

**DURBAN UNIVERSITY OF TECHNOLOGY**

**FACTORS INFLUENCING THE PERFORMANCE OF SMALL, MEDIUM, AND MICRO  
ENTERPRISES CONTRACTED TO THE ELECTRICITY UNIT OF THE ETHEKWINI  
METROPOLITAN MUNICIPALITY**

**SIYABONGA HEROMAN CELE**

**AUGUST 2024**



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ENTERPRISES CONTRACTED TO THE ELECTRICITY UNIT OF THE ETHEKWINI  
METROPOLITAN MUNICIPALITY**

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Specialising in

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at the Durban University of Technology

**SIYABONGA HEROMAN CELE**

**AUGUST 2024**

**APPROVED FOR FINAL SUBMISSION**

Supervisor (Affiliation): DUT (Signature)\_

Date: \_14-8-2024

## **DECLARATION**

I, the undersigned, Siyabonga Heroman Cele, do hereby declare that this dissertation submitted for the Degree of Masters in Management Sciences specialising in Business Administration in the Department of Entrepreneurial Studies and Management, Faculty of Management Sciences at the Durban University of Technology is solely the result of my original work. This work has not been submitted to any other institution of higher education for a degree award or other purposes. All the authors whose work contributed to this research study have been accordingly acknowledged, accurately cited, and referred to in the reference list.

This dissertation was conducted under the Supervision of Professor Ivan Gunass Govender.

I hereby give consent for this work to be made available for inter-library loan, photocopying, and to any outside interested organizations and students.

Signed

Date 07 August 2024

**Siyabonga Heroman Cele**

**21451656**

I hereby certify that the above statement is true and correct.

Signed

Date 14-08-2024.....

**PROFESSOR IVAN GUNASS GOVENDER**

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## **Abstract**

**Introduction:** This study explored the factors that influence the performance of small, medium, and micro enterprises (SMMEs) under the Electricity Unit of the eThekweni Metropolitan Municipality in Durban, KwaZulu-Natal.

**Methods:** A mixed-methods research design was used, and the study protocol was approved by the Durban University of Technology Research Ethics Committee (**IREC Number: 177/22**). The quantitative sample comprised a total of 60 SMMEs operating in the Electricity Unit of the eThekweni Metropolitan Municipality. The researcher approached 10 participants from the target quantitative sample to take part in the qualitative component of the study.

**Results:** More than half of the SMMEs contracted to the Electricity Unit were Black-owned (51.7%), aligning with the B-BBEE policies. Motivations for SMME start-ups varied, with many transitioning from employment to entrepreneurship. Partnerships were a prevalent business structure, highlighting the importance of collaboration and complementary skills in the electricity industry. Weaknesses were identified in risk identification and management. Government incentives and comprehensive funding from various sources were identified as critical for influencing SMME performance. Beyond funding, training, mentorship, and guidance are needed to support SMMEs. Transparency in project assignments from the Electricity Unit to SMME contractors could enhance their relationship. Crime had a detrimental impact on SMMEs, underscoring the importance of security and low crime levels for business growth.

**Conclusion:** The study concludes that the performance of SMMEs contracted to the Electricity Unit is largely dependent on the capacity and capabilities of the SMMEs themselves (individual factors), the role of the Electricity Unit, and other external factors such as government, private sector, Business Development Agencies', and banking sector support. The SMMEs do not operate in isolation from their environment and their performance is largely centred around a distinct set of individual, policy, and structural solutions for each component of the SMME cohort to accomplish a more comprehensive and equal growth agenda.

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## **List of abbreviations and acronyms**

ASGISA: Accelerated Shared Growth Initiative South Africa

BDS: Business Development Services

BEE: Black Economic Empowerment

BPCC: Best Practices City Commission

BSC: Business Support Centre

BSU: Business Support Unit

CIDB: Company and Construction Industry Development Board

CIPC: Companies and Intellectual Property Commission

DMC: Durban Metro Council

DSBD: Department of Small Business Development

DTI: Department of Trade and Industry

DTIC: Department of Trade, Industry and Competition

EDD: Economic Development Department

ESAP: Economic Structural Adjustment Programmes

GEAR: Growth Employment and Redistribution Strategy

GDP: Gross Domestic Product

GWh: Gigawatt hours

IDC: Industrial Development Corporation

LBSC: Local Business Support Centre

LED: Local Economic Development

NEF: National Empowerment Fund

NERSA: National Energy Regulator of South Africa

NGOs: Non-governmental organizations

NSBS: National Small Business Strategy

OECD: Economic Co-operation and Development

RDP: Reconstruction and Development Plan

SBDC: Small Business Development Corporation

SEDA: Small Enterprise Development Agency

SEFA: Small Enterprise Finance Agency

SDI: Special Development Initiatives

SME: Small and Medium Enterprises

SMMEs: Small, Medium, and Micro Enterprises

TBDC: Thekwini Business Development Centre

UNDP: United Nations Development Programme

VAT: Value-Added Tax

## **CHAPTER ONE: INTRODUCTION**

### **1. Introduction**

Countries across the world have assisted small, medium, and micro enterprises (SMMEs) for various reasons, including – but not limited to transforming local economies, empowerment of previously disadvantaged groups, enhancing economic development, and redressing poverty and inequality (Osano and Languitone, 2016, Abdullah, 2011, Razak et al., 2018, Mkhwebane and Ntuli, 2019, Mkhwebane, 2019). Countries have supported the establishment and development of SMMEs because they believe that economic growth is positively affected by enterprise formation and by the efficiency and productivity gains through innovation (Crudu, 2019, Choi and Lim, 2017). In developed countries, SMMEs refer to the classic, formal, small enterprise and their contribution to innovation, productivity, job creation, and hence economic growth. On the other hand, in developing countries, the relationship between SMMEs and poverty alleviation takes on special significance (Zafar et al., 2019, Zhuang et al., 2009). SMMEs are considered the best way to alleviate poverty and inequality in developing countries, particularly in the context of economic liberalisation, deregulation, and global economic integration (Abisuga-Oyekunle et al., 2020). Of importance, all countries, at whatever stage of economic development, recognise the importance of SMMEs and the need to support their development.

#### **1.1 Background to the study**

In most developing countries SMMEs contribute to more than 90% of employment opportunities (Muriithi, 2017, Kibuuka and Tustin, 2019, Razak et al., 2018, Abor and Quartey, 2010, Adesile, 2020, Bhorat et al., 2018). They are also responsible for revenue creation and poverty alleviation and are often a source of creativity and innovation (Racheal and Uju, 2018, Ahmed, 2020). This study explored the factors that affect the performance of SMMEs under the Electricity Unit of the eThekweni Metropolitan Municipality (hereinafter referred to as the Electricity Unit). eThekweni Metropolitan Municipality is situated in the province of KwaZulu-

Natal in South Africa. eThekweni is the largest city in the province and the third-largest city in the country. It has a population of over 3 million people with a growth rate of 2.3%. It is the largest port and city on the east coast of Africa. eThekweni Metropolitan Municipality covers an area of over 2,297 square kilometres, including 98 kilometres of coastline. Figure 1.1 depicts the geographical location and relative size of eThekweni Metropolitan Municipality.



**Figure 1.1: Map of eThekweni Metropolitan Municipality**

Source: eThekweni Metropolitan Municipality (2014)

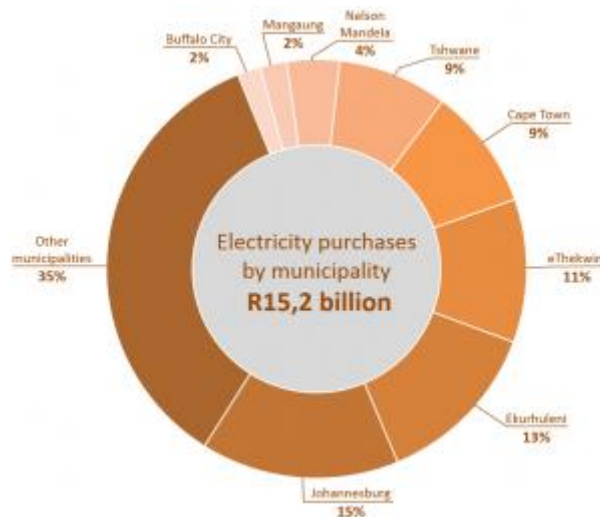
The Electricity Unit is the principal licensed distributor of electricity in the Metropolitan Municipality. It purchases its electricity from Eskom, which is a South African electricity public utility. The Electricity Unit employs several electrical SMMEs to ensure the electrical infrastructure is operational through their provision of electrical installations and repairs.

The performance of the Electricity Unit affects other business operations as the operations and profitability of these enterprises largely depend on access to electricity. It is therefore important to identify the factors that affect the performance of SMMEs under the Electricity Unit and

establish recommendations for improved performance of the SMMEs, and the Electricity Unit for the benefit of electricity end-users in the Durban Metropolitan Municipality.

Electricity is an indispensable input for many energy services in both private and public enterprise operations (Dincer and Acar, 2018). The power supply is not only vital for running many industrial machines but also to promote the productivity of human capital (Afolayan, 2019). Many household and business operations require a continuous supply of electricity. Energy is crucial in driving the economy and social development within the eThekweni Metropolitan Municipality as it increases productivity, incomes, and consequently employment. An efficient electricity supply reduces manufacturing bottlenecks as goods can be manufactured ahead of demand (Olanrewaju, 2019).

Electrical energy is crucial for enterprises as access to electricity plays a vital role in the viability and profitability of enterprises. The Electricity Unit is responsible for the purchase of power from Eskom which is about 11 000 GWh annually at 275 000 volts (Naidoo, 2020). Eskom sells electricity in bulk to the municipalities which re-sell it to various customers, which include homes, businesses, and government. The Municipalities generate about one-third of their income through the sale of electricity. It is rated as the third among all municipalities that purchase the highest amount of electricity from Eskom (see Figure 1.2.) (Naidoo, 2020).



**Figure 1.2: Electricity purchase by Municipalities**

Source: STATS SA (2022): Municipal finances and electricity: 11 years in perspective

The Electricity Unit acts as the intermediary between Eskom and eThekweni Metropolitan Municipality. It oversees the transformation and redistribution of the power which has been purchased from Eskom to approximately 700,000 customers in an area covering nearly 2,000 square kilometres (National Treasury, 2018). This encompasses the area of the eThekweni Metropolitan Region and some adjacent areas. It recognizes the effects that any disturbance in the electricity network can have on the electrical plant as well as the potential consequences thereof. Therefore, it strives to provide high-quality services. Quality of supply is measured in terms of several parameters such as frequency, harmonics, unbalance, voltage regulation, and voltage dips (Liao and Milanović, 2019).

The redistribution ranges from the large, sophisticated customer supplied at 132 000 volts, to the rural and peri-urban informal communities supplied at 230V. The Electricity Regulation Act of 2006 regulates the operation of the Electricity Unit. Its policies are determined by the eThekweni Metropolitan Municipality and the National Energy Regulator of South Africa (NERSA) (Kelly and Geyer, 2018).

## 1.2 Definitions of SMMEs

Finding a universal definition for SMMEs has been a global challenge (Muriithi, 2017). Each country has definitions that are based on the unique characteristics of different industries for SMMEs (Soni et al., 2015). A single and uniformly applied definition of SMMEs does not exist (Dar et al., 2017, El Madani, 2018). Creating a definition based on certain criteria in one sector might result in classifying all firms as equal. In South Africa, an acceptable definition is given by the National Small Business Amendment Acts of 2003 and 2004, which describes the small business as:

*“a separate and distinct business entity, including co-operative enterprises and Nongovernmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy”* (National Small Business Amendment Act, 2004).

The Department of Trade and Industry (DTI) introduced the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa in 1995, in which it introduced the abbreviation “SMME” to refer to small, medium and micro-enterprises (DTI, 1995). In the White Paper, an SMME is defined as *“an enterprise, which is owner-operated and functions with the primary focus of providing a livelihood for the owner and the immediate employees”* (DTI, 1995).

The DTI (2004) expressed concern about the size of the entities. It indicated that this was the measure most frequently adopted internationally for small business studies. However, the restriction of what comprises a ‘small’ business contrasts from one economy to the next (DTI, 2004). The DTI pointed out that in developed countries, entities with fewer than 500 employees are usually considered small and medium enterprises (SMEs), while in developing countries the thresholds are generally lower. They further pointed out that in South Africa, micro-

enterprises are occasionally described as businesses whose revenue is below the obligatory value-added tax (VAT) registration limit (R300,000). Further differentiation was the 'survivalist' business, which is generally defined as generating revenue below the poverty line (DTI, 2004).

The National Small Business Act (102 of 1996) provides definitions for various SMME categories identified in Table 1.1. These are all underpinned by the fact that the enterprises must be separate and distinct business entities and must be owner-managed. Using the National Small Business Amendment Act (26 of 2003) as a starting point, Table 1.1 summarizes the 'qualification criteria' based on employee numbers and turnover which apply to SMMEs.

**Table 1.1 Definition of SMMEs**

Type	Employees	Asset value	Characteristics
Micro-enterprises	Often owner-run and do not have more than 5 employees.	Minimal	Generally, lacks business formality. Generally, lacks premises. Are "survivalists" operated/owned– services and products are basic. Often do not operate bank accounts.
Very Small	Often owner-run with up to 20 employees.	Moderate to high – depending on stock levels.	Operate on a "quasi-formal" market. Have premises and basic infrastructure. Meets basic legal compliance. Will have bank accounts.
Small	Often owner-run with up to 50 employees.	High – due to stock levels and accumulated assets.	More established, with a traceable trading history. Meets legal compliance. Has succession planning mechanisms. Will have bank accounts established and due to positive trading history, will have access to finance.
Medium	Less than 100 employed. Still, owner-managed but more complex management structure.	Very high – due to stock level and accumulated assets.	Decentralisation of power to management distinguishes medium from small. Far more established with traceable references and a well-established trading history.

**Source: DTI, 1996, National Small Business Act 102 of 1996, Department of Trade and Industry, Cape Town.**

What is critical from the above definitions is that SMMEs contribute to growth and are responsible for positive change in a nation. The SMMEs are important and productive economic unit components of the eThekweni Metropolitan Municipality. SMMEs constitute a significant proportion of the informal sector in South Africa, which operates in rural and urban areas. Although there are pessimisms about the roles of SMMEs in the economy, they play a crucial role in many developing countries (Martin et al., 2017).

SMMEs play notable roles critical in sustaining economic growth. SMMEs are a source of employment and income for many people, including low-skilled workers and poor women (Abisuga-Oyekunle et al., 2020, Afolayan, 2019, Ashe et al., 1997, Matebesi, 2019, Brijlal et al., 2013). About 60% of employment in the manufacturing sector in South Africa is through SMMEs, which also produce up to 50% of the sector's output in the country (Kambule, 2015, Mdlalose, 2019). As expected, the productivity of SMMEs remains low as compared to that of larger firms (Bhorat et al., 2018, Kesper, 2001). Despite this, SMMEs contribute significantly to the national Gross Domestic Product (GDP) through the consolidation and mobilization of scarce resources to the needs and demands of fragmented domestic markets (Nieuwenhuizen, 2019). SMMEs are growth-supporting sectors that not only contribute significantly to improving living standards but also bring substantial local capital formation and are responsible for driving innovation and competition in developing economies (Bolosha et al., 2022, Crudu, 2019, Ridwan Maksum et al., 2020).

This study utilises the SMME definition provided in the White Paper on the National Strategy for the Development and Promotion of Small Business (DTI, 1995). The rationale for focusing on SMMEs is that they are often in a position where they require development and support from institutions and organisations, whether it is public or private, to help them develop, grow, and sustain themselves. However, this study will not focus on informal traders or survivalists

because they generally do not make use of the business support services provided by the Electricity Unit.

### **1.3 Initiatives of the South African government to develop SMMEs**

The South African government has undertaken initiatives to provide SMMEs opportunities to participate in the economy and promote their growth and development through the emphasis on rectifying inequalities with respect to business support programmes for SMMEs (Mathibe and van Zyl, 2011, Mago and Toro, 2013). Some initiatives that have been put in place to assist SMME development, growth, and performance are the Special Development Initiatives (SDI) (Crush and Rogerson, 2001), Accelerated Shared Growth Initiative South Africa (ASGISA) (Kraai, 2021), National Empowerment Fund (NEF) (Molo, 2019), and Growth Employment and Redistribution Strategy (GEAR) (Awuah, 2019).

In 1996, the Business Support Centre (BSC) was established (Lotz and Marais, 2007). Several Municipalities that BSC serves within KwaZulu-Natal include Impendle, Mkhambathini, Mpofana, Msunduzi, Richmond, uMngeni, and Umshwati. The mission of BSC is to connect SMMEs to business opportunities that are available in the mainstream economy. The BSC fulfils its mission through the provision of a one-stop development and support facility. The efforts of BSC through business linkages and loan facilitation culminated in helping the SMMEs to secure contracts from both private and public sectors, which leads to the daily creation and sustenance of jobs (Mathibe and van Zyl, 2011). However, most often, the employment opportunities which the SMMEs provide are only for short durations. Nevertheless, the jobs serve as a guarantee for food provision for the owners of SMMEs during their tenure. The success of SMMEs can lead to poverty reduction, improvement of the health and well-being of families and communities, increases in literacy and educational levels, and empowerment of women. Therefore, the BSC strives to help small businesses to grow and become sustainable through the following:

- i. Business linkages – assisting SMMEs to connect with big businesses and government entities as both suppliers and buyers of commodities.
- ii. Enterprise development – promotion of growth in terms of revenue, infrastructure, and human capital development.
- iii. Business counselling and mentorship – impacts SMME owners’ vision and reshapes the way of being, thinking, and actions. It involves challenging and supporting SMMEs in achieving higher levels of performance and allowing them to produce the best in themselves.
- iv. Entrepreneurial training – introduces the values and basics of starting and running a business. It is critical for the integration of various business management disciplines into the SMME business approach to meet internal and external needs and challenges.
- v. Sourcing finance for emerging businesses – this involves fundraising critical for financial capital investments for SMMEs. This fundraising can be done through government and/or private-sector partnerships.
- vi. Company and Construction Industry Development Board (CIDB) registration – this involves the assistance with the registration of SMMEs to formal boards for records, networking, and connectivity purposes (Mathibe, 2019, Mathibe and van Zyl, 2011).

#### **1.4 Advantages of SMMEs**

SMMEs have multiple advantages. Due to their size and simpler structure, SMMEs have a greater capacity to be reactive and adapt to changes (Terziovski, 2010). This also helps them to be closer to their customers, which allows them to know the variations in the market before larger businesses.

##### *1.4.1 The SMME sector is very labour-absorptive*

SMMEs have a designated role as job creators, particularly in situations of high unemployment, inequality, and poverty (Makwara, 2019). The SMME sector is well-placed to serve

marginalised communities such as women, youth, and low-income families (Grater et al., 2017). In the African context, because most SMMEs are more labour-intensive than larger enterprises it has been estimated that they contribute over 70 per cent towards job creation and employment (Abisuga-Oyekunle et al., 2020). In South Africa, SMMEs account for about 91 per cent of formal business entities and constitute over 55 per cent of all jobs (Mashavira et al., 2022).

#### *1.4.2 Little capital is required to start SMMEs*

Unlike large businesses, passion to make their business idea work makes most starting entrepreneurs end up selling their personal belongings, borrowing money from friends or family, quitting their jobs to get retirement financial packages, and using up all their life bank savings to raise the little capital needed to finance their new business venture (Muteswa, 2014). However, this does impact the performance of SMMEs. Access to financial capital is positively correlated with the success of an SMME (Rungani and Potgieter, 2018).

#### *1.4.3 SMMEs condone more competitive markets*

The globalisation of the economy and intense competition stimulate companies to seek ways of internationalization and significantly contribute to the economic development of nations, industries, and productivity (Naradda Gamage et al., 2020). SMMEs, playing a significant role in the growth and change of the economy, are confronted with competition and are forced to compete for the share of the markets (Korsakienė and Tvaronavičienė, 2012). SMME owners and managers recognise the need to utilize their limited resources more effectively to compete with powerful competitors (Ramukumba, 2014). These resource-constrained SMMEs usually focus on critical success factors to build competitive advantage to stay viable amidst the challenges of globalisation and liberalisation.

#### *1.4.4 SMMEs are essential actors in the local and regional green economy*

In the African continent, SMMEs contribute to 50 per cent of the GDP. They often provide innovative solutions that challenge problems such as renewable energy production, wind and solar installation, smart metering, and battery development (Marks and Hidden, 2017). Through the provision of sustainably produced consumer goods and services, SMMEs are not only averting environmental degradation but also widening the availability of affordable and sustainable products for the base of the pyramid (the poorest economic group) (Gold et al., 2021).

#### *1.4.5 SMMEs are innovative*

While the concept of innovation is heterogenous and broad, most SMMEs are responsible for the processes of intervention, adoption, and adaptations or modification of products, technologies, organisation arrangements, and marketing functions that have been developed elsewhere, making them innovative (Bolosha et al., 2022). For SMMEs, the important role of external knowledge leads to the innovation process to be conceived as a systemic process resulting from both formal and informal networking with other knowledge actors such as other local firms and external institutions, both in the public and private sectors (Leckel et al., 2020).

### **1.5 SMMEs contracted to the Electricity Unit**

The study was conducted in Durban, KwaZulu-Natal, South Africa. The target population for this study comprised the SMMEs contracted to the Electricity Unit, and responsible for electricity reticulation and maintenance. Most SMMEs contracted to the Unit provide services to the eThekweni Metropolitan Municipality in Durban and are situated in the city. It is also situated in the Durban central business district.

The Unit employs several electrical SMMEs to ensure the efficient operation of electrical infrastructure. It believes that unlocking the key potential of SMMEs contracted to the Electricity

Unit of the eThekweni Metropolitan Municipality leads to the provision of regular and affordable power supply. A crucial infrastructure is the electricity supply as it is essential for the development of the economy, communities, and industries.

The improvement of the electricity supply through the infrastructures can be viewed in two ways. Firstly, electricity can be considered as an intermediate input infrastructure. A decline in input costs increases profitability. The increased profitability allows for greater output, revenue, and employment. Secondly, infrastructures boost the productivity of other factors, such as labour and other capital. Electricity as an infrastructure enables the firm to use electrical equipment. Moreover, electricity encourages the use of information and communication technologies and also facilitates more production organizations or enterprises.

The costs that emerge from power outages can be classified into two. The first class is the cost of production interruptions. These refer to the costs incurred due to the loss of unpreserved raw materials or outputs and the impairment suffered by the sensitive electronic equipment. The effects of such costs manifest in the form of underutilization of current production capacity and can also limit the short-run productive efficiency as well as output growth. The second class is the cost of securing reliable power sources or maintaining access to electricity. It prompts the firms to invest in alternative power sources. The firms might be forced to secure a captive generator which will eventually raise the capital costs. These additional costs constitute a serious burden for SMMEs due to many challenges, such as lack of technology, and finance which confront the SMMEs as compared with larger firms.

One of the policy measures that the South African government is currently pursuing in a bid to enhance the growth and expansion of microenterprises is the electrification of rural areas in the eThekweni Metropolitan Municipality through the SMMEs. The SMMEs contracted to the

electricity unit of the eThekweni Metropolitan Municipality play a critical role in ensuring the social and economic progress of the eThekweni municipal region.

## **1.6 Motivation for the study**

SMMEs are the engines of economic growth, development, employment creation, poverty, and inequality reduction in any economy (Makwara, 2019). They are critical for economic growth and development as they provide competition on the one hand, and on the other hand promote employment opportunities and income redistribution, particularly to previously disadvantaged populations (Awuah, 2019, Hlengwa and Thusi, 2018, Molo, 2019, Refiloe et al., 2020). Despite the obvious contributions of the SMMEs, many obstacles confront SMMEs which limit their performance, development, and long-term survival (Botha et al., 2021, Chimucheka and Mandipaka, 2015, Kambule, 2015, Mahambehala, 2019). These obstacles influence SMMEs' performance, their ability to realize their full potential, and ultimately their survival. It is noticed that the rate of failure in developing countries is higher than in the developed world (Botha et al., 2021, Chimucheka and Mandipaka, 2015, Ramukumba, 2014). Generally, younger businesses have a higher failure rate than older and more established businesses (Botha et al., 2021). In South Africa, about 57% of small businesses fail within the first year of operation and 70% to 80% of all new small businesses fold up within the first five years (Bosch et al., 2022).

The SMMEs at the Electricity Unit are crucial, as electricity is an indispensable input for many energy services in both private and public enterprise operations. The power supply is not only vital for running many industrial machines but also to promote the productivity of human capital. Many household and business operations require a continuous supply of electricity. Energy is crucial in driving the economy and social development within the eThekweni Metropolitan Municipality as it increases productivity, incomes, and consequently employment (Govender, 2019). An efficient electricity supply reduces manufacturing bottlenecks as goods can be

manufactured ahead of demand (Olanrewaju, 2019). Therefore, the SMMEs employed in the Electricity Unit play a critical role in ensuring the social and economic progress of the eThekweni Municipal region.

The performance of the SMMEs contracted to the Electricity Unit affects other businesses and enterprises as their operations and profitability largely depend on access to electricity. Failure on the part of the SMMEs contracted to it can make the owners of businesses and enterprises face the problem of unreliable power supply in their routine operations. An inefficient power supply interferes with the use of electrical appliances and machines in enterprises and ultimately halts their operational activities.

SMMEs also appear to suffer from a lack of information, efficient production technologies, and inadequate use of management and control systems. It is therefore important to identify the factors that influence the performance of SMMEs contracted to the Unit and establish recommendations for their improved performance for the benefit of electricity end-users. This study is essential for the improvement of the performance of SMMEs contracted to the Unit for the growth of their businesses and the benefit of the Metropolitan Municipality at large.

## **1.7 Research problem**

This study focused on both external and individual factors influencing the performance of SMMEs contracted to the Electricity Unit, such as access to resources and support services, workmanship, contractual assignments completion, work ethics, consumer feedback, and the relationship between the Unit and the SMMEs contracted to it. The significance of the study lies primarily in researching SMME performance in an under-researched context. Previous studies have focused on other areas other than the topic at hand.

The relevance of studying the external and individual factors influencing the performance of SMMEs contracted to the Electricity Unit has been underscored by recent events, particularly the ongoing challenges within the energy sector and broader economic fluctuations. The global COVID-19 pandemic, followed by supply chain disruptions and fluctuating energy demands, has intensified the need for efficient and resilient SMMEs that can adapt to shifting market conditions. Additionally, the increasing emphasis on infrastructure development and energy sustainability in response to climate change has placed further pressure on SMMEs to deliver high-quality workmanship and meet contractual obligations. The evolving regulatory environment and public scrutiny of energy providers have heightened the importance of robust support services, ethical practices, and effective collaboration between SMMEs and the Electricity Unit. As such, this study is timely, providing critical insights into how these enterprises can optimize performance amidst a complex and dynamic operating environment. This study aims to inform policies on the promotion of SMME development, growth, and sustainability in the electricity reticulation and maintenance services in South Africa.

Previous studies have indicated that SMMEs play a pivotal role in accomplishing inclusive economic growth, and sustainable development goals through the provision of job opportunities, decent work, encouraging innovation, and lessening income disparities (Cant and Stanford, 2004, Abisuga-Oyekunle et al., 2020, Afolayan, 2019, Matebesi, 2019). Understanding these macro-level benefits for SMMEs is critical. However, this study goes beyond, exploring the performance of SMMEs contracted to the Electricity Unit. South Africa has a sound policy framework to support SMMEs and as a rejoinder to such, there has been an emergence of diverse financial institutions and business support service providers, but critical challenges remain.

Most SMMEs in South Africa continue to record low performance, low growth, and high failure rates (Fatoki, 2018). These SMMEs suffer from a lack of financing from corporate institutions

and the government, access to physical infrastructure, basic services, and business-related infrastructure, and lack adequate business and financial management skills as a result of a lack of education and training (Botha et al., 2021, Chimucheka and Mandipaka, 2015). South African SMMEs are also negatively affected by excessive government policies and regulations and a difficult tax system which are major constraints to entrepreneurship (Botha et al., 2021, Netshishivhe, 2021). This results in high rates of business failure. South Africa has one of the lowest SMMEs survival rates in the world, with a large percentage of SMMEs failing in their first two years of operation (Fatoki, 2013, Bosch et al., 2022). While the above issues have been raised in previous literature, the researcher has not come across any study specifically exploring the factors influencing the performance of SMMEs contracted to an Electricity Unit in South Africa. This study contributes to existing literature on the performance of SMMEs in South Africa, with a particular focus on those that are contracted to an Electricity Unit.

## **1.8 Research objectives and questions**

The research aims to explore the factors influencing the SMMEs' performance in the Electricity Unit. The study objectives are:

- To explore the role of the Electricity Unit in influencing the performance of SMMEs contracted to it.
- To explore SMMEs' access to external resources and support services available and how these influence their performances in the Electricity Unit.
- To explore the challenges that influence SMMEs' performance in the Electricity Unit.
- To provide recommendations on how SMMEs under the Electricity Unit can improve their performance.

The research questions are:

1. How does the relationship between the Electricity Unit and the SMMEs influence SMME performance in the Electricity Unit?

2. What are the external resources and services available to SMMEs, and how do these influence their performance in the Electricity Unit?
3. What challenges exist that influence the SMMEs' performance in the Electricity Unit?
4. What recommendations can be provided on how SMMEs under the Electricity Unit can improve their performance?

## **1.9 Organization of the dissertation**

The dissertation is structured as follows:

### **Chapter 1**

**Introduction** – The introduction explores the background information, the aim of the study, the objectives of the study, the research questions, the scope of the study, and the structure of the dissertation.

### **Chapter 2**

**Literature review** – The literature review provides current literature and the conceptual framework that informed the study.

### **Chapter 3**

**Research Methodology**- The research methodology chapter explores and discusses the research design, including the study context, and research methods that were used in data collection. This study utilised mixed methods – quantitative and qualitative research methods. This chapter also addresses ethical considerations taken in conducting the study.

### **Chapter 4**

**Results** – The results chapter presents quantitative and qualitative data analysis and the interpretation of the results from participants. The quantitative section focused on the socio-demographic information of the participants, and descriptive statistics on various factors

influencing the performance of SMMEs contracted to the Electricity Unit. The qualitative section of this chapter explored participants' views of SMMEs contracted to the Electricity Unit of the eThekweni Metropolitan Municipality, their long-term vision, funding, and budgetary support, and recommendations for performance enhancement and service delivery.

This chapter also focuses on the discussion of results in comparison to the literature review and conceptual framework to provide a clear picture of the relevance of the study in the generation of new knowledge and perspectives on the factors influencing the performance of SMMEs contracted to the Electricity Unit.

## **Chapter 5**

**Conclusions and recommendations:** - This section discusses the overall conclusions and recommendations on the factors influencing the performance of SMMEs contracted to the Electricity Unit.

### **1.10 Conclusion**

This chapter provided a background to the study, which focused on the definition of SMMEs, the initiative of the South African government to develop SMMEs, the importance of SMMEs, SMMEs contracted to the Electricity Unit, the motivation of the study, the research problem and the structure of the dissertation. Chapter 2 provides a review of the current literature and a conceptual model for the study.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2. Introduction**

This study explores the factors that influence the performance of SMMEs under the Electricity Unit. This chapter explores the current local and international literature. The chapter begins with a discussion of the role of SMMEs in the economy. It then focuses on the factors influencing SMME performances, the legislative and policy frameworks, draws on the SMME performance models, and the interventions for SMMEs.

#### **2.1 Role of SMMEs in the economy.**

SMMEs are perceived to be essential drivers of the global economy (Roxas et al., 2017). In South Africa, policy consultants, both at national and provincial levels, strongly view SMMEs as the primary source of economic growth, innovation, and income redistribution (Agbenyegah and Mahohoma, 2020, Anugwo et al., 2018, Bruwer, 2020, Gongxeka, 2020, Hewitt and van Rensburg, 2020). The concept of SMMEs is explained to clarify the point of departure. Since SMMEs are embedded in local economic development (LED), it becomes the responsibility of Municipalities to ensure that the economic development challenges are responded to within a regulated and supported framework of SMMEs (Tsoabisi, 2012).

SMMEs are considered the foundation of the economic activities of various countries worldwide (Hyder and Lussier, 2016). Furthermore, SMMEs are vital stimulators of economic and social activities because they create employment opportunities, reduce poverty levels, and overtake ongoing economic activities (Abisuga-Oyekunle et al., 2020, Ashe et al., 1997, Racheal and Uju, 2018, Zafar et al., 2019, Zhuang et al., 2009). Without a doubt, most countries depend much on the survival and better level of SMMEs' performance for economic potential (Mdlalose, 2019).

In addition to promoting economic growth and employment opportunities, there is growing extensive literature that supports the views that small businesses play significant roles during periods of recession to ensure greater efficiency, offer relevant assistance to economic growth, provide adequate income distribution and increase productivity (Ahmed, 2020, Brijlal et al., 2013, Hlengwa and Thusi, 2018, Zhuang et al., 2009).

## **2.2 Factors influencing SMME performance**

Several individual and external factors are critical for the performance of SMMEs (Sitharam and Hoque, 2016). Individual factors include all SMME-specific factors that are influenced by specific SMME action, including the entrepreneurial aspects (motivation, optimism, self-efficacy, and self-management), availability and competence of human resources (skills, knowledge, and capability), innovativeness (product creativity and technology), and sustainability (growth, resilience, and profitability) (Sitharam and Hoque, 2016, Abouzeid, 2018, Agbenyegah and Mahohoma, 2020, Mashavira et al., 2022). External factors include markets (local, international, emerging and established markets), cultural, economic, political, institutional, legal, productive, technological, infrastructure and other physical factors of that particular environment (Ayandibu and Houghton, 2017, Anggadwita and Mustafid, 2014). Deficiencies in both the individual and external environments are a major cause of SMME failures.

### *2.2.1 Internal factors influencing the performance of SMMEs*

#### **2.2.1.1 SMME demographics**

SMME demographics are essential in understanding their performance. These include but are not limited to the size of the SMME, age of the SMME, organizational structure, community networks, and product and competitiveness (Anggadwita and Mustafid, 2014, Benedict, 2019). SMMEs exist in a competitive external environment, with larger competitors in the same industry and area (Sitharam and Hoque, 2016). Being small may correlate negatively with

performance, growth, and survival rates, owing to the limited resources that SMMEs find a key liability. Also, current literature supports the consideration of the age of an organization as a factor that may affect SMME performance, growth, and survival (Botha et al., 2021). The liability of newness that makes new SMMEs face a greater risk to survival than older firms is that new firms do not have the experience, access, links, experience, reputation or legitimacy of the older firms, leading to limited access to external resources (Chimucheka and Mandipaka, 2015, Mahambehala, 2019, Netshishivhe, 2021).

The methods by which the SMME was established and the organizational structure and strategic choices may also affect performance, growth and survival (Adam and Alarifi, 2021). In the same light, supporting local communities through ethical corporate social responsibility builds a positive image in the community, which benefits SMME success (Cosenz and Bivona, 2021). On the other hand, SMMEs seen as capitalist sharks by the communities they serve have lower performance and growth rates (Msomi, 2021). It is therefore critical for SMMEs to establish positive partnerships with their community networks. Lastly, sustainable competitive advantage is also a factor in the performance, success and growth of SMMEs and is achieved by competitive strategies like product differentiation (Farhikhteh et al., 2020). Uncompetitive products have a limited product offering, lack of track record and unknown brands often lead to SMMEs not reaching their targeted sales.

#### 2.2.1.2 Human capital

Investment in human capital is a critical element in the performance of SMMEs. Important to the success of SMMEs are human resources' attitudes, commitment, values, knowledge, experience, education, capability, skills and abilities that assist in its establishment, development and growth (Qamariah and Muchtar, 2019, Anggadwita and Mustafid, 2014, Benedict, 2019, Osano and Languitone, 2016). The creativity, innovativeness, quality, maturity, diversity and depth of the SMME are key determinants in its performance and growth.

For performance and growth, SMMEs require specific experience which includes management know-how and specific industry knowledge from accumulated work habits and business experience, that brings an understanding of how business is done in a specific context of suppliers, competitors and customers in a specific industry (Benedict, 2019, Osano and Languitane, 2016, Sitharam and Hoque, 2016).

The personal characteristics of management and staff are also critical to SMME performance because the psychological and cognitive characteristics influence their attitudes and mindset (Kimathi, 2020). These may include but are not limited to intelligence, health, attractiveness, talents, personality, traits, achieved attributes and accumulated habits. Lastly, competencies, capabilities and skills are important for the performance of SMMEs (Makwara, 2019). The existing and acquired knowledge leads to certain behaviours and actions by SMME management and staff that enable them to identify and evaluate market opportunities, set up realistic and measurable goals, secure resources required and set up new ventures, produce and service the market, manage conflict effectively, and to achieve overall industrial efficiency as well as effectiveness that lead to the growth of the business (Ncube and Chimucheka, 2019).

## *2.2.2 External factors influencing the performance of SMMEs*

### *2.2.2.1 Economic factors influencing the performance of SMMEs*

The success of an SMME is dependent on several economic factors including enterprise density, inflation, interest rates, unemployment, taxation, innovation, and the business environment (Adesile, 2020). In terms of enterprise density, the performance of SMMEs is dependent on the percentage of existing and possible entrepreneurs. The more SMMEs in a given population at a given time, the more competition (Mashavira et al., 2022, Masroor and Asim, 2019).

The impact of inflation on SMME performance is such that when it is high then the cost of living increases and the value of wealth decreases leading to a decrease in opportunities for entrepreneurs (Mashavira et al., 2022, Musakwa, 2009). In the same breath, high interest rates limit access to capital and therefore also make it difficult to acquire resources required for entrepreneurship. In this regard, high prime interest rates limit both consumption rates and the amount of capital that can be raised (Botha et al., 2021, Chimucheka and Mandipaka, 2015, Netshishivhe, 2021).

Unemployment also affects the entrepreneurship process. In the context of high unemployment, most people are pushed into entrepreneurship for survival. On the other hand, due to high unemployment and limited earnings, markets are naturally limited. South Africa's high unemployment rates mean that more people are opting for self-employment yet spending power is limited (Musa and Semasinghe, 2013, Korpysa, 2010).

Taxation also negatively impacts SMME performance. The high tax rates reduce the profit incentive drastically. In South Africa costs associated with meeting VAT and corporate tax are among the highest in the world (Nieuwenhuizen, 2019). The complexity of the tax system further raises the cost of doing business, as many SMMEs cannot administer tax returns and thus need to consult experts for a fee to meet these legal requirements (Ingle, 2014, Ongayi et al., 2021).

Positive features of the business environment of a country provide SMMEs with opportunities, information and access to role models, which are important in determining SMMEs' success (Ramukumba, 2014). Too many shocks in the business environment, however, push risks to unacceptable levels. The challenge facing most governments is to provide a business environment that supports and promotes a vibrant entrepreneurial culture. In South Africa, entrepreneurs view the environment as unstable (Botha et al., 2021, Chimucheka and

Mandipaka, 2015, Hlengwa and Thusi, 2018, Kambule, 2015, Mahambehala, 2019, Netshishivhe, 2021, Ramukumba, 2014).

#### 2.2.2.2 Structural factors influencing the performance of SMMEs

Several structural factors influence the performance, growth, and survival of SMMEs. These include but are not limited to macroeconomic policies, laws, bureaucracy, cost of compliance, public support, and political instability (Zunckel, 2018, Botha et al., 2021). The macro-economic policies, legislation, frameworks, regulations and laws are factors that can facilitate or hinder entrepreneurship development (Sitharam and Hoque, 2016). Appropriate trade, labour, investment and tax policies and regulations can create an enabling environment that encourages investment and sustainability of entrepreneurs as the new source of wealth and job creation in the economy (Igwe et al., 2013, Abisuga-Oyekunle et al., 2020). On the other hand, a hostile external environment presents legal and regulatory constraints which stifle entrepreneurship and increase the costs of doing business. In South Africa, some of the government regulatory laws are considered a threat to the SMME sector. Unavoidably, the challenge facing the South African government is to institute enforceable rules, regulations and policies to promote a national interest that includes the vibrancy of business enterprise (Rogerson, 2018, Rogerson, 2008).

Reliability of the law is important for entrepreneurial development, as it can provide legal protection against the infringement of intellectual property rights, enforce contractual obligations between parties, implement competition laws, as well as administer company law (Rogerson, 2018, Rogerson, 2008). South Africa's legal system is considered to be strong thus affording businesses some type of protection. On the other hand, bureaucratic corruption and red tape can significantly increase business costs, as well as the time spent negotiating with corrupt officials makes products and services uncompetitive in the marketplace (Kunene, 2009). There is a high level of bureaucracy in South Africa.

Most SMMEs indicate that they cannot deal with government requirements in general (Rogerson, 2008). In South Africa, the cost of compliance with legislation is high and is seen as a threat to the SMME sector and entrepreneurship (Bushe, 2019). The government's SMME support programmes could ensure that SMMEs get ongoing support in the form of knowledge and expertise to ensure the growth of the business beyond the initial incubation and early survival (Hewitt and van Rensburg, 2020). Lack of public sector support harms entrepreneurship development in a country (Ingle, 2014). In South Africa, while the support is typically provided in the form of incentive programmes or inducements to encourage the founding of new enterprises, many SMMEs do not know existing government support mechanisms or how to access them (Lose, 2016). Some SMMEs find that services like grants or procurement opportunities are complicated, inflexible or inadequate for actual SMME needs (Rens et al., 2021).

Due to the regional political instability caused by wars in the Congo and Mozambique, the political and economic unrest in Zimbabwe, and South Africa's political and economic predominance in the region, a disintegrated regional economy and the instability of emerging markets all negatively affect the business environment, with many SMMEs from the region flooding into South Africa and increasing competition for the local SMMEs (Meyer and Meyer, 2017, Borat et al., 2018, Ingle, 2014).

#### 2.2.2.3 Socio-cultural factors influencing the performance of SMMEs

Socio-cultural conditions reflect the country's stage of development. These social conditions and aspects of the country's culture may create environmental goodwill that benefits SMMEs or may present pressures that stifle entrepreneurship (Kunene, 2009). This study focuses on the following socio-cultural factors: access to investment capital, access to public infrastructure, access to technology, access to labour, access to other economic resources, and crime (Anggadwita and Mustafid, 2014).

Access to public physical infrastructure services including water, electricity, serviceable roads, telecommunication, telephones, electronic media and postal services are all crucial for business start-ups, development and growth (Alene, 2020). Limited access to public infrastructure services is a major constraint to SMME performance, growth, and survival, as it limits operations and restricts access to markets and raw materials (Kamunge et al., 2014). The availability of appropriate economic resources such as investment capital is also crucial for SMME development (Anggadwita and Mustafid, 2014, Kamunge et al., 2014, Osano and Languitone, 2016). This enables SMMEs to secure the necessary expertise and raw materials to put entrepreneurial ideas into practice, to be competitive, to survive during unfavourable conditions and to grow. The lack of capital and limited access to finance is a factor inhibiting entrepreneurship and influencing growth negatively, as it impedes the progress that comes from the timeous application of resources (Ingle, 2014).

For South Africa's disadvantaged societies, access to finance remains very limited, as financial institutions like banks are very conservative and risk-averse (Botha et al., 2021). These financial institutions normally avoid SMMEs that are considered risky and have no collateral or dependable track records (Chimucheka and Mandipaka, 2015). On the other hand, the SMMEs that can secure start-up finance find the cost of capital is too high (Mahambehala, 2019, Netshishivhe, 2021).

Globalization, technological sophistication, access to technology and technological discoveries have seen an increased number of businesses built on quality assurance, high-tech innovations and intellectual property (Dnishev and Alzhanova, 2016). SMMEs need access to appropriate technology if they are to have a competitive advantage. The inability to secure technology for start-ups can negatively impact the entrepreneurship development process in today's world of globalization. For South Africa's disadvantaged societies, access to technology remains very limited (Botha et al., 2021, Chimucheka and Mandipaka, 2015,

Makwara, 2019). Access to labour markets is also a key factor of production crucial for entrepreneurship, as it allows for appropriate expertise that enables ventures to explore identified opportunities. In South Africa, the labour is mainly unskilled and informal while the available semi-skilled and skilled labour is expensive (Botha et al., 2021, Netshishivhe, 2021, Ramukumba, 2014).

Access to other economic resources like bankers, suppliers, lawyers, training and all intermediaries needed in the total value chain is imperative for entrepreneurial success. While such resources or services are easily available for SMMEs in South Africa, many SMMEs from previously disadvantaged backgrounds have limited access to such resources due to financial constraints (Mahambehlala, 2019, Makwara, 2019). Low crime and security are prerequisites for the performance, growth, and survival of SMMEs. High levels of crime negatively affect investment levels, sales and business success and increase the cost of doing business (Bhorat et al., 2018). In South Africa, entrepreneurs view crime as the biggest threat facing the SMME sector (Bushe, 2019).

### **2.3 Legislative and policy frameworks for SMMEs in South Africa**

SMME development continues to challenge governments, donor agencies and practitioners at a global level (Masutha and Rogerson, 2014). In most contexts, responding to these challenges has created originality in methods that improve practices and expand the understanding of SMMEs and their role in local and national economies (Harrison and Baldock, 2015, Martin et al., 2017). While there may be consensus on the benefits of SMME development and their contribution to the local and national economies, the methods for their promotion are the subject of debate (Rogerson, 2008, Jeppesen, 2005). In some cases, SMMEs are an indication of underdevelopment and poverty, yet in other places, they are symptoms of a lively, entrepreneurial economy (Bushe, 2019, Alharbi et al., 2015). Current

studies recognize the importance of the SMME sector and its relationship to large enterprises and government services (Harrison and Baldock, 2015, Appiah et al., 2019).

However, during the apartheid era in South Africa, the business sector was dominated by large capital-intensive businesses with no regard for small firms (Nattrass and Seekings, 2010, Zalk, 2021). South Africa's SMME economy was either largely neglected by policymakers or in the case of Black-owned enterprises, repressive measures actively instituted (Rogerson, 2004). Development focused on a certain class of individuals, accelerating a certain few, with other classes being left behind, introducing the structural inequalities experienced in South Africa today (Mellet, 2012). During this period, SMMEs were not even included in the research agenda of most research councils, universities, and business schools (Black and Hasson, 2016, Nattrass and Seekings, 2010).

### *2.3.1 The role of the democratic government in promoting SMMEs in South Africa*

The Government of South Africa has attempted to address the various challenges faced by SMMEs, including enterprise density, inflation, interest rates, unemployment, taxation, innovation, and the business environment (Adesile, 2020), by creating an enabling environment. It has done this in the past years by putting in place policies, legislative frameworks, and programmes whereby small businesses could thrive. The government also aims "to facilitate the greater equalisation of income, wealth and economic opportunities" which is inseparable from "a strengthening of the labour-absorptive process in the micro-enterprise and survivalist segments, the redressing of discrimination concerning Blacks as well as women's access to economic opportunities and power, and the facilitation of growth in Black and small enterprises in rural areas" (Makwara, 2019). There is also a strong push for the creation of permanent jobs.

The government, through various policies and legislative frameworks discussed below, has focused attention on interventions that promote and improve SMME financing, and human resource skills, and reinforce the use of appropriate modern technologies. Although still difficult to achieve, the government intends to level the playing fields both between large enterprises and SMMEs and between rural and urban businesses (Anugwo et al., 2018, Chalera, 2007, Gongxeka, 2020, Matebesi, 2019, Mathibe and van Zyl, 2011). Critical to government policies and legislative frameworks has been the push towards a more coherent SMME sector which benefits from building relationships and networking with each other. This ensures that SMMEs in South Africa have a competitive advantage over other businesses across the region and the world at large.

### *2.3.2 The Reconstruction and Development Plan*

In 1994, South Africa introduced the Reconstruction and Development Plan (RDP), as a groundbreaking policy framework designed to address the historical injustices and inequalities that plagued the nation during the apartheid era, including the limited access to financial resources and support services for previously disadvantaged population groups (Harrison et al., 2007). The RDP drew attention to the importance of the SMME sector and read ‘A particular weakness of the economy, aggravated by racist and sexist policies, is the inability to maintain a dynamic small-scale and micro-enterprise sector’ (Mahambehlala, 2019). The RDP recognised the critical role of the SMMEs in fostering economic growth, social development, and empowerment, while reducing poverty, unemployment, and inequality (Mnguni, 2018). In this regard, the SMME sector is often referred to as the “engine of economic growth” (Pinheiro, 2010, Makwara, 2019, Adesile, 2020).

### *2.3.3 The White Paper on National Strategy on the Development and Promotion of Small Business*

The White Paper on National Strategy on the Development and Promotion of Small Business in South Africa, first introduced in 1995 and amended in 1997 and 2007, was established on the backdrop of the RDP and focused on the inherent unemployment and the role of the SMME sector in the country (Botha et al., 2021, Sishuba, 2020). The White Paper is explicit in noting the importance of SMMEs as an important vehicle in addressing the challenges of job creation, economic growth, and equity in the country (Makwara, 2019). The White Paper also acknowledged that in contrast with big businesses, SMMEs were confronted with a wider range of limitations and problems and were less capable of addressing them on their own, even in effectively functioning market economies (Berry et al., 2002, Bhorat et al., 2018, Bolosha et al., 2022, Botha et al., 2021). It was therefore important to create an enabling framework for SMME development aimed at fostering the growth and sustainability of SMMEs (Botha et al., 2021).

The White Paper on National Strategy on the Development and Promotion of Small Business has led to the creation of various financial support mechanisms, such as the Small Enterprise Finance Agency (SEFA) and the National Empowerment Fund (NEF) (Molo, 2019). These entities provide funding to SMMEs, helping them overcome capital constraints and facilitating growth (Sishuba, 2020). It also emphasises the need to simplify regulatory procedures and reduce bureaucratic hurdles for SMMEs (Hoque and Koali, 2021, Sitharam and Hoque, 2016). This has led to the streamlining of processes for business registration, licensing, and compliance, making it easier for small businesses to operate (Naicker and Rajaram, 2019).

The White Paper on National Strategy on the Development and Promotion of Small Business promotes skills development and training for entrepreneurs and employees of SMMEs (Ouma-Mugabe et al., 2021). It also encourages government departments and agencies to allocate a

portion of their procurement budgets to SMMEs (Botha et al., 2021). This provides these businesses with a steady source of revenue, boosting their sustainability and growth (Kraai, 2021). The policy also encourages SMMEs to expand beyond South Africa's borders and access international markets. Various initiatives and funding support such as the Export Marketing and Investment Assistance Scheme (EMIA) facilitate this process (Scholtz, 2019, Botha et al., 2021).

#### *2.3.4 Black Economic Empowerment (BEE) Act 53 of 2003*

The Black Economic Empowerment (BEE) Act 53 of 2003, which was later amended to the Broad-Based Black Economic Empowerment (B-BBEE) Act, is a transformative policy framework aimed at addressing historical economic disparities by promoting economic inclusion and advancement for previously disadvantaged individuals and communities (Musabayana and Mutambara, 2022). To understand the significance of the B-BBEE Act, it is crucial to consider the historical context of South Africa. The apartheid era entrenched systemic discrimination, leading to profound racial and economic inequalities. After the end of apartheid, the government recognized the need for policies to address these disparities and promote economic inclusion for the black population (Van Niekerk, 2019).

The B-BBEE Act encourages companies to prioritize procurement from Black-owned and Black-empowered SMMEs. As a result, SMMEs with B-BBEE accreditation are better positioned to access larger markets and secure contracts with major corporations and government entities (Mudau, 2022). This has a direct positive impact on their performance and growth prospects. The B-BBEE Act stipulates that a certain percentage of ownership and control within businesses should be in the hands of Black individuals and entities (Van Niekerk, 2019). SMMEs that align with this requirement are more likely to attract investment, partnerships, and support, which can facilitate their expansion and sustainability. The B-BBEE

Act also emphasizes the development of skills and capacity within black communities (Kilambo, 2021).

The B-BBEE Act has spurred the creation of Black-owned equity financing and venture capital firms, which provide investment opportunities for SMMEs (Mathibe, 2019, Mathibe and van Zyl, 2011). These funds, aligned with B-BBEE principles, offer crucial financial support to small businesses, enabling them to pursue expansion and innovation (Musabayana and Mutambara, 2022). The B-BBEE Act also encourages established businesses to support SMMEs through enterprise development initiatives. This support can take the form of mentorship, technical assistance, or financial aid. SMMEs receiving such assistance experience improvements in their performance and operational efficiency (Molo, 2019). Large corporations often engage in supplier development activities as part of their B-BBEE compliance. This involves assisting SMME suppliers in areas such as quality improvement, technology adoption, and production capacity. As a result, SMMEs become more competitive and can secure long-term business relationships (Mathibe, 2019).

However, while the B-BBEE Act has yielded numerous benefits for SMMEs, it is not without challenges. Compliance can be administratively burdensome and costly, particularly for smaller businesses (Chimboza, 2023). There is also a risk of fronting, where companies misrepresent their B-BBEE status (du Plessis, 2022). Furthermore, some critics argue that B-BBEE can create opportunities for a select few while leaving many previously disadvantaged individuals and businesses behind (Juggernath, 2019, Vilakazi and Bosiu, 2021).

### *2.3.5 National Small Enterprises Act 29 of 2004*

The B-BBEE Act was succeeded by the amendment of the National Small Enterprises Act in 2004. The amendment of the National Small Enterprises Act, which was first enacted in 1996, provided for the transitional arrangements to repeal all provisions relating to the Ntsika

Enterprise Agency (and the structures that fell within it) to the establishment of the Small Enterprises Development Agency (SEDA) in 2004. The amendment Act, per the directives contained in the National Small Business Support Strategy, established SEDA as the national government's small enterprise implementing agency and mandates it to implement the government's small business strategy (Mathibe, 2019). SEDA, together with other programmes such as the National Youth Development Agency (NYDA), provide training, mentorship, and support to enhance the capabilities of SMMEs (Sishuba, 2020, Mathibe, 2019, Mathibe and van Zyl, 2011). The Act also provides a comprehensive regulatory framework for SMMEs, addressing issues such as business registration, licensing, and compliance. This framework reduces bureaucratic hurdles, making it easier for small businesses to operate and encouraging entrepreneurship (Nieuwenhuizen, 2019).

This National Small Enterprises Act was further amended in 2019 to provide new thresholds for defining SMME sizes (Bvuma and Marnewick, 2020b). However, while the National Small Enterprises Act has made significant strides in supporting SMMEs, challenges remain. Implementation and awareness of the Act's provisions can be uneven, and some small businesses may struggle to access the support and resources available to them (Bushe, 2019, Khambule, 2020). Additionally, the economic impact of global events, like the COVID-19 pandemic, can affect SMMEs disproportionately (Rabonda, 2023).

### *2.3.6 The establishment of the Department of Small Business Development*

In 2014, South Africa established a new Ministry and Department of Small Business Development (DSBD) to champion the interests of the small business community and to coordinate the activities of the relevant departments and their agencies, particularly within the economic cluster of government (Sishuba, 2020). Following its establishment in 2014, the DSBD inherited the parent role for small enterprise development at the national government level from the Department of Trade, Industry and Competition (DTIC) (Matubatuba, 2022,

Mazwi, 2023). It is mandated to “coordinate an integrated approach to the promotion and development of entrepreneurship, small business and cooperatives, and ensure an enabling legislative and policy environment to support their growth and sustainability” (Department of Small Business Development, 2022). These legislations were meant to support SMMEs in addressing the low skill levels, lack of markets, procurement and unfavourable legal environment, particularly in the mining sector (Nieman, 2001, Nieuwenhuizen, 2019).

Far and above the legislative and policy frameworks, the South African government realised that promoting and developing SMMEs required partnerships between the government and various stakeholders (South African Parliament, 2014). Thus, these government legislations and policies set the stage for the proliferation of various business support programmes and services targeted at SMMEs emerging from both public and private sector entities.

### *2.3.7 What the policies and legislative frameworks need in practice*

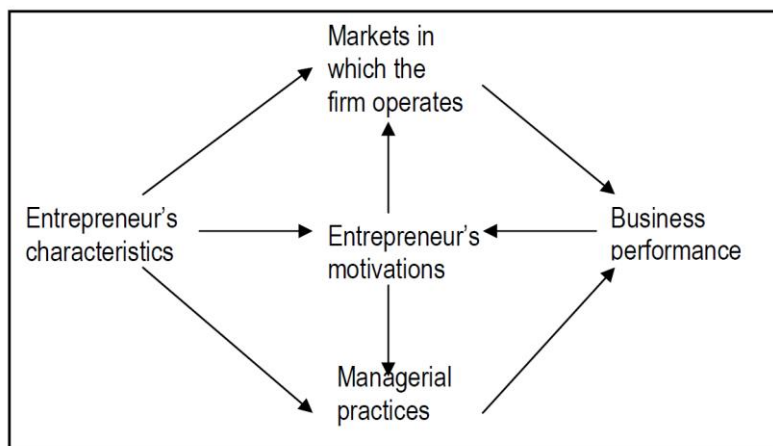
In the short term, for these policies and legislative frameworks to be successful, the government has to be well-organized and ensure that all departments that are responsible for SMME support and strengthening come to the table and provide the relevant support structures. Because of the wide differences in support needs of the different segments of the SMME economy, it is important for the government to effectively communicate with them according to their needs while acknowledging that no one-size-fits-all approach will work due to their diverse nature. It is only then that the government programmes will be able to reach their target groups, which they have not managed to do in the past two decades. The government needs to revolutionise the SMME support structures within South Africa looking for alternative models and practices that would help increase the global competitiveness of SMMEs thereby making a significant contribution to the global economy. This study focuses on these policies and legislative frameworks in relation to the SMMEs contracted to the Electricity Unit.

## 2.4 The SMME performance models

The normative conceptual model underlying this study is based on three models that are built on resource-based theory in which the performance of an organisation depends on the resources available internally and externally (Anggadwita and Mustafid, 2014).

### 2.4.1 The model of business performance

Glancey et al (1998: 255) outline a model of SMME performance in which the personal characteristics of the owner determine the motivations and objectives that direct the SMME's performance, which is mediated through the markets in which the owner operates and the managerial practices which they employ (see Figure 2.1).



**Figure 2.1: Glancey et al's model of business performance**

#### 2.4.1.1 Entrepreneur's motivations

The motivations of an entrepreneur have a profound influence on the performance and sustainability of their SMME (Matsoso, 2023). Entrepreneurs who are motivated by economic necessity often display a high level of resilience (Bushe, 2019). They are more likely to persevere through the initial challenges faced by their businesses, driven by the imperative to secure their livelihoods (Ingle, 2014). This resilience can contribute to the long-term sustainability of their SMMEs (Ramukumba, 2014).

Entrepreneurs driven by a sense of social responsibility and community development are more likely to engage with their communities (Lombard and Strydom, 2011). This engagement can foster customer loyalty, support, and goodwill, contributing to the long-term success of their businesses (Dzansi, 2006, Dzansi, 2011). Entrepreneurs motivated by passion and personal fulfilment often create positive work environments (Herrington et al., 2010). Such environments lead to higher employee morale and job satisfaction, which can have a positive impact on the overall performance of SMMEs (Kuvshnikov and Kuvshnikov, 2023). This study explores the link between the SMMEs contracted to the Electricity Unit's motivations and their performance.

#### 2.4.1.2 Entrepreneur's characteristics

The success of SMMEs is often closely tied to the characteristics of the entrepreneurs who lead them (Neneh and Vanzyl, 2012, Ramukumba, 2014). One of the defining characteristics of a successful entrepreneur is their ability to innovate and think creatively. Innovativeness is often seen as the driving force behind the growth of SMMEs (Adam and Alarifi, 2021, Bolosha et al., 2022). Entrepreneurs who possess a high degree of creativity and the willingness to adapt and explore new ideas are more likely to develop groundbreaking products or services (Crudu, 2019, Terziovski, 2010). Such innovations can give SMMEs a competitive edge, attracting customers and investors alike.

Risk-taking is also a fundamental characteristic of many successful entrepreneurs (Krauss et al., 2005, Kunene, 2009). The willingness to take calculated risks is often essential for SMMEs, as they face numerous uncertainties and challenges. Entrepreneurs who embrace risk often discover new opportunities, make bold decisions, and learn from failures (Smit and Watkins, 2012). These individuals can help their businesses adapt and thrive in the ever-changing business environment. However, it is crucial to balance risk-taking with prudent decision-making to achieve sustainable growth (Ncokazi and Mpiti, 2023).

Entrepreneurship is fraught with ups and downs (Botha et al., 2021). The ability to persevere in the face of setbacks and maintain a positive attitude is a key characteristic of successful SMME owners. Resilient entrepreneurs are more likely to navigate the challenges, setbacks, and failures that inevitably arise in the early stages of a business (Ramukumba, 2014). They demonstrate an unwavering commitment to their goals and the ability to learn from their experiences, adapting their strategies to overcome obstacles (Kativhu et al., 2021).

Effective leadership is a critical characteristic that significantly influences the performance of SMMEs (Ngibe and Lekhanya, 2019). Entrepreneurs who possess strong leadership skills can inspire and guide their teams, fostering a culture of innovation, accountability, and productivity (Dzomonda et al., 2017). They also provide a clear vision for the company, setting strategic goals and a path for growth (Asah et al., 2015). A visionary leader can align the entire organization towards a common purpose, which is crucial for the success of any SMME (Dzomonda et al., 2017).

In the current dynamic business landscape, adaptability and flexibility are essential characteristics for entrepreneurs (Kunene, 2009). The ability to respond to changing market conditions and customer preferences is vital. Entrepreneurs who can pivot their strategies or quickly adapt to new circumstances are more likely to thrive (Ramukumba, 2014). They can identify emerging opportunities and challenges and adjust their businesses accordingly.

Entrepreneurs who excel in networking and relationship building are often more successful in the SMME sector (Bushe, 2019). Building strong connections with suppliers, customers, mentors, and other entrepreneurs can open doors to valuable resources, information, and support (Rens et al., 2021). A robust network can provide access to funding, partnerships, and market insights, which are crucial for SMME growth and sustainability (Rambe, 2017).

However, while these mentioned characteristics can significantly impact the outcome, it is important to note that successful entrepreneurs often possess a combination of these traits and continually develop their skills. Recognising the importance of these characteristics and nurturing them can help SMMEs not only survive but also thrive in today's competitive business environment (Neneh and Vanzyl, 2012). Entrepreneurial characteristics, when harnessed effectively, can be a driving force behind the growth, sustainability, and overall success of SMMEs (Lose, 2016). It is important to explore the characteristics of the owners and/or managers of the SMMEs contracted to the Electricity Unit and link them to the performance of the SMMEs.

#### 2.4.1.3 Managerial experiences

Entrepreneurs with previous managerial experiences often bring a wealth of knowledge and expertise to their SMMEs (Peters and Brijlal, 2011). This background can positively influence decision-making. Experienced managers are more likely to make informed, rational, and strategic choices, as they have been exposed to various business scenarios and have honed their analytical and problem-solving skills (Neneh and Vanzyl, 2012). Their ability to evaluate options, mitigate risks, and seize opportunities can be a significant asset to the SMME's performance.

The efficient allocation and management of resources are crucial for SMMEs, especially in their early stages (Abor and Quartey, 2010). Entrepreneurs with managerial experiences are often better equipped to handle this aspect of business. They have likely gained insights into optimizing resource utilization, budgeting, and cost control through their previous roles (Bhorat et al., 2018). This ability to manage resources effectively can lead to improved financial stability and profitability for the SMME (Sitharam and Hoque, 2016).

Entrepreneurs with managerial experiences are often more adept at leading and managing teams (Mashavira et al., 2022). They may have developed leadership skills, including effective communication, motivation, and conflict resolution, in their previous roles. These skills are invaluable when building and nurturing a talented workforce, which is essential for SMME growth and success (Ncube and Chimucheka, 2019). A well-led team is more likely to be productive, innovative, and committed to achieving the business' objectives.

Entrepreneurs who have managed businesses or teams previously often have a heightened awareness of customer needs and market dynamics (Woldesenbet et al., 2012). They may have experience in market research, customer relationship management, and product development (Roberts-Lombard and Du Plessis, 2012). This knowledge can help SMMEs develop products or services that better align with customer preferences and market trends, leading to increased sales and customer satisfaction.

Entrepreneurs with managerial experiences are often better equipped to navigate the challenges of the business world and leverage opportunities effectively (George et al., 2016). However, it is essential to note that even entrepreneurs with limited managerial experience can develop these skills through continuous learning and mentorship. Regardless of their backgrounds, entrepreneurs can benefit from recognizing the importance of managerial experiences in the success of SMMEs and seeking opportunities to enhance their abilities in these areas (Lose, 2016, Kunene, 2009). This study focuses on the link between managerial experiences and the performance of SMMEs contracted to the Electricity Unit.

#### 2.4.1.4 Markets in which the firm operates

SMMEs operate within specific markets, and the dynamics of these markets have a significant impact on their performance (Bhorat et al., 2018). A variety of factors, including market size, competition, regulatory environment, and customer demographics, play a crucial role in

determining how well an SMME can perform (Kesper, 2001). The size of the market in which an SMME operates can have a profound influence on its performance. SMMEs in larger markets typically have more opportunities for growth and scalability. They can tap into a larger customer base, leading to higher sales and revenue. In contrast, SMMEs in smaller markets may face limitations in terms of growth potential, which can affect their performance (Kesper, 2001, Botha et al., 2021). Entrepreneurs often consider the market size when deciding on their business location and target audience.

The level of competition in a market directly impacts an SMME's performance. High competition can lead to price wars and reduced profit margins, making it challenging for SMMEs to thrive (Sitharam and Hoque, 2016). However, SMMEs that can identify and leverage a unique value proposition or niche market can gain a competitive advantage. A strong competitive advantage can bolster the performance of SMMEs, allowing them to differentiate themselves and maintain customer loyalty (Creation, 2021).

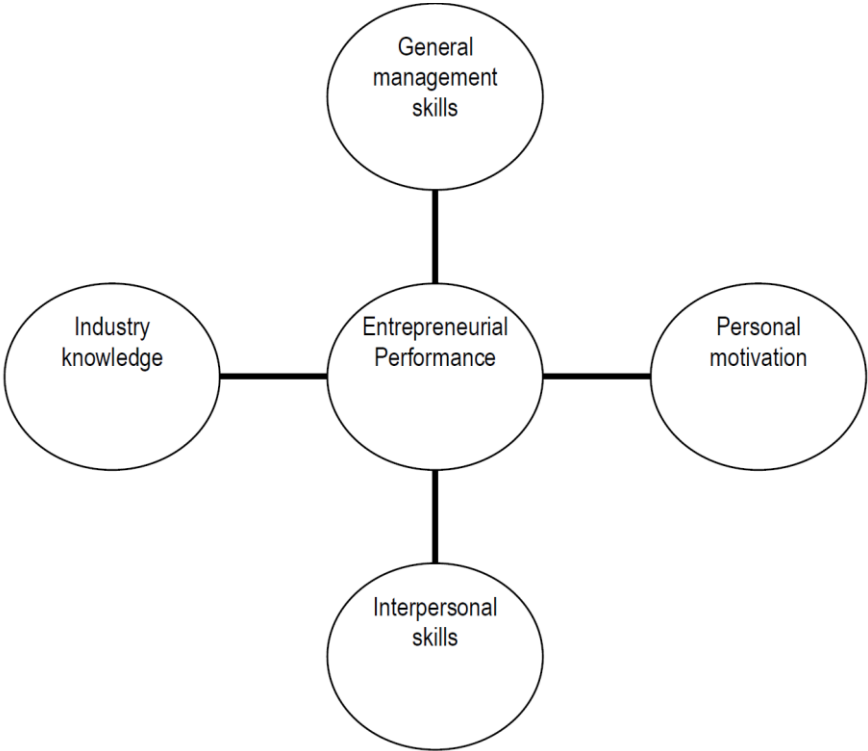
The regulatory environment within a market significantly affects the performance of SMMEs (Rogerson, 2008). Favourable regulations can create a conducive business environment, reducing barriers to entry, streamlining administrative processes, and providing tax incentives (Bhorat et al., 2018). On the other hand, stringent regulations, excessive bureaucracy, or unpredictable policies can hinder SMME growth and performance. Compliance costs can strain their resources and impede profitability (Botha et al., 2021, Chimucheka and Mandipaka, 2015, Netshishivhe, 2021).

SMMEs operating in markets with fast-paced technological and industry trends must be agile and innovative to stay competitive (Furawo and Scheepers, 2018). The ability to adapt to changing technologies and trends can determine an SMME's long-term success. Entrepreneurs who stay informed about market developments and invest in relevant

technologies are more likely to perform well in dynamic markets (Tarr, 2021). This study focuses on the market relationship between the Electricity Unit and the SMMEs contracted to it, with the Electricity Unit serving as the market for the SMMEs.

2.4.2 The model of entrepreneurial performance

Wickham (2001: 55) highlights that entrepreneurial performance results from a combination of industry knowledge, general management skills, people skills and personal motivation (See Figure 2.2).

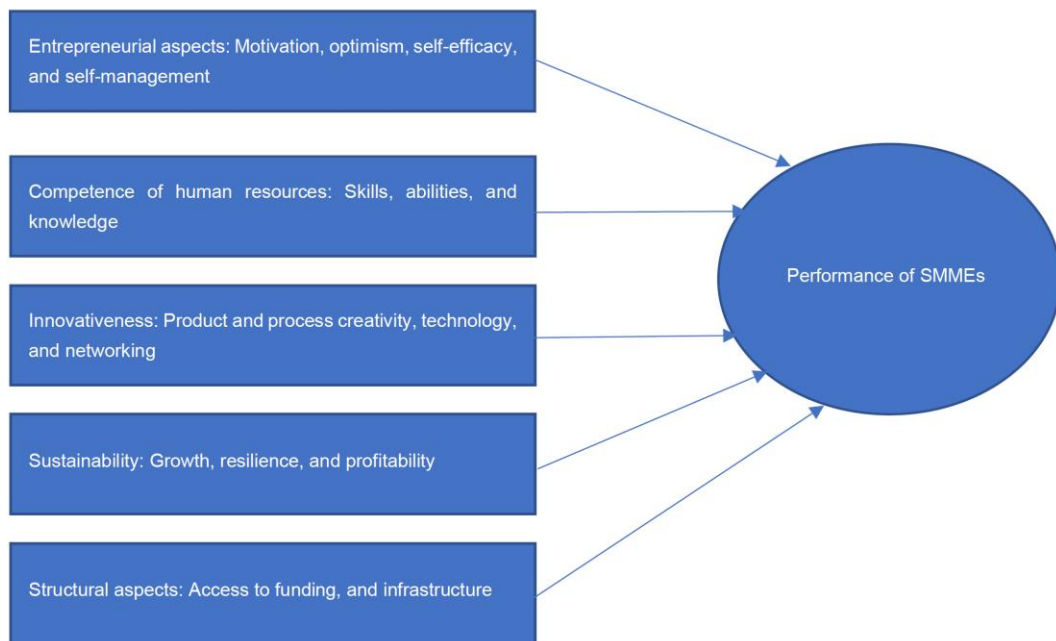


**Figure 2.2: Wickham’s model of entrepreneurial performance**

Wickham’s model of entrepreneurial performance has independent variables similar to the model of business performance by Glancey et al (1998: 255) discussed earlier in this section. Using this model, this study explores the link between general management skills, industry knowledge, interpersonal skills, and personal motivation and the entrepreneurial performance of SMMEs contracted to the Electricity Unit.

### 2.4.3 Framework for measuring the performance of SMMEs

The Framework for measuring the performance of SMMEs has the performance of SMMEs as the dependent variable while the factors affecting the performance of SMMEs are the independent variables (Anggadwita and Mustafid, 2014) (see Figure 2.3).



**Figure 2.3. Adapted from Anggadwita and Mustafid's (2014) Framework for measuring the Performance of SMMEs**

The adapted Framework for measuring the performance of SMMEs provides the internal and external factors that influence the performance of SMMEs by incorporating the model of business performance and the model of entrepreneurial performance discussed earlier in this section (Glancey et al., 1998, Wickham, 2001).

The Framework for measuring the performance of SMMEs is expanded from the model of business performance and the model of entrepreneurial performance in that it also focuses on the impact of structural aspects such as access to funding, and infrastructure. Current literature indicates that SMMEs often face significant challenges in accessing the necessary funding or

financial resources, whether in the form of loans, grants, equity investments, or other financial instruments, to start, grow, and sustain their businesses (Agwa-Ejon and Mbohwa, 2015, Khoase and Ndayizigamiye, 2018). This is usually due to their limited financial history, lack of collateral, and the perceived higher risk associated with their ventures (Ramukumba, 2014, Botha et al., 2021). Nonetheless, the availability of funding is crucial for SMMEs, and it influences various aspects of their performance (Cele, 2015).

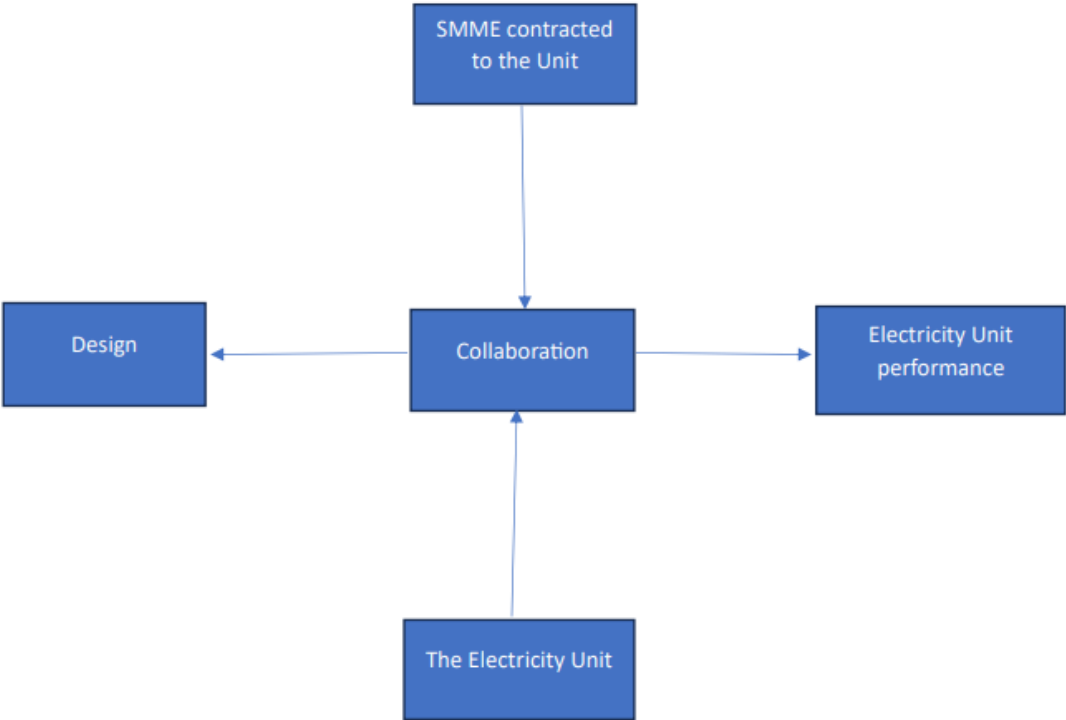
Access to adequate funding allows these enterprises to invest in infrastructure. With a robust financial base, they can expand their operations, tap into new markets, and scale their businesses (Ramukumba, 2014). This expansion leads to increased revenue, job creation, and an improved contribution to the economy. In addition to physical and digital infrastructure, the availability of supportive social infrastructure and business support services is vital for SMMEs (Bvuma and Marnewick, 2020a). Access to mentoring, training, and networking opportunities can help these enterprises navigate the challenges of entrepreneurship, acquire critical skills, and establish valuable partnerships (Wilson et al., 2009, Masutha and Rogerson, 2014).

However, it is critical to note that the overall structural conditions, including factors like inflation rates and economic stability, can influence an SMME's financial performance (Leboea, 2017). Economic downturns can reduce consumer spending, impacting an SMME's revenue and profitability. Entrepreneurs need to be prepared for economic fluctuations and have strategies in place to weather challenging economic conditions (Ramukumba, 2014). Entrepreneurs must conduct thorough market analysis and adapt their strategies to align with the specific conditions of their operating environment (Ingle, 2014). Understanding and effectively navigating the market dynamics are critical to achieving sustainable growth and performance for SMMEs (Maduku et al., 2016, Rambe, 2017, Roberts-Lombard and Du Plessis, 2012). Using this Framework for measuring the performance of the SMMEs, and the independent variables already discussed in the model of business performance, and the model of

entrepreneurial performance (Glancey et al., 1998, Wickham, 2001), this study also explores the impact of structural factors such as access to finance and infrastructure on the performance of SMMEs contracted to the Electricity Unit.

*2.4.4 Relational contracting theory*

Relational contracting theory stands in contrast to traditional transactional models by prioritizing the establishment and maintenance of enduring relationships over rigid contractual obligations (Warsen, 2021). Rooted in trust and mutual understanding, this theory recognizes that successful collaborations go beyond legal agreements, focusing on the interdependence and shared interests of the parties involved (Greenwood et al., 2021). In the contractual relationship between the Electricity Unit and SMMEs contracted to it, where personal relationships often intertwine with business dealings, fostering trust, transparency, communication, reliability, and shared commitment are pivotal (see Figure 2.4).



**Figure 2.4. Relational contracting theory adapted from (Nwajei, 2021)**

Unlike transactional models that prioritize short-term gains, relational contracting encourages a long-term perspective (Macchiavello, 2022). For the Electricity Unit, building enduring partnerships with SMME contractors can lead to a stable network of collaborators, providing a foundation for sustainable growth and adaptation to changing market conditions. Relational contracts embrace flexibility, recognizing that business environments are dynamic. SMMEs contracted to the Unit can benefit from this approach by adapting to evolving circumstances, seizing new opportunities, and overcoming challenges collaboratively. The flexibility inherent in relational contracting allows for the adjustment of terms and conditions as needed.

## **2.5 Conclusion**

Linking this study to existing literature, legislation and policies, and models of SMMEs' performance, this chapter focused on the role of SMMEs in the economy, the factors influencing SMMEs' performance, the legislative and policy frameworks for SMMEs, and the SMME performance models. The following chapter presents the quantitative and qualitative research methodologies used in collecting and analysing data for this study.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3. Introduction

This study explored the factors that influence the performance of SMMEs contracted with the Electricity Unit. This chapter focuses on the research design and methods used in the study. The study utilized a mixed-methods research design. It used both quantitative and qualitative research methods, utilizing survey questionnaires and in-depth interviews. The chapter also explores the sampling strategies used in both the quantitative and qualitative samples. Critical to the research methodology chapter is also the ethical considerations that were undertaken during the study implementation.

#### 3.1. Research design

The research design for this study was important as it provided a logical sequence connecting the problem statement, the aims of the study, the objectives, the research questions, the data collection, including the sampling of participants, the results of the study, the analysis, the discussion and finally the conclusion (Yin, 2014). This study utilised a mixed methods research design (Saunders et al., 2009). Using mixed methods provides opportunities for the researcher to investigate the study trends by conducting quantitative research and thereafter utilizing qualitative research for further exploration of the study. Accordingly, the mixed methods research design utilizes questionnaires with pre-determined responses and in-depth interview guides to collect research data.

The choice of mixed methods in studying the external and individual factors influencing the performance of SMMEs contracted to the Electricity Unit is academically justified due to its ability to capture the multifaceted nature of these influences, providing both breadth and depth of understanding. By integrating quantitative data, which offers measurable insights into patterns and relationships, with qualitative data, which provides contextual richness and explores underlying motivations, mixed methods allow for a more comprehensive analysis that

neither approach could achieve alone. This methodological triangulation enhances the robustness of the findings by corroborating evidence across different data sources, thereby reducing the likelihood of skewed interpretations. Potential biases, such as those arising from data integration or researcher subjectivity in qualitative analysis, were mitigated through strategies like independent coding, the use of statistical techniques to validate qualitative themes, and the implementation of a clear and transparent protocol for merging data sets. These measures ensure that the research design remains methodologically sound, bolstering the credibility of the conclusions drawn and offering more reliable insights into the factors shaping SMME performance within the Electricity Unit.

### **3.2. Data collection methods and instruments**

The study incorporated a structured survey questionnaire for quantitative data collection and an in-depth interview guide for qualitative data collection with selected contractors, staff, and managers. Designing a survey questionnaire required the researcher to review current data collected on factors influencing the performance of SMMEs. The questionnaire was divided into 10 sections.

Section 1 focused on the challenges which are experienced by the Electricity Unit in managing the SMMEs, Section 2 dealt with the relationships between stakeholder management systems and the performance of the SMMEs, Section 3 explored how the management systems can boost the performance of the SMMEs, Section 4 addressed the effects of access to finance on the performance of SMMEs, Section 5 tackled the impacts of infrastructure and government efforts on the performance of the SMMEs, Section 6 focused on the extent at which the crime rate can affect the performance of the SMMEs, Section 7 dealt with the performance of the SMMEs from the perspective of the consumers, Section 8 explored SMMEs perceptions on eThekwini as a place to conduct your business, Section 9 addressed SMMEs' recommendations on what the government can do to improve the environment where the

businesses are located, and Section 10 explored the sociodemographic characteristics of the participants and SMMEs' management details.

The qualitative data collection instruments were designed in English, with semi-structured questions, exploring participants' views on SMMEs contracted to the Electricity Unit, their long-term vision, funding and budgetary support, and recommendations for performance enhancement and service delivery.

### **3.3. Ethical considerations**

The study protocol was approved by the Durban University of Technology Research Ethics Committee (IREC Number: 177/22). Ethical standards for conducting research were observed, which include obtaining a permission letter from the Electricity Unit to research the factors influencing the performance of SMMEs contracted with the Electricity Unit. Participants were also asked to provide informed consent after being provided information about the study in their preferred language. The information sheet and consent forms with all the information about the research were translated from English into Zulu (for isiZulu-speaking participants) and copies were given to all respondents.

The study participants were provided information about a range of matters related to the study, namely; the purpose of the study, how the study respondents were selected, the identity of the researcher, and how information dissemination will be conducted. The participants were notified about the confidentiality and anonymity of the information they provided in the study. They were also informed that they could stop the interview at any time if they decided not to continue with it. Emphasis was made on the fact that withdrawal would not lead to any repercussions for them or affect their contract with the Electricity Unit.

Participants were notified that their personal identification information in the questionnaires would be removed and replaced with a unique identifier. Participants' real names were

replaced with pseudonyms in all the qualitative transcripts. All data collection documents were compiled into one master list with their unique identifiers and kept in an electronic password-protected file, only accessible by the researcher and supervisor. All transcripts and audio-recorded files were electronically stored and password-protected, only accessible by the researcher and supervisor. The study information will be kept for a working period of five years upon which all data from the study will be destroyed.

### **3.4. Pilot testing**

Before a questionnaire was fully ready for administration, it was essential to pre-test it under field conditions. This was done because only a few researchers can prepare a questionnaire perfectly at the first attempt. Most often, improvements are suggested through field tests. The questionnaire was pre-tested with five SMME contractors, and the in-depth interview guided pre-tested with two SMME contractors. These seven SMME contractors who took part in the pilot study were not included in the main study.

### **3.5. Sampling strategies**

The study utilised a non-probability sampling framework for both quantitative and qualitative sampling. Participants were selected using purposive sampling as the researcher already knew the kinds of respondents needed for the study. The researcher also applied snowball sampling by utilising the respondents' contacts to establish other participants who could be part of the study. The study targeted SMMEs contracted to the Electricity Unit responsible for the construction and maintenance of electricity units in the eThekweni Metropolitan Municipality. The SMME contractors were contacted either directly, via e-mail or telephonically and invited to participate in the study.

### **3.6. Sample size**

#### *3.6.1. Quantitative sample*

Out of 110 SMMEs contracted to the Electricity Unit, a total of 60 SMMEs across all sections of the Electricity Unit agreed to be part of the study and were included to take part in the quantitative survey. The target population for the contractors consisted of 20 contractors from the Springfield complex, 12 contractors from the Western depot, 8 contractors from the North-Western depot, 11 contractors from the South-Western depot and 9 contractors from the Southern depot.

#### *3.6.2. Qualitative sample*

From the target quantitative sample, the researcher approached 10 participants who agreed to take part in the qualitative component of the study. The qualitative sample comprised 3 contractors from the Springfield complex, 2 contractors from the Western depot, 2 contractors from the North-Western depot, 1 contractor from the South-Western depot and 2 contractors from the Southern depot.

The researcher selected a qualitative sample of 10 participants from a larger quantitative sample of 60 participants because the research objectives and questions of the study required a deeper understanding of the factors influencing the performance of SMMEs contracted to the Electricity Unit rather than a generalised view. By selecting a smaller subset of participants from a larger quantitative sample, the researcher focused on examining the experiences, and perspectives of these individuals in more detail. The researcher also considered the limited resources available. Qualitative research can be resource-intensive, especially in terms of data collection and analysis. Selecting a smaller qualitative sample from a larger quantitative dataset can be a cost-effective way to conduct qualitative research while still leveraging the larger dataset.

### **3.7. Data collection**

The data collection was in three phases: pre-arrangements of the data collection phase, the survey, and the in-depth interviews. Data collection was from the 26<sup>th</sup> of September to the 25<sup>th</sup> of November 2022.

#### *3.7.1. Pre-arrangement of the data collection phase*

This phase comprised pre-arrangements for data collection, including approaching and informing the Electricity Unit management staff and the SMME contracted to the Electricity Unit about the study. This was used to ensure buy-in from the Electricity Unit management staff and the SMMEs contracted to the Electricity Unit. The researcher was also able to establish among the SMME contractors who would want to participate in the study.

#### *3.7.2. Quantitative data collection*

Quantitative data was collected from 60 SMME contractors in the Electricity Unit using a structured survey questionnaire. Participants were informed about the study and invited to take part in the survey and those that consented to take part in the study completed the survey questionnaires. Surveys offer several advantages, including the ability to collect data from a large number of respondents efficiently, standardization of questions for consistency, and ease of analysis using statistical methods. All quantitative data was entered into SPSS 28 for data analysis.

#### *3.7.3. Qualitative data collection*

Qualitative data was collected from 10 SMME contractors in the Electricity Unit using a semi-structured in-depth interview guide. Participants were invited to take part in the qualitative study and those that consented were individually interviewed. Qualitative research represents a form of collective action that emphasizes how people understand and interpret their own experiences to comprehend the societal realities of people. Qualitative research utilizes

interviews, diaries, journals, school room reflections, engagements, and open-ended questionnaires to acquire, analyze, and understand the data analysis, the content of photographic as well as text-based raw material, and verbalized records (Zohrabi, 2013). All qualitative data were collected using an audio recorder and transcribed.

### **3.8. Data analyses**

#### *3.8.1. Quantitative data analysis*

All data were entered, cleaned, and analysed using the statistical analysis package, *SPSS 28*. Descriptive statistical analyses were conducted to establish factors influencing the performance of SMMEs contracted to the Electricity Unit.

#### *3.8.2. Qualitative data analysis*

Qualitative data was analysed using content and thematic analysis using the *NVivo 12*, qualitative analysis computer software for the in-depth semi-structured interview guides. Data from in-depth interviews were transcribed to facilitate the data analysis process. Coding of data involved data gathering, data organizing, generating an initial coding structure, accurate coding of records, revising the structure of the coding frame, forming additional subjects and systems, taping the information by using the polished coding structure, and last cycle of coding according to the last thematic framework (Ritchie and Spencer, 1994, Green and Thorogood, 2004). The final stage of the coding procedure contained the analysis of the findings according to the broad goals and objectives of the study.

### **3.9. Validity**

In this study, validity was addressed in several ways. The researcher, coming from an interpretive approach, argues that reality is socially constructed, sensitive to context and is what the participants perceive it to be (Creswell and Miller, 2000). Rather than only using pre-coded data collection instruments, the research shows how the use of open-ended questions

allows one to access participants' interpretations of experiences and activities (Denzin and Lincoln, 2008). On the other hand, conducting a survey addressed issues of external validity in that the results can be applied to other SMME contractors working in Electricity Units in South Africa.

Using a sample size of 60 out of the total 110 SMMEs contracted to the Electricity Unit ensured content validity in that the study sample is representative of the entire population of interest, thereby including diverse perspectives to the research. The SMME contractors were considered experts or individuals with knowledge about the factors influencing the performance of SMMEs contracted to the Electricity Unit. Validity was also addressed by the data collection tools used in the study. The survey questions and the in-depth interview guide accurately captured the objectives of the study. Transparency in documenting the sampling methods and the rationale behind the choice of non-probability sampling techniques, and their potential limitations provides opportunities for the readers to assess the validity of the researcher's sample.

### **3.10. Reliability**

To avoid being a victim of redundancy in qualitative data collection, data was collected until no new perspectives were revealed. Constant internal data comparisons were made, meaning that data was always compared with the emerging premises during thematic coding, as highlighted in the previous section on data analysis. The researcher reviewed the data many times to see if the themes, explanations, and interpretation provided an accurate account of what the respondents said (Patton, 1980). Each step of the analysis was adequately accounted for by returning to relevant aspects in each interview, therefore employing comprehensive data treatment.

### **3.11. Dependability**

Dependability is the data consistency over time and around the research context. It is the level of reliability where other investigators may replicate the study, and results will be reliable and consistent (Cypress, 2017). There would be enough information if a person wants to replicate this investigation and would thus obtain similar results (Forero et al., 2018). This research adds to the growing area of expertise in exploring the factors that influence the performance of SMMEs contracted to the Electricity Units in South Africa. Therefore, the study ensured dependability by designing instruments, data collection methods, and data analysis and interpretation techniques supported by current literature.

### **3.12. Delimitations**

The study involved the SMMEs contracted to the Electricity Unit who are only contracted to work with the electricity reticulation and its maintenance. All other SMMEs employed by the electricity unit are excluded. In addition, other Municipal Electricity Units in the KwaZulu-Natal province were excluded.

The exclusion of certain areas from the study, such as SMMEs not involved in electricity reticulation and maintenance, as well as other Municipal Electricity Units within the KwaZulu-Natal province, is academically justified to maintain a focused scope that allows for in-depth analysis of a specific subset of SMMEs. By narrowing the study to those directly contracted for electricity reticulation and maintenance, the research could more accurately assess the unique challenges, resources, and performance factors relevant to this critical function within the Electricity Unit. This targeted approach enhances the internal validity of the study by reducing variability that could arise from the inclusion of SMMEs with different roles or operating in different municipal contexts. However, this delimitation does impact the generalizability of the findings, as the results may not be fully applicable to SMMEs engaged in other functions within the Electricity Unit or to those contracted by other municipal units with different operational

environments. Consequently, while the findings offer valuable insights into the specific population studied, caution must be exercised in extending these conclusions to broader contexts without further research to confirm their applicability.

### **3.13. Limitations**

The study was not able to validate the profitability of the SMMEs as the financial records were not available. Time and cost constraints limited the study to only the SMMEs involved with the Electricity Unit.

### **3.14. Conclusion**

This chapter provided the research methods and designs used in the study. It also focused on the research context, sampling strategy and target sample, ethical considerations, measuring instruments, data collection methods, data analysis for this research project, and validity, reliability and dependability issues of research designs and methods. The next chapter presents data and interpretation of results.

## CHAPTER 4: RESULTS AND DISCUSSION

### 4. Introduction

Chapter 3 explored the methodologies used in the study to achieve the desired objectives. This chapter analyses and interprets the quantitative and qualitative data collected from SMME contractors in the Electricity Unit on the factors influencing the performance of SMMEs contracted to the Electricity Unit.

#### 4.1. Presentation of data

The first part of the results chapter concentrates on the demographic information of the study participants, while the second part is structured according to the survey questions on factors influencing the performance of SMMEs contracted to the Electricity Unit. The third part explores the qualitative data on the factors influencing the performance of SMMEs contracted to the Electricity Unit.

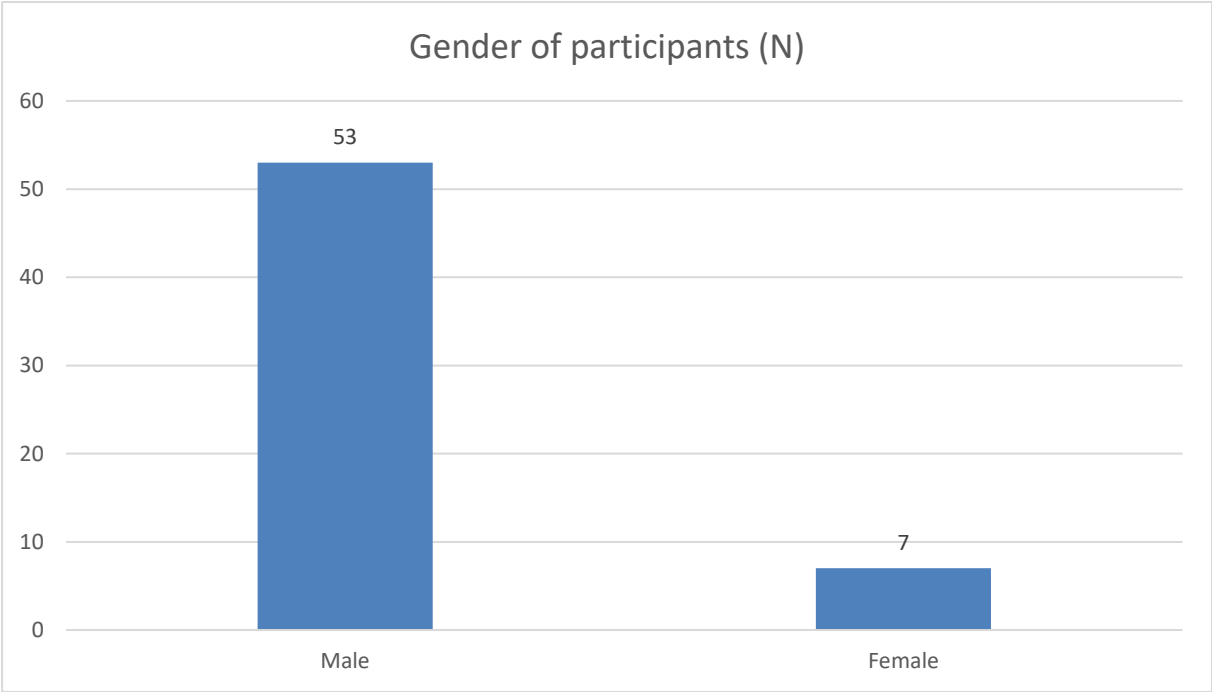
##### 4.1.1. Participants' socio-demographic characteristics

For any policy decisions to be made, the policymakers need to be aware of the socio-demographic characteristics of the population they are focusing on. Critical information to establish is the participants' gender, race, and educational qualifications. This provides opportunities for policymakers to appreciate the share of previously disadvantaged individuals for affirmative action and economic empowerment of their SMMEs.

###### 4.1.1.1. Gender

Out of the 60 participants who took part in the survey, the majority (88.3%) were male while only a few were female (11.7%) (see Figure 4.1). These results are consistent with Rogerson's (2004) findings on SMMEs in the Free State, where gender revealed a higher percentage of males than females. Rogerson (2004) highlights that out of 140 participants, 104 (75%) were males while only 25% were females. However, one study conducted on SMMEs in eThekweni

Metropolitan Municipality found that almost equal proportions of males and females were interviewed (49.7% males and 50.3% females) (Bob et al., 2005), while another study on SMMEs in the same Municipality revealed that the majority were females (55%) while males made up 45% of respondents (Dzansi, 2006).

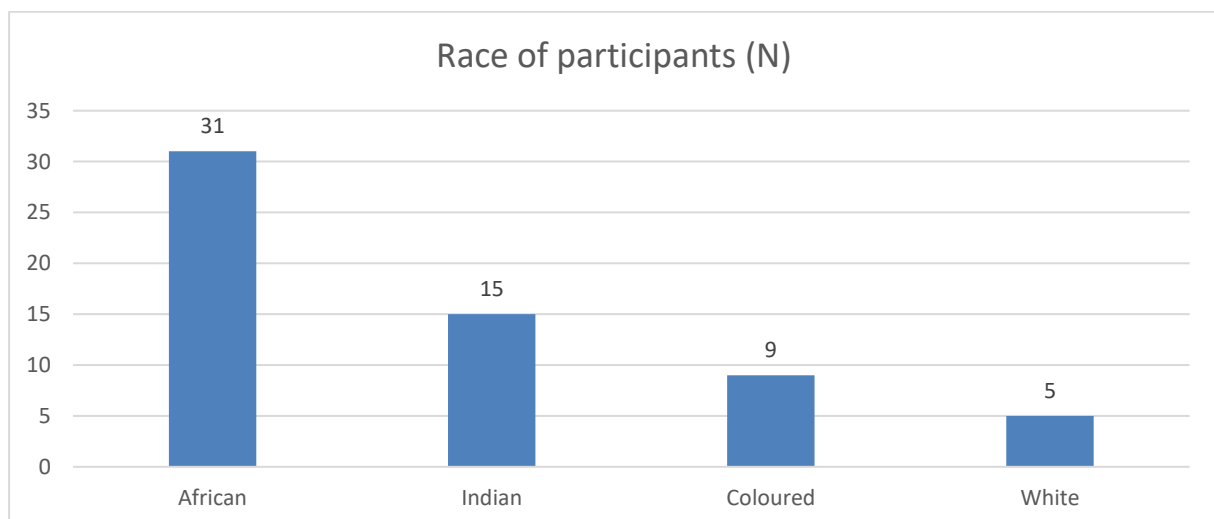


**Figure 4.1: Gender of participants**

The results from the previous and current studies indicate fluctuations in gender composition among SMMEs according to their areas of specialisation. The majority of participants in this current study are males because electrical engineering in South Africa has largely been a male-dominated field of expertise. The government, together with the private sector have a key role in promoting girl children’s education in science and technology studies at schools and institutions of higher learning. They also have a role to place in bringing women into mainstream engineering activities.

#### 4.1.1.2. Race

Race is an important variable in the South African context given the history of racial segregation during the apartheid era. Race has played critical roles in the socioeconomic determinants of South Africans, in terms of where certain people reside, and go to school, work, their networks, and ultimately the resources at their disposal. This apartheid discourse is still prevalent in some circles and continues to fuel poverty and inequality among racial groups, with the vast majority of the poor being Black and the majority of the rich being white. Most of the flourishing big businesses are in the hands of whites. The post-apartheid government has and continues to advocate and promote the redistribution of wealth among South Africans. Twenty-nine years post-democracy, this study still indicates a notably high percentage of Black-owned SMMEs (51.7%) (see Figure 4.2) followed by Indian-owned SMMEs (25.0%) at a significantly lower percentage. The lowest percentages were recorded for Coloureds (15.0%) and whites (8.3%), respectively.



**Figure 4.2: Race of participants**

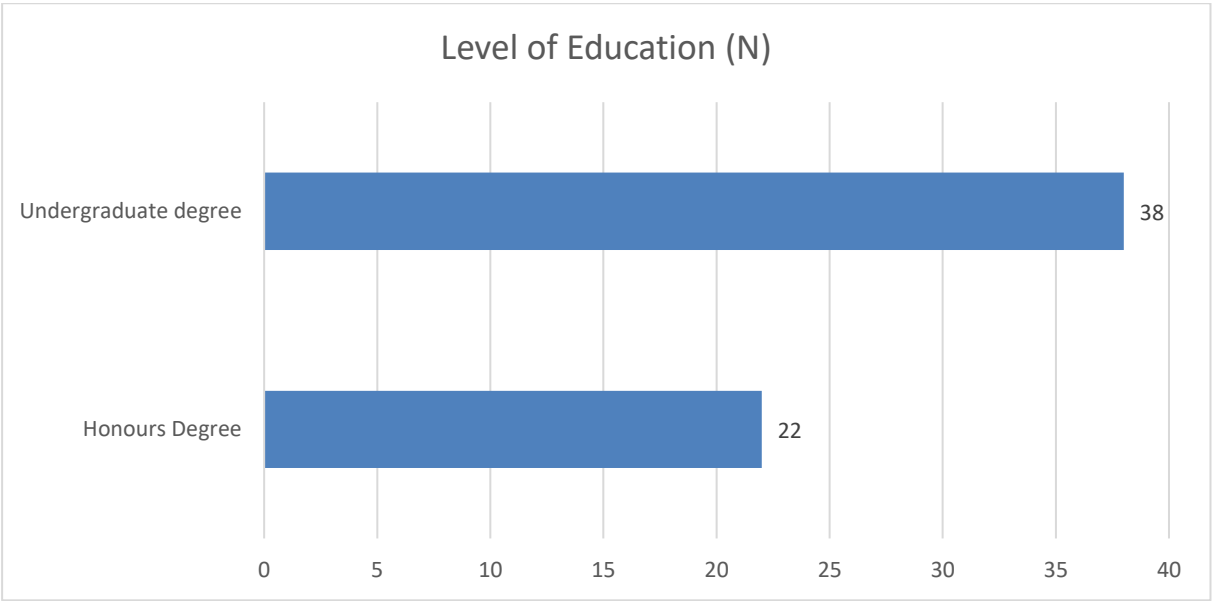
It should be noted that all the participants are contracted to the Electricity Unit, which promotes B-BBEE, hence this reflection on the study results. In this regard, at a policy level, this might

herald some good news as the Electricity Unit is succeeding in bringing previously disadvantaged populations into mainstream economic activities.

These study results are also consistent with other studies in the eThekweni Metropolitan Municipality. One study indicates that the majority of the respondents were Africans (51.5%) followed by Indians (37.4%) (Bob et al., 2005). Like the findings in the current study, one may acknowledge that a high percentage of Black-owned SMMEs refer mostly to the empowerment theory (Southall, 2004). The B-BBEE in South Africa has come to mean the empowerment of Blacks and therefore their increased participation within the private sector of the economy.

**4.1.1.3. Education**

The level of education and experience are critical elements of the socioeconomic profile of SMMEs and for the success of the businesses. In this study, the participants were asked to provide their level of education. Most participants had an Undergraduate Degree (63.3%), with 36.7% having an Honours Degree (see Figure 4.3).



**Figure 4.3: Level of Education of the SMME Contractors**

This is understandable considering that electrical engineering is a highly technical field. Contrary to the results in this study, research elsewhere on SMMEs in South Africa found that education and skills were major constraints to the growth and development of SMMEs (Brijlal et al., 2013, Nieman, 2001, Chimucheka, 2013).

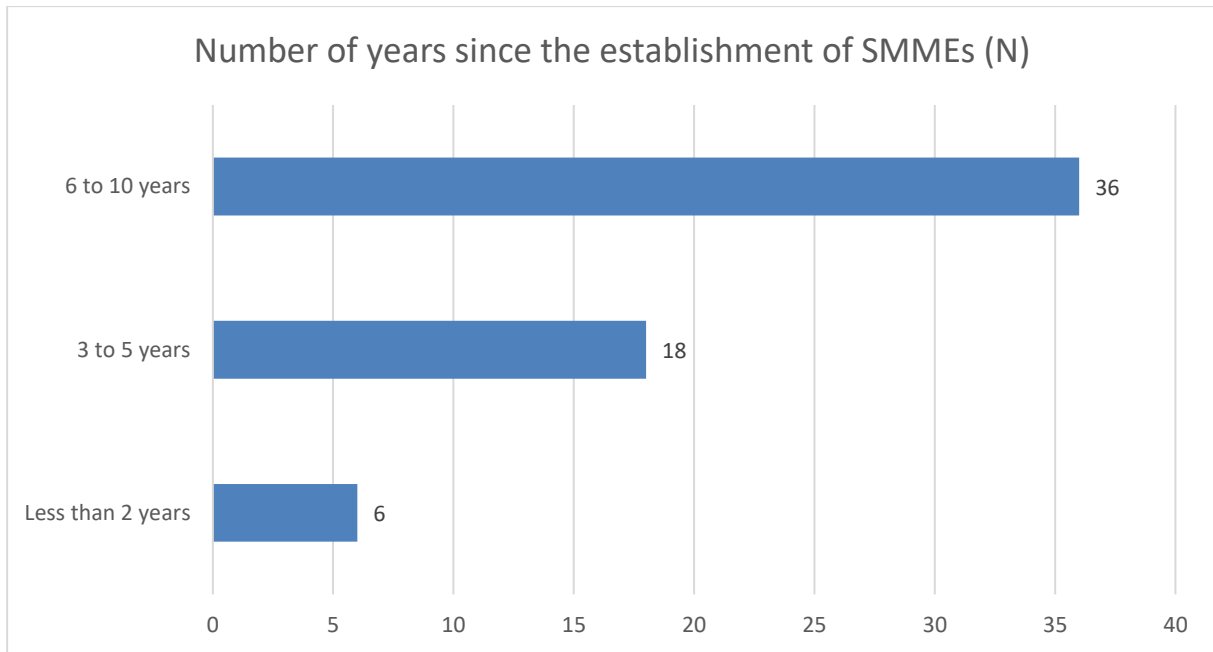
## **4.2. SMME demographics**

SMME demographics are essential in understanding their performance. These include but are not limited to the age of the SMME, registration with an Agency, the size of the SMME, motivation for the SMME start-ups, and the nature of the SMMEs (Anggadwita and Mustafid, 2014, Benedict, 2019).

### **4.2.1. Years since establishment**

In this study, the majority of SMMEs were more than five years old (60.0%) (see Figure 4.4). Thirty per cent of SMMEs were in business for more than three years. Only 10.0% of SMMEs were less than two years old. The results suggest the growth and continuity of these SMMEs contracted to the Electricity Unit of the eThekweni Metropolitan Municipality.

Results in this study imply that the Electricity Unit largely contracts SMMEs with more experience as compared to those that are in the emerging or the start-up stage of their business cycle (0-2 yrs). These results are consistent with Dzansi's (2004) study in Pretoria which found that fewer SMMEs had been in operation for less than 5 years (24.2%), with the majority being in business for 6-10 years (34.4%), 11-20 years (25.79%) and 21 years or more (15.61%).

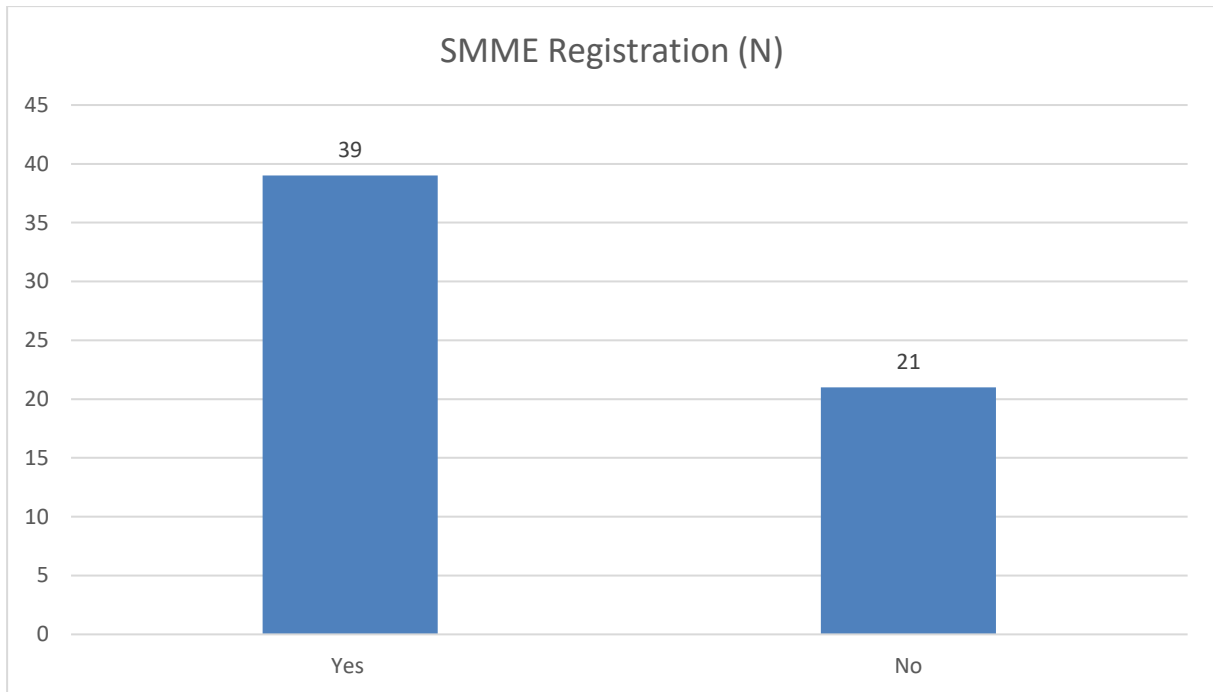


**Figure 4.4: The number of years since the establishment of SMMEs**

#### **4.2.2. SMME Registration with an agency**

Figure 4.5 presents data on SMME registration with the Small Enterprise Development Agency (SEDA). The findings reveal that most of the SMMEs surveyed were registered to SEDA (65.0%), compared to only 35.0% not registered. These figures are inconsistent with the national figures of SMMEs registered to SEDA in the country. Out of the 2,251,821 SMMEs in South Africa in 2015, only 667,433 were formally registered with SEDA (Nieuwenhuizen, 2019).

Registering with an agency provides certain advantages such as networks for contracts, funding, and training programmes available to SMMEs. Besides being compliant with business regulations, registration with an agency also enables government and private institutions to keep records of the number of SMMEs in every sector.

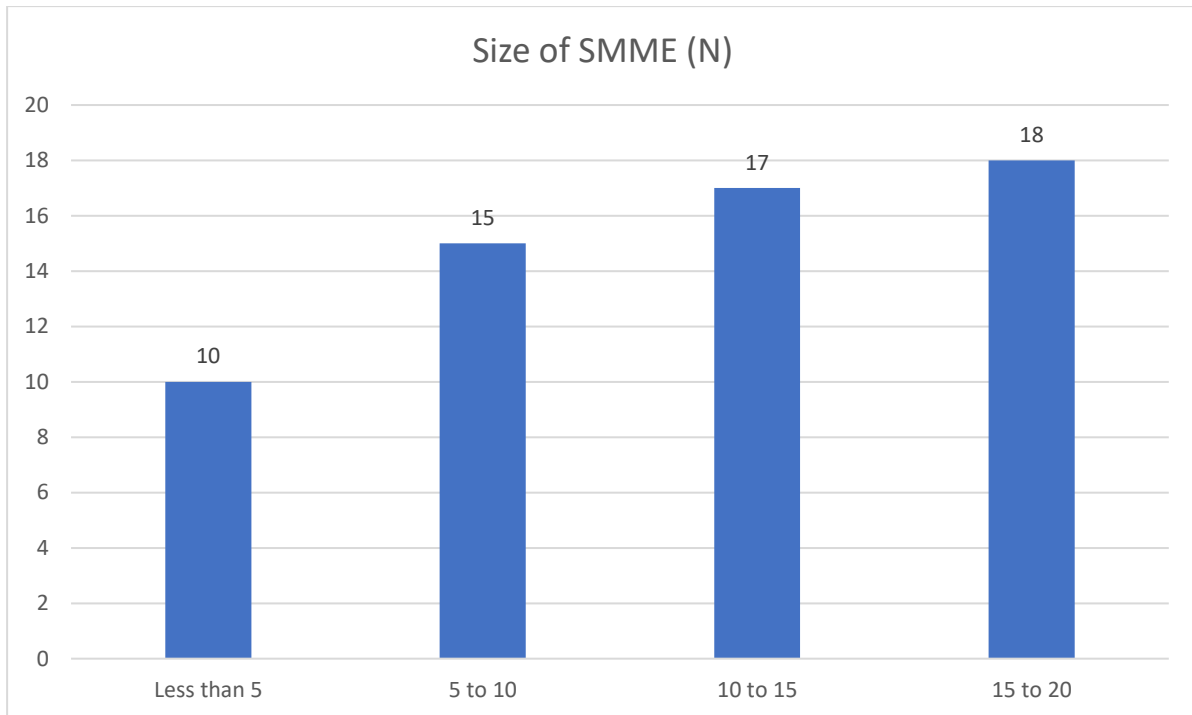


**Figure 4.5: SMME Registration with Agency**

This information is crucial for the government and private sector SMME support strategies. In the current context where access to procurement opportunities is only available to registered companies, it is crucial to encourage all SMMEs to register their companies and also register with agencies to get these opportunities.

#### **4.2.3. Size of SMME**

Figure 4.6 presents results on the size of SMMEs in terms of the number of staff employed. Most SMMEs highlighted that they employed less than five employees (70.0%), with 30.0% of the SMMEs employing between 5 and 20 staff members. These results imply that a large number of SMMEs contracted to the Electricity Unit of the eThekweni Metropolitan Municipality fit into the micro-enterprises definition of the DTI (1995), while the rest fall under the very small enterprises. These study results are consistent with a study conducted in Johannesburg which found that the majority of respondents (30.3%) employed 1-3 employees, followed by SMMEs with 4-7 employees (24.5%) (Kibuuka and Tustin, 2019).

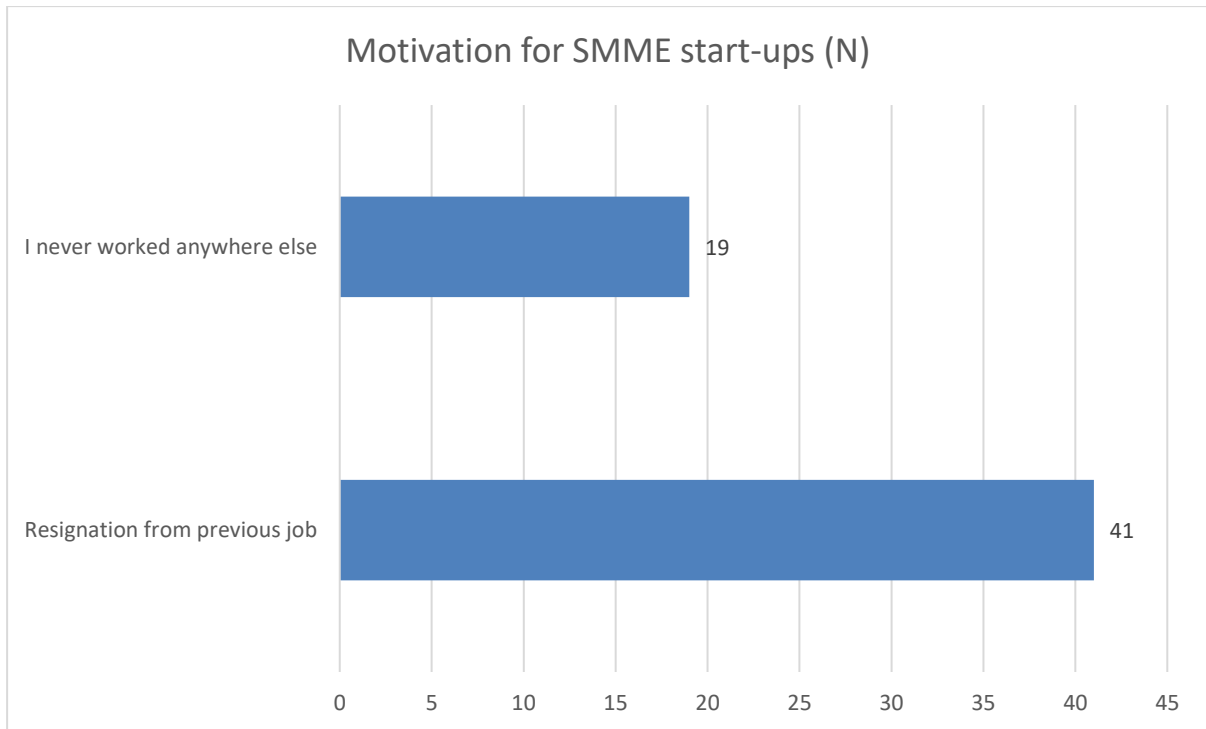


**Figure 4.6: Size of SMME**

The study results are also similar to a review conducted on the impact of the South African government’s SMMEs programme. The review indicated that 86.0% of SMMEs employed five employees or less while 13.6% employed more than five employees (Rogerson, 2004). These results indicate that while SMMEs may be seen as the “engines of growth” in South Africa, they can never be seen as a panacea for resolving the unemployment challenge that is rife in both the eThekweni Metropolitan Municipality and South Africa as a whole. However, the SMME sector does have the capacity to create jobs, albeit on a somewhat limited scale.

#### **4.2.4. Motivation for SMME start-ups**

Figure 4.7 provides data on the motivation for SMME start-ups. The results highlight that most of the contractors were once employed elsewhere and either resigned then started their SMME (68.3%). This is a clear indication of people transitioning from employment to becoming business owners. The argument here may be that this category of contractors used their pension funds to start their businesses.



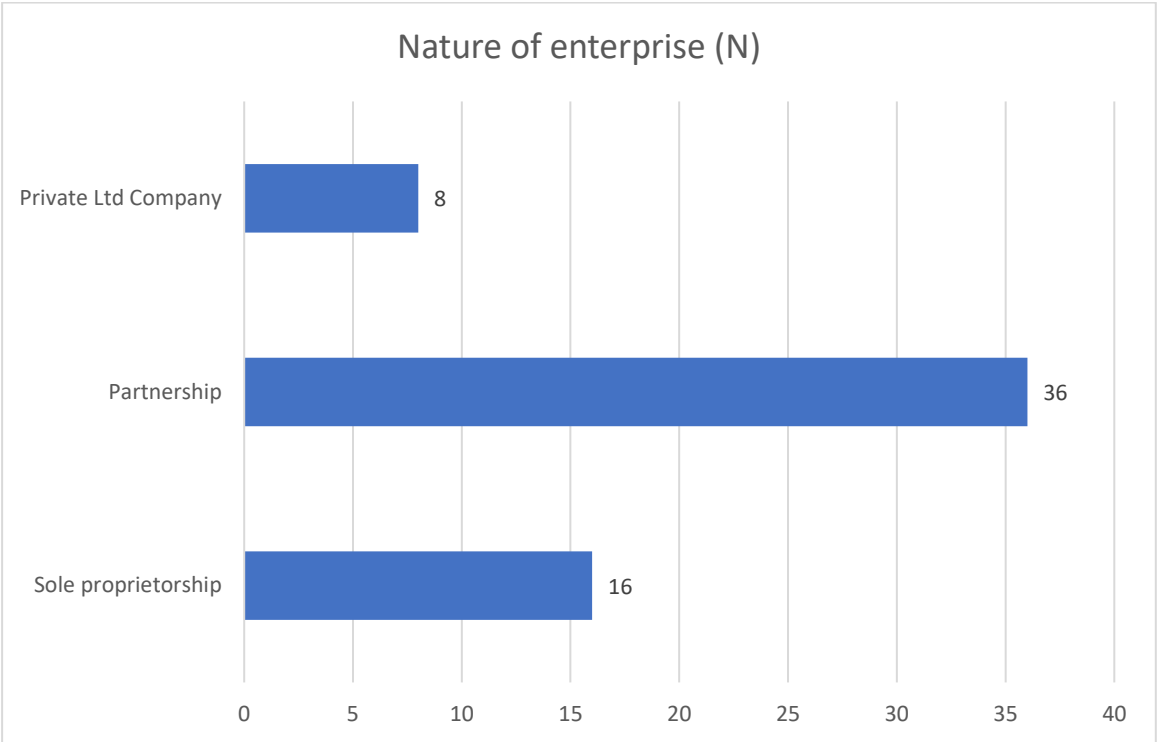
**Figure 4.7: Motivation for SMME start-ups**

The results from the study also indicate that some of the contracts in the Electricity Unit of the eThekweni Metropolitan Municipality never worked anywhere else. This might be an indication of people who already had capital or access to capital to invest in their businesses. Regardless of the different circumstances among the participants in the study, the literature indicates that the motivations of an entrepreneur have a profound influence on the performance and sustainability of their SMME (Matsoso, 2023). Entrepreneurs who are motivated by economic necessity often display a high level of resilience (Bushe, 2019). They are more likely to persevere through the initial challenges faced by their businesses, driven by the imperative to secure their livelihoods (Ingle, 2014).

#### **4.2.4. Nature of enterprise**

Figure 4.8 presents information on how the participants in the study describe their organisations. The majority of participants highlighted that their organisations were a form of partnership (60.0%), while only 13.3% indicated that their organisations were private limited

companies. The remaining participants indicated that their companies were sole proprietorships (26.7%).



**Figure 4.8: Nature of enterprise**

These results highlight the fact that for one to start an SMME they would usually require some form of partnership with someone in the same area or an area complimenting their area of expertise. Partnerships also come into play when one has capital and the other has the skills to execute the required assignments. Sole proprietorships are when one has both the capital and expertise but would require manpower to conduct contracted assignments. In this scenario, employees do not have a stake in the company and are paid according to the set agreements between the owner and themselves.

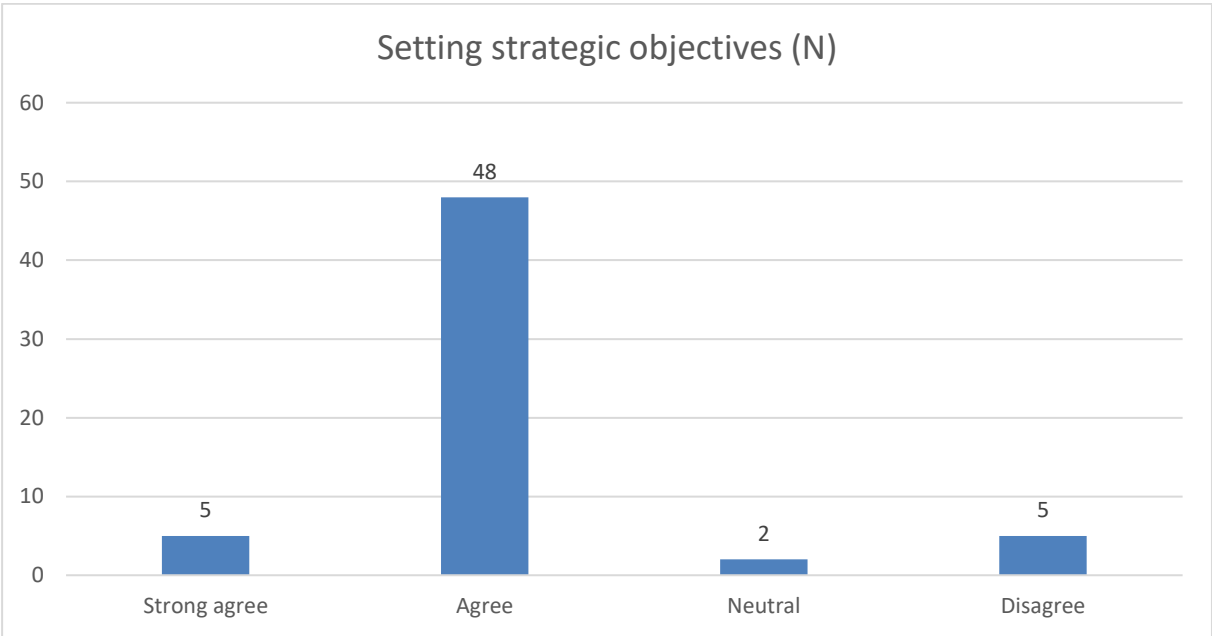
**4.3. Internal factors influencing the performance of SMMEs**

This section presents the views of participants on the internal factors influencing the performance of SMMEs contracted to the Electricity Unit. This section focuses on the SMMEs’ strategic positions – including setting strategic goals, having a strategic plan, and strategic plan implementation; and SMME risk identification and management – focusing on opportunities and threats.

**4.3.1. SMMEs’ strategic positions**

**4.3.1.1. Setting strategic objectives**

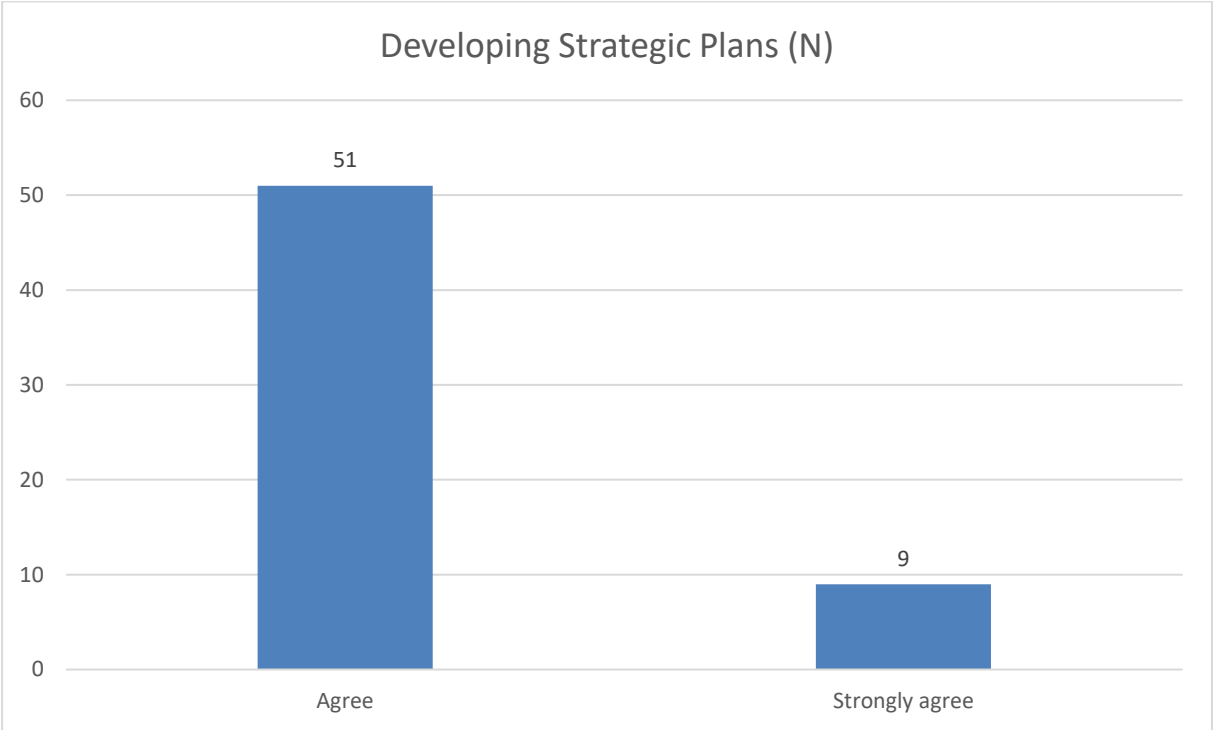
Figure 4.9 provides results on the participants’ perceptions of whether SMMEs had expertise in setting clear strategic objectives. While the majority agreed (80.0%), and strongly agreed (8.3%), 3.4% were neutral and 8.3% disagreed. This data shows that most of the contractors in the Electricity Unit have expertise in setting up clear strategic objectives for their SMMEs.



**Figure 4.9: SMME strategic objectives**

**4.3.1.2. Developing strategic plans**

While most participants agreed that they had expertise in setting clear strategic objectives, all of the surveyed participants, however, agreed (85.0%), and strongly agreed (15.0%) that some SMMEs are not good enough at developing effective strategic plans (see Figure 4.10).

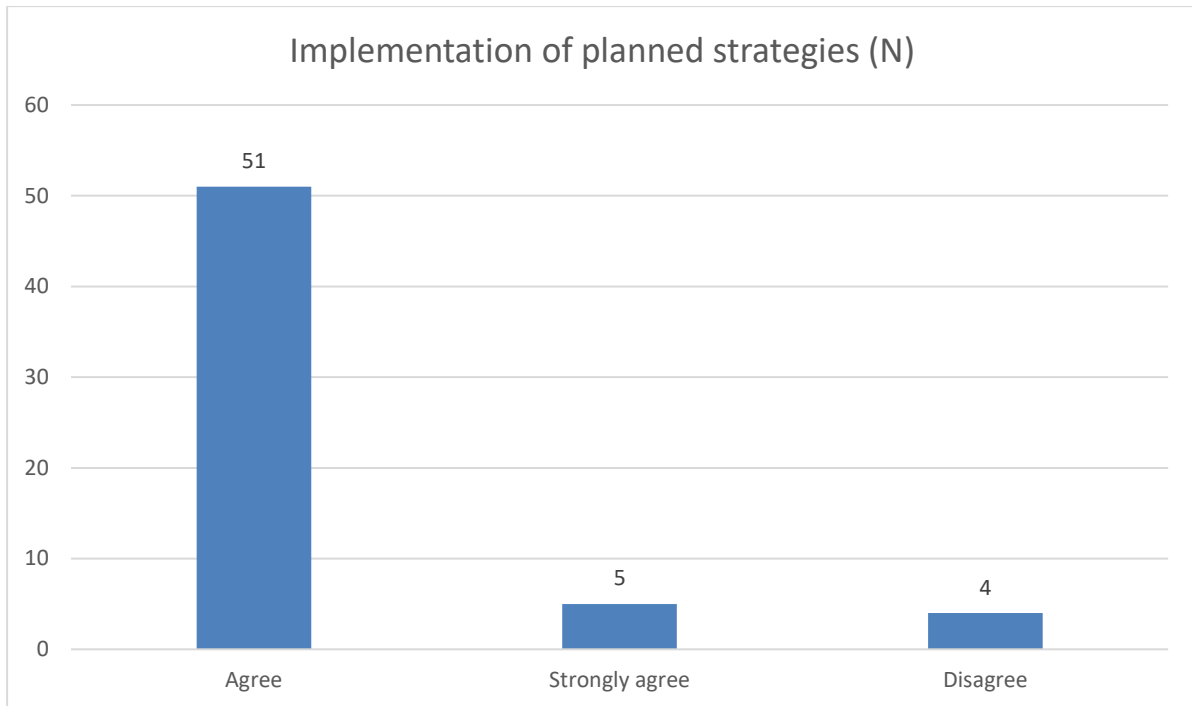


**Figure 4.10: Developing strategic plans**

These results indicate a lack of effective strategic planning among the contractors in the study, which may negatively affect the growth and sustainability of most of the SMMEs contracted to the Electricity Unit.

**4.3.1.3. Implementation of planned strategies**

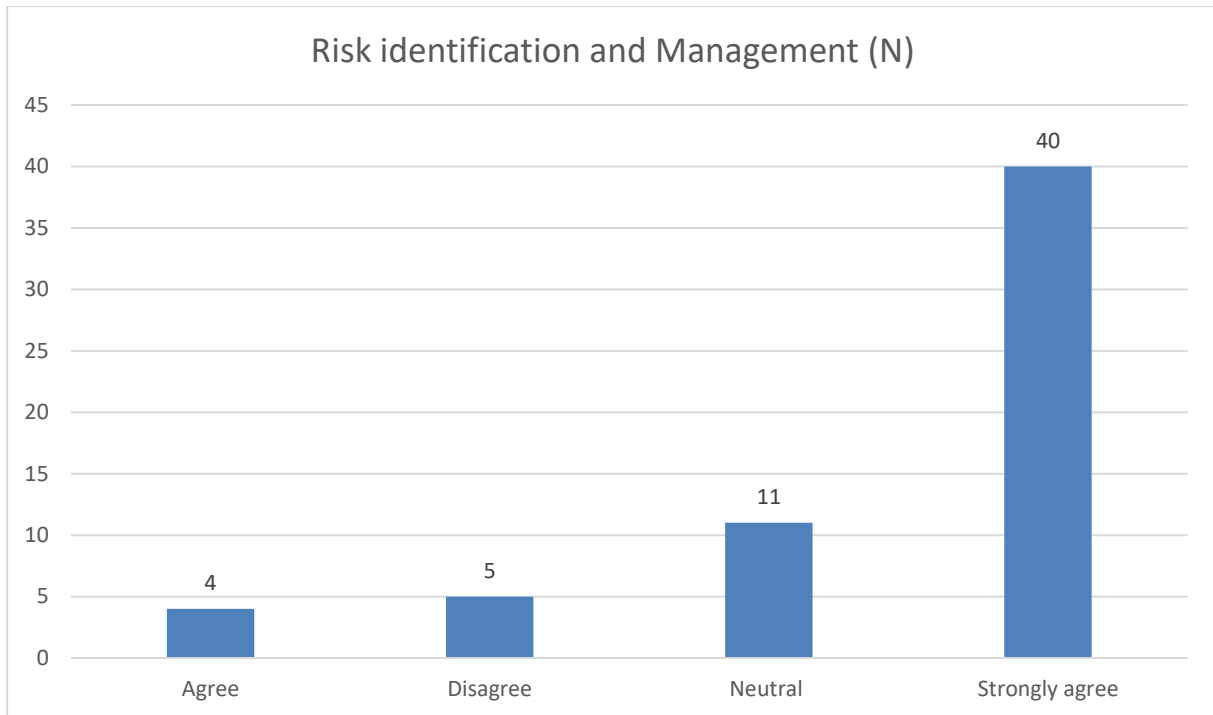
Figure 4.11 highlights the participants' views on their abilities as contractors to effectively implement planned strategies. Most SMMEs agreed (85.0%) and strongly agreed (8.3%), with (6.7%) disagreeing that some SMMEs are poor at implementing strategies.



**Figure 4.11: Implementation of planned strategies**

#### **4.3.1.4. Risk identification and management**

The results on the implementation of strategies indicate that participants perceive that SMMEs are good at implementing their strategies in terms of acquiring services and assignments. However, as identified earlier in terms of the SMMEs' weaknesses in strategic planning, Figure 4.12 also shows that most participants (67.0%) perceive some SMMEs as weak at identifying and managing risks, with only 8.0 percent stating that SMMEs are able to identify and manage risks. These challenges that are faced by SMMEs lead to difficulties in acquiring new or better contracts from the Electricity Unit, planning for difficult times, and being at high risk of collapse.



**Figure 4.12: Risk identification and management**

For these challenges to be addressed there is a need for a concerted effort from the government, private sector, civil society, and the SMMEs to promote monitoring, evaluation and learning platforms (Bhorat et al., 2018). SMMEs need to come together to share experiences, failures and successes. Training on risk identification and management for SMMEs is critical to avoid situations where it is difficult for them to identify either opportunities or risks in time for them to be able to take advantage of or mitigate against, respectively (Bolosha et al., 2022, Chimucheka, 2012, Creation, 2021).

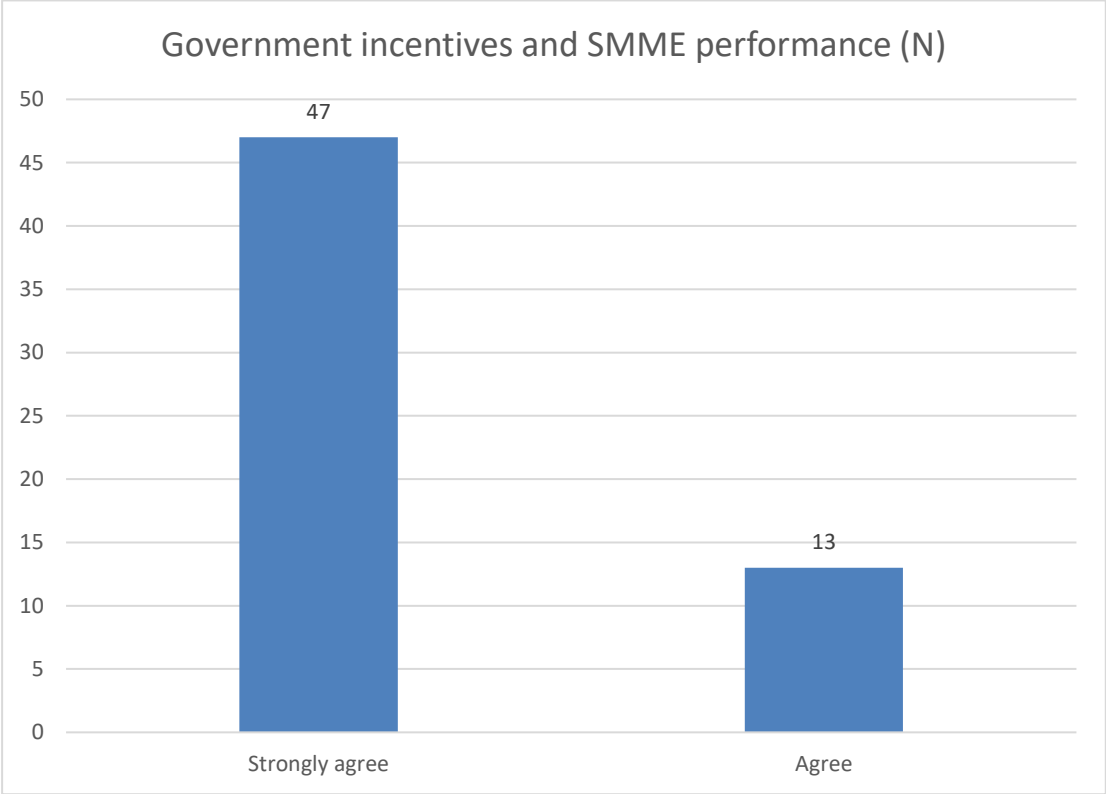
#### **4.4. Structural issues influencing the performance of SMMEs**

This section focuses on the structural factors that influence the performance of SMMEs contracted to the Electricity Unit, including government incentives to SMMEs, exclusive government funding, Business Development Agency funding, private sector financing, banking sector financing, skills training and development, the relationship between the Electricity Unit

and SMMEs, proximity to the markets, the introduction of other electricity generation sources, load shedding, and crime.

**4.4.1. Government incentives**

Figure 4.13 addresses the issues of government incentives for SMMEs. Participants in the study were asked whether support from the government in the form of incentives was essential for the impressive performance of SMMEs.

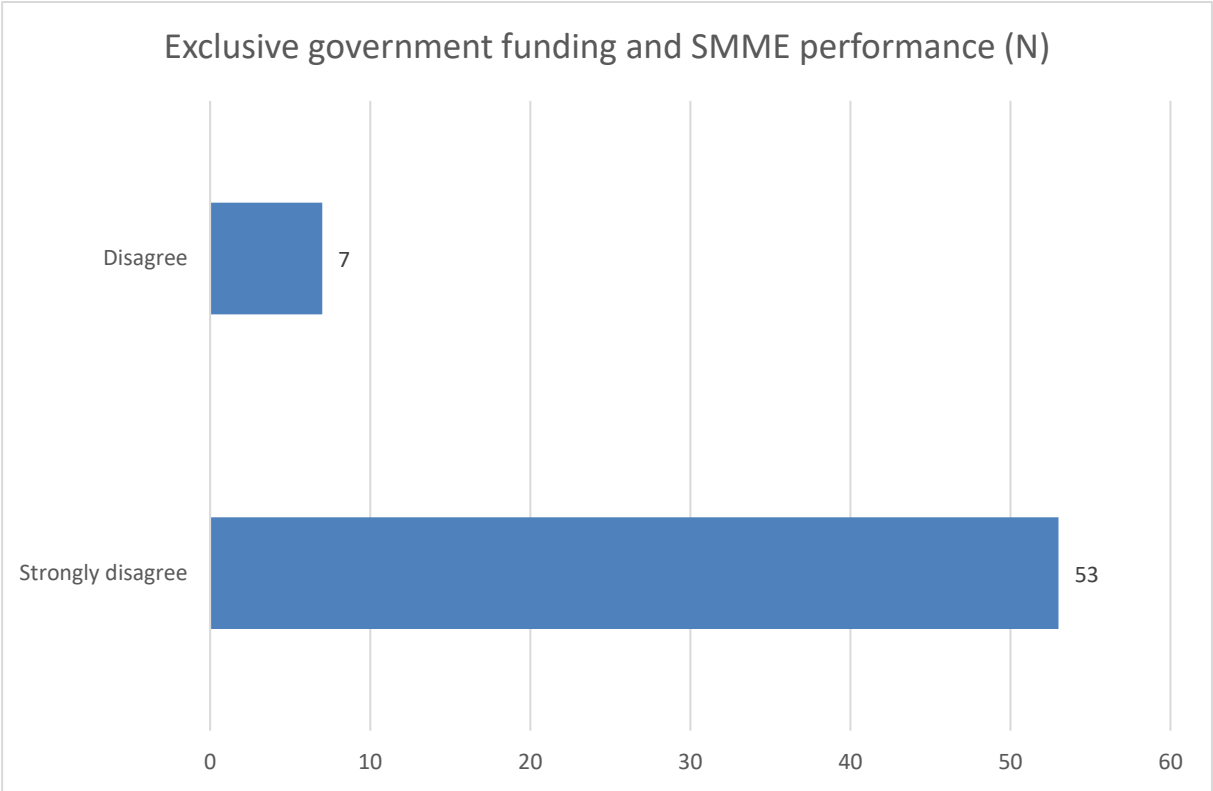


**Figure 4.13: Government incentives and SMME performance**

The majority (78.3%) of participants strongly agree, while 21.7% agreed that government incentives play a critical role in motivating SMMEs to perform well. These results are consistent with current literature which states that favourable government incentives, including regulations, can create a conducive business environment, reducing barriers to entry, streamlining administrative processes, and providing tax incentives (Bhorat et al., 2018).

**4.4.2. Exclusive government funding**

The participants in the study were asked whether support in the form of loans for SMMEs should only come from governments. All the participants either strongly disagreed (89.3%) or disagreed (11.7%) (see Figure 4.14).



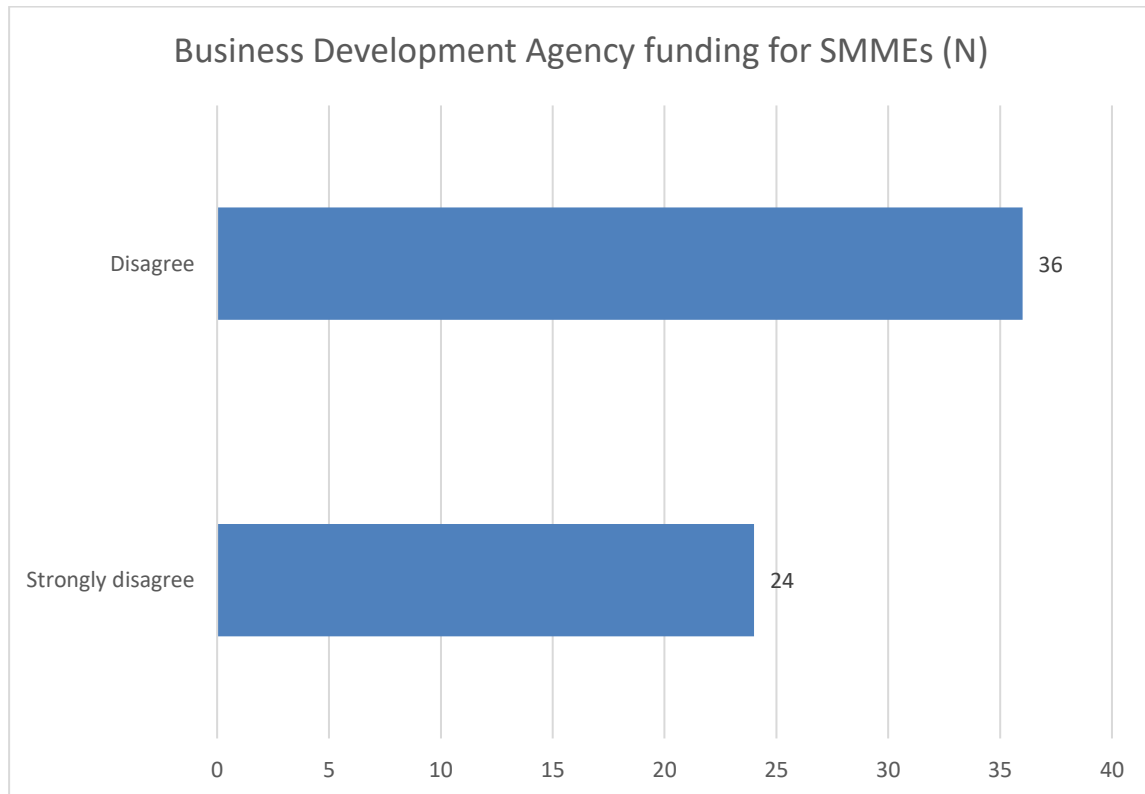
**Figure 4.14: Exclusive government funding and SMME performance**

These results speak to the fact that SMMEs know that government alone cannot be able to fund and sustain all existing SMMEs. The government cannot also fund the start-up of each SMME because of other priorities and therefore it is critical to have other roleplayers involved in the funding and sustenance of SMMEs.

**4.4.3. Business Development Agency funding**

Participants in the study were asked whether it is the role of the Business Development Agency to provide or source loans for the SMMEs that are registered to them. Consistent with the refusal responses for exclusive government funding for SMMEs, participants either strongly

disagreed (40.0%) or disagreed (60.0%) that the Business Development Agency should be responsible for either funding or sourcing out funds for SMMEs that are registered with them (see Figure 4.15).

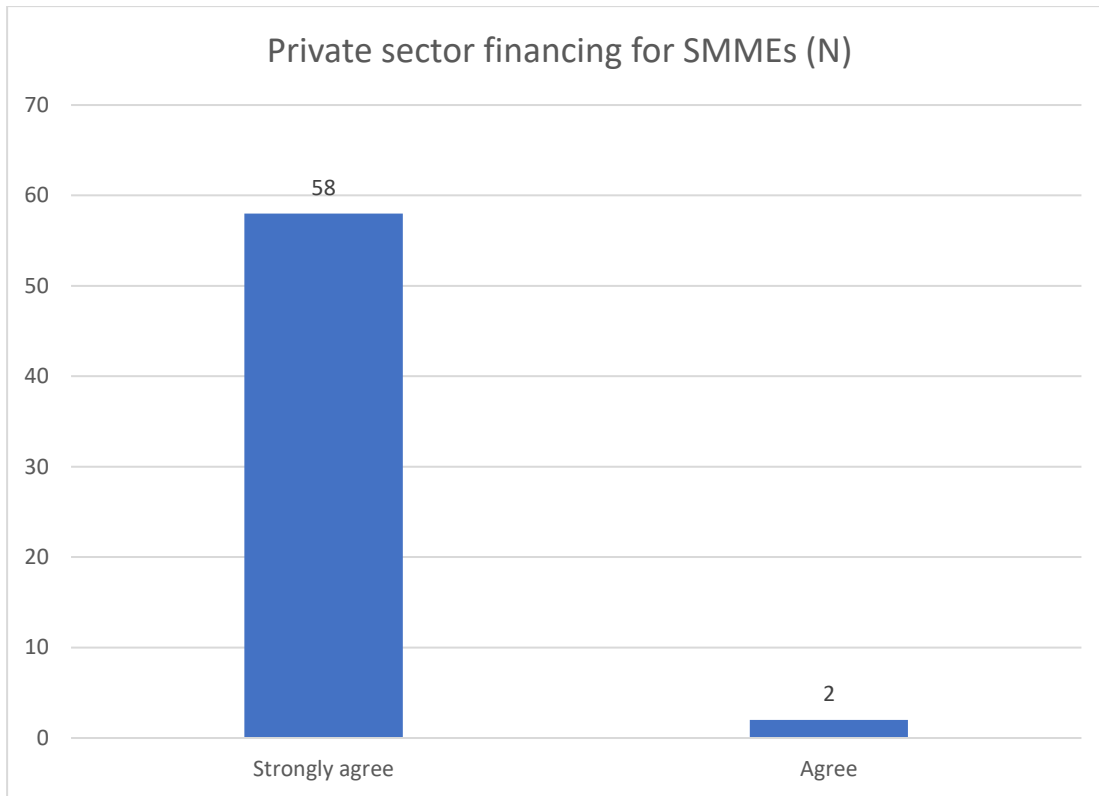


**Figure 4.15: Business Development Agency funding for SMMEs**

These results indicate that SMMEs acknowledge that they cannot only rely on one source of financial support system. The results also indicate that if SMMEs are registered with the Business Development Agency and paying membership fees, then they need to at least receive some benefits that come with the registration and membership such as assistance with funding, including fundraising training, and networking with potential investors.

#### **4.4.4. Private sector financing for SMMEs**

Figure 4.16 presents participants' responses to whether the private sector plays a vital role in financing SMMEs. All the participants in the study either agreed (96.7%) or strongly agreed (3.3%) that the private sector plays a critical role in financing SMMEs.

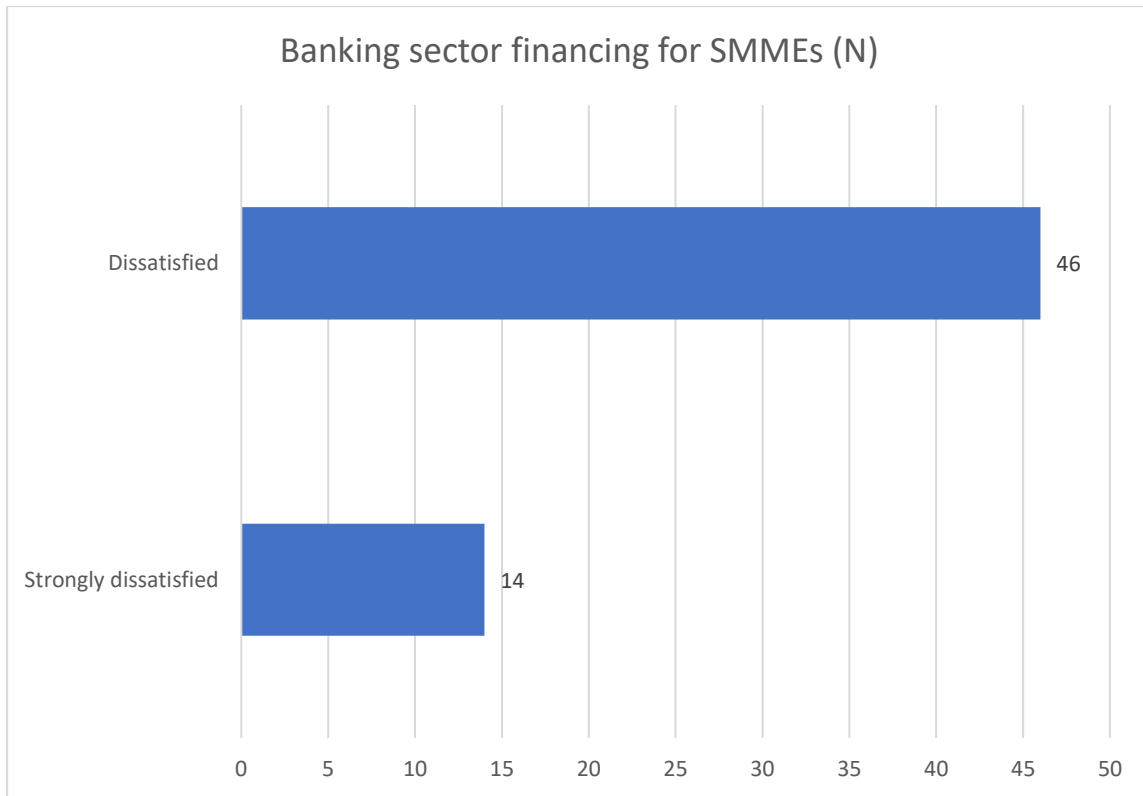


**Figure 4.16: Private sector financing for SMMEs**

Playing a pivotal role in the financing of SMMEs by the private sector goes beyond the provision of finance to sourcing funds and linking SMMEs to potential funders. The B-BBEE Act encourages established businesses to support SMMEs through enterprise development initiatives. This support can take the form of mentorship, technical assistance, or financial aid. SMMEs receiving such assistance experience improvements in their performance and operational efficiency (Molo, 2019).

#### **4.4.5. Banking sector financing for SMMEs**

Participants were asked to give their perspectives on their satisfaction with the financing services they received from the banking sector. The study results indicate that all participants were dissatisfied with the financing services offered by the banking sector, with 76.7% dissatisfied and 23.3% strongly dissatisfied (see Figure 4.17).



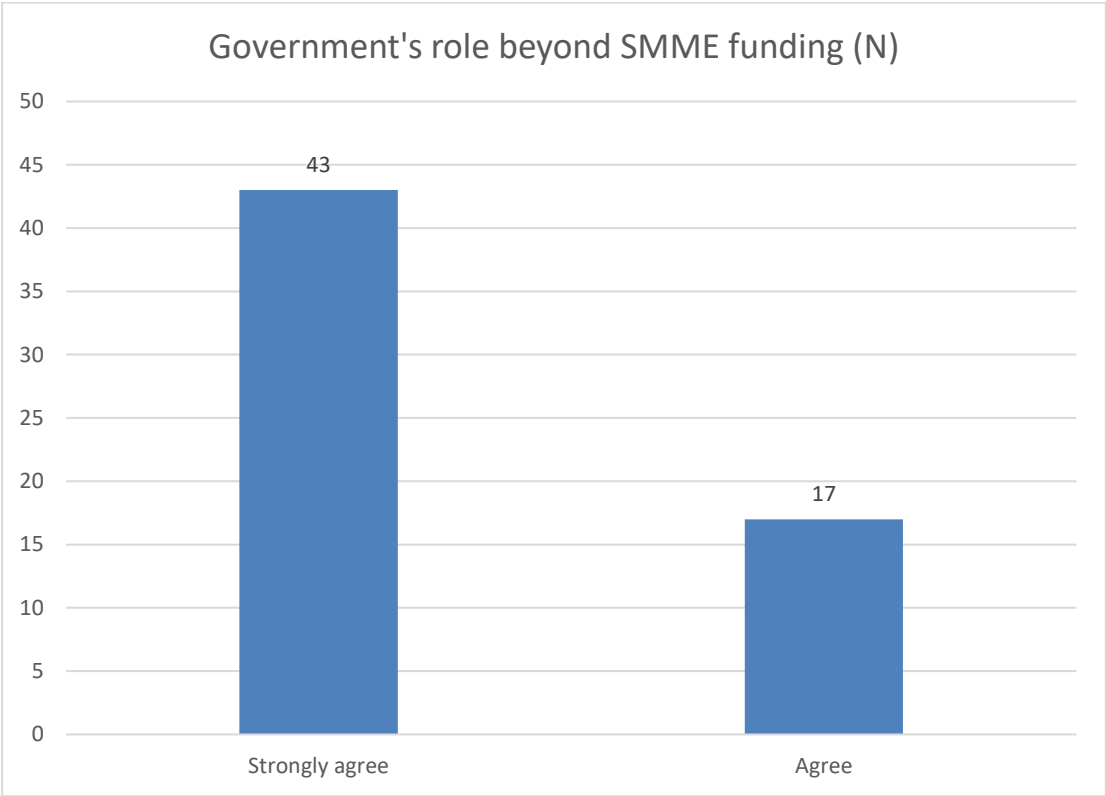
**Figure 4.17: Banking sector financing for SMMEs**

These results are consistent with the literature which indicates that for South Africa's disadvantaged societies, access to finance remains very limited, as financial institutions like banks are very conservative and risk-averse (Botha et al., 2021). These financial institutions normally avoid SMMEs that are considered risky and have no collateral or dependable track records (Chimucheka and Mandipaka, 2015). On the other hand, the SMMEs that can secure start-up finance find the cost of capital is too high (Mahambehlala, 2019, Netshishivhe, 2021). To address these challenges, the government needs to partner with banks to establish programmes that develop and support SMMEs financially.

#### **4.4.6. Government's role beyond SMME funding**

The study results show that participants either strongly agree (71.7%) or agree (28.3%) that the government is expected to play more roles beyond the funding of SMMEs (see Figure 4.18). These results are critical in a context where most SMMEs are run by people from

previously disadvantaged backgrounds. SMME owners would need more than financial support. They would need financial education, training on the procurement processes, strategic planning, and a focus on dealing with opportunities and risks.

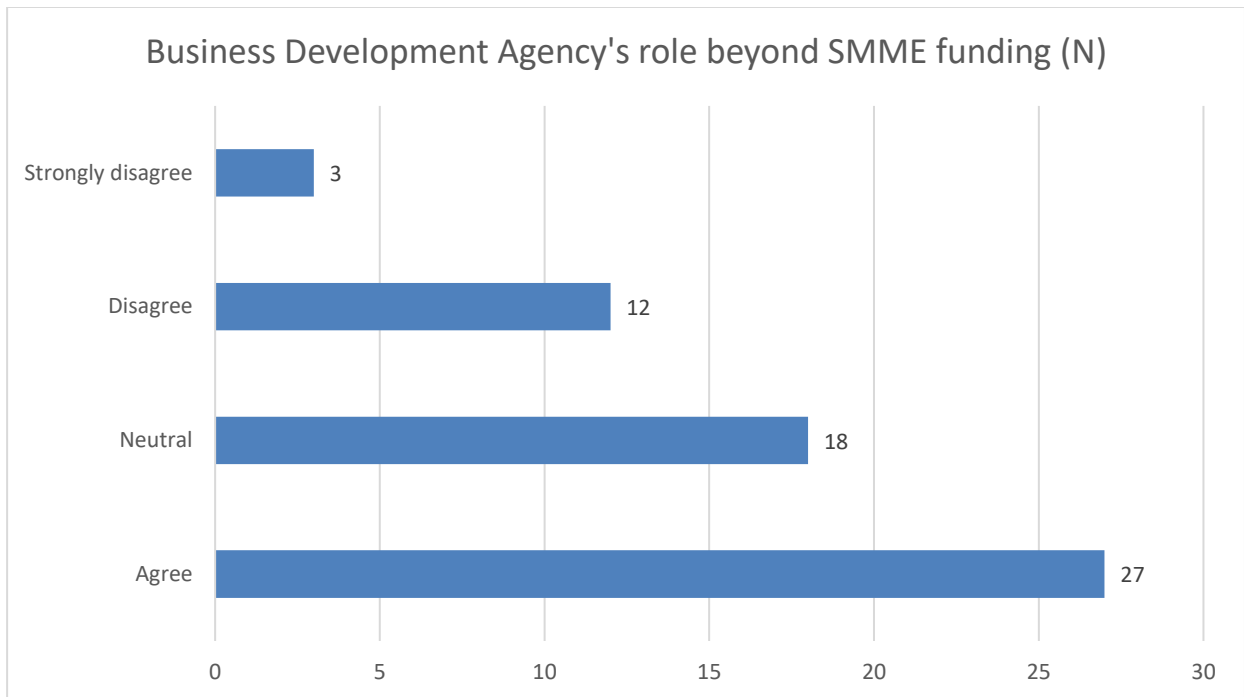


**Figure 4.18: Government's roles beyond SMME funding**

While agencies like the Small Enterprise Development Agency, together with other programmes such as the National Youth Development Agency, provide training, mentorship, and support to enhance the capabilities of SMMEs (Sishuba, 2020, Mathibe, 2019, Mathibe and van Zyl, 2011), there needs to be proactive advocacy and awareness raising initiatives on their roles and how they may be contacted – including information on their office locations, their upcoming events, training sessions, and conferences. This will provide opportunities for people who want to set up SMMEs, and those who already have them and require advice and support.

#### 4.4.7. Business Development Agency's role beyond SMME funding

Figure 4.19 presents participants' views on the support in terms of advice and training they have received from the Business Development Agency. The results represent mixed perceptions of the participants in the study. While 45.0% of the participants agreed that the advice and training from the Business Development Agency were satisfactory, 30.0% were neutral, 20.0% disagreed and 5.0% strongly disagreed.

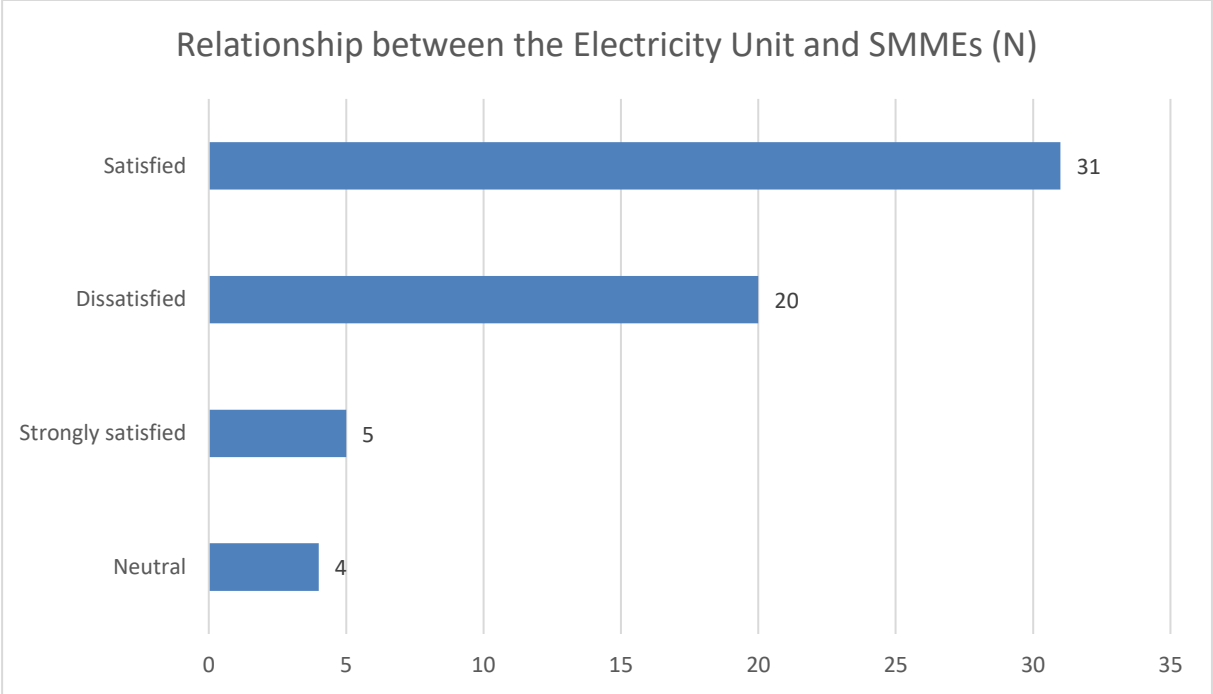


**Figure 4.19: Business Development Agency's role beyond SMME funding**

These results may provide a snapshot of the relationships between the SMMEs in this study and the Business Development Agency. One might assume that those who are registered with and are members of the Business Development Agency, might be receiving the advice and training and find it satisfactory, while those who are not registered with and are not members of the Agency might not be receiving any advice and training hence the responses.

**4.4.8. Relationship between the Electricity Unit and the SMMEs**

The study results present a mixed bag of responses from the participants on the relationship between the Electricity Unit staff and management and the SMMEs contracted to the Unit. Figure 4.20 indicates that 51.7% of participants were satisfied with the relationship, 33.3% were dissatisfied with the relationship, 8.3% were strongly satisfied with the relationship, and 6.7% were neutral.

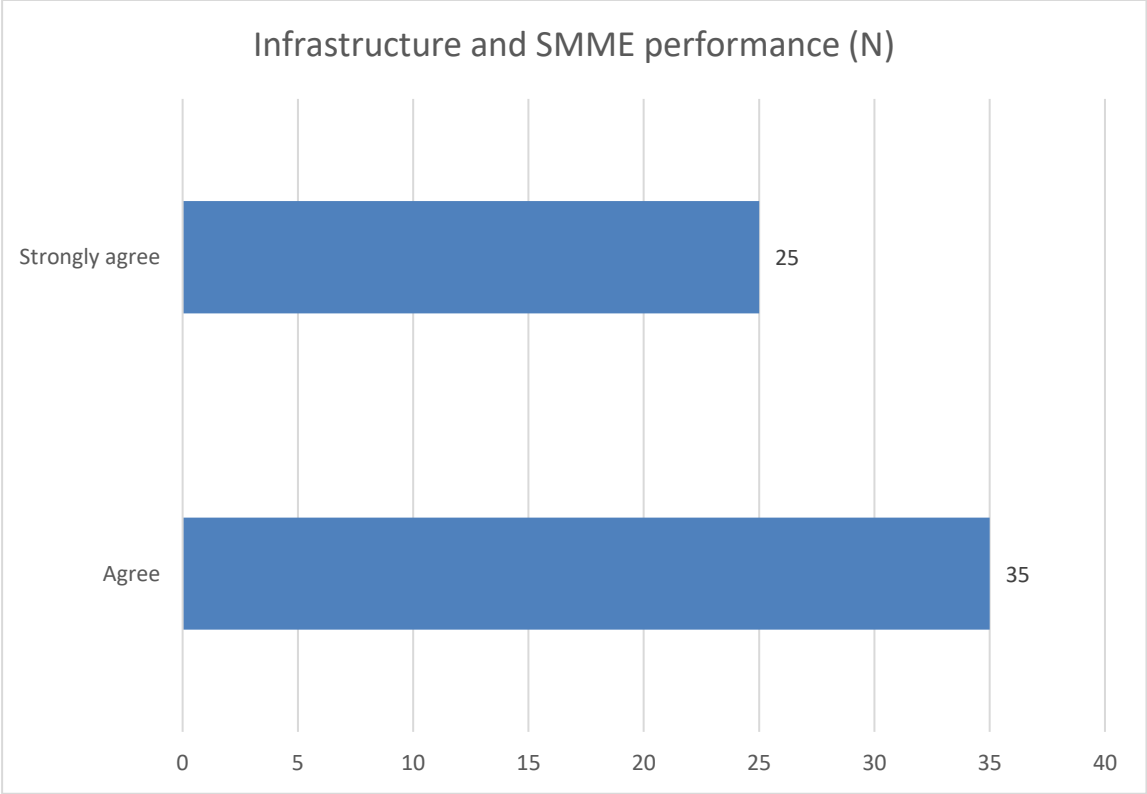


**Figure 4.20: Relationship between the Electricity Unit and the SMMEs**

These results indicate that the majority of participants are either satisfied or strongly satisfied with the relationship between the Electricity Unit and the SMMEs contracted to the Unit. These results highlight the importance of relationship-building between entrepreneurs and their customers (Bushe, 2019). Building strong connections with suppliers, customers, and other entrepreneurs can open doors to valuable resources, information, and support (Rens et al., 2021).

**4.4.9. Infrastructure and SMME performance**

Participants in the study were asked about the relationship between good infrastructure and SMME performance. All participants either agreed (58.3%) or strongly agreed (41.7%) with the assertion (see Figure 4.21). What these results show is that SMMEs contracted to the Electricity Unit believe that having a good infrastructure enables them to work more efficiently and therefore be more productive.

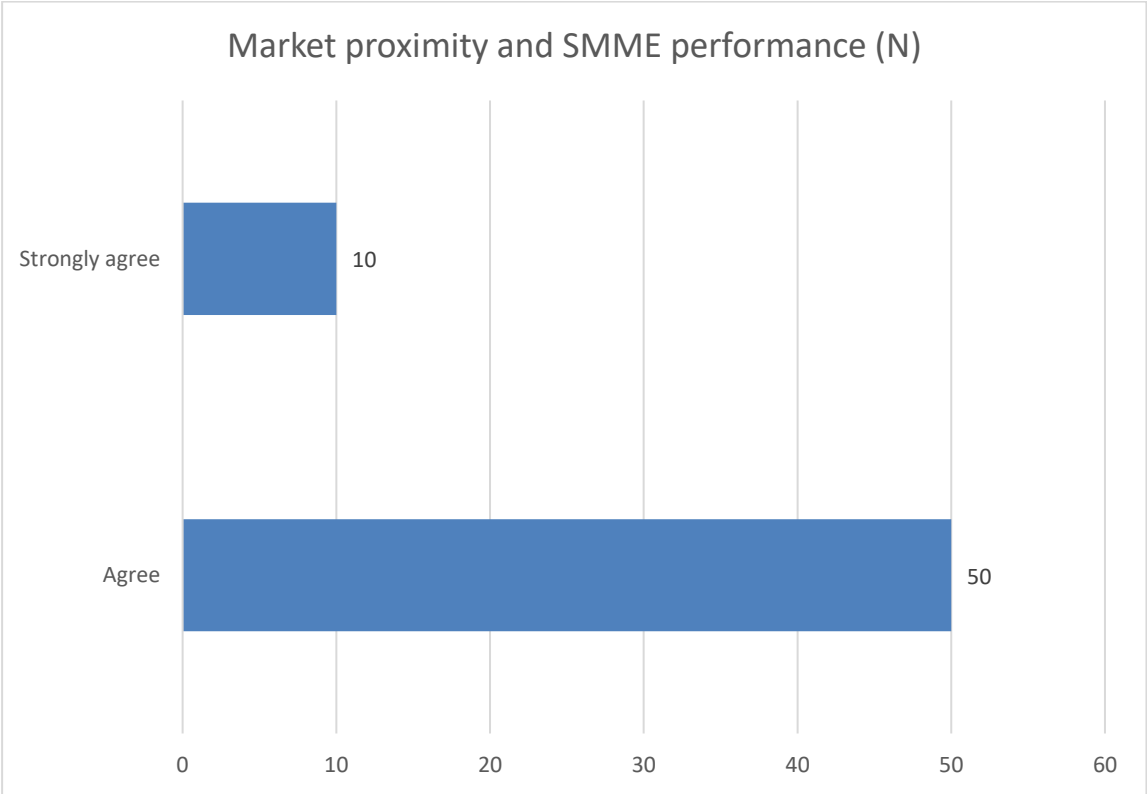


**Figure 4.21: Infrastructure and SMME performance**

A good infrastructure does not only entail the buildings and facilities available to the SMMEs, but also the financial infrastructure, and the network infrastructure, including both the electricity network and the internet. Infrastructure is critical for the success of every business, including its own in terms of where the business is located and housed, the equipment it possesses and its proximity to the main transport networks.

**4.4.10. Market proximity and SMME performance**

A business' proximity to the markets is always an essential factor for its performance. Participants in the study were asked about their views on the relationship between proximity to the markets and the performance of their SMMEs. All participants in the study either strongly agreed (78.3%) or agreed (21.7%) that proximity to the markets had a positive impact on the performance of their SMMEs (see Figure 4.22).



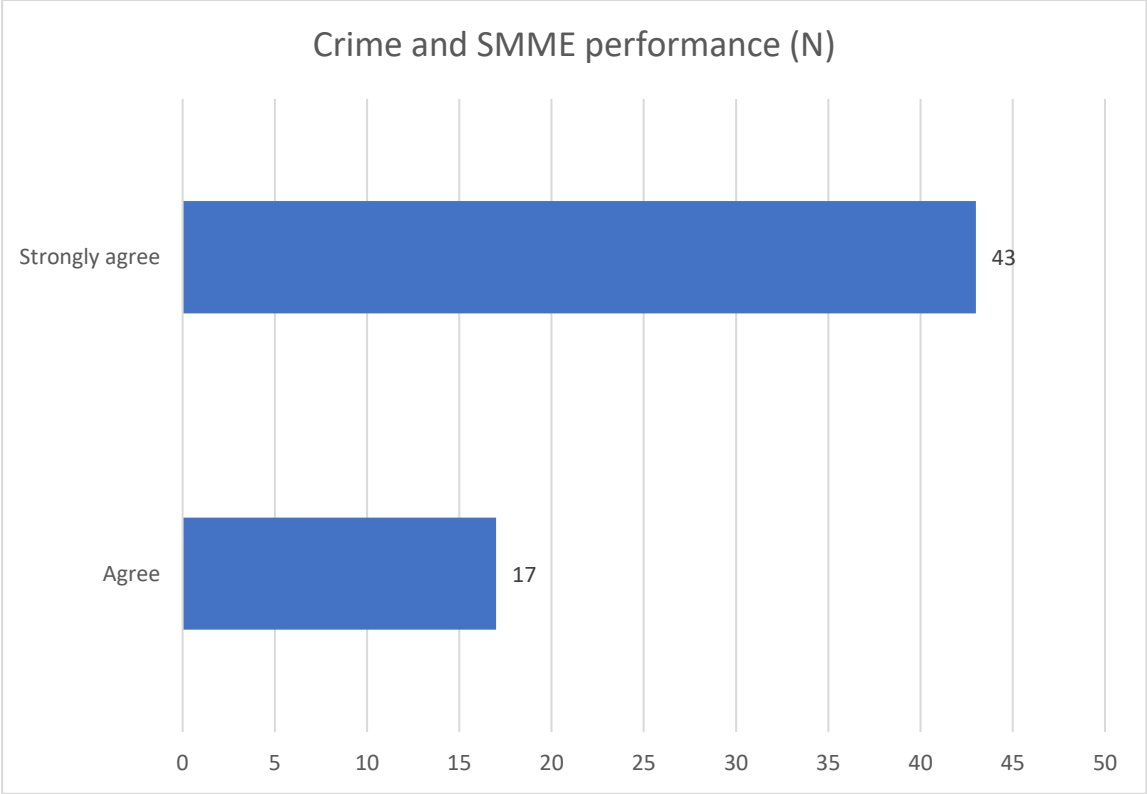
**Figure 4.22: Market proximity and SMME performance**

What these results entail is that SMMEs need to be close to where their customers are based. Distance plays a huge factor in terms of potential clients being aware of the product SMMEs are producing or selling. Distance is also a huge factor when it comes to transport costs, not only for SMMEs but also for clients. Most clients would rather pay minimal transportation costs and therefore will opt for suppliers who are nearer to their places of business. In the case of

the SMMEs contracted to the Electricity Unit, it is cost-effective for them to be located in and around the eThekweni Metropolitan Municipality.

#### 4.4.11. Crime and SMME performance

The crime statistics in South Africa are alarming. Participants in the study were asked whether crime rates can negatively influence the performance of the SMMEs (see Figure 4.23).



**Figure 4.23: Crime and SMME performance**

It should be noted that there was a consensus from the participants that crime does negatively influence the performance of the SMMEs, with the majority strongly agreeing (71.7%) and the rest agreeing (28.3%). These results are supported by existing literature which indicates that low crime and security are prerequisites for the performance, growth, and survival of SMMEs. High levels of crime negatively affect investment levels, sales and business success and increase the cost of doing business (Bhorat et al., 2018). In South Africa, entrepreneurs view crime as the biggest threat facing the SMME sector (Bushe, 2019).

In concluding this section, it is critical to note that structural factors make or break SMMEs and other businesses in any country. The government, together with the private sector, civil society and SMMEs must share responsibilities and establish concrete partnerships that promote the development and growth of SMMEs beyond their incubation period. SMMEs will thrive in conditions that are supportive and favourable to their development and growth.

#### **4.5. Results of the qualitative data analysis**

The qualitative data was collected after the survey data collection as a way of corroborating and triangulating the results from the quantitative data. The qualitative section of this chapter explored participants' views on the relationship between the Electricity Unit and the SMMEs, the SMMEs' long-term vision, funding and budgetary support, and recommendations for performance enhancement and service delivery. The results presented in this section are from 10 participants who took part in the qualitative interviews.

##### **4.5.1. Reflection on the relationship between the Electricity Unit and SMMEs**

Participants were asked to reflect on the work conducted by the Electricity Unit of the eThekweni Metropolitan Municipality and their relationship with it. All participants were working on the electricity reticulation and its maintenance. While the majority of participants were familiar with the other work conducted by the Electricity Unit of the eThekweni Metropolitan Municipality, they largely focused on the work they were contracted to conduct. One participant stated:

*“If you ask me about everything about the work that the Electricity Unit of the eThekweni Metropolitan Municipality does I will not be able to tell you everything but I know that it is the custodian of electricity in the eThekweni Region. It buys electricity from ESKOM and distributes it to the citizens of eThekweni. The electricity unit is also responsible for the electricity reticulation and its maintenance. This is where most of us come in as contractors. We are either responsible for the reticulation or maintenance and in some instances for both” (SMME2).*

This view was shared by all participants, who indicated that most of their work revolved around the maintenance and repair of bulk electrical infrastructure in the eThekweni Municipality. Concerning the relationship between the Electricity Unit and the SMMEs, many of the participants spoke of having a cordial relationship with the Electricity Unit. One participant noted:

*“I think the relationship that we share with the electricity unit is that of mutual respect. The relationship is not that of a master and a slave. When we are contracted to carry out some maintenance work, in our job card we go to the electricity unit complex and collect all the materials needed for the job. We often receive our payments for the jobs conducted within 30 working days and this is good for us as it allows continuity”* (SMME7).

However, contrary to this view, one participant noted that the Electricity Unit staff sometimes tended to give more maintenance jobs to contractors who were in their close circle. He noted that:

*“You see, these guys (Electricity Unit staff) sometimes choose the jobs they know will pay more and give to their friends who are contractors. These contractors sometimes even have too many projects that they end up sub-contracting other contractors. If you are not connected to the staff you will find it a lot more difficult to get these maintenance and repair jobs. You have to be connected with these guys (Electricity Unit staff) and you will start getting projects to do”* (SMME5).

These mixed reports indicate how personal relationships are fostered in the professional space in such a way that they determine the professional relationship between the Electricity Unit and the SMME contractors in the Unit. The Electricity Unit has to be transparent on the project assignments so that all SMME contractors are aware of the rationale behind some getting more maintenance and repair projects compared to others. This transparency will strengthen

the relationship between the Electricity Unit staff and the SMME contractors in the Unit, and also strengthen the relationship between the entrepreneurs. Strengthening relationships between the Electricity Unit staff and the entrepreneurs will lead to cost-effective ways to manage projects and provide services.

#### **4.5.2. SMMEs' long-term vision**

The participants were asked about their long-term vision in the Electricity Unit. The majority highlighted the need to grow their businesses in terms of having more staff members, more maintenance vehicles, and branches across the eThekweni Metropolitan Municipality. The participants who had this vision of expansion stated the need to be available in every part of the Electricity Unit and not only in the reticulation and maintenance branch. One respondent highlighted:

*“When I look at the long-term plan for my business, I want to be able to increase the manpower, and the maintenance vehicles and open up offices in most of the parts in eThekweni so that if there is a job somewhere in the Municipality I can just send a team there to focus on the maintenance problem while others are working in other areas. This is not only about the growth of the company in terms of getting more contracts but employing several people who will be able to provide for their families. You see we have a lot of unemployed graduates and expanding my company will reduce that crisis even if it is not in a big way” (SMME9).*

These results indicate that people are not only looking at the long-term in terms of their development but also focusing on the absorption of unemployed people into the labour market. These sentiments are consistent with the main objectives of setting up SMMEs. SMMEs, particularly in democratic South Africa have been effective in reducing poverty, inequality and unemployment, especially among Blacks (Makwara, 2019).

On the same theme, one participant stated that he would want to not only focus on reticulation and maintenance but move beyond that to become an independent power producer.

*“I am happy with the maintenance and repair work that we are contracted to do around eThekweni, but I want to do more. I am going to be an independent power producer one of these days in the future. Watch and see! I just have to raise enough money to employ other staff members who will be focusing on installing, servicing and maintaining solar systems in and around eThekweni Municipality. You see the future is changing already, a lot of people have and are installing solar systems. This is where we need to start focusing on. Even banks are providing homeowners with loans to install solar systems – you can see this is where the focus is going to be in the next few years so we must get ready” (SMME3).*

In the current context where there has been a lot of load shedding and the government providing opportunities for independent power producers to produce and sell their electricity, the participant highlighted that this would become a lucrative and viable business in the future. This forward-thinking is critical for SMMEs to study and understand the current market so that they may be in a better position to adapt to the changes taking place.

#### **4.5.3. SMME funding and budgetary support**

Participants were asked about the various funding and budgetary support systems they receive for their businesses. The majority of participants provided negative feedback in this section, mostly lamenting the lack of support from both the government and private sector. One participant stated:

*“It is difficult to even speak about financial support in this sector. Sometimes it is from hand to mouth, month to month because there is no support from the government and private sector. The bank loans that we accumulate keep on piling but then if you do not take a bank loan how will you survive? How will you go and finish the contract that has*

*been assigned to you? Sometimes you make these sacrifices because you know you will not get help anywhere else. You see sometimes you end up paying all the staff members that work for you and in the end, you are left with next to nothing, but you keep on saying this is how you grow” (SMME10).*

These sentiments were recurring in all the interviews as the participants highlighted the challenges of transcending to the next steps of their SMMEs’ development. These results indicate the need for a concerted effort from the government and other stakeholders to assist SMMEs. This is because this SMME sector particularly does have people who are from previously disadvantaged backgrounds and are competing with big businesses.

#### **4.5.4. Recommendations for performance enhancement and service delivery**

The participants in the study were asked to provide recommendations for performance enhancement and service delivery for the SMMEs contracted to the Electricity Unit. Three main recommendations came across in the interviews: 1) changing the funding model of SMMEs; 2) provision of hands-on support and training for SMMEs, particularly in terms of long-term strategic planning; and 3) provision of contract work even where the preferred bidder is a big business, to work together and provide opportunities to learn.

On the first recommendation, one participant highlighted the importance of changing the funding model for SMMEs. The participant argued that it is only those SMMEs that are known to the government that may qualify for the government seed funding for SMMEs and those that are unknown find it difficult to get funding.

*“Getting funding is very difficult, especially if you are not known in the banking or private sector communities. Most of the people who receive government seed grants for start-ups are those connected to the government. If you are not connected you get nothing. I think it would be fair for the government to establish an office where people go with*

*their business proposals and apply for funding. If the proposal is good then the government should fund that proposal. You see if you cannot get a seed grant to start your business then it is even more difficult for you to approach the bank for a loan because banks want to see your track record, they want to see your assets in case you fail to pay. This just makes it difficult for us!” (SMME8).*

Another recurring recommendation was the provision of hands-on support for SMMEs. Most participants highlighted the need for government departments, private sector institutions and civil society organisations to provide hands-on training on grant proposal writing, including budgeting, the procurement processes, monitoring and evaluation, and finally writing of the report for submission to the client. The participants indicated that while these activities may seem to be easy at face value, they determine whether one gets a contract or not. One participant noted:

*“Most of us resigned from our previous employment to start our companies. You see, I was working for ESKOM and decided to resign and start my own company. It is not because I thought I now knew everything that’s why I left my job but it is because I wanted to venture into my own business. You see, the one thing most of us lack is the ability to write convincing proposals for the work we do. We know how to implement the work but for us to convince the funder that we are the right people to do the job is difficult. We must get this hands-on training even from the Electricity Unit of the eThekweni Metropolitan Municipality. This is how we will be able to know how to deliver even on the final client reports. Hands-on training is very important” (SMME4).*

Also as a way of hands-on training, participants highlighted the importance of being matched by big businesses so that they can work together and in the process learn. Participants argued that even in cases where the preferred bidder was a big business, it would be beneficial to their growth if they were then sub-contracted to the big business. SMME7 indicated:

*“I know it is difficult to hire a small company for a big contract because of the lack of resources, including manpower and machinery. However, I think that the government and the private sector can make it mandatory for big businesses to sub-contract SMMEs in these large contracts so that SMMEs may also be able to learn how to implement big projects. The only way one can learn and transcend is if they are allowed to explore. Whoever has placed a tender should be able to put up conditions that the award is only given if the big business agrees to sub-contract an SMME and provide them with hands-on training in the process” SMME7.*

The study findings shed light on a remarkable shift in the priorities of the participants, emphasising that their primary concern lies not only in securing funding for immediate financial needs, such as staff salaries or personal income but rather in the pursuit of expanding their businesses through the avenues of learning and collaboration. The participants recognise that expanding their businesses require not only financial resources but also a well-rounded skill set and access to networks and expertise.

#### **4.6. Conclusion**

In conclusion, this chapter explored both the quantitative and qualitative results vis-à-vis the background of the study, the study objectives, and questions, and the literature review and conceptual models provided. The quantitative section focused on the descriptive statistics of the sample while the qualitative section provided an in-depth assessment of the factors that influence the performance of SMMEs contracted to the Electricity Unit. The following chapter provides the conclusions and recommendations for future studies.

## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. Introduction**

The purpose of this study was to explore the factors influencing the performance of SMMEs contracted to the Electricity Unit. This chapter provides conclusions of the study focusing on the major findings of this study, the background, objectives and key questions of the study, the literature review, and the conceptual models used in the study. It also addresses the strengths and limitations of the study.

Using both quantitative and qualitative data, this study highlights the various factors influencing the performance of SMMEs contracted to the Electricity Unit. This study's findings underscore the importance of fostering transparent and equitable relationships between the Electricity Unit and SMMEs, promoting long-term vision and adaptability, addressing funding challenges, and providing hands-on support and collaboration opportunities.

### **5.2. Key findings**

The gender distribution among the study participants indicated a clear gender imbalance in the SMMEs contracted to the Electricity Unit, with a significant majority of participants being male (88.3%). This imbalance is reflective of the broader gender disparities in the field of electrical engineering in South Africa. To address this issue, the government and the private sector need to play an active role in promoting girls' education in science and technology and encouraging women to participate more actively in engineering activities.

The racial composition of the participants reflected the historical context of South Africa, with a substantial percentage of Black-owned SMMEs (51.7%). The government's Black Economic Empowerment (B-BBEE) policies have played a significant role in promoting economic inclusion for previously disadvantaged populations, and these results suggest that the

Electricity Unit is contributing to this goal. Continued efforts in this direction are vital for addressing racial inequalities in the business sector.

Regarding the educational qualifications of the SMME contractors, the majority had Undergraduate Degrees (63.3%), which is understandable given the technical nature of electrical engineering. These findings differ from some previous research that identified education and skills as constraints to the growth of SMMEs. It suggests that education may not be a major hurdle for contractors in the Electricity Unit.

Regarding SMME demographics, our results showed that most SMMEs had been in business for more than five years, indicating their experience and continuity. The majority of SMMEs were registered with formal agencies (65.0%), providing them with access to networks, contracts, funding, and training programs. However, the size of the SMMEs was predominantly small, with most employing less than five employees, aligning with the micro-enterprise definition. This suggests that while SMMEs play a role in job creation, they may not be the sole solution to South Africa's unemployment challenges.

The motivation for SMME start-ups varied, with a significant number of contractors transitioning from employment to entrepreneurship. The nature of the enterprises predominantly leaned towards partnerships, highlighting the importance of collaboration and the complementary skills needed in the electricity industry. Most SMMEs contracted to the Electricity Unit excel in setting clear strategic objectives. However, a significant concern arises when it comes to the development of effective strategic plans. SMMEs struggle in this regard, which could impede their growth and sustainability. Moreover, while SMMEs are generally proficient in implementing planned strategies for acquiring services and assignments, there are perceived weaknesses in the identification and management of risks.

Government incentives, and holistic funding from the government, Business Development Agencies, the private sector, and the banking sector are considered critical in influencing the performance of SMMEs employed in the Electricity Unit. The government and the Business Development Agencies should play a broader role in supporting SMMEs beyond funding, including providing training, mentorship, and advice. The relationship between the Electricity Unit and the SMMEs contracted to it could be improved with more transparency in the assignment of maintenance and repair projects to SMME contractors.

Infrastructure availability – including physical, financial, and network infrastructure positively impacts efficiency and productivity. On the other hand, market proximity is crucial for better business performance due to reduced transport costs and improved visibility. While crime negatively affects the performance of SMMEs, making security and low crime levels essential for business growth.

### **5.3. Limitations of the study**

One limitation that should be considered in this study is that the sample is not representative of the current South African population. Therefore, generalizations about the factors influencing the performance of SMMEs contracted to the Electricity Unit cannot be made for the entire population of SMMEs contracted to all the Electricity Units in South Africa. It provides a general picture of the factors influencing the performance of SMMEs contracted to the Electricity Unit in the eThekweni Metropolitan Municipality.

Another limitation is that the study explores the factors influencing SMME performance in the Electricity Unit from the lens of the contractors only, without exploring the views of the Electricity Unit staff. Future studies should focus on including both contractors contracted to the Electricity Unit and the Electricity Unit staff.

Lastly, it should be noted that while the researcher emphasised to the participants that they should speak their truth, freely, and that whatever information they provided would not negatively affect the awarding of future contracts for them, the researcher being an employee of the Electricity Unit may have led to participants respond affirmatively to their working relationship with the Electricity Unit. The researcher, therefore, does take into account the possibility that the participants were responding in a 'socially desirable' way.

#### **5.4. Recommendations**

Determining the factors that influence the performance of SMMEs contracted to the Electricity Unit is complex. Given that work on the SMMEs contracted to the Electricity Unit in the country is still in an early phase, the suggestions for future research that this study makes are neither exhaustive nor prescriptive. There is still a need for a lot more research and debate on the factors influencing the performance of SMMEs in the Electricity Unit in South Africa.

Based on the findings and discussions, this section provides the following recommendations:

- **Gender inclusivity in electrical engineering courses:** Given the gender disparity in the electrical engineering field, the government and private sector should intensify efforts to promote girls' education in science and technology. Initiatives to encourage and support women in engineering should be implemented to create a more balanced gender representation in the industry.
- **Continued B-BBEE initiatives:** The results indicate that the Electricity Unit's contracting practices contribute to economic inclusion. To further advance B-BBEE goals, it is crucial to maintain these practices and potentially extend them to other sectors, ensuring a more equitable distribution of economic opportunities among racial groups.
- **Support for skills development:** While the majority of SMME contractors have attained higher education, it is essential to support ongoing skills development,

particularly in their sector of electrical engineering. Encouraging lifelong learning and offering relevant training programmes can further enhance the capabilities of SMMEs contracted to the Electricity Unit.

- **Encourage SMME registration:** Since registered SMMEs have access to various benefits, the government should promote and simplify the registration process. Additionally, businesses should be encouraged to register with formal agencies to gain access to networks, contracts, and support services.
- **Strategic planning support:** Recognising the deficiency in developing effective strategic plans among some SMMEs contracted to the Electricity Unit, it is crucial to provide targeted support and training in strategic planning. The government, industry associations, and business development organisations can play a pivotal role in offering guidance and resources to enhance strategic planning capabilities.
- **Risk management training:** Given the identified weaknesses in risk identification and management, it is imperative to institute comprehensive training programmes focused on risk management for SMMEs contracted to the Electricity Unit. These programmes should equip entrepreneurs with the skills and knowledge needed to identify potential threats, plan for contingencies, and minimise business risks.
- **Collaborative learning platforms:** SMMEs contracted to the Electricity Unit should come together and establish forums (preferably facilitated by the Electricity Unit) for sharing experiences, failures, and successes. These collaborative learning platforms can serve as a valuable resource for SMMEs to collectively build their knowledge and expertise in strategic planning and risk management.
- **Government and industry support:** Government bodies and industry associations should work together to create initiatives and incentives for SMMEs to prioritize strategic planning and risk management. This may include offering grants or subsidies for training and consulting services in these areas.

- **Continuous monitoring and evaluation:** Establish a system of continuous monitoring and evaluation for SMMEs' strategic planning and risk management efforts. Regular assessments can help identify areas for improvement and track the progress of individual SMMEs in addressing their weaknesses.
- **Diversified funding sources:** SMMEs should explore various funding sources, including government incentives, private sector financing, and development agency support.
- **Training and capacity building:** The government, the private sector, and Business Development Agencies should implement training programmes that focus on improving SMMEs' skills in grant proposal writing, budgeting, procurement processes, monitoring, and evaluation, and report writing. Hands-on support and mentorship are vital for SMME growth and success in the Electricity Unit.
- **Collaboration opportunities:** The Government should promote mandatory sub-contracting of SMMEs contracted to the Electricity Unit in larger projects to facilitate learning and hands-on experience. This approach can create an environment where SMMEs can work alongside established companies to acquire new skills and expertise.
- **Transparent project allocation:** The Electricity Unit should ensure transparency in project allocation within the Electricity Unit to prevent favouritism and provide equal opportunities for all SMMEs to access projects.
- **Broader government support:** The government must play a more comprehensive role in supporting SMMEs beyond just providing funding. This support can include mentorship, strategic planning guidance, and assistance in writing proposals and reports.
- **Improved access to financial services:** The government and Business Development Agencies can collaborate with the banking sector to create programmes that cater to the unique financial needs of SMMEs, ensuring fair access to loans, lower costs of capital, and easier loan approvals.

- **Safety and security measures:** The government needs to address the high crime rates in the country by improving security measures, which can positively impact business performance.

## 5.5. Conclusion

This study explored the factors influencing the performance of SMMEs contracted to the Electricity Unit. The results underscore the complexity of this topic and calls for a continuous exploration and discourse on the challenges faced by SMMEs in the Unit. The recommendations offer a strategic roadmap for addressing identified gaps and fostering an environment conducive to the growth and success of SMMEs in the sector. These recommendations span various dimensions, including gender inclusivity, continued implementation of Broad-Based Black Economic Empowerment (B-BBEE) initiatives, skills development, strategic planning, risk management, collaborative learning, government and industry support, monitoring and evaluation, diversified funding sources, and improved access to financial services. Addressing these issues reflects a commitment to creating a more inclusive and capable workforce.

Encouraging SMME registration, providing strategic planning support, and implementing risk management training address operational deficiencies and enhance the overall business acumen of SMMEs. The proposal for collaborative learning platforms emphasizes the importance of shared experiences and collective knowledge-building among SMMEs. Meanwhile, the calls for continuous monitoring and evaluation, diversified funding sources, and transparent project allocation aim to ensure accountability, financial stability, and equal opportunities within the sector.

This study underscores the vital role played by government departments, industry associations, and business development organizations in facilitating SMME growth. From

mentorship to strategic planning guidance, from improved access to financial services to addressing safety and security concerns, a comprehensive approach is advocated for sustainable SMME development. While this study provides a robust foundation for enhancing the performance of SMMEs in the Electricity Unit, it is essential to recognize that the journey toward improvement is an ongoing process. As the sector evolves and new challenges emerge, a commitment to adaptability and continuous improvement will be critical. By implementing these recommendations and remaining open to further research and innovation, South Africa can create an environment where SMMEs in the electricity sector can thrive, contribute to economic development, and foster sustainable growth.

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## **Annexure A: Information sheet and informed consent form for questionnaire**



Faculty of Management Sciences

Dear Participant

### **LETTER OF INFORMATION**

**Title of research study:** Evaluating factors affecting small; medium and micro enterprises' performance at eThekweni Municipality electricity unit.

**Researcher:** Siyabonga Cele

**Supervisor:** Professor IG. Govender

#### **Introduction and purpose of the study:**

SMMEs are critical for economic growth and they play an increasingly important role in stimulating economic activity and employment creation in South Africa. Several factors have either positive or negative effects on the performance of the SMMEs which determine their survival. However, some SMMEs owners are oblivion of factors which are responsible for their poor performance and consequently the folding up of their businesses. The performance of the eThekweni Municipality electricity unit affects other business operations as the viability and profitability of the enterprises largely depend on access to electricity. Therefore, identification of the factors which result in the poor performance of the SMMEs at eThekweni Municipality electricity unit is crucial. Also, it is important to recognize the factors which can improve the performance of the SMMEs at eThekweni Municipality electricity unit. This will help in making

recommendations in support of the progress of SMMEs to the eThekweni Municipality electricity unit managers, government agencies and the local Municipality stakeholders.

**Procedures:** I will be collecting information by means of a structured questionnaire. Completing the questionnaire should take at least 30-45 minutes. Please feel free to ask for clarity where you do not understand.

**Risk or discomfort:** You are unlikely to experience any physical, psychological, or social risks. However, should you feel uncomfortable or experience any problems due to your participation in this research, you may withdraw at any time, without prejudice.

**Benefits:** There may be no direct benefit to you through your participation in this project. However, the outcome of this study might be of benefit to future students, yourself, your company, and both the business and academic communities. It is also important to point out that there will be no benefits for the researcher beyond the gratification of completing the research for academic purposes.

**Alternatives:** You have the alternative to choose not to participate in this research study. In addition, you have the right to withdraw your participation at any time, with or without notice. However, should you fail to return the questionnaire within the set time frame, note; your participation will be rendered invalid.

**Financial Information and Remuneration:** You will not incur any costs, nor will you receive any reimbursements for your participation in this study. You will not receive any remuneration of any kind whatsoever for participating in this research. Your participation in this research is voluntary.

**Confidentiality:** Participation in this study is confidential and all information will be written in such a manner that you will not be identified. The questionnaire will not compel you to identify yourself. Your participation will be kept confidential. All research material will be kept under the control of the researcher in accordance with the dictates of DUT's Institutional Research Ethics Committee (IREC) requirements.

**Contact Persons:** Should you have any queries regarding this study and or related matters, please feel free to contact me or my supervisor.

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Student: Siyabonga Cele

Mobile: 072 7260 512

Work Tel: 031 322 1078

email: Siyabonga.Cele@durban.gov.za

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Supervisor: Professor IG Govender

Work Tel : 031 373 5694

email: lvang@dut.ac.za

South Africa



## CONSENT

### Statement of agreement to participate in the research study:

- I hereby confirm that I have been informed by the researcher, Siyabonga Cele, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: 177/22.
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.

- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

---

**Full Name of Participant Date Signature/Right Thumbprint**

I, Siyabonga Cele, herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Siyabonga Cele \_\_\_\_\_

**Full Name of Researcher Date Signature**

\_\_\_\_\_

**Full Name of Witness (If applicable) Date Signature**

## **Annexure B: Information sheet and informed consent form for interview guide**



Faculty of Management Sciences

Dear Participant

### **LETTER OF INFORMATION**

**Title of research study:** Evaluating factors affecting small; medium and micro enterprises' performance at eThekweni Municipality electricity unit.

**Researcher:** Siyabonga Cele

**Supervisor:** Professor IG. Govender

#### **Introduction and purpose of the study:**

SMMEs are critical for economic growth and they play an increasingly important role in stimulating economic activity and employment creation in South Africa. Several factors have either positive or negative effects on the performance of the SMMEs which determine their survival. However, some SMMEs owners are oblivion of factors which are responsible for their poor performance and consequently the folding up of their businesses. The performance of the eThekweni Municipality electricity unit affects other business operations as the viability and profitability of the enterprises largely depend on access to electricity. Therefore, identification of the factors which result in the poor performance of the SMMEs at eThekweni Municipality electricity unit is crucial. Also, it is important to recognize the factors which can improve the

performance of the SMMEs at eThekweni Municipality electricity unit. This will help in making recommendations in support of progress of SMMEs to the eThekweni Municipality electricity unit managers, government agencies and the local Municipality stakeholders.

**Procedures:** I will be collecting information by means of an in-depth interview guide. The in-depth interviews will take between 45-60 minutes. The in-depth interviews will be audio-recorded. Please kindly complete the questionnaire within 30 days from date of receipt.

**Risk or discomfort:** You are unlikely to experience any physical, psychological, or social risks. However, should you feel uncomfortable or experience any problems due to your participation in this research, you may withdraw at any time, without prejudice.

**Benefits:** There may be no direct benefit to you through your participation in this project. However, the outcome of this study might be of benefit to future students, yourself, your company, and both the business and academic communities. It is also important to point out that there will be no benefits for the researcher beyond the gratification of completing the research for academic purposes.

**Alternatives:** You have the alternative to choose not to participate in this research study. In addition, you have the right to withdraw your participation at any time, with or without notice. However, should you fail to return the questionnaire within the set time frame, note; your participation will be rendered invalid.

**Financial Information and Remuneration:** You will not incur any costs, nor will you receive any reimbursements for your participation in this study. You will not receive any remuneration of any kind whatsoever for participating in this research. Your participation in this research is voluntary.

**Confidentiality:** Participation in this study is confidential and all information will be written in such a manner that you will not be identified. The questionnaire will not compel you to identify yourself. Your participation will be kept confidential. All research material will be kept under the control of the researcher in accordance with the dictates of DUT's Institutional Research Ethics Committee (IREC) requirements.

**Contact Persons:** Should you have any queries regarding this study and or related matters, please feel free to contact me or my supervisor.

---

Student: Siyabonga Cele

Mobile: 072 7260 512

Work Tel: 031 322 1078

email: Siyabonga.Cele@durban.gov.za

---

Supervisor: Professor IG Govender

Work Tel : 031 373 5694

email: lvang@dut.ac.za

South Africa



## CONSENT

### Statement of agreement to participate in the research study:

- I hereby confirm that I have been informed by the researcher, Siyabonga Cele, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: 177/22.
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.

- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

---

**Full Name of Participant Date Signature/Right Thumbprint**

I, Siyabonga Cele, herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Siyabonga Cele \_\_\_\_\_

**Full Name of Researcher Date Signature**

\_\_\_\_\_

**Full Name of Witness (If applicable) Date Signature**

## Annexure C: Study questionnaire



### Study Questionnaire

**Title:** Evaluating factors affecting small, medium and micro enterprises' performance at eThekweni Municipality electricity unit

**This questionnaire is divided into ten sections**

1. Section 1: deals with the challenges which are experienced by eThekweni electrical unit in managing the SMMEs.
2. Section 2: deals with the relationships between stakeholder management systems and the performance of the SMMEs.
3. Section 3: deals with how the management systems can boost the performance of the SMMEs.
4. Section 4: deals with the effects of access to finance on performance of SMMEs.
5. Section 5: accesses the impacts of infrastructure and government efforts on the performance of the SMMEs.
6. Section 6: accesses the extent at which the crime rate can affect the performance of the SMMEs.
7. Section 7: deals with the performance of the SMMEs from the perspective of the consumers.
8. Section 8: deals with Ethekeweni as a place to conduct your business.
9. Section 9: deals with what the government can do to improve the environment where the businesses are located.
10. Section 10: deals with the basic personal information and organisation management.

**Please be assured that your responses are confidential and will only be used for research purposes.**

Please indicate your response (in all sections) by marking the appropriate box with a cross “X”

### Section 1

The statements here are for the evaluation of the challenges, which are experienced by the eThekweni Metropolitan Municipality electrical unit in managing the SMMEs. Please rate how strongly you agree or disagree with each of the following statements by placing a cross “X” mark in the appropriate box.

**SA= Strongly Agree, A= Agree, N=Neutral, DA= Disagree, SD = Strongly Disagree.**

<b>Statement/Question relating to your Organisation</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>DA</b>	<b>SD</b>
1.1 Some SMMEs do not have a clearly defined vision and mission.					
1.2 Some SMMEs are not very good at setting clear strategic objectives.					
1.3 Some SMMEs are not good enough at developing an effective strategic plan.					
1.4 Some SMMEs are poor at implementing strategies.					
1.5 Some SMMEs are weak at identifying opportunities and threats.					
1.6 The skills and education level of the majority of SMMEs owners cannot aid their performance.					

### Section 2.

The questions below related to the relationships between stakeholder management systems and the performance of the SMMEs at the eThekweni Municipality electricity unit. Please indicate your response by marking the appropriate box with a cross “X”.

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree**

<b>Statement/Question relating to your Organisation.</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>DA</b>	<b>SD</b>
2.1 The management systems are highly favourable for the SMMEs to start up.					

2.2 The management systems encourage SMMEs in achieving their goals.					
2.3 The supports such as advice and training from the Business Development Agency are very satisfactory.					
2.4 The managerial experience of the eThekwini Municipality electricity unit stakeholders will enhance can performance of SMMEs.					
2.5 The management systems at the eThekwini Municipality Metropolitan Municipality electricity unit are greatly influenced by the government.					

### Section 3

How the management systems can boost the performance of the SMMEs at the eThekwini Municipality electricity unit? Please indicate your response to the following statement by placing a cross "X" in the appropriate box.

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree.**

Statement/Question relating to your Organisation	SA	A	N	DA	SD
3.1 Communicating the initiatives to the SMMEs.					
3.2 Regular evaluation of management policies in favour of SMMEs.					
3.3 Acceptance and adoption of pieces of advice from the SMMEs owners by stakeholders of the eThekwini Municipality electricity unit.					
3.4 Recommendation by the stakeholders of the Electricity Unit of the eThekwini Metropolitan Municipality to the government in favour of SMMEs.					
3.5 Proper coordination (integration of activities, responsibilities command and control).					
3.6 Good strategic management leadership.					

### Section 4

The effects of access to finance on the performance of SMMEs at the eThekwini Municipality electricity unit are examined in this section. Please rate how strongly you agree or disagree with each of the following statements by marking the appropriate box with a cross "X".

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree**

Statement/Question relating to your Organisation.	SA	A	N	DA	SD

4.1 It is the role of the Business Development Agency to provide or source loans for the SMMEs that are registered with them.					
4.2 The support in form of loans for the SMMEs should only be from the governments.					
4.3 Some nongovernmental agents have vital roles to play in financing SMMEs.					
4.4 All SMMEs need insurance.					
4.5 Financing the SMMEs should be by the individuals.					
4.6 The supports in term of loans from the bank are very satisfactory.					
4.7 Banks and government are expected to play more than outside investors in supporting SMMEs					

## Section 5

The following are statements relating to accessing the impacts of infrastructure and government efforts on the performance of SMMEs. Please rate how strongly you agree or disagree with each of the following statements by placing "X" in the appropriate box

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree.**

Statement/Question relating to your Organisation	SA	A	N	DA	SD
5.1 Availability of good infrastructure is essential to enhance the performance of SMMEs.					
5.2 Close proximity to the markets is an essential factor for the good performance of SMMEs.					
5.3 Supports from governments in the form of incentives are extremely essential for the impressive performance of SMMEs.					
5.4 The efforts of the government on generating electricity and ensuring its stability are adequate are paramount for the SMMEs performance.					

## Section 6

To what extent can the crime affect the performance of the SMMEs and what are major peculiar crimes? Please indicate your response to the following statement by placing a cross "X" mark in the appropriate box.

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree.**

Statement/Question relating to your Organisation	SA	A	N	DA	SD
--------------------------------------------------	----	---	---	----	----

6.1 The crime rates can influence the performance of SMMEs.					
6.2 Some SMMEs engage in the purchase and selling of illegal pre-paid electricity vouchers.					
6.3 Households in townships involve in illegal electrical connections.					
6.4 Tampering with meter reading and meter by-passing do exist.					
6.5 Preventative measures are essential against illegal electrical connections.					
6.6 Law enforcement officials are not competent to identify unauthorized electrical connections.					
6.7 An unauthorized electrical connection is one of the challenges that the Electricity Unit of the eThekweni Metropolitan Municipality face.					

### Section 7

These statements determine the performance of SMMEs from the perspective of the consumers. Please indicate your response to the following statement by placing a cross "X" mark in the appropriate box.

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree.**

Statement/Question relating to your Organisation	SA	A	N	DA	SD
7.1 Every household is aware of free basic electricity and enjoys the service.					
7.2 Some households use other energy sources such as photovoltaic as the rate of Eskom is high.					
7.3 Prepaid meter connection is cheaper than post-paid credit payment.					
7.4 Load shedding is inevitable in South Africa due to the growth rate of the population.					
7.5 The efforts of the government on generating electricity and ensuring its stability are adequate.					

### Section 8

What do you think of eThekweni Municipality as a place to conduct your business? Please indicate your response to the following statement by placing a cross "X" in the appropriate box.

**SA= Strongly Agree, A= Agree, N= Neutral, DA= Disagree, SD= Strongly Disagree.**

Statement/Question relating to your Organisation	SA	A	N	DA	SD
8.1 An excellent place to conduct business.					
8.2 Lower rates.					

8.3 Good infrastructure.					
8.4 Close proximity to markets.					
8.5 Good support from Government.					
8.6 Low crime rates.					
8.7 Other, specify.					

## Section 9

What do you think can be done by the government to improve the environment where you conduct your business?

Local	
Provincial	
National	

## Section 10

Section 10 deals with the basic personal information and organisation management level. Please indicate your response to the following by marking the appropriate box with a cross "X" mark.

10.1 How long have you been with the organisation?

10.1.1	Less than 5 years	
10.1.2	6 to 10 years	
10.1.3	More than 10 years	

10.2 The organisation can be described as

10.2.1	sole proprietorship	
10.2.2	Partnership	
10.2.3	Private Ltd Company	

10.3 What motivated you into SMME?

10.3.1	Started the business after retirement from my previous job.	
10.3.2	Started because of retrenchment from my previous job.	

10.3.3	Started after I was fired from my previous job.	
10.3.4	I never worked anywhere else.	

10.4 Which of the following best describes your current management position?

10.4.1	Top management level (C.E.O, MD, GM etc.)	
10.4.2	Senior management level (Reporting directly to top management)	
10.4.3	Middle management level (reporting to Senior management)	
10.4.4	Junior management level (reporting to Middle management)	
10.4.5	Supervisory level (Reporting to junior management)	

10.5 Where is your organisation's head office?

10.5.1	South Africa	
10.5.2	Elsewhere in Africa	
10.5.3	Others	

10.6 What is the number of employees in your organisation?

10.6.1	Less than 5	
10.6.2	6 to 10	
10.6.3	11 to 20	
10.6.4	Over 20	

11.7 Average monthly turnover of the business

10.7.1	< R1 000	
10.7.2	R1 000 – R2 999	
10.7.3	R3 000 – R5 999	
10.7.4	R6 000- R8 999	
10.7.5	R9 000-R12 000	
10.7.6	> R12 000	

10.8 Is your main business registered with an agency?

10.8.1	Yes (If yes, specify)	
10.8.2	No	

10.9 What is your highest educational qualification?

10.9.1	Doctorate/PhD	
10.9.2	Master Degree	
10.9.3	Honours Degree	
10.9.4	Undergraduate degree	
10.9.5	Post school diploma	
10.9.6	Others, specify	

10.10 What is your gender?

10.10.1	Male	
10.10.2	Female	

10.11 You belong to which race?

10.11.1	African	
10.11.2	Indian	
10.11.3	Colour	
10.11.4	White	

10.12 How long have you been in management in this particular organisation (from the day you were appointed as a manager)?

10.12.1	Less than 2 years	
10.12.2	3 to 5 years	
10.12.3	6 to 10 years	
10.12.4	More than 10 years	

10.13 Should you wish to receive a copy of the research findings please provide your details.

Name:
E-mail address:

Thank you for taking the time to complete this questionnaire and for your contribution to this study.

## Annexure D: In-depth interview guide



1. What is your view of the SMMEs at the Electricity Unit of the eThekweni Metropolitan Municipality?
2. What is your long-term vision regarding SMMEs at the Electricity Unit of the eThekweni Metropolitan Municipality?
3. Is there any budgetary support aimed at financing SMMEs?
4. Is the budgetary support adequate?
5. If not, what strategic plans are to be implemented?
6. Are you making efforts to source funding from other sources such as international donor agencies or multilateral financial institutions?
7. If yes, how successful have you been?
8. Are there any policies in place aimed at enhancing the accessibility of funding by SMMEs?
9. What is your assessment regarding the performance of the SMMEs at e Thekwini Municipality electricity unit?
10. Do you feel they can do more in terms of performance?
11. What else do you think should be done in terms of improving the SMMEs performance at the Electricity Unit of the eThekweni Metropolitan Municipality?

## Annexure E: Gatekeeper's letter



### TRADING SERVICES

#### Electricity Unit

1 Jeff Taylor Crescent  
Durban, 4001  
PO Box 147, Durban, 4000  
Tel: 031 311 1111 Fax: 031 311 9010  
www.durban.gov.za

Our Ref: : Personal/sp87918-05  
Enquiries to : Mr TD Majola  
Telephone : 031 311 9101  
e-mail address : MajolaThabani@elec.durban.gov.za

29 July 2022

### GATEKEEPER PERMISSION

Dear Sir/Madam

This is to confirm that Mr Siyabonga H. Cele, Service Number: 67558-01  
Id No.810723 5336 08 3 is permanently employed by eThekweni Municipality since 01 March  
2010 as a Stores Controller at Finance and IT Services Department Electricity Unit.

I hereby grant permission to Mr Siyabonga H. Cele ID No. 810723 5336 08 3, student number  
21451656 to conduct research within the e-Thekweni Electricity, which will involve collection  
of data.

I also understand that all information collected from individuals shall be done duly informed  
consent from the participating individuals, and that employees can refuse participation with  
any bias or prejudice.

I am also aware that this research is conducted in fulfillment of his Master's Degree at  
Durban University of Technology.

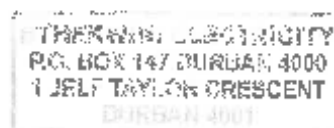
The title of his dissertation is: Factors influencing the performance of Small, Medium and  
Micro enterprises contracted to the electricity of the e-Thekweni Municipality.

Should you require further information please call our office(s) on 031 311 9101.

Yours faithfully,

Thabani Majola  
Principal Liaison Officer  
HR DEPARTMENT

Date: 29-07-2022



## Annexure F: Ethical Clearance Certificate



**TRREE**

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## Siyabonga Heroman Cele

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[REV : 20170310]

## Annexure G: Ethical Clearance Letter



14 September 2022

Mr S H Cele  
P.O. Box 269  
Adams Mission  
4100

Dear Mr Cele

**Factors influencing the performance of small, medium, and micro enterprises contracted to the Electricity Unit of the eThekweni Municipality**  
**Ethics Clearance Number: IREC 177/22**

The DUT-Institutional Research Ethics Committee acknowledges receipt of your notification regarding the piloting of your data collection tool.

Kindly ensure that participants used for the pilot study are not part of the main study.

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 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.

Yours Sincerely

\_\_\_\_\_  
Professor J K Adam  
Chairperson: DUT-IREC

## Annexure H: Dissertation Editor's Letter



08 November 2023

To Whom It May Concern

Dear Sir/Madam

**RE: CONFIRMATION OF THESIS EDITING FOR SIYABONGA HEROMAN CELE (21451656)**

This letter serves to confirm that I, Tawanda Makusha edited Siyabonga Heroman Cele's (Student number: 21451656) Master's Dissertation on the "Factors influencing the performance of small, medium, and micro enterprises contracted to the Electricity Unit of the eThekweni Metropolitan Municipality". This dissertation is in order to be submitted for examination by the Durban University of Technology, South Africa. I do confirm that I have not changed any content or meaning of the dissertation substance, and therefore, this is purely Mr. Siyabonga Cele's academic work.

May you please get hold of me by email or mobile phone should you require additional information from me regarding the editing process of the above-mentioned thesis.

Yours sincerely,

Tawanda Makusha (Ph.D)

Email: [tmakusha@hsrc.ac.za](mailto:tmakusha@hsrc.ac.za)

Cell: 0849497933

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**Pietermaritzburg Office:** Old Bus Depot, Mbubu Road, Sweetwaters. PO Box 90, Msunduzi, 3200, South Africa.  
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