

**THE EFFECTS OF SMALL AND MICRO-ENTERPRISES (SMES) ON  
EMPLOYMENT CREATION IN SEFENE VILLAGE, LIMPOPO PROVINCE**

by

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## **DECLARATION**

I declare that the dissertation hereby submitted to the University of Limpopo, for the degree of Master of Development in Planning and Management, has not been previously submitted by me for the degree at this or any other university; that it is my work in design and execution, and that all the material contained herein has been acknowledged.

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22 June 2021

**Surname & Initials (Title)**

**Date**

## DEDICATION

This dissertation is dedicated to my late grandparents, ***Angelina Sewela Kgware, Morakana Sophia Makgamatha and Nkamane William Makgamatha***. I also dedicate this dissertation to my parents and family both in South Africa and Botswana. Special dedication also to my supervisors Dr T.M. Ramoroka and Prof M.P. Sebola for always believing in me and having encouraged me throughout my academic journey.

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## **ABSTRACT**

Small and Micro-Enterprises (SMEs) are considered sources of income that give people the purchasing power to meet their basic needs and improve their standard of living. Primarily, this study investigated the effects of SMEs on employment creation in Sefene Village, Limpopo Province (South Africa) with the following objectives: to determine the types, characteristics and challenges of SMEs in rural areas; to explore the management approaches for SMEs in rural areas; to examine the types and quality of employment created in rural areas; to determine the effects of SMEs on employment creation in rural areas; and to recommend measures that could enhance the effects of SMEs on employment creation in Sefene Village. The study used a literature review, interview schedule and semi-structured questionnaires.

The findings of the study revealed that SMEs played a tremendous role in improving the local economic development of Sefene village. The SMEs are employment creators that have provided economic opportunities for the local people of Sefene village. In terms of employment creation, the SMEs in Sefene confronted challenges such as lack of access to finance, marketing aptitudes, markets, and lack of significant infrastructural facilities and management skills. In any case, literature and empirical data gathered at Sefene uncovered that the major challenge experienced by SMEs was a lack of access to finance. An entrepreneur can have the knowledge and skills but without funds, they are then constrained and impeded. The government institutions for SMEs ought to also target rural areas since that is where there are market potential and overwhelming poverty and unemployment. Further, the SMEs proprietors were aware of financial institutions but accessing them was a major challenge since they did not know about ways to approach them. Hence, the study has recommended that the government financial institutions needed to build relationships with the Molemole Local Municipality to extend access to their services by people who aspire to venture into SMEs. Similarly, the SMEs are major employment creators and need support from private sectors, community members, Non-Governmental Organisations (NGOs) and government institutions.

## **ABBREVIATIONS/ACRONYMS**

DTI	Department of Trade and Industry
GDP	Gross Domestic Product
HBEs	Home-Based Enterprises
ILO	International Labour Office
IDP	Integrated Development Plan
LED	Local Economic Development
NYDA	National Youth Development Agency
NEPA	Ntsika Enterprise Promotion Agency
NSBA	National Small Business Act
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SBA	Small Business Act
SMMEs	Small, Medium and Micro-enterprises
SMEs	Small and Micro-enterprises
UNDP	United Nations Development Programme
UL	University of Limpopo
US	United States

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## CHAPTER 1

### INTRODUCTION AND BACKGROUND OF THE STUDY

#### 1.1. Introduction and Background

It is universally accepted that Small and Micro-Enterprises (SMEs) have positive effects on employment creation (Dlamuka, 2009; Page and Sodernbom, 2015; Muazu, Bala and Hassan, 2016). Third world countries are faced with rampant unemployment of which has increased the level of poverty, therefore, giving an impetus to the growth of SMEs around the globe, predominantly in developing countries as a strategy to create employment (Mutuyenyoka and Madzivhandila, 2014; Desai and Rudra, 2016; Vlachou, 2016). According to Gonzalez, Husted and Aigner (2017), employment creation is a process that provides people with the opportunity to gain income or wage and increase their spending to afford basic needs and other necessities of life. Hence, SMEs increase people spending and purchasing power to meet their own needs and wants. But if they perform poorly, it raises many questions regarding their effects on employment creation (Atkinson and Storey, 2016).

Micro-enterprises play a crucial role in employment creation because this sector is closer to the people and it becomes easier for employing unemployed people (Egan, 2009; Muazu *et al.*, 2016). The SMEs are facing various challenges, even though they continue to operate, and they have equally gained recognition in both developing and developed countries in terms of employment creation (Abor and Quartey, 2010). There are management approaches of SMEs that are crucial for their guidance on how to manage an enterprise (Du Toit, Erasmus and Strydom, 2007; Liu, 2016). Countless SMEs in developed countries are performing well, mostly in Spain, Japan and China illustrating the potential of SMEs to create employment for people (Kongolo, 2010; Pandya and Mehal, 2017).

In developing countries such as South Africa, there are many debates regarding the effects of SMEs on employment creation to reduce poverty and unemployment (Page and Sodernbom, 2015; Fanconi and Scheurle, 2017). The SMEs need to collaborate locally to make more profit, expand and create more employment. This would ensure that ostracised people that are uneducated, disabled, women, and rural families have

access to employment to meet their own needs (Dlamuka, 2009). SMEs in South Africa have been existing for several years typically in townships, rural areas, yet they are the same areas of high unemployment and rampant poverty (Masilela, Gerber and van de Merwe, 2016). Already, scholars are strongly urging South Africa to seek recourse for employment creation through the promotion and investment in SMEs (McDonagh and Conway, 2017). In this study, the comparative analysis was used to verify the number of people working in SMEs in Sefene Village and those in various areas focusing on wages and qualifications. In addition, the issues of types, characteristics, challenges and management approaches of SMEs were examined in the rural contexts to conclusively decide on the question of their effects on employment creation. Concurrently, the study has investigated unresolved issues using evidence from Sefene Village where SMEs have been dominant over the years.

To achieve its purpose, the chapter comprises nine sections, including this introduction and the conclusion. The second section outlines the statement of the research problem and provides a clear understanding of the identified gap of knowledge. Section three outlines the aims and objectives of the study. Section four outlines the research questions that the study was investigating. Section five consists of the definition of terms to provide an understanding of each theme. Section six outlines the research design and methodology to indicate how the data was collected and which methods were used. Section seven describes the significance of the study while section eight describes the ethical considerations that the participants were respected, given the consent forms to sign and informed that if the study arose any feelings they would be referred to a social worker.

## **1.2. Statement of the Research Problem**

Several studies have established and shown that SMEs have positive effects on employment creation because of low-level start-up requirements, which makes them accessible to the poor people (Du Toit, Erasmus and Strydom, 2007; Charman, Petersen, Piper, Liedeman and Legg, 2017). Studies indicate that SMEs in developed countries have created over 65% of employment for people with more than 55% of Gross Domestic Product (GDP), whereas in developing countries, SMEs created over 70% of employment opportunities for people with a GDP of 60% (Abor and Quartey,



2010; Maksimov, Wang, and Luo, 2016). The contribution made by SMEs in terms of employment creation in South Africa provided 61% with 57% of the GDP (Kesper, 2001; Kongolo, 2010; Fanconi and Scheurle, 2017). In South Africa, SMEs have been dominant in creating employment, while others were poorly managed and collapsed in the presence of the government 's intervention. Therefore, the government must rethink innovative measures to support SMEs and ensure that they create more employment for people.

To this conclusion, the study investigated the effects of SMEs on employment creation for people in Sefene Village. Sefene Village is characterised by high unemployment rates and poverty while there are SMEs such as supermarkets, internet café, street vending, home-based enterprises “spaza shops” and small-scale agricultural farming (Machaka, 2012). The study needed to compare the number of people employed in SMEs in various areas with those in Sefene Village and check whether SMEs at Sefene Village reduced unemployment or not. Therefore, the characteristics, challenges and management approaches are important in the study to investigate how SMEs are managed. Thus far, very limited studies have been conducted in Sefene Village about the effects of SMEs on employment creation. As such, this study added to the body of knowledge by investigating these two variables in the village.

### **1.3. Aim and Objectives**

This study aimed at investigating the effects of SMEs on employment creation within rural areas. To achieve this aim, the study formulated five objectives as follows:

- To determine the types, characteristics and challenges of SMEs in rural areas;
- To explore the management approaches for SMEs in rural areas;
- To examine the types and quality of employment created in rural areas;
- To determine the effects of SMEs on employment creation in rural areas; and
- To recommend measures that could enhance the effects of SMEs on employment creation in Sefene Village.

## **1.4. Research Questions**

The study's general research question is: how do SMEs affect employment creation in rural areas? This general research question was operationalised through the following specific research questions:

- What are the types, characteristics and challenges of SMEs in rural areas?
- What are the management approaches for SMEs in rural areas?
- What are the types and quality of employment created in rural areas?
- What are the effects of SMEs on employment creation in rural areas?

## **1.5. Definitions of Terms**

This section focusses on key concepts that were adopted in this study and the definitions of the core concepts are as follows:

### **Small-Enterprises**

This is a unique separate business that can be managed by an individual or more people to meet their economic needs and it can also be a Non-Governmental Organisation (NGO) that has the legality which dominates in the economy with employment creation (National Small Business Act 102, 1996). Additionally, small-enterprises can be managed by one or more than two people with skills and knowledge to make administrative decisions such as financing, advertising, and logistics without depending more often on external specialists (Watson and Everret, 1996). The study adopted the definition that small-enterprises are formally registered enterprises that can either be sole traders, partnership, or close-cooperation with employees between 1 to 49 and the annual turnover of over 1 million and financed by stakeholder(s) (Mutenyoka and Madzivhandila, 2014; Charman *et al.*, 2017).

### **Micro-Enterprises**

In the international context, these are the types of businesses that are mostly owned by family members of which they employ less than five people with the turn-over of up to R200 000. While in the South African context, micro-enterprises are types of businesses that mostly are informal and employ less than five people with the turnover

of up to R100 000 (National Small Business Act 102, 1996; Muazu, Bala and Hassan, 2016). Since the study is focussing on the South African context, it has adopted the definition that micro-enterprises are types of businesses that employ less than five employees, to increase the household's access to income, provide people with employment to break out of the poverty cycle and meet their own needs.

### **Employment Creation**

This is a process that provides people with the opportunity of having access to income, increase household spending and secure their livelihoods (Muazu *et al.*, 2016). Employment creation is crucial for people's livelihood because of their standard of living which becomes advanced and may stimulate economic activities (Park, Chan and Williams, 2015). The study adopted the definition that employment creation is a process that provides people with the opportunity to gain income or wage to increase their spending to afford basic needs (nutritious food, clean water, proper houses) and wants such as phone, vehicle etc. and other necessities of life.

## **1.6. Research Design and Methodology**

The research problem of the study was well addressed as guided by the design and methodology. The research approaches - quantitative and qualitative - were employed in the study. The following section discusses design and methodology, and the description of the study area, including how data was collected and analysed to ensure the validity of results.

### **1.6.1. Research Design**

The correlational research design was used because it examines two or more variables through their relationship with each other. The correlational research design seeks to investigate to discover the relationship of variables; that is, to probe the effects of SMEs on employment creation (Thompson, Diamond, MacWilliam, Snyder and Snyder, 2005; Fanconi and Scheurle, 2017). The study employed the mixed methods of research, which are quantitative and qualitative, to ensure validity and that data collected was well analysed. The mixed methods were used to collect data and analyse data at the same time. The analysis focused on comparing and contracting

findings from the two methods regarding the effects of SMEs on employment. The literature review was gathered and the empirical data was also collected and the mixed methods played a positive role in the analysing data. The mixed methods data provided better understanding of the two variables and that yielded more to the researcher to gain both depth and breadth of SMEs and employment creation. According to Cooper and Schindler (2006), a quantitative approach focuses on the statistics and numerical quantity to answer questions such as how often, how much, who, how many and when. The qualitative approach was used to examine people's experience, their opinions, knowledge and the attitudes of the key informants of the study (Fink, 2007).

The quantitative and qualitative approaches have their purposes but they still complement each other in many different ways and their combination also assist to avoid biases in research (Decrop, 1999; Fraenkel and Wallen, 2011; Venkatesh, Brown and Bala, 2013). The study has adopted the quantitative approach which was used to record information either numerically or in groups to make statistical analysis. Equally, the qualitative approach was adopted to collect empirical data through written and word-based reports. The study used a closed-ended questionnaire and an open-ended questionnaire. Therefore, to avoid biases, the participants filled in the open-ended questionnaire freely to answer the questions. The study also ensured that the participants had privacy when filling in the questionnaire and the researcher was at the area for few days in case participants needed clarity. The study also interviewed both LED coordinators privately to ensure validity and avoid biases. Moreover, observation was used during the process of collecting data.

### **1.6.2. Description of Study Area**

The research site was Sefene Village located in the Capricorn District, under Molemole Local Municipality in Limpopo Province. The village is 45 kilometers north of Polokwane (the capital city of Limpopo Province). The total population of the village is estimated to be 363 with 70 households (Molemole Local Municipality IDP, 2018). Most people engage in formal small-enterprises such as small-scale commercial farming, retail stores, and internet cafés and engage in micro-enterprises such as street vending, home-based enterprises and shoe repairs (Machaka, 2012). At Sefene Village, there are social, physical and economic factors such as food insecurity, lack

of income, poor houses, poor health facilities and a problem of unemployment mostly affecting the youth. In terms of socio-economic conditions, there is a high level of poverty, poor education and inequality. SMEs in Sefene Village are performing well while others are financially struggling.

### **1.6.3. Kinds of Data Needed**

Both primary and secondary data were used. Primary data was used to find empirical information relating to peoples' views about the types of enterprises that exist in Sefene Village, and how SMEs contributed towards the community in terms of employment creation. The secondary data was also used to find written academic, government documents or theories concerning the effects of SMEs on employment creation mostly in rural areas such as Sefene Village and others across the globe. The above-mentioned were sourced from journal articles, books, newspapers, magazines and other mediums (e.g. Internet, radio and television) of which played a role in assisting the researcher to synthesise and clarify understanding of the concepts related to the study and their linkages. Therefore, the primary and secondary data were used to gather the information that assisted in addressing the research questions.

### **1.6.4. Target Population**

The SMEs owners were one of the target populations because they provided the relevant information concerning the type of businesses they engaged in and the employment opportunities they have provided. The municipal officials such as Local Economic Development (LED) coordinators were also the target population for they also provided the relevant information regarding the strategies used to strengthen SMEs and how to create employment for the people of Sefene Village. The community members in the area were also the target population; they held relevant information about how SMEs contributed towards employment creation at Sefene Village.

### **1.6.5. Sampling Procedures**

The probability and non-probability sampling techniques were adopted in the study. The study used simple random sampling, whereby all populations are likely to be

selected and represent the entire population (Bhattacharjee, 2012). The study adopted this technique because it was more likely to be representative of the entire population. The simple random sampling was used to sample forty-five (45) community members of Sefene Village. The study has sampled the participants between 15 to 65 years because they were key informants and have provided relevant, well informed and rich information and/or data on how SMEs affected employment creation in Sefene Village. The sampling technique, namely non-probability sampling, was used in the study because some people had no chance of being chosen and the other people had the likelihood of being chosen but they could not be correctly determined (Bhattacharjee, 2012). The study used the technique because it was more convenient, economical and allowed the population when they were not amenable to probability sampling. The study used purposive sampling to select twenty (20) different SMEs owners and two (2) LEDs coordinators who provided information for the study. The number of people who participated was (67) for the study to make an overall conclusion.

#### **1.6.6. Data Collection Methods**

The research project used literature review techniques to collect secondary data relating to specific research questions such as articles, books and other textual data from different mediums. Furthermore, the study used secondary data to view different information regarding the types of employment opportunities created through SMEs and in terms of their relationships. To collect primary data, the study used semi-structured questionnaires to get information from community members about how SMEs improved their standards of living through the type of employment created. The semi-structured questionnaires were distributed to the SMEs owners to gather information regarding the number of employees they employed yearly and management skills they applied. The questionnaires were administered, distributed to relevant participants and asked relevant questions that were necessary to assist the study address the research questions about how SMEs affected employment creation. Moreover, the semi-structured questionnaires were self-administered as they are convenience. The participants answered questions on their own and it assures privacy. Moreover, they are the most affordable method of data collection from a wide range of audience to ensure validity and reliability. The study conducted interviews

with the LED coordinators of Sefene Village to know how they assisted SMEs that were active and the emerging ones with the potential to create employment for people.

#### **1.6.7. Data Analysis Techniques**

The qualitative and quantitative data analysis techniques were used in the study. Qualitative method analyses data were from questionnaires and interviews written documents (Bhattacharjee, 2012). The qualitative method was used to analyse data by using a field note. The key informants were asked questions that were classified according to themes, to improve clarification of meaning and to support quantitative data. The quantitative method of data analysis employed was the coding method. Coding is a structure that arranges symbols or letters for data or facts to make sense and decipherable (Neuman, 2000). The quantitative data were used by importing the information collected through questionnaires to Statistical Package for Social Sciences (SPSS) to compute and analyse information by creating graphs, charts, tables and calculating frequencies of which become easier for data interpretation.

#### **1.6.8. Validity and Reliability**

The study ensured that the results found were reliable, dependable, credible, valid and met all the necessities of scientific research methods. There are many academic books, journals written about the effects of SMEs on employment creation by various scholars such as Page and Soderbom (2015); Muazu, Bala and Hassan (2016); and McDonagh and Conway (2017). The results of their studies show that SMEs have effects on employment creation. The academic scholars almost used similar data collection methods that were employed in the study. To ensure validity and reliability, the researcher guaranteed that research objectives were well explained to the key informants. The questionnaires were distributed and interviews were privately conducted to get relevant information from the target population enabling the study to answer research questions and draw conclusions. Moreover, questionnaires were also translated to Sepedi language for participants to have a clear understanding of the questions being asked. Through observation, some participants appreciated the questionnaires written in Sepedi and freely participated. No participant needed clarity as the questions were understood. The study also interviewed both LED coordinators privately to ensure validity and avoid biases. Each LED coordinator had an office,

therefore, they were separately interviewed and data gathered was paramount to the study.

### **1.7. Significance of the Study**

The study has been theoretically valuable in research through its contribution to the literature concerning the effects of SMEs on employment creation that is poised to help future researchers who wish to conduct similar studies. Empirically, the study assists municipal officials responsible for LED to review their objectives and policies to achieve economic or developmental goals by ensuring that more jobs are created through SMEs. This study equally encourages the municipal LED managers to strengthen strategies in ensuring that SMEs work together locally rather than working independently.

### **1.8. Ethical Considerations**

The study has adhered to several research ethics and ensured that the rights, confidentiality, privacy of participants were respected and protected. The application of ethics was as follows:

#### **1.8.1. Permission for the study**

Before the study was conducted, the ethical clearance was acquired from the University of Limpopo's Turfloop Research Ethics Committee (TREC) as it was conducted under the umbrella of the University. Moreover, the community members of Sefene Village, SMEs owners and LED coordinators were used as the key informants of this study. Therefore, the community members, SMEs owners and the LED coordinators were contacted and briefed about the nature of the study for the relevant informants to participate in the study.

#### **1.8.2. Voluntary participation and informed consent**

Before the issuing of questionnaires and the conducting of interviews, participants were fully informed about the nature of the study and that their participation was voluntary. Participants were equally advised to withdraw at any time if they wished to



do so. Furthermore, the researcher ensured that participants fully understood what was required, by explaining the consent forms that participants had to sign and allowing them to ask questions about anything they might not have understood. This has helped the participants to make an informed decision as to whether to participate or not in the study. The participants were given consent forms to sign before engaging in the study.

### **1.8.3. Anonymity and confidentiality**

The ethical consideration is crucial in qualitative methodology because the researcher was working closely with participants. The study has not required any personal information that could be traced back to the participants of the study. Moreover, only the researcher and the supervisor(s) have access to the taped interviews with all participants, including the LED coordinators. Confidentiality, anonymity and privacy were assured to the participants and that was maintained throughout the study.

### **1.8.4. Respect and dignity**

All the participants in the study were treated with respect, dignity and their rights were also protected. The community members have their own culture, including SMEs owners who have their strategies to manage enterprises and LED coordinators have their duties and the researcher had to respect such.

### **1.8.5. Protection from harm**

The study has ensured that questions asked to the participants did not cause any emotional, physical or psychological pain or harm. The questionnaires were distributed by the researcher to the homes of the participants so that they could feel free and safe to participate. The questionnaires for SMEs owners were distributed to their offices or place of work. The interviews were conducted at the office of LED coordinators for safety and professional purposes.

### **1.8.6. Benefits**

The researcher informed the participants that there would be no reward or direct benefit possibly to be accrued from the study to them. In addition, the researcher

explained to the participants that the results of the study would be likely to be beneficial to them as well as the community at large, assist other SMEs and LED coordinators.

#### **1.8.7. Aftercare of participants**

In the event of any aroused emotional discomfort by any participant, the researcher has explained the referral precautionary measure to a professional counsellor or a social worker.

### **1.9. Conclusion**

The chapter has provided a general introduction regarding the effects of SMEs on employment creation. The SMEs, as much as they create employment, are confronting various challenges as indicated in the study's statement problem. Equally, the SMEs continue to strive for expansion to solve socio-economic issues experienced by South Africans. The SMEs provide different types of employment such as permanent, part-time, seasonal and encourage self-employment. The chapter has described management approaches used by SMEs. The research aims, objectives and questions were outlined to give direction to the study. The study was conducted at Sefene Village whereby the quantitative and qualitative methods were employed in collecting and analysing data. The following chapter will provide a theoretical overview of the effects of SMEs on employment creation.

## CHAPTER 2

### EFFECTS OF SMALL AND MICRO-ENTERPRISES (SMEs) ON EMPLOYMENT CREATION: A THEORETICAL OVERVIEW

#### 2.1. Introduction

The following section focuses on the relevant literature regarding the effects of SMEs on employment creation. Globally, SMEs are regarded as employment creators in reducing socio-economic issues such as rampant unemployment and poverty (Fanconi and Scheurle, 2017). Entrepreneurship is a process that improves the economic systems of a country through innovations (Nieman, 2006; Alshehri and Meziane, 2017). Also, enterprises respond to economic opportunities and solve socio-economic issues of a country through employment creation. The more entrepreneurs create employment within the country, the whole country benefits and that builds the value of entrepreneurs (Frey and Osborne, 2017). SMEs involves the process of an individual or group of people establishing and managing an enterprise with the main purpose of making profits and creating employment at the same time. According to Ayandibu and Houghton (2017), as much as small-enterprises create employment, they also operate within a given market, in an established industry and already see themselves as successful because of the maximum profits. De Wit and Kok (2014) further argue that other small-enterprises are not interested in growth but if the enterprise is profitable, they tend to relax and wait for the decline in business profits. Then that is when an enterprise becomes concerned about growth. Small-enterprises have the potential to create employment and be innovative by introducing new products in the market (LeBlanc and Shrum, 2017).

An entry into the market mostly requires micro-enterprises which are smaller than small-enterprises (Khan, 2017). The micro-enterprises exist in formal and informal economies and create temporary or seasonal employment for people who are actively looking for a job (Krishnan and Scullion, 2017). The managers of micro-enterprises have rudimentary or depend on business skills for running the enterprise. According to the class of micro-enterprises, some micro-enterprises operate in the formal sector based on its few employees but yet with a greater turnover (Nieman, 2006).

Therefore, SMEs are major contributors to the country's economic growth. Employed people have the purchasing power and benefits enterprises because as more people spend, the more enterprises become profitable (Loc and Moustier, 2016). Despite all challenges faced by SMEs, they are considered as employment creators for underprivileged family households only to gain income or wage but their positive role in employment creation in rural and urban areas has been recognised by many countries (Muazu *et al.*, 2016). The SMEs not only create employment but also create a positive impact by providing skills and comprehensive learning experience for new employees. Illiteracy and lack of skills remain a major concern in most developing countries (Modarresi, Arasti, Talebi and Farasatkah, 2017). SMEs provide training for employees that lead the country in a positive direction because when people have skills they can move from one company to another. The employees in SMEs have the freedom and can learn all the enterprise functions from marketing to cashier, finance, planning, organising and stocktaking (Nieman, 2006).

Employment is important for people as it increases their financial strength that also promotes a higher standard of living even though some SMEs pay lower wages (Park, Chan and Williams, 2015; Page and Sodernbom, 2015). Employment creation through the SMEs provide people with access to income and that automatically enables employees to be skilful. That can also assist employees to use the capital and skills gained to establish their enterprises, be independent and create employment. The study used a correlational research design to look for a relationship between the two variables on how they affected each other, and it was supported by qualitative and quantitative approaches. The contributions of SMEs to the economy cannot be ignored, as numerous authors wrote academic articles similar to the study about the effects of SMEs on employment creation such as Toluyemi, Sanni and Toluyemi (2016); Maksimov, Wang and Luo (2016); Ayandibu and Houghton (2017) and Fanconi and Schedule (2017). The study adopted the classical management theory as the foundation of the study in verifying the effects of SMEs on employment creation and draw the conclusion based on their effect.

The chapter comprises seven sections. The first section is an introduction and provides the theoretical theory regarding the effects of SMEs on employment creation. The second section provides a theory regarding the concept of SMEs. The third section outlines the different types, characteristics, and challenges of SMEs. The

fourth section provides a discussion regarding different types of management approaches that are crucial to the success of a business. The fifth section outlines the types and quality of employment created by different SMEs. Section six provides literature regarding the effects of SMEs on employment creation while the last section summarises the chapter.

## **2.2. The Concept Small and Micro-Enterprises**

The SMEs are crucial in the economy, with the potential to create employment for people while providing good quality products to satisfy customers (Fanconi and Scheurle, 2017). Small-enterprises are formally registered enterprises that can either be sole traders, partnership, close-cooperation with employees between 1 and 49 and an annual turnover of over 1 million, financed by stakeholder(s) (Mutenyoka and Madzivhandila, 2014; Charman *et al.*, 2017). Small-enterprises are measured by the number of people they employ, assets and turnover. The advantage of small-enterprises is targeting certain locations where medium enterprises do not reach and fill the market gap (Johansson and Lundgren, 2015). Moreover, small-enterprises can bring goods and services close to the tenants in urban areas through shopping centres and create employment for the local people. Small-enterprises also build a relationship with their customers through good customer service and that builds customer(s) loyalty, translating into more money for an enterprise.

The concept of micro-enterprises was promoted in the 1970s after the report from the International Labour Office/United Nations Development Programme (ILO/UNDP) on Kenya (Munoz, 2010). Micro-enterprises, despite their low income, contribute to the economic growth of a country, even though they are limited in terms of skills and resources (Gure and Karungu, 2018). Micro-enterprises create employment for both marginalised and non-marginalised areas through their operation and they also transfer the skills to employees in developing countries, which are categorised by poverty and unemployment (Asare, Akuffobe, Quaye and Atta-Antwi, 2015). Also, micro-enterprises are crucial in the economy because they offer goods and services to consumers at low prices, assisting consumers in low and medium class (Chowdhury and Alam, 2017). Meaning SMEs' development has been regarded as a ticket to economic independence, which empowers the community and builds the capacity of

employees (Prasad and Tata, 2009). Even though SMEs create employment, they still experience various challenges and competition from medium-enterprises, but continue to operate in offering a variety of quality products with fair prices (Longenecker, Petty, Moore and Palich, 2006).

### **2.3. The Types, Characteristics and Challenges of Small and Micro-Enterprises**

The following section focusses on the literature of types, characteristics and challenges of SMEs as follows:

#### **2.3.1. Different typologies of Small-enterprises**

The study identified different types of small-enterprises as discussed in the following sub-sections:

- *Commercial Farming*

Commercial farming serves as a major part of the current rural refocusing, mainly agriculture because it ensures that people have access to food and is an enterprise that employs a large proportion of the rural population (McDonagh, Farrell and Conway, 2017). Poverty, illiteracy and rampant unemployment are challenges faced by developing countries and most Less Developed Countries (LDC). Implying that many people who struggle to find employment in industries for managerial positions end up looking for employment in the agricultural production sector. Commercial farming in Sub-Sahara Africa (SSA) is central to employment creation and improving food security and reducing poverty in all countries but mostly in developing countries (Conceicao, Levine, Lipton and Warren-Rodriguez, 2016). Commercial farmers in agricultural production produce more food to sell, make money, expand their businesses and create more employment for people. The land is a very important productive asset in rural areas because people in villages are given enough land to practise their agricultural production activities and have access to food and earn wage or income (Kadigi, Kashaigili, Sirim, Kamau, Sikira and Mbungu, 2017). Commercial farming has been championed as a way to address social issues such as food access for people, mostly those who are affected by extreme poverty (Sutherland, Ruston and Kaler, 2018). According to Deininger and Jin (2006), large-scale land investment has

led farmers to produce more in agricultural production for the sake of poverty reduction and improvement of people's lives through employment opportunities.

- *Supermarket*

A supermarket is a larger self-service store whose range of merchandise comprises different food groups, including fresh fruits, vegetables, fresh meat and household requisites (Suresh, Mahadevan and Abhishek, 2019). In terms of micro-enterprises, the customer informs the cashier what they want and the cashier provides the product to the customer. Therefore, with small-enterprises, a supermarket is self-service whereby the customer collects any products and goes to the cashier for payment. Supermarkets have been operating for many years and created employment for people and continue to expand all over the world but mostly in LDC (Ochieng, Veetil and Qaim, 2017). Supermarkets are large enterprises to manage and require skills and knowledge such as planning, organising, leading, controlling, marketing, advertising, accounting and logistics (Chowdhury and Alam, 2017).

The strategic approach and research are vital for a supermarket in terms of its success in consumer preferences changes (Lunduka, Mateva, Magorokosho and Manjeru, 2019). It takes a great team to recognise consumer preferences and improve its packaging to maintain a good relationship with its customers. Due to the high rate of unemployment among graduates in developing countries, supermarkets play a positive role by employing graduates who with different qualification and skills (Pulker, Trapp, Scott and Pollard, 2018). This exposes them to the corporate world to gain income and skills for them to be equipped and empowered (Ochieng *et al.*, 2017). Even though supermarkets create employment, they still encounter challenges that can limit them to grow while others cannot survive in the market. Lack of essential infrastructural facilities such as transportation, water, sewage, and communication can limit supermarkets in their attempt at operating to their fullest potential (Akabueze, 2002). When the customers do not have transport to access food and products at supermarkets, it then becomes a problem too.

- *Internet Café*

Internet café is a form of small-enterprises that provide services such as access to information and effective communication through methods such as emails, social media, and fax (Padilla, Ávila and Cervantes, 2016). Internet café plays a positive role

in many rural areas because the population is growing and youth due to their disadvantaged background struggle to purchase laptops, smartphones and other technological communication devices. The technology-oriented firms like the internet cafés compete with expensive mobile phones in terms of internet resources because of their low rates that allow unemployed people to use mostly in developing countries (Rambe and Mokgosi, 2016). Internet cafés are enterprises that assist unemployed people who are effectively looking for employment at different companies as they can go to internet café and apply at low rates. The majority of people in most villages move to urban areas looking for employment opportunities but through the internet café, people can view available vacancies and apply of which reduces their travel expenditure and saves time. As the world is becoming more technologically advanced, developed and few developing countries are improving their educational systems through online courses. This leads to the creation of employment at internet cafés (Rieber, 2017).

### **2.3.2. Features of Small-enterprises**

The characteristics of small-enterprises are based on the number of employees, profit margin, ownership, and taxes. The number of people employed in small-enterprises is less than 45, 1 to 51 or 10 to 50 based on the country (De Wit and Kok, 2014; Jansson, Nilsson, Modig and Hed-Vall, 2017). The number of people employed in small-enterprises differs; although they all share similar characteristics in employing more people. The profit margin of small-enterprises helps to evaluate the company's profit on whether their monetary objectives are being reached or not. The ownership and taxes of small-enterprises can either be a sole proprietorship, partnership or close-cooperation. Small-enterprises are mostly partnerships or close-cooperation based on their large amount of capital needed in the business. Other entrepreneurs prefer sole proprietorship; however, there is a lot of risks involved in that type of business. Small-enterprises are major contributors to employment creation; even though are still obliged to pay taxes, which also assists the country to achieve its economic objectives or growth (Jansen, Ramnath and Yohn, 2012).



### **2.3.3. Challenges encountered by Small and Micro-enterprises**

SMEs do not operate in harmony as they experience different challenges that moderate their progress in achieving their desired targets. Some challenges of SMEs can be managed whereas others are macro and beyond the venture to solve.

Meaning that enterprises ought to put measures in place that will guide them on how to respond to such challenges and remain employment creators. The challenges that these businesses confront are discussed as follows:

- *Lack of Management Skills*

The management of small-enterprises differs from medium enterprises. The management of small-enterprise, especially the manager, is charged with an array of duties in ensuring that the enterprise resources are used optimally while ensuring that the enterprise grows (Spence, Frynas, Muthuri and Navare, 2018). Even though the manager is responsible for certain tasks in the business or overviews the whole operation in the business, other managers in other enterprises often lack professionalism which ends up affecting the profits of an enterprise (Krishnan and Scullion, 2017).

- *Management Principles*

The management skills comprise management principles of planning, organising, leading and controlling. The following section discusses the management principles or skills that should be applied in small-enterprises:

- (i) Planning

Planning in small-enterprises is crucial because the enterprises have predetermined objectives and a plan on how to achieve them (Rahman, 2016). According to Hannafey (2003), the problem with small-enterprises remains poor management skills, as they tend to focus on immediate issues instead of long-term goals. The managers of small-enterprises focus on sales rather than overviews all the competence of the entire departments within the enterprise. Managers in small-enterprises are often informal in their meetings and tend not to involve employees or other shareholders in planning because they are most interested in making more profits to afford a certain lifestyle than creating an empire (Conceicao *et al.*, 2016). Planning is crucial because it guides

the enterprise to plan on how to attract more customers and overtake its competitors by being strategic. Most of the managers in the small-enterprises do not formally draft their business strategies, as they plan “in their head” with a central focus only on sales (Nieman, 2006).

(ii) Organising

According to Miao, Qian and Humphrey (2018), organising is when a group of people collectively brainstorm and work together to achieve common objectives in an enterprise. However, in small-enterprises, the manager tends to force to do everything and end up being unable to manage the enterprise (Hillary, 2017). Rahman (2016) shares the same sentiments with Gimmon, Yitshaki and Hantman (2018) that small-enterprises are made up of managers and major shareholders in the organisational structure who do not distribute work to employees. The organisational structure helps an enterprise to assign responsibilities to employees. The success of a business depends on the management's ability to allocate resources effectively and efficiently and ensuring that employees get the work done (Okpara, 2007).

(iii) Leading

Leadership is crucial in small-enterprises to ensure that employees are motivated through involvement in decision-making and good remuneration (Oraka, 2013). There must be a good relationship between the employer and employees. When employees are not treated fairly, they tend to make mistakes either in stocktaking or bookkeeping which can negatively harm the business. Page and Soderbom (2015) state that small-enterprises pay lower wages depending on the responsibilities of the person in the business. Lack of training, promotions and salary increase in small-enterprises also demotivate employees.

(iv) Controlling

The small-enterprise owners fail to control the enterprises by keeping records. Other employees also make errors in bookkeeping (Miao *et al.*, 2018). The manager has to monitor the progress of an enterprise by checking the monthly profits and ensuring that all employees are performing their duties diligently (Krishnan and Scullion, 2017). On top of that, the managers should compare the profits of the previous month with the current month to find the gap and put strategies in place to ensure that the enterprise performs better. Lack of managerial control and monitoring of company

resources may result in the company resources, assets and profits depreciating (Alshehri and Meziane, 2017). The enterprise should set the targets and if they are not met, the manager must not ignore the drop in enterprise profits.

- *Lack of Access to Finance*

The business requires resources such as capital, human resource and tangible assets such as equipment and building (Hillary, 2017). All the physical resources needed in an enterprise require capital. Therefore, the lack of access to finance for small-enterprises from commercial banks is a struggle due to excessive red tape (Borras and Franco, 2012; Mencken and Tolbert, 2018). These many obstacles can contribute to the in-accessibility of finance for small-enterprises. Entrepreneurs are motivated differently to start an enterprise. Most people become entrepreneurs to escape poverty and when applying for a loan they lack collateral security (Gimmon *et al*, 2018). Other entrepreneurs fail to explain their business proposals well and request a large amount of money from the financial institutions and the application end up being unsuccessful. Lack of access to finance may limit the operations of enterprises, where more profit can be accumulated (Makgamatha and Meso, 2018). Due to high rates of rent, water and electricity, as compared to their little capital, other enterprises tend to close or retrench employees in coping with such challenges (Charman *et al.*, 2017). While other entrepreneurs with enough capital take advantage and set up their enterprise in capital sectors, whereby the capital is quickly generated.

- *Lack of Essential Infrastructural Facilities*

According to Biygautane, Neesham and Al-Yahya (2019), access to infrastructure facilities can either encourage or discourage entrepreneurs. Oraka (2013) shares the same views with Boter and Lundstrom (2005) that the success or the failure of a business depends on the availability of infrastructural facilities. The operation of an enterprise requires facilities such as sewage, water, transportation, and electricity. Poor transportation facilities disadvantage enterprises such as supermarkets and commercial farming. In Northway (USA), there is a domination of bicycles, motorbikes and customers are unable to carry the grocery that they buy from supermarkets (Leleux, 2018). That leads the community members to depend on local stores or micro-enterprises that exist in communities. Equally, the interrupted power supply affects enterprises such as internet café because they require access to the internet

from start to finish. In Chicago (USA), the government realised that many enterprises were installing solar energy while others were buying generators as a measure to cope with a power cut. Then, the suppliers of solar energy increased their prices due to high demand, disadvantaging enterprises that cannot afford (Martin, 2017). Small-enterprises are employment creators and investment attractors; the government should provide essential infrastructural facilities to ensure that they operate in a conducive environment (Rahman, 2016; Hussain and Endut, 2018).

#### **2.3.4. The forms of Micro-enterprises**

The different types of micro-enterprises are discussed in detail in the following subsection:

- *Street Vending*

The street vending at townships and urban areas in developing countries is generally seen as a result of poverty and unemployment. Street vending in most of the African countries is led or caused by many socio-economic forces, including unemployment, poverty and low-wage employment. Street vending enterprises have existed for many years in both urban and rural areas and have unique marketing capabilities to formal restaurants, as they sell their products or food at cheaper prices and are quick to prepare (Khan, 2017). The advantage of micro-enterprises is that the poor can afford food at lower prices because the owner or manager does not pay tax and does not hire a lot of people.

- *Home-based Enterprise “Spaza shops”*

A home-based enterprise - spaza shops - is an informal business that operates mostly in rural areas rather than in the commercial building to sell their goods such as food and beverages. Entrepreneurs that engage in home-based enterprises in rural areas and townships find it easy to enter into the market as they utilize the available resources. These types of enterprises rely on natural resources in terms of ownership and most of the time are family-owned and do not pay tax (Zachary, Kariuki and Mwangi, 2017). Home-based enterprises “Spaza shops” exist in areas where the population of low-income people resides. People use their homes for different economic activities that lead to the promotion of self-employment and provide part-time employment for other people to assist in running the business (Mpembamoto,

Nchito, Siame and Wragg, 2017). Most of the home-based enterprises are family-owned, meaning the profit made at the business goes straight to the family, allowing them to afford the basic needs and wants that improve their lives. The spaza shops are crucial for the livelihood of a large majority of the households in settlements; therefore, the intervention of the government for the upgrading of the settlements has the potential to affect their viability (Mpembamoto *et al.*, 2017).

- *Small-scale Agricultural Farming*

Small-scale agricultural farming is the production of livestock and crops in a small quantity on a limited land without using expensive equipment (Jouzi, Azadi, Taheri, Zarafshani, Gebrehiwot, Van Passel and Lebailly, 2017). Small-scale agricultural farming is not only about planting and cultivating crops but raising livestock for sale. In low- and middle-income countries, there is a rapid growth in agricultural production and income among small-scale agricultural farming which is dominant in reducing rural poverty and unemployment (Mellor and Malik, 2017). Most people in rural areas who are unemployed and illiterate do not have access to enough income to initiate large enterprises like commercial farms. Therefore, with the little capital they have, they start small-scale agricultural farming in the form of a plant, cultivate fruits and vegetables to sell and make a profit to expand (Griffin and Frongillo, 2003). Since micro-enterprise employs less than five people, small-scale agricultural farming can fit and provide people with seasonal employment (Senger, Borges and Machado, 2017).

### **2.3.5. Characteristics of micro-enterprises**

Micro-enterprises have different characteristics. The study has adopted a few to distinguish them from small-enterprises. Micro-enterprises are informal, unregistered enterprises that also have the potential of creating jobs, giving people access to wage to meet their own needs (Ishengoma and Lokina, 2017). The ownership of micro-enterprises can be either sole proprietorship or partnership. Due to their size and daily operations, most of the micro-enterprises are managed and owned by an individual. In developing countries, most people engage in micro-enterprises for access to wages or income and employ few assists and manage them themselves (Khan, 2017). In terms of taxes, micro-enterprises do not pay tax because of their informal status (Abor and Biekpe, 2007). Street vending, home-based enterprises “spaza shops” and small-

scale agricultural farming are types of micro-enterprises that mostly exist both in developed and developing countries within urban and rural areas as well as in the periphery of towns and cities (Mpembamoto, Nchito, Siame and Wragg, 2017; Zachary *et al.*, 2017). The informality of micro-enterprises makes them employ fewer people due to less workload in the business. Micro-enterprises employ less than 10 people with the capacity to provide employees with access to wages that enable them to increase their spending and afford basic needs (Chatterjee and Das, 2016).

### **2.3.6. Challenges of micro-enterprises**

Micro-enterprises encounter various challenges that hinder them from progressing. The challenges by micro-enterprises are as follows:

- *Lack of Access to Markets*

Lack of access to markets by micro-enterprises is an obstacle to their success. The world is moving towards the modern way of selling products and services and some micro-enterprises are running behind while others are keeping up with the market pace. According to Nieman (2006), other micro-enterprises even though employ few people, they are registered, make profits and compete with small-enterprises in the market. Micro-enterprises are not the same due to their low profits as others become trundlers. Trundlers are enterprises that do not add value in employment creation but are survivalists (Chowdhury and Alam, 2017). In the United States (US), the government is in the process of assisting micro-enterprises for access to markets and empower them to be able to solve socio-economic issues (Garcia, Rivera and Greenfield, 2015). The surviving micro-enterprises are not a solution to solving unemployment within a country (Flock and Breitung, 2016). Lack of entrepreneurship education in micro-enterprises also contributes to their ineffectiveness to be innovative in ensuring that they improve their packages of goods and services to be professional even though they are informal. According to De Beer and Armstrong (2015), it is not worth it for an enterprise to have good products and services but fail to market them. Most micro-enterprises struggle to access the markets due to a lack of enough capital to advertise and display their products to the public (Paoloni and Dumay, 2015). Enterprises such as street vending and small-scale commercial farming can display their products to the public through salespeople. Micro-enterprises should also

advertise their products online and use platforms such as social media where they can spend less money (Zhang and Zheng, 2017).

- *Lack of Access to Finance*

Micro-enterprises in terms of finance do not require a lot of money to start but require more money to expand (Du Toit, Pretorius and Rosslyn-Smith, 2019). The expansion of a business requires more capital of which micro-enterprises do not make enough to expand quickly as compared to small-enterprises. The location is very important if the owner wants to expand the business when it becomes difficult to get financial assistance (Flock and Breitung, 2016). Most enterprises that operate in rural areas due to lack of business information struggle to receive business finance as compared to those in urban areas. Street vendors struggle to get access to finance since they are not formal and registered enterprises (Mpembamoto *et al.*, 2017). Micro-enterprises have become important role players in the economy of Kenya, although they encounter constraints that delay their development such as lack of access to finance (Omondi and Jagongo, 2018). Lack of access to finance by micro-enterprises is a challenge because the financial institutions regard micro-enterprises as uncreditworthy which results in repudiating them access to money (Muchiri and Kibanchia, 2017). Many government institutions and private financial institutions do not have confidence in the growth of micro-enterprises because of their poor performance (Nugroho, Utami, Akbar and Arafah, 2017).

- *Lack of Marketing Skills*

The marketing skills is when enterprises understand and know their interested customers and plan on how to present the products to them (De Beer and Armstrong, 2015). Many micro-enterprises are fully operational, but fewer have been operating with the correct marketing skills and have expanded to become small-enterprises that compete in the formal economy. Entrepreneurial and market orientation have influences on the firm's performance if the needed marketing abilities are employed to gain a viable advantage (Qureshi, Aziz and Mian, 2017). The marketing capabilities are abilities that include the mixture of skills, knowledge and resources that allow the business to add value to its merchandise and be more competitive (Day, 1994). The negotiation skills are crucial in street vending and home-based enterprises "spaza

shops” because when customers do not have money to purchase the product they tend to make a deal with the manager that they will pay the next day (Loc and Moustier, 2016). The other marketing skill is that their prices are flexible as compared to small-enterprises. Micro-enterprises due to a lack of access to finance find it difficult to market their businesses such as advertising in newspapers, magazines and television (Cox and Nguyen, 2018).

## **2.4. Management approaches for Small and Micro-enterprises**

SMEs management is important for the study, providing information that answered the research question of “why some SMEs fail while others become successful”. The management approaches are as follows:

### **2.4.1. The strategic approach**

According to Du Toit, Erasmus and Strydom (2007), strategic approach is crucial in SMEs because it guides enterprises to be strategic in the economic and political changes that can affect their progress and guide enterprises to be conscious about customer’s preferences, whilst understanding their competitors and being more innovative (Du Toit, Erasmus and Strydom, 2007). The operational strategies are the techniques used in an enterprise to ensure that the business reaches its set goals or objectives (Mennens, Van Gils, Odekerken-Schröder and Letterie, 2018). The competitive strategies assist SMEs in terms of what to consider before opening an enterprise and how to come up with strategies to maximise their profits and overtake their competitors (Du Toit *et al.*, 2019). Management and marketing skills are crucial to the success of SMEs, as such abilities assist the businesses to be strategic and innovative to outsmart their competitors. Small-enterprises make more money than micro-enterprises and have different departments such as accounting, logistics and marketing. However, for them to be more strategic, they need to employ more people and offer them permanent and part-time employment. According to Omondi and Jagongo (2018), the government offers training and services to micro-enterprises to assist them in drafting their business strategies. The re-establishing strategy should be used to monitor the progress of a business to check whether the business is making a profit or a loss (Das Nair, 2019).



### **2.4.2. Relationship marketing management approach**

Based on the relationship, the marketing management approach has it that consumer preferences change and the enterprises need to adapt and understand their customers in preserving positive relationship (Liu, 2016). The relationship marketing approach encourages trust and communication between the business and customers. This is mostly because other enterprises start with selling quality products when they make a profit, then decline in their quality of products (Niedermeier, Wang and Zhang, 2016). In most developing countries, small-enterprises grow more as compared to micro-enterprises because they are formally registered and others have franchises all over the world and are already known (Liu, 2016). Then it becomes a challenge for micro-enterprises but by the continual deals, retention and attraction of their customers through innovation and fewer price products, they can play a huge role to ensure that businesses remain strengthened. Most people in African countries are poor while others are unemployed. The majority of people in rural areas and townships prefer to buy food or need services from micro-enterprises (Das, 2019).

### **2.4.3. Marketing-oriented management approach**

According to Baker (2014), marketing-oriented management focuses on the customers and their needs than the physical market-place of which includes the consumer market and resale market. Social marketing is when enterprise research to assess the targeted customers to ensure that the products provided are relevant to the customers (Pulka, Ramli and Bakar, 2018). The sales-orientation focuses on promoting products to attract more customers to the business. The management of SMEs in the 1950s began to recognise that to advertise their services and products is a technique to deliver information to many people (Johnson, 2015). The majority of small-enterprises such as commercial farming, supermarkets and internet café advertise their products on television, pamphlets and radio stations. While micro-enterprises such as street vending, home-based enterprises “spaza shops” and small-scale commercial farming advertise their goods through boards that are handwritten or painted. The challenge with micro-enterprises is that they do not have enough capital to advertise their products and services on national television although few rely on local radio stations whereas the majority rely on boards (Rahman, 2016). Lack of capital by micro-enterprise to advertise can depend on the selling marketing strategy

by using salespeople to verbally advertise the products (Kiyai, Namusonge and Jagongo, 2019). Micro-enterprises need assistance in the management because few are collapsing daily due to a lack of educational background and adequate skills required to run the business (Niedermeier *et al.*, 2018).

#### **2.4.4. Consumer-oriented management**

Based on the consumer-oriented management, customers should be at the centre of an enterprise since it is their target market and should ensure that they provide customers with quality products and services at a reasonable price (Peppers and Rogers, 2016). The management approaches assist managers to identify customers and understand their values or cultures. The customers of home-based enterprises “spaza shops” are community members around and their products include food and other variety of products (Gough and Kellet, 2001). A small enterprise such as an internet café makes more profit in areas where the majority of people are youth compared to areas dominated by people above forty-five years of age (Rambe and Mokgosi, 2016). Therefore, internet café managers need to scan the environment and identify their potential customers before opening an enterprise. Many SMEs fail while others struggle to be successful because of a lack of consumer-oriented management. SMEs require skilled people with managerial skills such as planning and organisation which is a challenge because most small-enterprises are poorly managed (Hatten, 2011). A successful business is all about dealing with challenges that might arise in the business, whilst being innovative in creating opportunities and corporate models that are functional and related to the transition of communities to suit their preference (Liu, 2016; França, Broman, Robèrt, Basile and Trygg, 2017). Commercial farms need to build a long-term relationship with supermarkets because they supply them with meat, fruits, vegetables and other products relating to farming. After all, that will lead to loyalty between two parties. The packaging of products in SMEs is important because that can build relationships and draw closer more customers who bring money to the business, encouraging the expansion of SMEs to create employment (Peppers and Rogers, 2016).

## **2.5. The Types and Quality of Employment Created in Rural Areas**

Employment creation is a process whereby people have access to income or wage that stimulate their spending on basic needs and wants (Muazu *et al.*, 2016). The quality of employment is the one to determines and increases the standard of living of the people because of the fair compensation based on their workload (Fatoki, 2014). SMEs employ people regardless of low or high wages as it is crucial for most people to have access to money that slightly improve their standard of living. Many different types of employment are briefly discussed below:

### **2.5.1. Permanent employment**

Permanent employment is when an individual's work is paid directly, including receiving employment benefits such as insurance, health care, sick leave, holidays and retirement benefits (Bohle, Quinlan, Kennedy and Williamson, 2004). Permanent employment ensures that employees' jobs are secured as they are also paid when they are on sick leave. Most people are employed permanently in the small-enterprises because they are registered enterprises such as franchises that have a greater turnover that is enough to keep employees. People often confuse SMEs, whilst small-enterprises are businesses that are formally registered and employ people permanently than micro-enterprises of which are informal and employ less than five people (Fatoki, 2014). Also, a successful retail store that is performing well financially can provide employees with permanent employment to keep skilled employees. The small-enterprises and micro-enterprises are different because the former is legally operated and employ more people permanently which is of good quality in terms of job security than the latter (Davidov and Eshet, 2015). Some micro-enterprises are registered and operate legally and tend to perform well in the markets whilst also providing employees with permanent posts. However, most micro-enterprises due to their legal status within the country and fewer profits fail to provide employees with permanent employment.

### **2.5.2. Part-time employment**

Part-time employment provides people with temporary employment to assist the company to achieve its objectives guided by the top management (Chen, Lai and Lai,

2016; Khosa and Kalitanyi, 2016). Most of the enterprises still struggle to provide people with permanent employment in the beginning but can provide part-time employment. Small-enterprises such as supermarkets and commercial farming play a positive role in creating part-time employment because unemployed people rather work in part-time employment unlike being unemployed. Part-time employees perform well because they desire to impress the employer and most people work in part-time jobs as they struggle to find permanent employment.

Part-time employment is an agreement between an employer and employee, whereby an employee agrees to perform duties in an enterprise for a specific period (Nieman, 2006).

### **2.5.3. Seasonal employment**

Seasonal employment and part-time employment do not differ much because an individual is employed for a certain season to perform responsibilities or tasks given by the employer (Raghunathan and Fields, 2014). Seasonal and part-time employment's qualities are good as they are both praised for their continuous training to employees which is empowerment. In commercial farming, labour can be employed temporarily to assist during the cultivating season and are equally remunerated by cash or in-kind (Poulsen, 2017). Seasonal employment in many countries has different laws but it is universal that seasonal employment is when a person is employed for a precise purpose and a particular season (Chen and Wang, 2015). When a person has been unemployed for many years, they tend to appreciate being employed seasonally in SMEs because that allows them to have access to income and increase their spending (Mellor and Malik, 2017).

### **2.5.4. Self-employment**

According to Mallett and Wapshott (2017), self-employment is when an enterprise is independently owned, it can either have the formal structure of management or not. Self-employment is when the owner manages the enterprise through decision making, allocation of duties, resources and providing finances to ensure the smooth operation of the business (Li and Rama, 2015). The poorest people in the world who are self-employed are forced by few opportunities in most developing countries making it hard for them to earn enough income to escape poverty (Desai and Rudra, 2016). There

are successful enterprises that are well managed and perform extremely outstanding in the market (Deshpande and Sharma, 2016). Due to the retrenchment of people by government departments and companies, others now opted to start their enterprises with pension funds from their previous employers (Mallett and Wapshott, 2017).

## **2.6. The Effects of SMEs on Employment Creation**

The SMEs have a positive effect on the country's economy because they reduce poverty, create employment and ensure that people have access to income and wage (Asare *et al.*, 2015). Most developing countries are affected by the high rate of illiteracy and unemployment which led to the deepening of people into poverty. Therefore, SMEs emerged to give poor, disadvantaged and uneducated people a chance to be employed as well as to gain skills, experience and opportunity to participate in the market (Masilela, Gerber and van de Merwe, 2016). Page and Soderbom (2015) argue that not all SMEs have the ability to create employment because they pay lower wages mostly in developing countries, including South Africa. Furthermore, that is an indication that SMEs have the potential to create employment and reduce poverty but a lack of financial support limit their growth. The problem with governments in most countries is that they struggle to provide people with employment. As a result, this increases unemployment and people end up looking for employment in SMEs to gain wages and avert poverty (Rose-Ackerman and Palifka, 2016). The challenges with local businesses are that they do not support one another. This is one of the major reasons why they do not grow and create employment. If they were to support one another in their regions, they could expand exponentially (Masilela *et al.*, 2016).

The SMEs are major contributors to employment creation and increase the country's GDP (Walters and Manamela, 2016; Chatterjee and Das, 2016). That is an indication of the effects of SMEs, but it remains a major concern for old SMEs that experience a host of struggles (Masilela *et al.*, 2016). Most countries established funding organisations to assist SMEs to grow but the focus is on enterprises in urban areas rather than balancing both enterprises in urban and rural areas (Machaka, 2012; Mallett and Wapshott, 2017). Most SMEs owners in rural areas are not aware of the government agencies that can assist them financially while others are rejected. Poverty and rampant unemployment affect many countries mostly in rural areas. Equally, the focus should be to strengthen SMEs in both rural and urban areas to

ensure that people have access to income and meet their own needs (Asare *et al.*, 2015; Fanconi and Scheurle, 2017). The countries affected by rampant unemployment and poverty should improve their effective role in supporting SMEs, especially in both rural and urban areas to create employment and improve their countries' economic status (Page and Soderbom, 2015).

## **2.7. Conclusion**

The chapter provided a literature review on SMEs regarding employment creation. Based on the literature review, SMEs are performing well in creating employment for the people. However, the enterprises are confronting a host of challenges that suppress expansion ambitions and the prospects of creating more employment and improving their countries' economic statuses. The chapter further explained the strategic management approaches that could be applied to assist SMEs. The following chapter provides the international experiences on the effects of SMEs on employment creation.

## CHAPTER 3

### INTERNATIONAL EXPERIENCES ON SMALL AND MICRO-ENTERPRISES (SMEs) ON EMPLOYMENT CREATION

#### 3.1. Introduction

Globally, SMEs are regarded as solutions to reduce poverty and unemployment in both developed and developing countries through employment creation (Asare, Akuffobe, Quaye and Atta-Antwi, 2015; Toluyemi, Sanni and Toluyemi, 2016). Page and Sodernbom (2015) argue that even though small-enterprises contribute towards employment creation and reduce poverty, the challenge remains the lower wages being insufficient to uplift people out of the poverty cycle. In African countries that are affected by a high rate of illiteracy, poverty and unemployment, oftentimes people without tertiary, college or secondary qualifications begin to look for employment in SMEs regarded as an aid for employment. Employment is thought to be important for persons' livelihood because it increases financial security and promotes higher living standards, which stimulate economic activity (Park, Chan and Williams, 2015). If people have access to an income, they then become financially secure to meet their own needs without relying on the government for financial assistance. SMEs are regarded as an aid to economically disadvantaged people. This is because they independently engage in economic activities to help people gain wages or income to meet their needs and wants.

SMEs in the past were seen as a tool to create employment only for the poor family household to have access to income. However, in the contemporary period, they are now seen as a major employment creation in South Africa in both rural and urban areas (Mauzu, Bala and Hassan, 2016). Some entrepreneurs start SMEs and experience challenges that can limit them to make money and create more employment, while other entrepreneurs' businesses rise to international prominence (Carson, Carson and Eimermann, 2018). The above statement indicates that SMEs have the potential to grow and employ a multitude of people through effective support from government financial institutions.

This chapter consists of six sections. Section one is an introduction that provides the literature of SMEs at an international level. Section two provides international experience regarding the different types, characteristics, and challenges of SMEs. Section three provides different management approaches for SMEs. The management approaches can have similar names, however, each approach has different content based on the country. Section four describes the types and quality of employment created in rural areas. Section five provides data regarding the effects of SMEs on employment creation. Section six provides a conclusion on how SMEs operate in different countries.

### **3.2. The Types, Characteristics and Challenges of Small and Micro-Enterprises on a Global scale**

There are many different types of SMEs such as retail, trade and service that exist in both rural and urban areas. SMEs' characteristics differ from country to country, according to the total turn-over and number of employees. SMEs have many different challenges but continue to alleviate poverty through employment creation (Khaleel, Al-shami, Majid and Adel, 2017). The following sub-section focuses on the types, characteristics and challenges of SMEs, to understand their effects on employment creation.

#### **3.2.1. The types of Small-enterprises: Reflections from Developing and Developed Countries**

This section identifies the different types of small enterprises that create employment for people. Furthermore, the success of an enterprise depends on its kind, location, and financial stability. Therefore, in this section, the different types of small enterprises are discussed together with the kinds of employment they create. Many different types of small enterprises are essential but the study has adopted certain types to suit the study area.

- *Commercial Farming*

Commercial farming occurs when a farm is set for the sole purpose of producing crops and raising animals, and sell them to make a profit (Khan, 2014). Commercial farming



creates seasonal employment by employing a lot of people for a certain period. They receive wages or food in kind from employers, which improves people's access to food and spending. Recently, commercial farming in Ethiopia has been relying on the production of small-scale farming that produced less than 5% of the total agricultural production in the whole country (Central Statistical Agency, 2010). However, the Ethiopian country saw a need to focus also on commercial farming since they produce more and employ a large proportion of people. The government should realise the potential of small-enterprises in the commercial farming field, support them financially and increase agricultural yields because they can reduce unemployment (Poulsen, 2017). In many parts of sub-Saharan Africa, commercial farming leads to food availability as in most areas, transport is expensive and it then becomes difficult to access food through trade (Conceicao *et al.*, 2016). In both low- and middle-income countries, the rapid growth of commercial farming absorbs people who are effectively looking for a job and allows them to gain access to income to uplift them out of the poverty cycle (Mellor and Malik, 2017).

Commercial farming is the type of enterprises that produce products at the farm and sell them to retail stores or wholesalers and supermarkets. For small-enterprises to grow more and create employment, local enterprises must support each other within their environs. For example, commercial farming promotes local economic linkages by supplying local enterprises for money to circulate within the community (Hall, Scoones and Tsikata, 2016). Due to the growing population of people across the globe, more food should be produced. However, lack of access to finance by the new commercial farmers can hinder their maximum participation and penetration into the market (Mellor and Malik, 2017). It is not easy for commercial farmers to supply supermarkets because they have their procurement inspectors to check their products for quality and if they are not of quality, inspectors end up not signing a contract with commercial farmers. Leading to a farm to produce less of which means few employees' wages may be affected.

In the global South, investment in commercial farming has been increasing over the previous two decades, to meet the high demand for food due to increasing consumption by people (HLPE, 2011). Even though investment in commercial farming may exacerbate the challenges for small-scale farmers since others collapse and increase poverty, few people become food insecure and unemployed (Boraas and

Franco, 2012). Commercial farming is equally receiving investment from government and private sectors that should also apply to small-scale farming because they employ the majority of people in rural areas. Land as a productive resource has not been used for crop production but is crucial for income generation as people practise different livelihoods, especially the off-farm employment opportunities for people (Diao, Hazell, and Thurlow, 2010; Haggblade, Hazell, and Reardon, 2010; Boraas and Franco, 2012).

- *Supermarket*

Supermarkets do not discriminate in terms of hiring people. They create employment and hire people without primary and secondary education to do certain tasks and employ people with tertiary qualifications (Das Nair, 2019). Supermarkets provide people with permanent and part-time employment, meaning employees gain income to improve their standard of living and meet their needs and wants. Supermarkets sell processed fresh fruits, vegetables and other high-quality products than expensive products sold at traditional markets (Ochieng *et al.*, 2017). That is why supermarkets are more expensive than micro-enterprises such as street vending because they spend a lot of money on buying their goods and have to pay a large number of employees (Battersby and Haysom, 2019). Supermarkets have many departments. In the stocktaking, they have to employ staff to package the goods to shelves and it also requires accounting skills for goods procurement purposes. Therefore, it gives people a chance to gain skills, experience and knowledge (Beneke, 2010). Commercial farmers also employ many people to produce more fruits, vegetables and other products and supply many different supermarkets. The procurement officers in supermarkets often visit farms that provide them with goods to check how activities and goods are handled as part of their quality control exercise (Franckle, Moran, Hou, Blue, Greene, Thorndike, Polacsek and Rimm, 2017). Supermarkets in Kenya stock different varieties of food in bulk and products that are non-food and employ between 1 to 49 employees to manage the business, meaning that they can create employment (Rischke, Kimenju, Klasen and Qaim, 2015).

Some supermarkets are franchises playing a major role in the Dutch supermarket channel, whereby they employ local people and provide them with permanent, part-time and seasonal employment (De Waal and Sloot, 2017). Even though

supermarkets provide employment, they should be supported in terms of their performance and quality of their packaging, processing and supply chain channels. The business aims to make a profit but they also play a role in ensuring that their products have good quality, well stored and sold at fair prices (Nieman, 2006). In the Swedish supermarkets, the investigation was conducted whereby most women were found to be working in the front-stage space and being tellers but were excluded from performing other tasks in the store as compared to men (Johansson and Lundgren, 2015). There is an unfair treatment between men and women in supermarkets, they employ more women than men while both men and women need employment to have access to income and improve their standard of living (Charman *et al.*, 2017).

- *Internet Café*

Internet café is perceived as one of the types of small-enterprises that helps in the fight against poverty and unemployment for local people by creating part-time employment, and empowering students who studied Information Technology (IT) (Slater and Kwami, 2005). Internet café is well known as affordable and allows individuals to engage in small-enterprises and promotes access to the internet for effective communication (Bishop, 2014). Many young people who are unemployed due to illiteracy resort to establishing an internet café as it plays a positive role that allows them to use computers to do online short courses to increase their knowledge (Walsham, 2010). Many young people in developing countries resort to doing online short courses since they have free time. Internet café allows them to study online to keep busy (Walsham, 2010). Internet cafés have challenges such as lack of access to finance because they require money to pay employees, bills such as electricity, rent, repairs of computers as well as paying for internet access (Kristiansen Furuholt and Wahid, 2003). Internet café at the management side requires technological skills, knowledge, experience and educational background to oversee the operation and ensure that the cafe runs smoothly, make a profit and creates more employment (Cant and Rabie, 2018).

Even though internet café creates employment, in Saudi Arabia, few people buy products online and this led to the downfall of a few internet cafés (Alshehri and Meziane, 2017). Internet cafés in developed countries create less employment in urban areas but rural areas, as they are valuable to rural areas dwellers who are not

close to job opportunities. Most people in developing countries, precisely in townships and rural areas, are still underdeveloped and live in poverty, unemployment and most are illiterate but can access the internet for vital information (Uys and Pather, 2016). Whilst some businesses do not perform well, internet café can play a positive role for emerging entrepreneurs. Emerging entrepreneurs can use the internet to find information regarding the management approaches and to figure out their target market (Nieman, 2006). Many people initiate enterprises without understanding their target population, while other people do not know that the location of businesses is crucial. The high unemployment that recedes in many countries results in many young people going to internet cafés to search for new business ideas that help them to be innovative. In Indonesia, internet cafés have been praised because of their reasonable prices for access to the internet in a comfortable environment whereby people can share knowledge, ideas and experience in businesses (Kristiansen *et al.*, 2003).

### **3.2.2. Characteristics of small-enterprises**

There are many characteristics of small enterprises that play a critical role in differentiating them from micro and medium enterprises. The following section focuses on a few characteristics that are important for the study. The study discusses the characteristics from a perspective of scholars and readers' understanding of the difference between small- and micro-enterprises.

- *Number of Employees*

Employment is when two parties (an employer and an employee) negotiate and reach an agreement depending on the skills of the employee that can be offered to the company and be paid for the work and/or service rendered (Frey and Osborne, 2017). Most people confuse small-enterprises with micro-enterprises - small-enterprises employ people between 1 to 49 employees (Du Toit, Erasmus and Strydom, 2007; Ayandibu and Houghton, 2017). Small-enterprises such as supermarkets, internet café and commercial farming are large enterprises that employ a lot of people with different skills and knowledge. It is not easy to run small-enterprises because of different departments such as marketing, finance, strategic management, and management. All those departments employ people to work and that is an indication that small-enterprises create employment.

The number of employees in small-enterprises differs from countries. In Ghana, small-enterprises employ between 6 to 29 employees, Kenya is 10 to 50, and Europe is less than 50 employees (Du Toit *et al.*, 2007; Asare *et al.*, 2015; Ayandibu and Houghton, 2017). In the US, small-enterprises employ less than 100 employees of which differ from South Africa, whereby they employ less than 49 people (Du Toit *et al.*, 2007; Jansson, Nilsson, Modig and Hed Vall, 2017). That does not mean all small-enterprises employ an estimated number of 50 people but other small-enterprises can employ 30 people to run the business. Due to the number of people employed in small-enterprises, it is apparent that they create employment as they need more people that are competitive and assist the business to perform well financially. In Sweden, managerial competence affects the growth of enterprises; hence, small-enterprises need to hire skilled labour (Jansson, 2017).

Small-enterprises in the Netherlands show a greater employment creation as they employ between ten (10) to hundred (100) people (De Wit and Kok, 2014). According to Neumark and Zhang (2011), small-enterprises employ a large number of people in the US; therefore, that has led the government to enforce policies that support them. Commercial farming also requires a lot of manpower and equipment for the effective and sufficient production of food. Large internet cafés do not employ less than two (2) people but ore human resources to operate and manage the business (LeBlanc and Shrum, 2017).

- *Profit Margin*

Small-enterprises should have financial statements that predict future profitability and determine a company's value to identify the management earnings (Jansen and Yohn, 2012). Profit margins differ by countries and small-enterprises in terms of profit - Ghana has a turnover that does not exceed R1 million (Asare *et al.*, 2015). Other businesses operate daily while others operate seasonally such as agricultural businesses. The agricultural business has the time to plant and the time to cultivate and optimise profits when they reap their food and sell them to supermarkets and other small local shops (Assan, 2014). Nonetheless, commercial farming during the time of planting seeds does not make money because they are not selling their products but waiting for a specific season to plant. Other businesses such as supermarkets and internet café render services to customers daily and make more profit. Small-

enterprises employ many people but their wages might be a little bit low due to the owner who has to pay for all the expenses and tax because of the nature of their formality as they are registered enterprises. According to the National Council of Industries (NCI, 2002), small-enterprises have a turn-over between one and half million and fifty million Naira (Adisa, Abdulraheem and Mordi, 2014).

- *Ownership and taxes*

According to Page and Sodernbom (2015), small-enterprises are businesses that are branded, absorb many workers, formally registered and pay tax according to their profit. This implies that small-enterprises cannot operate without being registered because they make more profit of over R1 million (Asare *et al.*, 2015; Diaz-Chao, Ficapal-Cusi and Torrent-Sellens, 2016). Due to the large amount of profit that small-enterprises are making, this puts them in the spotlight to pay tax and be formally registered. Under the circumstance where they operate illegally, then they can be closed or the government takes measures against that business (Charman, Petersen, Piper, Liedeman and Legg, 2017). In terms of ownership, small-enterprises can be sole proprietorships, partnerships or close corporations. Sole proprietorship refers to the business that is managed and owned by an individual. The sole proprietorship is mostly used in micro-enterprises and the founder is responsible for managing the daily operations of the business (Du Toit *et al.*, 2007). The sole proprietorship for a small-enterprise is a risk because should the business accrue debts or fail, the manager may lose the business and personal assets.

### **3.2.3. Challenges of Small-enterprises in Nigeria**

The following section provides challenges encountered by small-enterprises in Nigeria. All enterprises confront a set of unique challenges and some are common mostly in developing countries. The challenges experienced by Nigeria are as follows:

- *Lack of Adequate Funding*

Lack of access to finance is a challenge that limits many small-enterprises that have the potential to expand (Charman *et al.*, 2017). Small-enterprises are emerging in countries but yet numerous challenges are proving to be setbacks for small-enterprises to access funds from financial institutions (Asare *et al.*, 2015). The issue

with funding small businesses in Nigeria is twofold: (a) the problem of securing adequate funds to start-up the business and (b) lack of funding to sustain and upgrade small businesses (Adisa, Abdulraheem and Mordi, 2014). Nigerian entrepreneurs' lack of access to finance has barricaded the progress of the economy as enterprises are the driving force of the economy. It can be easy for entrepreneurs to start a business if they are provided with funding. But it is still a challenge to sustain the business that may require more funds for day-to-day operations. There are a lot of people with brilliant business ideas but due to a lack of networking and political connections, they are unable to establish new businesses that shall create employment. In Nigeria, the problem also lies with the financial institutions whereby priority is given to enterprises in urban areas than those in rural areas (Cox and Nguyen, 2018; Jacob and Innocent, 2019). Financial institutions tend to provide funds to existing businesses with the potential to expand and overlook start-up small-enterprises (Yusi and Idris, 2016). The financial scheme such as Entrepreneurial Development Programmes (EDP) in Nigeria has targeted entrepreneurs. But the financial institutions introduced by the Nigerian government channelled to assist SMEs have yielded very little or no result (Organisation for Economic Co-operation and Development, 2009). Furthermore, Lappalainen and Niskanen (2013) have observed that bank loans in Nigeria are the major source of funds for entrepreneurs. Without enough capital or loan, it can lead enterprises to discontinue and affect the employment status of the country.

- *Lack of Crucial Infrastructural Facilities*

Lack of infrastructure can limit small-enterprises to operate effectively. Therefore, developed countries have infrastructure that leads small-enterprises to perform well (Fishman and Khanna, 2004). Infrastructure facilities are critical for economic development because they interact with the economy through the production processes. Meaning that changes in the quality of infrastructure available for production greatly impact the production and performance of a business' levels of output, income, profits and employment creation in the economy (Obokoh and Goldman, 2016). There is a link between small-enterprises and infrastructure facilities. The inadequate provision of infrastructural facilities is part of the reasons for the poor performance of small-enterprises in Nigeria (Azémar and Desbordes 2009; Dupasquier and Osakwe 2006; Adisa *et al.*, 2014; World Bank, 2014). Lack of infrastructural facilities such as water, road network, incessant electricity, waste

disposal facilities, sewers, and many more infrastructural facilities that are crucial to assist business operations and the community may hinder economic growth (Akabueze, 2002; Okpara, 2007). Small-enterprises in Nigeria resort to self-provision of which the businesses may not be able to internalise into its pricing structure (Obokoh and Goldman, 2016; Jacob and Innocent, 2019).

Small-enterprises in Nigeria depend on generators to cope with continuous electricity demand. Equally, an internet café as a small-enterprise requires reliable electricity for operation for growth. Interrupted power may lead to many people losing employment in the end. Many entrepreneurs have the eagerness to expand their enterprises but lack access to essential infrastructural facilities, and they then become discouraged to risk their money and resources (Boter and Lundstrom, 2005). The infrastructural facilities are expected to improve the growth of small businesses in the process of developing the disadvantaged areas. Over the years, inadequate or lack of infrastructural facilities has been identified as one of the major challenges facing small businesses in Nigeria, an occurrence that continues to hinder the growth of Nigeria's economy at the desired pace (Oraka, 2013).

- *Lack of Management Skills*

Small-enterprises are not easy to manage because they require management skills such as planning, organising and controlling (Hatten, 2011). Small-enterprises require management skills for a business to operate well and succeed. The challenge of small-enterprises is the unskilled stakeholders or owners who do not have the necessary skills to run the business and might force to manage the business unprogressively and that can collapse the business (Spence *et al.*, 2018). Stakeholders might have different skills and qualifications but due to conflict of different interests, members can decide to employ someone who is not part of the stakeholders to manage the business. The human resources element is vital in small-enterprises since for an enterprise to perform well requires skilled people with financial management, marketing, financial analysis and business management educational background and skills (Jansson, Nilsson, Modig and Hed Vall, 2017). Most of the small-enterprises do not market themselves, unlike commercial farmers, internet café and supermarkets that are trying to reach out to customers by informing them about their products and services. Education can assist by educating one to acquire management skills, which is one of



the major tools that ensure that the business operates effectively by highly educated managers. The majority of the business owners in Nigeria have formal education while those in micro-enterprises have less education (dropped out earlier) (Obokoh and Goldman, 2016).

Even though there are people in the business industry that do not have formal education, few businesses have been collapsing while others have struggled to hold onto their successes. Carson and Gilmore (2000) argue that the vital factors regarding the success of small-enterprises depend on the educational qualifications, experience and the labour force that is skilled in their specialisation field. The products of commercial farmers should also be checked in terms of quality and ensure that they are delivered on time to the suppliers, and this is regarded as good management practice (Conceicao *et al.*, 2016). Internet cafés also need to ensure that their computers and software are always up to date for customers to be satisfied with the services. In Nigeria, there is also a high level of illiteracy with certain individuals lacking the skills to perform specialised duties (Jansson *et al.*, 2017). In addition, the problem with most enterprises is favouritism where managers employ family members or friends who might not have the knowledge, formal education, experience and conceptual skills for the job (Nieman, 2006). Lack of conceptual skills by the manager and employees can negatively affect the business' expansion because the manager has to have a vision and guide the attainment of the mission and business objectives (Kadriu *et al.*, 2018). Supermarkets have many departments and the manager has to have the management skills to be vigilant in overseeing all departments and ensure that objectives are met and improvements are made where necessary (Mankgele and Fatoki, 2018). Most managers in Nigeria fail in business because they are not innovative in terms of marketing and packaging, which makes them less competitive in the market (Aluko and Okuwa, 2018).

#### **3.2.4. Types of Micro-enterprises in China**

The capabilities of the large- and medium-sized enterprises are well understood and focused but little research has been done on the micro-enterprise, mostly regarding their types and the unemployment they reduce in rural and urban areas (Khan, 2017). The following sub-sections discuss the types of micro-enterprises in China.

- *Street Vending*

In China, there are several categories of labourers, including farmers, wage workers, unemployed and micro-enterprises entrepreneurs partaking in street vending with different motivations, but with the common goal to improve their livelihood (Adom and Williams, 2014). Street vending is a kind of business that is easy and cheap to start. Therefore, the manager can initiate this business and employ people on a part-time basis to run the business and get paid. In China, street vending even though creates employment people tend to work for long hours without being paid enough money (Jensen, Liu and Schøtt, 2017). Hassan, Islam, Salauddin, Zafor, Scott and Alam (2017) argue that food vending allows people to buy food at an affordable price although the challenge is regarding the bacteria counts in food. Meaning the government needs to intervene in assisting them financially to afford quality food and be located in a healthy environment. Street vending has challenges that lead the vendors to operate with fear especially in urban areas as there are some restrictions attached. In China, the government has adopted an exclusionary policy for street vendors in creating an attractive investment climate (Xue and Huang, 2015). Xue and Huang (2015) further state that China's policy for street vendors has increased economic activities but has resulted in violence due to high competition.

- *Home-based Enterprise*

Home-based enterprises are a critical means of livelihood for a large proportion of the households in these settlements, and any upgrading intervention has the potential to affect their viability. In China, home-based enterprises create employment for local people even though they encounter challenges such as lack of finance, management skills, shortage of capital and lack of experience in financial planning (Luo, Zhang and Zhou, 2018; Modarresi *et al.*, 2017). The establishment of home-based enterprises has improved poor people's access to employment and tend to be non-polluting (Al-Dajani and Marlow, 2010). Home-based enterprises employ the local people who reside in nearby areas and mostly do not travel to work by transport. The expansion of home-based enterprises such as street vending, kiosks, shops, barbershops, saloon, and small-scale agricultural farming creates employment opportunities. In China, for entrepreneurs to use their homes for business purposes, there are procedures to be followed. According to Jiang (2015), when a person is making a

residential house into a house for operating a business, the owner must observe laws and regulations. In 2002, the government of China enacted the *Law of the People's Republic of China* (PRC) on the Promotion of Small and Medium-Sized Enterprises (Jiang, 2015). The government of China took into consideration that the restrictions on home-based enterprises could limit their operation.

- *Small-scale Agricultural Farming*

Small-scale agricultural farming is encouraged by the government of China. China has stressed the need to take action to overcome the perceived inefficient, small-scale and subsistence smallholder economy that rejects the market economy, even though without specialised labour and a low level of technology (Gong, Battese and Villano, 2019). In China, small-scale agricultural farming is important because that is where street vendors and other enterprises purchase products such as fruits, vegetables and meat. Small-scale agricultural farmers sell their products at a lower price as compared to commercial farmers because they deal with a lot of clients. Local businesses should support each other locally than to rely on external producers whose products are expensive, making it hard for poor people to afford products (Abor and Quartey, 2010). As much as they create seasonal and part-time employment, they also experience challenges that affect their profit and growth such as access to financial assistance, access to markets and lack of marketing skills (Abor and Quartey, 2010). The government of China should increase investment in agricultural production, promote farming education in rural areas and train more village cadres (Gong *et al.*, 2019). The micro-enterprises also need to market themselves and approach small-enterprises and be their suppliers despite the existing assistance from the government.

### **3.2.5. Characteristics of Micro-enterprises in Ghana**

The following section emphasises the characteristics of micro-enterprises in Ghana. There are similar characteristics in terms of ownership, taxes, the number of employees and the profit margin in the following sub-sections.

- *Ownership and Taxes*

Micro-enterprises are informal, unregistered enterprises with the potential to create jobs and give people access to wage and meet their own needs (Ahiawodzi and

Adade, 2012; Ishengoma and Lokina, 2017). The sole proprietor is one of the forms of business that is preferred by people who want to establish enterprises and manage them by themselves. As an advantage, such requires less capital (Abor and Biekpe, 2007). There are many different forms of enterprises such as sole proprietorship, partnership, close corporation and the company. Even though different forms of business exist, micro-enterprises in terms of ownership prefer sole proprietorship whereby the owner makes decisions and manage the business on their own or hire someone to do the job (Nieman, 2006). The partnership as one of the forms of business does not differ much from sole proprietorship but needs at least two people who own and can run the business (Astrachan and Shanker, 2003).

Other people prefer partnership because partners have to contribute money, skills, time and labour so that the business can grow well and employ local people (Diaz-Chao *et al.*, 2016). Even though micro-enterprises owners prefer sole proprietorship and partnership, there are risks involved especially in the sole proprietorship should the owner pass on whilst in partnership. This may lead the business to collapse and people becoming unemployed (Du Toit *et al.*, 2010). Most people in rural areas engage in micro-enterprises because they are easier to manage, are cheap or inexpensive to establish. Micro-enterprises in Ghana help to address the core challenges faced by the country through employment creation and stimulating the economic growth in lowered areas (Ahiawodzi and Adade, 2012; Charman *et al.*, 2017). Due to the high rate of poverty that exists in both developed and developing countries, mostly in rural areas, people find themselves with no options but to look for employment in the micro-enterprise instead of being idle in abject poverty (Abor and Quartey, 2010).

- *Number of Employees*

Micro-enterprises in Ghana employ less than five (5) people because they are easy to run and do not require many employees unlike small-enterprises (Mensah, Fobih and Adom, 2019). The owner cannot run an enterprise alone but need assistance. Meaning the owner shall have to employ a few people to help run the business. There are arguments in terms of the sustainability of micro-enterprises and the number of employees they employ as not enough (Diaz-Chao *et al.*, 2016). Scholars such as Muazu, Bala and Hassan (2016) argue that despite the critics of the effects of micro-enterprises towards employment creation, they employ few people who get wages that

contribute towards their improved standard of living and feed their families. Most people who are unemployed and poor actively look for employment and when coming to remuneration, they accept any amount that secures their basic needs and wants (Rungani and Potgieter, 2018). Even people who have educational qualifications and are unemployed, tend to look for employment in micro-enterprises or start their own business (Roever, 2016). Meaning that it is also a challenge because micro-enterprises employ few people and most of them are family-owned, whereby they sell their products in their communities and make a profit (Astrachan and Shanker, 2003).

### **3.2.6. Challenges of Micro-enterprises**

Micro-enterprises' challenges are worse than small-enterprises because they are not formally registered businesses. It is a tussle for micro-enterprises to receive finance since they do not pay tax, but studies reveal that they create employment. The following sub-section focuses on the challenges that these businesses face.

- *Lack of Access to Markets*

If micro-enterprises can have access to the market, then they can be assured to get mentorship and financial assistance at the early stages (Rahman, 2016). This implies that the failure of micro-enterprises to access the markets end up threatening their sustainability. The market-related problems that affect SMEs include issues such as marketing locality, lack of knowledge of the market, product demand and competition which are associated with the industry in which the enterprise operates (Dockel and Ligthelm, 2002). In terms of market problems, the micro-enterprises are the most affected because they do not have enough money and the skills to market their enterprises. Many micro-enterprises are sole proprietorship where the founder is responsible for all expenses of the business. In Nairobi, other micro-enterprises struggle to compete in the market because they are not formally registered and are not well-known as compared to small-enterprises (Gure and Karungu, 2018).

In India, there are many micro-enterprises with a challenge of competition from Chinese enterprises as the latter are selling their products at lower prices (Chatterjee and Das, 2016). Many people working in townships, who cannot afford to buy food from expensive restaurants, tend to buy food from street vendors at less price (Hassan *et al.*, 2017). Street vending quickly penetrates the market as compared to home-

based enterprises. Due to government regulations, micro-enterprises such as street vending in urban areas and near malls are not approved (Spence, Frynas, Muthuri and Navare, 2018).

- *Lack of Access to Finance*

Lack of access to finance by micro-enterprises is a global crisis (Chinomona and Maziriri, 2015; Du Toit, 2018). Micro-enterprises have problems with cash-flow as they compete with small-enterprises that offer quality products and provide better services (Arvis, Duval, Shepherd, Utoktham and Raj, 2016). The competition results in people opting for small-enterprises to buy food or goods while the poor who cannot afford food or products from small-enterprises settle for micro-enterprises. Street vending is likely to receive help from the government in urban areas, by providing them with infrastructural facilities to sell their products mainly food and other necessities (Von Holy and Makhoane, 2006). Home-based enterprises “spaza shops” are unlikely to receive financial assistance from the government because most of them operate at their yards (Gough and Kellet, 2001; Al-Dajani and Marlow, 2010). Small-scale agricultural farming is a business that requires more technological machinery to produce in terms of agriculture. Due to the lack of rain in most African countries, a few small-scale agricultural farming entities have collapsed while large commercial farmers thrive as they have irrigation systems (Ngcoya and Kumarakulasingam, 2017). The small-scale agriculture farmers in rural areas also have the challenge of gaining access to finance and other agricultural equipment of production (McDonagh, Farrell and Conway, 2017). The major problem that might hinder micro-enterprises owners is the lack of proper information regarding the right channels of how and where to receive business assistance. The other challenge relates to many financial institutions that are not willing to assist micro-enterprises at the beginning but have a tendency of wanting to assist them when they begin to perform well (Chowdhury and Alam, 2017). Most of the micro-enterprises owners are illiterate and incapable of drafting proposals for financial assistance. Hence, financial institutions consider micro-enterprises proposals as unrealistic without sustainability prospects (Abor and Quartey, 2010).

- *Lack of Marketing Skills*

Innovation in micro-enterprises is important because most people in the same area sell the same products and realise lesser profits as a result (Nieman, 2006). Innovation

can play a positive role in improving micro-enterprises, their operation and the quality of their products to satisfy their customers (Galuk, Zen, Bittencourt, Mattos and Menezes, 2016). For micro-enterprises to grow, they require a skilled workforce who can invent and strategies on how to improve their businesses' competitive edge. Most micro-enterprises in the world do not expand due to a lack of marketing skills (Al-Dajani and Marlow, 2010). According to Ndungo and Rucha (2017), the lack of marketing skills by micro-enterprises is persistent. Most micro-enterprises owners need to build and maintain relations with their customers to build clientele loyalty (Chaudhry, Harthy, Shibli, Sultan and Maurice, 2017).

### **3.3. Management Approaches for Small and Micro-Enterprises on the Global**

#### **Context**

The management approaches for SMEs are important, they assist the business owners on how to manage their enterprises. Many enterprises have collapsed while others are on the same verge of collapse due to a lack of management skills. This section emphasises the management approaches as follows:

#### **3.3.1. The strategic approach**

The strategic approach is crucial in SMEs because it enlightens the business owners to identify the environmental changes such as technological innovation, economic influence, political factors, changing consumer preference, demographic aspects and increasing competition (Du Toit, Erasmus and Strydom, 2010). The operational strategies can be used in the business to assist entrepreneurs to be strategic if they want their enterprises to grow. Micro-enterprises in countries such as Zimbabwe have fewer agricultural production and average quality products, making it difficult for them to compete with small-enterprises in the market (Lunduka, Mateva, Magorokosho and Manjeru, 2019). Most micro-enterprises that engage in agricultural production can be strategic and use cutting-edge machines to maximise production than heavily depending on human labour (Conceicao *et al.*, 2016). If small-enterprises use agricultural machinery, they should be able to produce more, meaning more profit and increased expansion potential. As a result, they will create more permanent, temporary

and seasonal employment opportunities and supply local shops with produce (Tibesigwa and Visser, 2015).

SMEs have existed for many years but have not been changing or expanding in such a way that they employ more than 10 people per year. This is because the majority of them lack strategic management skills or knowledge (Masilela *et al.*, 2016). The competitive strategies should be used for an enterprise to be successful; the owner or manager needs to realise the challenges and opportunities related to society's transition towards sustainability. For example, being able to innovate, design and build business models that are useful (França, Broman, Robèrt, Basile and Trygg, 2017). Other micro-enterprises owners just open an enterprise without understanding the people in the area or what their needs are. In China, most micro-enterprises struggle to be successful like street vending and home-based enterprises “spaza shops” because they sell the same products at the same place and price (Munoz, 2017).

### **3.3.2. Relationship marketing management approach**

Customers cannot prefer the same products forever. That is why business managers need to understand their environment and their customers to retain their clientele (Liu, 2016). For a business to survive in the changing environment, marketing management is needed to establish long-term relationships with people and institutions in the environment in which the marketing task was to be performed (Du Toit, Erasmus and Strydom, 2010). Other factors that affect small- and micro-enterprises are due to competition and continual deals that can be made to ensure that enterprises attract customers. However, if SMEs improve their communication skills, they can build a good relationship with their customers and improve their quality of products to satisfy customers and then their business can then grow (Farrington *et al.*, 2018). In China, the relationship between an enterprise and the customers is important, especially for micro-enterprises because other customers can take products and pay later (Zhang and Zheng, 2017). In small-enterprises, the customer cannot negotiate the prices with the manager when they do not afford certain products; however, in home-based enterprises “spaza shops” it is easy to negotiate with the manager. SMEs should not just sell new products but the retention focus should be applied by ensuring that new products in the market are promoted and educate customers about products (Ogbari, Ibadunni, Ogunnaike, Olokundun and Amaihian, 2018).



### **3.3.3. Marketing-oriented management**

Marketing-oriented management is all about informing customers about sales, prices of products, services and the quality of the products need to be considered (Du Toit, Erasmus and Strydom, 2010). There have been many debates around the quality of goods offered by micro-enterprises. While Harris, McAdam and Reid (2016) state that even though the quality is important, they become more expensive to poor people that is why medium- and small-enterprises grow in urban areas because the majority of the people are working well, earning higher wages and can afford quality products. The question that remains unanswered is: are micro-enterprises supposed to be closed due to poor packaging as compared to small-enterprises and, if that is the case, what will happen to the employees? The SMEs need to improve their packaging to attract more customers, expand and create more employment in their communities (De Beer and Armstrong, 2015). According to Pulka, Ramli and Bakar (2018), as much as the packaging is crucial in micro-enterprises, the selling marketing approach can be used by employees to pursue customers to purchase the products sold. Most of the micro-enterprises owners in Canada do not strengthen their social marketing, rather entrepreneurs use the profits for personal gain instead of expanding the business. This results in their businesses remaining at the same level for long without enough marketing initiatives (Paoloni and Dumay, 2015).

### **3.3.4. Consumer-oriented management**

The enterprise should promote consumer engagement to prioritise customers by providing them with the kind of service and products they demand or wish to have (Peppers and Rogers, 2016). If customers are not satisfied with the quality of the products, they can go and look for better products in other shops. Equally, if customers are satisfied with the products sold, then they become regular buyers, and the business shall then grow and create more employment (Fatoki, 2014). In terms of managing the business, managers need to understand what their customers demand. For example, if in an area people stay far from shops where they can buy basic goods, then that is a good strategy or location for home-based enterprises “spaza shops”. Scholars such as Rahman (2016), Chatterjee and Das (2016) believe that consumer preference changes and that there is no need to sell products that the customers do not demand. Micro-enterprises in towns and urban areas in China, Ghana, Vietnam

and England are doing great when it comes to consumer-oriented management because the street vendors sell food for morning and lunch breaks (Turner and Oswin, 2015; Flock and Breitung, 2016; Khan, 2017; Fernandes, Folson, Aurino and Gelli, 2017). Most enterprises fail due to a lack of identification segment of customers and the targeted customers should be identified for the business to build a strong relationship with its customers through communication and continual deals (Rambe *et al.*, 2016).

### **3.4. The Different Types and Quality of Employment Created in Rural Areas**

Over the years, countries have been experiencing the growth of various forms of employment such as permanent work, temporary, casual, and self-employed subcontracting (Singh and Verma, 2001). Therefore, this section focuses on the types of employment created by SMEs.

#### **3.4.1. Permanent employment**

In Europe, the average employment is categorised as open-ended, where the contract of employment is for full-time labour and the employee is also protected from unfair dismissal (Bronstein, 1991). There are four types of dismissals, including fair, unfair, constructive and wrongful of which permanent employment seeks to protect employees from unfair dismissal (Davidov and Eshet, 2015). Small-enterprises provide people with permanent employment. Meaning that the employees have safety in terms of their employment and can work for the same company as many years as they would like unless the company shuts down its operation or they act in a manner that will get them fired (Fatoki, 2014). Constructive dismissal occurs when an employee resigns due to a breach of contract. Usually, this happens when the employer requires employees to work under hazardous conditions or either way (Snyman, 2017). In both agricultural commercial farming and small-scale agricultural farming, the employer can require employees to work in an uncondusive environment, like in heavy rain which may result in sickness for others. A permanent employee can resign but it can present a challenge for those in small-scale agricultural farming because they do not have many agricultural types of equipment for production, as people tend to work under difficult conditions (Sharma and Slathia, 2015). Small-

enterprises are the ones that mostly provide permanent employment due to their large number of employees and make a turnover of more than a million (Li and Rama, 2015). Small-enterprises such as commercial farming, supermarkets and internet café in Kenya are governed and monitored by the government to ensure that they treat workers with fairness, support them and ensure that they create permanent employment (Slater and Kwami, 2005; Rischke *et al.*, 2015; Mellor and Malik, 2017). Micro-enterprises like home-based enterprises “spaza shops”, street vending and small-scale agriculture are informal enterprises and due to their less turnover, they tend not to provide permanent employment as compared to small-enterprises.

### **3.4.2. Part-time employment**

Part-time employees refer to people who are employed temporarily to provide services to agencies. They are assigned by the employer to ensure that they provide quality work in elevating the institution to be productive (Chen, Lai and Lai, 2016). Part-time employment is when a person is employed to work for a certain period and are paid by the number of hours they have worked for. Small-enterprises such as internet café provide part-time employment mostly to young people to give them exposure to the work environment and experience. African universities and colleges continue to produce many graduates, but due to a high level of poverty and lack of employment opportunities, graduates continue to search for opportunities in SMEs (Kraaij and Molenaar, 2017). African countries like Zimbabwe, Zambia and Ethiopia are not performing well economically, and this has led to many companies downsizing their employees and/or to retrench people because they could no longer afford to pay them (Mutenyoka and Madzivhandila, 2014; Asare *et al.*, 2015; Masilela *et al.*, 2016).

Supermarkets and retailers have been increasing part-time work to modify the workforce levels based on a large number of consumers (Jany-catrice and Lehndorff, 2002; Rieucan, 2015). According to Ritter (2017), the government in China strengthened and continues to strengthen their SMEs to create permanent and part-time employment. Li and Rama (2015) also added that the problem with African countries is paying more attention to medium enterprises because they employ multitudes of people and end up neglecting the potential of SMEs. Micro-enterprises such as home-based enterprises “spaza shops”, street vending and small-scale agricultural farming have challenges such as access to finance, market, essential

infrastructural facilities and many more. Equally, such enterprises should be assisted to provide more part-time employment (Oraka, 2013; Charman *et al.*, 2017).

### **3.4.3. Seasonal employment**

Seasonal employment is temporary for a certain season to complete the job (Dex and McCulloch, 2016). In agricultural production, the farm might employ people to help in a certain season of cultivating crops such as sugar cane, grapes, fruits, vegetables and many more. In commercial farming, one of the community members might see an opportunity for transporting products to various existing micro-enterprises in the area. Commercial farming in Sub-Saharan Africa is the driver of economic growth in developing countries, it provides people with access to food and seasonal employment (Conceicao *et al.*, 2016). As long as people consume food, then commercial farming and small-scale agricultural farming continue to employ people. History tells us that most women work in agricultural production for seasonal employment and are being paid low wages and benefit in kind (Strauss and McGrath, 2017). Poverty and rampant unemployment in African countries have opened doors for people to work in any enterprise even though it is not their specialisation field (Vogel, 2015).

There are some imported materials from the US to other countries such as computers, cameras and small household appliances (Garcia *et al.*, 2015). Other people who engage in micro-enterprises have the skills to fix computers, cameras and appliances while others can transport such goods or products to different places during the month as part of seasonal employment. According to Dex and McCulloch (2016), seasonal employment is created based on the work in areas such as restaurants to increase their employees during holiday seasons as many people go on vacations during that time. In seasonal employment, when a person has rendered services to the business and their services are no longer needed, their employment contract is terminated (Chen and Wang, 2015).

#### **3.4.4. Self-employment**

Self-employed is when an individual earns money from his or her own small business or trade. Self-employment in Sweden plays a significant role in the sectors such as tourism, with restaurants dominating as the type of establishment (Carson *et al.*, 2018). For those people who own restaurants in the tourism areas, it is good as people travelling a long distance can go and buy food, especially tourists that pass by the area. When people actively look for employment and do not find a job, they begin to be self-employed by starting their own business to generate wages and expand the business (Agupusi, 2016). Entrepreneurship education produces self-sufficient enterprising individuals (Charney and Libecap, 2000). Furthermore, entrepreneurship education increases the formation of new ventures, including the likelihood of self-employment, developing new products, and the self-employed graduates owning a high-technology business (Islam, Khan, Obaidullah and Alam, 2011). Most of the world's poor people are self-employed. Due to opportunities in most developing countries, it then becomes imperative to earn enough to escape poverty and are working hard although for working poor wages (Raghunathan and Fields, 2014).

#### **3.5. The Effects of Small and Micro-Enterprises on Employment Creation**

SMEs have a positive effect on the country's economy because they reduce poverty, create employment and ensure that people have access to income and wage (Asare *et al.*, 2015). Most developing countries are affected by the high rate of illiteracy and unemployment leading to the deepening of people in poverty. Mutyenyo and Madzivhandila (2014) opine that SMEs lead to employment creation in most developing countries and the government also recognises through attempts to improve the country's economy. Poverty and unemployment cannot be reduced or solved overnight but requires time, which is a process that can be achieved through SMEs (Carson *et al.*, 2018).

Page and Soderbom (2015) argue that not all SMEs can create employment because they pay lower wages and those in developing countries such as South Africa do not grow. This is an indication that SMEs have the potential to create employment and reduce poverty despite a lack of financial support. This makes them grow after a while whereas others grow fast. Unemployment and poverty are macroeconomic problems

that require the attention of different stakeholders from the government and private sectors. The problem with the government relates to their struggle in providing people with employment to deal with the scourge of unemployment and people end up looking for employment in SMEs to gain wages and escape poverty (Rose-Ackerman and Palifka, 2016).

People in rural areas regard land as a productive asset that allows them to engage in small-scale commercial farming for agricultural activities, which is seasonal employment (Kadigi *et al.*, 2017). Various agricultural business requires daily operation while others create seasonal employment. Commercial farming occurs when a farm is set for the sole purpose of producing crops and farm animals for sale, to make a profit (Khan, 2014). It means that agricultural production and livestock remain the main basis of subsistence farming for the majority of the population in rural areas (Herold, Grosse, Domptail, Kgathi, Falk, Azebaze and Kowalski, 2013). Most people in rural areas have much livestock such as chickens and cattle. Therefore, when SMEs work together and buy from one another locally, unlike relying on micro-enterprises, they can grow and create more employment.

The challenge is that local businesses do not support one another, one of the major reasons why they do not grow and create employment (Masilela *et al.*, 2016). If someone has lots of cattle and chicken, they can supply local restaurants with meat. This means that if the restaurants stock their food from local businesses, those businesses shall grow and employ more people to meet the demands of the general area population. However, if restaurants and other businesses related to food do not buy from local farms, it means that the money shall not circulate in the community. Small farms remain underdeveloped because without profit they end-up closing down and people lose their jobs. Generally, the effects of SMEs on employment creation cannot be ignored.

Internet café is also one of the businesses that are growing in both rural and urban areas. Most young people do not look for employment in agricultural production but in internet café, because they are more technologically advanced (Qureshi and Xiong, 2017). Meaning that many young people regard agricultural farm businesses as a business that employs only old people above 40 years. Hence, the youth ultimately opt to work in the local internet café, which provides people with part-time employment.

According to Svaleryd (2014), self-employment is regarded as a way to avoid unemployment as people engage in activities that are self-remunerative. Most people in micro-enterprises who are self-employed are skilled in terms of using their own hands and engage in carpeting, painting, metal works, and many more for employment. In rural areas, a way of reducing crime is to install burglars of which means self-employed people who install burglars shall do the job and increase in terms of metal works for making buckler doors, buckler windows and garage doors bucklers. Most people cannot afford to pay for alarm systems and depend on bucklers for the safety and storage of their products (Akinyemi and Adejumo, 2017). Extreme criminal activities have also left some enterprises lagging in profits.

### **3.6. Conclusion**

This chapter examined the effects of SMEs on employment creation at an international level. Enterprises differ according to countries in terms of the number of people employed and the profit margins. Micro-enterprises in other countries operate without being registered while in other countries are regarded as formal enterprises. The chapter further discussed the financial institutions on how they plan to improve the financial access of SMEs. The existence of SMEs has reduced rampant unemployment and poverty in urban and rural areas with the potential of giving people access to income. The following chapter discusses the effects of SMEs on employment in South Africa.

## CHAPTER 4

### SMALL AND MICRO-ENTERPRISES (SMEs) ON EMPLOYMENT CREATION IN SOUTH AFRICA

#### 4.1. Introduction

The South African government strives to improve its economic growth and development to reduce extreme poverty by creating more employment opportunities through Small and Micro-enterprises (SMEs) (Akinyemi and Adejumo, 2017; Du Toit, Pretorius and Rosslyn-Smith, 2019). SMEs in most developing countries like South Africa have been gaining traction over time. SMEs have played a positive role in absorbing unemployed young people and allowing them to gain skills and experience. The importance of SMEs was recognised and led by various debates on policies in South Africa (Page and Sodernbom, 2015). Ayandibu and Houghton (2017) believe that in South Africa, the government saw the potential of SMEs and worked industriously to encourage and support entrepreneurs to be innovative and create more employment. Even though the South African government seeks to improve enterprises, it tends to pay more attention to small-enterprises than micro-enterprises. SMEs are not only vital to the creation of employment but also acts as a penetrable strategy to assist people who lost their jobs due to retrenchment (Ntsika, 2001). The effect of SMEs results in employment creation, decreasing poverty, growth of the economy and reduction of crime (Du Toit *et al.*, 2019; Chege and Wang, 2020).

Employment is thought to be important for persons' livelihood because it increases financial security and promotes higher living standards, which may stimulate economic activity (Park, Chan and Williams, 2015). Even though small-enterprises employ many people compared to micro-enterprises, this does not mean micro-enterprises play less role in the economy. The SMEs sector in the third quarter of 2017 has provided employment opportunities for nearly 9.1 million South Africans (Small Enterprise Development Agency [Seda], 2017). When people are employed, they gain purchasing power over the unemployed. When the prices of goods and services increase and the salaries of employees remain the same, their spending is affected negatively. Hence, the prices of SMEs are flexible when inflation rises, the pricing



increases. This leads to an increase in employees' wages (Masilela, Gerber and van de Merwe, 2016; van Scheers, 2018).

The chapter comprises seven sections, including the introduction and the conclusion. The second section discusses the nature of SMEs in South Africa, preceding a section that outlines the types, characteristics and challenges of SMEs in the same context. Section four highlights the management approaches of SMEs adopted by South African enterprises, setting the tone for a discussion of different types and quality of employment created in rural areas by SMEs in section five. Section six describes the effects of SMEs on employment creation through reflections from the South African context. Lastly, the concluding section summarises the chapter by rounding off the discussed issues about the effects of SMEs on employment creation.

#### **4.2. The nature of Small and Micro-enterprises in South Africa**

In South Africa, many micro-enterprises are regarded as vehicles of escaping poverty as destitute people gain income. This is because micro-enterprises delivered employment of at least 2.4 million people in 2013, while in 2018 they accounted for employing 2.8 million people (Statistics South Africa, 2018; Mankgele and Fatoki, 2018). In South African skills, experience and education are crucial as small-enterprises require experience and educational qualifications more than micro-enterprises. That is why people employed in small-enterprises need to develop themselves and build entrepreneur goals with the experience they have gained. This will lead to them establishing and successfully running their enterprises and hire more people (Agupusi, 2016).

Even though SMEs create employment, they encounter structural challenges concerning sustainability (Banki and Ismail, 2015; Yadav, Jain, Mittal, Panwar and Lyons, 2019). The challenges of enterprises have led them to the business incubation - an organisation that supports businesses technically to encourage expansion and evolution of SMEs. Also, to encourage them to be financially well-off and operate with independent status (Adegbite, 2001; Adkins, 2009). SMEs have similar goals of making a profit and improving lives. Yet, SMEs have distinguishing characteristics, such as the number of employees, the profit margin and ownership (Khan, 2017). There is a trend of micro-enterprises without franchises competing with well-

established small-enterprises in South Africa. This is despite having loyal consumers to the enterprise who save the business from the brink of collapse (Roberts-Lombard, Mpinganjira and Svensson, 2019). The management of SMEs is the core of the business' success. The consumer-oriented management approach is vital because the business conducts research and know their target market (Kantorová and Bachmann, 2018). Enterprises need to understand their consumers in terms of the kind of products they require to increase the business' sustainability.

### **4.3. South Africa's Types, Characteristics and Challenges of Small and Micro-Enterprises**

This section focuses on different types, characteristics and challenges confronted by SMEs in South Africa. Despite existing primarily to make a profit, SMEs come in different shapes. This section comprises six subsections that discuss the types of small-enterprises and their characteristics and challenges. Also, the types of micro-enterprises, their characteristics and challenges are set out.

#### **4.3.1. The types of Small-enterprises operating in South Africa**

Hereunder are deliberations on the types of small-enterprises from a global context focusing on South Africa. These types are discussed with a key interest in the extent to which they contribute to employment creation. Also, the characteristics and different challenges that affect these enterprises are worth a discussion since such helps to answer the research questions.

- *Commercial Farming*

Commercial farming in South Africa creates employment because it can produce more products, adopt new advanced technology, and take more calculated risks to expand (Méndez-Barrientos, Kemerink, Wester and Molle, 2018). Most commercial farmers require a lot of capital to run. In South Africa, the government support existing and start-up commercial farmers as an effort to increase access to food and employment and, as a result, alleviate poverty (Hall *et al.*, 2017). Khapayi and Celliers (2016) add that the South African employment of youth in commercial farming depends on opportunities offered to them, the type of employment and whether the farm is

supported by the government with equipment and fair working policies. Commercial farming can create quality employment at a high scale by avoiding the depriving of people of their massive land but use the land for promoting sustainable livelihoods (Hall, Scoones and Tsikata, 2017). South Africa has seen an increase in population, making it imperative to increase people's awareness of employment opportunities in commercial farms (Mmbengwa, Nyhodo, Myeki, Ngethu and van Schalkwyk, 2015; Mankgele and Fatoki, 2018). Commercial farming should consider creating employment opportunities in both the formal and informal sectors of farming.

Commercial farming in South Africa remains crucial in the development of the economy through employment and food security (Méndez-Barrientos, Kemerink, Wester and Molle, 2018). Commercial farming in South Africa is sustainable and contribute significantly to the job market notwithstanding persistent challenges threatening longevity. The challenges include the scarcity of water in the country and the changing climate conditions (DEA, 2011). In commercial farming, there has been a decline of 3000 jobs between Q1: 2018 and Q2: 2018 (Statistics South Africa, 2018). However, other commercial farming enterprises can cope with climate conditions and scarcity of water because they have access to advanced technology, insurance, irrigation systems, employ highly skilled and qualified employees and adopt management techniques (Byerlee and Sadoulet, 2009; Fao, 2014). Commercial farming is the type of business that absorbs many people because it supplies produced products to retail stores and is what increases their output to meet their deadlines. Commercial farming and subsistence farming are not the same, as subsistence farmers are more traditional and depend more on basic tools of farming (Fao, 2014)

In commercial farming, different agricultural products are produced such as fruits, vegetables, chicken, beef, dairy products. For the production to take place, the necessary machinery is used and people are also employed (Méndez-Barrientos *et al.*, 2018). Commercial farming ensures that people have access to employment and the food produced is consistently delivered to consumers. Commercial farming has been playing a critical role in the distribution of food locally, nationally and internationally (Hall *et al.*, 2017). Resulting in the creation of more job opportunities for people as distributors and empower the local enterprises to purchase products locally. Commercial farmers in South Africa also face challenges due to climate changes

(Méndez-Barrientos *et al.*, 2018). However, commercial farmers should increase irrigation systems and put in place the techniques that will conserve the soil (Nhemanchena and Hassan, 2007).

- *Supermarket*

Supermarkets have been spreading all over the globe, mostly in African countries, employing people until recently through Foreign Direct Investment (FDI) with the emergence of larger African economies (Das Nair, 2018). Supermarkets do not only focus on employment creation but also on different products of good quality at affordable prices. The spread of supermarkets in South Africa became apparent in the 80s and 90s as there was high illiteracy within the country and supermarkets were used as a tool for improving the economy and breaking the circle of poverty and unemployment, especially amongst black people (Das Nair, 2019). The spread of supermarkets across the country happened in the cities, towns and rural areas offering different types of employment opportunities. The advantage of supermarkets is using advanced technology, franchise system, employ skilled people and market the business to attract more consumers (Kindleberger, 1969; Mukwarami, Tengeh and Iwu, 2018).

Supermarkets are enterprises that offer different types of products that are easily accessible and convenient and open for long hours (Odunitan-Wayas *et al.*, 2018). Supermarkets such as Shoprite, Pick n Pay and Woolworths holdings open from 08:00 to 19:00 weekdays on weekends they close at 17:00. This gives customers enough time to purchase their products at a convenient time (Das Nair, 2019). As one of the important elements of business marketing - place, the location of the supermarkets needs to be in the proximity of the working population i.e. urban areas and central business district (CBD). This population purchases products and keep the enterprise afloat and absorb new employees (Battersby and Haysom, 2019). In South Africa, few supermarkets have gained dominance over provinces while others have spread out to the global counterparts (Beneke, 2010). The franchises of supermarkets in different provinces in South Africa are crucial for employment creation because they give people access to wages or income. Supermarkets in South Africa operate in a highly competitive space characterised by quality products, competitive prices, private labels,

rely on customer loyalty and advertising programmes (Dhurup, Venter and Oosthuizen, 2005; Odunitan-Wayas *et al.*, 2018).

Supermarkets in South Africa offer the same products but vary in pricing and quality as enterprises have different organisational cultures, values and standards. Enterprises such as Woolworths, Checkers and Choppies have their target markets (Comley, Sykes and Kelly, 2016; Das, 2018). Products sold at Woolworths are expensive and there is a target segment that affords the prices of products offered (Hall and Cousins, 2018). Based on the economic status quo of South Africa, few of the population purchase label brands while other people constantly purchase goods from local shops “spazas” which are easily accessible and convenient (Charman *et al.*, 2017). The strength of supermarkets in the creation of employment relies not only on once-off consumers but regular buyers who purchase products groceries in their favourite supermarkets every month-end (Beneke, 2010).

- *Internet Café*

The Internet café is the prospective means of transferring information regardless of distance or geographical areas (Padilla *et al.*, 2016). Internet cafés are the type of enterprises that are growing in strengthening communications between people or companies through emails, fax and social media (Abbate, 2017). Considering the high prices of data in different countries due to the usage of the Internet, Internet café become fortuitous to dominate and create employment (Rambe and Makhalemele, 2015). The entrepreneurs of the Internet café in provinces like Gauteng and Western Cape mostly rely on their locations. In addition, from the motivation, they get the government that refined the policy tools to encourage entrepreneurs to further establish Internet café to distribute access to information among different geographical areas within the country (Kristiansen *et al.*, 2003; Uys and Pather, 2016). Entrepreneurs always seek an opportunity to establish a business and make money through their Internet café that makes more profit and creates seasonal and part-time employment for people. Internet cafés in urban areas are also creating employment but not much as compared to those found in rural areas. The use of the Internet café plays a critical role in emerging entrepreneurs to search for innovative ideas, profitable enterprises and learn different management skills.

Development is driven by access to information as technology triggers the economic process that becomes important for an enterprise to create employment for the community and empowers individuals to participate in the economy (Hollifield and Donnermeyer, 2003; Walsham, 2010). Even though mobile phones can challenge Internet café, poor people in rural areas who are financially constrained do not afford smartphones and value Internet café (Wahid, Furuholt and Kristiansen, 2006; Furuholt and Matoday, 2011). Internet cafés in South Africa are valued for low prices in townships and rural areas and their contributions play a positive role in assisting Grade 12 learners to apply for admission to the university (Abbate, 2017). Most learners in townships and rural areas struggle to place online applications on their own or with mobile phones and rely on Internet café where they get assistance. The more people use the Internet, the more work opportunities arise, either temporarily or seasonally and this increases new employees' purchasing power to afford basic needs (Cant and Rabie, 2018).

#### **4.3.2. Different characteristics of Small-enterprises**

Small-enterprises are confused with micro-enterprises and the characteristics of the former are discussed below. Additionally, the number of employees, profit margin, ownership and taxes are discussed as the characteristics of micro-enterprises.

- *Number of Employees*

The small-enterprises in South Africa employ 1 to 49 employees (Mutenyoka and Madzivhandila, 2014; Charman *et al.*, 2017). Micro-enterprise employ less than 5 people, but it is a large enterprise that needs to be managed properly with administrative, financial and management skills (Rungani and Potgieter, 2018). In South Africa, commercial farming has been regarded as a crucial sector in the economy due to its positive contribution to employment creation. Commercial farming employs numerous people with different responsibilities, skills and different qualifications (Mare, Bahta and van Niekerk, 2018). There is a high level of illiteracy in South Africa, which leads to an increased unemployment rate. Commercial farming can employ both educated and illiterate individuals (Ajuruchukwu and Sanelise, 2016). Most supermarkets in urban areas employ more people because of their high purchasing power compared to those in rural areas.

- *Profit Margin*

The profit margin is the amount of the company's profits before deductions (Ishengoma and Lokina, 2017). The profit margins or annual turnover of small-enterprises in South Africa are over 1 million (Mutuyenyoka and Madzivhandila, 2014; Charman *et al.*, 2017). Enterprises in South Africa have expenses to pay for the running of a business such as electricity, rent, water and maintenance of equipment (Wahid *et al.*, 2006). The profit margins assist the enterprise to assess whether is making a profit or a loss. The purpose of a business is to make and maximise profits. Moreover, the company's overall profitability is paramount to ensure that it is financially sustainable (Strydom, Mangope and Henama, 2018). Small-enterprise is a formal enterprise that has a financial department to assess and predict the company's financial status. However, the profits of enterprises cannot be fixed as they rise and fall depending on the country 's inflation (Khosa and Kalitanyi, 2014). Based on how small-enterprises operate, there are risks involved especially if the business' profit margins fail. That often results in the retrenchment of employees and force the company to offer products at the lowest prices. Other enterprises can use the strategic approach by increasing the prices of products to recover the profit margins (Mamabolo, 2018). Most enterprises collapse due to a lack of management skills in terms of which strategy to use when an enterprise does not perform well. The profit margins are crucial in a business because they give direction to the company and assess its financial health (Strydom *et al.*, 2018).

- *Ownership and Taxes*

In South Africa, the Companies Act 71 of 2008 state that all small-enterprises in urban areas or rural areas should be registered and pay tax. Small-enterprises such supermarkets, internet cafes and commercial farming are formal, legal entities and obligated to perform according to the standards of the South African Constitution (Rungani and Potgieter, 2018). A small-enterprise can either be a sole proprietorship, partnership or close-corporations (Ansoff, Kipley, Lewis, Helm-Stevens and Ansoff, 2019). A sole proprietorship is when a business is owned by an individual who takes all the profits and is equally responsible for all the debts in the business (Charman *et al.*, 2017). A partnership is a business in which owners manage the business, share the profits and the losses of a business together (Du Toit *et al.*, 2010). A business is

a risk especially in South Africa because there is high competition and the collapse of a business in partnership can result in loss of assets of owners (Ansoff *et al.*, 2019). Close-cooperation is a legal entity that pays tax and comprises less than 10 members (Page and Sodernbom, 2015). The ownership of close-cooperation is what gives them the advantage to create more employment for people.

#### **4.3.3. Problems encountered of Small-enterprises**

Small-enterprises have the potential to grow, create employment and elevate the economy. The challenges of small-enterprises post a threat to their operation which can result in the retrenchment of employees and harm the economy. The small-enterprises in South Africa are faced with challenges such as lack of management skills, access to finance and essential infrastructural facilities. The challenges are discussed as follows:

- *Lack of Management Skills*

According to Mottiar, Boluk and Kline (2018), few entrepreneurs do not have a business background and attempt to run the business themselves and end up struggling without no progress. That has led to the failure of a few small-enterprises while the owners want to run the enterprises without various management skills to manage the business successfully (Hatten, 2011). The owners of enterprises are not in the daily operation of the business as they should delegate responsibilities to educated people with skills and experience to run the business. Some entrepreneurs have a business background but seek assistance in various skills to ensure optimum operation and create more employment. According to Du Toit, De Witte, Rothmann and Van den Broeck (2018), the practice of nepotism in South Africa has destroyed a few small-enterprises because employers tend to hire unskilled family members to executive positions and end up collapsing their businesses. Close-cooperation has its challenges because it consists of less than 10 members, whereby a conflict can also arise among stakeholders and affect the growth of an enterprise (Ishengoma and Lokina, 2017). Lack of training for managers or new employees can also contribute to the downfall of a business. The growth of knowledge in small-enterprises is crucial because customers often prefer different things as time goes and this is often met by entrepreneurs or managers who have no interest in growth (Du Toit, 2018). According



to Mankgele and Fatoki (2018), entrepreneurs tend to meet certain targets to afford a certain lifestyle and show no interest in expanding the business and slightly the business then collapses.

- *Lack of Access to Finance*

All enterprises need financial resources for start-up and daily operation. Therefore, the lack of access to finance is a severe problem that hinders the growth and stability of small-enterprises (Mottiar *et al.*, 2018). The South African government recognised that small-enterprises are good for the economy even if they encounter financial problems. The government established financial agencies such as the National Youth Development Agency (NYDA), Small Enterprise Development Agency (SEDA) and Small Enterprise Finance Agency (SEFA) (Chinomona and Maziriri, 2015; Rogerson, 2016). The government agencies provide funding to businesses and are flooded with applications and business proposals. The process often takes months or years for the finalisation of the funding to small-enterprises (van der Klashorst, 2018). The other challenge relates to poverty and unemployment that exist mostly in townships and rural areas as most of the government agencies are based in urban areas (Rogerson, 2016). The financial agencies should also target areas outside the cities and conduct entrepreneurial promotion and awareness about their services. That can be done either two or several times a week or have mobile offices in townships and rural areas for the business owners to engage with them continuously about possible governmental funding methods. Small-enterprises employ many people and with help from the government, and this means they do more to eradicate poverty and unemployment (Ishengoma and Lokina, 2017).

- *Lack of Essential Infrastructural Facilities*

Essential infrastructure facilities play a critical role in promoting economic growth and reducing poverty. Lack of essential infrastructure facilities such as educational facilities, water, health, energy, transport and telecommunication can affect the performance of small-enterprises mostly in rural areas (Mankgele and Fatoki, 2018). Enterprises like supermarkets require energy - electricity and frequent power cuts in any region can affect the business negatively since some food items may spoil (Du Toit *et al.*, 2018). South Africa has been slowly improving in terms of infrastructural facilities but there is still more to be done in both urban and rural areas. The expanse

that has insufficient infrastructure facilities, mostly have low income and a large proportion of people who engage in a primary sector without advanced types of equipment for production. Therefore, lack of infrastructural facilities can also hinder commercial farming to produce to full potential, as they would be having less access to advanced processing machines coupled with the scarcity of water (Mokabe and Tshifularo, 2018). In the regions where there are essential infrastructure facilities, most of the small-enterprises can operate effectively due to access to services such as running water, sanitation, electricity, quality roads and health facilities.

The essential infrastructure attracts investors and leads to employment creation and reduction of poverty. According to Mankgele and Fatoki (2018), lack of essential infrastructure facilities pushes away investors especially entrepreneurs because small-enterprises require services and maximum infrastructure facilities for their daily operation. The absence of infrastructure facilities can hinder the economic activities in certain areas, especially those in the periphery of towns and cities (Ishengoma and Lokina, 2017). Lack of essential infrastructure facilities can affect the quality of the standard of living. The existence of small-enterprises in areas that lack infrastructure facilities can result in food prices that are high and the poor to suffer as they tend to rely more on micro-enterprises for their low prices (Mottiar *et al.*, 2018). Multiple enterprises dominate areas with better infrastructure facilities and create more employment for the people of the areas.

#### **4.3.4. Typologies of Micro-Enterprises**

The different types of micro-enterprises such as street vending, home-based enterprises “spaza shops” and small-scale agricultural farming are discussed below:

- *Street Vending*

South Africa’s population is on the rise and this trajectory halts the economic growth. As a result, most people are affected by poverty and unemployment (Sassen, Galvaan and Duncan, 2018). Most of these people tend to get tired of unemployment and start to engage in street vending for access to purchasing power. According to von Holy and Makhoane (2006), street vending improves people's standard of living and allows them to maintain a certain reasonable standard of living. Policymakers in South Africa should not undermine the positive impact of street vending on reducing poverty and

unemployment (Sassen *et al.*, 2018). In South Africa, the White Paper on National Strategy for Development and Promotion of Small Business in South Africa of March 1995, clarifies that the government committed itself to assist businesses that are either formal or informal.

Yet street vending enterprises still need assistance with financial support, services and infrastructure facilities for them to operate in a clean environment and make more profit. Street vending is an informal business where people are located along busy roads or regions like taxi ranks, near universities, townships, towards the periphery of towns and cities (Roever, 2016). Some street vendors are not allowed to sell their products inside malls like the Mall of the North and Savannah Mall (Polokwane in Limpopo), Brits Mall (Brits in North West), Langeberg Mall (Mosselbay in Western Cape) and Paarl Mall (Paarl in Western Cape) (von Holy and Makhoane, 2006). Despite various challenges, they continue to sell their products such as fruits, vegetables, cooked meals, and few food items. The advantage of street vending is that most do not pay rent and tax because they are informal and that makes their products cheap as compared to formal enterprises (Roever, 2016). Meaning that due to their less workload daily, they then employ few people to assist in the business and pay the assisting people for services rendered in the business.

- *Home-based Enterprise “Spaza shops”*

Home-based enterprises “spaza shops” are a subset of the informal economy and their most common activities exist in most towns and cities of developing countries. Especially where people establish businesses intending to escape the unemployment problem and lack enough funds to start up an enterprise in the formal sector (Al-Dajani and Marlow, 2010). Home-based enterprises “spaza shops” are enterprises whereby people use their homes as locations for selling various food items or render services for their communities.

According to Gough and Kellet (2001), categories of the home-based enterprises grouped into five different broad activities that include repairing things, selling, service-type activity etc. related to the plot itself and activities of social nature. The repairing of things consists of vehicles, bicycles, electronics and carpentry. Selling includes food and beverages. The service-type activity includes barber and hairdressing as well as catering activities related to the plot itself (poultry, car wash, renting backrooms) and

activities of social nature (assisting learners at school with extra classes and nurseries) (Al-Dajani and Marlow, 2010; Rogerson, 2018).

This type of business does not demand a lot for the start-up because the household might use the existing resources, especially in the garage for selling their products. The advantage of home-based enterprises is that most of them are home-based and do not pay rent and sell their products or offer services at affordable prices (Rogerson, 2018). Due to the location of home-based enterprise, they do not make a lot of profit; hence, they employ a few local people in their communities (Gough and Kellet, 2001).

- *Small-scale Agricultural Farming*

Commercial farming in South Africa is booming and performs well as compared to the past, although there are still several people that rely upon small-scale agricultural farming for business (Ngcoya and Kumarakulasingam, 2017). People are either self-employed, seasonally or employed on a part-time basis because of small-scale agricultural farming that requires more labours due to the heavy load of work. Small-scale agricultural farming consists of growing vegetables fruits and livestock. This type of business is crucial for the community members as they can buy produced goods at affordable prices than the formal enterprises (e.g. supermarkets) (Mokabe and Tshifularo, 2018). Small-scale agricultural farming employs the local people to work on the farm and get remunerated with cash or paid in kind (Rogerson, 2018). Meaning that small-scale agricultural farming creates employment for the local people although they are oftentimes sidelined in terms of access to finance, resources and information (Aliber and Mdoda, 2015).

Small-scale agricultural farming is a micro-enterprise and does not use expensive and more advanced equipment for production and rely on traditional farming, which involves people who plough and cultivate (Ngcoya and Kumarakulasingam, 2017). In South Africa, people value land as an asset and use the land for small-scale agricultural farming to make a living out of it. The role of small-scale agricultural farming cannot be ignored because of its positive role in inclusive employment in the community (Tibesigwa and Visser, 2015). Small-scale agricultural farming competes in the markets and makes a profit because of its target population which is community members and other micro-enterprises (Aliber and Mdoda, 2015). Community

members can buy fruits, vegetables, meat from the local small-scale agricultural farmers either for a wedding, funeral and parties.

#### **4.3.5. Characteristics of Micro-enterprises**

The different characteristics of micro-enterprises are discussed in this section to distinguish them from small-enterprises as follows:

- *Ownership and Taxes*

The ownership of micro-enterprises mostly is sole proprietors given its status of informal enterprise. According to the National Small Business Act (1996), micro-enterprises have a turnover of about R100 000. Therefore, that makes them operate without the government's monitoring. Micro-enterprises like street vending, home-based enterprises and small-scale agricultural farming are informal as they do not pay tax because of their low annual returns (Aliber and Mdoda, 2015; Sassen *et al.*, 2018; Rogerson, 2018). An enterprise can be in a form of partnership and close-cooperation due to other micro-enterprises that are owned by family members and not individuals (Charman *et al.*, 2017). As a family, they run the enterprise together like street vending and restaurants where family members can cook together in running the business. Micro-enterprises that have more than two partners stand a good chance in terms of resources but conflicts can also arise in terms of wages amongst themselves and how to pay employees. According to Ishengoma and Lokina (2017), a micro-enterprise does not pay tax but remains the source of income for owners to feed their families. As much as the owners are remunerated to maintain their household, the business grants employees access to wages or income to improve their standard of living. Due to the high population in South Africa, people tend to settle for micro-enterprises for employment and the remuneration received can help them start their enterprise and be self-employed (Koens and Thomas, 2016). (Tibesigwa and Visser, 2015).

- *Number of Employees*

According to the National Small Business Act 102 of 1996, micro-enterprises in South Africa make up to R100 000 with total employment of people below five. Micro-enterprises employ few people as compared to small-enterprises because of their nature and legality. In micro-enterprises like small-scale agricultural farming, the

manager can discharge responsibilities to employees to simplify the business operation. The business determines its workload and the number of employees needed to operate (Charman *et al.*, 2017). Street vending like selling various products does not require much effort as compared to supermarkets. In the home-based enterprise “spaza shops” the number of people employed can be less than five depending on its location, and those that make money are located in townships like Seshego, Mankweng, Mamelodi, Khayelitsha and Soshanguve (Machaka, 2012; Fatoki, 2014). The more micro-enterprises make a profit, the more they can expand or diversify into more enterprises to increase access to income.

- *Profit Margin*

Micro-enterprises are informal enterprises that assist people to escape from unemployment or poverty. According to the National Small Business Act (1996), the profit margin of micro-enterprises is up to R100 000 annually. The profits of micro-enterprises are not weekly or monthly fixed but depend on the number of sales made (Khosa and Kalitanyi, 2014). Street vending such as restaurants that operate next to university premises make a lot of profit although but struggle during university recess, those in urban areas continue to operate without any disturbance (Machaka, 2012). Home-based enterprises “spaza shops” operate daily despite the challenges they encounter. Small-scale agricultural farming profit margin is also affected because of the fruits and vegetables that have seasons. This is all different from livestock, which continues to sell and make a profit (Ngcoya and Kumarakulasingam, 2017). Small-scale agricultural farming is not like commercial farming that may rely on rain, irrigation systems and advanced machines of production for great output. Small-scale agriculture relies on rain for water and that affects their produced and, subsequently, the profit margin (Tibesigwa and Visser, 2015). Micro-enterprises' profit margins are low even if their contribution to employment creation is noticeable (Khosa and Kalitanyi, 2014).

#### **4.3.6. Challenges of Micro-enterprises**

Every micro-enterprise faces various challenges that affect performance and profit margins. The challenges limit the micro-enterprises optimum job creation. Micro-

enterprises in South Africa dominate in rural areas, towns and cities because people struggle to secure employment in the formal sector.

The challenges are discussed as follows:

- *Lack of Access to Markets*

The market is a location or place where the buyer and the seller meet and exchange goods and services for money (Sevel, Abratt and Kleyn, 2018). The market can either be physical whereby the seller and the buyer meet face-to-face or virtually whereby the buyer purchase products online without any physical contact with the seller (Crane and Matten, 2016). The market consists of competitors and customers that it often becomes difficult for one to control or gain a permanent advantage. This is despite that an enterprise can develop strategies to gain more customers (Amankwah-Amoa, Boso and Debrah, 2018). One of the challenges facing micro-enterprises is the struggle to compete with other enterprises like small-enterprises (supermarkets and commercial farming).

According to Duffett, Edu, Haydam, Negricea and Zaharia (2018), access to the markets requires management skills and financial resources for the micro-enterprises to improve their infrastructure facilities and offer their products in a clean environment. For example, in urban areas, other people prefer to eat their meals at McDonald's, Chicken Licken, Spur, and Nando's among other restaurants and that affects the performance of street vendors that sell cooked meals (Fatoki, 2014). This is despite others who prefer to eat their meals sold by street vendors. Therefore, it is not enough for micro-enterprises to operate and compete with formal enterprises in the markets. The other challenge facing micro-enterprises is selling the same products or offering the same services within the same area (Sevel *et al.*, 2018). For example, entrepreneurs sell the same fruits, vegetables, meals and products at the same price whilst they are very close to each other.

Lack of market research by entrepreneurs also contributes to their poor performance because others just establish enterprises without even knowing the demand for that product (Duffett *et al.*, 2018). For example, home-based enterprise "spaza shops" cannot make much profit by selling cooked meals in rural areas because most of the people in such locations cook for themselves in their respective homes. The legality

of micro-enterprises also disadvantages them to compete in the markets because they cannot operate anywhere they want in towns and cities (Amankwah-Amoa *et al.*, 2018). This is due to restrictions in certain areas that micro-enterprises are prohibited to operate, like near malls, hotels and other key areas of cities. Yet in their location of operation, they can continue to be effective in creating employment for people (Crane and Matten, 2016).

- *Lack of Access to Finance*

Lack of access to finance is a major challenge facing micro-enterprises as they mostly operate without legal documents (Amankwah-Amoa *et al.*, 2018). The government of South Africa made notable strides in assisting enterprises but little has been done for the township and rural enterprises, where poverty and unemployment are rife (Fatoki, 2014). There is government financial aid for enterprises such as NYDA, SEDA and SEFA (van der Klashorst, 2018) that aim to assist enterprises, but it is difficult to assist micro-enterprises due to stringent funding processes to be followed. It becomes unfair for some micro-enterprises owners who are illiterate. Many illiterate people in remote areas were forced into fending through opening businesses to escape poverty and unemployment, and could not obtain an education, let alone the skills to manage a business and secure funding from the government (Charman *et al.*, 2017).

According to Fatoki (2014), financial institutions should conduct community outreach for entrepreneurs to widen the knowledge that shall offer them help in terms of obtaining and filling the documents required to get the funds. Small-scale agricultural farming needs financial muscles for them to produce more products, sell and make a profit as well as pay employees. Lack of irrigation systems affects small-scale agricultural farming as they employ more people seasonally based on the seasons of crops. If the irrigation systems are in place, they can be helpful for small-scale agricultural farmers as a lot of capital is required that most farmers do not have (Rogerson, 2018). The source of funds of micro-enterprises comes from the pocket of owners, which is insufficient to initiate and maintain a business (Chimucheka and Mandipaka, 2015).



- *Lack of Marketing Skills*

According to Maduku, Mpinganjira and Duh (2016), marketing skills are about the business informing the customers about specials and new products in the store. The seller must understand the customers and find ways to meet their needs. Most micro-enterprises do not market themselves formally and rely on word of mouth marketing (Mamabolo, Kerrin and Kele, 2017). Word of mouth marketing is not 100% effective because it depends on customers to spread the good news about the products offered (Asah, Fatoki and Rungani, 2015). Other jealous customers can spread negative information about the poor services of micro-enterprises and that can affect the growth of a business. For example, in South Africa, if there is a wedding, funeral or family gathering, the customers tend to compare prices and the quality of products of different enterprises and decide where to buy. As such, even word of mouth influence plays a role in this regard. Small-scale agricultural farming must market their products more effectively because the products sold are a need for people's daily survival (Aliber and Mdoda, 2015). Other enterprises like small-scale agricultural farming make efforts to market their products by using a car to drive around the community for people to buy directly from the vehicle.

Other small-scale agricultural enterprises operate on a fixed area whereby customers make efforts to the location and purchase products. Home-based enterprises “spaza shops” also make efforts to market themselves through posters and promotions to attract customers (Al-Dajani and Marlow, 2010). Innovation in micro-enterprises is necessary because of high competition amongst themselves and from SMEs (Crane and Matten, 2016). Street vendors rarely market their businesses. Others do not even have a name; they just operate without an identity. Various micro-enterprises struggle to attract new customers as they do not have anything new to offer in the market. Entrepreneurial education is crucial for micro-enterprises owners because some manage the business without a business background while others with background experience financial challenges (Asah *et al.*, 2015).

- *Lack of Essential Infrastructural Facilities*

Lack of essential infrastructural facilities is a stumbling block for the performance of micro-enterprises (Mamabolo, Kerrin and Kele, 2017). Micro-enterprises do not

generate much profit; they remain dependent on the government for infrastructural facilities. Micro-enterprises outside the periphery of town and cities suffer in the hands of hawkers as they have little infrastructure facilities compared to those in the central business district (Asah *et al.*, 2015). The government of South Africa tends to improve infrastructure facilities of towns and cities and overlook the development of micro-enterprises in rural areas.

Micro-enterprises like street vending need essential infrastructure facilities for their daily operation (Sassen *et al.*, 2018). For example, they need running water, electricity, sewers and storage. Most of the time, lack of essential infrastructure facilities tends to push street vendors to re-create a place anywhere to conduct a business and sell their products or services. But this creates a conflict between street vendors and the police officers, like near malls or other prohibited areas in towns.

The urban spatial planning of town and cities has favoured small-enterprises while micro-enterprises were disadvantaged. It led to the ascent of street vendors (Lekhanya, 2016). Hence, micro-enterprises in terms of infrastructural facilities remain underdeveloped in both rural and urban areas. Post the apartheid era, the government of South Africa allowed micro-enterprises to exist in towns and cities but with limitations (Akinyemi and Adejumo, 2017). Micro-enterprises are challenged physically by crime as their poor physical structures fall victim to theft. The development of infrastructure facilities should take place to empower micro-enterprises in both urban and rural areas to avoid the migration of people from one location to another (Mamabolo *et al.*, 2017).

#### **4.4. Management Approaches for Small and Micro-Enterprises Adopted in South Africa**

SMEs have few management approaches that guide their management and encourage growth. SMEs in their performance can improve if they are to follow the management approaches. Owners are entrepreneurs without experience in managing a business or never studied commercial subjects or modules like accounting and business management. These subjects or modules play a hugely positive role in the business field. Therefore, the importance of management approaches is discussed below.

#### 4.4.1. Strategic approach

The strategic approach consists of operational, competitive and re-establishing strategies. The different strategic approaches are explored broadly below:

- *The Operational Strategies*

The operational strategies are used in enterprises to improve the company's productivity through management skills by linking the long-term and short-term goals (Mennens *et al.*, 2018). The strategies and decisions made in the company affect all departments. Small-enterprises such as supermarkets and commercial farming have various departments and if one department fails, it often affects the whole business (Méndez-Barrientos, 2018; Das Nair, 2019). For example, if the transport department does not deliver products on time, it can affect the profits of the business. The operational strategies should explain the customer-driven approach, whereby the enterprise meets the needs of its target market (Omsa, Ridwan and Jayadi, 2018). Understanding the target market is crucial in enterprises for the provision of suitable products and services. For example, Internet café enterprises located in an area dominated by elderly people cannot make a profit as compared to a location dominated by both youth and elderly people.

The enterprise strategies should be developed to ensure that they adapt to the changing environment to compete with other enterprises in the market (Mennens *et al.*, 2018). Few enterprises collapse due to various challenges they encounter but some of them can be solved. The enterprises must monitor their target markets to come up with new strategies to cope with the current trends and satisfy their customers. Competitive priorities are crucial in SMEs because the enterprises should calculate their costs in the production of their products to provide quality products at a fair price (Omsa *et al.*, 2018). The prices of commercial farming and small-scale agricultural farming products should be made based on how much was spent on those products. The prices of Internet café should also be influenced by the location. For example, in urban areas, the enterprises pay a lot of money for rent and the enterprise has to increase the prices continuously. Unlike in townships and rural areas, the prices of Internet café are less compared to urban areas due to high levels of poverty and unemployment in such areas. Also, they often do not pay rent as they operate from

home (Rambe and Makhalemele, 2015). Product and service development is one of the operational strategies that an enterprise can use to overtake its competitors by waiting on their introduction of new products and the competitor improves on them (Du Toit, 2018).

- *The Competitive Strategies*

Competitive strategies are employed in the business to compete in the market. The strategy can either focus on the cost or differentiation (Mennens *et al.*, 2018). The cost focus strategy is when an enterprise focuses on a particular segment of the market and provides quality products at a fair price (Ogbari *et al.*, 2018). Micro-enterprises such as street vending, home-based enterprises “spaza shops” enterprise and small-scale agricultural farming sell their products at the lowest price available because of high competition in the industry. Due to this high competition, the differentiation strategy becomes crucial as the enterprise should ensure that its products or services differ from competitors (Mamabolo, 2018; Ogbari *et al.*, 2018). For example, street vendors can be creative and nicely package their products for a good presentation to gain a competitive edge.

- *The Re-establishing Strategies Approach*

The strategic approach is the re-establishing strategy that assists enterprises to check and monitor their progress in terms of achieving their objectives (Das Nair, 2019). Enterprises that compete and copy each other’s strategies become a challenge too. Businesses must keep on re-establishing strategies to be ahead of their competitors and gain more customers that should automatically increase profits. According to Du Toit (2018), enterprises after res-establishing new strategies should do a review to ensure whether the strategy put in place is efficient.

#### **4.4.2. Relationship marketing management approach**

Relationship marketing is when the mutual relationship between the buyer and seller is created (Farrington, Venter and Richardson, 2018). The continual deals, communication and retention focus are crucial in relationship marketing management. The continual deals such as discounts are important because they also strengthen the relationships between the customer and the enterprise (Mennens *et al.*, 2018). Small-

enterprises make continual deals more often because of the large stock they have in store and is their strategy to attract more customers. Micro-enterprises do not often do continual deals because every money that comes into the business is important. Communication between enterprises and customers is crucial because it fosters a good relationship and increases sales (Duffett *et al.*, 2018). Micro-enterprises have few customers and this strategy can help them to establish a good relationship with their customers and know their needs.

Managers of micro-enterprises such as street vendors, home-based “spaza shops” and small-scale agricultural managers tend to know their customers very well and give them discounts based on their regular support to the business (Gough and Kellet, 2001). Small-enterprises can strengthen their communication with the customers through newspaper advertisements, pamphlets and radio stations. The retention focus, an enterprise's draft strategies to ensure that existing customers are kept and new customers are attracted to buy products or services is a necessity (Farrington *et al.*, 2018). The retention focus should be on educating customers about new products (Ogbari *et al.*, 2018). Shared values are not philanthropy but are a strategy used by enterprises to solve social problems around the community. When enterprises give back to the community, this can attract new customers and helps an enterprise to expand and create more employment for the local people. The local community starts buying in bulk to show support (Spence, Frynas, Muthuri and Navare, 2018).

#### **4.4.3. Marketing-oriented management approach**

The marketing-oriented management approach is all about an enterprise notifying consumers about their products, services and prices through advertising to get more customers even though the quality of products is considered (Du Toit, Erasmus and Strydom, 2010). Societal marketing seeks to ensure that profits are made while the customers receive their desired products or services. The sales-orientation seeks to sell products or offer services at a fair price using aggressive sales strategies to persuade customers to buy (Kiyai *et al.*, 2019). The Internet café can make promotions that allow the learners and students to use the Internet and pay half prices every Friday. Selling marketing is important because the employees interact directly with customers to convince them to purchase the products or services offered in the

business. The advantage of both SMEs is that the salespeople can easily persuade or educate customers about new products (Pulka *et al.*, 2018).

#### **4.4.4. Consumer-oriented management approach**

Customer engagement is the interaction between an employee and the customer. The employee wants feedback from the customer about the products offered in the business and the customer give feedback that helps the business to improve and foster the growth of an enterprise (Chatterjee and Das, 2016). Small-enterprises deploy salespeople and/or use questionnaires to get information from the customers about their products or services. Even so, consumers do not have the same preference as consumer preference is measured by individual satisfaction based on specific products (Khan, 2017). Micro-enterprises such as street vending involve competitors who can sell the same products that differ from suppliers and customers have certain preferences regarding products sold. For example, at Mankweng (Limpopo Province), there are countless street vending enterprises and customer preferences about where to purchase their meals (Maloka, 2013). The identification of segment customers assists the enterprise to know its target market and the more profitable segment. Once the profitable segment is identified, an enterprise should focus on building relationships with such customers to also increase loyalty between the two parties (Rambe and Mokgosi, 2016).

#### **4.5. The Types and Quality of Employment Created in Rural Areas by SMEs**

Different types of employment include permanent, part-time, seasonal, and self-employment as already discussed in the preceding chapters. These are not the only types of employment but the researcher focused on the above as deemed relevant to the study. SMEs in terms of employment quality are different due to the enterprises' turnover. The different types of employment are broadly discussed below:

##### **4.5.1. Permanent employment**

The good performance of enterprises makes them be financially stable and create more permanent employment for people. Permanent employment is when an individual is employed full-time with access to benefits such as sick leaves, holidays

and are protected by law (Snyman, 2017). The number of people employed permanently in South Africa has increased by 134 000 between December 2017 and December 2018 (Statistics South Africa, 2018). Commercial farming provides employees with permanent employment in positions such as managers, HR, marketing and operations (Méndez-Barrientos *et al.*, 2019). Commercial farming is sustainable because people need food for survival and the quality of their products are satisfying to accommodate people.

Small-enterprises provide people with permanent employment because they are formal with many different departments (Rambe and Mokgosi, 2016). Supermarkets are broken into several departments for the manager to be able to manage the enterprise effectively and responsibly whilst sharing managerial duties with departmental stakeholders. Their complexity makes it easier for people to be employed either permanent or part-time (Fatoki, 2014). Internet cafés operate daily and require skilled labourers to keep afloat while providing quality services for the local people. Using technology is now a common global phenomenon and has triggered the rise of Internet cafés in South Africa. The Internet cafés provide people with permanent employment, including the educated with bachelor's degrees, diplomas or certificates in IT - education in Internet café is crucial (Kristiansen *et al.*, 2003).

#### **4.5.2. Part-time employment**

Part-time employment is when an individual is employed for a specific task at a given period (Mamabolo *et al.*, 2017). There has been an increase of 24 000 people employed part-time in South Africa between December 2017 and December 2018 (Statistics South Africa, 2018). For example, at supermarkets, people are employed as drivers for a few years based on the need. Small-enterprises like commercial farming, supermarkets and Internet cafés have an advantage because people can be employed to work part-time and be promoted to permanent when exhibiting essential skills (Hall *et al.*, 2017; Das Nair, 2018). Micro-enterprises such as street vending is a daily operation and employs few people to work part-time. The home-based enterprises "spaza shops" also employ people to assist in running the business in terms of stock-taking and manning the sales point (Mpembamoto *et al.*, 2017). The informality of micro-enterprises makes them employ people part-time due to high competition amongst themselves and competition from other enterprises. In South

Africa, due to the high population with appalling unemployment and poverty rates, people begin to look for part-time employment in both SMEs (Fatoki, 2014). The employees employed in SMEs gain the skills and move from one enterprise to another for a better wage or salary. Employees in enterprises are provided with training and mostly resign at a later stage to look for permanent employment in various small and medium enterprises. It affects the growth of enterprises (Du Toit *et al.*, 2010). SMEs have various departments and new employees are trained in executing their tasks. Based on the lack of sustainability of the job, they tend to be self-employed or work in other enterprises.

#### **4.5.3. Seasonal employment**

Seasonal employment does not differ much from part-time employment because people become employed seasonally to perform certain tasks in the business (Snyman, 2017). Enterprises like small-scale agricultural farming employ people based on the workload at the farms. Small-scale agricultural farming and commercial farming employ people to assist for a certain season of cultivating crops such as fruits and vegetables (Méndez-Barrientos *et al.*, 2019). Most people in South Africa still depend on farming for access to income and wages for survival. Therefore, people are also employed to look after livestock such as cattle, goats, lambs and chickens (Hall *et al.*, 2017). Commercial farming can create opportunities for local entrepreneurs by transporting products to various existing micro-enterprises in the area. Micro-enterprises such as street vending and home-based enterprises “spaza shops” employ people seasonally based on the need in the business (Aliber and Mdoda, 2015; Lamb, Kunene and Dyili, 2019).

#### **4.5.4. Self-employment**

Self-employment dominates in both SMEs. It is when the founder manages the enterprise, delegates tasks to employees and decides on pricing and employee wages (Akinoyemi and Adejumo, 2017). Enterprises such as street vending, home-based enterprises “spaza shops” and small-scale farming are mostly managed by individuals. Micro-enterprises are not complex as compared to small-enterprises because the workload is much less, as they employ less than five (5) people (Ayandibu and Houghton, 2017). The founder is the visionary of the business and has to ensure that



it performs well, make more profit and hire people based on their skills or qualifications. It is not easy to manage an enterprise, most small-enterprises have shareholders. Meaning that shareholders make managerial decisions to help the business achieve its objectives (Du Toit *et al.*, 2019). Being self-employed comes with a lot of responsibility because the manager oversees everything, from financial audit, stock taking and administration.

Due to a high level of unemployment in South Africa, people become entrepreneurs and self-employed to gain income or wage to improve their standard of living (Masilela *et al.*, 2016). The positive effect of self-employment is that even skilled family members become employed in the business and poverty gets reduced in the household and the community. However, if the founder of the business passes away, chances are that the founder might die with the vision, including business expansion plans (Agupusi, 2016). For example, small-enterprises are formal and well-established enterprises that would survive should the founder pass away. Unlike micro-enterprises that are informal and operate without the legality and the continuity of a business depends on the employees or the family (Du Toit *et al.*, 2019).

#### **4.6. The Effects of Small and Micro-enterprises on Employment Creation: Reflections from South Africa**

In South Africa, there has been a paradigm shift from relying on medium enterprises for reducing unemployment, poverty and increasing economic growth (Roberts-Lombard *et al.*, 2019). The shift also influenced the government of South Africa to support and appreciate the role played by SMEs in creating employment for people. The government of South Africa uses SMEs as a tool to solve social and economic problems (Page and Sodernbom, 2015). Through the National Small Business Act (1996), the government of South Africa acknowledges the potential of SMEs to elevate and improve people's standard of living by being economically active. Therefore, the government committed itself to create an enabling environment for SMEs to operate. The government of South Africa in 2014 launched the Department of Small Business Development and spent over 7.5 billion in promoting SMEs (the dti, 2015). The establishment of the Department of Small Business Development was to improve the employment status amongst the youth. Unemployment amongst youth can result in

many problems such as violence, low self-esteem, poor health, abject poverty and crime (Charman *et al.*, 2017).

In South Africa, many people are unemployed and are prone to the exploitation of labour in enterprises by employers. Other people employed in SMEs are being underpaid while they work under unfavourable conditions and cannot quit because their situation is dire (Asare *et al.*, 2015). To this effect, the government should develop strategies to monitor SMEs in ensuring that employees are subjected to fair working conditions and receive decent wages. Unemployment makes people desperate and the promotion of SMEs in rural areas where poverty and unemployment dominate works towards improving the standard of living in those dejected by lack (Park *et al.*, 2015). SMEs in South Africa had declined in turnover and employment growth. As a result, it affected the country's economy in the first quarter of 2016 (Statistics South Africa, 2016) although they employed people nearly 8.9 million South Africans in the first quarter of 2018 (Statistics South Africa, 2018). Small-enterprises are formal and registered enterprises that accounted for 56% of the country's formal sector (Carson *et al.*, 2018).

SMEs in South Africa allow for the lowest-income people to gain access to the economic sphere and gain income or wage (Mauzu *et al.*, 2016). Access to income is crucial because people can be financially stable and rely less on the government for services. The South African government is also under pressure to create employment for people through investment in enterprises because they employ many people (Mutenyoka and Madzivhandila, 2014). The contribution of SMEs to employment creation declined from 41% to 40% in the 1st Quarter of 2018, despite the financial indicators that went up to 45 % (Statistics South Africa, 2018; Roberts-Lombard *et al.*, 2019). The rampant unemployment that affects the youth of South Africa has triggered the government to introduce the NYDA (Buire and Staeheli, 2017). The NYDA was established to assist youth entrepreneurs who are between the ages of 14 and 35 to start enterprises or improve the existing enterprises to create more employment (Buire *et al.*, 2017). SMEs employ both illiterate and educated people from different fields.

The South African government is concerned about the illiteracy rates in both rural and urban areas and makes it difficult for the private and public sector to absorb them. However, SMEs everywhere can create an opportunity for anyone who is actively

looking for employment despite their experience or education based on the position they have been offered (Carson *et al.*, 2018). Even though SMEs employ people irrespective of any attached conditions, they still ought to do the background check of employees. According to Rose-Ackerman and Palifka (2016), employing people without a background check, especially the criminal record, has resulted in the theft of goods in enterprises because the employer did not know the historical criminal record of employees. Micro-enterprises are informal and employ people based on nepotism without accepting Curriculum Vitae (CV) for the interviews. It can expose enterprises to many threats, like internal crime (Masilela *et al.*, 2016). Small-enterprises are formal, committed to hiring based on the company procedure to ensure that the right candidate is employed with skills and qualifications to elevate the performance of an enterprise in creating more employment (Asare *et al.*, 2015). Nepotism in enterprises is dominating and this leads to a problem relating to lack of employee satisfaction, as the employers employ their family members who perform poorly. Resulting in conflict and that affect the growth of an enterprise (Park *et al.*, 2015; Charman *et al.*, 2017).

SMEs play a significant role in building the country's economy by reducing poverty, unemployment and inequality. However, there has been an increase in unemployment in South Africa in the 4th Quarter to 27.1% in 2018 (Statistics South Africa, 2018). That also impelled the government to focus on strategies, policies and programmes to support SMEs by ensuring they operate in a conducive environment (Maleka and Fatoki, 2016). The government established SEDA in 2004 to provide entrepreneurs with information on how to start or manage a business (Chinomona and Maziriri, 2015). Lack of access to finance is a major problem that delays the progress of enterprises in South Africa (Mottiar *et al.*, 2018). Equally, the government of South Africa has established SEDA to assist enterprises with access to finance for a start-up or boost the cash flow within the company to improve its performance and create employment for people (Masutha and Rogerson, 2015). Enterprises in South Africa have the potential to be innovative, expand and create employment. However, the latter can be done with support from the government and local people.

#### **4.7. Conclusion**

The chapter examined the effects of SMEs on employment creation in South Africa. The enterprises in South Africa are regarded as the major contributors to employment creation. They are valued for providing different types of employment to people. The chapter discussed the legislation and policies that were in place in South Africa to assist SMEs. Due to most SMEs not performing well in South Africa, the government introduced financial institutions to ensure that SMEs received maximum support from finances to skills. The following chapter is the presentation of data and data analysis and interpretation.

## CHAPTER 5

### DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

#### 5.1. Introduction

The chapter analyses and interprets the data collected through semi-structured questionnaires. The questionnaires were given to the SMEs owners and community members of Sefene Village. The interview schedules were also conducted with LED coordinators of the Molemole Local Municipality, and there were observations made in the proceedings. The total participants in the study were 67. The data were interpreted using the Statistical Package for the Social Sciences (SPSS) and Microsoft Excel to make the findings presentable using figures and tables. The questionnaires distributed to SMEs owners were aimed to evaluate the type of enterprises they were engaged in, the management approaches adopted and to determine whether the enterprises created employment for the people of Sefene Village. The questionnaires were also distributed to community members of Sefene Village to confirm if indeed SMEs in the village employed local people. The interview with Molemole Local Municipality LED Coordinators aimed to establish how the government supported the SMEs of Sefene Village. The chapter comprises three sets of data that are analysed and discussed thematically. The three sets of data were generated from the questionnaires with SMEs owners and community members as well as an interview with LED Coordinators.

Also, the first section comprises six sections that include the introduction and conclusion that highlight the empirical data collected at Sefene Village. The second section presents the demographic profile of SMEs owners in Sefene Village, followed by a presentation in a form of figures and tables about the types, characteristics and challenges of SMEs in section three. The fourth section illustrates the management approaches used by SMEs in Sefene Village while section five tables the type and quality of employment created by SMEs that operate in Sefene Village. The last section outlines the statistics of people employed in SMEs in Sefene Village and provides the chapter's concluding remarks.

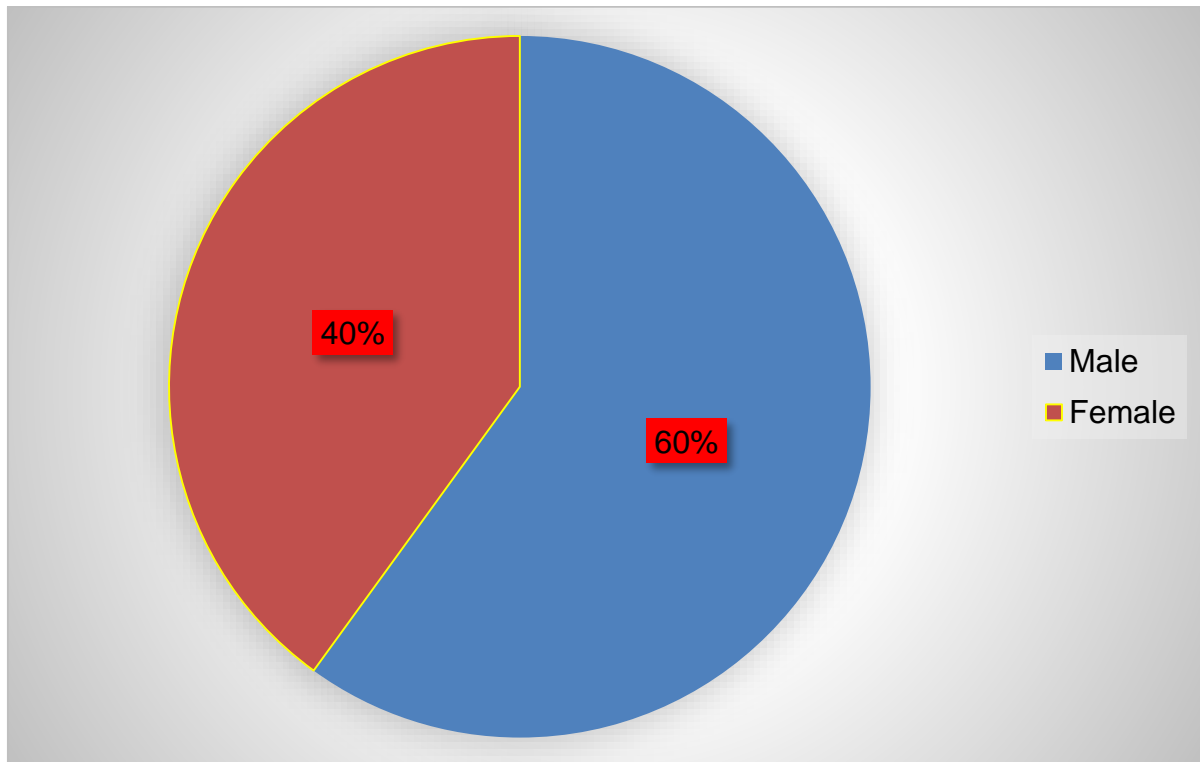
## 5.2. The Demographic Profile of SMEs Owners in Sefene Village

This section provides an analysis of the demographic information collected at Sefene Village. The study fundamentally grouped the participants according to gender, race and age.

### 5.2.1. Gender of SMEs owners

Seemingly at Sefene Village, males dominated the business sector at 60% while females made 40%. The results indicated various challenges encountered by entrepreneurs. Despite these challenges, male entrepreneurs managed their enterprises to achieve profits. Figure 5.1 below illustrates.

Figure 5.1.: The gender of SMEs owners

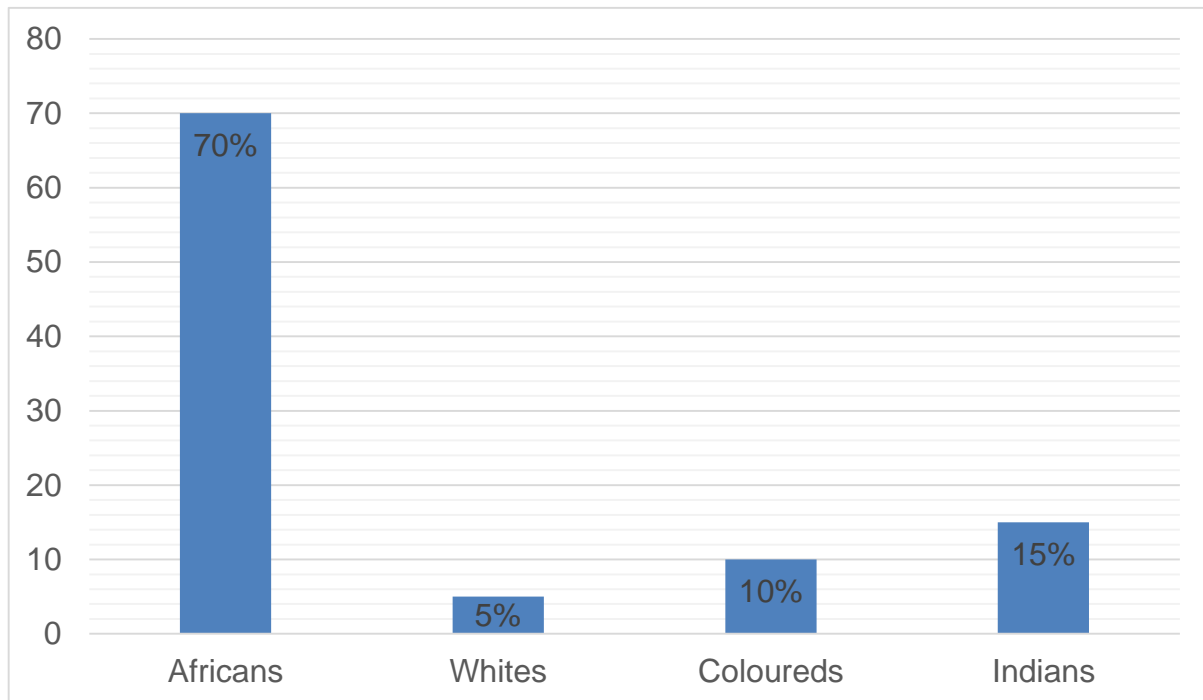


The female entrepreneurs encountered various challenges that threatened the sustainability of their enterprises. The results indicated that male entrepreneurs dominated the small-enterprises while female entrepreneurs mostly engaged in micro-enterprises for survival. The SMMEs owned by men were comparatively successful than those owned by women because males preferred to create opportunities in businesses than females, who usually engaged in necessity-driven enterprises (Maloka, 2013).

### 5.2.2. Race of SMEs owners

The dominating race in South Africa is the Black population that engage in SMEs to improve their standard of living and purchasing power. In Sefene Village, Black people owned 70% of the businesses, White accounted for 5% while Coloured and Indian made up to 10% and 15% respectively. The data is presented in Figure 5.2 below.

Figure 5.2.: The race of SMEs owners



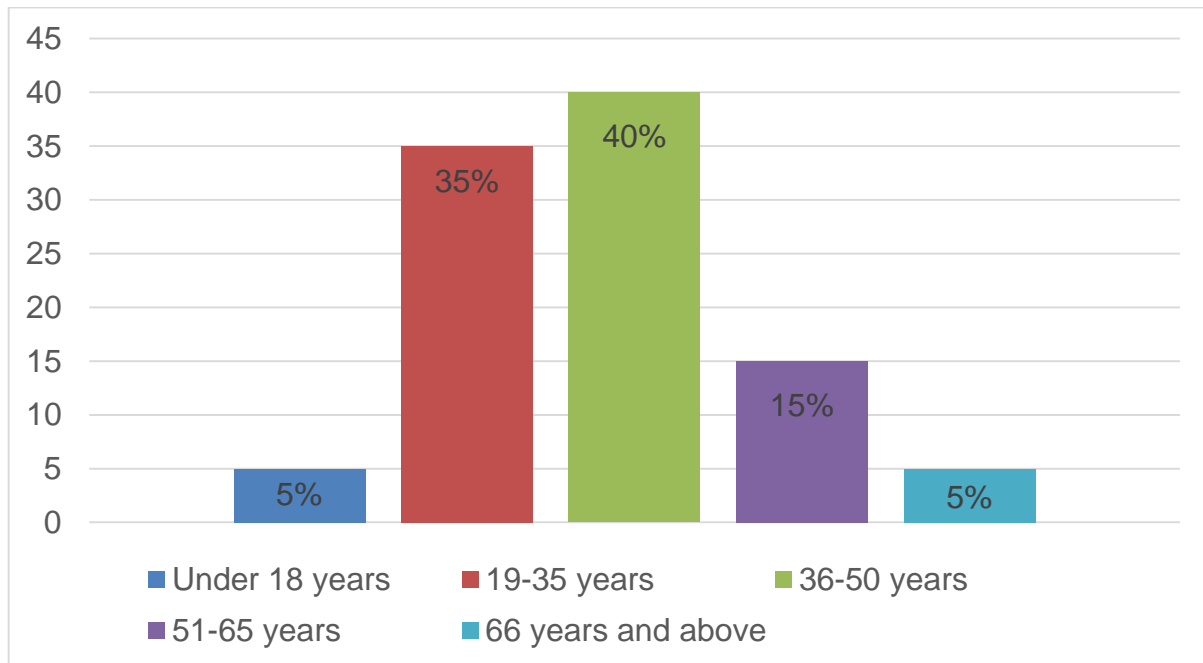
The study discovered that Indians owned micro-enterprises that spread throughout the Sefene Village. Since South Africa is plagued by poverty and unemployment, mostly in black communities, Mankgele and Fatoki (2018) observed that Africans in villages engaged in enterprises to cope with dire economic factors. Other races in Sefene Village explored the economic activities and, resultantly, offered community members employment while others engaged in enterprises for survival.

### 5.2.3. Age of SMEs owners

The literature showed that South African youth unemployment in the country was rife. Therefore, the youth in Sefene Village used enterprises to escape unemployment and poverty. This category, below 18 years, accounted for 5% of the SMEs. The results

have shown that most youth engaged in micro-enterprises as illustrated in Figure 5.3 below.

**Figure 5.3.: The age of SMEs owners**



The findings indicated that 40% of the people between 36 and 50 years owned SMEs in Sefene Village while the youth between 19 and 35 years accounted for 35% of SMEs in the village. They provided community members with access to income and wage. Those aged between 51 and 65 years were at 15% while another 15% of the SMEs owners inherited most of their businesses. The people from 66 years and above represented 5% of the SMEs owners. Page and Soderbom (2015) indicate that South Africa has an educated and skilled youth that actively looking for employment opportunities. In the event of not finding employment, the youth of Sefene Village resort to using their skills in entrepreneurship as depicted in the figure above.

### **5.3. Types, Characteristics and Challenges of SMEs in Rural Areas**

The section analyses the types, characteristics and challenges encountered by SMEs in Sefene Village. This section also provides an analysis of different SMEs, characteristics and the nature of challenges encountered.



### 5.3.1. The types of SMEs

The table below shows how street vending is dominating in Sefene Villiage at 30% which were mostly owned by Africans as Table 5.1 depicts. According to Roever (2016), in South Africa, the street vendors operate in any location except near shopping malls.

Table 5.1.: The types of SMEs

Small-scale agricultural farming	10%
Home-based enterprises “spaza shops”	15%
Street Vending	30%
General Dealers	5%
Internet Café	10%
Supermarkets	25%
Commercial Farming	5%

The street vending business is easy to establish without government restrictions at 30%. The supermarkets, accounting for 25%, are the second popular businesses. The supermarkets’ dominance in Sefene Village created employment for people in the area in the form of permanent and part-time employment. The home-based enterprises “spaza shops” amount to 15% whereby people use their homes for business purposes. The Internet café follows at 10% and are mostly owned by youth. In China, there are government laws guiding individuals who want to establish an enterprise in their home (Xue and Huang, 2015). Small-scale agricultural farming share spoils at 10% with spaza shops. It means few people were engaged in this kind of business in Sefene Village. Even far less, commercial farms sit at 5%, sharing equal contribution with general dealers. It is expensive to establish commercial farming because it requires skills, time and resources. On the contrary, small-scale agricultural farming doubles commercial farming (at 10%) because it is easy to start with low capital and resources as compared to commercial farming. Drawing from these findings, people seek economic opportunities through SMEs (Mokabe and Tshifularo, 2018).

### 5.3.2. The motivation to start an enterprise

The study found that 45% of the Sefene Village residents established enterprises due to unemployment. The literature corresponds with the findings that unemployment and poverty drive people to be entrepreneurs. The 30% indicate that people engage in SMEs to escape poverty. The 15% showed that some enterprises were inherited either from parents or relatives while 10% of the enterprises were established following owners' retrenchment from employment.

When a person is retrenched, they receive severance pay or a package from the company that is releasing them. Table 5.2 below shows the motivation for starting enterprises in Sefene Village.

Table 5.2.: The motivation for starting an enterprise

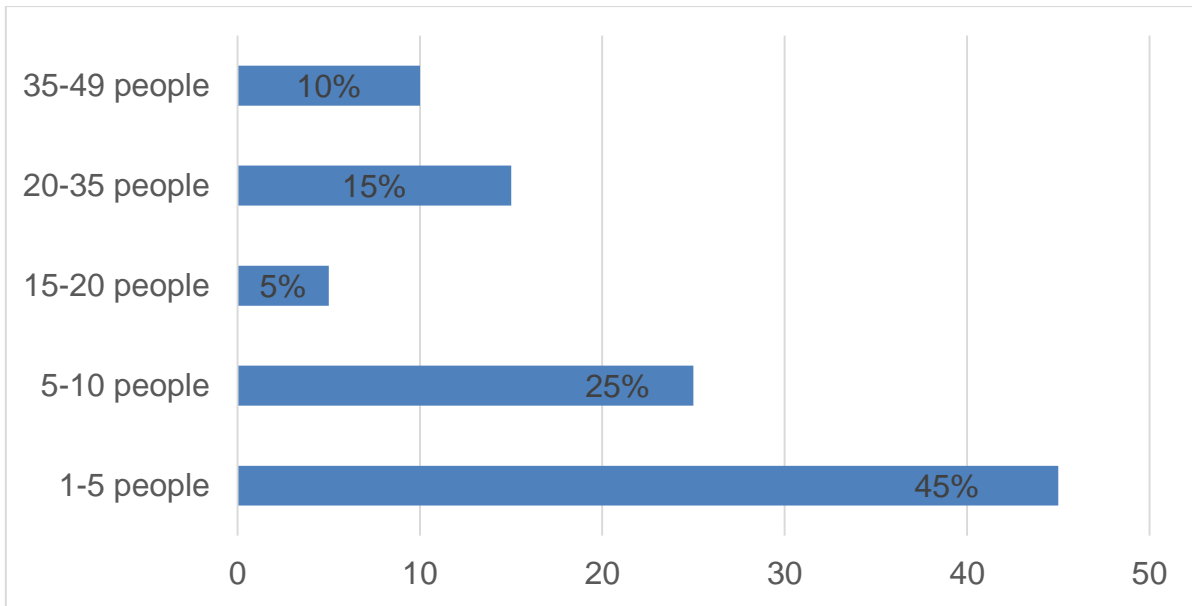
Unemployment	45%
Poverty	30%
Retrenchment	10%
Inheritance	15%

The findings of the study showed that fewer people were retrenched from various companies and used the severance package to start enterprises as an attempt to feed and sustain their families. Many factors impel people to venture into entrepreneurship. Others pursue entrepreneurship because it is their passion while some engage in entrepreneurship for survival (Mutyenyoka and Madzivhandila, 2014). Due to the high percentage of people who start enterprises without skills, the LED coordinators stated that they identified such SMEs and established the necessary assistive interventions such as training, market linkages, infrastructure development and finances.

### 5.3.3. Characteristics of SMEs in Sefene Village

The characteristics of SMEs are differentiated by the number of people. Small-enterprises in South Africa employs 1 to 49 employees, while micro-enterprises employ 1 to 5 people (Mutyenyoka and Madzivhandila, 2014; Charman *et al.*, 2017). Figure 5.4 below demonstrates 45% of micro-enterprises that employ 1 to 5 employees. In Sefene Village, micro-enterprises like street vending dominated at 30% as depicted in Table 5.1 above.

**Figure 5.4.: Number of employees in SMEs**



Sefene Village is rural and the business base is basic; hence, most micro-enterprises employ fewer people. The literature indicated that micro-enterprises in Ghana also employed less than five (5) people (Mensah *et al.*, 2019). The 25% illustrates that the number of people employed in an enterprise is between 5 and 10. The literature further indicated that an enterprise could be micro or small and still employ fewer people. The empirical data collected in Sefene Village revealed that there were micro-enterprises that employed less than ten (10) people even though the government categorised them as employing less than five (5) people. The 25% represents the number of people employed in either micro or small enterprise. The 5%, 15% and 10% illustrate the number of people employed in small-enterprises in Sefene Village. Table 5.1 illustrated the number of enterprises that were dominating in Sefene Village, which is supermarkets at 25% and street vending at 30%.

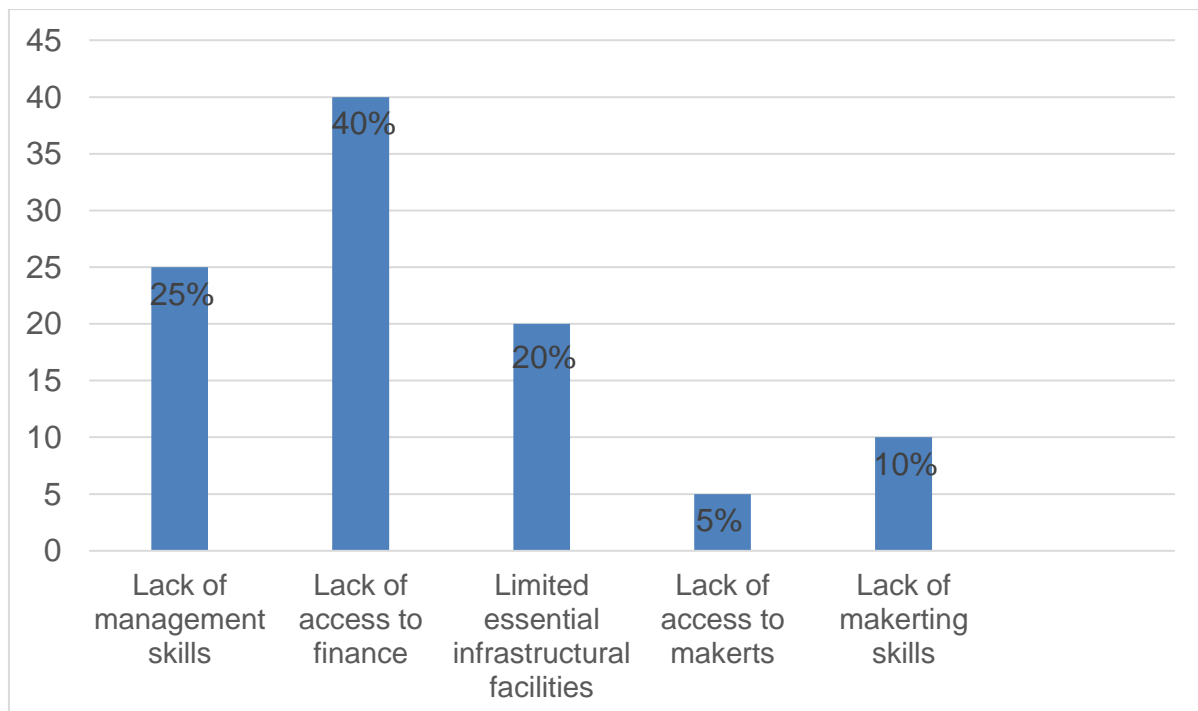
The small-enterprises are major economic driving forces of employment in Sefene Village. However, SMEs owners responded that with the support from the municipality and community members, more employment could be generated. In terms of the profit margins, the micro-enterprises get less than R100 000, while other micro-enterprises make more annual turnover. For confidentiality, the small-enterprise owners stated that their turnover was over a million. The literature corroborates that the turnover of small-enterprises is over 1 million (Mutenyoka and Madzivhandila, 2014). In terms of ownership, micro-enterprises are independently owned and do not pay taxes as they

are informal. Unlike small-enterprises that are formally registered and mostly owned by more than one person. Self-employed entrepreneurs are mostly in micro-enterprises that employ 1 to 5 people compared to few employed by small enterprises. The LED coordinators were concerned about micro-enterprises that the employment between 1 and 5 people was not enough. They further said there should be support for the enterprises to employ more people. Additionally, the LED coordinators stated that the employment status was a worrying factor as most of the people in the area were not necessarily employable due to a lack of required knowledge and skills. Moreover, the LED coordinators had observed that most people employed in SMEs worked on a part-time and seasonal basis and some on contract. They said the municipality was not happy about it because there were no benefits.

#### 5.3.4. The challenges encountered by SMEs owners in Sefene Village

Lack of management skills amounted to 25%. The percentage is high because when managing a business, the necessary educational and business skills are required. Table 5.2 above revealed that most entrepreneurs established businesses due to unemployment. Hence, the 25% lacked management skills as depicted in Figure 5.5.

Figure 5.5.: Challenges of SMEs



Furthermore, Maloka (2013) contends that entrepreneurs in South Africa do not have the requisite skills to operate their businesses. Lack of access to finance is the highest with 40%. This remains a major challenge faced by SMEs in Sefene Village, which affects the development of enterprises to perform to their maximum potential and create more employment. It is hard for SMEs owners in Sefene Village to access financial institutions and that hinders their progress to expand. The literature indicated that lack of access to finance by SMEs was a global challenge (Mottiar *et al.*, 2018). Figure 5.5 reveals that limited infrastructural facilities are at 20% in Sefene Village. Lack of infrastructural facilities such as water, road network, incessant electricity, waste disposal facilities, sewers and other infrastructural facilities are crucial for the survival of enterprises (Akabueze, 2002; Okpara, 2007). Poor infrastructural facilities such as poor roads may limit customers' access to enterprises.

The market is where the seller and the buyer meet either physically or virtually, and the buyer purchases the products from the seller (Crane and Matten, 2016). The lack of access to markets is the lowest at 5%. The SMEs in Sefene Village struggled to access the markets due to competition among themselves. Marketing skills are when the enterprise is informing its customers or the public about their products in the market (Maduku, Mpinganjira and Duh, 2016). Lack of marketing skills is at 10%, which can hinder the expansion of SMEs.

The findings of this study revealed that SMEs in Sefene Village experienced intensive competition among themselves. It meant that other enterprises struggled to market their enterprises formally due to financial constraints. Small-enterprises have the financial muscles to market their enterprises, unlike micro-enterprises. Micro-enterprises rely on a word of mouth for awareness about their products, while small-enterprises use pamphlets and Botlokwa Community Radio to reach out to their target market.

The LED Coordinators were alerted about the challenges encountered by SMEs. The response from LED Coordinators was that the LED department conducted frequent surveys and needs analysis to screen the SMEs' functionality and performance, and categorise them into three different forms - red, orange and green. After categorising the enterprises, they offered suitable support.

## 5.4. The Management Approaches of SMEs

The following section analyses the management approaches adopted by the SMEs in Sefene Village. The SMEs owners were requested to fill in the questionnaires and indicate the management approach they used in their enterprises. The management approaches include strategic, relationship marketing management, marketing-orientated management, and consumer-orientated management. The following section presents the empirical data collected in this study and presents them against deliberations made in the literature review.

### 5.4.1. The strategic approach

The strategic approach is crucial for SMEs for it better positions enterprises managers to compete in the market. Based on the findings in this study, the operational strategies used by SMEs owners are 20%. The competitive strategy is the highest at 60%. It shows a positive trajectory for SMEs to apply the competitive strategy because of the high number of SMEs that exist in Sefene Village. Re-establishing strategies is at 15% as shown in Table 5.3 below.

Table 5.3.: Strategic approach

Operational strategies	20%
Competitive strategies	60%
Re-establishing strategies	15%
Others	5%

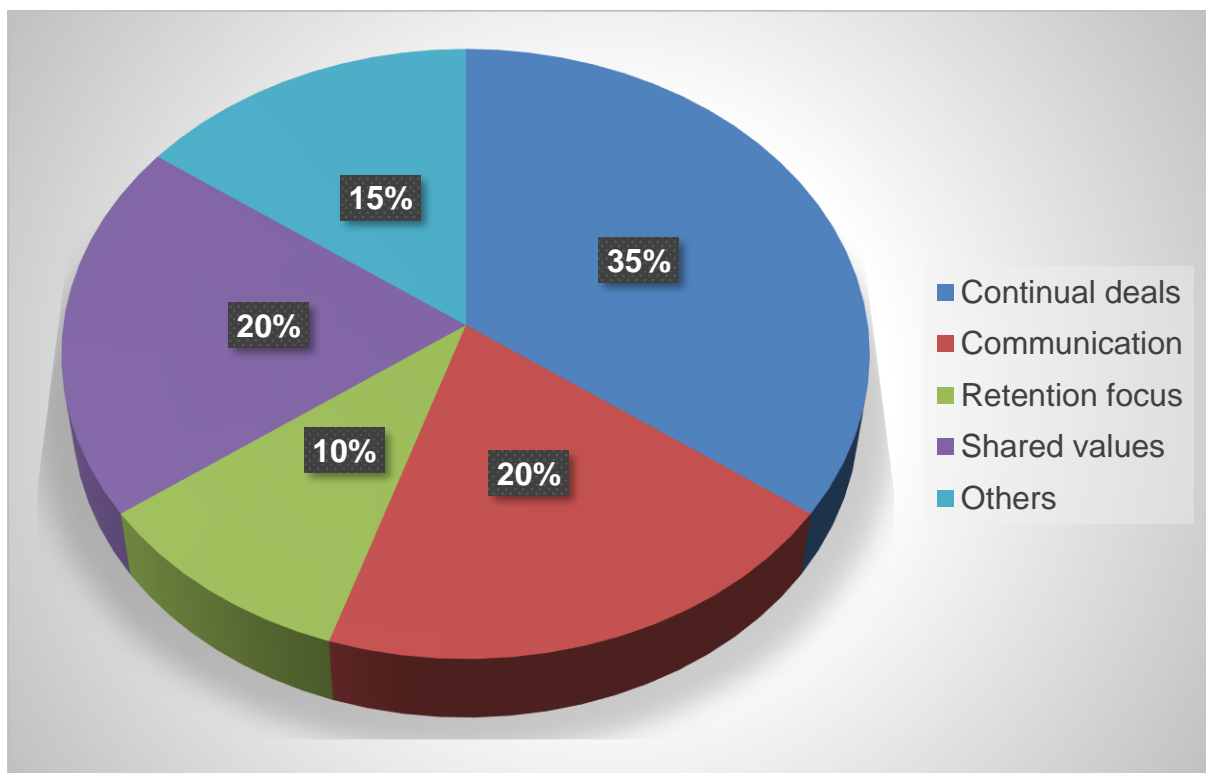
The 15% for re-establishing strategies is low and raises concern for SMEs as developing new strategies is vital for the SMEs to cope with the competition. Customer preferences change over time and SMEs need devise new strategies to adapt to new market demands and retain or attract new customers. The findings further revealed that 15% of SMEs in Sefene Village used re-establishing strategies that could potentially harm them in the market. Other strategies used by SMEs amount to 5%. The SMEs owners were also asked about other types of management approaches they adopted in their enterprises. The SMEs owners stated that they used organising and controlling management approaches. Most SMEs use competitive strategies and

neglect other strategies. Yet, all strategies are necessary for the smooth operation of a business (Du Toit *et al.*, 2010).

#### 5.4.2. The relationship marketing management approach

According to the findings, 35% of SMEs owners depended on continual deals to attract more customers as Figure 5.6 depicts. The discounts given to customers are crucial for strengthening the relationship between two parties (Mennens *et al.*, 2018). The communication between SMEs and customers is at 20%. The SMEs must improve their communication strategies to inform customers about sales and new products.

Figure 5.6.: Relationship marketing management approach



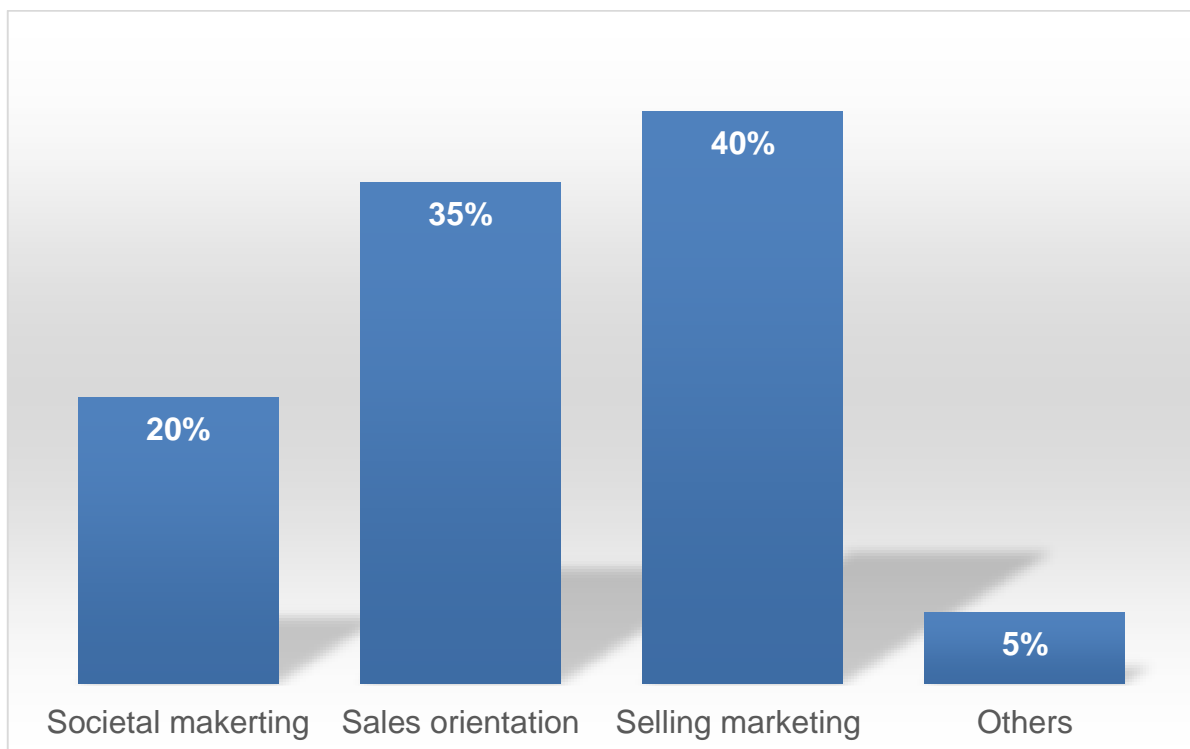
The retention focus is when an enterprise develops strategies to attract back the same customers. However, the findings were at the lowest at 10%, meaning SMEs in Sefene Village needed to provide better services and ensure that customers returned for more products. The findings illustrated that shared values were at 20%. The SMEs of Sefene Village used the shared values by donating to the community as a strategy of attracting customers. The effort of SMEs trying out other marketing management approaches to operate their enterprises was at 15%. Relationship marketing is when the seller has a

common relationship with the customer (Farrington *et al.*, 2018). The findings indicated that SMEs on relationship marketing did well by building relationships with customers. However, the community members stated that SMEs rarely communicated with them in time.

### 5.4.3. Marketing-oriented management approach

Figure 5.7 below illustrates that 20% of SMEs use societal marketing while 35% represents SMEs that use the sales orientation to target more customers. The highest of 40% shows SMEs' strength in selling marketing because the managers interact with customers.

Figure 5.7.: Marketing-oriented management approach



On the other hand, the SMEs' use of other marketing strategies was only an effort of 5%. Marketing-oriented management is crucial for informing customers about products offered (Rucha, 2017). The SMEs owners in Sefene Village demonstrated that they engaged with their customers. A business can adopt different ways to market its services. The SMEs owners stated that they depended on pamphlets and salespeople known as "salespeople" that engaged directly with customers.

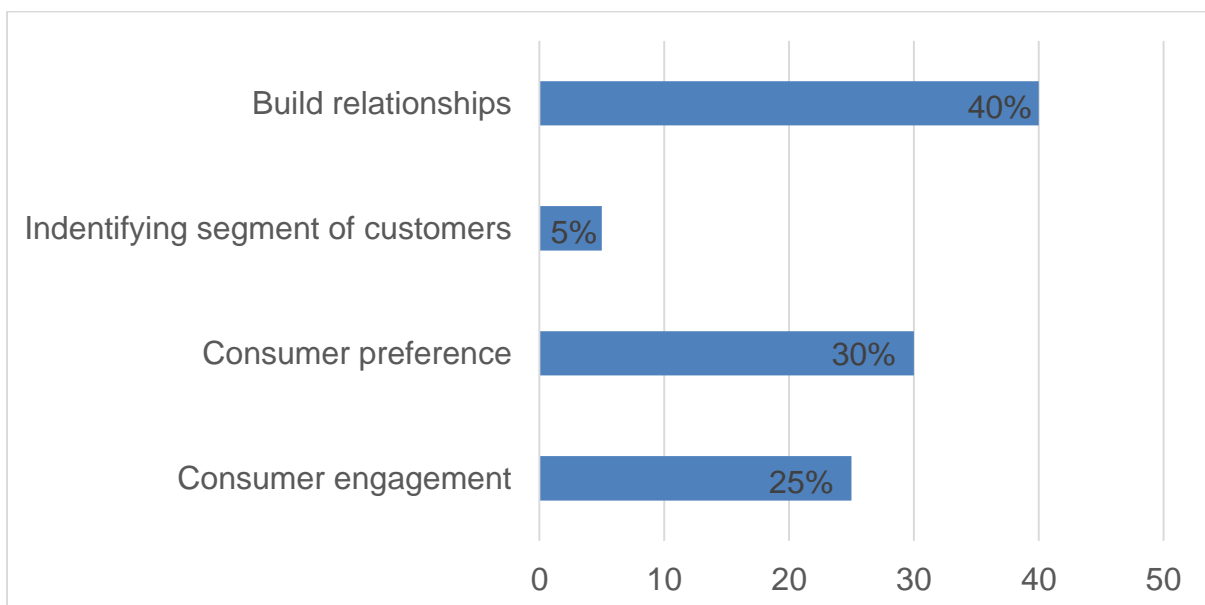


#### 5.4.4. Consumer-orientated management

Consumer-orientated management is crucial for the performance of SMEs. Figure 5.8 below shows consumer engagement at 25%, which is low and indicating that the SMEs in Sefene Village do not regularly engage with customers.

The enterprises must get feedback about the products sold to the customers. This low level of engagement makes enterprises lose customers. Hence, consumer preference sits at 30%.

Figure 5.8.: Consumer-orientated management



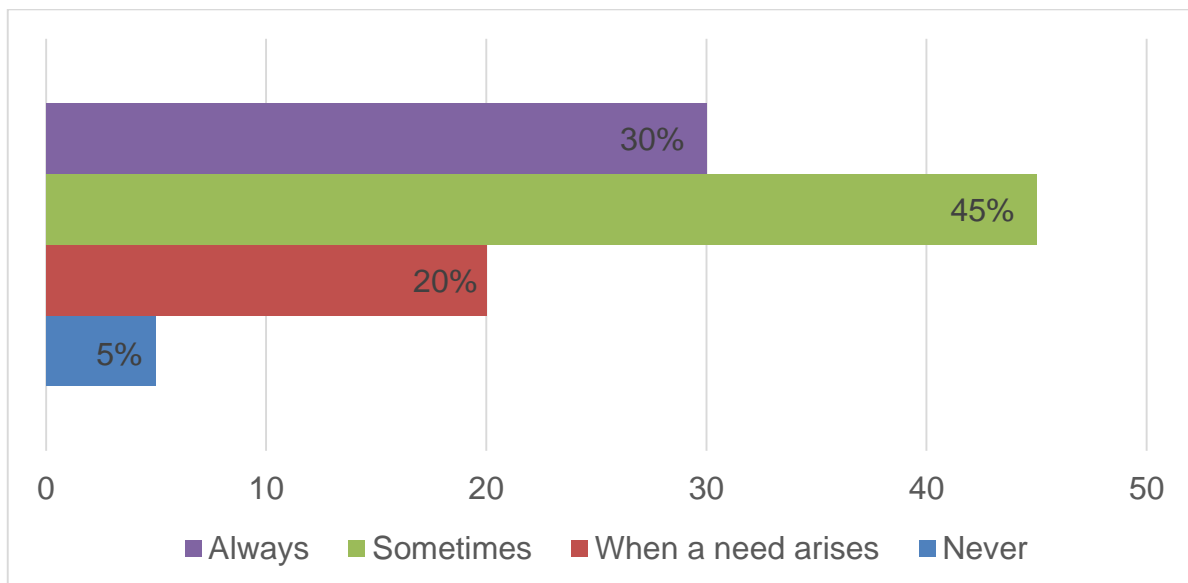
The customers' preferences change over time, and SMEs need to be cognisance of such changes to know their customer base. Figure 5.8 above shows that the enterprises Sefene Village did not highly identify customers per segments as such efforts make up to 5%. SMEs need to know their target population. Most of the micro-enterprises such as home-based enterprise "spaza shops" target their nearby community members. The challenge of other enterprises is that they establish a business without considering a target market. For example, an Internet café operating in the community will not make sufficient profit if it fails to identify the target market. However, if the enterprise is located around a college, it can target students and make good profits. The 5% of identifying segment by SMEs was low and could affect the progress of an enterprise. It is fundamental for enterprises to build relationships with customers. The efforts of enterprises building relationships in Sefene Village was at

40%, something applaudable. The building of relationships is a strategy that most SMEs use to keep the loyalty of customers. The literature review corresponds with the empirical data collected from Sefene Village. However, 5% of SMEs not identifying their target segment is worrying because a business should target specific people at a specific location.

#### 5.4.5. Training for employees in SMEs

The findings of the study illustrated in Figure 5.9 below show that SMEs provide training for employees. Around 30% of SMEs do not provide training to employees while 45% represents SMEs that provide training to employees – at times, which is the highest. It is not a good indication because employees should receive the necessary training for a specific task to perform. Additionally, 20% represents SMEs that provide training for employees when there is a need. The 5% represents SMEs that do not provide training to employees.

Figure 5.9.: Training for employees



Training and induction in SMEs are important to clarify employee duties. The small-enterprises comprise many departments, making training essential for employees. There are different micro-enterprises and others require training while some provide when there is a need. The literature has discussed a lack of management skills as one of the major challenges (Mottiar *et al.*, 2018). Based on empirical data collected in Sefene Village, 45% of SMEs stated that they sometimes provided training for their

employees. It showed poor leadership, validating the literature that lack of management skills was one of the SMEs challenges. Furthermore, the findings revealed that most people became entrepreneurs due to unemployment and some of them lacked the training and skills to manage a business.

The LED Coordinators stated that the municipality budgeted for the project called “Training of SMEs”. The project covered over 25 different SMEs annually. According to the LED Coordinators, the project was effective and had a positive impact as most of the trainees were competitive and managed their enterprises properly.

#### **5.4.6. The types of training offered by SMEs**

The findings indicated that 15% of SMEs provided financial training to employees. The SMEs that provided marketing skills to employees made only 20%. Due to competition among enterprises, marketing skills are important for attracting more customers. Meaning that 20% of marketing skills is not enough for enterprises. The problem-solving aptitude was at 10%, indicating that SMEs did not invest more in providing problem-solving skills to employees as shown in Table 5.4 below.

Table 5.4.: Types of training offered by SMEs

Financial management	15%
Marketing skills	20%
Problem-solving	10%
Communications	40%
Others	15%

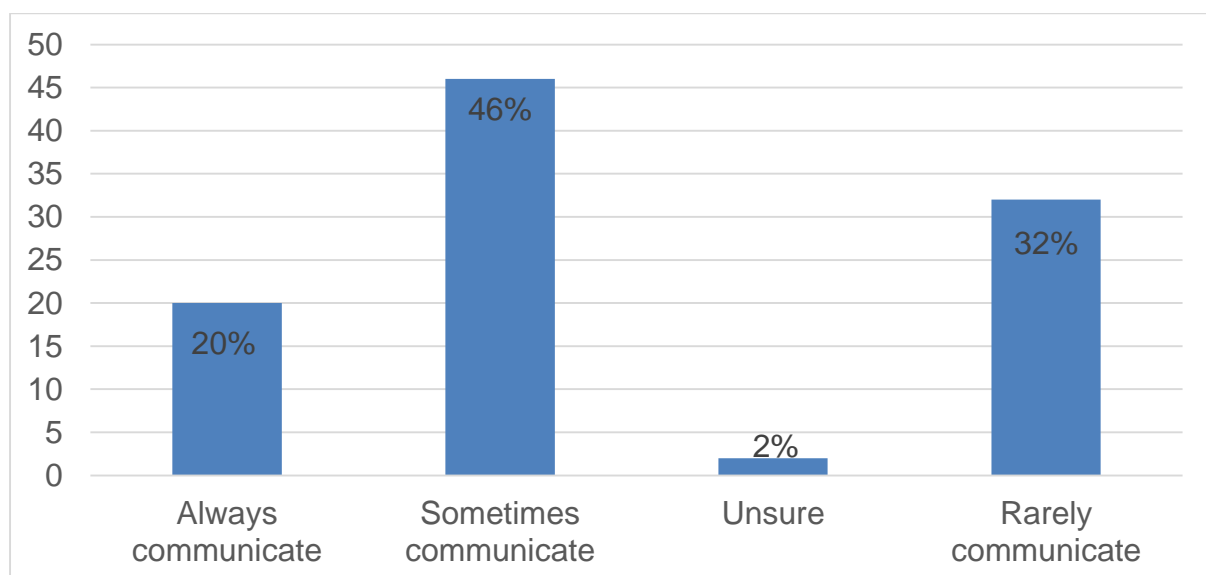
In an enterprise, employees work with customers. This is challenging for both parties because a misunderstanding or disagreement might occur. The employees must be trained in dealing with difficult customers. The training of communication skills given to employees is the highest at 40%. The SMEs in Sefene Village provided communication skills for employees, which was a good skill in the enterprises. Another training given to employees from SMEs was at 15% and 15% of SMEs owners stated that they offered skills such as prioritisation and enforced strategic thinking among employees. A set of skills in an enterprise determine its success or failure (Ishengoma and Lokina, 2017). The LED Coordinators said they believed that knowledge and skills

were pre-conditioned towards running a competitive and sustainable business. The LED Coordinators also indicated the training for SMEs owners was also extended to a few employees working in specific enterprises.

#### 5.4.7. Communication of SMEs with Customers

The community members in Sefene Village were given the questionnaires to answer whether the SMEs in their area communicated with them as depicted in Figure 5.10 below and 46% of the respondents stated that the SMEs occasionally communicated with them. On the other hand, 20% indicated that SMEs always communicated with their customers about new products or sales. However, 32% illustrated that SMEs rarely communicated with community members. The lowest at 2% represented the results from community members who were not sure of whether the SMEs communicated with customers.

Figure 5.10.: Communication between SMEs and customers



The figure demonstrates that communication between SMEs and customers is inconstant. Poor communication can limit the SMEs chances of attracting new customers (Fatoki, 2014).

#### 5.5. Types and quality of employment created in rural areas

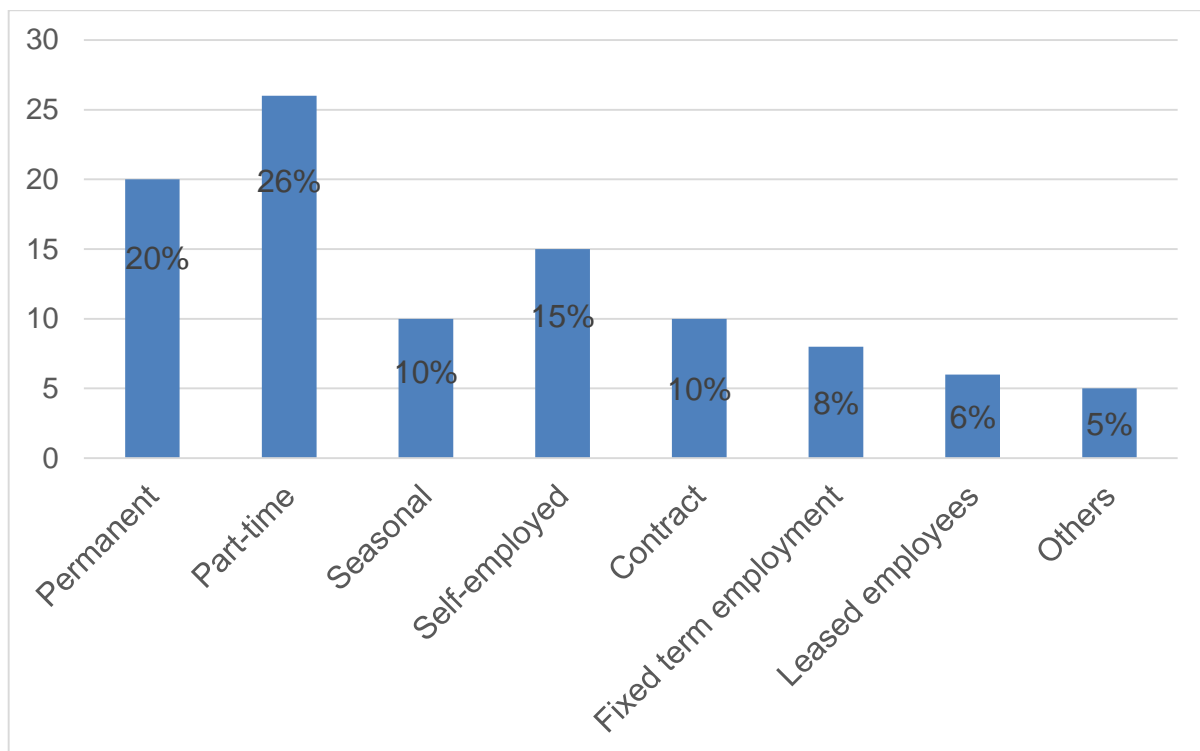
The section analyses the types and quality of employment created by SMEs in Sefene Village. It entails statistical information for the study to compare the literature and

empirical data, checking if SMEs in Sefene Village create employment. The LED Coordinators did not provide the statistics of people employed in SMEs that operate in Sefene Village.

### 5.5.1. The types of employment created by SMEs

The findings revealed that SMEs provided permanent employment at 20% whereas part-time employment stood at 26% as shown in Figure 5.11 below. Seasonal employment was at 10% due to a few entrepreneurs in the commercial industry in Sefene Village and 15% were self-employed. The SMEs who offered contracts to employees accounted for 10% and the fixed-term employment for 8%. It illustrated that SMEs could also provide job security to an individual because they were employed for specific months. However, the contract might also be renewed depending on the availability of work.

Figure 5.11.: The types of employment by SMEs



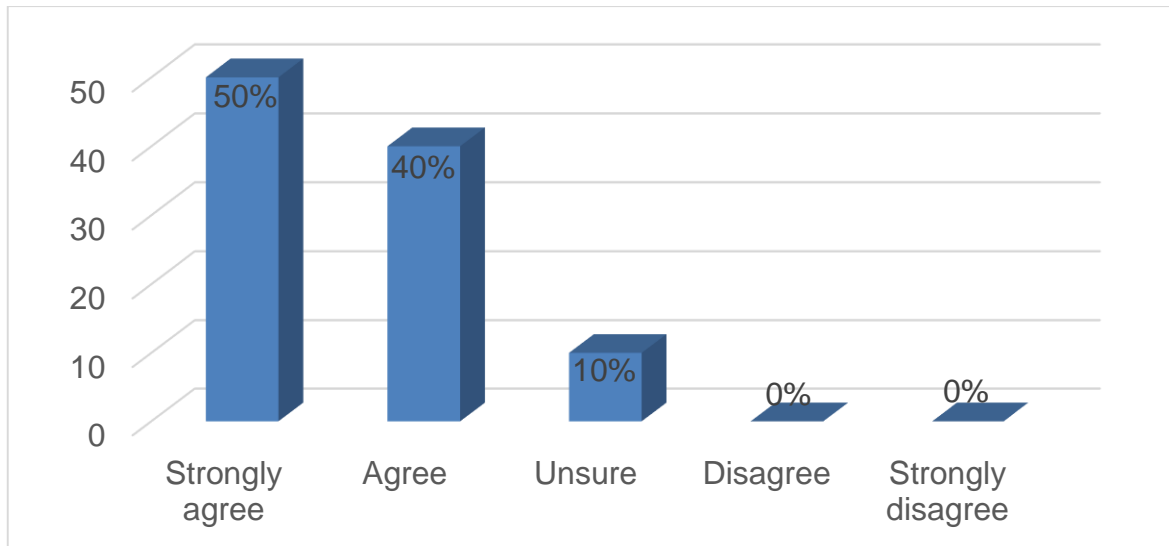
SMEs that leased employees to assist for a certain time in the business were at 6%. During December, most people purchase products from SMEs for festive seasons. Meaning to cope with an influx of customers, SMEs needed to employ people for that specific season or time. The 5% represents other types of employment used by SMEs

except those that are previously mentioned. The SMEs owners stated that they were not happy with the number of employees in their enterprises. The majority of SMEs in Sefene Village employed people on a part-time and seasonal basis. The SMEs owners who were self-employed stated that they managed their enterprises even though they struggled to employ high skilled employees due to limited finances. The LED Coordinators in Sefene Village stated that in terms of the types of employment, the village depended on community services, retail (this included employment from shopping complex) agriculture (farm workers) and poverty relief programmes offered by various government departments. The LED Coordinators further stated that unemployment in Sefene Village was categorised by various factors such as illiteracy and lack of competency, which made it difficult for people to find permanent employment. According to Ajuruchukwu and Sanelise (2016), illiteracy is a factor that affects African countries, including South Africa. People who are illiterate struggle to get employment from the formal sector and opt for working in enterprises on a part-time or seasonal basis. The LED Coordinators stated that they assisted SMEs to improve and provide employees with permanent, part-time, seasonal, contracts and fixed-term employment.

#### **5.5.2. SMEs and unemployment reduction in Sefene Village**

The findings, as shown in Figure 5.12 below, revealed the respondents' views on the reduction of unemployment by SMEs, where 50% of the SMEs were confident that they have created employment for the Sefene community. Additionally, 40% of SMEs agreed that enterprises reduced unemployment amongst the youth. However, 10% of SMEs owners were not sure whether their enterprises reduced unemployment. None of the respondents disagreed with the statement that SMEs reduce unemployment at the Sefene Village.

**Figure 5.12.: Unemployment reduced by SMEs**



The results concur with the literature that SMEs reduce unemployment and poverty. The findings are supported by Maleka and Fatoki (2016) who opine that the existence of SMEs in both rural and urban areas has granted access to wages and income to people. The LED Coordinators stated that SMEs were major contributors to employment in Sefene Village and they valued their positive role in combating unemployment in the area.

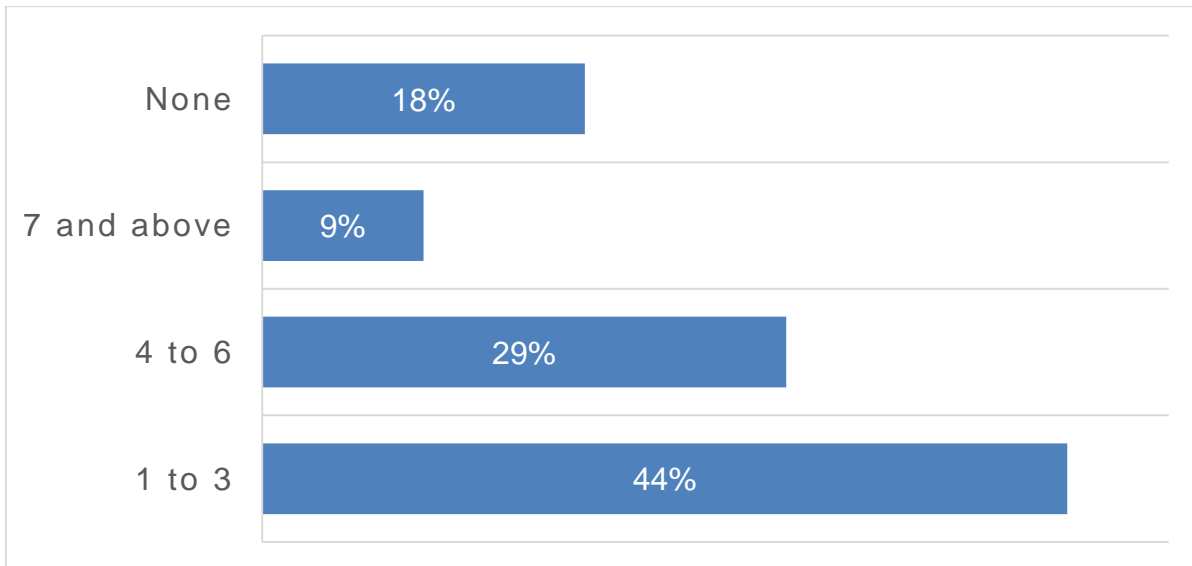
### **5.6. The effects of SMEs on employment creation**

The section analyses the effects of SMEs on employment creation in Sefene Village. The literature states that there is a relationship between SMEs and employment creation. Therefore, Sefene Village as a research site was used to confirm the relationship between SMEs and employment creation.

#### **5.6.1. The number of family members employed in SMEs in Sefene Village**

Figure 5.13 below shows the results from community members, who were asked about the number of people in their household employed in SMEs in Sefene Village. Apparently, 44% of the households stated that they have family members working in SMEs in Sefene Village, which reduced poverty in the household. In light of the above, 29% said 4 to 6 people in their households were employed in SMEs in Sefene Village.

**Figure 5.13.: Family members employed in SMEs that operate in Sefene Village**



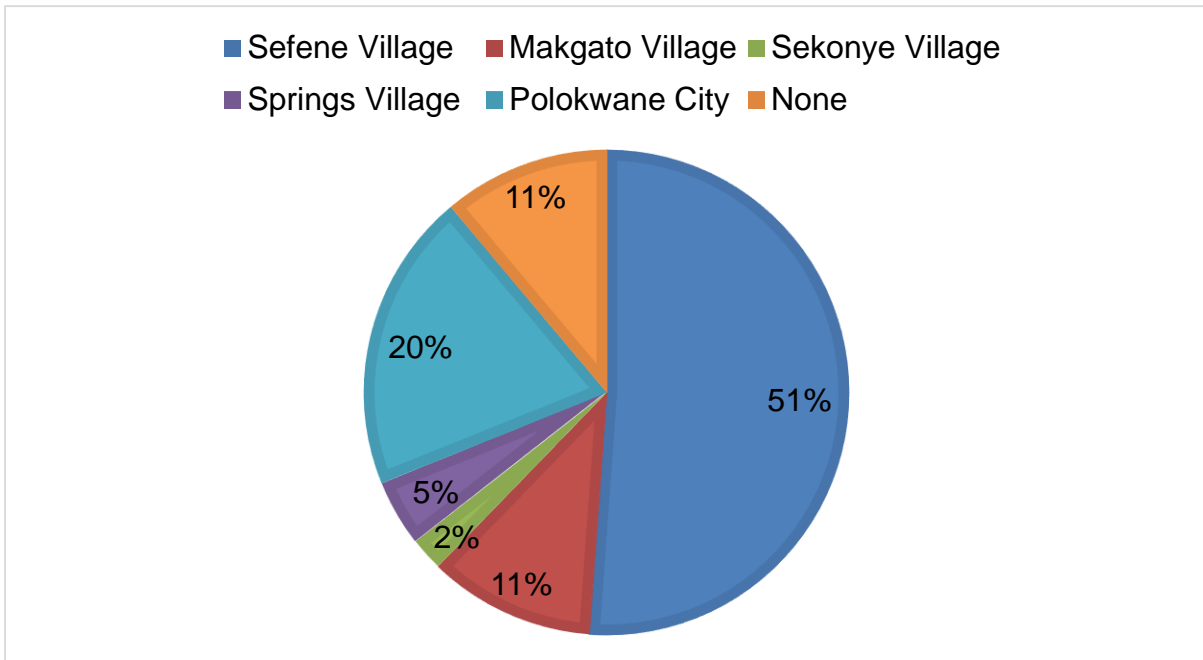
The lowest of 9% illustrates that people employed in SMEs are above 7, which is a positive response from participants. Those who said none of the household members was employed in SMEs that operated in Sefene Village were at 18%. They indicated that their household members were employed either in government or medium enterprises. Enterprises exist in urban areas, townships and rural areas, increasing competition among each other and people prefer to work in enterprises that pay well (Mutyenyo and Madzivhandila, 2014). The participants have confirmed that not all their family members were employed in SMEs in Sefene Village.

### **5.6.2. Number of employees employed in SMEs**

The questionnaires were distributed to community members to answer whether their family members were employed in SMEs. As shown in Figure 5.14 below, 51% of households were employed in SMEs in Sefene Village. The SMEs in Sefene Village play a positive role in employing local people. However, some work in the cities and 20% represents the number of people working in SMEs based in the city of Polokwane. Makgato Village is next to Sefene Village, which is why 11% of the SMEs employ people from Sefene Village. Springs Village was at 5% and Sekonye at 2%; they employed few people from Sefene Village due to proximity. Only 11% of the household members were not employed in any enterprise. The Polokwane city employs more people from Sefene Village who look for employment with higher salaries and income.



Figure 5.14.: Number of community members employed in SMEs

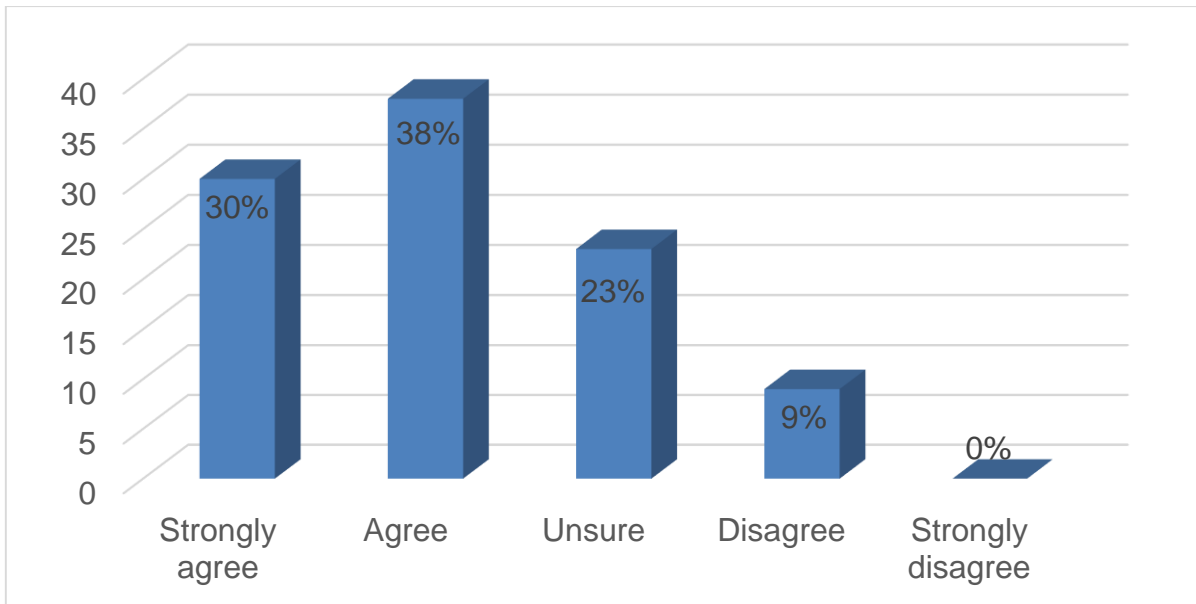


The SMEs in Sefene Village have an advantage because most employees do not need to travel as compared to those working in Polokwane. Polokwane is the greatest competitor of Sefene Village as community members stated that they were paid better salaries and did not mind travelling long-distance. The LED Coordinators were concerned about many community members working in enterprises in Polokwane while Sefene Village was also an economic hub for community members.

### **5.6.3. SMEs employment and affordability of basic needs and wants**

The findings in Figure 5.15 below represent the response from Sefene community members on whether the SMEs provide enough money for employees. As such, 38% of the respondents strongly agreed that SMEs provided employees with enough money to afford basic needs and wants while 30% also agreed that SMEs provided enough income. However, 23% were not sure whether SMEs provided people with enough money.

**Figure 5.15.: SMEs employment and affordability of basic needs**

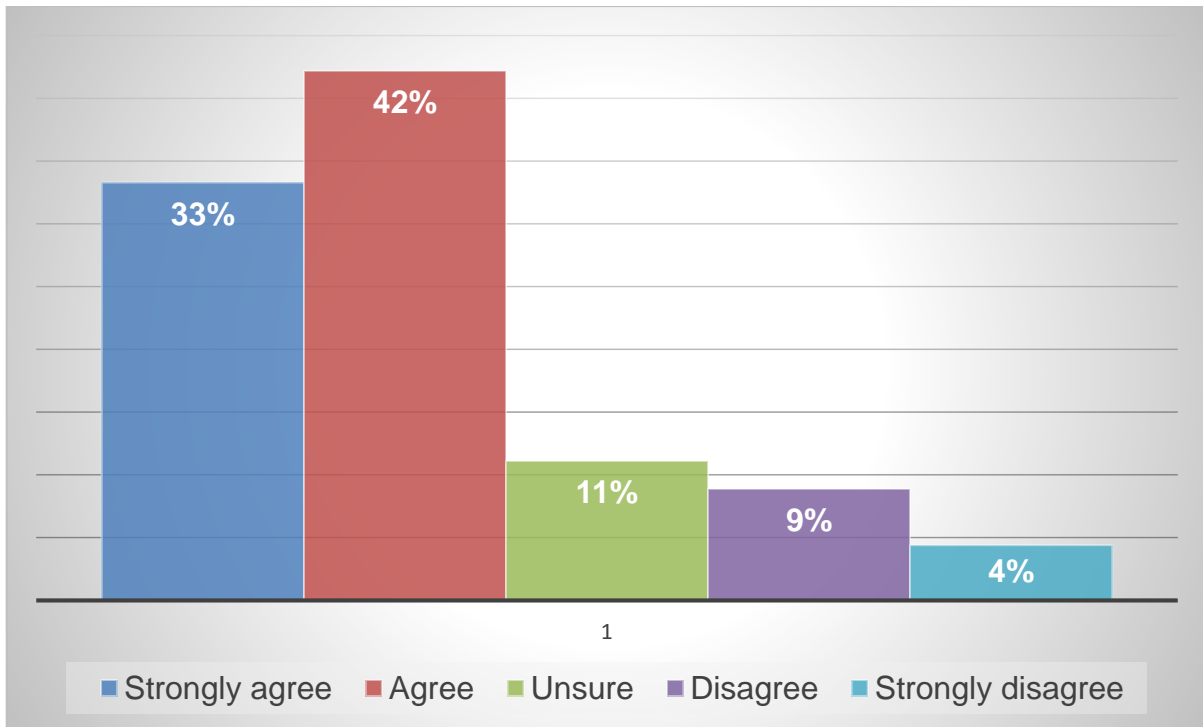


Moreover, 9% of the community members disagreed that SMEs in Sefene Village provided employees with enough wage or salary above the poverty line. None of the participants strongly disagreed with the statement whether SMEs does not provide people with enough money. According to Beneke (2010), SMEs are different and the salaries or wages are controlled by the size of a business. The salaries earned by employees in micro-enterprises are different from those employed in small enterprises. The LED Coordinators stated that support for SMEs would create more opportunities and improve employees' salaries.

#### **5.6.4. SMEs and employment of local people in Sefene Village**

Figure 5.16 below illustrates 33% of Sefene Village community members who agree that SMEs employ local people. The existence of SMEs in Sefene Village should benefit the local people not only in terms of products but also in employment opportunities. Positively, 42% of community members agreed that SMEs employed local people. The percentage is high, showing that community members value SMEs. Contrarily, 11% of the respondents stated that they were not sure whether the SMEs employed local people.

Figure 5.16.: The SMEs and employment of local people



About 9% of the respondents disagreed that SMEs employed local people and 4% strongly disagreed in that regard. Development means different things to different people. Those not employed in SMEs do not see the value of enterprises in employment creation (Chinomona and Maziriri, 2015). However, 42% of the participants agreed that SMEs prioritised local people. Language can be a barrier; hence, most enterprises owned by African foreigners employed local people for communication purposes with customers (Fatoki, 2016). When a business employs local people, the entire community supports that specific enterprise to ensure that community members employed are not retrenched due to the poor performance of the business.

#### 5.6.5. Community members' monthly income generated from SMEs

Table 5.5 below illustrates the salary scales received by community members in Sefene Village. Most of the community members are employed in SMEs and 51% indicated that people received R3000 and above monthly and 27% indicated that people received R2000 to R2500.

Table 5.5.: The monthly income received by community members

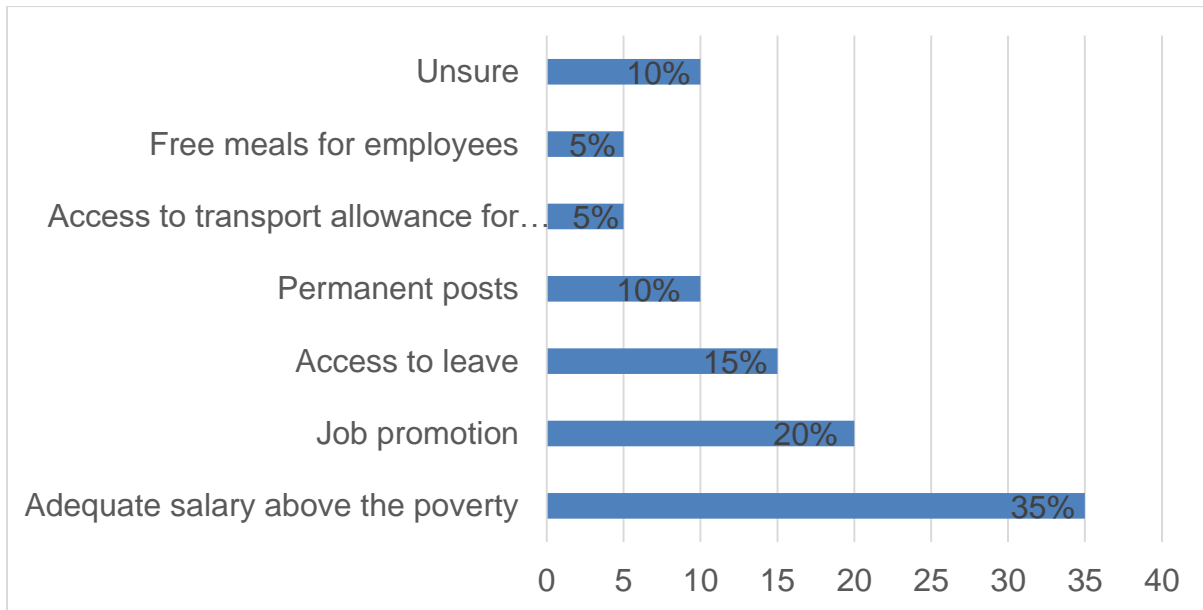
Less than R500	2%
R1000-R1500	9%
R2000-2500	27%
R3000 and above	51%
None	11%

Additionally, 9% indicated that people received between R1000 and R1500 per month while 2% of people got less than R500 per month. Furthermore, 11% indicated that they had no income at all, representing respondents who were unemployed without any source of income. The community members expressed fear of unemployment and resorted to accepting jobs in any enterprise. As such, 51% indicated that SMEs paid people wages above R3000. The SMEs increases the financial abilities of people to increase their standard of living (Park *et al.*, 2015). However, Page and Sonderbom (2015) argue that even though other enterprises pay lower wages depending on the size of a business, they still give people access to wages.

#### **5.6.6. SMEs employees' benefits in Sefene Village**

The findings in Figure 5.17 below illustrate that there are benefits for employees in SMEs that operate in Sefene Village. In light of this, 35% indicated that SMEs paid employees' salaries or wages above the poverty line. Since poverty in Sefene Village is severe, an individual employed in an enterprise receives an income that helps meet basic needs and wants. Poverty increases when people do not have access to money. Therefore, the SMEs in Sefene Village are esteemed for the positive role they play in ensuring that people have income.

**Figure 5.17.: Benefits of employees working at SMEs**



The illustration above shows that 20% of the SMEs offered job promotions to employees. The SMEs offered a promotion to hardworking individuals who performed their duties diligently. The promotions included permanent and part-time positions for employees. Also, 15% of the SMEs gave employees access to leave and 5% offered their employees access to transport for long-distance travel. Another 5% provided employees with access to free meals. However, 10% of the SMEs owners were unsure.

## **5.7. Conclusion**

Chapter 5 analysed the effects of Small and Medium Enterprises (SMEs) on employment creation in Sefene Village. The chapter demonstrated the types, characteristics and challenges encountered by SMEs in Sefene Village. The challenges limited the SMEs potential to create more employment for local people. Critically, the chapter also analysed the management approaches employed by SMEs in Sefene Village. The SMEs are mechanisms for combating unemployment, poverty and promote economic activities in Sefene Village. The community members of Sefene Village responded positively about the role played by SMEs in the village. The SMEs provided different types of employment, which depended on their size and turnover. The LED Coordinators have also provided information concerning how they assisted the SMEs that operated in Sefene Village. The role of LED is to create

employment through government projects. The next chapter summarises the study while providing conclusions and recommendations of the research.

## CHAPTER 6

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 6.1. Introduction

The study investigated the effects of Small and Medium Enterprises (SMEs) on employment creation in Sefene Village. Based on the literature and empirical data collected in Sefene Village, the study confirmed that SMEs created employment for people. The creation of employment by SMEs was measured through poverty reduction, employment of local people, income, benefits given to employees and a high number of people employed in SMEs in Sefene Village. The research objectives were formulated to determine the types, characteristics and challenges of SMEs in rural areas, to explore the management approaches for SMEs in rural areas, to examine the types and quality of employment created in rural areas, to determine the effects of SMEs on employment creation in rural areas, and to recommend measures that could enhance the effects of SMEs on employment creation in Sefene Village. The section lays out the research structure by summarising all the chapter to make conclusions and recommendations. The recommendations are hoped to strengthen SMEs to create more employment in Sefene Village. They discussed how LED Coordinators could play a better role in uplifting all kinds of SMEs.

The chapter comprises five sections. The first introduces the effects of SMEs based on empirical data collected in Sefene Village and the literature pertinent to the phenomenon studied. Section two summarises all the chapters while the third section presents the key findings of the study. Section four makes recommendations for SMEs owners based on the literature and data collected in Sefene Village, preceding the last section that concludes matters on the effects of SMEs on employment creation. The study has valued the role that SMEs played in Sefene Village, especially the reduction of unemployment. The village is at the periphery of the province's capital city - Polokwane, characterised by a hive of economic activities where local people are absorbed in terms of employment.

## **6.2. Summary of all chapters**

Chapter 1 provided an introduction and background to the study. It served as a guide on how the study was carried out, discussing important topics that included the statement of the research problem, aims and objectives, research questions, the definition of terms, and methodology. Also, the chapter outlined the significance of the study and ethical considerations.

Chapter 2 highlighted the literature about the effects of SMEs on employment creation. The core discussion points were that on an international scale SMEs are recognised for creating employment. The literature noted that SMEs vary from one country to another yet across the board similar types, characteristics and challenges were underscored. Moreover, the chapter discussed the management approaches and how they were affected in various countries. Lastly, the section looked at the types of employment created by SMEs globally.

Chapter 3 reviewed literature on the effect of SMEs on employment creation at an international experience. The chapter discussed the types of SMEs and showed that SMEs might have different names depending on the country but their operation was the same. Micro-enterprises in other countries are informal and have no legality while in other countries, such as China, they are registered. The characteristics of SMEs are slightly different depending on countries, but the challenges encountered by SMEs in different countries are similar. The literature further laid out how management approaches were adopted in each country. Additionally, the chapter explained that the types of employment created by SMEs differ according to the size of the business. Generally, it can be accepted that the role played by SMEs in different countries is crucial for employment creation and reduction of poverty.

Chapter 4, focused on the literature review of SMEs in South Africa. The chapter discussed the nature of SMEs, the types, characteristics and challenges. The chapter also deliberated on the different challenges encountered by SMEs. It was worth noting that SMEs are not equivalently managed; thereby, discussing various relations between SMEs and how they are managed was imperative. As some enterprises recorded growth, some collapsed. Therefore, the chapter discussed how South African SMEs were managed to determine factors that anchor their growth or demise.



The literature showed that due to the prevalent high unemployment rates in South Africa, many people explored entrepreneurship but did not have the requisite management skills. The chapter also acknowledged SMEs as major job creators that provided different types of employment for the people of South Africa. Also, the government policies and legislative framework on how the government supports SMEs in South Africa were discussed. The role of SMEs in improving the economic growth of South Africa was recognised by the government and agent institutions were established to assist enterprises.

Chapter 5 provided the research findings of the study, analysis and interpretation of data collected in Sefene Village. The analysis was based on the response from SMEs owners, community members and LED Coordinators in Sefene Village. The semi-structured questionnaires were distributed to a total sample of 67, from which 20 were SMEs owners and 45 were community members. Amid the questioning, observations were also made. The two LED Coordinators were also interviewed to provide details on how the municipality assisted enterprises. The study has presented the findings in figures, tables and further explained the results for comprehension. The conclusions were made based on the demographical information of the respondents, the types, characteristics, challenges of SMEs, management approaches of SMEs, types of employment and the effects of SMEs on employment creation. The empirical data revealed that SMEs created employment in Sefene Village notwithstanding challenges that marred their progress.

Chapter 6 provided a summary of all chapters. Unlike the previous chapters that provided the literature and empirical data on the effects of SMEs on employment creation, this chapter presents the key findings and recommendations for SMEs to improve and create further quality employment in Sefene Village. The chapter also makes recommendations on how the municipality can improve its relationship with SMEs in Sefene Village. The recommendations are based on the empirical data collected in Sefene Village as well as the observations.

### **6.3. Key findings**

The section discusses the findings of the study. The literature and empirical data collected were vital. Therefore, based on the data collected, the key findings are discussed below.

#### **6.3.1. The types, characteristics and challenges of SMEs**

It has been found that different types of SMEs encounter similar challenges such as lack of management skills, lack of access to finance, limited essential infrastructural facilities, lack of access to markets, and lack of marketing skills. Equally, micro-enterprises in Sefene Village play a pivotal role due to their products sold at reasonable prices to accommodate most poor people. The South African government must not undermine the economic role that micro-enterprises play in the economy through employment creation. One of the characteristics of small-enterprises is their legality status. Since small-enterprises are registered enterprises, they make profits and absorb new staff members. The literature state that as much as SMEs create employment, they have challenges that mare their progress (Mokabe and Tshifularo, 2018). The same finding has been evident in Sefene Village as Figure 5.5 revealed, that SMEs needed assistance to overcome the identified challenges. The major challenge of SMEs in Sefene Village was a lack of access to finance, which was at the highest of 40%, followed by a lack of management skills at 25%. The financial institutions were introduced to support enterprises but this study found that none of the SMEs owners in Sefene Village received funding from the government. The government's financial institutions' programmes have to be marketed in rural areas. In defence, the municipal LED Coordinators assured that they were aware of the role of SMEs in Sefene Village and have identified SMEs that needed support. The LED Coordinators also stated that they have assisted different types of SMEs regardless of size and legality.

#### **6.3.2. The management approaches of SMEs**

As much as the SMEs created employment, it was important for the study to understand how SMEs were managed. The management approaches assisted the

managers to understand the environment they operated in and know consumer preferences (Liu, 2016).

It has been found that few SMEs in Sefene Village lacked business management skills to manage an enterprise and that marred the progress of some enterprises. Table 5.3 revealed under the strategic approach that the re-establishing strategies were 15% and it was a concern because enterprises competed with each other without strategies in place. It has been found that most SMEs in Sefene Village did not re-establish strategies to gain a competitive edge in the market and that led to the poor performance of enterprises. The study also found that most SMEs that operated in Sefene Village attracted more customers through continual deals as demonstrated in Figure 5.6. Equally, the SMEs in Sefene Village embraced the marketing-oriented management approach because they engaged with their customers and informed them about new products in the market. The consumer-orientated management approach is when the enterprise provides customers with the products they wish to have (The study revealed that the SMEs in Sefene Village understood their customer preferences at 30% as indicated in Figure 5.8. Also, the SMEs owners in Sefene Village declared that provided training for their employees. SMEs provide training for their employees such as financial management, marketing skills, problem solving and communication skills.

### **6.3.3. The types and quality of employment created by SMEs**

SMEs emerged to assist educated and uneducated people with employment in any small-enterprise to gain skills, experience and the opportunity to participate in the market. The SMEs in Sefene Village provided people with different types of employment. The study showed that 20% of SMEs provided people with permanent employment while 26% of employment was on a part-time basis. Due to Sefene Village's rural area status, the results have shown that had SMEs received governmental support, they would have absorbed more people. The findings also revealed that most people in Sefene Village were self-employed while few were employed seasonally. Further, the study discovered that self-employed people struggled to employ a highly skilled and educated workforce due to a lack of affordability. The LED Coordinators were adamant that they have assisted the SMEs

to create more different types of employment. The participants also stated that the SMEs reduced unemployment and relieved them from poverty.

#### **6.3.4. The effects of SMEs on employment creation**

The study found that SMEs that operated in Sefene Village employed local people. Statistically, 51% of the local people were employed while 20% worked in enterprises in the city of Polokwane. The sustainability of employment depends on the skills of an individual and the size of an enterprise. Based on the characteristics of SMEs at Sefene Village, they are sustainable based on number of people they employ and salaries that they pay employees. Few micro-enterprises might not be sustainable based on the nature of their operation, legality and number of people employed, however, their positive contributions cannot be ignored but appreciated and valued. The study has found out that one of the reasons for unemployment in Sefene Village was illiteracy. It was the case even when the enterprises, regardless of qualifications, provided training to new employees and offered different types of employment opportunities. The study found that due to poverty and unemployment in Sefene Village, community members valued employment created by the enterprises because people gained skills and wages to meet their basic needs. The findings further revealed that 27% of people received R2000-R2500 monthly wage while 51% earned a minimum of R3000. The findings of the study confirmed the literature that there was a positive effect of SMEs on employment creation. SMEs cannot all provide the same type of employment but each enterprise employs uniquely and people are paid for service rendered.

#### **6.4. Recommendations**

The section makes recommendations based on the findings and observations of the study. The recommendations aspire for the improvement and sustainable support of SMEs by community members and the municipality.

##### **6.4.1. Financial support for SMEs**

The literature and empirical data collected in Sefene Village revealed that all types of SMEs, despite the divergence in their characteristics and challenges, needed financial

assistance. The SMEs in Sefene Village encountered financial problems that hindered their progress. The South African government has introduced several financial institutions as support structures for SMEs. However, Sefene Village is located in a remote rural area outside the city of Polokwane. The financial institutions should partner with local municipalities for people to access information through the municipality. Although some SMEs owners were aware of government financial institutions, they did not know about ways to access the backing. Others were unaware of such institutions. The LED Coordinators are responsible for the improvement of SMEs in Sefene Village to ensure the creation of jobs. Therefore, the municipality should have an office space for financial institutions, whereby SMEs can consult and get help. The LED Coordinators identified SMEs in Sefene Village and assisted. It implies that the more LED Coordinators work with financial institutions, the more SMEs with the potential to create employment will be identified and offered assistance to access finance or skills. Other entrepreneurs who need funding can also apply through the municipality. Not all SMEs owners are literate. There are illiterate SMEs owners and it makes it difficult for them to compile documents needed from the financial institutions. Most applications are declined due to errors and SMEs owners end up depending on their savings to run the business. In South Africa, micro-enterprises are regarded as informal because they are not registered while others are registered and operate as legal entities. Unlike in China where they are registered so that the government can keep a record of the number of people they employ yearly to monitor the progress of the support given to them. In South Africa, the government should accommodate micro-enterprises to be registered so that they can receive financial assistance with the high expectation of their growth. The infrastructural facilities should be made available to micro-enterprises so that entrepreneurs can store their stock or products to relieve them the baggage of travelling with products daily.

#### **6.4.2. Entrepreneurship workshops for SMEs owners**

The findings of this study indicated that some people ventured into entrepreneurship due to various factors. Some of the factors were passion, access to financial resources, unemployment, and poverty. Therefore, the study recommends that the Molemole Municipality should encourage entrepreneurship through seminars for SMEs owners on a monthly or quarterly basis. Most entrepreneurs in the municipality,

Sefene Village to be specific, lacked management skills. Entrepreneurship education would be crucial in alerting SMEs owners in Sefene Village on how to manage their enterprises. The municipality should have a one-year entrepreneurship education programme and award certificates to SMEs owners who complete the programme. When entrepreneurs have the requisite skills, their thinking pattern will improve and allow them exposure to more opportunities. They will also become innovative, develop confidence and, ultimately, improve their enterprises. The entrepreneurship workshop should play a critical role in building and capacitating the development of entrepreneurs to have more clear visions of their enterprises. The assistance of SMEs should not involve only money but also capacity building. The seminars should be designed to strengthen the relationship between LED Coordinators and SMEs owners. The act of transferring business knowledge will not only be beneficial to business owners because it passed on to the employees.

#### **6.4.3. Provision of employment opportunities by SMEs**

SMEs provide people with economic opportunities to improve their economic well-being. SMEs offer different types of employment and promote employees. Small-enterprises are formally registered enterprises. Findings showed that some employees have been in the same position for years without promotion and a raise in salary or wage. The study recommends that well-performing SMEs should motivate employees through promotions based on skills, experience and educational qualifications. South Africa is characterised by rampant unemployment rates whereby most enterprises take advantage of the large surplus of labourers in rural areas and offer them fewer wages for services rendered. The study recommends SMEs not to exploit people but provide fair salaries to improve the standard of living of the local people. The self-employed enterprise owners should employ other people and transfer skills to employees to ensure business continuity even in their absence. The study revealed that the Sefene Village SMEs absorbed many young people and their competitor is the city of Polokwane. SMEs that operate in Sefene Village should prioritise the residents of Sefene. The more people are employed locally, the more they purchase products from local shops. It helps to keep money circulating locally rather than spending outside the community. When money circulates locally, it

strengthens the local enterprises and increases their profits, increasing their chances of expansion and creation more employment.

#### **6.4.4. The effects of SMEs on employment creation**

The SMEs in Sefene Village contributed immensely to employment in the area. However, micro-enterprises employed fewer people and their legality disadvantages from receiving governmental support. The government should also design a system that registers all the micro-enterprises to create access for them to receive business funding from the government. The government aiding projects target registered enterprises, favouring small-enterprises in the process as the requirement pushes micro-enterprises outside the system. It is not far-fetched that should small-scale farming receive projects at government schools, it can empower them to make profits, expand and create more employment opportunities. When the government issue out small projects or tenders, they can use the system to select potential micro-enterprises to do the job. The government needs to improve infrastructural facilities in Sefene Village such as roads, running water, electricity and sewage. The improvement of the roads will allow customers to access the enterprises. Electricity remains a major problem encountered by SMEs, especially Internet cafés as they have lost business and few computers due to power cuts. The study recommends that the government should assist with automatic generators for Internet cafés in case of power cuts. Climate change is a global challenge and commercial farmers depend on irrigation systems production, but small-scale commercial farmers do not afford irrigation systems. The study recommends that small-scale commercial farmers be assisted with irrigation systems to adapt to the changing climate and continue with production rather than retrenching employees. Lastly, Corporate Social Responsibility (CSR) is important for both SMEs and community members. The CSR by SMEs to community members can retain customer loyalty and support. In this light, the government will be receiving help from the SMEs in terms of reducing poverty and unemployment in Sefene Village.

## **6.5. Conclusion**

SMEs' role in creating employment in Sefene Village cannot be overemphasised. However, the enterprises can do better with support from the government and community members. The support will steer the enterprises in the direction of growth and a need for more workforce to meet the market demands in the area. SMEs are regarded as an escape from poverty and unemployment because employees get an income and purchasing power to afford basic needs and wants. They can take care of their families. Due to illiteracy in the village, SMEs allow employees to gain skills. In cases of their contracts not being renewed, they can use the skills learnt in other enterprises to create theirs and earn an income or wage. SMEs provide different types of employment - permanent, part-time, and seasonal, while others are self-employed. SMEs also employ all types of people. Education is crucial in the formal sector because uneducated people struggle to find employment in the formal sector in the 21st century. Most importantly, SMEs are open to both educated and uneducated people depending on the position and the type of duties. Hence, SMEs in Sefene Village are revered for employing the local community members. SMEs despite their positive role is engulfed by several challenges that impede their progress. Some enterprises are coping with the challenges while others buckle under the pressure. The entrepreneurs have been courageous to operate under various trouncing circumstances. The South African government should strengthen the role of SMEs through development and capacity building programmes. It will assist the enterprises to grow and increase the number of their staff, a move that can reduce appalling poverty levels in a rural area such as Sefene. The strong relationship between poverty and unemployment in rural communities cannot be overlooked. It means the role of job creation by SMEs in Sefene Village while reducing unemployment, also directly contributes to reduced poverty levels.



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## APPENDIX A: PARTICIPANTS CONSENT LETTER

Department of Development

Planning and Management

University of Limpopo

Private X1106

Sovenga

0727

Date: \_\_\_\_\_

Dear participant

Thank you for agreeing to take part in this study which focuses on the effects of Small and Micro-Enterprises (SMEs) on Employment Creation in Sefene Village, Limpopo Province. The aim to this study is to investigate the effects of SMEs on employment creation for people in Sefene Village.

Kindly answer all questions as honestly as you can. Your responses will remain strictly confidential. You are free to answer any question. Participation is voluntary and you are therefore free to withdraw from this study at any time. Thank you for your cooperation.

Kind regards

\_\_\_\_\_

Mr Makgamatha M.G (Masters Student)

\_\_\_\_\_

Dr T.M. Ramoroka Supervisor

\_\_\_\_\_

Date

\_\_\_\_\_

Date:

---

Prof M.P. Sebola (Co-supervisor)

---

Date:

## SEGOMARETSWA SA A: LENGWALO LA BOITLAMO LA BATŠEAKAROLO

Department of Development

Planning and Management

University of Limpopo

Private X1106

Sovenga

0727

Date: \_\_\_\_\_

Motšeakarolo yo a rategago

Ke leboga ge o dumetše go tšea karolo mo thutong ye e lebeledišišago go sepheto sa Dikgwebo Potlana (Small and Micro- Enterprises) mabapi le Tlholo ya Mešomo motsananeng wa Sefene, Profentshene ya Limpopo. Mereromogolo mo go thuto ye ke go nyakišiša sepheto SMEs mabapi le tlholo ya mešomo go badudi (batho) ba motsaneng wa Sefene.

Ka tlhomphe araba dipošišo ka moka ga tšona ka botshepegi go ya moo o kgonago ka gona. Dikarabo tša gago di e tla ba sephiri. O lokologile go araba potšišo ye ngwe le ye ngwe. Go tšeakarolo ga gago ke ga go ithaopa e bile o ka tlogela go tšekarolo mo thutong ye nako ye ngwe le ye ngwe. Ke leboga tšhomišano ya gago.

Ka tlhomphe

\_\_\_\_\_

Mna.Makgamatha M.G (Moithuti wa Masetase)

\_\_\_\_\_

Ngk. T.M. Ramoroka (Mohlokamedi)

\_\_\_\_\_

\_\_\_\_\_

Letšatšikgwedi:

\_\_\_\_\_

Letšatšikgwedi:

\_\_\_\_\_

Prof M.P. Sebola (Pro. Mothuša Mohlokamedi)

Letšatšikgwedi:

## **APPENDIX B: PARTICIPANTS CONSENT FORM**

### **The Effects of Small and Micro-Enterprises (SMEs) on Employment Creation in Sefene Village, Limpopo Province**

**Researcher; Makgamatha, M.G**

#### **Consent to take part in research**

I..... voluntarily agree to participate in this research study.

- I understand that even if agree to participate now, I can withdraw at any time or refuse to answer any question without any consequences of any kind.
- I understand that I can withdraw permission to use data from the questionnaire within two weeks, in which case the material will be destroyed.
- I have had the purpose and nature of the study explained to me in writing and I have had the opportunity to ask questions about the study.
- I understand that I will not benefit directly from participating in this research.
- I agree to my interview being audio-recorded.
- I understand that all information I provide for the study will be treated confidentially.
- I understand that in any report on the results of this research my identity will remain anonymous. This will be done by changing my name and disguising any details of my interview which may reveal my identity or the identity of people I speak about.
- I understand that the information from the questionnaires and interview schedule may be quoted in the dissertation
- I understand that if I inform the researcher that myself or someone else is at risk of harm they may have to report this to the relevant authorities - they will discuss this with me first but may be required to report with or without my permission.



- I understand that signed consent forms, questionnaires and original audio recordings will be kept safe until the researcher receive the results of the dissertation
- I understand that under freedom of information legalisation I am entitled to access the information I have provided at any time while it is in storage as specified above.
- I understand that I am free to contact the researcher to seek further clarification and information.

-----  
Signature of research participant

-----  
Date

I believe the participant is giving informed consent to participate in this study

-----  
Signature of researcher

-----  
Date

## SEGOMARETSWA SA B: FOROMO EA TUMELLO EA BANKAKAROLO

Sepheto sa Dikgwebo Potlana (Small and Micro- Enterprises) mabapi le Tlholo ya Mešomo motsananeg wa Sefene, Profentshene ya Limpopo.

**Monyakišiši; Makgamatha, M.G**

**Boitlamo bja go tšea karolo mo thutong:**

Nna ..... ka boithaopo ke dumela go tšea karolo mo thutong ye.

Ke a kwišiša gore le ge ke dumela go tšea karolo go na bjale, nka gogela morago nako ye ngwe le ye ngwe goba go gana go araba potšišo ye gwe le ye ngwe ntle le gore

go be le ditlamorago.

Ke a kwišiša gore nka gogela morago tumelelo ya go šomiša 'data' go tšwa go pampiri potšišo ya dinyakišišo ya ka mo bekeng tše pedi tšeo di latelago, moo e le go gore di dirišwa di senywa.

Maikemišetšo le mokgwa wa thuto ye ke hlalošeditšwe tšona ka mogwa wa go ngwalwa le gona ke bile le sebaka sa go botšiša dipotšišo mabapi le thuto ye.

Ke a kwišiša gore nka se golege go tšeeng karolo mo go nyakišišo ye.

Ke a dumela gore nka gatišwa lentšu mo dipoledišanong tša ka.

Ke a kwišiša gore melaetša ka moka yeo ke tlo e tlišago mo thutong ye e tla tšeiwa go ba sephiri.

Ke a kwišiša gore ka gare ga pego ye ngwe le ye ngwe ya dipoelo tša nyakišišo ye, boitsebišo bja kabo se bolelwe, e tla no ba sephiri. Se se tla dirwa ka mokgwa wa go fetola leina la ka le go ikgakantšha go tšohle tšeo ke boletšego nakong ya dipotšišo ka mokgwa wa go se utulle boitsibišo bjaka le maina a batho bao ke boletšego ka bona.

Ke a kwišiša gore melaetša go tšwa go dipampiri-potšišo ya dinyakišišo le go lenaneo potšišo di tla tsopolwa go tšwa mo thutong ye.

□ Ke a kwišiša gore ge ke botša monyakišiši ka ga nna goba ka yo mo ngwe gore re maemong a kotsi ka fao ba ka bea taba yeo go lekala la maleba e bile ba ka boledišana pele goba ba bea pego yeo ntle le tumelelo ya ka.

□ Ke a kwišiša gore diforomo tša boitlamo tšeo di saenilwego, dipampiri-potšišo le segatiša mantšu di tla beiwa gabotse moo go bolokegilego go fihla ge monyakišiši a hwetša dipoelo tša thuto ye.

□ Ke a kwišiša gore ka tlase ga molawana wa thokelo ya go tshedimošo gore ken a le maikarabelo a go hwetša tshedimošo yeo ke e filego nako ye ngwe le ye ngwe ge e sa le mo bo bolokelong bjo bo hlalošitšwego ka mo godimo.

□ Ke a kwišiša gore ke lokologile go ikopanya le monyakišiši go hwetša tlhathollo yeo e ka ba go e hlokega.

-----  
Mosaeno wa motšearolo wa thuto

-----  
Letšatšikgwedi

-----  
Mosaeno wa monyakišiši

-----  
Letšatšikgwedi

## APPENDIX C: SEMI-STRUCTURED QUESTIONNAIRE FOR SMES OWNERS



The questionnaire was designed to assist the researcher complete the research dissertation under the title:

### **The effects of small and micro-enterprises (SMEs) on employment creation in Sefene Village, Limpopo Province**

Please mark your selection with an X in the appropriate provided below

#### **SECTION A: Demographic profile**

1. What is your gender?

1. Male [ ]

2. Female [ ]

2. What is your race category?

1. African [ ]

2. White [ ]

3. Coloured [ ]

4. Indian [ ]

3. What is your age category?

1. Under 18 years [ ]

2. 19 to 35 years [ ]

3. 36 to 50 years [ ]

4. Above 51 to 65 [ ]

5. 66 and above [ ]

#### **SECTION B: The nature of Small and micro-enterprises**

4. What is the category of your business?

1. Small-enterprise [ ]

2. Micro-enterprise [ ]

5. What is the type of business you are engaged in?

- |   |                       |
|---|-----------------------|
| 1. Commercial farming [ ]                   | 2. Supermarket [ ]    |
| 3. Internet café [ ]                        | 4. Catering [ ]       |
| 5. General dealer [ ]                       | 6. Street Vending [ ] |
| 7. Home-based enterprise "Spaza shops". [ ] |                       |
| 8. Small-scale agricultural farming [ ]     |                       |
| 9. Others (specify).....                    |                       |

6. What was the motivation to start your own enterprises?

- |                     |                          |
|---------------------|--------------------------|
| 1. Unemployment [ ] | 2. Poverty [ ]           |
| 3. Retrenchment [ ] | 4. Low income [ ]        |
| 5. Inheritance [ ]  | 6. Others (specify)..... |
| .....               |                          |
| .....               |                          |

**SECTION C: The Types and Quality of Employment Created in Rural Areas**

7. What are the types of employment created in your business?

- |                          |                              |
|--------------------------|------------------------------|
| 1. Permanent [ ]         | 2. Part-time [ ]             |
| 3. Seasonal [ ]          | 4. Self-employed [ ]         |
| 5. Contract [ ]          | 6. Fixed-term employment [ ] |
| 7. Leased employees [ ]  |                              |
| 8. Others (specify)..... |                              |

8. What is the total number of people employed in your business?

- |                 |                 |
|-----------------|-----------------|
| 1. 1 to 5 [ ]   | 2. 5 to 10 [ ]  |
| 3. 10 to 15 [ ] | 4. 15 to 20 [ ] |

5. 20 to 35 [ ]

6. 35 to 49 [ ]

9. Do you offer training for new employees?

1. Always [ ]

2. Sometimes [ ]

3. When a need arises [ ]

4. Never [ ]

10. What type of training do you offer?

1. Financial management [ ]

2. Marketing skills [ ]

3. Problem solving [ ]

4. Communication skills [ ]

5. Others (specify).....

**SECTION D: The effects of SMEs on employment creation**

11. The types of Small and micro-enterprises you engage in do they reduce unemployment in Sefene Village?

1. Strongly agree [ ]

2. Agree [ ]

3. Unsure [ ]

4. Disagree [ ]

5. Strongly disagree [ ]

12. What are the challenges you encounter that can limit your business to create more employment?

1. Lack of management skills [ ]

2. Lack of access to finance [ ]

3. Limited essential infrastructural facilities [ ]

4. Lack of access to markets [ ].

5. Lack of marketing skills [ ]

6. Others (specify).....

.....

.....

**SECTION E: The management approaches of SMEs**

(You can select more than one)

13. What is the strategic approach practiced in your business?

- 1. Operational strategies [ ]
  - 2. Competitive strategies [ ]
  - 3. Re-establishing strategies [ ]
  - 4. Others (specify).....
- .....

14. What is the relationship marketing management approach employed in your business?

- 1. Continual deals [ ]
- 2. Communication [ ]
- 3. Retention Focus [ ]
- 4. Shared values [ ]
- 5. Other (specify).....

15. What is the marketing-oriented management approach that you use in your business?

- 1. Societal marketing [ ]
  - 2. Sales orientation [ ]
  - 3. Selling marketing [ ]
  - 5. Other (specify).....
- .....

16. What is the consumer-oriented management approach practiced in your business?

- 1. Consumer engagement [ ]
- 2. Consumer preference [ ]
- 3. Identifying segment of customers [ ]
- 4. Build relationships [ ]
- 5. other (specify).....

17. What are the benefits of people employed in your small and micro-enterprises?

- 1. Adequate salary above the poverty line [ ]
- 2. Job promotion [ ]
- 3. Access to Leave [ ]
- 4. Permanent posts [ ]

- 4. Access to transport allowance for employees who stay far [ ]
- 5. Free meals for employees [ ]
- 6. Unsure [ ]
- 7. None of the above [ ]

**SECTION F: RECOMMENDATIONS**

**18. What do you think the government can do to strengthen your enterprise?**

.....

.....

.....

.....

**19. Based on the following challenges faced by SMEs, what kind of support do you need from the government?**

**1. Lack of management skills**

.....

.....

.....

**2. Lack of access to finance**

.....

.....

.....

**3. Limited essential infrastructural facilities**

.....

.....

.....

**4. Lack of access to markets**

.....

.....

.....



**5. Lack of marketing skills**

.....  
.....  
.....

**20. Recommend the management approaches that should be employed to assist SMEs to function effectively?**

.....  
.....  
.....

**21. With the number of employees, profit margins, ownership and taxes you, what do you think can be done to improve the enterprise and employ more people?**

.....  
.....  
.....

**22. Recommend measures on how SMEs can create employment and reduce rampant poverty in Sefene Village?**

.....  
.....  
.....

**23. Recommend measures that could be adopted by SMEs to ensure that their employees have access to benefits such as leave, job promotions, adequate salaries, access to transport allowance and permanent posts?**

.....  
.....



**SEGOMAREŠWA SA C:** Pampiri potšišo ya dinyakišišo yeo e sa beakanywago ya badudi ba motsaneng wa Sefene.

Pampiri potšišo ya dinyakišišo e dirilwe go thuša monyakišiši gore a fetše thuto ya gagwe yeo hlogo ya gona e re go:

**Sepheto sa Dikgwebo Potlana (Small and Micro- Enterprises) mabapi le Tiholo ya Mešomo motsananeng wa Sefene, Profentshene ya Limpopo.**

Hle, swaya ka leswao la X mo go tše di latelago ka mo fase

**KAROLO YA A: Maemo a Temokerafi**

1. Bong bja gago ke eng?

1. Monna [ ]

2. Mosadi [ ]

2. O mohlobo mang ka ?

1. MoAFrika [ ]

2. Lekgowa [ ]

3. Wammala [ ]

4. MoIndia [ ]

3. Maemo a gago a mengwaga ke afe?

1. Ka fase ga mengwaga ye 18 [ ]

2. Mengwaga ye 9 go ya 35 [ ]

3. Go tloga mengwageng ye 36 go fihla 50 [ ]  
ye 51 go fihla go 65 [ ]

4. Ka godimo ga mengwaga

5. Mengwaga ye 66 go ya godimo [ ]

## **KAROLO YA B: Mohuta wa Kgwebo-potlana**

4. Mohuta wa kgwebo ya gago ke ofe?

1. Kgwebo ye nnyane [ ]

2. Kgwebo potlana [ ]

5. A e ka ba mohuta wa kgwebo yeo o le go ka gare ga yona ga bjale efe?

1. Temo ya go tshentša mašeleng [ ]

2. Kgwebo ya kgoparara

(Suphamakete) [ ]

3. Lebenkele la Inthanete [ ]

4. Kgwebo ya go apea [ ]

5. Lebenkele [ ]

6. Go kgweba Mebileng [ ]

7. Kgwebo ya ka lapeng (“spaza shops”) [ ]  
bolemi [ ]

8. Temo ye nnyane ya tša

9. Tše dingwe (Hlaloša).....

6. O hlohleditšwe ke eng go thoma kgwebo ya yago?

1. Go se šome [ ]

2. Bohloki/bodiidi [ ]

3. Go ntšhwa mošomong [ ]

4. Mogolo wa tlase [ ]

5. Leabela [ ]

6. Tše dingwe

(hlaloša).....

## **KAROLO YA C: Mohuta le Boleng bja Mešomo yeo e hlotšwego ka dinaga magaeng**

7. Ke mohuta o few a mošomo woo kgwebo ya gago e e hlolago?

1. Wa mmaruri [ ]

2. Sebakanyana [ ]

3. Go ya ka Dihla [ ]

4. Dikonteraka [ ]

5. Mošomo wa go ya go ile [ ]

6. Bašomi ba go hirišwa [ ]

7. Tše dingwe (Hlaloša).....

8. Ke palo ya batho ba ba kae bao ba thwetšwego ke kgwebo ya gago?

1. 1 go ya go 5 [ ]

2. 5 go ya go 10 [ ]

3. 10 go ya go 15 [ ]

4. 15 go ya go 20 [ ]

5. 20 go ya go 35 [ ]

6. 35 go ya go 49 [ ]

9. A o fa tlhahlo go bašomi ba baswa naa?

1. Ka mehla [ ]

2. Nako ye nngwe [ ]

3. Ge nako e dumela [ ]

4. Aowa [ ]

10. A ke tlhahlo ya mohuta mang yeo o ba fago yona naa?

1. Taolo ya matlotlo [ ]

2. Bokgoni bja Papatšo [ ]

3. Tharollo ya mathata [ ]

4. Bokgoni bja Poledišano [ ]

5. Tše dingwe (Hlaloša) .....

### **KAROLO YA D: Sephetso sa SMEs go tlhola ya mešomo**

11. Mehuta ya kgwebo potlana yeo o dirago go fokotša tlhokego ya mešomo motsaneng wa Sefene?

1. Dumela kudukudu [ ]

2. Dumela [ ]

3. Hloka nnete [ ]

4. Gana [ ]

5. Gana kudukudu [ ]

12. Ditlhohlo tšeo o kopanago le tšona tšeo di ka dirago gore kgwebo ya gago e se hlale dibaka tša mešomo ke dife?

1. Tlhokego ya bokgoni bja taolo [ ]  
tšhelete [ ]

2. Tlhokego ya go hwetša

3. Tlhokego ya meago ya maleba [ ]  
mmaraka [ ]

4. Tlhokego ya go hwetša tša

5. Tlhokego ya bokgoni bja papatšo [ ]

6. Tše dingwe (Hlaloša)....

.....  
.....

### **KAROLO YA E: Mekgwa ya taolo ya SMEs**

(O ka kgetha tša go feta e tee)

13. A ke mokgwa o fe woo o šomišwago mo kgwebong ya gago naa?

1. Mokgwa wa tshedimošo [ ]

2. Mokgwa wa phadišano [ ]

3. Go hloma mekgwa gape [ ]

4. Tšedingwe (Hlaloša)

.....

14. A e ka ke kamono e fe ya mokgwa wa taolo ya tshedimošo yeo e hlolwago ke kgwebo ya gago?

1. Mekgwa ya ka mehla [ ]

2. Poledišano [ ]

3. Mekgwa ya go boloka [ ]

4. Kabelano ya mehola [ ]

5. Tše dingwe (Hlaloša).....

.....

15. Ke mohuta o fe wa taolo ya papatšo woo o šomago mo kgwebong ya gago?

1. Papatšo ya setšhabeng [ ]

2. Tlwaetšo ya Thekišo [ ]

3. Papatšo ya thekišo [ ]

5. Tše di ngwe (Hlaloša)

.....

16. A e ka ba ke mokgwa o fe wa taolo ya bareki mo kgwebong ya gago?

1. Tšhomišano le bareki [ ]

2. Kgetho ya bareki [ ]

3. Go lebeledišiša sehlophana sa bareki [ ]

4. Kago ya tšhomišano [ ]

5. Tše dingwe (Hlaloša) .....

17. A e ka ba ke thušo e fe ya batho bao ba šomago mo kgwebong ya gago ye nnyane le ye kgolo?

- 1. Mogolo wa maleba wa ka godimo ga bodiidi [ ]
- 2. Tšweletšo ya mošomo [ ]
- 3. Tumelelo ya boikhutšo [ ]
- 4. Dikgoba tša mošomo wa go ya goile [ ]
- 4. Tumelelo ya diputseletšo tša senamelwa go bašomi bao ba dulago kgole [ ]
- 5. Dijo tša mahala go bašomi [ ]
- 6. Ga ke tsebe [ ]
- 7. A go na le ye e le go yona go tšeo di le go ka mo godimo [ ]

**KAROLO YA F: DIKELETŠO**

**18. A o bona e ka mmušo o ka dira eng go maatlafatša kgwebo ya gago?**

.....  
.....  
.....  
.....

**19. Go ya ka ditlhoaho tšeo di lebanwego ke SMEs, ke thekgo e fe yeo o e nyakago go tšwa go mmušo?**

**1. Tlhokego ya bokgoni bja taolo**

.....  
.....  
.....

**2. Tlhokego ya hwetša tšhelete**

.....  
.....  
.....

**3. Tlhokego ya meago ya maleba**

.....  
.....  
.....

**4. Tlhokego ya hwetša tša mmaraka**

.....  
.....  
.....

**5. Tlhokego ya bokgoni bja tša papatšo**

.....  
.....  
.....

**20. Eletša mokgwa wa taolo woo o ka šomišwago go thuša SMEs gore di šome ka maleba?**

.....  
.....  
.....

**21. Go ya ka palo ya bašomi bao o nago le bona mo kgwebong ya gago, o nagana gore go ka dirwa eng gore go thwalwe batho ba ba ntši?**

.....  
.....  
.....

**22. Eletša mekgwa yeo SMEs e ka šomišwago le go fokotša bodiidi bjoo bo ikadilego motsaneng wa Sefene?**

.....  
.....  
.....

**23. Eletša mekgwa yeo e amogelwago ke SMEs go netefatša gore bašomi ba ba le tumelelo ya dipuseletšo tša go swana le maikhutšo, tšweletšo ya mošomo, mogolo wa maleba, Tumelelo ya putseletšo ya senamelwa le dikgoba tša mošomo wa go ya go ile?**

.....  
.....



## APPENDIX D: SEMI-STRUCTURED QUESTIONNAIRE FOR COMMUNITY MEMBERS



The questionnaire was designed to assist the researcher complete the research dissertation under the title:

### **The effects of small and micro-enterprises (SMEs) on employment creation in Sefene Village, Limpopo Province**

Please mark your selection with an X in the appropriate provided below

#### **SECTION A: Demographic profile**

1. What is your gender?

1. Male [ ]

2. Female [ ]

2. What is your race category?

1. African [ ]

2. White [ ]

3. Coloured [ ]

4. Indian [ ]

3. What is your age category?

1. Under 18 years [ ]

2. 19 to 35 years [ ]

3. 36 to 50 years [ ]

4. Above 51 to 65 [ ]

5. 66 and above [ ]

4. What is your educational status?

1. Primary [ ]

2. Secondary [ ]

3. Tertiary [ ]

4. Abet [ ]

5. None [ ]

6. Others (specify)...

.....

**SECTION B: The nature of small and micro-enterprises**

5. What is the type of business that exists in your area?

1. Commercial farming [ ]

2. Supermarket [ ]

3. Internet café [ ]

4. Catering [ ]

5. General dealer [ ]

6. Street Vending [ ]

7. Home-based enterprise “Spaza shops” [ ] 8. Small-scale agricultural farming [ ]

9. others (specify).....

6. Would you agree to work at any small and micro-enterprise in Sefene village?

1. Strongly agree [ ]

2. Agree [ ]

3. Unsure [ ]

4. Disagree [ ]

5. Strongly disagree [ ]

7. How often does the management of SMEs communicate with the community about their products in terms of prices and sales?

1. Always communicate [ ]

2. Sometimes communicate [ ]

3. Unsure [ ]

4. Rarely communicate [ ]

5. Never communicate [ ]

**SECTION C: The Types and Quality of Employment Created in Rural Areas**

8. What is the type of employment you engage in?

1. Permanent [ ]

2. Part-time 2. [ ]

3. Seasonal [ ]

4. Contracts [ ]

5. Leased employees [ ]

6. Fixed-term [ ]

7. others (specify).....

9. How much income do you receive per month?

1. Less than R500 [ ]

2. R1000-1500 [ ]

3. R2000-2500 [ ]

4. R3000 and above [ ]

5. None [ ]

10. How many people are employed in small and micro-enterprises in your household?

1. 1 to 3 [ ]

2. 4 to 6 [ ]

3. 7 and above [ ]

4. None [ ]

11. The people employed in SMEs in your household, where are they employed at?

1. Sefene Village [ ]

2. Makgato Village [ ]

3. Sekonye Village [ ]

4. Springs Village [ ]

5. Polokwane City [ ]

6. None [ ]

**SECTION D: The effects of Small and micro-enterprises on employment creation**

12. Did the existence of Small and micro-enterprises reduce poverty in the community?

1. Strongly agree [ ]

2. Agree [ ]

3. Unsure [ ]

4. Disagree [ ]

5. Strongly disagree [ ]

13. Do Small and micro-enterprises in Sefene Village employ the local people?

1. Strongly agree [ ]

2. Agree [ ]

3. Unsure [ ]

4. Disagree [ ]

5. Strongly disagree [ ]

14. Employment created by Small and micro-enterprises do they provide you with enough money to afford basic needs and wants?

1. Strongly agree [ ]

2. Agree [ ]

3. Unsure [ ]

4. Disagree [ ]

5. Strongly disagree [ ]

**SECTION E: RECOMMENDATIONS**

**15. How can SMEs in Sefene Village create adequate employment for local people?**

.....  
.....  
.....  
.....

**16. The SMEs have their own challenges that they encounter that can limit them to create more employment, how do they affect the community and what do you think can be done?**

.....  
.....  
.....

**17. Given the management methods practiced in SMEs, how can customers be treated fairly and be provided with continual deals?**

.....  
.....  
.....

**18. What do you think the SMEs can do to provide better income for people employed permanently, part-time, seasonally, contracts, Leased and fixed-term?**

.....  
.....  
.....

**19. Give recommendation on how the types and benefits of SMEs can provide for their employees?**

.....  
.....  
.....



**SEGOMAREŠWA SA D:** Pampiri potšišo ya dinyakišišo yeo e sa beakanywago ya badudi ba motsaneng wa Sefene.

Pampiri potšišo ya dinyakišišo e dirilwe go thuša monyakišiši gore a fetše thuto ya gagwe yeo hlogo ya gona e re go:

**Sepheo sa Dikgwebo Potlana (Small and Micro- Enterprises) mabapi le Tiholo ya Mešomo motsananeg wa Sefene, Profentshene ya Limpopo.**

Hle, swaya ka leswao la X mo go tše di latelago ka mo fase

**KAROLO YA A: Boemo bja Temokerafi**

1. Bong bja gago ke eng?

1. Monna [ ]

2. Mosadi [ ]

2. O mohlobo mang?

1. MoAfrika [ ]

2. Lekgowa [ ]

3. Wa Mmala [ ]

4. MoIndia [ ]

3. Mengwaga ya gago e reng?

1. Ka fase ga mengwaga ye 18 [ ]

2. Go tloga mengweng ye 19

go fihla go ye 35 [ ]

3. Go tloga mengwageng ye 36 go fihla go ye 50 [ ]

4. Ka godimo ga mengwaga

ye 51 go fihla go ye 65 [ ]

5. Mengwaga ye 66 go ya

godimo [ ]

4. Maemo a tša thuto a reng?

1. Praemari [ ]

2. Sekontari [ ]

3. Thuto ya godimo [ ]

4. Abet [ ]

5. Ga e go na [ ]

6. Tše di ngwe (Hlaloša)..

.....

**KAROLO YA B: Mohuta wa Dikgwebo Potlana**

5. A ke kgwebo e fe yeo e le go gona mo lefelong la lena?

1. Temo ya go tshentsha mašelang [ ]

2. Kgwebo ya kgoparara

(Suphamakete) [ ]

3. Lebenkele la Inthanete [ ]

4. Kgwebo ya go apea [ ]

5. Lebenkele [ ]

6. Go kgweba Mebileng [ ]

7. Kgwebo ya ka lapeng (“spaza shops”) [ ]  
bolemi [ ]

8. Temo ye nnyane ya tša

9. Tše dingwe (Hlaloša).....

6. A o a dumela go šoma kgwebong ye nnyane goba ye kgolo ya motsaneng wa Sefene?

1. Dumela kudukudu [ ]

2. Dumela [ ]

3. Go se le bonnete [ ]

4. Ganetša [ ]

5. Ganetša kudukudu [ ]

7. Bolaodi bja lena bja SMEs bo tšea nako ye kae go boledišana le badudi mabapi le thekišo le ditheko tša ditirelo tša bona?

1. Go boledišana ka mehla [ ]  
dingwe [ ]

2. Go boledišana ka dinako tše

3. Go se be le bonnete [ ]  
[ ]

4. Ba tšea nako go boledišana

5. Ga se nke ba boledišane [ ]

**KAROLO YA C: Mehuta le Boleng bja Tiholo ya Mešomo mo Dinaga Magaeng**

8. Ke mohuta ofe wa mošomo woo o o šomago?

1. Wa go ya go ile [ ]

2. Nakwana 2 [ ]

3. Go ya di Dihla [ ]

4. Dikonteraka [ ]

5. Bašomi ba go hirišwa [ ]  
beakantšwego [ ]

6. Nako ya maleba yeo a

7. Tše di ngwe (Hlaloša) .....

9. A o gola bokae ka kgwedi?

1. Ka fase ga R500 [ ]

2. Go tloga R1000-1500 [ ]

3. Go tloga R2000-2500 [ ]  
godimo [ ]

4. Go tloga R3000 go ya  
5. Ga e gona [ ]

10. Ke batho ba ba kae ka mo lapeng la geno bao ba thwetšwego mo dikgwebo potlaneng?

1. Go tloga go 1 go fihla 3 [ ]

2. Go tloga go 4 go fihla 6 [ ]

3. Go tloga go 7 le ka godimo [ ]

4. Ga ba gona [ ]

11. Batho bao ba thwetšwego mo go SMEs go ka lapeng la geno, ba thwetšwe kae?

1. Motsaneng wa Sefene [ ]

2. Motsaneng wa Makgato [ ]

3. Motsaneng wa Sekonye [ ]

4. Motsaneng wa Springs [ ]

5. Toropong ya Polokwane [ ]

6. Ga o gona [ ]



**KAROLO YA D: Sepheto sa Dikgwebo Potlana mabapi le Tiholo ya Mešomo.**

12. A e ka ba go ba gona ga Dikgwebo Potlana go fokoditše bodiidi mo setšhabeng?

- 1. Dumelela kudukudu [ ]
- 2. Dumela [ ]
- 3. Go se be le bonnte [ ]
- 4. Ganetša [ ]
- 5. Ganetša kudukudu [ ]

13. A e ka ba Dikgwebo Potlana mo motsaneng wa Sefene di thwala batho ba go na mo ga a bo lena naa?

- 1. Dumela kudukudu [ ]
- 2. Dumela [ ]
- 3. Ga ke na bonnete [ ]
- 4. Ganetša [ ]
- 5. Ganetša kudukudu [ ]

14. A e ka ba mešomo ya go hlolwa ke Dikgwebo Potlana e lefela tšhelete ya maleba yeo e ka phethagatšago dinyakwa tša ka gae naa?

- 1. Dumela kudukudu [ ]
- 2. Dumela [ ]
- 3. Ga ke na bonnete [ ]
- 4. Ganetša [ ]
- 5. Ganetša kudukudu [ ]

**KAROLO YA E: DIKELETŠO**

**15. Naa SMEs motsaneng wa Sefene o ka hlola bjang mešomo ya maleba go batho?**

.....  
.....  
.....  
.....

**16. SMEs di na le ditlhohlo tšeo di kopanago le tšona, tša go dira gore di atlege botse go hlola mešomo, a e ka ba ba di ama bjang setšhaba le gona o nagana gore go ka dirwa eng?**

.....  
.....  
.....

**17. Go ya ka mekgwa ya bolaodi yeo e šomišiwago mo go SMEs, bareki ba ka swarwa bjang ka mokgwa wa bolokologi e bile ba fiwe thušo gafetša gafetša.**

.....  
.....  
.....

**18. A o nagana gore SMEs di ka dirang go lefela bašomi ba bona mogolo wa maleba bao ba šomago go ya go ile, nakwana, go ya ka dihla, dikonteraka, hirišwa, le bao nako ya bona e lego (fixed term)**

.....  
.....  
.....

**19. Efa dikeletšo tša gore ke mehuta le dipuseletšo di fe tšeo SMEs di ka fago bašomi ba bona?**

.....  
.....  
.....

## APPENDIX E: INTERVIEW SCHEDULE FOR KEY INFORMANTS



### **(Local Economic Managers coordinators)**

Interview schedule for Local economic development coordinators in Sefene Village.

The Interview schedule was designed to assist the researcher complete the research dissertation under the study entitled

### **The effects of small and micro-enterprises (SMEs) on employment creation in Sefene Village, Limpopo Province**

- How do you describe the role of Local economic development in small and micro-enterprises?
- As the LED coordinators do you provide assistance to different types of SMEs?
- The SMEs encounter various challenges, therefore, what is the kind of support you provide to small and micro-enterprises?
- Do you offer entrepreneurship and management training seminars to SMEs owners and are they effective?
- What is the employment status at the village?
- What is the type of employment that most people engage in?
- How often do you monitor the progress of small and micro-enterprises in ensuring employment creation?
- What are the municipal future plans to provide sustainable employment through small and micro-enterprises?

## APPENDIX F: FACULTY APPROVAL LETTER



University of Limpopo  
Faculty of Management and Law  
**OFFICE OF THE EXECUTIVE DEAN**  
Private Bag X1106, Sovenga, 0727, South Africa  
**Tel: (015) 268 2558, Fax: (015) 268 2873, Email: frikkie.ponelis@ul.ac.za**

25 March 2019

**Makgamatha M.G (201323400)**  
**SCHOOL OF ECONOMICS AND MANAGEMENT**  
**MASTER OF DEVELOPMENT (PLANNING AND MANAGEMENT)**

Dear M G Makgamatha.

### FACULTY APPROVAL OF PROPOSAL

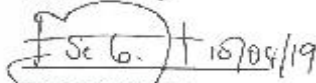
I have pleasure in informing you that your Masters proposal served at the Faculty Higher Degrees Committee meeting on **19 March 2019** and your title was approved as follows:

*"The Effects of Small and Micro-Enterprise (SMEs) on employment Creation in Sefene Village, Limpopo Province"*.

Note the following: The study

Ethical Clearance	Tick One
Requires no ethical clearance Proceed with the study	<input type="checkbox"/>
Requires ethical clearance (Human) (TREC) (apply online) Proceed with the study only after receipt of ethical clearance certificate	<input checked="" type="checkbox"/>
Requires ethical clearance (Animal) (AREC) Proceed with the study only after receipt of ethical clearance certificate	<input type="checkbox"/>

Yours faithfully,

  
18/03/19

**Prof MP Sebola**

**Chairperson: Faculty Higher Degrees Committee**

CC: Dr T.M Ramoroka, Supervisor, Prof MP Sebola, Co-Supervisor and Acting Director of School of Economics and Management and, Mrs M D Mathebula, Acting HoD, Development Planning and Management.

## APPENDIX G: ETHICAL CLEARANCE LETTER



**University of Limpopo**  
Department of Research Administration and Development  
Private Bag X1106, Sovenga, 0727, South Africa  
Tel: (015) 268 3935, Fax: (015) 268 2306, Email: anastasia.ngobe@ul.ac.za

**TURFLOOP RESEARCH ETHICS COMMITTEE**  
**ETHICS CLEARANCE CERTIFICATE**

**MEETING:** 04 July 2019

**PROJECT NUMBER:** TREC/131/2019: PG

**PROJECT:**

**Title:** The Effects of Small and Micro-Enterprises (SMEs) on Employment Creation in Sefene Village, Limpopo Province.

**Researcher:** MG Makgamatha  
**Supervisor:** Dr TM Ramoroka  
**Co-Supervisor/s:** Prof MP Sebola  
**School:** Economics and Management  
**Degree:** Master of Development in Planning and Management

**PROF P MASOKO**  
**CHAIRPERSON: TURFLOOP RESEARCH ETHICS COMMITTEE**

The Turfloop Research Ethics Committee (TREC) is registered with the National Health Research Ethics Council, Registration Number: REC-0310111-031

**Note:**

- i) This Ethics Clearance Certificate will be valid for one (1) year, as from the abovementioned date. Application for annual renewal (or annual review) need to be received by TREC one month before lapse of this period.
- ii) Should any departure be contemplated from the research procedure as approved, the researcher(s) must re-submit the protocol to the committee, together with the Application for Amendment form.
- iii) PLEASE QUOTE THE PROTOCOL NUMBER IN ALL ENQUIRIES.

*Finding solutions for Africa*

## APPENDIX H: ENGLISH LANGUAGE EDITING LETTER



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EMAIL: [info@informationgiants.co.za](mailto:info@informationgiants.co.za) | WEBSITE: [www.informationgiants.co.za](http://www.informationgiants.co.za)

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TO: WHOM IT MAY CONCERN  
SUBJECT: Language Editing  
DATE: Saturday, 27 February 2021

### PROOF OF LANGUAGE EDITING

This is to certify that a research project titled *"THE EFFECTS OF SMALL AND MICRO-ENTERPRISES (SMES) ON EMPLOYMENT CREATION IN SEFENE VILLAGE, LIMPOPO PROVINCE"* submitted to us by Makgamatha Mpho Gift (201323400) has been duly edited for language by Information Giants (Pty) Ltd.

It is hoped that if all the editorial aspects suggested therein were considered, the target readers of the work would find the document decipherable.

For any enquiries relating to the above, please contact the office during working hours at 015 004 1101 or [info@informationgiants.co.za](mailto:info@informationgiants.co.za).

Kind Regards,

Ms Sheryl Lawrence  
Accounts Manager