



TECHNIUM
SOCIAL SCIENCES JOURNAL

Vol. 24, 2021

**A new decade
for social changes**

www.techniumscience.com

ISSN 2668-7798



9 772668 779000

The impact of small and medium-sized enterprises on the economic development of South Africa

Paul Saah

North-West University, South Africa

saahpaul10@gmail.com

Abstract. The continuous rise in the number of small and medium-sized enterprises (SMEs) in South Africa in recent years, as well as their importance to economic growth, has piqued interest in this field. The aim of this research is to look into the effect of SMEs on South Africa's economic growth. This research used a mixed-method approach, combining quantitative and qualitative methods to provide the most accurate description of the phenomena under examination. For the quantitative study, data was collected from secondary sources for the contribution of SMEs to the production of jobs as well as their contribution to South Africa's GDP. Meanwhile, for the qualitative study, primary data was obtained from interviews. The research participants for the qualitative study were 20 proprietors and managers of small businesses. The outcome of the study discloses that SMEs make a positive impact towards economic development in terms employment creation, contribution to GDP and poverty alleviation in South Africa. The study recommends that government should formulate economic policies that will encourage the SME sector to grow by ensuring that adequate infrastructural facilities such as sufficient electricity and efficient transport systems are in place for the proper operation of SMEs.

Keywords. SMEs, employment, GDP, poverty alleviation, economic development, South Africa

Introduction

Small and medium-sized businesses play an important role in the growth of most economies around the world, in both developed and developing countries. SMEs continue to play a key role in the growth of economies in developed countries such as the United Kingdom, Germany, France, and the United States, as well as in developing countries. SMEs have proven to be playing a strategic role in economic development in most countries, constituting approximately 90% of enterprises in the global economy (Akugri *et al.*, 2015). SMEs are the backbone of the South African economy and their role in the national economic development cannot be underrated and this is the reason why the government is giving increasing policy attention to the sector in recent years. Since 1994, South Africa has as one of the nation's main objectives to promote the creation, sustenance and development of SMEs in order to achieve rapid economic development, particularly in this present democratic dispensation (Bello *et al.*, 2018). According to Bello *et al.* (2018), the analysis of the relationship between SMEs and economic development has revealed different and conflicting results that need further investigation (StatsSA, 2014).

Despite the importance of SMEs to South Africa's economic growth, the Bureau for Economic Research (2019) reports that, according to Statistics South Africa (StatsSA), the number of SMEs in the country increased by only 3% in the last seven years. As other countries in Africa continue to record sustainable economic development, South Africa is not only lagging behind, but the country is trapped in a vicious circle of dependence as it is continually failing to concentrate on its development efforts to utilise the available natural resources to propel the economy and citizens towards a high level of socio-economic development (Akugri *et al.*, 2015). The global recession has exacerbated South Africa's economic problems, which are exacerbated by inequality and ethnicity, all of which are linked to capitalism. South Africa, unlike other developing economies, entered the global economic crisis with a high level of vulnerability, including high inflation, high interest rates, and a significant current account deficit (Padayachee, 2016). Akugri *et al.* (2015) assert that a variety of factors, including a lack of suitable technologies, impede the growth and sustainability of SMEs, restricted access to credit for expansion, the presence of overbearing regulations that obstruct the development of the small business sector, declining domestic commodity prices, poor institutional capacity, inadequate management, limited access to the foreign market, lack of appropriate collateral and inadequate training.

The SME sector, which is the country's economic backbone, is dwindling. which is an indication of a stagnating economy. The continuous dwindling of the SME sector led to South Africa's growth rate of only 0.3% in 2016, which was an indication of a build-up to a likely constant economic slowdown because since then, the country has been experiencing a per capita recession because the rate at which the population is growing is exceeding the rate at which the economy is growing, thereby plunging the country into a technical recession (ECSPONENT, 2017). The economic setback is causing a downfall of asset prices and the depreciation of the rand of about 23% against the US dollar, resulting in an increase in the cost of capital and a reduction in lending, leading to a decline in the manufacturing and retail sectors, which are the backbones of South African economy (Maswana, 2009). A severe global and domestic economic setback is predicted because the outbreak of Covid-19 has affected the global economy. As a result, the South African economic growth has been negatively affected, especially as prices of some goods are falling tremendously as a result of a fall in global demand in the first half of 2020, and probably throughout the year and even beyond, depending on how long it will take to get the cure or vaccine for the virus. This is why, with the outbreak of Covid-19, the Monetary Policy Committee (MPC) resolved to mark down global growth for 2020 to 1.1%, before rising to about 2.8% in 2021 (Kganyago, 2020).

In light of their contribution to economic development, this study strives to investigate SMEs as important tools of economic development in South Africa. The aim of this study is to investigate the impact of SMEs on economic growth with the primary goal of evaluating their contribution to job creation, poverty reduction, and GDP contribution. What then is the impact of SMEs on economic development of the North West Province of South Africa? Therefore, this study sought to answer the following research question: What effect do SMEs have on South Africa's economic growth in terms of job generation, poverty alleviation, and GDP contribution?

Literature review

Countries worldwide are still struggling to recover from the global financial crisis of 2008 and the economic backdrop cause by the outbreak of Corona virus in early 2020, which led to the shutdown of many economies, and SMEs are thought to be the major drivers for

triggering economic growth to revive dwindling economies. Jain and Chen (2013) state that small companies face new obstacles as a result of the global financial crisis of 2008, but they continue to play an important role in the economic growth of many countries around the world today. The role of SMEs in economics is more and more becoming the focus of policy debates because it is the most important industry, accounting for roughly 90% of all businesses in both rural and urban areas of most African countries (Akugri *et al.*, 2015). In South Africa, the government is making enormous efforts to curb poverty and speed up economic growth by diversifying the economy, increasing foreign direct investment as well as enacting policy frameworks that favour entrepreneurship programmes and the growth of SMEs. According to Taiwo *et al.* (2012), there is a connection between SMEs and economic development, which means that the small businesses are instruments for promoting the development of any economy. This assertion also implies that there is a solid relationship between the activities of SMEs and economic results, since the sector is found to be the trigger of the economic evolution of most countries in the world.

SMEs are often referred to as the ‘backbone’ of any economy because they contribute to economic and rapid development in a variety of ways such as providing training opportunities for indigenous populations and semi-skilled workers in urban centres, increasing the utilisation of home-grown resources, the development of indigenous technologies will help to raise the living standard of rural dwellers, which will, in turn, help to resolve the problem of rural-urban migration in many countries. More so, SMEs help in regulating the balance of payment since the activities of small businesses reduce too much over dependency on inputs relative to capital investment of most countries (Taiwo *et al.*, 2012). The significance of SMEs in the economic development of South Africa is glaring in the wide range of programmes the government is initiating to assist and promote the sector to thrive. The DTI (2005a) acknowledges that one of the most successful ways to reduce high levels of unemployment, raise GDP, gain access to international markets, generate revenue, and reduce poverty in a country is to expand the SME sector (Hadebe, 2010). In this regard, the contribution of SMEs in South Africa is evaluated from three perspectives: job growth, poverty reduction, and GDP contribution.

Employment creation

The issue of job creation by SMEs was first noticed by David Birch in 1987 in his research on SMEs when he resolved that large businesses are no more the main factor in creating employment opportunities because most jobs are now created by small businesses. Most enterprises in Africa and in other emerging countries around the world are SMEs, and the majority of employment and production in these economies belong to the small business sector (Benis, 2014). According to SEDA (2015), the SME sector alone employed around a quarter of the total workforce in South Africa, and it still has the ability to improve human resources and create more employment for the country’s job seekers. As a result, without positive economic development and policy goals, achieving an improvement in job rate, productivity, and redressing historical disparities in the economy through the development and sustainability of SMEs will be nearly impossible. Kalane (2015) contends that many academics have noted and recognised that SMEs contribute up to 91 percent of formal business enterprises in South Africa, and that they hire approximately 60 percent of the country’s workforce.

SEDA (2019) states that in South Africa, the SME sector employed 10.8 million people in 2019, accounting for 66 percent of the country’s total employment (16.5 million). These figures show a significant shift in the labour market from large to small businesses, meaning that large businesses culled employment at a rapid rate. SME operations in South Africa, on the other hand, are traditionally more labour-intensive, giving them a high potential and capacity

for creating jobs for the country's many unemployed. This is because SMEs have a higher labour-intensive existence than large corporations do. Oduntan (2014) acknowledges that SMEs create more jobs per unit of venture capital and per unit of energy consumed than large companies, which has helped in the reduction of high unemployment in most countries, including South Africa. He goes on to say that SMEs play an important role in reducing inequality by creating employment and alleviating poverty among South Africans. As a result, SMEs play a crucial role in resolving South Africa's unemployment problem by hiring both unskilled and skilled workers and providing them with a source of income, which is critical for any country's economic growth.

The South African government acknowledged the importance of SMEs to the economy as early as 1995, when Trevor Manuel, then Minister of Trade and Industry, addressed the issue of high unemployment. According to Abor and Quartey (2010), with millions of unemployed and underemployed South Africans, the minister of Trade and Industry said that the government will devote its full attention to job creation and inclusive and sustainable economic growth. They go on to say that, according to the minister, small businesses are the most important tool and means for addressing the country's problems of equity, economic growth, and job creation. He stressed that the private sector is the true catalyst of South Africa's equitable and long-term economic growth. Kalane (2015) asserts that the South African government has vowed to do everything possible to cultivate an environment that enables SMEs to prosper because of their value to economic growth. Since SMEs need more labour, they logically create more job opportunities in South Africa than large corporations. He stressed that the private sector is the true catalyst of South Africa's equitable and long-term economic growth. Since SMEs need more labour, they logically create more job opportunities in South Africa than large corporations do. As a result, in order to achieve its top agenda of reducing unemployment, the government's top priority must be to develop small businesses in the formal sector.

Contribution to GDP

The balance of net operating surplus (NOS), fixed capital consumption, and all wages earned over a given time period are the gross domestic product (GDP). Using StatsSA data, a proxy for SMEs' contribution to GDP can be calculated by adding earnings, depreciation, and combined salaries earned over a period of time (BER, 2016). Small and medium-sized enterprises (SMEs) contribute significantly to South Africa's GDP, in addition to creating job opportunities throughout the economy. As a result, since a country's prospects are reflected in its economic development levels, their contribution to GDP has a positive impact on South Africa's economy. According to Labuschagne (2015), in 2005 and 2007, the Small Enterprise Development Agency (SEDA) and the Department of Trade and Industry (DTI) reported two reliable sources of SMEs' GDP contribution, estimating that SMEs contributed roughly 40% of South Africa's GDP in 2004 and the same percentage in 2014. This implies that the SME sector in South Africa promotes economic development, owing to the importance of small businesses in competitive and profitable markets. The SME sector in South Africa is a vehicle that helps job seekers and employees earning low wages gain greater access to economic opportunities, contributing up to 40% to the country's GDP growth (StatsSA, 2014).

Due to their contributions to global economic growth and stability, including the development of the South African economy, SMEs play a huge role in the economy, especially as agents of economic development. Alert (2013) asserts that many studies have shown that the SME market, including in South Africa, is the primary source of job growth and one of the main contributors to GDP. It has also been established that SMEs contribute significantly to economic growth in both developed and developing countries, especially in terms of job creation and GDP

contribution, even if these contributions are greater in emerging economies than in advanced economies. If given the right conditions, a thriving SME sector has the potential to be a dynamic and transformative force in any economy. SMEs improve job creation, GDP growth, entrepreneurship, poverty alleviation, competitiveness, and innovation, as well as overall economy efficiency, when compared to large corporations (Alert, 2013).

Poverty alleviation

SMEs are concerned with the exploration and development of new opportunities to their benefit. This implies that SMEs are central to the production of wealth by increasing demand for commodities, investment and trade (GEM, 2006). Without SMEs, many African countries will witness developmental and financial limitations that would only worsen the living standards of low-income people who depend so much on the sector for their livelihood (Muriithi, 2017). SMEs provide work opportunities for job seekers while also stimulating country growth by promoting entrepreneurial and business skills among communities. In Sub-Saharan Africa, SMEs are commonly regarded as vital engines for achieving national development goals such as poverty reduction and economic growth. SMEs account for approximately 46% of overall economic activity and 84% of private jobs in South Africa. SMEs account for around 80% of the formal business sector and 95% of the overall business sector, according to reports (Akugri *et al.*, 2015). Therefore, the government is making extensive efforts to improve the capacity of SMEs to address life-threatening poverty, stop the constant de-industrialisation practice and reduce any further ethnic strife related to depressing economic projections and social failure. Taiwo *et al.* (2012) affirm that SMEs play an important role in economic development, a means by which indigenous productive operations are owned and managed, and a means by which productive capital and skills may be put into productive use in an endeavour to reduce the unemployment rate that has reached an alarming proportion.

SMEs are important for economic development as they promote entrepreneurship, create jobs and reduce poverty, but the sustainability of these enterprises in South Africa is threatened by risk of stagnation. Small and medium-sized enterprises (SMEs) make up the vast majority of businesses in South Africa, and they have evolved over time to become the primary suppliers and service providers to large corporations, including multinational and transnational corporations (Abor & Quartey, 2010). Poverty is prevalent in the world, and it is only the level that differs from one country to another. To address this issue, the South African government has recognised SMEs as a key to alleviate poverty, because this sector combines the resources of communities to generate goods and services effectively for the community where they operate (Chimucheka, 2013). In many rural communities and townships in South Africa, SMEs are seen as a response to growing unemployment, poverty and inequality. When there are no social support networks in place, these companies are vital in people's attempts to meet their needs. As a result, SMEs are inextricably related to economic development, job creation, and income creation in poor and vulnerable communities. These businesses are said to be able to provide poor people with jobs and enable them to earn money to buy the goods and services they need (Maloka, 2013).

SMEs help to alleviate poverty by generating jobs through the expansion of existing businesses or the establishment of new ones, thereby providing income to the poor in the communities where they work. The poor here refers to owners of small businesses, workers who are employed by these small businesses, the dependent relatives of such poor workers or owners, and the poor who buy goods and services from these enterprises operating in their communities. If the SME sector is structured to improve business competitiveness, South Africa may be able to achieve its goal of increased economic development, wealth creation, and job

creation (Njiro & Compagnoni, 2010). SMEs offer the poor access to markets, bring infrastructural development to impoverished societies, improve the livelihoods of indigenous populations, enhance entrepreneurial growth, and also trigger socio-economic development and skills transfer to local communities where they operate, which lead to the transformation of society (Agupusi, 2007). Opportunity-driven entrepreneurs know how to mobilise resources, conceptualise new business ideas, and eventually create job opportunities for job seekers within their spheres of operation. In this regard, in South Africa's economic growth, small businesses are important, given their tremendous contribution to reducing poverty, promoting stability, and increasing the living standards of local people in impoverished communities (Ndofirepi, 2016). As a result, the government is expected to create a favourable climate as well as adequate support for young entrepreneurs who want to start new businesses so that they can identify and seize opportunities to own their own businesses and improve their livelihood.

Methodology

To provide the most precise description of the phenomenon under investigation, this study used a mixed-method approach, incorporating quantitative and qualitative approaches. The site selected for this study is South Africa and the population constitutes the small business owners and managers around the country. For the quantitative analysis, data on SMEs' contribution to job creation as well as their contribution to South Africa's GDP was gathered from secondary sources. Meanwhile, for the qualitative study, primary data was obtained from interviews. The research participants for the qualitative study were 20 small business owners and managers. This is because saturation was attained after this number of participants was interviewed, since at this stage, most of their responses to the interview questions were the same. The 20 interviewees were chosen using a simple random sampling method. Via open-ended interview questions, participants were given the opportunity to share their thoughts on the impact of small and medium-sized companies on South Africa's economic development. Johnson and Christensen (2008) contend that qualitative data comprises responses from open-ended questions by interviewing participants, which permits them to answer in their own words and express their opinions about an intricate situation. Therefore, the instrument used for collecting data for qualitative study was an interview. Zohrabi (2013) asserts that conducting interviews for a study is important because it reveals prevailing knowledge provided as answers that can be made available for analysis.

Since the research instrument for the qualitative study was interview questions in order to investigate the impact of SMEs on economic development of South Africa, the most important advantage of this technique is that it gives the researcher the opportunity to interact directly on a one-on-one basis with the research participants. This also gives an opportunity for the researcher to ask more in-depth and detailed questions to get every bit of information needed for the study. The opportunity to interact on a one-on-one basis with the research participants in this qualitative study gave leeway for the researcher to determine the contribution of SMEs to South Africa's economic growth. Since primary data was used for the qualitative study, the interview questions were formulated to capture the contribution of SMEs to poverty alleviation as an element of economic development as discussed in the literature review. The qualitative analysis that was performed for this study is thematic analysis with the use of Atlas.ti, free quotations. Nowell *et al.* (2017) state that in a qualitative sample, thematic analysis is used to classify, analyse, arrange, explain, and generate informative and consistent results as well as report themes contained in a dataset. As a result, the thematic approach was used for data analysis to ensure that important information was derived from the data obtained for the research.

Findings

The results and discussion are presented in this section in relation to the mixed-methods research adopted for this study. The presentation and interpretation of results were done in two phases, with quantitative results being the first and qualitative results being the second phase. The first phase presents the quantitative data that was obtained from secondary sources for the contribution of SMEs to employment creation as well as their contribution to GDP. The second phase presents qualitative findings derived from primary source for the contribution of SME to poverty alleviation in South Africa. Qualitative findings were presented according to the theme generated from the data obtained from the interview questions that sought to provide answers to the phenomenon under investigation.

Employment creation

This section of the first phase of quantitative study presents and discusses numerical results of secondary data that explain the contribution of SMEs to employment creation, which is an element of economic development of South Africa. Secondary data obtain from the Small Enterprise Development Agency (2019) indicates the contribution of SMEs to employment creation in South Africa in 2018 and 2019, as depicted in Table 1.

Table 1: Contribution of SMEs to employment creation in South Africa

Key indicators	2018Q1	2018Q4	2019Q1	2019Q2	2019Q3
No of SMEs	2443163	2557762	2550540	2667299	2653424
No of formal SMEs	658719	745061	736198	760880	779297
No of informal SMEs	1714233	1744013	1754443	1845236	1791431
No of jobs provided	8 886 015	10597371	10839819	11413901	11592677
% operating in trade & accommodation	39.3%	41.4%	41.3%	41.4%	40.6%
% operating in community services	15.1%	12.7%	12.7%	13.7%	13.0%
% operating in construction	13.6%	14.9%	13.9%	13.8%	14.2%
% operating in fin. & business services	13.3%	13.0%	13.3%	12.9%	13.4%
% contribution to turnover of all enterprises	39.5%	37.1%	38.2%	37.8%	37.3%

Source: Adapted from Small Enterprise Development Agency (2018, 2019)

This table depicts the contribution of both formal and informal SMEs to job creation in South Africa from 2018 quarter one to 2019 quarter three. Most of these SMEs are the ones operating in various sectors such as trade, communication, community services, construction as

well as finance and business services. In the first quarter of 2018, both formal and informal SMEs provided 8 886 015 employment opportunities in South Africa. In the last quarter of the same year (2018), the number of jobs provided by SMEs increased to 10 597 371. Meanwhile in the first quarter of 2019, SMEs were able to provide up to 10 839 819 employment opportunities to job seekers and in the second quarter of the same year (2019). SEDA (2019) states that the SME sector employed 10.8 million people in South Africa in the first half of 2019, accounting for 66 percent of the country's total jobs (16.5 million). The number of jobs offered by these small businesses increased to 11 413 901. Finally, in the third quarter of 2019, both formal and informal SMEs generated even more employment opportunities in South Africa by creating up to 11 592 677 jobs. SEDA (2015) reports that the SME sector alone employed about 25% of South Africa's total workforce, and it has the potential to boost human capital and generate more jobs for the country's job seekers. This means that small businesses are the most significant tool and means for addressing the country's problems of equity, economic development, and job creation.

SMEs' relative contribution to gross domestic product

This section of the quantitative study presents and discusses the numerical results of secondary data that explain the contribution of SMEs to GDP, which is an element of economic development of South Africa. The data that explains the contribution of SMEs to GDP was obtained from the Department of Small Business Development (DSBD). Secondary data, obtained from the Department of Small Business Development (2017), points out the contribution of SMEs to South Africa's GDP in 2008, 2010, 2014 and 2016, as illustrated in Table 2.

Table 2: The contribution of SMEs to South Africa's GDP

Enterprise size	2008 GDP	2010 GDP	2014 GDP	2016 GDP
Small and very small	39%	39%	33%	34%
Micro	12%	13%	13%	14%
Medium	49%	48%	53%	52%

Source: Department of Small Business Development (2017)

According to the Department of Small Business Development (2017), in 2008, small and very small businesses contributed 39% to the GDP of South Africa, while micro-enterprises contributed 12% and medium enterprises contributed 49%. In 2010, small and very small businesses contributed 39% to the GDP of South Africa, while micro-enterprises contributed 13% and medium enterprises contributed 48%. In 2014, small and very small businesses contributed 33% to the GDP of South Africa, while micro-enterprises contributed 13% and medium enterprises contributed 53%. In 2016, small and very small businesses contributed 34%, while micro-enterprises contributed 14% and medium enterprises contributed 49% to the GDP of South Africa. The estimated percentage average of SMEs' support to GDP confirms

Labuschagne's (2015) assertion that, in 2005 and 2007, the Small Enterprise Development Agency (SEDA) and the Department of Trade and Industry (DTI) reported two reliable sources of SMEs' GDP contribution, estimating that SMEs contributed roughly 40% of South Africa's GDP in 2004 and the same percentage in 2014.

SMEs and poverty alleviation

The second phase of findings presents qualitative results derived from primary source for the contribution of SMEs to poverty alleviation in South Africa. This research employed Atlas.ti and qualitative thematic data analysis to determine how participants allocate significance to a particular phenomenon by examining their attitudes, understandings and information. The data obtained from participants during the interview process was analysed using the Atlas.ti application program. Atlas.ti is a qualitative data analysis computer software application. The Atlas.ti software used a thematic approach to ensure that applicable information was extracted from the data gathered for the study. A literature review is used to endorse the empirical qualitative findings of this study, when necessary.

Small business owners' perspectives on their contribution to poverty alleviation in South Africa were elicited through the qualitative study's interview questions, which were carefully designed to elicit small business owners' perspectives on their contribution to poverty alleviation in South Africa. The questions were designed to be open-ended so that participants could provide as much detail as possible. Until saturation, 20 SME owners were interviewed in the final interviews. The 20 interviewees, who were all small business owners, were chosen using a judgemental sample process. When analysing SMEs' contribution to poverty alleviation in South Africa with Atlas.ti free quotations, a theme emerged from the data, which is 'SMEs and poverty alleviation' and the following codes were generated, as depicted in Figure 1.

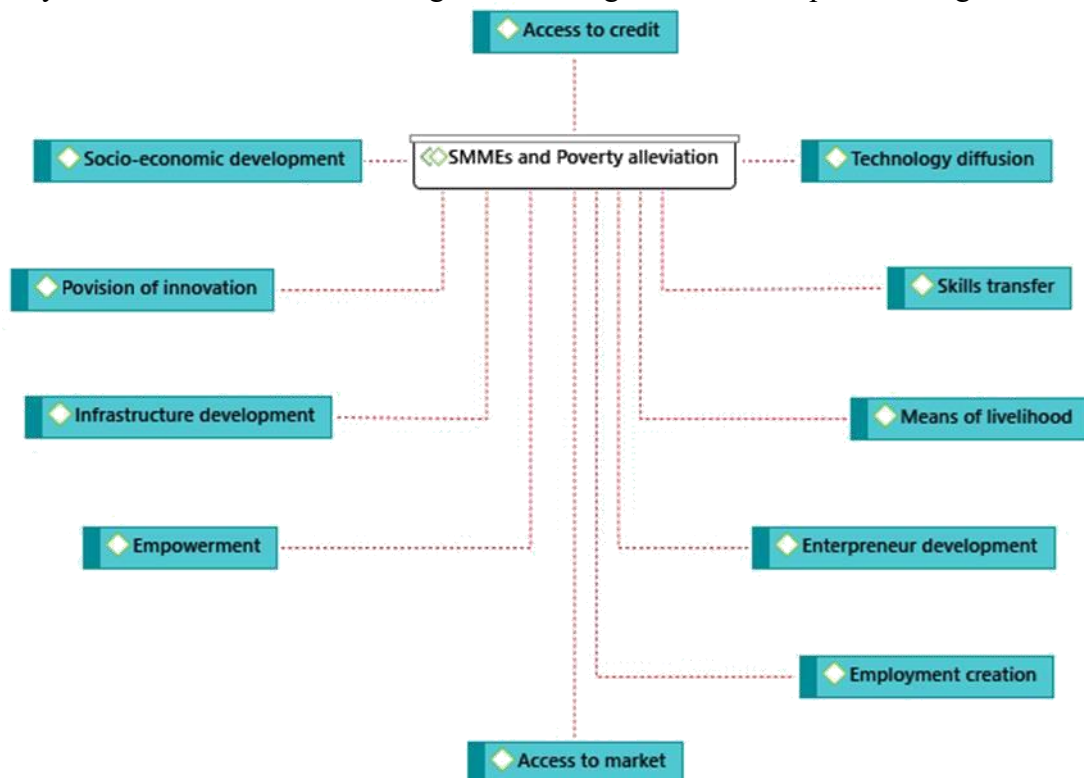


Figure 1: South Africa's SME contribution to poverty alleviation

In terms of the subject, ‘SMEs and poverty alleviation’ without exception, all 20 participants reported that SMEs contribute in diverse ways in alleviating poverty in South Africa. Two participants claimed that SMEs in the financial sector provide access to credit to the local population. One participant was of the view that SMEs bring about technological diffusion by which innovations are adopted by society. One other participant said SMEs give opportunity for skill transfer as small business owners recruit and train young aspiring entrepreneurs to start and own their own enterprises in future. Two participants reported that SMEs provide means of livelihood to employees who are recruited to operate these businesses. Three participants were of the view that SMEs encourage entrepreneur development as employees working for these small businesses end up learning business skills that help them to own and operate their own businesses. Another three participants expressed the view that SMEs offer employment opportunities to many unemployed youths in South Africa. The views of these participant are in line with that of Oduntan (2014), who asserts that SMEs create more jobs per unit of venture capital and per unit of energy consumed than large companies do, helping to reduce high unemployment in most countries, including South Africa.

On the same note, one participant said that SMEs in the agricultural sector provide access to markets as they serve as a market where the local people sell their products, especially farm produce. Two participants claimed that SMEs are a source of empowerment to the population because they recruit workers, pay them salaries and empower them financially. Two other participants said that by building or constructing their warehouses and stores where they stock and sell their goods, SMEs in the retail sector contribute to the infrastructural development of most townships and better the lives of the local population. One participant expressed his opinion that SMEs are a source of innovation in society because in order for them to thrive in business, most small enterprises embark on research and come up with new methods and skills of doing business. Two participants said that some SMEs construct billboards on the roadside for adverts and some provide social amenities such as water to impoverished communities, which all lead to socio-economic development of most of these communities and the country at large.

According to Maloka (2013), SMEs play a crucial role in people’s attempts to fulfil their needs where and when there are no social support systems. This is because these small businesses are inextricably linked to income generation in poor and vulnerable communities, which makes it possible for the local population to earn money that they need to purchase their goods and services. Most of the responses of these participants correspond with the view of Agupusi (2007), who states that SMEs offer the poor access to markets, bring infrastructural development to impoverished societies, improve the livelihoods of indigenous populations, enhance entrepreneurial growth, and trigger socio-economic development and skills transfer to local communities where they operate, which lead to the transformation of society. In a nutshell, all of the participants’ answers indicate that SMEs make a significant contribution to poverty alleviation, which contributes to overall economic growth.

Recommendation

Since SMEs are so important in terms of job creation, GDP contribution, and poverty alleviation, the government, through its various departments and agencies, should work to support and encourage their development. The government should extend reforms to SMEs, especially regarding policy formulation and implementation that can encourage the sector to grow. Understanding the factors that are preventing SMEs in South Africa from growing and surviving will assist policymakers and other stakeholders in designing targeted policies and

programmes that will stimulate innovation, as well as assisting policymakers in supporting, encouraging, and promoting SME development in the region. More so, the government should ensure that suitable infrastructural facilities such as adequate electricity and efficient transport systems are in place for proper operations of SMEs, because this will lead to the growth and economic development of South Africa.

SME owners must address the overwhelming challenges faced by small businesses in South Africa in order for the sector to be significant, sustainable, and play the critical role it is supposed to play in terms of job growth, GDP contribution, and poverty alleviation. This means that SME owners must strive to be creative, ensure successful management of their companies, develop strategic business strategies, perform ongoing market research, and seek out business training to improve their level of business acumen. This will enable them to gather knowledge that will enable them to implement and integrate the factors that contribute to small businesses' long-term viability. For the SME sector to have a long-term impact on South Africa's economic development, it must expand and be sustainable.

Conclusion

As shown by the findings of this report, small and medium-sized businesses continue to play a significant role in South Africa's global development. South Africa should have been a refuge for SMEs, with nearly 60 million inhabitants, rich mineral deposits, ample fertile farmland, and other natural resources. Based on the findings of this report, SMEs in South Africa have been shown to contribute to the development of jobs and the growth of the economy and poverty reduction, all of which contribute to the country's economic growth and development. The SME sector would undoubtedly be an important tool for the rapid industrialisation of the South African economy if it is managed efficiently and effectively by good leadership. The findings of this study show that SMEs account for the majority of the economy's industrial base, and that their activities are critical to the sector's development. According to the findings of this report, SMEs have a positive and significant effect on economic growth, which is why the government should promote the sector's growth.

References

- [1] Abor, J. & Quartey, P. 2010. Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 39(6): 215-228.
- [2] Agupusi, P. 2007, July. Small business development and poverty alleviation in Alexandra, South Africa. Available at file:///C:/Users/hp/Downloads/paperagupusi.pdf [Date of access: 12/07/2020].
- [3] Akugri, M.S., Bagah, D.A. & Wulifan, J.K. 2015. The contributions of small and medium scale enterprises to economic growth: A cross-sectional study of Zebilla in the Bawku West District of Northern Ghana. *European Journal of Business and Management*, 7(9):262-274.
- [4] Alert, S.B.P., 2013. Developing a new path for SMEs in South Africa; Reassessing for growth. *An SBP Occasional Paper*. Available at http://www.sbp.org.za/uploads/media/SBP_Alert_Developing_a_new_path_for_SMEs_in_South_Africa.pdf [Date of access: 12/07/2020].
- [5] Bello, A., Jibir, A. & Ahmed, I. 2018. Impact of small and medium scale enterprises on economic growth: Evidence from Nigeria. *Global Journal of Economics and Business*, 4(2):236-244.
- [6] Benis, A.R. 2014. The impact of small and medium-sized enterprises on economic growth in Iran. *Global Journal of Management and Business Research*, 14(2):58-65.

- [7] BER. 2016. The small, medium and micro enterprise sector of South Africa. Available at <http://www.seda.org.za/Publications/Publications/The%20Small,%20Medium%20and%20Micro%20Enterprise%20Sector%20of%20South%20Africa%20Commissioned%20by%20Seda.pdf> [Date of access: 12/07/2020].
- [8] Chimucheka, T. 2013. Overview and performance of the SMMEs sector in South Africa. *Mediterranean Journal of Social Sciences*, 4(14):783-783.
- [9] ECSPONENT. 2017. Is South Africa facing a recession? Available at <https://www.ecsponent.com/wp-content/uploads/2017/05/Ecsponent-May-2017-newsletter.pdf> [Date of Access: 22/05/2020].
- [10] Hadebe, S.P. 2010. The impact of wage-setting institutions on the creation and long-term survival of small, medium and micro-enterprises (SMMEs) in South Africa (Doctoral thesis, University of Johannesburg).
- [11] Jain, A.I. & Chen, B. 2013. Reinvigorating global economic growth: Unleashing small and medium-sized businesses may be the answer. Available at http://www.mastercardadvisors.com/_assets/pdf/130530_SME_Global_Growth.pdf [Date of access: 17/07/2020].
- [12] Johnson, B. & Christensen, L. 2008. Educational research: Quantitative, qualitative, and mixed approaches, Thousand Oaks: Sage Publications.
- [13] Kalane, L. 2015. Reasons for failure of SMEs in the Free State (Master's dissertation, University of The Free State – Bloemfontein).
- [14] Kganyago L. 2020. Statement of the Monetary Policy Committee. Available at <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/9790/March%202020%20MPC%20statement.pdf> [Date of Access: 22/05/2020].
- [15] Labuschagne, R.C. 2015. Assessing selected success factors of SMEs in the North West Province (Master's dissertation, North-West University).
- [16] Maloka, C.M. 2013. The contribution of small, medium and micro enterprises towards local economic development in Mankweng township, Limpopo Province (Doctoral thesis, University of Limpopo).
- [17] Maswana, J.C., 2009. Global financial crisis and recession: Impact on Africa and development prospects. *JICA Research Institute*, 12:8-32.
- [18] Muriithi, S. 2017. African small and medium enterprises (SMEs) contributions, challenges and solutions. *European Journal of Research and Reflection in Management Sciences*, 5(1):36-48.
- [19] Muriithi, S., 2017. African small and medium enterprises (SMEs) contributions, challenges and solutions. *European Journal of Research and Reflection in Management Sciences*, 5(1):36-48.
- [20] Ndofirepi, T.M., 2016. The impact of technological creativity and entrepreneurship education on the entrepreneurship intentions of students at particular tertiary institutions in Zimbabwe and South Africa (Doctoral dissertation, Central University of Technology – Free State).
- [21] Njiro, E. and Compagnoni, M. (2010). Institutions providing services to small micro and medium enterprises (SMMES) in South Africa. *Journal of Contemporary Management*, 7:146-166.
- [22] Nowell, R.A., Hollenbeck, J.R., Gerhart, B., Wright, P.M. 2017. Human Resource Management: Gaining a Competitive Advantage, New York: McGraw-Hill Education.

- [23] Oduntan, K.O. 2014. The role of small and medium enterprises in economic development: The Nigerian experience. *In International Conference on Arts, Economics and Management (ICAEM'14)* (pp. 75-78).
- [24] Padayachee, V., 2016. Global economic recession: effects and implications for South Africa at a time of political challenges. *Claves de la Economia Mundial*.
- [25] SEDA. 2015. *Success stories*. Available at <http://www.seda.org.za/Happening/SedaAds/Pages/SedaAdvertisements.aspx> [Date of access: 12/07/2020].
- [26] SEDA. 2019. SMME quarterly update 1st quarter 2018. Available at <http://www.seda.org.za/Publications/Publications/SMME%20Quarterly%202018-Q1.pdf> [Date of access: 12/07/2020].
- [27] Statistics South Africa (Stats SA). 2014. Quarterly labour force survey: quarter 4, 2014.
- [28] Taiwo, M.A., Ayodeji, A.M. and Yusuf, B.A., 2012. Impact of small and medium enterprises on economic growth and development. *American Journal of Business and Management*, 1(1):18-22.
- [29] Zohrabi M. 2013. Mixed Method Research: Instruments, Validity, Reliability and Reporting Findings, *Journal of Theory and Practice in Language Studies*, 3(2):254-262.