business case"

B1	"We've been operating now for the last 11 years as a member driven non-profit organisation, promoting supply diversity as a more sustainable means of ensuring black business inclusion into corporate supply chains, leveraging global best practice that drive supply, diversity and inclusion globally, but aligned to the goals and objectives of BBBEE and the Enterprise and Supplier Development.We support corporates to develop firstly, to assist them with having the skills and the understanding internally to understand firstly how supply diversity links to preferential procurement and enterprise and supply development from a BBBEE perspective, recognizing the limitations of BBBEE in relation to supply diversity. Best practice getting it. Helping them to understand what best practice supplier diversity looks like. Helping them. Then in line with that, to ensure that they have a strong business case that links to the organizational strategy and supports the organizational strategy in that way, ensuring alignment to the organizational strategy and therefore also executive support. And then having that through the strategy, having the right operating policies and procedures that enables the strategy to deliver the intended deliver the intended outcome. And the intended outcome is higher representation and value by spend of underrepresented black businesses in your supply chain, driven with a business case to generate value to your organization. So we help them with strategy, policy skills. Although many of them think that they know it all. And then on the other side, help them to implement those strategies and those policies and business processes through the activities that we undertake, like sourcing and attracting credible, black owned, managed and controlled businesses. Who are fully compliant to operate? We exist as an organization to source and link up SMME's with corporates. But we also have to recognize that private sector doesn't exercise open procurement processes where its procurement policy and procedures is publicly accessible, let alone its processes of procuring goods and services being transparent. So there's a lack of information. How do you service a customer when you don't have access to the relevant information that will enable you to understand your customers' needs better and for you to position your value offering in response to that need? And in competition with what they currently are able to source. Yeah. So how do we access that? Give them access to that information. We help to capacitate the suppliers with information where possible or. Techniques. Guidelines of what they need to do to research the market and to reposition themselves through the engagement, whether through the channels that we create. Um, with their meeting with corporate buyers and end users to successfully pitch for them to be considered for future opportunities. Right. So this linkage facilitation is not about having a flat database of black businesses because buyer behavior is not database driven. Our linkage facilitation activity is based upon what works best in a buyer environment in private sector, and that is that buyers need to trust who they buy from. And therefore we need to create as many opportunities for face to face engagement or voice to voice, whether it's digital or whatever. For there to be a conversation taking place between certified black owned suppliers on our database, with buyers who are looking to source goods and services under their responsibility from new suppliers. In that way, a profile.
D1	"What you need to bear in mind is that we recognize the fact that many businesses, especially within your township environment, have been started not as a result of an opportunity that has been identified, but more out of necessity because of levels of unemployment that that and there's a need for an income. It's also in response to the fact that government there's a lot of motivation in the political arena to get people to be job creators and instead of job seekers. But we have to recognize the fact that entrepreneurs. I have identified an opportunity based upon the fact that they have seen what the problem is for which they have a solution to provideSo when we typically when we deal with township based businesses, rural businesses, it's under a project. And within the context of that project, those businesses that meet our requirement to be certified will progress beyond the project into our certified black supply ecosystem and can then access all of the benefits and so forth from that environment"
D2	"Business without systems and processes will face a challenge when it comes to consistency in delivery of products and services. Now when you small as a business owner, you do everything within the business because you have to pay yourself first. As you grow in complexity. If the owner or the management of the business do not put the systems and processes in place, it compromises on the capability. Very often, small business development is focused on developing skills, but it's not actually skills. It's knowledge. Knowledge put into practice becomes a skill. So many programs fall short in that regard. So we teach you the importance of quality and quality in your operations. But if you don't apply that learning. Into your business. It doesn't become a skill. It just is knowledge length part. And how do we make sure that from a small business development perspective that what you train them on actually gets applied into their businesses? And that's where in the small business development world, there's a lot of things that fall short, which is why when it comes to incubation, incubation tends to be more successful. Not all the time, because very often incubation in South Africa is a subsidized benefit. But very often it is a subsidized benefit for businesses that otherwise wouldn't survive, whereas incubation should actually be to support the acceleration of growth of a business where the subsidisation is about unlocking working capital that can be reinvested into the business in terms of its capacity and capability." So training is one thing, application is another. And unfortunately, that's part of the shortcomings within our training and development space for SMEs." So many small businesses go through the same training just by different training agents over a different period of time, at a different point in time. They still don't apply it to their business and they don't see the value of it, but they participate with a hope that they're going to get contracts. Unless we are able to actually create an ecosystem of collaboration where these products are not intended to compete against each other. But how would they know what that gap is without there being engagement? And unfortunately, small business development is one dimensional and one direction. It is. I know best what you need. But there's no listening to what is also needed and responding to that. You see what I'm getting at?
D3	"We're doing a project at the moment with the Rural Focus out in collaboration with Sanparks and some will get through into our ecosystem as certified suppliers. But the others that don't get through, we have a channel through which we are now going back to the sandbox and saying Through your partnerships in the region, these are the common areas that we have picked up as shortcomings within these businesses. What can you do about it to close that gap? Because it's about the data."

4.4.5. Table 5: Responses from Program Manager (Participant 5) in response to Support Program Stakeholders Data Collection Instrument

A1	We as a customer, I'm not sure if you have this background as a consultant. We have ten offices across, all of which are obviously in the townships, hence the name eKasi and therefore the programme was meant to tap into all the sectors that the Innovation Hub offers. So Innovation Hub focuses on bio economies, the green economy, as well as smart industries. And therefore each lab is not an exclusive incubator for each sector. Instead, it recruits across all three sectors. Now, what we have discovered was that the sort of innovations that we seek are not coming in the number that we seek to recruit every year. So we have a certain number of companies that we recruit each year. But when we seek to find innovations and that it is for that reason, that with some of the companies that we recruit for, within the sectors that we operate in. However, they are not coming in with startling new ideas, it's because they are seeking markets and so forth and therefore, we facilitate eKasi Labs as a way of ensuring that the SMEs grow and the economic benefit roll out to any other person who may come into contact with those companies. So it's when young people are not finding jobs and then they decide, let me rather opt for this. And the other challenge is that because we are limited in the numbers that are available to us of the quality entrepreneurs, and I need to emphasize this as well, that is not only about the quality ideas, it's the quality entrepreneurs, because both are interdependent, you find a brilliant idea. But if the entrepreneur himself is not skilled enough, whether interpersonal skills or whether the technical skills, they will not make the idea fly. And the converse applies as well if you find a brilliant entrepreneur. But the idea might be too early or too late in market and they could be coming in as a solid individual. So and we are not necessarily in the business of matching individuals to ideas. Obviously, we rely on an individual coming to us to say this is the idea that we have. . So that's one of the challenges that we face with young people who do not always possess the skill to run and grow, companies that should go into growth phase in the levels that would impact the jobs issue as we would like. So we do create jobs with these companies, but I feel that they are pieces of the puzzle that are missing, such as the quality of education, the technical skills, exposure to entrepreneurship. Many of them are even risk averse. That's the other challenge. So you'd find that people are saying, I'm excited about being an entrepreneur, but it's because they now know about an incubator. So they are sort of cushioned in the incubator as opposed to them simply flying on their own. And then that's why we do not necessarily have companies that are high growth companies in our in our midst. And then in terms of the offering, we offer mentorship that is fully sponsored, we offer hot desking. We have a whole team, broadband network as our internet service provider, high speed internet that is fully subsidized for the enterprise. They do not pay for this so they get hot desking as well to come in and work at our labs. They are able to use our labs for their meetings and do their admin work from there. Currently, we do not have fully fledged manufacturing facilities though these are being developed in Mamelodi and so it has what we call cat labs. I think the other name for you, for ease of reference for you would be maker spaces where they would have seen laser cutting machines, 3D printers in case any of them need to use those for production or for making their own prototypes. So all of these are fully subsidized. The Internet, the mentorship, they get an average of 3 hours per month.

B1	"With recruitment, there are a number of ways. One would be the gate competition gap that that I suppose might have been mentioned to you already. So it creates a pipeline for us. So with that, we recruit companies. If they are successful in the competition in that position, one, two or three, they are able to be recruited into eKasi. We incubate them to research through our networks with referrals, for instance, from SEDA or GAP because they do not offer incubation services. So once they know the sort of companies we are looking for, they simply refer them to us. And we have had companies that we have scouted through hackathons run by other partner institutions such as universities around. And then we also do call outs either on Facebook, social media, Instagram, Facebook, and we even put up posters, strategic points in the townships to recruit young people and invite them into the pitching session. But then we send them once we've identified potential companies, we send them an application form. They explain the idea in detail, and then we then select those that we feel might be relevant to what it is that we offer or we are interested in. And then they get to be invited to a pitching session. Once they come into the pitching session, that's where the panel will evaluate the ideas. And then we decide whether these companies are to be incubated or not. And then they are then given incubation contracts, which will run for a minimum of 12 months."
B2	Yes. So with ourselves, for instance, we have a space with an exclusive fund available for companies which is up to R300, 000 the entrepreneurs are not entitled to. The R300, 000 is within application. Once you are incubated, it will be up to the portfolio manager as well as and the recommendation from a mentor based on your needs analysis whether you would qualify to apply for this. But then the setting committee would then simply evaluate, would obviously put in an application package as we would with external funders, and then they would evaluate what the money is going to be used for, how it's going to be used, whether there would be the normal reporting processes also to ensure that the money was used for what was applied for. So and then there's the 50,000 rand also that we give towards assisting with commercialization, but that too is applied for.
B4	Yes, we facilitate. But obviously some of the entrepreneurs will have started the processes of their own in-house. If we do feel that the company requires such funds, we facilitate on our side as well. But that said, I need to be clear about the fact that it is not any easier for us being an institution to get money. We struggle the same with the entrepreneur and fortunately the sector itself, the small business support sector itself, all these institutions operate in silos and therefore we struggle also. So even if I send in an application form saying that I'm the innovation manager, the portfolio manager for this company, fully vetted, this is how far we've come with the company. It's not necessarily easy for us to get money as the entrepreneur working in themselves into that institution. So that's the challenge there to. The innovation hub, has always had a big fund of up to R600, 000 co-funded by the Technology Innovation Agency, but it was meant for companies that had technologies or innovations as specified by the criteria. Now with us, with the 300,000 we have, we allow companies that are seeking to industrialize, manufacture and tap into some of the sectors, though they may not necessarily be coming with innovations, for instance, companies that are coming with cosmetic products that are organic. We have incubated those companies.

C2	Maybe they shouldn't even go through the formal forms of registration. Remember, the challenge is. The informal market actually hires a lot of people. I mean, you go into the market in the townships, the hawkers in the street, it's about cash on hand. It's all about the banking system. And that is why that's what makes it functional. So whatever intervention we would try to bring into that sector of entrepreneurship, it cannot be similar to what we do for the formal businesses. That's a completely different thing. They would buy stock in the morning and then hock it through the trains or in the streets even. And then they go home with cash and then they buy whatever groceries or they barter and then take some of the stock and keep it in their own households and use it for it. So for us to even expect that, they need to formalize. In fact, some of them are crippled by being formalized. For
	instance, being formal also means adhering to the minimum wage, whereas we know that many houses in the townships, car washes pay less than that. But people are, though they may wish to earn more, but it is getting something.
D2	Okay. So one, we actively seek out the formal markets. We are not always successful, but we do seek to engage them. Obviously with the expertise where we are hired. Obviously we are held with a certain level of expertise knowing that we would be able to facilitate such. Unfortunately, on the other side, it is not that easy so just because we do as much as we can on our side to make the introductions, make sure that the companies are ready, but you find that there are legacies and we even have institutions such as the Competition Commission, even wherein you find that, for instance, with companies that are buying trolleys, for instance, simple things such as trolleys, we find that is one company supplying trolleys for a national supermarket. They've been doing that for ages. We had one company that was making trolleys. They couldn't get the contract, though. They got listed with the national retailers, but it turned out that they were just being listed so that those companies could claim to have a supplier on their books, even though they were not using the supplier. So there the relationships are entrenched. And remember, there are other challenges when you find some of our companies will say, I'm coming as a small company, I'm doing contract manufacturing. For me to be able to compete with Nivea and whoever who are doing 2 million units a month, they have these sort of machines. I need this sort of investment. Even without the machines, just for the marketing to say my product, I need to move my product off the shelves so that the shop will buy more. So these are some of the challenges, but on a localized level we have seen some progress.
D3	There hasn't been proper monitoring to ensure that we get the results to see how well we are doing. But for instance, we'll be doing it informally and I won't speak on behalf of a customer here, but I know, for instance, on our side there are companies that have kept in touch with us as and when we get opportunities. I mean, some companies would not make it make the necessary progress while they're still incubated after they've left, we are able to find some links that give them a leg up and some have moved onto jobs and whatever else. But as far as we can, we are able to link some of these companies to other opportunities even after. But we've been doing that informally

4.4.6. Table 6: Responses from Commercialization Specialist (Participant 7) in response to Support Program Stakeholders Data Collection Instrument

A1	Our focus is enterprise development and with a specific focus on reducing the time it takes for technologies, more high tech startups to take their products to market. Our mandate cuts across three priority sectors, which is the first one being the smart industries which focuses on ICT and advanced manufacturing. The bio-economy, which is the one that I work for, which focuses on health, smart agriculture and processing. And then there's a green economy, right, which focuses on energy, water and waste. We provide, we offer startups advisory and skills development support. Like this is business advisory and also skills development through trainings like your business related trainings and the likes. And then we also offer them access to work while we facilitate access to markets for them. And then we also offer infrastructure. We also facilitate funding opportunities for them from our stakeholders. And then in terms of access to markets, we also facilitates networking opportunities for them. So this could be through what's those trade exhibitions. It could be through trade exhibitions, industry events and all of those. So linking them to our stakeholders and whatnot. We also provide them with soft landing opportunities through introductions to both public and private sector. We also office space at subsidized rates and also manufacturing and laboratory space also at subsidized rates. So business coaching and also with incubation we normally go with we also graduate our companies, right. So yeah, so we've got in terms of our incubation value chain, so we've got the factory program. We're they focus on product development and then once a company makes their first sale, then we move them to the core program. We call it the core incubation program. And then once they get to a point where they are self-sustainable.
B1	"On our website there's an application form, right? So an application form. So depending on which sector. So obviously your technology has to be in line with our priority sectors, right? So depending which incubator you want to be affiliated with, you, then go on our website and then go and apply and fill in the application form. I think there's a section where you have to you can select which incubator you what you want to join, you applying for. And then once you've done that, so we'll review the application form and if it's in line with our mandate, then we'll invite the company to a pitching session. In the pitching session we've got different adjudicators. So we look at the technology. Right. So because we're an innovation agency, not like you'll see that. So I would just I would just take any SME that needs business development support. We look at the technology in terms of the state of readiness, if the technology is past ideation stage. Not even that like if they passed proof of concept. . And then I would also look at whether there is novelty in the technology, whether it addresses an existing market need, and also would look at the intellectual property if the IP is strong. The business case, value proposition and all of that. And then we also look at the entrepreneurial age, whether the team has the desire to mix of technical and business skills that can add value to the business. And then we also look at whether they are self-driven, committed and are coachable as well, because it's no use just taking in an entrepreneur. And you can gauge that from the presentation and also the type of questions that you ask them, because they present their business case and then we ask those questions after the session. We'd also look at things like whether it addresses like your socio economic challenges and also priority areas in terms of the main priority areas for government

B2	Within the organization, we have what we call the Startup Support Program, which is like a seed funding opportunity for our entrepreneurs. So there's two funding instruments within this program. So there is the small group, what we call the small grant, maximum salary of 50,000 rand or 50,000 rand funding. So it covers like immediate needs for entrepreneurs. So this could be like product testing and stuff. It could be maybe purchasing like those like raw materials. And it could be like anything that technically covers their immediate needs. So it covers like immediate needs for entrepreneurs. So this could be like product testing and stuff. It could be maybe purchasing like those like raw materials. And it could be like anything that technically covers their immediate needs. Right. And then but most of most entrepreneurs normally use it for product testing. And then you also have the main grant within the Startup Support Program. So the main grant is up to a maximum of 500,000 rand. And we offer this to our entrepreneurs in collaboration with our partner, which is the Technology Innovation Agency (TIA).
B3	"No, obviously we reject with reason. Right. So we'll tell you maybe the will tell you that there's no novelty. Your technology lacks novelty. Or maybe you still you know, you still at an early stage. So, like, for example, there's this other. What's this company? It's in the medical devices industry. So what had happened with them? They came to pitch. They'd yeah. So they came to pitch well while they were still at, I think proof of concept stage. So they just started. Yeah. With their proof of concept. So we told them that we gave them reasons why we rejected them. And told them to work on their proof of concept first and then once they yeah, once they done with their proof of concept, they could always come back and they did exactly that. So now they are actually incubated with us. So I don't think in terms of our on boarding, there is any red tape because at the end of the day, when innovation agency and if there is no novelty in the technology, then it doesn't speak to us. So I would just give our estimate is, you know, a feedback as to why they didn't make it to our incubation program."
B4	They have the Start-Up support program with grant money of R50 000
C2	"So we have the Hugging Accelerates program. Which was established I think back in 2013. So basically this program only targets entrepreneurs and researchers from like academic institutions and all of that. And so when some of these guys come in, it's an innovation competition. So there's also an opportunity to win like seed funding, of which the maximum amount is R500, 000. That's the first prize. And the second prize is R200K or R300K and then third prize is like R100 K, right? We also target universities and we also want to get them to enter, to establish spinoff companies. So when some of them come in, they don't have registered businesses. We don't help with registration, we just tell them that this is what they need to do to register business. And we don't physically do it ourselves. But with the township, going back to your question and the eKasi Labs, even with legacy guys, could assist or refer them to companies who can assist."

D1	"Because we know it's difficult to find innovation in townships. Right. And we, we had to be realistic with ourselves as an organization. So with them, they don't necessarily have to focus. Even though, I mean, our core is those three main sectors that I mentioned, which is the smart industries, bio economy and the green economy. But the reality is that you won't always get those internships. So you find that with eKasi labs, they normally what's this. They would focus on other sectors as well if they feel that because they get walk ins. Right. If they feel that the company has you know, if they feel that the owner is a good business and it's something that can really add value. Then they take in that, that company. So they don't necessarily focus on, on that alone. But over and above that, also what they're doing is that they are also partnering with municipalities in terms of just expanding, what's the presence in the townships. So I'm not sure if, you know, with the city of Johannesburg, for example, they've opened what they call opportunity centers in different regions in within Joburg.

D2	In the bio-economy space because we also have cosmetics companies. Right. Like your retailers we don't necessarily do introductions because, you know, retailers, their mandate is, you know, they have a commercial mandate. They don't really care about preferential procurement and all of that, like small businesses, you know. So we don't normally do the introductions, but we normally refer them to enterprise and supplier development programs of various retailers. But I know in terms of what's this, the retail mandate now I know this is what's this within the Department of Small Business Development, there is a value chain support unit which deals with. So they normally have this like a steering committee and then they normally have steering committee meetings with like your schemes, your colleagues and whatnot, just to keep the communication going and also refer SMME's to these retailers. So those meetings are on a monthly basis. The Department of Trade and Industry and Competition Rights has a unit that facilitates trade missions for women. So they call it the Nash. They saw the gap and every year they issue a national pavilions list of all the trade missions that they've identified and the sectors. Some of them are multi sectorial sectoral and SMEs can always apply to attend its international trade phase. So SMEs can always apply to attend those and the DTIC will fully fund
D3	Yeah, it's a bit of a bit of a tricky one. I must say. But in terms of because our focus is business development, right? So we normally have like normally come up with resilience strategy, resilience strategies for them. So it's it would be resilience strategies post the pandemic just to make sure that so those would typically make sure that some of them explore alternative markets because I find that with most of them, the markets that were there pre-COVID and no longer more so they need to look at alternative strategies of, you know, accessing the market and getting the business up and running. We have come up with in an alumni program, so which basically offers it's post incubation support that we have come up with and which then covers like high level mentorship support and just making sure that we don't let our companies go. And they can always come to us should they experience challenges or anything like that. And also it's good support because sometimes you graduate companies without them having exported that.

4.4.7. Table 7: Responses from Partnerships Manager (Participant 6) in response to Support Program Stakeholders Data Collection Instrument

A1	We deal with SMEs, which your private sector don't want to touch because of them having ideas. I mean, even your venture capitalists, your device development funding institutions like the IDC, even the DTI, they wouldn't touch because the SMEs that we deal with, I would often refer to them as being in a valley of death. So what we at the innovation have tried to do is we try to de-risk those innovations or those in SMEs for them to get to a stage whereby they become more attractive to your VCs and your IDC and whichever fund that exists out there. We have a commercialization specialist to assist the companies with market access. We have the partnership you need to actively try and assist the companies to set up important meetings, with the identified users of the product so that there can be a market uptake. So in a way we are playing an active role in de-risking the projects to a stage whereby they are ready for the market and to also assist them with applying and developing good business cases for those eyes or for those businesses/conglomerates so that they can successfully get the funds that they require so that they can successfully commercialize their businesses. Also play an active role in trying to secure partners that would provide an array of services to our companies, it can be a law firm that assist with a patent search or patent registration or patent protection.
B2	The criteria is simple because this is a seed fund and we get it from the Technology Innovation Agency. And their main aim is to harness and develop technology. So there should be an element of tech in your product. Yeah, it may not be that novel. It may not be a groundbreaking technology, but it can be maybe an improvement of what already exists in the market, maybe trying to close that particular gap. We also look at the market. Is there a market for a product? We also look at the patents. Are you not infringing on somebody else's IP? We also look at your financial modelling, how are you planning to make money with that innovation? So it is very broad and we remember as from the innovation hub, what we will do is will prepare those applications and build an investment case presented to our internal investment committee, which comprises of the innovation hubs staff. And then after that, we'll take it to an external investment committee which comprises of different professionals from different industries, who will then look at those applications independently, and they will make recommendations.
B3	I don't think there's any hindrance in our criteria. Remember, this is an innovation fund. It's similar to your old age, SASSA Grant. You must be of a certain age for you to enable. We know it discriminates people who are below the age of 60 or 65. Even our grantees, our seed fund is like that, it discriminate people who are not in the innovation space because we feel that there is a lot of money that is out there from utilities and the likes and the small businesses who can help assist you in whatever that you are doing. But for us, we are looking for innovation. Hence, we are the innovation hub. That's what we are trying to harness and develop in the country. So it's discriminative to companies that are not innovative and there's nothing we can do about it. That's the intention. So that the fund is intentional in that it looks for innovation because we are trying to solve a particular problem in the market or are trying to develop a particular sector in the market.
B4	What we will do is we will assist them with applying for other funding that exist out there for them to be commissioned. So it does happen that we may think that companies are innovative, but when we get to the committee because we have industry experts who've been in the space for quite some time and some are the subject expert, they will tell you that though this is innovative, but it won't work. So many companies, 84 to 100 have tried to play in the space, but because of the regulatory environment in South Africa, it becomes difficult for them to have a breakthrough in the market. So we'll find a company is rejected based on technicality and feasibility of getting into the market. So it won't be a fruitful or efficient for us to give money to a company which becomes a higher risk in the market with a high level of not commercializing. And while there are other companies that are within our database that stand a good chance to commercialize, so then those ones we will try to assist them. But if you also go out to other funders, you find that they also have that market intelligence. Then it becomes difficult for those companies to commercialize.

D1	We also try and link up with like the likes of your Samsung, Huawei, like what we are doing currently we came up with a mobile repair US project or program where we've identified that in the mobile repair space, the second market, you find that there are a lot of Middle Eastern brothers who are playing in that space. And you I mean, you can see you go to malls, they are stores. You find that there are people who are coming from the Middle East, in particular, you Pakistanis, your Indians that are playing that particular space. So we came up with a program where we are trying to redress that shortage in the market just to try and flatten the curve to enable in an equal participation or just to increase the participation of our South African brothers or sisters to play in that particular market. And we also managed to sign an agreement with the South African Mobile Repairers Association. Samudra So I mean we also look for bonafide services. It can be in entrepreneurship, it can be in law, and it can be in technical advices. So we are in a way fostering entrepreneurship. I mean, we have a lot of programs that I get geared towards that which also includes our program that we are running with Mobile Laboratory, South Africa, where we are teaching a young people from the township on how to code. So the innovation hub has ten satellite offices in ten townships in hotels. So we are also trying to increase the participation and access to our programs. And what we actually do is we have a program called the Opinion or Vision Exchange where we try and lobby government to open the supply chain for innovation, specifically for companies. And we try to also lobby government to buy services from black owned companies, particularly those that are coming from the township and even through our supply chain. There is a target in that in a particular area or like even financially, they must at least source so much in value terms from companies that are based in the township. So we are not only looking at that from the incubation point of view, but it is an organizational target
D2	So I'm sure you know that there is an act that is called the Public Finance Management Act. So it's not that easy, especially for our companies, just to get our companies to go to a department and say, source this product or source this service company. They need to go through a competitive bidding process. So that's one of the stumbling blocks that we that we may have. I mean, we may have a very good and innovative company here. And we find that when we pilot whatever innovation with a certain government department. But for them to get an actual contract to render a particular service, they need to go through a competitive bidding process. And through that competitive bidding process, the company that we recommended might not even get the tender as a result of pricing or other technical issues that we may we may have noted. So even in the private sector, that's what we do. As I indicated on that, we have commercialization specialists who assist our companies like Porsha M was assisted by us. You can see her now. She's in New York and she's everywhere. We also give gave her the initial seed funding while I was the investment officer. So there's a huge role that we play as the innovation hub. We are trying to get access to two supply chains in the in the private sector. So that was just one of the examples of me that I can give you. We can come with intentional policies that are geared towards solving that particular dilemma that exists in the market. Then there's nothing we can do. And. I mean, you have seen the afriforum is went to government to fight government with the preferential procurement, which was also an intended policy to try and increase participation. And what they are saying is, no, you must award tenders on merit.

D3	We are now looking at the Innovation District Development or Regional Innovation Corridor Development, where we are trying to create some sort of closeness business. Proximity through our engagement, through our partnerships with other institutions, which would then enable us to sort of have a collective effort in addressed some of these challenges. We are having a lot of global networks that we constantly engage with, and yeah, I think there is some sort of yeah means, to address the triple piled challenges, which is poverty, unemployment and inequality. So. There is that there is some, to some extent, we have we are trying to redress some of the challenges brought by COVID.

4.4.8. Table 8: Responses from Founder & Director (Participant 8) in response to Support Program Stakeholders Data Collection Instrument

A1	"I assist SMEs, anyone that wants to start and grow the business. I've been doing for the past 16 years with a lot of success stories. Some of my clients are exporting some of my clients like the retail stores. I even coach and mentor professionals that want to go into this space. I have a lot of clients that will say, Look, I've been an executive for quite some time now. I want to be a mentor. I want to be an entrepreneur. How do I become a mentor? How do I utilize the knowledge that I've acquired in my sector to be able to advise other people that are interested in that space? So I also offer that as part of my offerings. When it comes to accessing available markets. Yes, that's what we specialize in. In my company Mabule International, we assist clients to access the market and increase the sales. And we have been doing that for quite some time. And obviously with our 16 years of experience in the space, I mean, we have developed a lot of networks from different races, from different sectors. So we are able to connect our clients. When we mentor our clients on the side, we are able to connect them with some different people that are in corridors of power who can take decisions about certain things now. With regard to access to finance. It's a tricky one because access to finance is actually, you know, funding for SMEs is influenced by a number of variables and some of them are even beyond us as consultants, as mentors. Some of them are even beyond the mentee or the SME. Right. Let me start with. What I find as this is a hard obstacle, so to say the one that makes it difficult for many of the SMEs to be able to access finance. Is that. What goes in the mind, what is in the mind of every funder of every investor is one with risk. Everyone always think about risk. One of the major challenges in the country is access to finance, access to market, they can be assisted in that area. But access to finance, like I've indicated it is influenced by a number of variables that beyond the control of the enterprise or a consultant.
B1	"My services come in two ways. Some of them come through funded institutions or incubation program of my clients for example I'll do the work for a fourth industrial revolution incubator. I do the work for innovation hub because labs I do the work for development business incubator. Now I contract with those organizations, those incubators and they allocate a number of SMEs to get services from us. That's one area. And then another angle is when clients say, look, we just want to come as private clients or take care of whatever that is needed financially"
B2	"We assist SMME's that are eligible for that. And today is one of my happiest days because one of our clients that we are assisting to raise finance to open a spa. This application has been approved. Yes, I think it's six or 7 million. His application has been approved. So we're very happy. Yes, we are very happy when you assist. Yeah. So SMEs that need finance, we help many. So either is grant funding or it's a straight business loan. So we have a success story in that. I mean, looking at the work that we do with my associate at some point, I mean, one of my associates raised over 100 million rand. Recently we got in a letter for 1 billion rand that was raised for one of the small business. And I think the reason is that we are very experienced in the field and very experienced on the side of business development. My associate is a corporate finance specialist. The other one deals with financial models and we understand the ecosystem. We have been there for quite some time."

B3	"No. In my business, there's no red tape. I come from I mean, plus minus ten years in government economic disaster. So I know how frustrating those things are, both to mentees and to also advise us in the same institutions. If you go to government institutions, you'll be surprised to realize how despondent and discouraged many of the advisors are, you know, because of the red tape that is developed by people that understand nothing about entrepreneurship. So in my business, nothing. You set up an appointment, you come and sit down we give a diagnosis. We provide you with recommendation and all. However, when you look at some of the bank or funder requirements, you think, but this needs is this need accountants to understand it because it is about liquidity ratios and equity ratios and so on, it's a technical language in line with, the financial field. So you go to SEFA, they call themselves an agency that is aimed at developing small business, but the language becomes a barrier. So now SMEs must get accountants and seasoned consultants for them to be able to understand all those requirements."
B4	"SMEs that need finance, we help many. So either is grant funding or it's a straight business loan. So we have a success story in that. I mean, looking at the work that we do with my associate at some point, I mean, one of my associates raised over 100 million rand. Recently we got in a letter for 1 billion rand that was raised for one of the small business. And I think the reason is that we are very experienced in the field and very experienced on the side of business development. My associate is a corporate finance specialist. The other one deals with financial models and we understand the ecosystem.
C1	There must be an incubator catered to the informal sector. And remember, those people/businesses are in the multitudes. Remember they everywhere. Where there's a train station, you find them everywhere. Where there's a taxi station, you'll find them everywhere. Where there's an old town. You know, you find them. But I don't think they're really catered for. And some of them, those people are very experienced, very knowledgeable. They understand their marketing. They just need a push. But now the requirements in government departments are not really friendly. To such market, you know? And I mean, I had the project I was helping with in Olivenhout and in Tembisa and in Diepsloot. Now I had another one and it's a problem and it's all informal. And they're good. They are good, but they are not really, you know, finding joy in the government economic cluster in terms of processes
C2	"So I don't think policy has really done justice to that particular item in terms of transitioning of the SME from informal sector. And actually in actual fact many of them become pessimistic because remember many of the informal ones still struggle with literacy issues. You know, some can write properly, some can read properly, some can interpret the business jargons. And if you look at all the forms or registration forms and so on, the language is not friendly, you know? The language is not friendly. I mean it's easy for me and you to quickly understand what is financially. And but you'd be surprised to realize that those informal traders don't even understand what they're talking about when it's all financially. Yeah. They don't even understand what is taking over. Because many are survivalists. So I don't think government has really done a good job in terms of assisting the informal traders. Yes. Now with the schemes. Yes. Honestly, now after COVID."

D1	"We run workshops. Actually, I prefer that. I always say to my clients, if you organize yourself and establish a business organization or maybe just a township business club, or is a Chamber of Commerce or business forum are more than willing to come and assist? So I did a lot of talks. I did a lot of talks recently. I was in the Chamber of Commerce and Free State. Months ago, I was invited by churches. I do the same thing at church. I speak in different platforms. So that one, I'm always willing I'm always willing to talk, to assist. And free of charge. I do it at church. I'm championing the economic empowerment program at church. And I encourage other church members, you know, and other members of different churches to do the same. Because if you look at churches, actually, churches can be turned into the same incubators that we talk about. When you go to church there, there's different professionals and different executives. They can easily deal with that. It's a very best environment to establish that they create business hubs and they make available such resources."
D2	"I think what I see as a challenge is that. The government doesn't really have strong teeth. In terms of enforcing the legislation. If there's any trouble, BEE is a tool to address the imbalances of the past. The question is, how are you enforcing that? Because. You look at the trade barriers that SMEs are encountering now, it's very difficult for them to enter into certain markets, into certain sectors of the economy, you know, because some of the old players have kind of created some walls to make it difficult for young players to come on board. So the government is supposed to create a conducive environment for these young ones to participate in that by enforcing these regulations. Now it's even worse. And I'm telling me it was better with the previous regime. Now it's even worse with the current leadership in the country. You know they relaxed in enforcing the legislations,
D3	"Through our networks, we develop a database of people that are responsible for that so as to make it available to outline to us some kind entrepreneurs, who are becoming despondent because of the COVID situation and so on. Because remember in a mentorship environment or in the SME development environment, in my opinion, you can get rid of all the interventions and you can still succeed with only one intervention. That is mentorship because when you have an experienced mentor is able to handhold you and not only handhold you, not only become a teacher or a coach, but also some kind of a channel for you to meet certain corridors of power. We said to ourselves, because we have been in the space for long, when we meet these clients that are somehow pessimistic, obviously, due to COVID 19 and other economic factors, let's, raise their confidence by saying this is how we can help you, you know, and obviously. It's not something that can be done by everyone because we based on our years of experience and our credibility and the success story. So when Amanda comes and say, hey, I'm struggling to penetrate Shoprite? And then I can say, let me link you with one of our clients we already supply to Shoprite. So that is based on experience. So we developed that particular approach because you can talk, you can develop strategies. I always say to my clients in entrepreneurship, you get clarity. In your move, you get to do a new move. The street is different from corporate, where you will have corporate strategy, and that looks very much glamorous, you know. But in the small business space/hustle, you must move, you must hit the route. You must hustle, you must knock the doors, take your pitches, call everyone, get those rejections and learn from them. And soldier on."

4.5. Thematic Qualitative Analysis to identify key patterns and codes in the transcribed data

Thematic analysis is a strategy that is used in qualitative research that involves the methodology of putting collected data into workable themes in order to derive emerging conclusions (Castleberry& Nolen, 2018). The below was achieved using the Quirkos software with the aim of analyzing the observed patterns within the collected data and

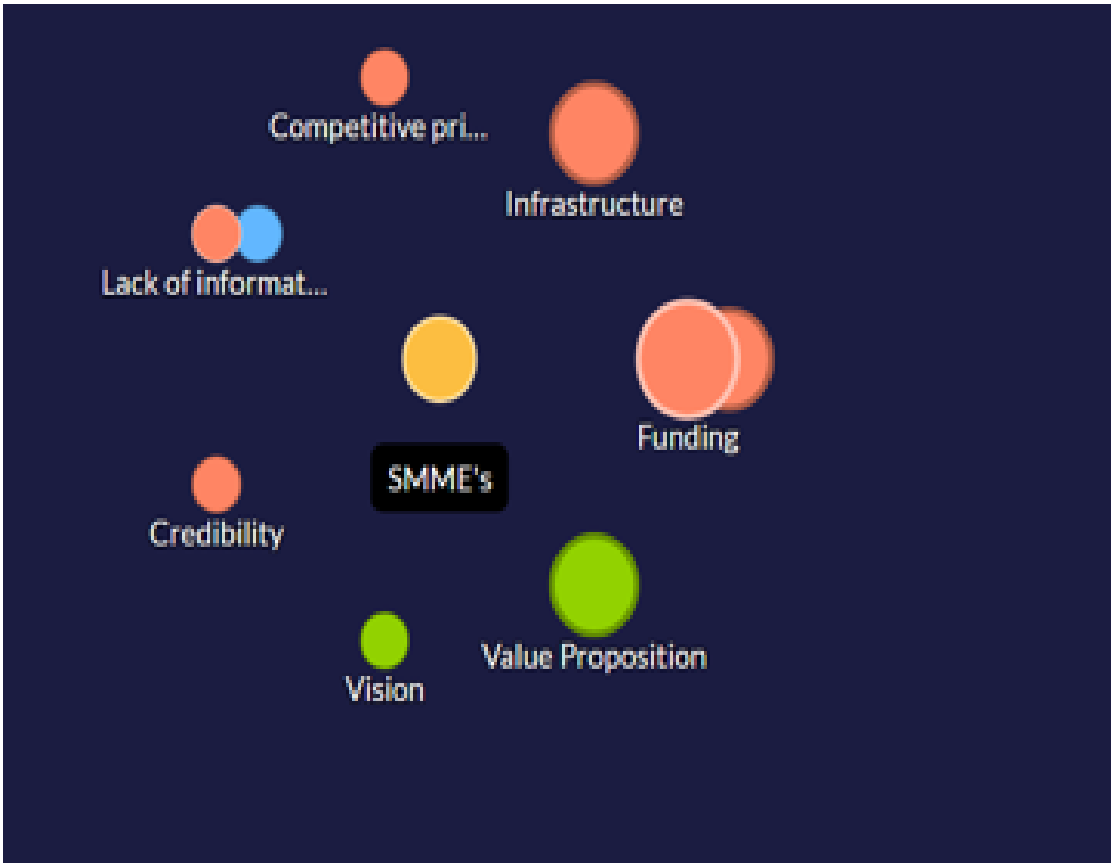
deriving key patterns through coding in order to construct themes from the statements of the interviewees in the above transcripts.

Table 4.5.1: Breakdown of Key coded words from transcribed interview responses

Quirke Titles	Parent	Grandparent	Total Codes
Funding	SMME's		23
Credibility	SMME's		5
Skills Development & Training	Support Agencies		12
Mentorship & Coaching	Support Agencies		8
Enterprise Development & Capacity Building	Incubation	Support Agencies	6
Incubation	Support Agencies		11
Documentation	Funding	SMME's	8
Lack of information	SMME's		4
Infrastructure	SMME's		13
Markets	Supplier Diversity	Support Agencies	26
Supplier Diversity	Support Agencies		9
Competitive pricing	SMME's		3
Value Proposition	SMME's		13
Vision	SMME's		6
Credit	Funders		2
Innovation & Technology	Funders		7
Unemployment	Government		5
spatial economies	Government		17
Private sector	Supplier Diversity	Support Agencies	19
Experience/Expertise	Support Agencies		9
Commercialization & Sustainability	Incubation	Support Agencies	7
Support Agencies			23
Government			21
Funders			25
SMME's			2
Savings/Self-funding	Lack of information	SMME's	4
Security & Collateral	Funders		6

Cash flow	Funders		6
Informal Sector/Survivalist	Government		7
Policy & Regulation	Government		14
Injustice	Government		7
TOTAL NUMBER OF CODES	328		
TOTAL NUMBER OF Quirkes	31		

Figure 4. A diagram illustrating how the coded words were grouped into themes



4.6. Application of Thematic Analysis to establish key conceptual theories derived from interviewee responses/statements

The below aims to use the constructed codes grouped into themes (grandparent codes) i.e. SMME, Governments etc. and statements derived directly from the interviewee responses and compare and contrast the various statements (derived from appendix 9) from the codes to formulate theories and concepts that aim to form answers to the four main research questions listed below:

- RQ1: What are the existing constraints/impediments faced by small and medium businesses in South Africa?
- RQ2: How does conglomerates/MNC's i.e. banks aid in bridging the lack of capital and infrastructure gap being faced by SMME's in South Africa?
- RQ3: Why does regulation and policy play a crucial role in transitioning SMME's from the informal sector into the formal sector, how effective have these policies been in facilitating this transition?
- RQ4: How do NPO's and NGOs ensure supplier diversity practices are implemented by major corporations by creating links between big corporations and small businesses?

Table 4.6.1: Construct of the Key Themes from Codes & Statements derived from Quirkos

	Themes #	Quirke Title	Relevant Statements	Key Themes
RQ1	#SMME	Funding Infrastructure Value - Proposition Credibility	"They were a bit discouraging for me to, to actually go and look for funding." **GS** "Especially because well, there's no funding for these things, the funding is there but for you to get ahold of this funding, say it is funding from SEFA or wherever else we can get it, the process to apply is very long and chances of getting it, is very slim." **BB** "One of the major challenges in the country is access to finance, access to market, they can be assisted in that area" **MI** "The most important thing is you can have the money, you can have the skills, but if you don't have the markets through which you trade, your business will not succeed." **SASDC** "It's very rare to find a funder who can believe in your vision" **GS** "So you have to start it up yourself and lay a foundation. And then once they see the foundation, you may attract funders or something like that moving forward" **GS** "Its resources and capital requirements that you need." **B**	**Accessing Finance continues to be an impediment for SMME's in South Africa**
RQ2	#Funders	Security & Collateral Credit Cash Flow Documentation Lack of Information	"The banks and the financial institution, they all want to have a security." SS "I didn't apply for funding, mainly because. What I actually have come across when I'm making an inquiry would be, no, we need a direct contract with you." **GS**	**Traditional funding methods through funders and commercial banks remains the most ineffective option for small business owners**

			"Secondly, they want to see the cash flow, on the cash flow they needed me to at least have 1.5 million in the business bank account. At the time I did not have that money and that's how I think I failed to get the funding".**BB** "However, when you look at some of the bank or funder requirements, you think, but this needs an accountants to understand it because it is about liquidity ratios and equity ratios and so on, it's a technical language in line with, the financial field." **MI** What I did was to take my savings and every money that I had, I had sold my house to say, let me sell this and I will see how it goes. **GS** "I borrowed some money. It was from my father when he went out on pension. He helped me a lot and the other thing that I did was that I diversified my business to farming. In farming, you have money at your disposal, when you need money that is not tied to interest." **B**	
RQ 3	#Government	Unemployment Policy & Regulation Injustice Township/ Spatial Economy	"So that's one of the challenges that we face with young people who do not always possess the skill to run and grow, companies that should go into growth phase in the levels that would impact the jobs issue." .**IH** "And the other challenge is that because we are limited in the numbers that are available to us of the quality entrepreneurs, and I need to emphasize this as well, that is not only about the quality ideas, it's the quality entrepreneurs, because both are interdependent, you find a brilliant idea. But if the entrepreneur himself is not skilled enough, whether interpersonal skills or whether the technical skills, they will not make the idea fly" **IH** There must be an incubator catered to the informal sector. **MI** "We came up with a program where we are trying to redress that shortage in the market just to try and flatten the curve to enable in an equal participation or just to increase the participation of our South African brothers or sisters to play in that particular market." **IH** "So for us to even expect that, they need to formalize. In fact, some of them are crippled by being formalized. For instance, being formal also means adhering to the minimum wage, whereas we know that many houses in the townships, car washes pay less than that. But people are, though they may wish to end more, but it is getting something." **IH**	**Policy & regulation continue to stall the transition of the informal sector**

RQ 4	#Support Programs/ Agencies	Markets Supplier Diversity Private Sector Incubation Skills Development	"A lot of people would say private monopolies, private entities, it's so hard to get into the supply chains. It's who you know. It is the vetting that is hard. Yeah. But after that, you are good to go." **B** "So the problem with black businesses and small businesses in particular, but it works both ways, was the inability to access those markets as easily as your more established and larger players." **SA SDC** "Every private sector company has their own policies, systems, processes, different levels of maturity, internal capacity, internal skillsets and the discretion through which they leverage that in terms of a strategy" **SA SDC** "Promoting supply diversity as a more sustainable means of ensuring black business inclusion into corporate supply chains, leveraging global best practice that drive supply, diversity and inclusion globally" **SA SDC** "We have a commercialization specialist to assist the companies with market access." **IH** "We also provide them with soft landing opportunities through introductions to both public and private sector." **IH** "And then in terms of access to markets, we also facilitates networking opportunities for them. So this could be through what's those trade exhibitions. It could be through trade exhibitions, industry events and all of those" **IH**	**-Supplier Diversity efforts within the private sector have improved market access for SMME's**

**GS: Participant 3; BB: Participant 1 B: Participant 2 IH: Participant 5,6,7; SASDC: Participant 4

4.7. Discussion of the Findings above to answer the research objectives based on literature and the analysis of the data

- **Accessing Finance continues to be an impediment for SMME's in South Africa**

  South Africa currently has the highest failure rate amongst small and medium enterprises, currently in South Africa five over seventy percent of small business hardly reach their first year of operation ((Leboea, 2017), due to the following growth inhibitors such as minimal knowledge of both accounting and legal matters, difficulties in accessing funding and lacking business acumen (Fatoki, 2014). SMME's continue to list financing struggles as one of the three main challenges faced as indicated in the South African GEM Report in 2019

((Msimango-Galawe & Hlatshwayo, 2021). Participant 3 stated that funders ``were a bit discouraging for me to, to actually go and look for funding."

There are many support programs focused on enterprise development that aim to address the other growth inhibitors as stated by Participant CEO, *"In the small business development world, there's a lot of things that fall short, which is why when it comes to incubation, incubation tends to be more successful."* This is further supported by recent publications that state that SMME'S that undergo incubation tend to have more positive survival rates than the reported South African average (Msimango-Galawe & Hlatshwayo, 2021). This is due to the intensive role that incubation programs play in opening accessible markets for small business, which is critical for business continuity and sustainability. *"The most important thing is you can have the money, you can have the skills, but if you don't have the markets through which you trade, your business will not succeed."* (Participant 4, CEO). However very little effort has been made to address the funding gap in South Africa.

Many funders, primarily commercial banks, have noted the reasons for SMME failure is mainly due to poor operational management due to a lack of critical business skills. Many entrepreneurs would argue that finance is the key cause of failure (Fatoki, 2014). Banks continue to argue that they are actually willing to provide loans and credit to companies that are deemed investment ready (Fatoki, 2014). Participant 3 Proprietress stated in the interview that she is reluctant to go the funding route, stating these reason *"It's very rare to find a funder who can believe in your vision" (*Table 2) and when asked what the biggest challenge she's faced as micro enterprise in South Africa she stated *"I'm going to mention one big challenge that we as SMME's are facing in South Africa. Basically, number one is the financials' '.*

Raising capital continues to prove difficult for many SMME's in South Africa, primarily those who are at incubation stage (proof of concept without

commercialization) and have not had access to seed funding. For many incubation organization that form part of the support programs available in South Africa, seed funding access is highly competitive and discriminative as stated by Participant 6 a Partnership Manager at an incubation organization stating that, *"our seed fund is like that, it discriminate people who are not in the innovation space because we feel that there is a lot of money that is out there from utilities and the likes and the small businesses who can help assist you in whatever that you are doing".* Funding becomes even more crucial for SMME's at growth stage when accessing finance, to raise cash flow and infrastructure becomes crucial to the success of the business (Lose, Tengeh, Mazirir & Madinga, 2016). Cash flow assists SMME's to acquire capital equipment, invest in their overheads in order to run their business operations effectively (Lose, *.et al* 2016).

The importance of investing in the right processes is further supported by Participant 4 CEO who states that, *"If the owner or the management of the business do not put the systems and processes in place, it compromises on the capability."* The inability to access financing from external sources becomes the very reason that results in stalled growth prospects for SMME's which further contributes to the high observable failure rate in South Africa that continues to plague small and medium businesses across the globe (Leboea, 2017). The limited channels available to access funding alongside the minimal credit lines that are afforded to micro and small business is what continues to increase the high failure rate (Leboea, 2017).

- **Traditional funding methods through funders and commercial banks remains the most ineffective option for small business owners**

  Many micro and small businesses in South Africa who are emerging as new entrants into the market tend to lack the needed resources such as documentation and collateral security needed to obtain funding from commercial funding institutions (Lose, *.et al* 2016). This has become common knowledge for many entrepreneurs, "The banks and the financial institution, they all want to have security." (Participant 2) Funding organizations and commercial banks

have defined structures and processes in place to evaluate funding applications from small and medium businesses (Fatoki, 2014).

Commercial banks have these stringent structures in place as they classify SMME's as high risk with unconventional business processes. These stringent structures include available credit requirements i.e. credit score, enforced collateral and security requirements, verified documents i.e. financial statements and confirmation of some form of business training and skills (Leboea, 2017).

In South Africa it has been recorded that at least 75% of small business loan applications are rejected by commercial banks. Funders and commercial banks are institutions that are considered to be risk averse and traditional (need for verified and audited financial track records) . These characteristics of funding systems exacerbate the funding constraints for micro and small enterprises. "What I find as this is a hard obstacle, so to say the one that makes it difficult for many of the SMEs to be able to access finance. Is that. *"What goes in the mind, what is in the mind of every founder of every investor is one with risk. Everyone always thinks about risk"* (Founder & Director, Participant 8). Support programs have identified this as a factor and have since put in place efforts to de-risk these businesses, *"so what we at the innovation have tried to do is we try to de-risk those innovations or those SMEs for them to get to a stage whereby they become more attractive to your VCs and your IDC and whichever fund that exists out there"* (Participant 6 Partnership Manager).

It is critical for support programs to educate start-ups around the key requirements needed for financial institutions to even consider your application to improve the current rejection statistics in the country (Fatoki, 2014). Banks can assess whether or not to provide credit by assessing the lender's financial statements, credit scoring, and asset profile and market relationships (Fatoki, 2014)., this is a principle most funding organizations use known as the fives C's (Fatoki, 2014). The mandate of Support Programs like Incubation Organizations

is to facilitate and improve access to infrastructure (technology) through capacity building, market access through networking and trade exhibitions and access to financing (Msimango-Galawe & Hlatshwayo, 2021).

It is critical that the stakeholder within these support structures are knowledgeable of the entire SMME ecosystem and *"are held with a certain level of expertise knowing that we would be able to facilitate such."*(Participant 5 Program Manager). Participant 8 the Founder of a support organization stated that they have had great success in securing funding for clients and they credit this to their expertise: *"Recently we got in a letter for R1 billion that was raised for one of the small businesses. And I think the reason is that we are very experienced in the field and very experienced on the side of business development. My associate is a corporate finance specialist. The other one deals with financial models and we understand the ecosystem."* Participant 8 further stated that "It's not something that can be done by everyone because it is based on our years of experience and our credibility and the success story", emphasizing the importance of having the relevant expertise to navigate the SMME ecosystem.

This is where mentorship and coaching proves more effective as it addresses issues real-time throughout the entrepreneurial journey and not only at start-up phase and it is consultative. *"Because remember in a mentorship environment or in the SME development environment, in my opinion, you can get rid of all the interventions and you can still succeed with only one intervention. That is mentorship because when you have an experienced mentor is able to handhold you and not only handhold you, not only become a teacher or a coach, but also some kind of a channel for you to meet certain corridors of power."*(Participant 8, Founder & Director)

- **Policy & regulation continue to stall the transition of the informal sector**

Unemployment and Inequality is the biggest cause of the current informal sector in South Africa. ***"****What you need to bear in mind is that, we recognize the fact that many businesses, especially within your township environment, have been started not as a result of an opportunity that has been identified, but more out of necessity because of levels of unemployment and there's a need for an income."*" (Participant 4 CEO). The reason for entrepreneurship within the constraints of the informal sector is not necessarily business growth however, it is a way to circumvent poverty through self-employment avenues (Tengeh & Mukwarami, 2017). Some authors have called this form of entrepreneurship unproductive mainly due to the fact that they are hardly profitable (Tengeh & Mukwarami, 2017). This type of entrepreneurship is a growing trend amongst young people in township settings. *"So it's when young people are not finding jobs and then they decide, let me rather opt for this. And the other challenge is that we are now limited in the numbers that are available to us, of quality entrepreneurs. I need to emphasize this as well, that is not only about the quality of ideas, it's the quality of entrepreneurs, because both are interdependent, you find a brilliant idea. But if the entrepreneur himself is not skilled enough, whether with interpersonal skills or technical skills, they will not make the idea fly."* (Participant 5 Program Manager).

A good example of this is with Spaza-shops that are predominantly found in townships. Authors have argued that the lack of sustainability of Spaza-shops amongst black South Africans is due to the absence of critical business skills that help with navigating both demands and changes within the environment they operate in (Tengeh, & Mukwarami, 2017). Business skills such as budgeting, procurement, stock management, sales and marketing, tend to be found lacking due to the fact that many Spaza-shop business owners have not been given formal training (Tengeh & Mukwarami, 2017). Business owners within the informal sector often get limited to no support from government for services such as mentoring and coaching, financing and advisory (Tengeh & Mukwarami,

2017). Participant 8 stated that the best way to address this is that *“there must be an incubator catered to the informal sector.”*

It is of great concern that the efforts the government has made to increase the presence of township based digital incubation hubs in the country to bridge the infrastructure and technology gap that exists, is not necessarily reaching the targeted audience. To date most informal sector business owners still lack the information about seed-funding, available support training that township incubation hubs render (Mukwarami & Tengeh, 2017). *“I think the budget is one of the limiting factors when it comes to that, because most people do not even know that there is an innovation agency called the Innovation Hub.” (Participant 7 Commercialization Specialist).*

Historically the informal business sector was predominantly dominated by Spaza-shops and street vendors with limited competition; however the last 10 years has drastically transformed this industry with the growing presence of malls and immigrant owned Spaza-shops (Moloi, 2014). Local owned spaza-shops have had to close shop as they struggle to compete with their competitors when it comes to capital, logistics, and variances in product offering (Moloi, 2014). SEFA has a support program for local spaza-shops based in the townships and rural areas with the aim of formalizing businesses into micro-enterprises. The Spaza-shop support program helps business owners with compliance and formal registration, credit facility (R15000 maximum, 70% grant, and 30% loan) and provides business development support (SEFA).

The current support available for informal sector business in the country requires businesses to be registered and owned by South African citizens which alone is a barrier as many township business are immigrant owned and various informal businesses prefer to stay informal to escape certain regulatory and administrative barriers i.e. minimum wage, tax requirement, compliance, reporting etc. (Leboea, 2017).. Some entrepreneurs perceive formalization as a costly exercise as it

requires both company and tax registration, which often means business owners need to do tax returns and most are either illiterate or uneducated and would need to outsource these services (Leboea, 2017).

Generally people tend to seek employment in the informal sector for reasons that often either have to do with survival or flexibility (individuals who have to secure more than one job for additional income) and lastly means that are considered illegal(evading tax and labor regulation practices) (Moloi, 2014). Due to these factors the question is, does transitioning the informal sector benefit the people? So for us to even expect that they need to formalize. In fact, some of them are crippled by being formalized. *"For instance, being formal also means adhering to the minimum wage, whereas we know that in many houses in the townships, car washes pay less than that. But people continue to work, they may wish to earn more, but at least it is getting something."* (Participant 5 Program Manager).

The biggest barrier the South African economy faces is that with high unemployment there is no visibility regarding the exact contribution the informal sector makes towards the economy, however there is no doubt that the sector continues to provide employment opportunities (Moloi, 2014). Statistics South Africa has reported that approximately 4.5million people in South Africa form part of the informal employment economy consisting of workers who trade as street vendors, construction workers, repairers, mechanics etc. (Pillay, Rogan, & von Broembsen, 2018).

Government's biggest challenge is establishing policies that will support and enable a conducive trading environment for informal business in South Africa to drive sustainability for the many South Africans who struggle to access formal employment (Moloi, 2014). *"Remember, the challenge is, the informal market actually hires a lot of people. I mean, you go into the market in the townships, the hawkers in the street, it's about cash on hand. It's all about the banking system. And that is why that's what makes it functional. So whatever intervention we*

would try to bring into that sector of entrepreneurship, it cannot be similar to what we do for formal businesses". (Participant 5 Program Manager)

- **Supplier Diversity efforts within the private sector have improved market access for SMME's** :
  Monopolization within certain industries continues to hinder supply chain and value-chain transformation. The key to this transformation as stated by the South African Supplier Diversity Council CEO is through: *"Promoting supply diversity as a more sustainable means of ensuring black business inclusion into corporate supply chains, leveraging global best practices that drive supply, diversity and inclusion globally."*

  Monopolization in South Africa has always been identified as a barrier to access to markets for small businesses in South Africa predominantly in the private sector. To date many South African businesses are monopoly controlled and although legislation does exist through the "*policy framework to support small businesses and particularly black businesses, through the preferential procurement regulations or preferential Procurement Policy Framework Act".* (SADC CEO) The question to date remains is this equally effective in the private sector? *"The government doesn't really have strong teeth. In terms of enforcing the legislation. If there's any trouble, BEE is a tool to address the imbalances of the past. The question is, how are you enforcing that?"* (Participant 8, Founder & Director).

  A committee meeting that was held by the Small Business Development Committee in 2019 revealed that to date there is still limited access to markets for the SMME sector that particularly the rural and township enterprises had no support mechanisms in place (Siwela. 2019). One of the problem statements that were indicated in the presentation presented by Sibusiso Gumede stated that the private sector's compliance is limited due to the fact that there are no instruments compelling them to support supplier diversity strategies amongst small businesses (Siwela, 2019). Mr. M April (ANC) made an important statement that

“He felt that the presentation supported the notion that suggests that small business was only the government's business. This was a fundamental problem when looking at the unemployment statistics that were recently announced. “Government was being identified as the sole responsible entity to ensure the growth of small businesses, and this kind of thinking would not work.” (Siwela, 2019).

BBBEE Act (Act 53 of 2003) implemented the Enterprise Supplier Development (ESD) initiative that aimed to create better linkages between private sector (multinationals/corporates) and SMME’s (Sibiya & Barnard, 2020). ESD which is separated according to ED (targets start-ups and companies not currently on the corporate organizations supplier base) while SD (relates to current suppliers within the corporations database) (Sibiya& Barnard, 2020). *Our linkage facilitation activity is based upon what works best in a buyer environment in the private sector, and that is* corporation work predominantly on a closed database procurement system. “The private companies. What I like about them is that they've got a closed system.” (Participant 2) SD which stands for Supplier Development speaks to how the corporation engages and collaborates with their suppliers to form strategic mutually beneficial partnerships (Sibiya & Barnard, 2020). Organizations are therefore measured and scored according to the ESD practices, and the government aims to use ESD practices to improve the contributions of SMME’s to the economy by 2030. *“And the intended outcome is higher representation and value by spending of underrepresented black businesses in your supply chain, driven with a business case to generate value to your organization”.* (Participant 4, CEO)

The challenges of SMME’s when it comes to the private sector is that corporates prefer to deal with businesses that have established operations with experienced individuals and in most cases smaller businesses lack both capacity and skills (Sibiya & Barnard, 2020). *“Every private sector company has their own policies, systems, processes, different levels of maturity, internal capacity, internal skill*

sets and the discretion through which they leverage that in terms of a strategy" (Participant 4, CEO). *"We are trying to get access to supply chains in the private sector. We can come up with intentional policies that are geared towards solving that particular dilemma that exists in the market. Sometimes there's nothing we can do. I mean, you have seen that the Afriforum went to the government to fight the government with preferential procurement, which was also an intended policy to try and increase participation" (*Participant 6 Partnership Manager).

It is crucial for corporations to support government strategies and support the goals that ESD aims to achieve which is to grow SMME's to business that will be sustainable enough to contribute towards alleviating poverty and creating jobs (Sibiya & Barnard, 2020). This is crucial as corruption and fronting continues to cause major setbacks when it comes to the objectives of policies and regulations, where certain practices are done on paper for compliance and reporting however are not applied. *"We had one company that was making trolleys. They couldn't get the contract, though. They got listed with the national retailers, but it turned out that they were just being listed so that those companies could claim to have a supplier on their books, even though they were not using the supplier."* (Participant 5 Program Manager). When corporate strategies are "aligned to the goals and objectives of BBBEE and the Enterprise and Supplier Development". Success stories such as these emerge: "*Supermarket chains such as Spar have been taking some of our companies and then they are selling regionally. So once they are and remember shops such as Spar for instance, some of them are independently owned and therefore they simply stock our product and then extend it to as many stores as they own within their own local national support group"*(Participant 5 Program Manager).

It is also crucial for support program organization, NGOs like SASDC to continue driving efforts towards supplier diversity transformation, adapting and changing with the 2030 NDP goals in mind. "*And therefore we need to create as many opportunities for face to face engagement or voice to voice, whether it's digital or*

whatever. For there to be a conversation taking place between certified black owned suppliers on our database, with buyers who are looking to source goods and services under their responsibility from new suppliers. In that way, a profile doesn't become the only mechanism through which a buyer needs to rely on and believe that a supply is the right fit. They get to ask more questions, and through asking more questions, they get to better understand the offering." (Participant 4 CEO)

Chapter 5: Conclusions and Recommendations

5.1. Introduction

This chapter concludes the study and provides a summary of the overall study, conclusion of the findings and provides recommendations for practice that will potentially guide further research on the problem statements the study aimed to address.

5.2. Summary

Due to the effects of Covid-19, over 290 000 SMME's had to close operations in 2020, contributing further to notable decline of 11% year on year in South Africa (SEDA 2021).The study aimed to explore the existing impediments that are contributing towards the high failure rate of SMME's and investigate whether the available supporting strategies through governmental programs and policies has been effective. The study applied four main objectives in order to explore if South Africa is doing enough to mitigate against the existing causes that result in a constant decline in the number of SMME's in the country.

The study employed a qualitative research methodology using thematic analysis to inductively analyze the data collected. The study being an explorative in-depth analysis utilizing both subject data and literature/public information, did not require a specific sample size however data from 8 consenting participants. The research instrument used was an open-ended semi-structured questionnaire conducted through a virtual interview setting using Zoom as a platform. The interview was recorded and transcribed using Sonix software,

The findings revealed from the constructed theories using Quirkos software were as follows:

Access to finance remains as an impediment for micro and small business in South Africa. Lack of funding continues to be mentioned by SMME's as one of the top three reasons that result in failure in the first year of operations. Most of the funding that is accessible from external sources i.e. government funding agencies is for start-ups in the form of seed funding and not necessarily credit options to generate and manage cash flow. Limited finance becomes a notable barrier for growth and hinders small businesses from investing in the right systems and infrastructure that will enable them to be competitive. Other reasons mentioned during the interviews conducted include limited capital and infrastructure, corruption, credibility concerns, monopolization and access to markets.

SME's (micro and small enterprises) employ more non-traditional funding options which often involve selling their own assets to fund their visions and ideas, borrowing money from family and friends, stokvels, or partnerships with individuals who will either provide capital or infrastructure. The preference toward non-traditional methods is as a result of commercial banks and lending institutions having requirements that prove difficult for a start-up or small business. These requirements otherwise known as the 5 C's; credit line, collateral, connection, capital and . Funders continue to argue that they are willing to provide funding to investment ready businesses and this is mainly because lending institutions more specifically banks are risk averse.

Informal sector transition in South Africa continues to be stalled. The informal sector in South Africa is resultant of the state of unemployment and poverty. Majority of informal businesses are township and rural based, consisting mainly of street vendors and spaza shops, who struggle with intense competition from immigrant informal traders and larger supermarket chains. Informal sector comprises mainly survivalists and individuals who are looking for flexibility i.e. untaxed additional income streams. Statistics indicate that the economic contribution of the informal sector remains significant however efforts to formalize the sector with existing policies and legislation may be difficult. Despite

government's recent efforts with the Spaza shop support schemes that aim to bridge the funding and business incubation gap that exists in the townships.

Lastly there have been evident changes regarding supplier diversity efforts in the private sector due to the efforts of non-profit organizations like SASDC and commercialization efforts implemented by various government funded incubation and support programs in the country. Policy and legislation remains a huge propeller of market change through legislative acts such as BBBEE (Act of 2003) with the implementation of ESD within corporate organizations. There is a huge need for the private sector to partner with the government and prioritize these strategies as part of their own corporate objectives and annual reporting.

5.2. Study Conclusion

- Regarding the impediments that currently affect SMME's in South Africa the study revealed that lack of funding remains one of the top three challenges that are faced by SMME's especially amongst micro and small businesses that are considered high risk.
- Regarding the role of conglomerates in bridging the capital and infrastructure gap affecting SMME growth and success. The study revealed that banks and lending institutions i.e. SEFA have fixed processes in place that result in the high rejection rate of funding applications more specifically with micro and small enterprises. The requirements consisting of financial statements indicative of a healthy cash flow and collateral are the biggest barriers that have resulted in many entrepreneurs opting for non-traditional funding methods.
- Regarding the role of policy and regulation in transitioning the informal sector. The study revealed that there has been no progress made with policy and regulation to aid and assist the transition of the informal sector. Efforts have been made to support the sector through funding and business development efforts however the immediate cause of informality, which is formal registration and taxation remains a hindrance for many informal traders and entrepreneurs.

5.3. Recommendations

5.3.1. Private sector & Government in addressing current impediments faced by SMME's

Funding should be structured as a grant with a loan portion and these funds should be in line with corporates/conglomerates i.e. banks ESD and community development efforts. This way the loan amount portion is in line with the current categories available (see below), based on qualifying criteria and the grant amount is not interest tied or part of a repayment structure.

	Annual Turnover	Employees	Loan
Micro	<R100,000	1 – 2	< R10,000
Very Small	<R500,000	1 - 5	R10,000 – R50,000
Small	R500,000 – R24 m	2 – 20	R50,000 - R2 m
Medium	R24 m – R60 m	20 - 200	R 2 m – R5 m

This criteria enables access to funding that is not necessarily limited solely on qualification, increasing the funding amount available for micro and small enterprises. Sufficient enough to raise cash flow to sustain the big contracts, purchase capital equipment for businesses in manufacturing, construction and logistics.

It is evident that funding continues to be a barrier for many micro and small businesses in the country. Funding agencies should work closely with incubators and facilitate funding access through the stakeholders that work closely with SMME's who have full understanding of the ecosystem. This ensures that the commercialization specialist or specialist assigned to the SMME actively gets involved in the funding application. This method closes the loopholes resulting in high rejection rates due to incorrect documentation. Closing the lack of information barriers.

Future research should investigate if the small business rejection rate in South Africa for formal bank loans has improved and set measures for banks to improve their rejection rates as part of their ESD initiatives.

5.3.2 Informal sector transformation to alleviate poverty and unemployment

Organizing and regulating the informal sector continues to be a challenge for the government primarily due to the requirements set out by the Labour Relations Act in South Africa and the Basic Conditions of Employment Act of 1995 (Mosoetsa, 2012). The LRA made amendments in 2002 to make provisions for self-employed workers that was followed by the Domestic Workers Act of 2008 however to date compliance to these Acts has been very limited (Mosoetsa, 2012). However to date there is no policy or regulation for street vendors and informal traders in the taxi, recycling, manufacturing and construction sectors showing governments stalled progress within the informal sector (Mosoetsa, 2012). Informal workers in the country continue to be supported by formal trade unions in the country i.e. SATAWU for the taxi association. Government needs to engage better with bargaining partners such as the trade unions to address existing concerns from the informal sector. Come up with policies that address those concerns, in line with the government's long-term vision of regulating minimum wage and improving working conditions across all sectors in South Africa. Future research should focus on how existing government policies have aided the growth of the informal sector in the last 5 years.

5.3.3. Support Programs in South Africa

Stakeholder collaboration, support and partnership is the only way that effective change can happen within the SMME sector. It is crucial that the support that government, private sector, funders and the business ecosystem as a whole is in line with the objectives that support programs (NGO’S, business incubators, mentors etc.) aim to achieve in South Africa. The SMME ecosystem will need to form an annual advisory board that has all the stakeholders present to discuss challenges, successes and areas of improvement within the sector. Set clear objectives on how change will be implemented to ensure SMME failure is prevented by improving SMME’s access to both markets and funding. Future research should investigate if support programs like incubation hubs have

reporting measures to report on the success of incubated companies 3-5 years post graduation.

5.3.4. Recommendations for future research

The above will ensure that further research is effectively conducted on the effectiveness of support programs in South Africa by going straight to the stakeholders who are actively involved in the mandate of effectively addressing SMME challenges in South Africa. Therefore recommendations for future research will be to get a view from the private sector on supplier diversity strategies they have implemented to drive access to markets for small businesses that have been driven by government and NPO initiatives through i.e. business incubators etc. Get a non-bias view of what challenges the private sector face when doing business with small businesses.

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Appendices

Appendix 1 Interview with Participant 1

Appendix 2 Interview with Participant 3

Appendix 3 Interview with Participant 2

Appendix 4 Interview with Participant 8

Appendix 5 Interview with Participant 5

Appendix 6 Interview with Participant 6

Appendix 7 Interview with Participant 7

Appendix 8 Interview with Participant 4

Appendix 9 Quirkos qualitative analysis report

Appendix 10 Data Collection Instrument for Business Owners

Appendix 11 Data Collection Instrument for stakeholders

Appendix 12 Sonix Software proof of transcription and audio files

Supplementary Information/Supporting Documents

Participant Information Sheet and Consent Forms

Confirmation of Ethics Approval

Supervisor Evaluation Form