



**THE ROLE OF SMMEs IN PROMOTING LOCAL ECONOMIC DEVELOPMENT: A
CASE STUDY OF THE MATATIELE LOCAL MUNICIPALITY**

by

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ABSTRACT

South Africa continues to have issues with unemployment, poverty, inequality and slow economic growth. As the economy shifted to skills-based employment, one province significantly affected is the Eastern Cape, which faces slow economic growth. The government of this province made the decision to implement a national strategy to reduce unemployment and boost growth and development through small and medium and micro sized businesses (SMMEs).

The Matatiele Local Municipality, located within this province, was selected as the study area. Small medium and micro enterprises and municipal stakeholders operating within the Matatiele Local Municipality were interviewed for this study. The methodology used to conduct this study was qualitative, in-depth interviews to gather data. Twelve participants made up the sample, which was drawn from the Matatiele Local municipality, SMMEs and Community members. The Endogenous Growth Theory, which maintains that internal rather than external forces predominantly affect economic growth, was used in this study.

The study recommends that the municipality work in collaboration with the SMMEs and locals to revive business confidence. This advice could be carried out by making sure that all information pertaining to SMMEs is conveyed clearly and on time in order to prevent misunderstandings. The municipality also needs to ensure that the support it provides to SMMEs is enough to be sustainable. It is evident from the feedback from local business owners that the municipality needs to increase the budget for Local Economic Development (LED) in order to make sure that SMMEs reap the most benefits.

Keywords: Small, medium, micro enterprises (SMMEs), Local Economic Development, SMMEs

DECLARATION

I **Pholoho Glorius Hoffman**, hereby declare that:

- This dissertation is the reflection of my own work.
- I also confirm that work in this dissertation has not been submitted for examination or degree at any other University.
- The information used in this dissertation, published and unpublished, has been acknowledged and referenced.

I thus authorise the title and abstract of my thesis to be distributed to other academic institutions and students, as well as the photocopying and/or reprinting of my work, inter-library lending, and other uses.

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DEDICATION

This dissertation is dedicated to my two beautiful sons and nephew: **Oarona, Lebone and Khauyarona**, who always give vital reasons to achieve and be successful.

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LIST OF ABBREVIATIONS

CoGTA	Department of Co-operate- Governance and Traditional Affairs
DUT	Durban University of Technology
EC	Eastern Cape
EGR	Endogenous Growth Theory
LED	Local Economic Development
LG	Local Government
MLM	Matatiele Local Municipality
NDP	National Development Plan
SMME	Small, micro, and medium enterprise

CHAPTER ONE

INTRODUCTION

1.1.INTRODUCTION

The national government has implemented an extensive range of programmes, policies and projects to rationalise the role of SMMEs in poverty alleviation since the formulation of the Small Business Act 1996 (Act 102 of 1996), which provides procedures and guidelines for various organs of state in order to promote Small, Medium and Micro Enterprises (SMMEs). Thus, the primary function of SMMEs in South Africa is to serve as a catalyst for economic expansion. However, it should be recognised that despite the efforts and promise that SMMEs present, poverty and unemployment rates are still high in locations like the Matatiele area. Therefore, one can inquire as to the function of SMMEs and whether such expectations have been met. In order to provide adequate employment opportunities, reduce poverty and maybe reduce economic inequality in Matatiele Local Municipality, this study aims to investigate the significance and function of SMMEs in generating stable and sustainable economic growth.

A qualitative methodology will be used for this study. Many academic disciplines use the qualitative research methodology as a form of inquiry. The whys and hows of decision-making are investigated using the qualitative technique (Mohajan, 2018). All participants will be elected officials from the municipality, and the researcher will conduct structured interviews to gather information from them. To better understand the municipality's strategy for assisting current SMMEs and providing mentoring to burgeoning entrepreneur, is one reason for interviewing municipal authorities as well.

1.2 BACKGROUND TO THE STUDY

Globally, there is an increase in unemployment, social marginalisation and poverty. The World Bank (2014) asked what it would take to improve the lives of the poor and end poverty about ten years ago. This topic is still being discussed internationally. Economic growth is important, but it

must also be accompanied by measures to ensure that all members of society profit from it, according to a number of specialists in the field of economic development (Zulu, 2017). According to Van-Scheers (2018), the small business sector is acknowledged as a significant generator of employment possibilities and a provider of bridges between the first and second economies (the latter of which is referred to as the informal economy). Zulu (2017) states that the major goals are to increase wealth amongst rural businesses and to address the enormous problems brought on by rising unemployment.

1.3 PROBLEM STATEMENT

South Africa has made progress in the post-apartheid era to compete in the international market (Mkodzongi and Rusenga, 2021). In order to provide local populations that were formerly marginalised from economic involvement by the apartheid regime with economic relief and prosperity, the government of South Africa has implemented a series of remedial measures (Mkodzongi and Rusenga, 2021). Although the pace has been gradual, one of these remedial measures is the role of SMMEs, where municipalities has been mandated to provide a strategic position that can enable fair access to socio-economic possibilities for community members. The South African government's intentions for SMME development, according to Botha et al. (2021), come at a time when the country is working to live up to the high expectations of its people for a smooth transition to a more democratic and black-dominated economy. Small, medium and micro enterprises (SMMEs) have gained recognition as powerful forces for inclusive economic growth and development in South Africa and the world (Botha et al., 2021). However, the bulk of South African citizens continue to experience poverty and unemployment despite the explicit aims of achieving the nation's economic independence through SMMEs. Access to capital has also been noted as a significant barrier to SMME expansion, despite the fact that the government considers SMMEs to be the main employers and economic growth agents. Mokoena (2017) asserts that over time, entrepreneurial activity in South Africa has gradually decreased. Additionally, the COVID-19 pandemic has severely harmed South Africa's economy, and researchers Botha, Smulders, Combrink and Meiring (2021) contend that SMME development and full support can bridge the gap. Malnutrition and hunger, poor health, restricted or absent access to education and other basic services, unsafe environments, an increase in morbidity and mortality from illness, social

discrimination and exclusion, and inadequate housing are all indicators of the depth of extreme poverty (Mkodzongi and Rusenga, 2021).

1.4 AIM AND OBJECTIVES

1.4.1. Aim of the study

The specific aim of the study is to explore the importance and the role of SMMEs in creating stable and sustainable economic growth for suitable employment opportunities, poverty reduction and possible curtailment of economic dissimilarity in the Matatiele Local Municipality.

1.4.2. Research Objectives

The objectives of the study are as follows:

- i. To investigate the causes of SMMEs accelerating or decelerating economic growth and entrenching the values of entrepreneurship within the Matatiele local community;
- ii. To ascertain the role of the Matatiele Local Municipality in supporting the development of SMMEs for economic growth in the Matatiele area;
- iii. To investigate the challenges faced by the Matatiele Local Municipality in implementing economic creating strategies and
- iv. To evaluate the extent to which SMMEs are a sustainable solution to deal with the economic challenges facing the Matatiele community.

1.4.3. Research questions

The research questions for this study are as follows:

- What is the cause of SMMEs accelerating or decelerating economic growth and entrenching the values of entrepreneurship within the Matatiele local community?
- What is the role of the Matatiele Local Municipality in supporting the development of SMMEs for economic growth in the Matatiele area?
- What are the challenges faced by the Matatiele Local Municipality in implementing economic creating strategies such as SMMEs, and proposed solutions?
- To what extent are SMMEs a sustainable solution to deal with the economic challenges facing the Matatiele community?

1.5. RATIONALE FOR THE STUDY

This study is significant because it aims to comprehend how SMMEs contribute to regional economic growth and to identify ways that locals might enhance their quality of life through enterprises. This study is motivated by participation in organisational planning and decision-making. The study is significant for the following reasons:

- SMMEs serve as the cornerstone of economic development in South Africa given the country's current triple development challenges of poverty, unemployment and inequality;
- SMMEs account for 60 to 70% of jobs in the majority of Organisation for Economic Cooperation and Development (OECD) countries, with a disproportionately large percentage in the most developed countries and a relatively smaller share in the under-developed and emerging countries; and
- In order to decrease poverty and inequality and expand employment possibilities, South Africa needs significantly higher levels of economic growth initiatives, such as the promotion of SMMEs, backed by the quicker execution of the operational reforms indicated in the National Development Plan.

1.6. STRUCTURE OF THE STUDY

The following five chapters are included in this study:

Chapter 1: Background and study context are introduced in this Chapter. It discusses the aim and objectives, the research issue, and the research questions.

Chapter 2: This chapter evaluates pertinent literature that is consistent with the study's objectives. The conceptual framework and theoretical underpinnings of the investigation are also explained in this chapter.

Chapter 3: The research methods and research strategy employed in this study are covered in this Chapter. This chapter also covers the research tool, the sampling strategy, ethical issues, validity, and data analysis.

Chapter 4: In accordance with the goals and study questions, Chapter Four provides the data's findings and interpretation.

Chapter 5: Conclusions, proposals for further research, and recommendations are presented in this Chapter.

1.7. CONCLUSION

The research study's overview was presented in this chapter. It has described the context, the goals and objectives, the study setting, the importance of the study, and the study's organisation. The study is in line with the regional and local economic issues that cause poverty and unemployment in the surrounding areas. The major issue includes the promotion of small enterprises (SMMEs) as an essential goal for the Matatiele Local Municipality. The investigation of SMMEs' contributions to fostering economic growth for the Matatiele Local Municipality was also covered in an effort to satisfy the study's goals. A review of current studies that are pertinent to this subject is provided in the following chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

The introduction, background, problem statement, objectives and research questions, significance of the study, and chapter outline were all highlighted in the previous chapter to give a general summary of the study. The literature for this study on the function of small, medium, and micro enterprises (SMMEs) in fostering local economic development (LED) is revealed in this chapter. The chapter begins by outlining the many facets of SMMEs before delving into a number of underlying facets, such as their role in the economy, their traits and the difficulties they face, amongst other things. The Endogenous Growth Theory, the legal environment, a review of relevant literature, political control and interference, and the difficulties faced by SMMEs in South Africa are covered in the first section of the chapter.

2.2 THEORETICAL FRAMEWORK

A theoretical framework, according to Grant and Osanloo (2014), is a group of connected ideas that explains a phenomenon. As a result, it offers a framework that demonstrates how the researcher defines his or her research in terms of the methodology, philosophy and analytical framework. Moreover, according to Ravitch and Carl (2016), the theoretical framework serves as a framework for the researcher to use when contextualising and locating formal theories within their study. This is crucial for presenting a study in a scientific and academic context. Additionally, the theoretical framework keeps the study problem and its focus connected. In other words, it directs the researcher's methodological decision and data analysis strategy in order to help the researcher select the best study approach, analysis techniques, and processes.

2.2.1 Endogenous Growth Theory

In light of the foregoing, this study makes use of the Endogenous Growth Theory, which contends that internal rather than external factors primarily determine economic growth (Howitt, 2010). Investments in information, innovation and human capital are key factors in economic growth,

according to the Endogenous Growth Theory. The concept also emphasises how a knowledge-based economy will have advantageous externalities and spill-over effects that will spur economic growth. The theory's central thesis is that political choices have an impact on an economy's long-term growth rate. For instance, Subsidies for R&D or education in some endogenous growth models increase the incentive for innovation, which raises growth rates (Chirwa and Odhiambo, 2018).

Around the middle of the 1980s, a number of hypotheses began to gain traction and became gloomier about exogenous factors' effects on long-term growth. In place of the exogenous growth variable (unexplained technical development), these theories favoured a growth model that explicitly identified the primary drivers of growth (Gutierrez-Romero, 2021). Paul Romer (1986), Robert Lucas (1988), Sergio Rebelo (1991) and Ortigueira and Santos (1997) assumed that growth was the result of ongoing investments in human capital rather than considering technological advancement (Vo, Nguyen, Tran and Vo, 2019). This had a positive knock-on effect on the economy and reduced the diminishing return to capital accumulation.

The AK model, the most basic endogenous model, assumes a constant exogenous saving rate as well as a constant rate of endogenous growth. It simulates the growth of technology using just one parameter, typically A . The production function does not exhibit diminishing returns to scale, which is the underlying assumption of the model. This assumption has been supported by a number of arguments, including the positive economic spill-overs from capital investments and the cascade effect of technical breakthroughs. However, models where actors choose how best to spend and save while allocating funds for research and development that develops technology serve to support the Endogenous Growth Theory. Romer (1986, 1990) and to a lesser extent Aghion and Howitt (1992) and Grossman and Helpman (1991), and others, notably included R&D and imperfect markets in the growth model. Russian economist Vladimir Pokrovskii (1994) promoted the quantity theory of Endogenous productivity growth. The theory depicts growth as the outcome of the dynamics of three components, including the technological characteristics of production equipment, without making any unnecessary assumptions. This makes it possible to accurately reconstruct previous rates of economic expansion (Petach and Tavani, 2021).

The lack of endogenous growth theories to explain conditional convergence as described in empirical literature is one of its primary flaws. The underlying presumption of diminishing returns on capital is another point of contention. Parente (2016) asserts that although often being more complicated, the new growth theory has not been any more effective than the exogenous growth theory in explaining the wealth gap between developing and developed nations. According to Krugman (2022), "too much of it involved making assumptions about how unmeasurable things affected other unmeasurable things" (Martin and Sunley, 2017). This made the endogenous growth hypothesis extremely hard to test empirically.

2.3. THE LED LEGISLATIVE FRAMEWORKS - SOUTH AFRICA

After the nation's first democratic elections in 1994, the South African government created substantial legislative and policy frameworks that are aimed at the implementation of LED (Malele and Moyo, 2018). In order to foster inclusive development, which requires that everyone engage in all phases of development from planning to implementation, new legislation was developed. Numerous rules and regulations have an impact on LED projects. However, seven are covered here for the sake of this study.

2.3.1. The Republic of South Africa's 1996 Constitution

According to the Republic of South Africa's 1996 Constitution, local governments must take the lead on LED initiatives and be in control of their creation and execution. In addition, Section 152 of the Constitution mandates that local governments assist socio-economic development in order to create business and job opportunities for neighbouring communities (Ngcobo, 2021). "The section also urges local governments to collaborate with relevant parties under their jurisdiction in order to provide sustainable development for the population" (Mashamaite and Lethoko, 2018).

2.3.2. Local Government Municipal Systems Act (30 of 2000)

The Local Government Municipal Systems Act (30 of 2000) mandates that municipalities foster socio-economic development, provide essential services at fair prices, and encourage local community participation in local development. The elected municipal council is mandated under the Municipal Systems Act (32 of 2000) to adopt a strategic plan that considers the municipality's

whole growth strategy. The 5-year IDP plan outlines all of the municipal council's goals and development priorities, including LED in Section 25 of the law. In South Africa, each municipality is obliged to develop an LED plan or strategy that will be incorporated into the IDP.

2.3.3. Strategic Plan for Integrated Sustainable Rural Development (ISRDS), 2000

The ISRDS of 2000 focuses on transforming the country's economically unviable rural areas into places that significantly contribute to the growth of the country's GDP. Furthermore, it tries to temporarily coordinate the projects and programmes that were already in place to support the impact economy. The ISRDS of 2000 further stipulates that every development-related programme or plan should be initiated with consideration for the socio-economic circumstances of all South African provinces, regardless of whether they are impoverished or not.

2.3.4. LED Institutional Arrangements Guidelines- (2000)

The draft LED policy and the LED Guidelines to Institutional Arrangements (2000) both heavily emphasise a local community-oriented approach and emphasise LED as being pro-poor oriented by prioritising marginalised towns and regions and historically underprivileged groups of people, according to Patterson's LED Guidelines to Institutional Arrangements (2000), which is why Mashamaite (2014) believes that municipalities should, ideally, only fund local initiatives that boost job growth while also taking the evolving nature of the world economy into account.

2.3.5. The National Framework for Local Economic Development (2018–2028)

It is vital to consider that a new version of South Africa's National Framework for Local Economic Development, with a period of 2018 to 2028, has been introduced. The development of LED policy is strongly tied to municipalities' performance improvement in providing high-quality services and growing the local economy, according to the National Framework for Local Economic Development (NFLED). This framework seeks to move away from limited municipal obligations that are solely focused on the government's engagement in ad hoc projects, towards a strategic approach to assisting the local economy to thrive.

2.3.6. National Development Plan (NDP)-Vision 2023

The National Development Plan (Vision 2030) (NDP, 2011) states that in order to build a strong foundation for the provision of social security, adequate social services and the development of people's capacities to eradicate poverty and lessen inequality, the government should encourage the formation of partnerships with communities by the year 2030. The economy is expected to grow and provide jobs more sustainably as the country develops and creates inclusive societies.

2.3.7. Integrated Development Process

Using an integrated development planning approach, municipalities produce a 5-year strategic development plan. These strategic plans are examined yearly. This method seeks to come to conclusions about issues pertaining to the municipal budget, LED, land management, and institutional transformation using a participative, thorough and strategic approach.

2.4. SMME DEFINITION AND CHARACTERISTICS

Organisations with less than 250 employees are considered small and medium-sized organisations. A small enterprise is one with fewer than 50 employees when deciding between small and medium-sized businesses. These businesses, which are also known as SMMEs, are frequently run by owner-operators (Berisha and Pula, 2015). For Amnesty purposes, any company with a turnover of up to R10 million qualifies as a small business. However, a small business corporation (SBC), for income tax purposes (Section 12E), is described as a business with a turnover of less than R14 million, amongst other qualifying requirements (The Forum South Africa, viewed in September 2012). The South African Revenue Services (SARS) uses many definitions, depending on the situation. For the purposes of capital gains tax, a corporation is considered a Small and Medium Business (SME) if its total net assets fall under R5 million. The Forum South Africa (2012) suggests that SARS confine its definition of a small business to that used for Small Business Corporation (SBC) regime purposes, which is a business with a revenue of just over R14 million. The participants included in this study fall below the prerequisites outlined above.

Moreover, based on the foundation of small business or SME support in the late 1940s and the adoption of tailored policies (subsidised credits, special tax treatment grants, etc.), the concepts of

SME and economic development first emerged in the growth and development landscape 2013 Chimucheka. Vermeulen (2011) agreed with the World Bank, in his paper on the importance of the SME sector, that SMMEs play a significant role in emerging economies and act as engines of growth, which are essential for an effective and competitive market. SMMEs are also critical for reducing and alleviating poverty.

In addition to the quantity of employees and net assets, SMMEs also have a number of other crucial features, such as the management approach and type of activities. Owners of SMMEs may run them, and they typically have family members on hand to assist them (Okello-Obura and Matovu, 2009). In this respect, the decision-making process is largely ad hoc, unstructured and dependent on the personal drive of one or more of the executives. SMMEs have a simple management structure, a small range of products and services, and a low risk tolerance because of the nature of their firms. Individual SMMEs generally struggle to take advantage of market opportunities that need high production quantities, reliable supply and consistent standards, and they frequently struggle to obtain economies of scale when acquiring inputs. SMMEs are particularly vulnerable to situations where decisions are made haphazardly and without consideration of relevant business data (Okello-Obura and Matovu 2009; Gronum and Verreynne 2012).

2.5. SMMEs' FUNCTION IN FOSTERING ECONOMIC GROWTH

As mentioned previously, SMMEs are crucial to the encouragement of economic growth. The role of SMMEs in fostering economic development is examined in this section, with special attention paid to the previously mentioned issues. SMMEs act as engines of growth and are essential for an effective and competitive market; they are crucial for poverty alleviation; and they are important in emerging economies.

"SMMEs (defined as companies employing 1 to 499 people) account for approximately 76% of the total employment in the economy, and of the net new jobs generated between 2004 and 2007, they created 53% of these, according to a 2019 report by the World Bank on the role of SME job creation in the South African economy" (Okello-Obura and Matovu 2009; Gronum and Verreynne 2012). Any industry that is reportedly adding 53% of the nation's new jobs has to be supported. It is also stated that this is likely the "highest risk" aspect of business because few SMMEs have the

luxury of corporate budgets or government largesse, which leaves them with very small safety nets, if any, should things not work out. According to the researcher, this is a substantial figure given the country's unemployment problem (World Bank, 2019).

SMMEs are important in South Africa because they are the impetus behind numerous novel items, fresh distribution strategies, and general advances (Aboelmaged, 2018). SMMEs appear to be more adaptable and motivated than their larger corporate counterparts, which makes them better positioned to profit from the deregulating industry (Aboelmaged, 2018). Since this will boost competition and, ultimately, result in a more productive and efficient economy, the general population should be pretty pleased about it (Aboelmaged, 2018).

More research is required on the third claim, which is that SME activity reduces poverty. Muller, Buliga and Voigt (2018) assert that small and medium-sized businesses are typically situated outside of the traditional main urban regions as a result. This can be because there are greater business opportunities there, or because of lifestyle factors. Whatever the reason, the reality remains that economic activity outside of major urban areas creates job possibilities and reduces poverty in rural areas, according to the famous "multiplier effect" that economists adore. However, not all SMMEs are located in non-metro areas, but they all help battle poverty by offering opportunities for employment and training, as well as softer social benefits like CSI (Muller et al., 2018).

According to Muller et al. (2018), SMMEs account for the majority of businesses in most economies. Small firms are projected to account for one-third of industrial employment and a smaller percentage of output in First-World countries like the United States of America and the United Kingdom. Third-World nations, wherein SMMEs predominate amongst economically active enterprises, place a far higher importance on the prosperity of SMMEs than do First-World nations (Rwigema and Karungu, 1999). According to Shihin, Dubey, Gunasekaran, Luo, Papadopoulos and Roubaud (2018), SME operations in Africa are essential for promoting economic growth, generating jobs, and alleviating poverty.

In contrast, Dung and Giang's (2022) study on SMMEs in Africa discovered that, on average, more SMMEs close than grow, with only 1% of micro-businesses growing from five to ten employees. SME growth and job creation have long been claimed to be crucial for countries like South Africa,

where the unemployment rate is high and has been estimated to reach 40 percent (Dung and Giang, 2022). The importance of the SME sector to the South African economy in addressing sustainable development was highlighted in the 2003 Human Development Report for South Africa (UNDP, 2014) by Rogerson (2004). A significant 90% of all official firms in South Africa, according to Rwigema and Karungu (1999), are small, medium or micro enterprises. The SME sector makes a significant contribution to the South African economy. According to Dey, Malesios, Chowdhury and Abdelaziz (2019), "the SMME sector is not only seen as an employment creator, but this sector also acts as an absorbent of retrenched people coming from the private and public sectors".

SMMEs in developing nations receive targeted support from the World Bank Group and other international aid organisations like the International Labour Organisation (ILO) in order to spur economic growth and combat poverty (Bhorat, Asmal, Lilenstein and Van der Zed, 2018). Since 1998, the World Bank Group has offered financial support to SMMEs (Bhorat et al., 2018). The following are the three main justifications for a pro-SMME financial support policy (Zulu, 2017):

Firstly, proponents of SMMEs contend that these businesses foster rivalry and entrepreneurship, which has a positive external impact on the economy's efficiency, innovation and growth in total productivity (Zulu, 2017). From this standpoint, direct government assistance to SMMEs will assist nations in utilising the societal advantages of increased competition and entrepreneurship;

Secondly, those who support SMMEs usually assert that these businesses are more productive than big corporations, but that their growth is hindered by the financial markets and other institutional failings (Zulu, 2017). Therefore, direct government financial assistance to SMMEs can spur economic growth and development, subject to financial and institutional changes; and

Thirdly, some contend that because SMMEs are more labour-intensive than large firms, SMME expansion increases employment more than large business growth. Subsidising SMMEs could therefore be seen as a means of reducing poverty (Zulu, 2017).

2.6. LOCAL ECONOMIC DEVELOPMENT (LED) AND SMMEs

Local Economic Development (LED) is "an approach to economic development of note in the developing world that, as its name implies, places importance on activities in and by cities, districts, and regions", according to Meyer (2014: 621). Local economic development combines

economic development, infrastructural development, urban planning and social development activities to improve local conditions. With the purpose of improving a local area's economic capabilities in order to improve its economic future and general quality of life, LED thus encompasses a variety of sectors, including physical planning, economics and marketing. By defining LED as "a process to mobilise stakeholders from the public and private sectors, as well as from civil society, to become partners in a joint effort to improve the economy of a defined sub-national territory and thereby increase its competitiveness," GTZ (now called GIZ) expanded on the World Bank's definition of LED in 2007.

According to Meyer (2014), several international development institutions see LED as an addition to other types of aid like enhanced governance, decreased inward migration, and urban development. Local efforts should not be replaced or surpassed by national or international development projects or programmes. However, they can help establish or improve LED locally. Therefore, rather than attempting to address the community's economic problems, the objective of external support should be to help locals create an efficient LED process. Local stakeholders frequently become spectators to a project in their community when external development projects are carried out locally (Fiseha and Oyelana, 2015).

2.7. SUB-SAHARAN AFRICAN SMMEs

According to Abisuga-Oyekunle, Patra and Muchie (2020), the manufacturing sector in Sub-Saharan Africa is primarily where major enterprises create net new jobs. Furthermore, empirical data suggests that business size is a poor predictor of labour intensity and that industry-level variations in labour intensity are greater than those within firm-size sub-groups within industries. According to Abisuga-Oyekunle, Patra and Muchie (2020), many small businesses in the same sector require more capital than larger businesses do. This shows that SMMEs may not always be better suited to the characteristics of emerging countries' abundant labour and little capital.

Access to funding and the cost of borrowing are two significant problems for African SMMEs. Accessibility refers to how simple it is for SMMEs to secure financing Strategy (Ahenkan, Chutab and Boon, 2021). Due to the fact that many SMMEs in Africa run their firms incorrectly and haphazardly, it is challenging for them to obtain finance. Additionally, accessibility issues are

frequently encountered even by people who are fully registered. This is a significant issue since companies that lack adequate working capital are unable to grow and expand. Only a third to a fifth of SMMEs in sub-Saharan Africa have access to a bank loan or line of credit. In the area, 28.3% of firms are thought to be loan-inaccessible.

2.8. PRO-GROWTH VERSUS PRO-POOR LED IN SOUTH AFRICA

Numerous LED projects in South Africa have taken a position that is explicitly in favour of the poor, raising questions about whether this approach is superior in terms of eradicating poverty to the outcomes of more pro-growth initiatives. A significant part of South Africa's 2005 policy proposals for implementing LED is the Microeconomic Reform Strategy (Ahenkan, Chutab and Boon, 2021). According to the authors, this strategy focuses on issues like geographic distribution of activity, black economic empowerment, integration, skills development, knowledge-led growth, and state responsiveness in order to address the nation's disparities and build on the RDP (Reconstruction and Development Programme).

Furthermore, other mechanisms, such as integrated development planning, offer further support for implementation in addition to the norms and regulations that explicitly support and encourage pro-poor LED. One key component of LED is integrated development planning, which promotes using planning to position pro-poor development generally, and LED in particular. Integrated development planning was described as "a participatory approach to integrate economic, sectoral, spatial, social, institutional, environmental, and fiscal strategies in order to support the optimal allocation of scarce resources between sectors, geographical areas, and across the population in a manner that provides sustainable growth, equity, and the empowerment of the poor and marginalised" by the South African Forum for Effective Planning and Development in 1995 (The South African Forum for Effective Planning and Development).

2.9. SOUTH AFRICAN LED

In order to promote and support the expansion and sustainability of regional economies, the National LED Framework was established and between 2006 and 2011, the government expanded its funding for LED. This was achieved by coordinated government action and active government participation. Despite all the policies on LED, municipalities in South Africa are still having

difficulty authorising and implementing it in a way that will successfully tackle the problems of income poverty, unemployment and inadequate local economic growth. The Department of Cooperative Governance and Traditional Affairs published a new National Framework for LED, which will be used from 2018 to 2028, as a result of hurdles to LED implementation that developed over time. Local governments in South Africa are essential in ensuring that the LED agenda to fight poverty is addressed, understood and carried out within the right frameworks. In order to encourage local municipalities to make sizeable financial investments in LED projects, the Department of Cooperative Governance and Traditional Affairs (COGTA), formerly the Department of Provincial and Local Government (DPLG), has been doing so.

Mokoena (2019) asserts that while the LED strategy was developed with the goal of increasing the global economy, its main objectives were the eradication of income poverty and the integration of formerly marginalised communities in Africa. Many African nations were colonised by Western Europeans, who also introduced sectoral management, macro-economic centralization, and sectoral management development strategies. The centralization strategy's public policies exacerbate socio-economic issues like access to basic services, employment and income generation. Top-down macro-economic thinking results in policies that are frequently supply-driven, free of delivery deadlines, and unaffected by an infrastructure-centric viewpoint. Many African academics questioned these traditional development approaches' feasibilities, notably their capacity to ensure sustainable growth (Van Scheers, 2018).

2.10. MATATIELE'S LOCAL ECONOMIC DEVELOPMENT (LED)

The Matatiele Local Municipality's residents, according to Mubangizi (2021), struggle with poverty, unemployment and a lack of possibilities for long-term economic progress. The effects of these unpleasant experiences are related to some of the financial constraints that prevent local residents from effectively engaging in the municipal economy. These obstacles also restrict the municipality's ability to generate economic gains. The government has implemented a number of economic interventions for the acceleration of economic growth to address issues in municipalities and across the nation. The Local Economic Development (LED) plan, which typifies SMMEs as the accelerator for economic growth, is one of these interventions. It demonstrates a commitment to economic restructuring and poverty reduction (Van Scheers, 2018).

SMMEs are a major vehicle for tackling the issues of job creation, economic growth and equity in South Africa, according to the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995). Further highlighting the significance of SMME revival in the fight against poverty and unemployment is the National Development Plan-Vision 2030 (RSA, 2015). Additionally, the Reconstruction and Development Programme (RDP), the country's first socio-economic plan, pushed for support for small and medium-sized businesses to foster employment growth, income distribution and economic expansion (Abisuga-Oyekunle, Patra and Muchie, 2020). Based on their capacity to affect economic growth, policy-makers, economists and business experts are increasingly in agreement that SMMEs are the drivers of economic growth (Abisuga-Oyekunle, Patra and Muchie, 2020). According to Afriyie, Du and Musah (2019), a healthy SMME sector makes a major economic contribution by expanding job opportunities; increasing production levels; boosting exports; and fostering innovation and entrepreneurship skills. The LED strategy and small, micro and medium enterprise projects within the Matatiele Local Municipality are covered in this section.

2.10.1 Matatiele Local Municipality - LED Strategy

One of the local municipalities in Alfred Nzo District Municipality (ANDM) is Matatiele Local Municipality. The Drakensberg Mountains, Lesotho, Sisonke District Municipality and O.R. Tambo are all located on its north-eastern side, with the ANDM located there. Within the Eastern Cape Province to the south is the O.R. Tambo District Municipality. The Matatiele Local Municipality, Ntabankulu Local Municipality, Winnie Madikizela-Mandela Local Municipality and Umzimvubu Local Municipality are the four local municipalities that make up the district municipality.

The Local Economic Development (LED) Strategy was developed in 2018, and the Matatiele Local Municipality (MLM) sought a modification. Since it is experiencing developmental obstacles brought on by unemployment and poverty, the Matatiele Municipality is working to promote economic development and human welfare. In order to address these concerns, the municipality acknowledged the relevance of seven Key Performance Areas (KPA's) in 2021, amongst them Economic Development. LED was a component in this crucial performance area. In order to address the problems and lower the high unemployment and poverty levels the

municipality was experiencing, the municipality developed the 2018 LED Strategy. The LED Strategy also aimed to improve the capacity of the municipalities, neighbourhood inhabitants, and all other involved stakeholder groups.

The LED Strategy review is meant to be used as a mechanism for intervention to deal with the Municipality's problems with economic development. It will lead and direct the implementation of development initiatives, which are currently carried out haphazardly. The plan should link with other significant sector reports in addition to the current national, provincial and district LED policies and programmes developed by national departments, province departments, and the Alfred Nzo District Municipality. Apart from that, the strategy must be in line with all pertinent regional, district and local plans and policies, including the Matatiele LM Integrated Development Plan (IDP), the Alfred Nzo District IDP, the Comprehensive Rural Development Programme, and the Provincial Growth and Development Strategy / Plan. The next paragraph elucidates a few of the SMME engagements.

2.10.2. Projects for Small, Micro and Medium-Sized Businesses in the Matatiele Local Municipality

The municipality has a small number of SMME firms that produce corrugated water tanks, traditional "Seshoeshoe" clothes, wood products, sewing, handicrafts and art, as well as welding, panel beating, metal scraping and brick-making. However, these companies face the following difficulties:

- Poor road systems and restricted access to land for manufacturing companies,
- Lack of innovation,
- Poor product quality,
- Inadequate equipment,
- Low skill levels, and
- Production of comparable products (MLM-LED Strategy 2018).

2.11. POLITICAL INFLUENCE AND CONTROL

Masuku et al. (2016) assert that political interference and control could impede the expansion and sustainability of development projects. Instead of concentrating on the communities that are in the most need, politicians use LED funds to assist their own election campaigns and to distribute money to areas where they can win the most political support. Some communities politicise LED initiatives, which deters locals from participating and ultimately results in failure (Masuku et al. 2016).

A number of LED projects are assigned to ward councillors, and they are responsible for selecting the projects' locations and participants. In their study, Masuku et al. (2016) found that people's failure to participate in initiatives aimed at decreasing poverty in their local communities was a result of councillors' incapacity to mobilise information. It was discovered that a number of initiatives are typically given higher priority and implemented during election years to motivate the populace to support political principals and improve their outcomes. Leboe (2017) supported Masuku et al.'s (2016) claim that programmes that generate immediate and steady cash are used to energise voters before elections.

2.12. SOUTH AFRICAN SMMEs CONFRONT A NUMBER OF DIFFICULTIES

The sceptical viewpoints presented by Ngwenya (2018) and Zulu (2017) explicitly refute the presumptions at the heart of pro-SMME arguments. Zulu (2017) discovered, in particular, that SMMEs are not more labour-intensive or more effective at creating jobs than large businesses. In addition, Ngwenya (2018) discovered that enterprises of all sizes, not just SMMEs, suffer from under-developed financial and legal systems. According to the study, enterprises cannot expand to their efficient sizes because of under-developed institutions (Ngwenya, 2018).

Additionally, academics like Mashiyi (2018) debate whether or not business size should be considered as an exogenous factor influencing economic growth. According to research on industrial organisations, a country's industrial composition and ideal company size are influenced by its endowment of natural resources, technology, legislation and institutions (Mashiyi, 2018). According to Ethier (2019), some nations have endowments that give them a comparative

advantage in the manufacture of commodities made most cheaply by small firms, whilst other nations will have a comparative advantage in the production of goods made most effectively by large enterprises.

The vital role of SMMEs is questioned in terms of the effectiveness of pro-SMME policies, which is known as the business environment view. Alternatively, this attitude emphasises the significance of the business environment, which includes all enterprises, large and small (Zulu, 2017). Low entrance and exit barriers, clearly defined property rights, and effective contract enforcement are characteristics of an economic environment that is conducive to competition and private commercial transactions (Ngwenya, 2018).

Bottom-up programmes that address local needs emerge as critical tactics for developing respectable jobs where they are most needed as a result of the deterioration of traditional sources and patterns of labour brought on by COVID-19 and the growth of the informal sector. Another disturbing phenomenon that necessitates the role of SMMEs in economic development is the downgrading of the South African economy to junk status. SMMEs around the world, and in SA in particular, continue to encounter a variety of difficulties that impede entrepreneurial development. Due to inadequate training and education, South African SMMEs also struggle with weak management abilities. These are comparable to the difficulties faced by SMMEs in the Matatiele Local Municipality. Consequently, there are many businesses that fail, and South Africa has one of the lowest rates of SMME survival in the world, according to Bothe et al. (2021). The performance of SMMEs and the informal sector is hampered by a number of important concerns. These include the availability of capital; access to education, basic services and infrastructure; a business-related infrastructure; and the effects of legislation (Botha et al., 2021). Since the formal sector is still losing jobs, SMMEs are seen as key players in lowering unemployment. However, research by experts like Refiloe, Derera, McArthur and Ndayizigamiye (2020) shows that a significant portion of SMMEs fail during the first two years of operation. This study aims to investigate the significance and role of SMMEs in fostering stable and sustainable economic growth for adequate employment opportunities, the eradication of economic inequality and poverty reduction in the Matatiele Local Municipality, given the challenges and high unemployment rate in Matatiele, while projections regard SMMEs to be key to unemployment rate discussions.

2.13. CONCLUSION

This chapter's objective was to position SMMEs in the Matatiele Local Municipality to support regional economic growth. However, the current situation does not appear to support the development of SMMEs. The chapter provided a thorough definition of SMMEs before delving into a number of topics, including the role SMMEs play in the economy, their characteristics, and the difficulties they face. The chapter also covered the Endogenous Growth Theory, the study's theoretical foundation, and how it supports the research. Additionally, the chapter described Local Economic Development in relation to SMMEs' function. The research methodology for this study is discussed in the following chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

The literature review and important details, such as how SMMEs might support local economic growth, were covered in the preceding chapter. Conceptual and theoretical concerns relating to SMMEs were also investigated using the example of South Africa. The research methods and study design are discussed in this chapter. This chapter presents and justifies many methodological components, including the research design, research paradigm, population, sampling methodologies, data gathering tools, and analytic tools.

3.2 RESEARCH DESIGN

An exploratory study design was used by the researcher. The term "exploratory research design" refers to a circumstance in which a research study is conducted with the intention of either exploring a topic about which little is known, or of examining the likelihood of conducting a certain research study (Vosloo, 2014). An investigation into a subject or issue that has not been thoroughly examined is typically conducted using an exploratory research design (Shields and Rangarjan, 2013). "In order to set priorities, create operational definitions, and enhance the final research design, the design aims to do so. Exploratory research aids in selecting the ideal subjects, research strategy, and data gathering technique. After exercising utmost caution, only then firm conclusions will be made. Exploratory research frequently uses methods including secondary data, in-depth interviews, focus groups, pilot studies, and case studies due to its fundamental nature" (Shields and Rangarjan, 2013). In order to comprehend the phenomenon under study, the researcher adopted this research strategy.

3.3 RESEARCH METHODOLOGY

The term "research methodology" refers to the active pursuit of knowledge (Kumar, 2018). It is also a term for the academic and scientific activity of conducting a systematic search for relevant data on a certain subject (Kumar, 2018). Research methodology, according to Kumar (2018), entails defining and re-defining problems; suggesting solutions or formulating hypotheses; gathering, organising and evaluating data; drawing conclusions; and then carefully testing the conclusions to see if they are in line with the study's goals. A qualitative methodology will be used for this study.

Many academic disciplines use the qualitative research methodology as a sort of inquiry. The whys and how's of decision-making are investigated using the qualitative methodology (Mohajan, 2018). Martinez et al. (2014: 3) define qualitative research as a form of research approach that produces narrative, descriptive accounts of a place or practise using methods like participant observation or case studies. Sociologists who employ these techniques frequently reject positivism and practise interpretive sociology.

According to Merriam (2009:13) because qualitative research is a situated activity, it places the observer in the world. Through these practises, the reality is altered and transformed into a series of representations, such as field notes, interviews, talks, photographs, recordings, and memos to oneself. They are a group of interpretive, practical practises that bring the world into focus. At this level, qualitative research adopts an interpretive, naturalistic view of reality (Merriam, 2009:13). In other words, qualitative researchers look at things in their natural environments. Therefore, the researcher chose qualitative research to generate factual descriptions based on the first-hand understanding of persons and social groupings in their natural contexts, rather than producing numerical data supporting or refuting clear-cut ideas.

3.4 RESEARCH PARADIGM

The research paradigm is an intellectual structure as well as principal assumptions upon which every field of inquiry is based (Watson and Floridi, 2018). In other words, a research paradigm is

a way of looking at the world from a broad perspective, or a way to simplify ideas by deconstructing the complexities of the real world. In this approach, a research paradigm encompasses the set of assumptions that often direct behaviour, especially in terms of disciplined inquiry in a larger sense, and creates conceptions for how a specific topic should be researched and understood. The positivist, critical and interpretive paradigms are most frequently utilised in research.

The positivist paradigm is a distinctive idea that yields beneficial outcomes. In other words, it uses testing and experimentation to collect data (Wellington, 2008). The interpretive research paradigm uses in-depth narratives collected by direct observation, in-depth, open-ended interviewing, and case studies to explore human capacity through sympathetic introspection and reflection (Thorne, 2016). The goal of the critical paradigm, which focuses on oppression, is to advance democracy by altering various cultural, economic, ethical, social, political and other society-centred beliefs and institutions. A paradigm's primary purposes include defining how the world operates; how information is obtained from it; and how one should think, write and discuss this knowledge (Thorne, 2016). In this way, the interpretative paradigm, which encompasses qualitative research in the form of an exploratory research design, served as the foundation for this study.

3.5 POPULATION UNDER STUDY

The term "population" refers to all potentially included units or components of the study (Frantzeskak, 2015). Therefore, the study's sample population includes Matatiele Local Municipality citizens, municipal authorities, and all aspiring entrepreneurs working for SMMEs. Due to their familiarity with the phenomenon under study and their insights into it, all of these individuals will be important to the study.

The Matatiele Local Municipality is a Category B municipality with a total area of 4 352 km² that is part of the Alfred Nzo District in the Eastern Cape Province's north. It shares borders with Greater Kokstad to the east, Lesotho to the north, and Elundini to the south-west. It occupies about half of the district's geographic area and is the largest of the district's four municipalities. Commercial farmlands in the Matatiele Local Municipality surround the town of Cedarville, the township of Maluti, and the service area of Matatiele. The municipality has a largely rural landscape. Matatiele Town is designated as a primary node in the District Municipality SDF and

acts as a service centre and/or the primary economic hub for Matatiele Municipality and surrounding areas. The old Transkei region's settlement layout is marked by dispersed rural villages surrounded by subsistence farmlands. The high production potential land stretches from Matatiele and Kokstad in the south, through the KwaZulu-Natal Midlands, to the north-western regions of KwaZulu-Natal. Commercial agricultural farms are a component of this land. The location of the area lies at the base of the Drakensberg Mountains.

3.6 SAMPLING

Purposive sampling was used in this work as a non-probability sampling strategy. Non-probability is a sampling method that is frequently used in qualitative investigations where the selection of items for a sample is made using subjective criteria (Etikan, Musa and Alkassim, 2016). The researcher's assessment of the qualities of a representative sample served as the foundation for purposeful sampling. In this study, purposeful sampling was used since it reduces the amount of time and money needed to perform the research and weeds out unsuitable participants. Thus, the researcher was able to select a suitable sample using this sampling technique. As a result, the research included 12 participants in a purposive sample, including 4 developing SMME participants, 4 municipal officials and 4 Matatiele Local Municipality inhabitants. These attendees were informed on the contribution that SMMEs make to local economic development.

3.7 COLLECTION OF DATA

In-depth interviews were the primary research tool for this study, as will be covered in more detail in the following section.

3.7.1 Interviews

In-depth interviews were conducted by the researcher to collect data from each participant. Interviewing authorities served the objective of learning more about the municipality's strategy for assisting current SMMEs and providing mentoring to aspiring business owners. Business owners assisted in determining the type of support growing SMMEs require, as well as their issues and suggestions for solutions, by interviewing them. Through interviews, the officials can offer insightful opinions that can help the researcher reach specific conclusions about the Matatiele Local Municipality's future plans for supporting both established and new SMMEs, as well as the

growth of entrepreneurial skills within the municipality. Additionally, Mohajan's (2018) suggestions that interviews are beneficial for the following reasons are where the additional justifications for using structured interviews for this study come from:

Easy speech collection: Due to the close connection between the interviewer and the interviewee, any misunderstandings and errors can be corrected with ease during an interview.

Relationship building: An interview can aid in the development of a relationship between the interviewer and interviewee. It improves mutual understanding and cooperation between the parties.

Selection of suitable applicants: Since interviews allow the interviewer to understand a lot about the candidate, suitable candidates might be chosen this way.

Gathering primary data: Interviews can help when it is required to collect fresh, original data.

Information sufficiency: Since the interviewer is free to ask the respondent any questions, sufficient information can be gathered through the interview process.

3.8 DATA ANALYSIS

The process of gathering qualitative data frequently depends on interpretation. This indicates that while much qualitative evidence is frequently gathered, the data needs several explanations. Furthermore, there is no separation between gathering data and analysing it (Mohajan, 2018). The combination of analysis and interpretation, as well as frequently the combination of data gathering and analysis, distinguishes data analysis in qualitative research. This indicates that analysis and interpretation are used in tandem to arrive at a result. Thematic analysis was therefore taken into consideration for this study because it uses interpretations to find out how SMMEs contribute to economic development. The researcher will be able to link an examination of the frequency of each theme throughout the entire study in this way.

A sort of qualitative analysis, known as thematic analysis, examines classifications and presents themes (patterns) that relate to the data. (Reference) It exhibits the data in great detail and addresses a variety of topics through interpretations (Kumar, 2018). The researcher can accurately ascertain

the connections between concepts and compare them with the duplicated data using thematic analysis. “Thematic analysis offers the opportunity to connect numerous concepts and opinions of the respondents and compare them to the data that will be collected in various contexts during the course of the project” (Kumar, 2018). Any explanation is open to possibility (Kumar, 2018).

3.9 TESTING VALIDITY AND RELIABILITY

According to Kumar (2018), qualitative researchers aim to produce valid and dependable results. Furthermore, reliability is a question of whether specific approaches, when used repeatedly on the same item, would produce the same results each time, according to Mohajan (2018). The validity of results, on the other hand, is regarded as preferable by qualitative researchers because the study's findings must reflect the topic under investigation. Before and after the survey was conducted, the research committee and supervisor tested the dependability of the study's data. To guarantee that the findings are accurate and valid, two research tools, a variety of data sources, including interviews and focus group discussions, as well as observations, were used.

3.10 ETHICAL CONSIDERATIONS

According to Nayak and Singh (2021), who discuss the significance of the research's ethical standards, only ethically approved human study may be carried out. As a result, the university ethics committee granted its approval for this study. The Matatiele Local Municipality was also asked for permission to undertake a study on SMMEs within its jurisdiction. Officials from the municipality and aspiring businesses were asked to sign consent forms before participating in the study. Before deciding whether or not to participate in the research, the respondents received all the necessary information. Additionally, participants were informed of their rights throughout the study, including the ability to discontinue participation at any time if they find it uncomfortable. As the study is voluntary, the researcher will uphold the participants' right to confidentiality and anonymity (documents identifying them as a participant).

3.11 CHAPTER CONCLUSION

The research technique and design used to obtain and analyse data for the study were described in this part of the dissertation. Research methodology, research design, research approach, research paradigm, sample procedures, data collection methods, and data analysis tools are some of the topics covered. The adoption of the qualitative methodology above other methods has also been explored and critically defended in this chapter. The chapter also investigated the philosophical foundations for qualitative research, explaining and defending them. The data and analysis for the study are presented in the following chapter.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 INTRODUCTION

The previous chapter addressed the research methodology that the study employed. This chapter presents the data analysis and interpretation of the results of the study on the investigation of SMMEs in promoting Local Economic Development, giving reference to the case study of Matatiele Local Municipality's Small, Medium and Micro Enterprises. The objectives of this study were:

- i. To investigate the causes of SMMEs accelerating or decelerating economic growth and entrenching the values of entrepreneurship within the Matatiele local community;
- ii. To ascertain the role of the Matatiele Local Municipality in supporting the development of SMMEs for economic growth in the Matatiele area;
- iii. To investigate the challenges faced by the Matatiele Local Municipality in implementing economic development strategies such as SMMEs, and to propose solutions; and
- iv. To evaluate the extent to which SMMEs are a sustainable solution to deal with the economic challenges facing the Matatiele community.

In this section, the qualitative analysis of the interview questions will be discussed after identifying thematic categories from the analysis as sub-headings (from the recurring themes). As discussed in preceding chapters, this study addresses the main theme of the role of SMMEs in creating stable and sustainable economic growth for adequate employment opportunities, poverty reduction and the possible curtailment of economic inequality in the Matatiele Local Municipality.

4.2. QUALITATIVE DATA PRESENTATION

The qualitative data technique was used in the study. The main aim of using this technique was to collect data from the Matatiele Local Municipality offices, Entrepreneurs in the Matatiele area and local residents in Matatiele. Qualitative data was gathered from the participants through face-to-

face interviews. When one is examining, describing and understanding reality through qualitative research, the experience is richer (Kawulich, 2005).

4.3. DEMOGRAPHICS OF THE PARTICIPANTS

According to Vogt and Johnson (2011), demographic data is measurable statistical information on the participants. These details include the individual's education level, gender, age and race. The demographic profile, including participant age and gender distribution, is emphasized in the majority of qualitative research. Demographics of the participants are discussed under each section as divided into three, namely entrepreneurs, local residents and municipal officials.

4.3.1. Entrepreneurs

The selected participants play a huge role in local economic development. Below are the demographic profiles of the entrepreneurs in Table 4.1.

Table 4.1: Demographics of Entrepreneurs

Participant Pseudonym	Age	Gender	Race	Level of education
Entrepreneur A	47	Male	Black	Diploma
Entrepreneur B	35	Female	Black	Diploma
Entrepreneur C	33	Male	Coloured	Matric
Entrepreneur D	29	Female	Black	Diploma

Source: Author's own table

Of the 4 entrepreneurs interviewed in this study, 2 were males and 2 were females. In terms of their ages, all entrepreneurs ranged between the ages of 29 and 50 years. In terms of race, 3 were Blacks and 1 was Coloured. The highest qualification held amongst them is at the diploma level. This shows that the people involved in SMME projects who were interviewed are below the degree level in terms of education.

4.3.2. Local residents

Table 4.2 below shows the demographics of the local residents.

Table 4.2: Demographics of local residents

Participant Pseudonym	Age	Gender	Race	Level of education
Local resident A	51	Male	Coloured	Degree
Local resident B	40	Female	Black	Degree
Local resident C	56	Female	Black	Master's Degree
Local resident D	35	Male	Black	Hons Degree

Source: Author's own table

Of the 4 local residents interviewed in this group, 2 were males and 2 were females. They have different age groups ranging from 35 to 56 years old. The researcher chose people of this age group because they are adults and are knowledgeable on what is transpiring in their surrounding communities. In terms of race, the majority (3) of the participants were Blacks and 1 was Coloured. They hold different educational qualifications as the researcher did not concern himself much with their educational levels.

4.3.3 Municipal officials

According to Polster et al. (2010), the inclusion of demographic profiles is crucial since it allows for the comparison of such data between research replications. For the analysis of data and research syntheses, demographic profiles give crucial information (Bein 2009). The demographic profiles of the municipal officials are presented in Table 4.4 below.

Table 4.3: Biographical information of Municipal officials

Participant Pseudonym	Age	Gender	Race	Level of education
Municipal Official A	44	Male	Black	Honour's Degree

Municipal Official B	54	Male	Black	Masters Degree
Municipal Official C	42	Female	Black	Degree
Municipal Official D	37	Female	Black	Diploma

Source: Author's own table

Of the 4 government officials interviewed in this study, 2 were males and 2 were females. In terms of their ages, all entrepreneurs ranged between the ages of 37 and 54 years. In terms of race, all of them were blacks. The highest qualification amongst them is the Master's degree level. This shows that the people involved in SMMEs are qualified to a considerable extent.

4.4. FINDINGS FROM ENTREPRENEURS AND LOCAL RESIDENTS

This section is divided into two (2): The Entrepreneurs and local residents. Eight participants were interviewed, four (4) from the Entrepreneurs (SMMEs) and the other four (4) from local residents. The first section will analyse the entrepreneurs and the second section will be on local residents.

4.4.1. Entrepreneurs

The interviews with SMMEs or Entrepreneurs were conducted on 08 June 2023. Four (4), as targeted, were interviewed. These participants were taken from different sectors within the business fraternity, namely Agri-business, construction, supply and delivery and transportation. The cross-section of these participants was derived from the study objectives.

4.4.2 Local residents

Based on the data collection of the study, four (4) local residents were interviewed from different sections, namely: North Street (town), Maluti (township) Qhobosheaneng (rural area) and Area C (lower income earners).

4.4.3. Presentation of findings with themes and sub-themes from entrepreneurs and local residents

The presentation of findings from entrepreneurs and local residents are classified, and from these themes, sub-themes were developed. Table 4.4 below presents themes and sub-themes.

Table 4.4: Summary of entrepreneurs' /SMMEs' and Local residents' results

THEME	SUB-THEME
SMMEs in Local economic growth	<ul style="list-style-type: none">• Employment creation• Provide support to SMMEs
Role of the Municipality in promoting SMMEs	<ul style="list-style-type: none">• Opening opportunities• Creating new products and services
Challenges encountered by the Municipality in promoting SMMEs	<ul style="list-style-type: none">• Lack security• Limited resources
Recommendations to abate the challenges facing the Matatiele community	<ul style="list-style-type: none">• Increase budget• Decrease political interference

Source: Author's own table

4.4.3.1. Theme 1: SMMEs in Local economic growth

SMMEs play an essential role in promoting economic growth in various ways, such as creating employment opportunities, reducing crime and providing youth with work experience. These aspects are discussed in detail below, starting with employment creation and creating new products and services.

(a) Employment creation

During the interviews, local residents and business-people resonated that SMMEs are a critical tool for promoting economic growth in the study area, and the whole country in general. During the interviews, one of the local residents (herein referred to as Local resident A) said:

These SMMEs businesses are helpful in this community in terms of employment creation. Many young boys and girls are earning something at the end of the day. We know that jobs are scarce but small businesses even those owned by Somalis and Ethiopians are helpful in providing jobs for local people (in-depth interview with local resident on 08 June 2023).

In general, participants argued that if government can put more focus on SMMEs, employment opportunities can be created for local residents. This means that they could ensure that local economic development happens in that particular area.

(b) Create new products and services

Another point raised during the interviews was that SMMEs create new products and services. During the interview, an entrepreneur (herein referred to as entrepreneur C) said:

SMMEs makes availability of wide range of products and services that are sometimes not available or provided by big companies and retailers. In other words, there will be no shortages in the market and this is important for the growth of the economy (An in-depth interview with Local resident A, 08 June, 2023).

In support of the above, a local resident said:

We are now not forced to go to big shops to get the products we want since they are provided by these SMMEs. Some big shops are even being surpassed by SMMEs. Some of their products are cheaper than the ones from big corporations because they sell brands which they assume they determine quality. (An in-depth interview with Local resident C, 08 June, 2023).

The views of the participants above show that SMMEs play a significant role in promoting employment as an aspect of economic growth in Matatiele Local Municipality. According to Mubangizi (2021), some of the economic hurdles preventing citizens from actively participating in the financial operations of the municipality include unemployment and the absence of chances for sustainable economic growth.

4.4.3.2. Theme 2: Role of the Municipality in promoting SMMEs

Both entrepreneurs and local residents were asked to identify the role of the municipality in promoting SMMEs. Two main roles were identified, namely opening opportunities and providing support to SMMEs. These main roles will be discussed below.

(a) Opening opportunities

Opening opportunities for SMMEs is identified as one of the roles that municipality play. For the current economic scale, it is wise for government to open opportunities for SMMEs, like lining up with other countries that are doing well in that particular field. In supporting the statement, another participant said:

Employees can get good working experience from SMMEs because quite a lot of work from different areas of specialisation is gained. Thus, many employees especially the youths gain a lot of experience while working in the SMMEs. Therefore, SMMEs prepares them for the future (An in-depth interview with Local resident A, 08 June, 2023).

(b) Providing support to SMMEs

The participants kept saying that providing support to SMMEs is an important aspect. The views of the participants show that SMMEs create a window of opportunity for many people. Some gain experience, others gain knowledge of doing their own businesses and others gain entrepreneurial skills.

A local resident said:

SMMEs instil the youths with some entrepreneurial skills which will help them being competitive in the business industry. This helps them to start doing their own businesses (An in-depth interview with Entrepreneur D, 08 June, 2023).

The views of the participants above show that SMMEs are crucial for economic growth. As such, SMMEs provide many advantages and are a source of growth for many countries.

4.4.3.3. Theme 3: Challenges encountered by the Municipality in promoting SMMEs

A number of challenges are encountered by SMMEs, as raised by the participants. These challenges affect SMMEs in promoting economic growth and they include a lack of security, lack of resources and competition. These are explored below, starting with the lack of security.

(a) Lack of security

During the interviews, participants showed that SMMEs lack security in their businesses and some of them operate in risky environments marred with thieves and armed robbers. They stated the following during the interviews:

We lack financial security and we do not get support from the government and even from the private sector. Most of our businesses decline because of the lack of security. It is sad that this area is also infested with crime and we are frequently robbed and lose our commodities. We do not insure our businesses against loss or damage because it is expensive for us (An in-depth interview with Entrepreneur D, 08 June, 2023).

Another participant mentioned:

We really operate in dangerous environments and we are always at risk. I do not know how many times our shops and establishments have been looted. It seems the state does not even care about us, we report the cases to the police but there is no change. We are really pleading for government's help in this regard (An in-depth interview with Entrepreneur B, 08 June, 2023).

The above views of the participants show that SMMEs are at risk in their businesses as they do not have financial security. They are also not backed by the government. SMMEs possess a small range of products and services, a simple management structure, and little tolerance for risk. Individual SMMEs generally struggle to take advantage of market opportunities that need high production quantities, consistent standards and reliable supply, and they struggle to obtain economies of scale when acquiring inputs.

(b) Limited resources

The big challenge that SMMEs have is that they do not have resources like modern technology, funds and even enough labour because their businesses are very small. Therefore, they have to push with the limited resources they have in order to survive. Finance accession is the main constraint to SMME growth, without which many SMMEs are declined. A participant said:

The problem of the SMMEs can be determined by the state of the economy. If the economy is volatile, the SMMEs will face a risk of going down, as they survive within a small budget. Some of them never recover again once they become bankrupt. (An in-depth interview with Local resident A, 08 June, 2023).

4.4.3.4. Theme 4: Recommendations to abate the challenges facing the Matatiele community

There were a number of recommendations that both entrepreneurs and local residents raised relating to changes in the state of SMMEs in Matatiele. There were two main recommendations, namely increasing budgets for SMMEs within government departments and decreasing political interference. These issues are discussed in detail below.

(a) Increased budgets

The budget for SMMEs from the national, provincial and local levels should be increased. All interviewed entrepreneurs and local residents kept saying that government should increase the money for SMME support. In the interview, the local residents mentioned:

The municipality is really trying their best as they increased their local economic development budget. They have presented the draft budget to us in April by an increase of R2 million compared to the previous budget for the year 2022/2023. We contribute a lot to economic growth but the government is not giving credit where it is due. (An in-depth interview with entrepreneur C, 08 June, 2023)

The above statement shows that the municipality is doing its level best to provide more support for SMMEs to realise local economic development.

(b) Decrease political interference

Political interference is the biggest challenge that government departments are facing when it comes to who must benefit. Even SMMEs are facing the same challenge when it comes to who must benefit. An interviewed entrepreneur stated:

Political interference should be put aside when it comes to who must benefit. Regardless the political part or camp you belong to, if one met all criteria should be funded. On the statement honourable mayor of Matatiele local Municipality Cllr. S Mngenela said they will deal with the issue we raised as SME in Matatiele. (An in-depth interview with Local resident B, 08 June, 2023)

The above statements show that SMMEs and the government faced many challenges that inhibit SMME growth. Amongst them are the lack of management structures, lack of resources by the state to support them, or failure for them to support their businesses. Economic challenges such as Covid-19, depressions and shocks also affect them. Furthermore, it also shows that government, particularly the Municipality, is not conducting monitoring and evaluation after funding SMMEs.

4.5. FINDINGS FROM GOVERNMENT/MUNICIPAL OFFICIALS

The four (4) key municipal officials in Local Economic Development (LED) were interviewed in June 2023. These interviewed participants play a huge role in ensuring that all SMMEs are supported in all kinds of ways. The support provided to SMMEs is, but not limited to, funding and training.

4.5.1. Presentation of findings with themes and sub-themes from Municipal Officials

Table 4.5 below presents the themes and sub-themes drawn from the findings with interviewed municipal officials.

Table 4.5: Summary of municipal official results

THEME	SUB-THEME
SMMEs in Local economic growth	<ul style="list-style-type: none">• Employment creation
Role of the Municipality in promoting SMMEs	<ul style="list-style-type: none">• Opening opportunities• Creating new products and services
Challenges encountered by the Municipality in promoting SMMEs	<ul style="list-style-type: none">• Lack security• Resources
Recommendations to abate the challenges facing the Matatiele community	<ul style="list-style-type: none">• Manage political interferences• Budget constraints

Source: Author's own table

4.5.2.1 Theme 1: SMMEs in Local economic growth

Local economic growth is one of the key streams in the local municipal area. It boosts the economy of that particular area. Employment creation and funding criteria are key factors. The two sub-themes are discussed below.

(a) Employment creation

In South Africa, unemployment is very high. There are also high rates of unemployment in Matatiele and surroundings. SMMEs play a key role in creating temporary employment for local residents. From the municipal officials interviewed, one said:

SMMEs play a fundamental role in creating employment for the youth. I think more than 40 percent of the youths in this Municipality are employed in the SMMEs. These kinds of businesses do not require special/unique skills of which many youths here do not have them. As a result, they get employed despite them not having good qualifications. (An in-depth interview with Municipal Official D, 08 June, 2023)

(b) Funding Criteria

The funding criteria that government departments are using is not clear. Many SMMEs find it very difficult to understand them. The requirements at times are too complex for SMMEs. In supporting the statement above, an interviewed municipal official stated:

The government funding criteria is not clear to SMMEs. SMMEs find difficulties in understanding what is required of them in order to apply for funding. (An in-depth interview with Municipal Official C, 08 June, 2023)

A businessman summed up that SMMEs are drawing labour from many youths in the areas in which they are established, and they reduce crime. Many youths engage in criminal activities if they are not employed. Therefore, SMMEs play a critical role in reducing crime. The National Development Plan-Vision 2030 further emphasizes the importance of SMME revitalization in the fight against poverty and unemployment (RSA, 2015).

4.5.2.2. Theme 2: Role of the Municipality in promoting SMMEs

SMMEs are a major vehicle for tackling the issues of job creation, economic growth and equity in South Africa, according to the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995).

(a) Opening opportunities

During the interviews, an issue was raised by the participants that SMMEs are critical for creating opportunities. While conducting an interview with one of the renowned Officials in Matatiele Local Municipality, it was explained that:

“SMMEs open opportunity to learn the other department works, if and only if he is quite knowledgeable. But big companies have its own limitation for employees work description which is a great obstacle for an employee’s growth”. (An in-depth interview with Municipal Official A, 09 June, 2023).

(b) Creating new products and services

Currently, SMME establishment is regarded as important. In the contemporary economy, they are contributing to the production of jobs. In recent years, it has become clear that the rise of SMMEs has contributed to a global decline in unemployment. A large increase in GDP results from the contribution of SMMEs, and proper cash flow is seen across the economy. Ensuring that municipalities assist SMMEs in creating new products and services will be of help to them.

4.5.2.3. Theme 3: Challenges encountered by the Municipality in promoting SMMEs

Government is facing many challenges. Therefore, one cannot fund businesses like these SMMEs because there are important sectors such as education, health and social welfare that require state support.

(a) Lack security

These businesses are normally owned by foreign nationals and some of them do not pay taxes, which is the reason why the government does not give them a hand. The interviewed municipal official stated:

Some of the people involved in these businesses sell drugs in the pretence of doing business. (An in-depth interview with Municipal Official A, 08 June, 2023)

SMMEs need to be equipped with resources including adequate staff, skills and modern-day technology. One finds that most SMMEs operate on a very small-scale level and use traditional business strategies and techniques.

(b) Load-shedding

Load-shedding is one of the big challenges that SMMEs are facing in their daily operations. A government official said:

“We do not have a formalised budget to assist SMMEs and the government is under pressure dealing with critical issues such as load shedding and aftermaths of Covid-19.” (An in-depth interview with Municipal Official A, 08 June, 2023)

There are actually many challenges that the government and the Municipality are facing. Hence, it is not deliberate that the government is not assisting. The administration has implemented a number of economic interventions for the acceleration of economic growth to address the issues in the nation and within municipalities. The Local Economic Development (LED) initiative, which exemplifies SMMEs as a driver for economic growth, is one of these interventions that demonstrates a commitment to economic restructuring and poverty reduction (Van Scheers, 2018).

4.5.2.4. Theme 4: Recommendations to abate the challenges facing the Matatiele community

Respondents were asked to share their thoughts on possible solutions to the challenges facing Matatiele Local Municipality in promoting SMMEs in realising LED. Two possible solutions were advocated, namely decreased political interference in the administrators' work, and increased LED budgets. The recommendations will be discussed below in detail.

(a) Manage political interferences

Political interference is one of the elements facing many government departments. Political parties tend to over-step or step in on administrators' line of duties. They tell administrators what to do and who must benefit in that particular project. This political interference occurs most in local government spaces. In the in-depth interview with the municipal officials, one said:

CoGTA as the department that oversees the municipalities operations, must draw clarity on the line of duties between political principals and administrators and ensure that their duty under the Public Service Act is sustained and not affected by political interference on decision of public activities. Political principals tend to step in into administrators' line of duties. (An in-depth interview with Municipal Official B, 08 June, 2023)

(b) Increase budgets

One of the main issues that prevents the promotion of local economic growth and services related to SMMEs is budgetary restrictions. The completion of certain important community projects can be postponed without sufficient funding. For the forthcoming fiscal year, the participants suggested that the municipality boost its budget allocation for LED. In the in-depth interview with a municipal official, the participant said:

Limited budget is the main challenge across local government. If government at national and provincial level can have a specific budget fund for SMMEs that will come straight to local government can make things better for SMMEs. (An in-depth interview with Municipal Official A, 08 June, 2023)

4.6 CHAPTER CONCLUSION

The data presented in this chapter answered the research questions. The structure of the chapter comprised two sections. The first presented findings from interviews conducted with entrepreneurs and local residents. The second presented findings from interviews conducted with municipal officials. Both the first and second sections comprised four themes each and eight sub-themes, as each theme had two sub-themes. The following chapter will presents a discussion of the findings, the conclusions drawn from the findings, the recommendations of the study, as well as areas for future studies.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter concludes the study on the investigation of SMMEs in Promoting Local Economic Development: a case study of Matatiele Local Municipality's Small, Medium and Micro Enterprises in South Africa. The primary goal of this chapter is to react to the research questions and study objectives, and to critically defend them in light of the findings.

The chapter also summarises the research findings and recommendations, as well as areas that should be the focus of future investigation. With special focus on the primary goals of the study as stated in the first chapter, both the study's findings and questions for additional research are presented, namely:

- To investigate the causes of SMMEs accelerating or decelerating economic growth and entrenching the values of entrepreneurship within the Matatiele local community;
- To ascertain the role of the Matatiele Local Municipality in supporting the development of SMMEs for economic growth in the Matatiele area;

- To investigate the challenges faced by the Matatiele Local Municipality in implementing economic development strategies such as SMMEs, and to propose solutions; and
- To evaluate the extent to which SMMEs are a sustainable solution to deal with the economic challenges facing the Matatiele community.

5.2 RESEARCH PROBLEM RE-STATED

South Africa has made progress in the post-apartheid era to compete in the international market (Mkodzongi and Rusenga, 2021). To help local populations that were formerly barred from economic engagement by the apartheid era, the South African government has implemented a series of corrective measures (Mkodzongi and Rusenga, 2021). The role of SMMEs is one of these corrective measures, and although the pace has been gradual, municipalities were given the mandate to provide a strategic position that may ensure that local populations have equitable access to socio-economic possibilities. The South African government's objectives for SMME development, according to Botha et al. (2021), come at a time when the country is working to live up to the high expectations of its people about a successful transition towards a more democratic and black-dominated economy. Small, medium and micro enterprises (SMMEs) have been recognised as effective agents of global and South African inclusive economic growth and development (Botha et al., 2021). However, the bulk of South African citizens continue to experience poverty and unemployment despite the explicit aims of achieving the nation's economic independence through SMMEs. Even though the government considers SMMEs to be the main employers and economic growth agents, access to capital has been cited as a major barrier to their expansion. According to Mokoena (2017), there has been a steady drop in entrepreneurial activity in South Africa. The COVID-19 pandemic has caused severe economic misery in South Africa, for which scholars like Botha, Smulders, Combrink and Meiring (2021) argue that SMME development and full support can stand in the gap. “The depth of the extreme poverty is evidenced by a lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased

morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion” (Mkodzongi, and Rusenga, 2021).

5.3 REALIZATION OF THE STUDY OBJECTIVES

- **Objective 1:** To investigate the causes of SMMEs accelerating or decelerating economic growth and entrenching the values of entrepreneurship within the Matatiele local community

Objective One was successfully achieved as quite a number of lucrative activities such as producing new goods and services, creating employment and reducing crime are done by SMMEs to foster economic growth.

- **Objective 2:** To ascertain the role of the Matatiele Local Municipality in supporting the development of SMMEs for economic growth in the Matatiele area

Objective number 2 was also achieved as various government officials stated that they are not doing a lot to assist SMMEs due to government’s financial constraints.

- **Objective 3:** To investigate the challenges faced by the Matatiele Local Municipality in implementing economic creating strategies such as SMMEs, and to propose solutions

This objective was achieved since entrepreneurs, local residents and municipal officials stated the main challenges.

- **Objective 4:** To evaluate the extent to which SMMEs are a sustainable solution to deal with the economic challenges facing the Matatiele community.

This objective was achieved since the various roles of SMMEs that promote economic growth have been explored.

5.4 SUMMARY OF FINDINGS

The study reveals that SMMEs make a significant contribution to employment creation and economic growth. The majority of the working age are earning a living through working in their

local communities. These kinds of businesses do not require special skills, and many youths in the area do not have them. As a result, they get employed despite them not having relevant qualifications.

The study found that SMMEs are drawing labour from many youths in the areas, that they are established and they reduce crime. Many youths engage in criminal activities if they are not employed. Therefore, SMMEs play a critical role in reducing crime.

The study also yields that SMMEs instil the youth with some entrepreneurial skills which will help them in being competitive in the business industry. This assists them to start their own businesses. In addition, Employees can get good working experience from SMMEs because much work from different areas of specialisation is gained. Thus, many employees, especially the youths, gain a lot of experience while working in SMMEs, which prepares them for the future.

The study further found that SMMEs ensure the availability of a wide range of products and services that are sometimes not available, or only provided by big companies and retailers. In other words, there will not be shortages in the market, which is important for the growth of the economy.

Moreover, the study found a number of challenges encountered by SMMEs, which were raised by the participants. These challenges affect SMMEs in promoting economic growth and they include a lack of security, lack of resources and competition.

Lastly, the study found that SMMEs and the government are faced with many challenges that inhibit SMME growth. Amongst them are a lack of management structures, lack of resources either by the state to support them, or failure for them to support their businesses. Economic challenges such as Covid-19, depressions and shocks also affect them.

5.5 RECOMMENDATIONS

Based on the findings above, three recommendations are made, namely:

- SMMEs must be given Sufficient support by the municipality;

- The Department of Co-operative Governance and Traditional Affairs (CoGTA) should make a clear emphasise between political principal and administrators on line of duties; and
- The municipality should open opportunities to SMMEs.

Firstly, it is recommended that the municipality needs to regain trust from SMMEs and local residents. This recommendation could be achieved by ensuring that all information related to SMMEs is clear and communicated in time to avoid misunderstandings. The municipality should also ensure that the support they give SMMEs is sufficient for sustainability. Based on the findings from entrepreneurs and local residents, it is clear that the municipality had to increase the budget for LED to ensure that SMMEs benefit most. It is quite clear that in the Matatiele area, SMMEs play a vital role for local residents. SMMEs create some employment opportunities for youth, to be specific.

Secondly, the study recommended that the Department of Co-operative Governance and Traditional Affairs (CoGTA) should make clear and emphasize the line of duties between the political principal and administrator. Based on the findings from both entrepreneurs and municipal officials, political principals should nor step into administrators' line of duties, and they should advise with the strategic objectives of the institution, not operational matters.

Thirdly, the municipality should open opportunities for SMMEs. By opening opportunities for SMMEs, it means that the municipality should link SMMEs either with private funders or any other stakeholders that might help, since these might have the resources and authority to do so. It is not limited to financial opportunities but also in other areas, for instance training opportunities.

5.6 AREAS FOR FUTURE STUDIES

The role of the Matatiele Local Municipality in SMMES in promoting LED. Due to time constraints, the topic is not explored enough in terms of the line of duties between political principals and administers in local government in promoting local economic development through SMMEs. Future studies can look into that and explore more.

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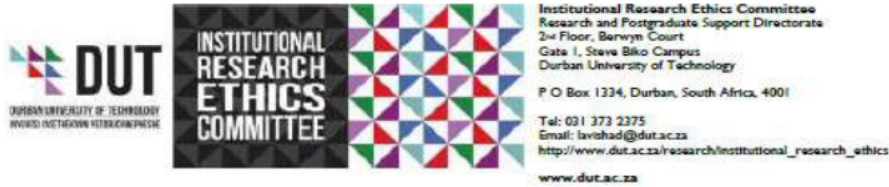
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APPENDIX 1: ETHICAL CLEARANCE



7 June 2023

Mr P G Hoffman
P. O Box 119
Maluti
4740

Dear Mr Hoffman

An investigation of SMMEs Promoting Local Economic Development: a case study of Matatiele Local Municipality Small, Medium and Micro Enterprises
Ethical Clearance number IREC 057/23

The DUT-Institutional Research Ethics Committee acknowledges receipt of your gatekeeper permission letter.

Please note that FULL APPROVAL is granted to your research proposal. You may proceed with data collection.

Any adverse events [serious or minor] which occur in connection with this study and/or which may alter its ethical consideration must be reported to the DUT-IREC according to the DUT-IREC Standard Operating Procedures (SOP's).

Please note that any deviations from the approved proposal require the approval of the DUT-IREC as outlined in the DUT-IREC SOP's.

It is compulsory for a student or researcher to apply for recertification on an annual basis. The failure to do so will result in withdrawal of ethics clearance. It is the responsibility of the researcher and the supervisor to apply for recertification.

Please note that you are required to submit a Notification of Completion of Study form together with an abstract to the DUT-IREC office on completion of your study.

Yours Sincerely

Prof J K Adam
Chairperson: DUT-IREC

APPENDIX 2: LETTER OF INFORMATION

PHOLOHO G HOFFMAN
P.O BOX 119
MALUTI
4740

MATATIELE LOCAL MUNICIPALITY
102 MAIN STREET
PO BOX 35
MATATIELE
4730

To: The Municipal Manager

RE: REQUEST FOR RESEARCH TO BE CONDUCTED AT MATATIELE LOCAL MUNICIPALITY (MLM).

My name is Pholoho G Hoffman, I am a registered student at Durban University of Technology for Masters of Business Administration (MBA) for the academic year 2023 student number: 21303641. I'm doing a research project titled "*An investigation of SMMEs Promoting Local Economic Development: a case study of Matatiele Local Municipality Small, Medium and Micro Enterprises*".

The specific objective of the study is to explore the importance and the role of SMMEs in creating stable and sustainable economic growth for adequate employment opportunities, poverty reduction and elimination of economic inequality in the Matatiele local municipality.

Objectives of The Study

- To investigate the causes of the SMMEs in accelerating or deaccelerating economic growth and entrenching the culture of entrepreneurship within the Matatiele local community
- To find out roles of the Matatiele Local Municipality in supporting the development of the SMMEs in the Matatiele municipal area for economic growth.
- To investigate the challenges encountered by the Matatiele Local Municipality in implementing economic generating strategies such as SMMEs and to propose solutions thereof
- To evaluate the extent of SMMEs as a sustainable mechanism to cope with economic challenges facing Matatiele community.

The results of the interview/focus group/survey/secondary data shall be administered by Pholoho G Hoffman with the supervision of my supervisor Dr. Kuda Shoniwa. The collected data will assist me in achieving the study's objectives by conducting an analysis of the data and providing possible recommendations on the issue/phenomenon under inquiry/ being studied.

The interview(s)/focus group (s)/survey questionnaire(s) will only take 20-30 minutes. If interested in participating in this research project, to grant permission to the researcher, please find the attached template of a gatekeeper's letter that needs to be filled with the necessary information. If you have any additional questions or concerns about being part of this study, please do not hesitate to contact me Pholoho G Hoffman or my supervisor on the contact details provided below.

Yours sincerely,

P. G Hoffman

Tel: 0710438497

Email: 21303641@dut.ac.za or pholohohoffman@gmail.com

Institution: Durban University of Technology (DUT)

Supervisors Details

Supervisor: Dr. Kuda Shoniwa

Telephone: 0784659500

Email: kudakwasheS@dut.ac.za

APPENDIX 3 GATEKEEPER LETTER



102 Main Street,
Matatiele
P.O. Box 35,
Matatiele, 4730
Tel: 039 737 3135
Fax: 039 737 3611

OFFICE OF THE MUNICIPAL MANAGER

ENQ: Office of the Municipal Manager

DATE: 07/06/2023

To: Pholoho G Hoffman
P.O Box 119
Maluti
4740

Re: Permission to use Matatiele Local Municipality as a research subject

Your letter of request to undertake the study on the above subject bears reference. Study title
“An investigation of SMMEs promoting local economic development: a case study of
Matatiele Local Municipality small, medium and micro enterprises”.

Matatiele Local Municipality takes pleasure to inform you that your request to undertake
the research study is approved, considering the objective of the research study, ethical
consideration and the timeline of the study that you mentioned to observe.

The municipality wishes you success in your research study. The municipality will
appreciate if the final product could be shared with the Municipality.

Kind regards,

Mr. L. MATIWANE
Municipal Manager

APPENDIX 4: CONSENT LETTER



LETTER OF INFORMATION

Title of the Research Study: An investigation of SMMEs Promoting Local Economic Development: a case study of Matatiele Local Municipality Small, Medium and Micro Enterprises

Principal Investigator/s/researcher: Mr. PG Hoffman

Co-Investigator/s/supervisor/s:

Supervisor: Dr. Kuda Shoniwa.

Brief Introduction and Purpose of the Study: The specific objective of the study is to explore the importance and the role of SMMEs in creating stable and sustainable economic growth for adequate employment opportunities, poverty reduction and elimination of economic inequality in the Matatiele local municipality.

Dear Respondent

My name is Pholoho Glorius Hoffman, and I am a Master of Business Administration student at Durban University of Technology (DUT).

Objectives of The Study

- To investigate the causes of the SMMEs in accelerating or deaccelerating economic growth and entrenching the culture of entrepreneurship within the Matatiele local community
- To find out roles of the Matatiele Local Municipality in supporting the development of the SMMEs in the Matatiele municipal area for economic growth.
- To investigate the challenges encountered by the Matatiele Local Municipality in implementing economic generating strategies such as SMMEs and to propose solutions thereof
- To evaluate the extent of SMMEs as a sustainable mechanism to cope with economic challenges facing Matatiele community.

I am kindly requesting your assistance in completing the attached questionnaire. The questionnaire shall not consume much of your time as it will only take approximately 15 minutes to complete. You are kindly requested to respond to all questions and provide your honest opinion.

Please note that the study has no unpredictable risks and is fully voluntary. Therefore, if you are uncomfortable with answering any of the questions, you may not proceed with the interview.

You may withdraw from the study at any time for any reason, including non-compliance, illness, or adverse effects. Your removal from the study will have no negative implications.

Your responses on the interviews question will be kept confidential, and data from this study will only be reported in aggregate. Your information will be encrypted and kept private. The Durban University of Technology will protect confidentiality and anonymity. All information gathered will be stored in a secure location for five years before being destroyed. Under tight conditions, only authorised individuals will have access to the data.

Persons to contact in the Event of Any Problems or Queries:

Supervisor: Dr. K Shoniwa

Please contact the researcher Cell No: 0710438497; my supervisor Cell No. 0784659500; the DUT-Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the Acting Director: Research and Postgraduate Support on researchdirector@dut.ac.za

Thank you for your time and participation

Yours sincerely

Pholoho Glorious Hoffman (researcher)

APPENDIX 5: INTERVIEW GUIDE

Pholoho G Hoffman MBA

INTERVIEW GUIDE

Section A: Demographic details of the participant

Participant Pseudonym	Age	Gender	Race	Level of education

Introduction: Good Morning \ Afternoon.

I am Pholoho Glorius Hoffman I am a student at Durban University of Technology and I will be conducting an interview as part of my Mini dissertation into "An investigation of SMMEs Promoting Local Economic Development: a case study of Matatiele Local Municipality Small, Medium and Micro Enterprises. The interview is completely voluntary and confidential if at any time you would rather not answer a question please say so. The information will be used for my dissertation but I will not include any personal details about you. The interview should be taking about 20 - 30 minutes and with your permission it will be recorded.

Section B: Interview questions

Following is the list of questions that will be asked during the unstructured interviews that would be held with the identified participants for the study, they are all aligned with the research objectives as follows:

- **Objectives**

Objective 1: To investigate the causes of the SMMEs in accelerating or deaccelerating economic growth and entrenching the culture of entrepreneurship within the Matatiele local community

Objective 2: To find out roles of the Matatiele Local Municipality in supporting the development of the SMMEs in the Matatiele municipal area for economic growth

Objective 3: To investigate the challenges encountered by the Matatiele Local Municipality in implementing economic generating strategies such as SMMEs and to propose solutions thereof

Objective 4: To evaluate the extent of SMMEs as a sustainable mechanism to cope with economic challenges facing Matatiele community

- **Questions**

FOR SMME ENTREPRENEURS

1. How do you think your business contributes to the local economy and the nation in general?
2. What keeps your business thriving considering there are lots of challenges out there?
3. How does your business contribute to employment?
4. What are the challenges that you encounter in your business?
5. How do you address challenges that you encounter in your business?
6. How does the government assist you in your business?
7. What help or assistance do you need to improve your business?

FOR GOVERNMENT OFFICIALS

1. To what extent do you think SMMEs contributes to the local economy and the nation in general?
2. What assistance does the government render to SMMEs?
3. Do the SMMEs comply with the state requirements in their business operations?

4. What do you think needs to be done to promote SMMEs in this area?
5. What do you think will happen if the government ceases to support SMMEs?
6. What are the challenges faced by the government in supporting SMMEs?

FOR LOCAL RESIDENTS

1. Do this SMMEs in this area play a big role in alleviating poverty and addressing unemployment?
2. As an individual, what do you benefit from SMMEs?
3. Are you happy with the operations of the SMMEs in this area?
4. What kind of help or contribution SMMEs render to your community?
5. Which age groups are benefiting from SMMEs in Matatiele?
6. What is your recommendation of the operation of SMMEs in your vicinity?

- **APPENDIX 6: LANGUAGE EDITORS' CLEARANCE LETTER**

EDITOR'S LETTER

Researchers Beyond-Borders (PTY) LTD
Umhlanga, Durban
South Africa
28 June 2023

To whom it may concern

Editing of Masters (MBA) Dissertation: Pholoho Glorius Hoffman (21808641)

Title of dissertation: an investigation of SMMES promoting local economic development: a case study of Matatiele Local Municipality small, medium and micro enterprises

This letter serves as confirmation that the aforementioned dissertation has been language edited.
Any queries may be directed to the author of this letter.



Regards

Maleni Pillay
Researchers Beyond-Borders
consult@researchersbeyondborders.com
www.researchersbeyondborders.com

APPENDIX 7: TURNITIN REPORT

MBA Study Hoffman

ORIGINALITY REPORT

18%	11%	6%	11%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to University of KwaZulu-Natal Student Paper	5%
2	hdl.handle.net Internet Source	3%
3	en.wikipedia.org Internet Source	1%
4	www.jbrmr.com Internet Source	1%
5	Submitted to Mancosa Student Paper	1%
6	Submitted to University of South Africa Student Paper	<1%
7	researchspace.ukzn.ac.za Internet Source	<1%
8	www.ecsecc.org Internet Source	<1%
9	vital.seals.ac.za:8080 Internet Source	<1%