

# Poor Performance of Small, Medium, and Micro Enterprises in South Africa: What has Race and Apartheid Got to Do with it?

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## ABSTRACT

Small, medium, and micro enterprises (SMMEs) are expected to contribute significantly to South Africa's socioeconomic development. Despite the various private and public institutional agencies in place to bolster the role of SMMEs, these SMMEs continue to perform poorly. The poor performance of SMMEs has been linked to race and apartheid. Through a literature review, this study explored this attribution of SMMEs' poor performance to race and apartheid, considering that many argue that the apartheid legacy is the root of many challenges encountered by SMMEs. The results are, however, ambivalent. They suggest that, although apartheid and race remain critical issues in explaining some existing structural challenges that SMMEs encounter, their effects may have been superseded by other post-apartheid issues that undermine SMMEs' performance. Specifically, apart from continuing influences of apartheid-era challenges such as race-based barriers to markets and access to financial support, present-day issues such as corruption, bad governance, ill-conceived business strategies, and infrastructure challenges negatively influence the performance of SMMEs. Addressing these multifaceted issues requires coordinated efforts from the government, the private sector, and other stakeholders to create a conducive environment for SMMEs' growth and success. We, therefore, conclude that the causes of the poor performance of SMMEs in South Africa stretch beyond race and apartheid and call for an exhaustive analysis of broader issues that undermine SMMEs' performance in South Africa.

## ABSTRAK

Usaha Mikro, Kecil, dan Menengah (UMKM) diharapkan memberikan kontribusi yang signifikan terhadap pembangunan sosio-ekonomi Afrika Selatan. Meskipun terdapat berbagai lembaga swasta dan pemerintah yang mendukung peran UMKM, kinerja UMKM masih buruk. Buruknya kinerja UMKM dikaitkan dengan ras dan apartheid. Melalui tinjauan pustaka, penelitian ini menyelidiki hubungan buruknya kinerja UMKM dengan ras dan apartheid, mengingat banyak pihak berpendapat bahwa warisan apartheid adalah akar dari banyak tantangan yang dihadapi UMKM. Namun, hasilnya ambivalen. UMKM berpendapat bahwa, meskipun apartheid dan ras masih menjadi isu penting dalam menjelaskan beberapa tantangan struktural yang dihadapi UMKM, dampaknya mungkin telah digantikan oleh isu-isu pasca-apartheid lainnya yang melemahkan kinerja UMKM. Secara khusus, terlepas dari pengaruh tantangan era apartheid yang terus berlanjut, seperti hambatan berbasis ras terhadap pasar dan akses dukungan keuangan, permasalahan yang ada saat ini seperti korupsi, tata kelola yang buruk, strategi bisnis yang tidak disusun dengan baik, dan tantangan infrastruktur berdampak negatif terhadap kinerja UMKM. Untuk mengatasi berbagai permasalahan ini, diperlukan upaya terkoordinasi dari pemerintah, sektor swasta, dan pemangku kepentingan lainnya untuk menciptakan lingkungan yang kondusif bagi pertumbuhan dan keberhasilan UMKM. Oleh karena itu, disimpulkan bahwa penyebab buruknya kinerja UMKM di Afrika Selatan tidak hanya disebabkan oleh ras dan apartheid, namun juga memerlukan analisis mendalam mengenai isu-isu yang lebih luas yang melemahkan kinerja UMKM di Afrika Selatan.

## 1. INTRODUCTION

A host of literature studies and statistics in South Africa confirm the poor state of the Small, Medium, and Micro Enterprises (SMMEs) ecosystem in the country.

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The desire to better understand what factors underlie such poor performance also seems to be shared. Various studies have examined small business failures and the reasons underlying such failures (Bushe, 2019), how local SMMEs compare to other BRICS (Brazil, Russia, India, China, and South Africa) nations, and lessons that could be drawn from such comparative studies (Noshad et al., 2019). The International Finance Corporation (IFC) (2018) study emphasizes the significant contribution of small enterprises in sub-Saharan Africa, where a significant proportion of the population is employed in small firms. Rens et al. (2021) explore the impact of business incubations on the growth potential of SMMEs. At the same time, Fatoki (2021) investigates small business performance against access to finance. However, an analysis of the available literature suggests that the interrogation of SMMEs' performance in racial terms is a grey, underexplored, and often neglected area.

Government institutional accounts and other research institutes, such as Trade and Industrial Policy Strategies (TIPS), nominally describe SMME ownership patterns based on race but do not go as far as contextualizing the meaning of performance indicators concerning the general SMME performance in the country (Real Economy Bulletin, 2017; Small Enterprise Development Agency [SEDA], 2018). While the GEM 2021/2022 report highlights the participation of various races in entrepreneurial activities in South Africa, it omits pertinent information on business failure based on race (Bowmaker-Falconer & Meyer, 2022). Perhaps in a country where race is a polarising concept in everyday experiences, such avoidance is understandable. However, ignoring race issues in SMMEs promotes a generalist approach toward academic, practice, and policy formulation imperatives.

Arguably, in South Africa, reflecting on race and SMME performance is necessary, considering the widely floated and often unchallenged assertion that the apartheid legacy is responsible for many of the challenges encountered by SMMEs. In a nutshell, it appears apartheid has become a default explanation for every problem that SMMEs experience, notwithstanding the fading footprints of the past era in the post-1994 business environment. Arguably, the continual referencing of apartheid concerning many small business challenges is an indirect way of dragging the perceived racial issues that can further contrast the performance of White and Black-owned businesses, even when such contrasts may have little to do with race. In that context, what race and apartheid have to do with the overall performance of SMMEs in South Africa may have become a practical question to ponder.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### **Apartheid System and Race**

Apartheid refers to a system put in place by the National Party government after the 1948 election, aimed to separate Whites from non-Whites and classify people into four races: Whites, Blacks, Indians, and Coloureds (Mahajan, 2014). The segregation was done through urban planning and housing development policies, leading to the creation of townships. This paper refers to groups disadvantaged by the apartheid system as non-Whites (Blacks, Indians, and Coloureds). As part of the apartheid system, Blacks, Coloureds, and Indians were disadvantaged while Whites were advantaged. Non-Whites were discouraged from becoming entrepreneurs, and the practice was deemed criminal activity (Mahajan, 2014; Odeku, 2021; Sixaba & Rogerson, 2019). Mostly, non-Whites had limited options to become employees in townships – a dormitory for supplying labor to the mining industry.

### **SMMEs and Business Performance Metrics**

Government Gazette No. 42304 of the Republic of South Africa groups SMMEs into three categories based on annual turnover and the number of employees: (i) Small, (ii) Medium, and (iii) Micro Enterprises (Government Gazette, 2019). Such firms employ between zero and 250 employees with an annual turnover of up to R220 million. However, turnover figures and employee numbers vary depending on the industry and firm size. Considering the above criteria, it may appear sufficient to measure business performance based on growth in terms of employee numbers, turnover, and profit (Olutunla & Obamuyi, 2014). Reliance on measuring performance solely based on quantitative and financial measures is misleading. In their study addressing performance measurement issues by small and medium enterprises in the Cape Metropolis, South Africa, Maduekwe & Kamala (2016) alert that utilizing only financial figures generates a false and incomplete picture of the performance of small businesses. Therefore, they encouraged the use of non-financial measures and captured other hidden strategies and social performance scores for which financial figures fail to account.

### 3. RESEARCH METHOD

This study utilized desk research to extract data from published secondary sources. Denhere & Mhlanga (2021) define desk research as a recourse to using secondary data that can be collected without fieldwork. Thus, this study used material sources from publicly available literature, conference publications, academic theses, and journal and institutional publications. The researchers used the Google Scholar search engine and institutional resources, which gave access to libraries, including EBSCOhost, Emerald Insight, and Sabinet. This study chose to use Google Scholar because the database is freely available once one has access to the Internet (Harzing & Van der Wal, 2009). The inclusion criteria considered local and global literature reflecting issues of small business performance connected to race and apartheid in South Africa. To generate related literature from Internet sources, the following search phrases were used: “apartheid and small businesses”, “small business performance,” and “South Africa”. Over 90% of the sources used are studies that reflect business performance matters in South Africa, owing to the apartheid ideology introduced in the country in 1948 by the National Party government (African Online Media, 2022). Table 1 summarises the literature sources. Then, Table 2 presents the geographical locations of the sources that inform the discussion on the topic in this study. It shows that most of the literature included in the study was located in South Africa. Such bias is necessary for qualitative reviews to ground the study in the problem research context.

### 4. DATA ANALYSIS AND DISCUSSION

#### The state of SMMEs in South Africa

According to the Global Entrepreneurship Monitor (GEM), the challenges inhibiting entrepreneurial activity in South Africa have remained the same for a long time (Herrington & Kew, 2018). Since 2001, South Africa has made little progress toward dealing with SMME issues relating to government policies on the regulatory environment, access to finance, and education and training. While confirming these challenges as endemic to the success of the small business economy, the Minister of Small Business Development, Stella Ndabeni-Abrahams, underscored the centrality of red tape practices that spoke to the disintegrated systems of government, for example, regarding procurement arrangements and also slow legislative reviews of policies that still prohibit a small business from participating in the economy. The Minister also cited the complicity of the private sector players who close their value chains to small business players (BusinessDay Live, 2022),

**Table 1. Literature sources**

Source	Quantity
Journal articles	30
Government/Institutional Publications	13
Web pages/videos/Online	5
Conference publications	2
Academic thesis	2
Book chapter	1
Total	53

Source: Authors' compilation

**Table 2. Geographical location of journals**

Location of journals	Frequency
South Africa	11
United Kingdom	5
United States of America	3
Switzerland	2
Ukraine	2
Pakistan	2
Indonesia	1
Australia	1
Nigeria	1
Singapore	1
Netherlands	1
Total	30

Source: Authors' compilation

suggesting that small firms often find themselves sandwiched between two influential forces that, on the one hand, are expected to support them but on the other, literally are also accelerating their downfall. Earlier on, the same ministry estimated failure rates to be as high as 80 percent (Fin24, 2014). Hence, considering such business practices where private sector players restrict SMME participation in the value chain. Makwara (2022) argues that it is fair to situate large firms as both enablers and threats to small business growth in South Africa.

The context of the above challenges suggests they affect all entrepreneurs, regardless of race and political heritage emanating from apartheid history. However, it may be argued that since apartheid impacted the social capital of Whites and non-Whites differently, there may be direct and indirect effects of apartheid on poor business performance. Juxtaposing the question of apartheid and resources inherent among Black people while defending the rationality of the Broad-Based Black Economic Empowerment (BBBEE) legislations, South African President Cyril Ramaphosa stressed, "I do not know many Black people who have inherited wealth from their parents, and yet on the White side in this country, nearly every White person has inherited something from their parents" (Shiko, 2022). The essence of such statements argues for acknowledging apartheid as a window for assessing economic, social, and small business participation levels between racial groups in the country. Therefore, if the poor performance of SMMEs is attributed to apartheid, perhaps there is a need to explore the relevant social capital of White entrepreneurs versus non-White SMME owners, which may also explain how they differ in dealing with the challenges they encounter. Apartheid may have a long-term impact on the social capital of non-Whites, such as education, low entrepreneurial culture, and access to resources to participate in the economy. Considering that non-Whites were denied access to quality education and inhibited from starting businesses (Bvuma & Marnewick, 2020), it is logical to expect that they are likely to enter into the entrepreneurship fray with fewer skills than their White counterparts.

Moreover, as stated in the GEM Report 2017/2018 (Herrington & Kew, 2018), government policies are, to some extent, unduly burdening SMMEs with additional administrative requirements, which affect their operations. According to Scheba & Turok (2020), formalization processes for South African entrepreneurs are quite stringent. SMMEs must register a business, pay taxes, and comply with labor laws, to mention but a few – failure to comply results in fines. Due to the increasing frustration of formalizing businesses in South Africa, business owners short-circuit the system (Khoase et al., 2020), thus fuelling corruption in government offices.

Furthermore, government agencies such as SEDA and the National Youth Development Agency (NYDA) have not significantly contributed to providing solutions to SMMEs. Maloka and Dlamini (2016) decry that these agencies are ill-equipped to offer proper advisory services and lack visibility owing to poor marketing of their services. They are also not easily accessible due to being poorly located in areas far from entrepreneurs. Herrington & Kew (2018) add that SMMEs owners experience severe challenges accessing government agencies to acquire funding. For example, many township business owners seeking these services lack the literacy skills to use Internet platforms such as for business registration (Maloka & Dlamini, 2016).

Findings from several literature sources cite government policies, the regulatory environment, access to finance, and a lack of education and training as problematic areas that negatively impact the success of SMMEs (Chimucheka, 2013; Herrington & Kew, 2018; Makwara, 2022). Bhorat et al. (2018) highlight how large businesses harmfully impact SMMEs, such as late payment on goods or services rendered, setting impossible standards that SMMEs must meet to qualify for a business relationship with large firms, and the absence of long-term contracts. Owing to the bad business practices of big companies, oligopolistic markets exist in some markets (Buthelezi et al., 2019). Makwara (2022) also laments the agency of large firms in accelerating the downfall of SMMEs by unfairly leveraging size, market dominance, and close ties with the government.

From a behavioral perspective, several studies have found that few Black South Africans are interested in operating small businesses (Musabayana & Mutambara, 2022; Preisendorfer et al., 2012). In contrast, White people are three to five times more active in self-employment than their Black counterparts (Preisendorfer et al., 2012). In their study, Herrington et al. (2010) reported that Black Africans were far less likely to be involved in entrepreneurial activity than other racial groups in the country. Along with this claim, they added that entities owned by white and Indian entrepreneurs were more likely to mature into new firms

than those of Black African and Coloured races. Regarding SMME failure rates, Maduku & Kaseeram (2021) report that an average of 60% fail within the first few years of existence. As per the GEM 2021/2022 report, the high SMME failure rate has become common knowledge, and as a result, even those who wish to embark on an entrepreneurial journey are discouraged due to fear of failure (Bowmaker-Falconer & Meyer, 2022). Entrepreneurial activities become risky and lack the necessary support. Thus, many who open businesses do so because of a lack of alternative means of survival. Such insight suggests that SMME owners venture into business due to the high unemployment rate, with business ideas lacking uniqueness, thus potentially contributing to the poor performance of SMMEs

Furthermore, several authors cite a lack of education as a major contributor to bad entrepreneurial decisions and managerial skills (Makina et al., 2015; Mboniyane & Ladzani, 2011; Tshuma, 2022). Besides being distinct from the previous regime's business climate, this new generation of entrepreneurs is endowed with many resources that were lacking during apartheid, including government support agencies. However, as argued above, these seem to deliver little benefit to entrepreneurs. Examples of the above agencies include the SEDA, NYDA, access to financing agencies, entrepreneurship education, and improved education and training (Bowmaker-Falconer & Herrington, 2020). The benefits of government agencies to businesses include attracting government contracts (Olomi et al., 2018), business development opportunities (Iwu, 2018), and tax incentives (Wakefield et al., 2022). Echoing a similar view, Sekele (2016) argues that the solid entrepreneurial support structures available to small businesses in the country nullify arguments suggesting a lack of access to an enabling and facilitating environment for enterprise development. Against this new background, it becomes preposterous to seek to validate the poor performance of Black-owned SMMEs contrasted with the perceived better performance of White-owned entities based on claims of racial advantages of one race over another.

Moreover, due to the current load-shedding, businesses are experiencing low productivity, damage to equipment, and loss of profits (Ateba et al., 2019; Dewa et al., 2020). Generally, post-1994, scholars have argued that infrastructure development issues negatively impact small business sector growth (Chimucheka, 2013), irrespective of racial differences. Thus, it is understandable that calls for the government to develop infrastructure such as transportation and power generation to support local development (Asitik et al., 2016) through policy development (Iwu, 2018) and investing in physical, economic, or social infrastructure (Makhathini et al., 2020) have become commonplace. Considering the above, is the poor performance of SMMEs not a result of other structural and economic issues, such as poor governance, and not necessarily race and apartheid?

### **Race and SSME Performance – Connecting the Dots from Apartheid Years**

It is commonly stated that the apartheid era propagated unfair, unjust, discriminatory, and race-based practices that ordinarily made it difficult for non-White entrepreneurs to thrive (Mahajan, 2014). Some accounts emphasize that opportunities pre-1994 Black ownership of SMMEs were highly restricted, or at best, mainly survivalist (Mahambehala, 2019), owing to the apartheid legislation and practices. However, it is too simplistic to assume that all White-owned SMMEs enjoyed privileges and support that account for their better performance in the SMME sector post-1994. Literature suffers from a dearth of holistic apartheid-era data (Mariotti & Fourie, 2014), resulting from the exclusion and inaccessibility of data on economic activities by non-White racial groups. It makes it challenging to make substantive claims about the status of the SMME economy. While the conditions prevalent pre-1994 unduly favored White business entities, small business sector issues such as overall size, importance to the economy, and what privilege White-owned entities enjoyed are less apparent. Instead, literature shows that the apartheid economy was dominated by White-owned large firms (Bhorat et al., 2018), which largely maintained relationships with the government and facilitated the perpetuation of apartheid policies in the country through, for example, differential pay structures. Supposedly, relative political capital between small and large firms determined access to government support, with SMMEs unlikely to receive much support from the government due to a lack of political capital in the context of sustaining the apartheid agenda.

Lloyd (2018) claims that during apartheid, new White enterprises enjoyed greater support, not only from government policies but also from the private sector and banks. However, this view appears to be a conclusion simply based on an association between race, politics, and assumed privileges gifted to Whites

under apartheid. Various studies shed a contrasting perspective on this simplification. For example, Preisen-dorfer et al. (2012) stressed that during apartheid, the government focused on large corporations and neglected the small business sector. In fact, during the apartheid era, there was a conspicuous absence of small businesses in the dominant sectors of the economy, and very little attention was paid to small enterprise promotion in public policy (Herrington et al., 2010). This view was more explicitly stated by Berry et al. (2002), who emphasized that during apartheid, South Africa's SMME economy was either largely neglected by policymakers or actively discouraged by repressive measures in the case of Black-owned enterprises. In the same vein, Ladzani (2010) concurred and acknowledged that although some small business support agencies existed during apartheid, these tended to be overall less effective. Collectively, this literature posits the underlying premise that being a White small business entity came with no distinctive substantial advantages as far as policy-directed support because they were viewed as less important in sustaining the agendas of the colonial government. Potentially, therefore, it is pervasive to attribute the current performance of White SMMEs to the supposed nominal privileges of the apartheid regime, which they may not have enjoyed as much as is assumed. Moreover, almost three decades after the supposed period of set privileges, it is rational to accept that events, time, and the dawn of a new social and economic order must have overtaken any perceived direct benefits from that period. Against this assertion, Sekele (2016) laments that the injustices of the apartheid system are alive and still harm the progress of Black entrepreneurial endeavors. To the extent that this premise positions emerging entrepreneurs as victims of history, arguably, it practically demonstrates the ineffectual nature of current practices, policies, and initiatives to grow the small business sector, oblivious of the country's political and racial legacy. Hence, commenting on the status of Black entrepreneurship, Preisen-dorfer et al. (2012) assert that although apartheid provides a convenient basis for different causal mechanisms that need to be spelled out, it is insufficient to explain the current lack of Black entrepreneurship in South Africa. Thus, to a greater extent, it may be argued that the current performance and role in the economy of SMMEs owned by Blacks and Whites should be explained within the post-1994 operational environment.

Unfortunately, existing scholarship is yet to propagate an exclusive post-colonial perspective that extols SMME performance in South Africa, and it remains sensible for many to locate connections between poor SMME performance and race through an apartheid prism. Tshuma (2022) bemoans the failure of South Africa to address deep structural legacies, highlighting the persistence of issues such as general poverty levels, unemployment and inequality, and barriers to market entry for SMMEs. Regarding non-White entrepreneurs, there is a great emphasis on how apartheid distorted the emergence of a formal SMME sector but less on its nature and size under apartheid. While politics rendered it less conducive to establishing thriving formal small businesses (Bvuma & Marnewick, 2020), Black entrepreneurs had limited business opportunities in Black communities as survivalist SMMEs. Thus, it could be argued that while the apartheid caveat hypothetically places White SMMEs in better standing than Black SMMEs under apartheid, they possibly share a similar background concerning lack of government support and their insignificant role in the economy. That is not to say that White-owned SMMEs could have had better access to business support services such as bank loans. However, literature that has examined the utilization levels of such support services, considering that the apartheid regime neglected their needs (Berry et al., 2002; Preisen-dorfer et al., 2012) is almost non-existent; hence, it difficult to measure the impact of those services to the performance of White SMMEs. The importance is that, whereas race could affect the right to do business and access specific markets between Black and White entrepreneurs, there is minimal evidence that it did little to solicit government support and, ultimately, level of economic contribution. If this framing is correct, SMMEs' post-apartheid performance on racial terms owes little to the acclaimed 'evils' of apartheid.

The post-1994 operational environment emerged remarkably different from the apartheid era. To begin with, it brought in newly inclusive legislation, policies, small business sector agendas, and affirmative action programs that sought to dismantle the nuances of race-based privileges in the economy (Sekele, 2016). As a result, it entrenched a small business development agenda that popularised the incorporation of formerly excluded racial groups into the mainstream economy and lauded the small business economy as one of the avenues to promoting social equality. Enacting programs such as the Broad-Based Black Economic Empowerment (BBBEE) to level the playing field and promote Black entrepreneurship comes to mind. However, researchers have an emerging consensus that the BBBEE program has not worked (Fransen & Helmsing, 2016; Musabayana & Mutambara, 2022) owing to implementation shortcomings, bureaucracy, and political hijacking for the benefit of the ruling Black elite. Moreover, the passage of time since 1994 has ushered in a

new generation of entrepreneurs, mainly young people, arguably free and uninhibited by the so-called ills of apartheid, such as denying education to Black people, thus suggesting that the post-1994 experiences condition their entrepreneurial culture.

Some researchers have attributed the different entrepreneurial inclinations and successes between racial groups to factors such as varying levels of access to social capital, quality of education, and inherited risk-taking cultures. However, the strength of these factors in rationalizing any perceived differences in entrepreneurial development in racial terms is arguably not straightforward, considering the country's social, political, and economic dynamics unfolding. For example, since 1994, South Africans have had the opportunity for cross-cultural learning and interracial networking, resulting in altered entrepreneurial personalities of Blacks and Whites alike. In their study, Fransen and Helmsing (2016) demonstrate the propensity of Black-owned handicraft businesses to break segmentation barriers and establish formal entities like their White counterparts. Specifically, the study found that segmentation is no longer determined by race, further demonstrating concurrent changes in the post-1994 business climate and the declining role of race as a moderating factor in business success. In that regard, the opinion of Groenewald (2022) that skin color cannot be used as a generalized indicator of a disadvantage comes to mind.

Some emerging evidence suggests that more support is targeted towards Black than White entrepreneurs, consistent with affirmative action. For example, Hewitt & van Rensburg (2020) examined the role of business incubators in developing the small business community and found that they only supported Black entrepreneurs, excluding their White counterparts. These findings affirm the sentiments of Ntlamelle (2015), who laments the negative impact of exclusionary race-based affirmative action programs embedded in South Africa's incubation programs on White-owned businesses. As Hewitt & van Rensburg (2020) stress, such exclusions of White entrepreneurs prevailed without being explicitly mentioned, suggesting that there is a need for caution in attempts to popularise the notion that White entrepreneurs enjoy unlimited access to entrepreneurship support services compared to their Black counterparts.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The above contentions do not seek to underplay the impact of systemic injustices of apartheid that continue to undermine entrepreneurship development in the country. Rather, they question whether South Africa has not yet reached a cut-off point where history should no longer bear and cover up the deficiencies of the post-1994 small business development strategies. For too long, race and apartheid have been exploited as entry points to rationalizing the numerous difficulties undermining progress in the SMMEs sector. Nevertheless, many challenges seemingly restraining the success of SMMEs result from present-day manifestations of corruption, bad governance, failure to implement transformation policies, and ill-conceived small business development strategies. The failure of the government agencies and the persistence of the major challenges of SMMEs' poor performance as per the GEM questions the quality of business ideas pursued by SMMEs. Survivalist entrepreneurs tend to venture into business after failing to secure employment, leading to "me-too" businesses that may struggle to convince financiers and attract support from government agencies. Such entrepreneurs may even lack business management skills, which has also been widely cited as having a critical impact on business success. Furthermore, it is worth exploring the impact of the support rendered by government agencies on the success of SMMEs. The question is, where are the government agencies going wrong if SMMEs continue to fail despite the plethora of interventions?

Business success should not be attributed to one aspect but a combination of complex issues, such as the influence of weak infrastructure and arduous business formalization processes. Despite government interventions toward the success of SMMEs, various stakeholders must work together for the success of SMMEs. The private sector may also support the SMMEs but help the industry grow instead of viewing the industry as a competitor. For example, private businesses may consider mentoring SMMEs in business incubators to develop competitive business ideas and managerial skills before being left to run independently.

The propriety of these apparent challenges in the small business ecosystem, race, and apartheid issues remain relevant to any serious discourse about small business performance. This research believe race and apartheid issues continue to influence systemic variables directly and indirectly affect small business operations. For example, access to some markets by Black entrepreneurs is still technically denied by large oligopolistic firms that emerged from the apartheid era (Buthelezi et al., 2019), and banks appear to discriminate against Black SMME borrowers (Mbedzi & Simatele, 2020).

The current study utilized a desk research approach to analyze secondary sources. Therefore, this research recommends conducting studies employing a systematic literature review approach. Additionally, due to the absence of historical data presenting small businesses' performance nationwide, institutions across the ten South African provinces must collaborate and lead a study investigating the numerous challenges SMMEs face. Lastly, the implications of this study urge policymakers and scholars to reconsider the breadth of issues impacting SMMEs.

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