



Exploring the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State Province.

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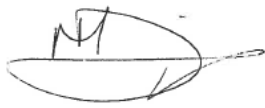
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September 2023

Declaration

I declare that the research project hereby handed in for the qualification Master's in Business Administration at the UFS Business School at the University of the Free State is my independent work and that I have not previously submitted the same work, either as a whole or in part, for a qualification at/in another university/faculty.

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Signature of student

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Date

ACKNOWLEDGEMENTS

I would like to start by acknowledging the almighty God, by thanking the Father for all the blessings and opportunities he has bestowed upon my life and for placing me in a position where I can complete my studies. “When the time is right, I, the LORD will make it happen” Isaiah 60:22.”

- ✓ I would like to thank and appreciate my supervisor, Associate Prof MJ Peters for his time, mentoring and support throughout my studies.
- ✓ I would also like to thank my research lecturer and programme director Prof L Massyn for her teaching and the lessons we have gained in the theory module.
- ✓ I express gratitude to the university for presenting me with the funding opportunity to further my studies from my honours degree to my master’s degree.
- ✓ To my syndicate teams and the MBA UFS Business School programme coordinators, I thank you for your assistance during the journey and for the relationships we have built.
- ✓ Thank you to all the SMEs that I interviewed, their experiences and storytelling have given me a different perspective on SMEs and the entrepreneurial activities in the province.

DEDICATIONS

Appreciation to my ancestors for carrying me on this journey and giving me the strength and courage to complete the MBA programme. The degree is dedicated to them.

- ✓ I dedicate the degree to my wife, Vanessa Malethabo Buti thank you for being a study partner and for your support in my life.
- ✓ To my father, Lerata Daniel Buti, for the everyday encouragement and support, this degree is dedicated to you.
- ✓ To my mother Mawesi Ruth Buti, thank you for always supporting me with everything I needed to accomplish this degree.
- ✓ I would like to dedicate my studies to my children Reneilwe and Opelong Buti I hope that in future you will both take a liking into higher education.
- ✓ I would like to dedicate the study to my sisters, Tshidi Dimpane and Tumi Ramosedi I hope my journey will motivate you to further your potential in life.
- ✓ Last, I would like to thank myself for the dedication and commitment I have shown to complete my studies. There were times I felt like giving up, but the support of my family and the winner in me would not let me. I have learned a lot about myself throughout my MBA journey.

ABSTRACT

Small and Medium-sized Enterprises (SMEs) in South Africa inspire people to use their imaginations to develop creative answers to new societal problems that provide employment opportunities, end inequality, and advance the economy. There is a low rate of survival in SMEs, particularly in the first five years of business. Additionally, Small, and medium-sized businesses (SMEs) are crucial tools for tackling issues like job creation, sustainable economic growth, equitable income distribution, and the general picture of economic development. The failure rate of SMEs in South Africa is very high, making it critical to look at the factors that influence the growth of SMEs to promote them.

The Mangaung Municipality in the Free State was chosen as the study area. Given that SMEs throughout the municipality face various factors that impede their growth, such as access to finance, entrepreneurial abilities, access to markets and technologies infrastructure, training, and education, therefore there was a need to investigate the similarities and differences in growth and challenges SMEs face in the municipality. Hence, the study aims to investigate the factors that influence the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State.

The study adopted a qualitative research design, with a sample of 12 participants. Data was collected employing semi-structured interviews. The participants were SME owners who have been in operation for more than two years, are CIPC registered, and of legal compliance with the country's laws. The researcher collaborated with the SEDA Mangaung branch to identify the participants. Participants' information was kept private, all the information shared between the researcher and participants was kept confidential, and no participants were harmed during data collection.

The study's findings were that SMEs are resilient and are a force if given the tools to prosper. However, because they face various challenges the most pertinent challenges faced by SMEs are access to markets, information, and technological infrastructure, Lack of access to finance, copycat businesses, and illegal immigration businesses.

Concerning the growth factors, access to finance is seen as a very critical growth factor to improve followed by education and training to remain in the known of critical information, client focus, and last strategic planning and goal setting to ensure their sustainability in the market.

Several strategies can be used to help SMEs overcome their obstacles and enhance the growth factors that support SME development. These strategies include giving SMEs access to mentors, providing opportunities for industry exposure because doing so will open new opportunities and external markets, introducing incubators, and combining government SME support agencies under one umbrella.

Keywords: Mangaung; SMEs; Performance; Failure; SEDA; Challenges; Growth.

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LIST ACRONYMS

ADB	Asian Development Bank
CIPC	Companies and Intellectual Property Commission
CSF	Critical Success Factors
DESTEA	Free State Department of Small Business Development, Tourism and Environmental Affairs
GDP	Gross Domestic Product
GHRE	General Human Research Ethics
GSM	Growth Stage Model
ILDPA	Informal landscape Development Plan
NDP	National Development Plan
NYDA	National Youth Development Agency
NYDA	National Youth Development Agency
OECD	Organisation for Economic Cooperation and Development
SANB	South African National Small Business
SARS	South African Revenue Services
SBE	Small Business Enterprise
SEDA	Small Enterprise Development Agency
SME	Small Medium Enterprises
SMME	Small Medium Micro Enterprises
STATS SA	Statistics South Africa
USA	United States of America
VAT	Value Added Tax

1 CHAPTER 1: PROPOSAL

1.1 Introduction

Small and Medium-sized Enterprises (SMEs) contribute significantly to economic growth by creating jobs, reducing poverty, distributing income, and innovating (Maneesha, 2020:13). To build a strong industrial sector in the economy, a strong SME sector is required. Continuous and sustainable economic progress requires well-functioning SMEs (Parvin, Asimiran, and Ayub, 2021:4).

SMEs are normally defined differently based on a region or country according to Abada (2015:12), some measures are often utilised to define SMEs, such as total assets, labour force size, capital, and annual turnover to define SMEs. Additionally, SMEs are operated by individuals to support a subsistence lifestyle for themselves, staff members, and communities and to boost the local economy (Nxaba, 2014:19).

In both industrialised and developing nations, SMEs are well known for boosting global economies and acting as launching pads for industrialisation (Moise, 2020:12). Over 90% of enterprises in the latter are SMEs, a fact demonstrating their significance to the economy (Muriithi, 2017:10). Also, SMEs have gained support in both developed and emerging economies as a source of employment, income production, poverty reduction, innovation, and industrial progress (Turyakira, 2018:18). The growth of small and Medium-sized Enterprises (SMEs) is essential to the production and economy of the world (Tong, 2022:4).

SMEs continue to be a crucial tool for promoting economic development and growth in the modern world and given the key role SMEs play in developing nations, there needs to be considerable focus on their health and sustainability, (Bayraktar and Algan, 2019:12). Biru (2020:6) suggests that SMEs are essential to the expansion and growth of the world economy and the reduction of poverty (Baines, 2017:254).

According to a report designed by iQualifyUK (2018:3), the increase in SME action relates to economic growth in numerous Asian nations, including Korea, Taiwan, and Japan. Approximately 99% of all businesses in China, where industrialisation and development are advancing, are held by SMEs, (Gherghin, Botezatu, Hosszu and Simionescu, 2020:347). In addition (Gherghina et al., 2020:348) further states that together, these SMEs account for over 60% of all industrial output in China as well as more than 40% of all profits and taxes from the nation's many industries.

SMEs play a critical role in the economy's health by promoting market expansion, job creation, and general living standards (Afolayan and Harpe, 2020:697). As SMEs are adaptable and creative, considering the size and organisational structure of the company SMEs are widely regarded as the engines of innovation, economic growth, and employment in many countries, including South Africa. The difficulties of job creation, sustainable economic growth, equal income distribution, and general economic development stimulation in South Africa was anticipated to be addressed in large part by SMEs (Bisseker and Wagner, 2016:20).

In relation to communities, SMEs assisted in reducing poverty in communities by providing locals with meaningful work and raising the standard of living; all at a much lower investment cost than major corporations (Bvuma and Marnewick, 2020:3149). This is supported by Ahmed (2019:2) who states that the local economy is supported in part by SMEs as they are mostly community driven and Matlaudi (2017:7) who asserts that SMEs have had a significant impact on the country's economy, including employment creation, wealth, and economic development.

1.2 Background

Growth among SMEs is often unpredictable and not always sustained especially in startups as enterprises often fall away after a couple of months (Roper and Hart 2017:30). This is further alluded by Kaminskaite, (2017:20) who claims that SME startup failure rates range from 70% to 90%, depending on the nation and sector, Significantly, almost 90% of SMEs that pass the fifth-year milestone nevertheless struggle to develop). Hence the South African SME failure rates are the highest in the world at 75% where the number of enterprises are not growing (Lekhanya, 2016:9). Estrin, Mickiewicz, Stephan, and Wright (2019:22) reiterate this issue's relevance, saying that SME development and entrepreneurship are still less developed in transition economies like South Africa than in other emerging nations. From the data provided by the Head of Small Enterprises at Standard Bank, nearly 50% of SMEs had failed within two (2) years of inception (Madel, 2019:1).

The COVID-19 Pandemic has had an even greater impact on SMEs, especially startups as the majority of business owners were impacted and forced to close their doors the most significant obstacles were due to insufficient finance support, uncertainties, a lack of government support, and several COVID-19-related measures, such as lockdowns (Murithi, 2021:3). Schutte and du Preez (2017:4) found in their research that there is no business growth model for SMEs in South Africa, and because of this, it is more challenging for South African authorities to know what steps to take to turn small-scale, informal enterprises into dynamic businesses participating in the formal sector - especially those in township areas.

Unlike other countries who have developed SME growth or framework models that are developing and growing SMEs, such as Japan with the keiretsu system. Tomeczek, (2022:2) recognises the keiretsu system as a Japanese growth model concept that incorporates a collaborative network of enterprises with interlocking commercial linkages and shareholdings, by encouraging long-term partnerships and mutual assistance among businesses, this strategy has aided the growth and stability of many Japanese SMEs.

Additionally, The United Kingdom has adopted a framework act, the “Small Business, Enterprise, and Employment Act,” which tries to make the business environment more equitable for SMEs. The act includes provisions to minimise regulatory burdens and boost small business access to financing, (Small Business, Enterprise, and Employment Act 2015 - Explanatory notes, 2018)

Subsequently, South Africa's public and private sectors are now unable to absorb the current labour force productively; as a result, people must consider alternative work options such as self-employment or entrepreneurship (Benedict and Venter, 2019:12). This study sought to explore factors influencing the growth of SMEs in the Mangaung municipality as it emerges that SMEs operating in the province receive little attention, and as a result, not much is known about the various challenges they face (Legoabe, 2017:15).

Makhitha (2017:12) further states that SMEs in the province seem to have limited access to finance or securing credit, leading to SMEs in the Free State Province requiring advance payments before they can provide goods and services. In addition to difficulties in communicating with SMEs due to technological constraints Simpeh, (2016:7) identifies other challenges such as a lack of knowledge in terms of project/goods and services costing, an inability to quote and invoice for goods and services, as well as inadequate compliance with all the requirements relating to the business legislation of the country, restricted access to other markets outside the province and limited knowledge of available technologies.

Also, SME growth in the municipality has been hampered by low rates of entrepreneurial activity and alarming failure rates, leading to limited job creation across the region (Fatoki, 2017:3). This trend is worrying because SMEs are essential in addressing job creation, equitable income, wealth distribution, sustainable economic growth, and overall economic development. Thus, it is crucial to explore the factors for SME growth in South Africa.

Therefore, the study will explore the factors that promote SMEs' growth, development, viability, and expansion in Mangaung, Free State. By doing so, this study can provide valuable insights into how to promote SME growth and contribute to the country's overall economic development.

The Mangaung Municipality, which includes Bloemfontein, Thaba Nchu, and Botshabelo, was established in 2011 and is now one of the eight Category A municipalities—or Metropolitan Municipalities—established in major cities.

1.3 Problem statement

The problem is that there are challenges contributing to the failure and lack of growth for SMEs in Mangaung, as they close within a few months of their inception, leading to a decline in business growth and a lack of economic activity within the province. The decline of SME economic activity in the municipality has the following consequences across the Mangaung metro municipality in the Free State province.

- ✓ Job losses in the municipality, which raise unemployment rates and exacerbate socioeconomic problems within the Mangaung society and the local economy.
- ✓ Social problems such as poverty and inequality rise because SMEs are frequently essential sources of income and subsistence for underprivileged populations. Reduced or loss of income in Mangaung communities lead to poverty and a potential increase in crime activities.
- ✓ By limiting productivity, restricting innovation, and lowering tax revenues, SME failures in Mangaung will have a detrimental effect on the country's economy. Economic downturns may result from this, impeding the growth and development of the country.
- ✓ SMEs in the municipalities frequently serve as the catalysts for innovation and competition in an economy. They become less innovative when they fail, which lowers their ability to compete in the global market and decreases investment in the local and national economy.

To combat the failure rates of SMEs, it was necessary to investigate SME growth factors to compare and contrast the growth factors and hindering factors of Small Business Enterprises, as SMEs are important forces behind the economic expansion and employment development in many nations, including South Africa.

Finding solutions to promote the growth of SMEs may be aided by investigating and comprehending the aspects that affect this growth. In turn, this promotes employment growth, lowers unemployment rates, and helps the economy. The study aimed to investigate factors influencing the growth of SMEs using the following research objectives.

1.3.1 Primary objective

- The purpose of the study is to explore the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State.

1.3.2 Secondary objectives

- Identify SMEs role in the South African Economy.
- Determine challenges affecting the growth of SMEs in Mangaung.
- Identify the growth factors of SMEs in Mangaung

1.3.3 Main research question

- What factors influence the growth of Small and Medium Enterprises (SMEs) in the Mangaung Municipality Free State?

1.3.4 Secondary research questions

- What is the role of SMEs in the economy of South Africa?
- What are the challenges affecting SME growth in Mangaung, Free State?
- What factors contribute to the growth of SMEs in Mangaung, Free State?

1.4 Significance of the Study

Considering the significance of SMEs for the national, and local economy, and the high failure rate of local SMEs, it is critical to investigate the conditions necessary for their growth and progression to the growth stage of the organisational life cycle (Roberts, 2010:17). It has been necessary to investigate SME growth factors to examine the similarities and differences in the growth factors and hindering factors, this will assist to gain a greater understanding of what influences SMEs' growth in Mangaung Municipality, this study sought to investigate the factors influencing SMEs' success.

Therefore, the study's findings will inform policy makers on the factors that need to be addressed to promote SME growth in Mangaung Municipality to help policymakers formulate policies tailored to the specific needs of the region and the SMEs operating in the area. Further, SMEs face numerous challenges, including access to finance, market information, and technology to mention a few. By identifying the factors that influence SME growth, the study will inform business support organisations, such as chambers of commerce and business development agencies, on the areas that require support.

Also, the study contributes to the knowledge of SMEs by exploring the factors that influence their growth in a specific context. The study will provide insights into SMEs' challenges and inform future research on the topic. The study findings will also guide how SMEs will implement certain factors that will contribute to their success and aspects of engaging with specific challenges in the SME sector as well as benefit business owners, large corporations that rely on SMEs for supplies, distribution, or manufacturing, and small business owners in the Mangaung communities.

1.5 Delimitations of the study

The study is not representative of all SMEs in South Africa or the Free State province, because it is limited to the Manguang Municipality. Only data from 12 participants was collected, as 12 responses were deemed necessary to collect relevant data. Due to time and logistical constraints, the businesses chosen were selected purposively from the Bloemfontein SEDA database. This method required less time than searching for relevant businesses in each town in the Free State Province.

The current study focused on exploring factors influencing SME growth, as well as identifying SME challenges that contribute to SME stagnation. The study is only open to SMEs registered on the Companies and Intellectual Property Commission platform and the Small Enterprise Development Agency Mangaung branch database. As the study will only focus on these SMEs in Mangaung, the study's findings may not reflect all SMEs registered in South Africa.

1.6 Research Methodology

1.6.1 Research design

The study focused on 12 SME owners in the Manguang municipality of the Free State; the intended audience included SME owners working in a variety of industry sectors. The study adopted a qualitative approach focusing on the views and experiences of the participants.

1.6.2 Sampling method

Given the nature of qualitative research, non-probability sampling using purposive sampling was used in the study, which focused on 12 registered SME owners in the Free State's Mangaung Municipality. Purposive selection of the participants was used to ensure that the chosen participants were in the best possible position to respond to the study's questions and objectives.

1.6.3 Data Collection

Data was collected using semi-structured interviews. The research instrument for the study was an interview schedule with 12 prepared questions. The interview questions were based on the difficulties that SMEs in Mangaung were currently facing and the factors for their growth. (See Annexure A for the interview schedule.) A list of participants' names and contact information was established in collaboration with the SEDA Mangaung branch in Bloemfontein to identify businesses that are registered on the SEDA database and have been in operation for more than 24 months.

Small Enterprise Development Agency (SEDA) is an agency for the development of SMEs or SMMEs in South Africa, the agencies are located across the country. They offer business funding, training, and development with the mandate to promote and increase the competitiveness of SM(M)Es.

1.6.4 The rationale for the inclusion and exclusion of participants

To answer the main objective of the study, which is to explore the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State. 12 SMEs will be selected based on the inclusion criteria listed below. The criteria ensured that the participants selected are in the best position to provide accurate and truthful results, and the criteria will identify the study's participants in a consistent, reliable, uniform, and objective manner. The exclusion criteria will identify participants who are outside a required description of participants needed for data collection and who will be in an ineligible position to provide accurate findings to answer the research questions and the objective of the study.

Inclusion Criteria for selection of SME owners

- SMEs need to be registered with CIPC.
- SMEs need to be registered on the SEDA database.
- SMEs should be in operation for more than 24 months.
- SME should be based in the Mangaung municipality, Free State
- SMEs should employ 2 or more people and less than 200 people.
- SMEs should turnover less than 5 million rands per year (R5000 000)
- There's no gender specificity for the SME owner.
- SME owner should be South African if not, the owner must have South African citizenship.
- SME experts/advisors should have a registered consultation company operating for more than 24 months or be employed as a business advisor by the SEDA Mangaung branch.
- Business should be either in the service or product sector/industries.
- SME owners should be the age of 18 years and above.

Exclusion criteria for selection of SME owners

- SME not registered with CIPC.
- SME not registered on the SEDA database.
- SME operating for less than 24 Months.
- SME outside the Mangaung Municipality in the Free State
- SME with less than 2 people employed, or Business with more than 200 people employed.
- SMEs turning less than one hundred thousand per year (R100 000).
- Non-South African/citizen SME owner
- Unregistered SME business advisors with less than 24 months of operating
- SME owner under the age of 18 years.

1.6.5 Fair selection of participants

The researcher gave SEDA a list of participants broken down by industry sector (see Table 3, page 50) and the selection criteria to be applied in choosing the participants. The researcher can also state that they do not need access to or have access to the SEDA database. The researcher will not personally choose and select the participants, but rather engage and follow SEDA's recommendation, SEDA will then give the researcher a list of potential candidates that can be contacted for an interview. As there is a selection criterion there will not be any bias from the researcher or SEDA. SEDA will then suggest participants who fit into the description.

1.6.6 Ethical Considerations

Before employing any methods for gathering data, the researcher applied first apply for an ethical approval from the general human research ethics committee (GHREC) at the University of the Free State. Once the study's ethical application was approved, the researcher ensured to give the participants thorough explanations of the study. The study's purpose, benefits, and threats were explained to participants. Participants were free to decline as they will not be forced to participate, and Participants were able to express their views, beliefs, and expressions without fear of reprisal. Last, all personal information was always be kept confidential and undisclosed.

1.7 Conclusion

SMEs cultivate entrepreneurship, innovation, and employment while promoting price, product design, and efficiency competition. Without SMEs, large corporations become monopolies because SMEs support large corporations by supplying them with components and raw materials as well as by distributing their products. In South Africa, small and medium-sized businesses are crucial to the nation's economy. The purpose of the study was to explore the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State as the growth of SMEs is vital since they raise the viability and survival rate of communities, as well as add to job creation and regional economic development. However, despite playing a significant role, SMEs continue to face several obstacles that limit their ability to advance and grow.

The data collected will guide policymakers and institutions on various methods that can be implemented to assist challenges faced by SMEs and how SMEs can be developed for further growth furthermore the study will contribute to the body of knowledge that focuses on the growth of SMEs.

The study adopted a qualitative research design. The sample size of the study was 12 participants. Nonprobability sampling using purposive sampling was the method used to select the participants and data was collected employing semi-structured interviews. There was a collaboration established between the researcher and SEDA to identify participants best fitting to the study therefore there was a fair selection of participants meeting the criteria list. The study was only limited to the region of Mangaung municipality, Free State, South African and not the whole province and the participants that were selected were from the CIPC and SEDA databases.

The study was summarised in this chapter. This chapter provided an overview of the study and the research problem. It further clarified the objectives of the study's intended research, relevance, restrictions, and presumptions. This concludes chapter 1; chapter 2 will follow where the researcher delivered the understanding of the existing research and relevance to the area of study.

2 CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter introduced the research gap, defined SMEs, and gave an overview of the sector's contribution to the South African economy. A SWOT analysis and SME growth stage model were discussed, and the chapter also identified challenges faced by SMEs in Mangaung and various factors for growth.

2.1.1 Research Gap

It is essential to look into studies on SME growth factors to examine the similarities and differences in the growth factors of SMEs and also to identify reasons for failures by identifying common challenges across industries, sectors, and regions as the findings can provide actionable insights that can direct entrepreneurship, policymaking, and support initiatives, ultimately contributing to a more vibrant and successful society. Additionally, this will drive business support entities to customise their offerings to specifically target the issues and difficulties that SMEs encounter, which will make their support more useful and efficient.

2.2 Definition of SMEs

The term Small and Medium-sized Enterprise (SME) refers to a wide range of businesses, from sole proprietorships to corporations. The precise definition of an SME varies by country, but large multinational corporations, state-owned enterprises, and conglomerates are typically excluded. SME is an abbreviation for Small and Medium-sized Enterprises, and these businesses are frequently classified differently depending on the country's policies and structures. The following section will define how SMEs are defined internationally and locally in South Africa.

2.2.1 Empirical Definitions for SMEs

In Germany, SMEs are defined as businesses with fewer than 500 employees or annual revenues of up to 50 million euros by the Federal Ministry of Economic Affairs and Energy (Zynep and Hansjörg, 2017:2). According to the European Commission, SMEs are companies with fewer than 250 employees and annual revenues of up to 50 million euros (EuroStatt, 2022). SMEs are defined as businesses with annual revenues of up to 10 million euros by Germany's government-owned development bank (Schwartz 2018:10). SMEs and job creation are critical for countries all over the world.

However, SMEs are more than just a source of employment; they are also a source of innovation and increased productivity. Likewise, Small and Medium-sized Enterprises (SMEs) are defined by the OECD (2019) report as independent, non-subsidary businesses with fewer than a certain number of employees, this figure varies depending on the country. The most common upper limit for designating an SME in the European Union is 200 employees. However, some countries set the limit at less than 200 employees, whereas the United States defines SMEs as businesses with fewer than 250 employees. Small businesses typically employ fewer than 50 people.

2.2.2 South African definition of SMEs

In South Africa, the definition of SMEs includes both formally registered and unregistered businesses. These businesses range from medium-sized enterprises with over 100 employees, such as established family businesses, to informal microenterprises (Small Enterprise Development Agency, 2016:5). The criteria for defining SMEs are primarily based on capitalisation, sales turnover, and employment levels, which vary by country (Muriithi, 2017:37). Small and Medium-sized Enterprises (SMEs) or Small and Medium-sized Businesses (SMBs) are companies with fewer than 200 employees.

Conferring to the South African National Small Business (SANSB) Act 102 of 1996, a small business is defined as a separate entity that can be in any sector or sub-sector of the economy and can be classified as a micro-enterprise, a very small enterprise, a small enterprise, or a medium enterprise. The NSB Amendment Acts of 2003 and 2004 define an SME as a separate business entity managed by one or more people that must meet certain criteria (*National Small Business Amendment Act 29 of 2004*). Furthermore, Bvuma and Marnick (2020:4) differentiate SMEs into the following categories.

- *Survivalist: The income generated is less than the poverty line, there is little capital invested, and there are few assets. They are frequently referred to as hawkers, vendors, and subsistence farmers due to their lack of formal education and are likely found around the streets.*
- *Micro: In terms of registration, they are informal. They employ one to five people and include spaza shops, minibus taxis, and salons and may be located on domestic premises.*
- *Very Small: They may have fewer than ten employees. These include artisans such as electricians and plumbers as well as other professionals. This excludes industries such as construction, as well as manufacturing and electricity, but it does include professionals such as artisans, electricians, and plumbers.*
- *Small: They are considered more established than very small businesses, and they may be formal and registered businesses, owner-managed but with more complex structures.*
- *Medium: They employ a maximum of 100 or 200 people across a variety of industries, including mining, electricity, manufacturing, and construction, for which the maximum is 20 employees. They work in fixed locations with formalities.*

The following Figure 2.1 adopted from South Africa National Small Business (NSB) Act 102 of 1996 lists the different classifications of SMEs with their size, turnover, and assets.

Enterprise Size	Number of Employees	Annual Turnover in South African Rand	Gross Assets, Excluding Fixed Property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 m, depending on industry	Less than R2 m to R18 m, depending on industry
Small	Fewer than 50	Less than R2m to R25 m, depending on industry	Less than R2m to R4.5 m, depending on industry
Very Small	Fewer than 10 to 20, depending on industry	Less than R200,000 to R500,000, depending on industry	Less than R150,000 to R500,0 depending on industry

Figure 2.1 Definition of small, medium, and micro enterprises (SMMEs) according to the National Small Business (NSB) Act 102 of 1996 of South Africa

According to figure 2.1, medium-sized enterprises comprise a maximum of 200 employees with a turnover of less than R4 million. Small enterprises employ 50 or fewer employees with less than R2 million turnover; and last, very small businesses employ not more than 20 with a turnover of less than R200 thousand.

In conclusion, Boone and Kurtz (1996: 125-127) express their theory of differences between large and small enterprises as, small enterprises have the following unique advantages:

- *Innovation - SMEs are frequently the first to introduce new products to the market.*
- *Better customer service - SMEs can be more adaptable than large ones, allowing them to tailor their products and services to the specific needs of potential and current customers.*
- *Lower cost – SMEs can often provide products and services at a lower price than large enterprises. They usually have lower costs and can earn profits at lower prices than larger enterprises.*
- *Filling of isolated niches – The size of large enterprises can exclude them from some markets. This situation provides substantial opportunities for SMEs with lower overhead costs.*

2.3 SME role in the South African Economy.

Approximately 5.6 million SMEs account for approximately 70% to 80% of the South African labour force and 36% of the South African GDP (Smit, 2017:17). Small businesses are an essential component of South Africa's "inclusive development and growth" (Bhorat, Asmal, Lilenstein, and Van Der Zee, 2018:7). It is currently estimated that 98.5 per cent of the economy is made up of SMEs but only more than 28 % of jobs are created by SMEs (Langa and Govender, 2019:119). According to the Small Enterprise Development Agency (2019), small businesses in South Africa conduct business in Gauteng at 35%, followed by 15% in KwaZulu-Natal and approximately 12% in Limpopo in the first quarter of 2019. The Western Cape (11.3%), Eastern Cape (7.1%), Northern Cape (1.0%), Free State (4.1%), North-West (5.0%), and Mpumalanga (8.6%) (SEDA, 2019:8).

The South African small business sector is an important part of the national economy, with the government's National Development Plan 2030 (NDP 2030) looking to SMEs to be major sources of employment and economic growth; they are viewed as important drivers for reducing unemployment (NYDA,2020). SMEs are celebrated as the future of business, accounting for forty per cent (40%) of all businesses in South Africa. The National Development Plan predicts that by 2030, SMEs will account for more than ninety per cent (90%) of all new jobs (Al-Her,2019:1).

In the 2019 fiscal year, industries in South Africa's formal business sector generated R10,5 trillion in total turnover (StatsSA:2020). Figure 2.2 breaks the trade percentages regarding the SME sector performance across the country.

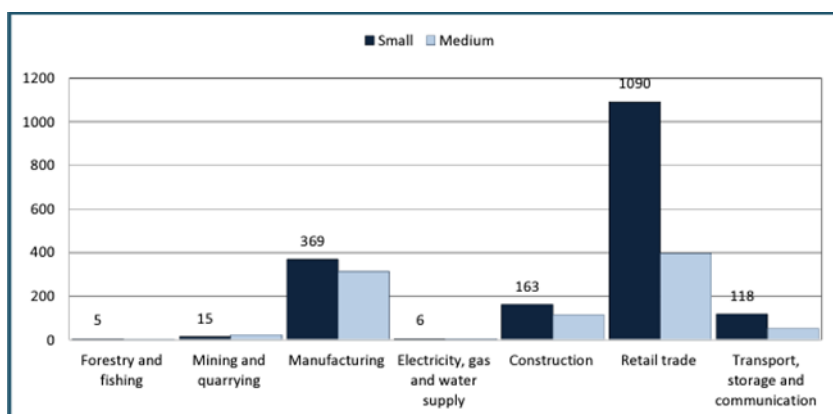


Figure 2.2 Trade performance sourced from Business Tech (2019)

Figure 2.2 retrieved from an article by Business Tech (2019) indicates a breakdown of turnover by business size reveals that small businesses generated R2,3 trillion (or 22%) of the R10,5 trillion. Medium-sized businesses contributed the least (10%), while large businesses contributed the most, accounting for nearly two-thirds (68%) of total turnover (StatsSA:2020). As shown in Figure 2.2, retail trade is dominated by small and medium-sized enterprises (SMEs), followed by manufacturing, construction, and transportation.

An OECD editorial published in 2019 reveals that SMEs have contributed to the South African market's e-commerce competitiveness during the pandemic, which has resulted in better consumer satisfaction. SMEs also contribute by providing certain activities to assist large enterprises in producing goods and services more efficiently (OECD 2019).

SMEs are the major contributors to economic growth in South Africa. small and medium-sized businesses play a key role in job development, accounting for 75% of new positions. SMEs account for approximately 90% of all formal enterprises in South Africa. SMEs are viewed as significant tools by the government for accelerating economic growth (Smit and Watkins, 2012).

The SME sector drives general innovation, new delivery strategies, and many novel goods. When compared to larger enterprises, the SME sector is more anxious for growth and expansion, and they are more positioned to benefit from the deregulation sector. Finally, the economy is pushed to become more efficient and productive (Ayandibu and Houghton, 2017).

Despite government assistance and their essential contribution to the economy, the failure rate for SMEs is substantial, and the majority of these enterprises fail before their second year of operation (Cant and Wiid, 2013). Despite the indisputable importance of SMEs to the economy, Small and Medium-sized Businesses across the country confront numerous problems, including internal, external, and entrepreneurial challenges (NCR, 2011). The following segment will discuss the challenges currently faced by SMEs across the globe and locally.

2.4 Empirical evidence of the challenges faced by SMEs.

The failure of SMEs can be attributed to a wide range of factors. Some of the causes are internal, while others are external. The segment explores the challenges from an international to a local landscape.

2.4.1 SMEs in Algeria

In Algeria, there were 820,738 SMEs in the first quarter of 2014, by 2019, SMEs made up 99% of the country's estimated 1.200.000 companies (Salaouatchi et al., 2021:8), making up a significant portion of Algeria's economy. According Bouazza, Ardjouman, and Abada (2015:1) In addition, Bouazza, Ardjouman, and Abada (2015: 2) further highlight that due to SMEs' critical role in economic development and their capacity to generate jobs, Algeria's economic focus shifted to the private sector and there was a net increase in the number of SME in the nation.

However, the OECD (2017) report, contends that SMEs despite playing a critical role in fostering a competitive private sector and significantly boosting economic growth and job creation Algerian SMEs continue to face numerous and significant barriers to their growth, similar to those in other nations. These barriers include onerous legal and regulatory restrictions, restricted access to outside financing, limited human resource capabilities, a lack of management expertise and training, and constrained technological capabilities (Wagner, 2019:12). Ahmed (2016:2) asserts that low coverage of banks continues to be a problem for Algerian SMEs.

Sadek (2013: 699–717) discovered that there is only one office for every 25,000 dwellings, which is a poor ratio and severely restricts the ability to interact with banks and their branches. Problems with localising their businesses and acquiring real estate or leases, which are necessary to obtain the remaining complimentary permits, plague new business owners. The issue of industrial real estate has not been solved by any laws or regulations, even those aimed at simplifying the delivery of land to investors. (Yahia and Bennour, 2022: 19-20)

2.4.2 SMEs in Asia

SMEs specifically the ones in Asia Taghizadeh-Hesary and Yoshino. (2018:9) suggests that SMEs are the foundation of Asian economies, making up 98% of all businesses and, on average, 66% of the labour force between 2007 and 2018. Harvie and Charoenrat, (2018:23) validate that in Asia, SMEs produced 38% of the region's GDP or manufacturing value added on average between 2007 and 2018, indicating that they have more room to grow in terms of their economic impact, but some of the challenges causing SMEs in Asia to grow slowly include limited access to finance, a lack of a database, low research and development (R&D) spending. Valileiou, (2018:13) further identifies underdeveloped sales channels, and a low level of financial inclusion as the list of challenges faced in Asia.

Because of a lack of usability for e-commerce, the majority of small businesses have no or poor websites. SMEs selling products and taking orders via their websites accounted for only 10% of the total, and less than 10% have their online shops or market their goods on Internet shopping sites, for example, even though households in Japan had mobile phone ownership rates above 90% and 90.58% of the population used the Internet in 2014 (World Bank 2016).

According to a Deloitte (2014) review the majority of SMEs don't interact with financial markets. Financial institutions can monitor borrowers, but doing so on small business loan customers is expensive. Information asymmetry is made worse by SMEs' lack of information infrastructure.

Moreover, the Asian Development Bank report (2019) asserts that SMEs have a difficult time finding affordable financing, largely due to the information gap between fund providers and consumers and the high cost of transactions. These result in increased collateral requirements, which limit the growth of SMEs by raising lending interest rates. Since the economies of the majority of Asian nations are dominated by banks, capital market financing is not a viable option for SMEs Farhad (2018:12).

2.4.3 SMEs in the United States of America.

The legal environment, market competition, technology adoption, and access to financing are some of the elements that have an impact on SME growth in the United States, Brown & Petersen (2018:23). Small and medium-sized businesses in America face challenges like access to funding intense competition from well-known companies, governmental regulations, and cybersecurity risks Kourouthanassis and Giannakos (2018:20).

This is further supported by Meisner & Deghetto (2019: 4) who report that access to funding is one of the biggest problems SMEs in America are facing, the report also revealed that Small and Medium-sized Enterprises (SMEs) have few options for funding and occasionally must rely on personal savings and credit cards for their operations. Furthermore, Rouse (2020:12) indicated that the growing cybersecurity risks to SMEs have resulted in financial losses and operational interruptions.

According to Swanek (2023:2), the majority of small business owners in America are concerned about inflation. Following a recent study by the US Chamber of Commerce, inflation ranks first to other concerns such as rising interest rates, revenue, and supply chain issues. Figure 2.3 below, provided by the US Business Chamber of Commerce, discusses critical challenges identified by various business owners.

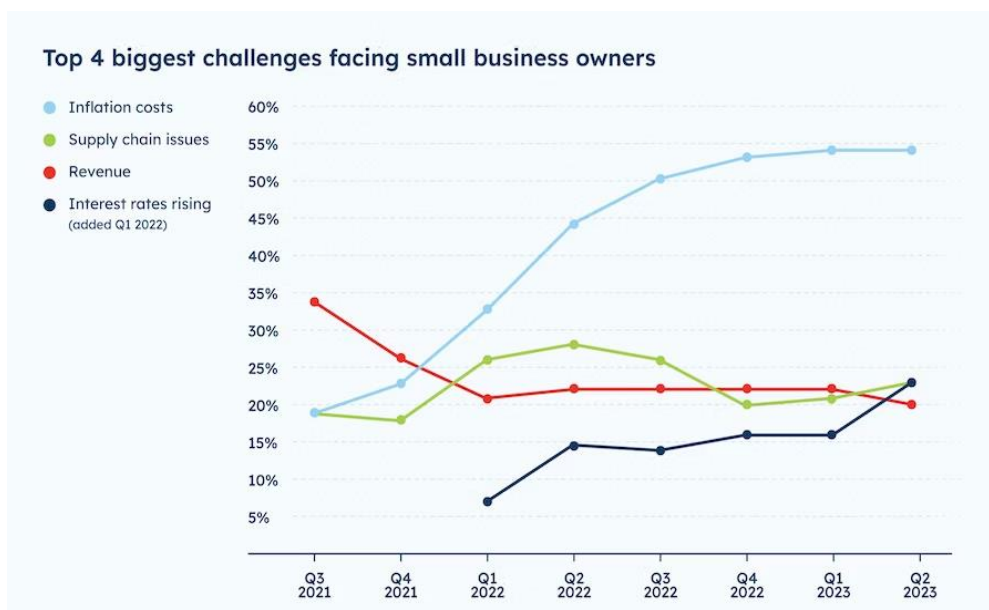


Figure 2.3 Challenges facing SME owners in the USA supplied by USA Business Chamber (2023)

According to Figure 2.3, the majority (54%) of small business owners are concerned about inflation. Inflation is the number one concern for small businesses in the United States. This is also the sixth quarter in a row that inflation has topped the list of issues faced by small business enterprises and is consistent with data from Q1 2023 (54%).

Rising interest rates are making it difficult for small businesses to declare they are pursuing finance more seriously. Rising interest rates impede their ability to raise funds or obtain funding for their company. The percentage of all small firms citing revenue as a top challenge declined from 22% in the first quarter of this year (Q1 2023) to 20% this quarter.

Supply chain problems were the main concern for 28% of small firms in Q2 2022, marking a peak in their level of worry. Since then, it has typically trended down, with 26% indicating supply chains are a top concern in Q3 2022, 20% in Q4 2022, and 21% in the most recent quarter.

2.4.4 SMEs in South Africa

Small and Medium-sized Enterprises (SMEs) in South Africa confront obstacles that include restricted access to funding, a lack of entrepreneurship skills, intense rivalry, and a challenging regulatory environment. The most important issue facing SMEs in South Africa, according to a study by Olorunniwo & Makhitha (2018:22), is inadequate access to financing. Nkamleu & Mapiemfu's (2020:13) also discovered that the country's SME growth is hampered by low levels of managerial, technical, and marketing entrepreneurship abilities.

Nyondo and Bonga (2019:14) revealed that bureaucracy and stringent government regulations were significant obstacles for SMEs in South Africa. A difficult regulatory environment, a shortage of skilled workers, and restricted market access due to the dominance of large corporations are additional factors that limit SME growth in South Africa

Moreover, in Johannesburg SMEs, crime, inflation, unemployment, interest rates, and exchange rates were the SME macro-environmental challenges that had the greatest impact on business success (Sambo, 2018:467). Skae (2017:1) believes that weak start-up skills, a lack of human capital, and the underwhelming performance of the Small Business Development Ministry contribute to the challenges.

Additionally, Township SMEs in the country continue to face difficulties that limit their capacity for growth and operational effectiveness. This stems from problems with access to funding, a need for more skills, and support services that are specifically designed to help SMEs operating in different sectors (Ayandibu & Houghton 2017:136).

In closing, there is a need for more research that considers the contextual factors that affect SMEs in Free State especially because much of the research on factors and challenges for SMEs has been conducted in developed major towns of the country (Johannesburg and Kwa-Zulu Natal) and the findings may differ due to the environment. Therefore, more research studies in the province of Free State are needed to gain a better understanding of the factors that influence SME success from further research in these areas, which would then help to guide policies and programmes that support SMEs.

With the research gap SMEs across the municipality face various factors that impede their growth; these include access to finance, entrepreneurial abilities, access to markets and technologies infrastructure, training and education – therefore it would be prudent to explore the similarities and differences in the growth factors and hindering factors of SMEs. The next section discusses in detail the challenges facing SMEs in South Africa.

2.5 Internal and External Analysis of challenges.

2.5.1 Access to finance

A significant barrier to SME growth is the absence of external financing, which has also increased the failure rate of these SMEs. According to Ates (2013:14), small business enterprises typically begin with the owners' savings, augmented by loans from friends and family. For businesses, funding is an essential resource. Funding is essential for a company's growth and development. Financial resources are essential for any company's start-up (Abbasi, 2018:2).

Lack of access to funding bodies is one of the most significant challenges confronting South African small and medium-sized businesses (Stensrud 2017:8). Many SMEs are funded privately through relatives and friends or capital exchange for a stake in the company. Going forward more financial resources are required as a company grows for expansion, innovation, and ensuring the company's survival (Schiopoiu and Mihai, 2019:5).

There appears to be a gap in how SMEs' finance opportunities are amplified. According to a McKinsey and Company survey, 36% of South African SMEs do not receive government loans or support and two factors contributed to this: entrepreneurs are either unaware of the opportunities or do not know where to find the information required to apply for the available opportunities (Reddy,2022:1).

2.5.2 Entrepreneurial, managerial, and marketing skills

Schmidt, Mason, Bruwer, and Aspeling, (2017:12) assert that most business owners lack the competencies, fundamental skills, and expertise required to hold management positions. According to Maholwana (2019:10), most SMEs fail as a result of this, and many managers are inept when it comes to branding their products as a result, these businesses are unable to attract foreign or domestic investment and see the government as their sole source of income.

According to Scheers (2018:29), certain personality traits of small business owners are responsible for their companies' success or failure, Inadequate marketing skills of owners create marketing challenges in the small business sector, which can be linked to the following: understanding the market and its growth potential; market segmentation; the market needs analysis; education and training; competitiveness; and product and service marketing, (Harvie and Chararoenrat, 2018:23).

2.5.3 Access to new markets, information, and technologies.

In an increasingly digital world, where supply chains and marketing activities are conducted online, investment in technology is critical, not only for access to procurement facilities but also for networking and marketing. As a result of globalisation, access to technology, and technological advancements, an increasing number of businesses are turning to quality assurance technologies to gain a competitive advantage (Nimfa, Danjuma & Tali, 2021:40). The inability to secure technology at inception can negatively impact the entrepreneurship development process in today's globalised world. Most companies sell services or products online this way they can engage and communicate with customers in this way, which means that lack of technological equipment and lack of industry knowledge puts some SMEs at a disadvantage (Bushe, 2019:6).

2.5.4 Government Legislation Processes

According to the OECD report (2017), regulatory conditions have a significant impact on the growth of SMEs in South Africa. Tax, permit, licensing, and labour laws are examples of regulatory conditions (OECD Economic Surveys, 2017:13). South Africa's regulatory environment has an impact on SMEs, as 53% of survey respondents indicated that government laws and regulations are restrictive for SMEs in terms of taxes and license or permit requirements (Gumel, 2017:12).

2.5.5 Illegal immigration businesses

Business owners in South Africa face stiff competition from foreign-owned stores (Shangase, 2019:30). Nambei (2019:25) continues by stating that shops run by illegal immigrants not only have longer hours but also sell food at much lower prices than locals, driving local traders out of business. South Africans have long held negative attitudes toward migrant entrepreneurs, believing that migrants take jobs away from South Africans (Urban and Informal Economy, 2019:12).

Even though migrant entrepreneurs sell goods at lower prices, in larger quantities, and sometimes on credit, their success and resourcefulness are frequently and incorrectly attributed to illegal practices such as selling expired goods and failing to pay taxes (Fubah & Moo, 2021:3).

2.5.6 Education and Training

Investment in education and training is critical. Education and skills are critical for the company's economic growth, productivity and prosperity (Aceleanu et al., 2018:4). Insufficient entrepreneurial education and training is a challenge as most SMEs still lack critical skills such as market analysis, opportunity recognition, and formulation and crafting of business strategies (Leboea, 2017:57). Entrepreneurship competencies, management skills, and workforce skills are critical drivers of SMEs' innovation and growth (OECD Economic Surveys, 2017:49).

In South Africa, a major obstacle to entrepreneurial activity in the SME sector is a lack of education. Finally, an entrepreneur's lack of training and education in any business is risky as many entrepreneurs in developing countries are untrained and lack the necessary business skills, which results in many entrepreneurs failing to establish and run their businesses efficiently.

2.5.7 Copycat businesses

Copycat businesses are profitable because they benefit from lower production costs by piggybacking on the incumbent firm's R&D. As a result, copycat products can sell at a fraction of the price of genuine products by capitalising on the brand value of those genuine products (Gao, Lim, and Tang, 2017:594). A product or service that has been designed, branded, or packaged to look exactly like that of a well-known competitor, a replica.

According to Haertel et al. (2020), replicating proven business models presents an alternative to the classic entrepreneurial path in venture creation, which is highly contested due to the common perception of being non-innovative and low risk. These types of businesses stifle entrepreneurial innovation and are most likely to fail or decrease the value of the service or product of the original brand.

2.5.8 Poor infrastructure

Infrastructure cannot be overstated as a support mechanism for formal and informal business growth. According to Dietrich (2019:6), poor transportation infrastructure and a lack of public services such as electricity, water, sanitation, and telecommunications severely limit SME development in South Africa. The power outages are an example of the constraints that businesses face when critical services fail, businesses lose operation from 2-4 hours a day due to power cuts, especially businesses located inside townships (Cant and Wiid 2016:6).

Rahel (2017:10) further states that most small businesses struggled to locate a place where they could operate. Some of the small businesses are situated in places with inadequate or nonexistent economic infrastructure, including water and electricity, transportation, telecommunication, and sanitation services. The following segment will discuss models that SME owners should consider improving their performance and challenges.

2.6 Models for SME improvement

2.6.1 Swot Analysis

SWOT analysis, which stands for strengths, weaknesses, opportunities, and threats, is a type of analysis that aids in the development of business strategies by comparing internal (strengths and weaknesses) to external factors (opportunities and threats), as explained by Riskarini, Hatta and Ichwani (2019:8). Strategic planning is critical for realising a company's potential, and to do so, entrepreneurs must be aware of their company's strengths and weaknesses, as well as understand the opportunities and threats that face their business.

As per Rakhmansyah, (2022:1) the systematic identification of various factors to formulate an organisation's strategy is known as SWOT analysis. A SWOT analysis entails attempting to identify a company's strengths, weaknesses, opportunities, and threats.

According to Kuligowski (2023:1), a SWOT analysis takes a global view of your company while also evaluating smaller-scale elements of the business. It identifies your strengths and weaknesses and can assist the entrepreneur in exploring the opportunities and threats in your market. This kind of knowledge makes your strategic planning much more robust.

Table 1 presents the SWOT analysis questionnaire designed by Kuligowski (2023:1) to identify their key strengths, competitive edge, disadvantages, or gaps in their internal and external environments that are favourable and unfavourable, current and future prospects.

Strengths	Weaknesses
• What do you excel at? • What distinguishing qualities or services do you offer? • What experiences do you have that will assist you in achieving your goal? • What distinguishes you from your competitors? • Where do you make the most money? Why?	• What aspects of your business might stymie your progress? • What abilities or resources do you lack? • What is it that is costing you money? • Is there anything you feel you're not good at?
Opportunities	Threats
• What can you do better? • What external factors can help you achieve your business objectives? • Are there any new audiences you might be able to reach? • Is there any technology that you could use to improve your business? • Can you go above and beyond for your current customers? • Where and how could you expand your company?	• What external factors could jeopardise your progress or performance? • What do your competitors excel at? • What do your competitors do that you don't? • What is happening in your industry? • What is going on (or could go wrong) in the economy that could hurt your business? • Have new competitors entered your market? • Is your target audience getting smaller?

Table 1 SWOT analysis by Kuligowski (2023:1)

A company should conduct a comprehensive analysis every three to five years, utilising extensive data and examining key industry players. Every year or every other year, the company can review its initial assessment for a few hours (Rihan,2019:1). A SWOT analysis will assist the entrepreneur in capitalising on opportunities and devising effective strategies. A clear and realistic view of the internal environment will help identify ways to better satisfy clients, achieve goals and strengthen weaker areas that affect performance. The Growth stage model will follow.

2.6.2 The Growth Stage Model

The Growth Stage Model (GSM) is essential - especially for SMEs - to know their position in the industry and set their growth strategy to forecast their future movement. The development of GSM evolves with a modest 5 stages (Kurniati, 2019:11-14). The 5 stages of growth in Scott and Bruce's (1987) proposed model represent a diagnostic tool to assist the decision-making process within the company.

2.6.2.1 Stage 1: Existence

The first phase is the existence phase where the main concentration is to get more customers and provide products/services to the customers. The first level is identical to a very simple organisation where the owner does everything. The core strategy in the company is simply to stay alive (Kwabena, 2018:1-8). The company has yet to move on to the formal system and planning; the inception stage is specified by the value of the founders when they started the business. The goal of the development phase is to validate the market for the product or service and ensure that the problem identified in the idea phase is addressed. Prototyping and proof of concept are used in this situation to test the market.

2.6.2.2 Stage 2: Survival

The business situation is slightly improving; due to an increase in consumers, the company condition is marginally improving. There are certain issues with how to make more money to break even and how to make more money to stay in the industry currently (Kwabena, 2018:1-8). This stage is specified by the entrance of new competitors due to the attractiveness of the business run by the company. At this point, entrepreneurs and SMEs aggressively expand their market and perfect their products or services.

2.6.2.3 Stage 3: Growth stage

The company has started to realise the exploration and exploit strategy within the company. Explore means the company is trying to expand its business in both scale and scope, and Exploit means the company is trying to use its resources to the maximum, including human resources, capital, assets and more (Kurniati, 2019:16). In addition, this is where the business starts to employ people, where there is consistent revenue or capital in the business due to market penetration as in this stage, SMEs are operating at full capacity, but demand for their products and services exceeds their supply capacity. Even though something needs to change, entrepreneurs often find it difficult to give up the business that got them this far. You now need to assign tasks and start detaching yourself from day-to-day business.

2.6.2.4 Stage 4: Financing issues

The business's financing needs and ability to expand quickly are major concerns as it moves into stage 4. The issues of delegation and funding are two crucial factors that must be resolved at this time (Van der Merwe, 2017:34). The entrepreneur must select how to divide up the work and manage the cash flow by cutting back on unnecessary spending and maintaining a smooth cash flow. Moreover, company politics started to take place for the first time. If the company is not managed properly, it will drag back to the previous stage.

2.6.2.5 Stage 5: Maturity stage

Owners are becoming more systematic and professional. The company is capitalising on its rapid growth and using more tools to maintain its position in the industry (Van der Merwe, 2017:35). The only obstacle at this stage is the risk of a lack of innovative decisions within the company that prevent it from moving forward. This stage is mostly difficult for owners who lack training and education as they find it difficult to adapt or become flexible to change. This serves as the end of the discussion of the growth stage models and SME models. The study will now focus on empirical evidence of growth factors.

2.7 Empirical evidence on the growth factors for SMEs.

Success is defined as a company's growth and financial performance as measured by volume growth, the relative change in net turnover, value growth, and equity change (Alfoqahaa, 2018: 4). For SMEs to maintain their growth and development there are key factors that need to be identified within their environment.

2.7.1 Growth Factors European SMEs

Considering the significance of SMEs for the European Union in generating economic and social cohesion, growth, and employment, SMEs serve as the mainstay of entrepreneurship, promoting R&D and encouraging the use of local resources (Rodrigues et al., 2021:4). Gouardères (2021:2) asserts, SMEs make up 99% of businesses in the EU; they contribute to the economic development of many nations. Nearly 23 million SMEs produced EUR 3.9 trillion in added value. They employed 90 million people in 2015, representing a significant source of innovation and entrepreneurship essential for EU businesses' competitiveness. Looking at the growth factors the researcher mentions the internal factors namely.

The growth of SMEs is facilitated by effective human resource management techniques. Competitiveness and growth depend on developing a talented and engaged workforce, luring, and keeping people, and promoting an innovative culture (Blackburn, 2013:13). Organisational flexibility and structure have an impact on SME growth in Europe. SMEs can respond to market changes and innovation more quickly if they have horizontal hierarchies, open communication, and decentralised decision-making (Jenkins et al., 2018; Colombo et al., 2021).

Effective leadership and management methods mostly drive the development of SMEs in Europe. Better decision-making and successful expansion are facilitated by entrepreneurial leadership, strategic thinking, and adaptability (European Commission, 2013;16). Welter (2016:13) suggests that technology adoption and innovation are crucial for SME success in Europe. SMEs are better positioned for sustainable growth when they make R&D investments, produce new goods or services, and adopt digital transformation (Coad, 2019:15).

Effective financial management and access to funding are crucial for SME success in Europe. Effective financial planning, risk management, and the availability of funding options including loans, grants, and venture capital all affect sustainable growth (Beck, 2018:16). SME expansion in Europe is associated with successful marketing strategies and client-centred business practices. Building strong brands, understanding customer needs, and offering value through goods or services can enhance customer loyalty and market share (Ztürk, 2020:17).

Furthermore, looking at external factors in Europe, networking and professional organisations help SMEs develop.

Access to new markets and beneficial relationships can result from involvement in business networks, industry clusters, and collaborative platforms (Cowling 2019:95). Social and cultural variables affect the development of SMEs. Product demand and company strategy are impacted by demographic shifts, consumer preferences, and cultural norms Terjesen & Elam, (2019;19) SME growth is modified by infrastructure and resource availability.

Additionally, one of the growth factors for SMEs implemented is the EU SME policy, which seeks to ensure that the Union's policies and actions are small business friendly and help make Europe more attractive to do business (Kacemi, and Ibtissem, 2022:55). The figure 2.4, is adapted from Rodrigues et al. (2021:7). The table discusses growth factors for European SMEs.

Success Factors	Features/Benefits
Strategic planning	- Increases organisational performance - Sustained growth - Increased competitive advantage
Management capacity	- The owner/manager must have management skills/competencies, otherwise you should consider hiring a qualified manager to make your business successful (business management versus professional management)
Entrepreneurship and innovation	- It is very important that the owner/manager has an entrepreneurial and innovative spirit, in order to have a competitive advantage over his competitors - Networks can be a crucial factor - Proactive and visionary attitude to detect opportunities and threats for their business
Human resources	- Associated to the owner/manager attitude - Important to adopt/apply human resource management practices (e.g., training, recruitment and selection, performance evaluation and rewards)
Forms of financing	- SME sore spot - May be based on family wealth, bank loans or state incentives - May depend on the life cycle the SME is in
Networks/Partnerships	- Enable business development at local and international level - Can be carried out in all functional areas of SMEs - The choice of the partner is fundamental, in which the trust in it is one of the most crucial fact

Figure 2.4 Growth factors adapted from Rodrigues et al. (2021:7)

Figure 2.4 summarises that if correctly articulated, strategic planning can improve an organisation's competitive advantage and performance. The management capacity of personnel qualified to perform the duties due to experience and education can help an organisation prosper. Finally, entrepreneurial innovation and networking can contribute positively to developing innovative ideas and alliances between regional and international SMEs as well as being proactive in discovering challenges and threats. Moreover, access to different forms of financing is available to SMEs depending on their stage in the life cycle.

2.7.2 Growth Factors for Japanese SMEs

Small and medium-sized Enterprises (SMEs) play an essential role in Japan's economy, contributing to innovation, job creation, and regional development. Management practices, innovation, people resources, organisational structure, and financial management are among the internal factors driving the rise of SMEs in Japan (Sekiguchi, 2017:9).

Effective leadership and management practices are critical drivers of SME success in Japan. Strong leadership, strategic planning, and decision-making are linked to increased business performance and growth (Okumura and Goto, 2018;10).

A report from Ueki & Motohashi, (2020:5) recommends that technology adoption and innovation improve Japanese SMEs, as their growth is dependent on innovation and technology adoption. Businesses that invest in R&D, develop new products or services, and harness new technologies are better positioned to achieve long-term success. Furthermore, organisational structure and flexibility have an impact on SME growth. Companies that have flexible structures, open communication, and decentralised decision-making can respond to market changes and innovation more successfully (Nakata, 2015:13).

Financial management and capital availability are crucial for SME success in Japan. Effective financial planning, risk management, and obtaining money from a variety of sources all help long-term growth (Morikawa, 2016:9). Effective marketing strategies and a customer-centric approach contribute to SME growth in Japan. Building strong brands, understanding customer needs, and delivering value through products or services can drive customer loyalty and market share (Nakata and Sivakumar, 2021:3).

Operational efficiency and process improvement are linked to SME growth in Japan. Implementing lean principles, optimising supply chains, and enhancing production processes can lead to cost savings and increased competitiveness (Ito et al., 2013:14). SME growth in Japan is aided by effective marketing tactics and a customer-centric strategy. Consumer loyalty and market share can be increased by developing strong brands, recognising consumer demands, and giving value through products or services (Nakata and Sivakumar, 2021;14).

To conclude, Ito et al, (2013:12) further state that operational efficiency and process improvement are elements associated with SME growth in Japan this articulates that Lean concepts, optimised supply chains, and improved production processes can result in cost reductions and greater competitiveness.

Looking at external growth factors; access to financial resources is critical for Japanese businesses. Also, Small enterprises' growth rates can be influenced by the availability of financial sources such as bank loans, venture capital, and government grants (Nakamura, 2020:12).

The growth of SMEs in Japan is significantly impacted by governmental policies and regulations and favourable policies that encourage entrepreneurship, innovation, and ease of doing business can spur growth, whereas excessive regulations can stifle it (Aoki, 2021:9). Access to innovative resources and technological breakthroughs are critical for SME success. A supportive ecosystem for research collaboration, technology adoption, and innovation can help SMEs compete and grow (Sakakibara and Takeishi, 2019:12).

SME growth in Japan is also influenced by market rivalry and industry characteristics. A changing competitive landscape can provide chances for expansion while also posing hurdles for SMEs attempting to build a market presence (Ono and Uesugi, 2015:15).

Globalisation provides an opportunity for Japanese SMEs to expand internationally. Access to global markets, export prospects, and foreign collaborations can all fuel growth for companies that can compete on a global scale (Kawai and Urata, 2017;19).

SME growth is also influenced by infrastructure and resource availability. Efficient transportation, communication networks, and access to skilled personnel can all have an impact on SMEs' ability to expand (Fujii and Nakamura, 2021). Nishimura (2019:17) claims that networking and industry alliances can help Japanese SMEs expand. Participation in business networks, industry associations, and collaborative clusters can result in beneficial collaborations and business opportunities. The next segment will now focus on the analysis of the growth factors of American SMEs.

2.7.3 Growth Factors for the United States of America

The growth of small and medium-sized enterprises (SMEs) is a critical driver of economic development and job creation in the United States. Internal factors play a pivotal role in shaping the growth trajectory of these businesses. The growth of SMEs in the United States is shaped not only by internal factors but also by a range of external factors. These external factors can include economic conditions, regulatory environment, market dynamics, competition, technological advancements, and access to resources.

Concerning external factors, an entrepreneur's personality and professional abilities are very important to the success of SMEs, and Risk-taking tendencies, creativity, invention, and resilience are some traits identified (Smallbone, 2019:22). Effective management abilities, such as planning, organising, and controlling, are essential for the success of SMEs. Success is also greatly influenced by the experience and knowledge of managers in disciplines like finance, marketing, and operations states (Wild, 2018:19).

One of the key internal elements determining the success of SMEs in the USA is access to enough financial resources. According to Johnson (2017:12), companies with superior financial stability grow more quickly. Continual learning and knowledge management are essential for the expansion of SMEs in the states. Businesses are better able to innovate and adapt when they invest in employee training because they stay current on market trends and actively seek out new information (Nonaka & Takeuchi; 2017:19).

Concerning external factors SME growth In the United States of America is influenced by social and cultural elements such as demographic trends, consumer preferences, and societal values. Understanding shifting social dynamics assists SMEs in tailoring their products and services to match changing client demands (Terjesen, 2016:12).

Beck et al, (2018:20) State that economic Dynamics and Market Interest mean the growth of SMEs are greatly influenced by economic conditions such as GDP growth, inflation rates, and consumer spending. According to Audretsch and Mahmood (2014:5), a good economic climate can result in increased customer demand, greater purchasing power, and stronger corporate performance.

Moreover, Technological Advancement and Innovation Ecosystem provide a great growth rate because technological developments and innovation are critical to the growth of SMEs in America. Access to R&D resources, technology infrastructure, and collaboration opportunities within innovation ecosystems help SMEs develop and market novel products and services (Autio, 2014:12).

Last, the World Bank (2017) report, acknowledges that infrastructure, such as transportation, communication, and energy network, plays an important role in SME growth in American SMEs. Access to effective infrastructure can save operational costs while increasing market reach. From this point forward we will focus on growth factors for SMEs in South Africa.

2.7.4 Growth Factors for South African SMEs

Regarding SMEs in South Africa, there were 710,000 SMEs, up from 680,000 in 2019 and 590,000 in 2010. The Covid-19 pandemic initially resulted in a 25% decline in the second quarter of 2020, but by the second half of 2022, the number had recovered to 710, 000 (Opperman, 2023:7). Various methods are used in identifying growth factors within SMEs to Gibbs (2016:180), among the fundamental yet crucial skills required to successfully manage and run a small business enterprise in South Africa are financial management skills, marketing skills, entrepreneurial skills, and time management skills.

Concerning the majority of SMEs in South Africa, management needs various skills to succeed in running an SME, including conceptual and decision-making abilities, technical know-how, and creative abilities. The capacity to work with and manage people is among the skills above to effectively communicate as a manager or business owner. The ability to physically carry out the necessary job/task and that kind of knowledge can only be acquired through actual, hands-on work experience, education that the owner would have obtained from educational institutions and training establishments, or both. These also include the capacity for originality and creativity to help you differentiate their product. (Edoun, Mbhowa and Bhila, 2019:2820).

2.8 Analysis of internal and external factors influencing the growth of SMEs.

Some variables need to be identified to pinpoint the factors influencing the growth of a business that many businesses use to contribute to their success, these include the following external environment factors by Low and Venter (2013:195); Customers: What requirements do customers have? Competitors: How will the organisation compete successfully? Corporation: What makes your organisation unique? The growth factors differ from industry to industry and apply to the entire specific sector (Lazenby, 2018:139).

Table 2, adapted from Boysen (2016:6), lists the growth factors for the growth of SMEs that can be determined by business owners. According to Boysen (2016:7), these growth factors are the crucial areas where things must go well for the business to grow and achieve its goals.

<i>SME successful factors required.</i>	<i>Description</i>
Market(ing) factors	Excellent customer service Good advertising skills Good after-sales service Good customer guarantees and warranties. Sales of a variety of quality products Development of distribution networks
Technological factors	Technological expertise in a given field. Advanced communication technology is acquired. Availability of technology for storage and accounting
Human skill factors	Expertise in applying technology. Product and service innovation skills Excellent capabilities to control the quality. Capacity to understand people
Strategic factors	Favourable image Good location Achieving overall low costs Positive financial position Relationship with competitors Creating strong business partnerships Bulk buying

Table 2 Growth factors for SMEs sourced from Booyesen (2016:7)

Table 2. summarises the description of the growth factors related to marketing, technological, human, and strategic influences. Growth factors are a way to comprehend the market before implementing a business strategy. It is crucial to identify these factors to help SMEs decide on their strategic goals for improving their performance for growth (Booyesen, 2015:7). The following segment discusses the factors that influence the growth of SMEs.

2.8.1 Access to finance

Adegboye and Iweriebor (2018:20) discovered that providing low-interest loans to small businesses increased their access to finance, resulting in increased efficiency. Access to finance is broadly defined as having affordable access to financial products (such as deposits and loans) and services. Finances are critical for entrepreneurs as well as businesses of all sizes and types (Mathews, 2017:19).

Finances can come from both informal and formal sources. Becker (2013:12) recommends that if personal financial resources are insufficient, entrepreneurs should look to credit markets to fund their new ventures. Obtaining funding through bank loans or investors, on the other hand, can be difficult. First, because these businesses are small and high risk and lenders are often reluctant to provide capital and, second, they increase borrowing costs Rodrigues (2021:17). Venture capital is an important factor for business growth in the early stages of activity, with the availability of venture capital funding explaining the differences between companies.

Access to finance is required to achieve a variety of goals in a business; thus, this is an appropriate measure of business success Dix (2017:20). Access to finance by SMEs is also critical for their continued and sustainable growth, as well as profitability, as it facilitates the creation of new firms, fosters the innovation process, and boosts existing firms, providing for a country's economic growth. Financial resources can be divided into two categories: household wealth and bank financing, both of which can have an impact on entrepreneurship.

2.8.2 Customer focus

Devadas and Hettiarachchi (2022:10) claim customer service excellence is a critical factor in business success, and that incorporating a favourable first impression, courteous treatment, a positive attitude towards a business and doing the right thing is the foundation for influential customer service. According to Alfoqahaa (2018:12), customer focus is a critical function in the entire logistics system and the primary link between manufacturers and customers.

2.8.3 Strategic planning and goal setting

The strategy provides benefits and aids in driving the company's success by involving internal factors (e.g., competition, productivity, and so on) as well as external factors (environment), in which companies can choose between aggressive, conservative, and defensive strategies (Rodrigues, Franco, Silva, Oliveira, 2021:4-9). In this context, strategic planning underlines the goals the business must accomplish and how, Hashimi (2020:12) suggests that for a specific goal for your company, it is necessary to envision what and how will be produced, as well as the business development strategy for the short and long term.

2.8.4 Network, distribution, and partnerships

SMEs are becoming more open to innovation, owing to a lack of resources for developing and marketing new products on their own (Rodrigues, Franco, Silva, Oliveira, 2021:4-9). As a result, SME owners are more inclined, if not forced, to collaborate with other organisations. Networks, therefore, not only provide external access to new resources but also facilitate the creation and exploitation of social capital, which is considered a source of competitive advantage in and of itself (Mabole, 2016:9). The establishment of external relationships should be primarily aimed at increasing innovation.

2.8.5 Entrepreneurial and Product Innovation

The entrepreneurial position is an approach that focuses on product market originality, creativity and project development that tends to be at the forefront of innovation and excellence over competitors (Sulistyo, Heru & Ayuni, 2019:22). Product Innovation refers to the whole process of bringing a new product or service to the market and includes product commercialisation, design and development, production or operationalisation, marketing, distribution and selling, and it also ranges from incremental to radical development (Msomi, 2021:13). In-depth understanding of your company's subject matter is required.

To prevent bottlenecks, the entrepreneur must understand the entire process of creating their product. At the same time, it is necessary to constantly develop and learn to broaden one's perspective, and better understand oneself and one's product, consumers, and competitors.

2.8.6 Education and training

Training and Education refers to education that entails obtaining new knowledge, altering attitudes and sharpening skills to improve performance (Saah, 2022:36). Bushe, (2019:12) states that education improves productivity, and increases effectiveness, efficiency, and productive capability. Consequently, ongoing training ensures that personnel are always up to date on recent technology, allowing them to make greater use of existing systems and preventing wasting time and resources (Moilao,215:20). According to Bhorat and Steenkamp (2016:12), formal education and practical training are important factors in improving the performance of SMEs. Higher levels of education are directly related to higher returns on self-employment. Marketing, information technology and accounting skills all improve business performance. Such abilities are also required for SMEs.

2.8.7 Market positioning and brand building

Companies use positioning strategies to differentiate their services from competitors and to design communications that lead the way to their desired position with customers and prospects. Market positioning, or the ability to influence consumer perception regarding a brand or product in comparison to competitors, is an advantage to a company (Makarenko,2019:88-90). Nonke, (2012:9) mentions that branding helps the company establish the image or identity of a brand or product. Adeshola, (2021:14) states that to have become successful and hence profitable, brands must have developed a positive reputation as buyers tend to use brand names as signals of quality and value and often gravitate to products with brand names they have come to associate with quality and value.

2.9 Conclusion

According to Harrington et al, (2017:3), the most important priority for reducing unemployment is to implement reforms that foster a more business-friendly environment, particularly for small and medium-sized enterprises that contribute to employment. SMEs have demonstrated their ability to significantly contribute to developing economies by creating jobs and economic opportunities. SMEs have an extraordinary ability to drive economic growth. They create a slew of new jobs, fuel the innovation wave, and broaden the tax base. SMEs also boost competition among peers, further stimulating the market scenario.

Unfortunately, there is no universal definition of SME because they differ in terms of turnover and employment structure depending on the laws of the country. Another distinguishing feature of SMEs is their emphasis on innovative processes, both in technology and management; as a result, they contribute to GDP, increase national exports, and contribute to a country's social and political stability. SME enterprises contribute to the development of local infrastructure in addition to increasing job opportunities.

There are models and factors that SME owners can use to improve the success of their businesses, such as the SWOT analysis and (GSM) Growth Stage Model. The latter aids in the acquisition of assets, the attraction of new talent, and the funding of investments. It also drives business performance and profit. The models also support small businesses in surviving the unpredictability of the business ecosystem. The main goal of a SWOT analysis is to provide the business with a list of changes and improvements that will help them grow and achieve their goals. It also enables business owners to demonstrate how their company is performing and what they are doing to improve it overall.

One of the biggest challenges and obstacles facing the SME sector in South Africa is access to financing. Access to capital not only prevents SMEs from expanding but also lessens their chances of surviving in South Africa. Access to finance is generally defined as having affordable access to financial services and goods (such as loans, deposits, and equity products).

For business owners and companies of all sizes and types, finances are crucial. An entrepreneur can explore opportunities and grow their business with the help of financing, which ultimately results in the creation of more jobs.

Assets, equipment, and facilities are examples of financial success factors. A company's cash flow should be controlled, and profits guaranteed through efficient financial processes. For the best customer value, management should understand the financial data they track and maintain competitive pricing. Regarding training and education, the owner must first develop for their businesses to grow; therefore, the entrepreneur must go through a personal development process that may involve formal education and training.

This will assist the entrepreneur in having a positive outlook toward entrepreneurial behaviour and learning. This will also help with failures within the businesses because it might lead to innovation as it forces the entrepreneur to reflect on their failures and try to find new ways to grow from their experience.

Access to capital is crucial for growth and sustainability, but it can be difficult for start-ups and small businesses to obtain funding. A bank loan, a grant, or an investment from a private equity firm are all examples of this. Employees with skill: A small business's growth and success depend on its ability to recruit and retain employees with skill. SMEs in South Africa must concentrate on luring and keeping talent by providing market-competitive wages and benefits.

Innovation is a crucial component of an SME's success in South Africa. This includes keeping up with technological developments and discovering novel solutions to problems. By creating innovative solutions, SMEs can stand out from the competition and draw in new clients. Conducting market research and comprehending customer needs and preferences are crucial for the success of SMEs in South Africa. As a result, SMEs may be able to tailor their offerings better to suit the demands of the regional market.

Creating strategic partnerships with other companies and organisations can help SMEs grow their customer base and enhance their product offerings. This can involve collaborations with vendors, distributors, and other companies with similar objectives and values. To provide the best customer value, processes should be fine-tuned, optimised, and aligned.

They should also be clearly explained to all responsible personnel so that they understand their responsibility to create and maintain that value. Goal setting, product innovation customer focus and brand building are just a few of the growth factors that entrepreneurs should pay attention to.

This concludes chapter 2 and chapter 3 follows. In chapter 3, the researcher explains the methodology taken to ensure research legitimacy and a plan of action in terms of how data was collected and managed.

3 CHAPTER3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter, which was devoted to the research methodology of the study, addressed the population, research design, sample, sampling procedures, data collecting, reliability, validity, ethical issues, and a full explanation of the measuring instrument. Research methods include all techniques and methods used for conducting the study. The methodology employed covered the following main purpose, which was followed by three secondary objectives:

- To explore the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State.
- To identify SMEs' role in the South African Economy.
- To determine challenges affecting the growth of SMEs in Mangaung.
- To identify the factors for the growth of SMEs in Mangaung.

3.2 Research methodology/paradigm

The study adopted a qualitative approach. Haradhan (2018:23-48) defined qualitative research as a type of social action that focuses on how people interpret and make sense of their experiences to understand individuals' social realities. It collected, analysed, and interpreted data content analysis of visual and textual materials using interviews, diaries, journals, classroom observations and immersions, and open-ended questionnaires.

The researcher adopted the use of qualitative studies because the method was useful for revealing the experience and interpretation of events by participants with widely different expectations and roles in providing a voice to those whose opinions were rarely heard. The design was crucial as participants shared their experiences and clarified their views and understanding of the factors influencing the growth of SMEs in Mangaung.

The approach was deemed sufficient for the study because, in qualitative research, the researcher generally explores meanings and insights in each situation (Levitt et al., 2017:350).

3.2.1 *Research Philosophy*

Epistemology is concerned with beliefs about knowledge, such as whether knowledge is acceptable, valid, and legitimate, and how we might communicate data to others (Saunders et al, 2019). The epistemological stance used in the study was interpretive, with an emphasis on answering human problems that are not detailed or theoretical.

According to Zarestky (2023:120), the Interpretivist paradigm seeks to build knowledge by understanding individuals' unique viewpoints and the meaning attached to those viewpoints. It also values people's lived experiences and is inherently subjective and sensitive to the biases of both researchers and participants. The paradigm was the best way to comprehend SME owners' understanding and knowledge of what they found challenging in the SME sector and what factors are contributing to the growth of their sector.

3.3 **Research Design**

3.4 Population and sample

3.4.1 Population

The study's purpose was to explore the factors influencing the growth of SMEs in Mangaung. The term "population" refers to the collection or group of all the units to which the research study's conclusions are to be applied; it includes all the units to which those conclusions may be applied (Shukla, 2020:1). The research study targeted 10 SME owners/entrepreneurs and 2 SME business experts in the Mangaung Free State that were engaged in both product businesses and services businesses, which were registered by CIPC and have been in operation for more than 24 months with a turnover of less than 20 million per year.

3.4.2 The rationale of the population

Priya (2017:7) states that most problems SMEs face are numerous and genetic. The targeted population varies from different industry sectors across the Mangaung municipality intending to provide a similar practice experienced by the local SME owners in all different sectors. And, with the experience the targeted population has, the population was seen as the best population to provide accurate results and valuable information and was in a precise position to answer the study's objectives.

- Participants were recommended by the SEDA Mangaung branch for data collection,
- The researcher interviewed 12 participants who were recommended, the participants were from various sectors of the small business enterprises industry.
- The participants were located in Mangaung, Free State. The researcher used semi-structured interviews to collect data from the participants.

3.4.3 Sample

According to Oribhabor and Anyanwu (2019:47), a sample is a subset of a population that has been chosen for research purposes. To reach data saturation, it was previously suggested that qualitative studies need a minimum sample size and response of at least 12. (Vasileiou,2018:12). Therefore 12 participants were a sufficient sample size for the study, and it was divided into the following groups.

- 10 (individuals) SME owners/entrepreneurs- with registered businesses, employ 2 or more employees, whose business has been running for 24 months and turnover of less than 5 million per year.
- 2 (individuals) SME business advisors or experts - Small Business consultancy firms or SME experts were classified as persons with extensive knowledge or ability based on research, experience, or occupation in a particular area of business.

Table 3 below identified the roles of participants who were interviewed and were able to provide accurate data to answer the main objective of the study, business advisors were considered because of their experience and knowledge of dealing with various SMEs across the province. Last, SME owners/Managers were targeted because they were able to provide insight, challenges, and recommendations to the study.

No	Position of owner	Company name
1.	Business Owner	Electrical company services
2.	Business Owner	Agriculture, Farm owner
3.	Business Owner	Taxi and Food Delivery services
4.	Business Owner	Training and Development centre
5.	Business Owner	Restaurant & Alcohol outlet
6.	Business Owner	Tax & Financial Business
7.	Business Owner	Automotive services
8.	Managing Director	Bakery Business
9.	Managing Director	Manufacturing & Clothing Business
10.	Business Owner	Property developers & interior design
11.	SME Business Development Expert	SME Business advisor
12.	SME Business Development Expert	Business Development Services

Table 3 role of participants interviewed.

3.4.4 Sampling method

Sampling is the act, process, or technique of choosing a suitable sample, or a representative part of a population, to determine the parameters or characteristics of the entire population (Mujere, 2017:20). Therefore, non-probability sampling was used for the study. Non-probability sampling, as defined by Stratton (2021: 373), is a type of sampling in which the researcher uses sampling that does not allow for the inclusion of every member of a target population in a study. Instead, the participants chosen by the researcher were referred to the researcher.

The participants that were selected were recommended to the researcher by the SEDA Mangaung branch. Non-probability sampling was best used for the study because it was fast and easy to locate the pool of participants hence the exclusion and inclusion criteria listed in item 1.6.4 of Chapter 1.

3.4.5 Sampling technique

Purposive sampling is a technique where specific locations, people, or events are chosen on purpose to provide crucial information that cannot be learned from other options (Campbell,2020:356). Purpose sampling was used as it selected participants who had characteristics related to the research study, it was seen as the best sampling technique for the study because it was cost-effective and it focused on reaching a particular subset of the population that shared certain characteristics, the population referred to the 12 SME owners located in Mangaung municipality in the Free State.

3.5 Procedure for data collection

The semi-structured interview is referred to as an exploratory interview by (Magaldi and Berler,2020:82). Megaldi and Berler (2020:82) further state that the semi-structured interview is typically focused on the main topic that offers a general pattern and that it is typically based on a guide by the researcher.

To attain data, the researcher approached the SEDA Mangaung branch. SEDA Mangaung branch is the agency for the development of SM(M)Es in the province. The researcher consulted the SEDA Mangaung branch with an approved ethical clearance letter from the university, and a permission letter to seek assistance in identifying small business enterprises that were registered with CIPC and SEDA in Mangaung.

The researcher also provided a list of inclusion and exclusion criteria for SMEs as required. 12 active businesses registered on the SEDA database that were also registered with CIPC in the Mangaung area were identified with the assistance of the SEDA Mangaung branch; the researcher was not focused on a specific industry, but rather various industries.

2 registered small business experts who are well-versed in SMEs in Mungaung were also recommended by the SEDA Mungaung branch. The two strategies were essential as they provided insightful feedback on the study's findings.

Once the SME owners were identified the researcher made telephone calls to invite them to participate in the study and for those who indicated to participate, the researcher suggested availability dates for the interview via email and then individual face-to-face semi-structured interviews were scheduled and coordinated by the researcher to gather data.

The interviews took place in the participants' offices, and some took place at SEDA Mungaung branch offices for their comfort and convenience. Each interview lasted between 45 and 60 minutes, with 12 pre-planned questions. The questions were derived from literature and designed to help participants express their experience and insight while responding to the objectives of the study.

Before starting each interview, the researcher ensured that the businesses showed documentation proving they were CIPC-registered and had been in operation for more than 24 months. The researcher started by explaining the purpose of the interview thoroughly and let the participants know that participation was voluntary, and any information shared would be kept private.

With the consent of the participants, the researcher audio-recorded the interviews to ensure accurate transcription. The researcher took handwritten notes during each interview to ensure reliability and saturation. This allowed the researcher to keep track of important points that were brought up later during the interview and to emphasise concepts of particular importance.

3.6 Research instrument

The semi-structured interview had a sense of adaptability and flexibility. During the semi-structured interviews, the researcher prepared a set of identical questions to be answered by all participants; the set of questions were derived from the literature.

The researcher posed the following questions that were included in the research instrument. The questions were explained in a manner the participant understood so that participants were able to easily respond and comprehend them.

1. Tell us about your educational background, professional experience and how you started your business.
2. What made you start your business? (Aspirations) and how long have you been in operation?
3. What is the impact of SMEs in the municipality?
4. What were the challenges you faced when you were starting your business?
5. What are your current challenges in maintaining and sustaining your business?
6. What factors are seen as challenges to the whole SME sector in the province?
7. Which role does the government play in the SME sector?
8. Does your company have a business analysis model? (SWOT or GSM)
9. How long has your company been operating or in service?
10. Which factors contribute to the growth success of your business?
11. What can be done to promote the growth of SMEs in the province?
12. What opportunities are available for SMEs in the province?

3.7 Data analysis and interpretation

According to Manpreet (2017:166), data analysis is the process of examining raw data to conclude that information. Its primary goal is to transform the cluttered data that is already available into a format that is simple to understand, more conclusive and supports the decision-making process.

The researcher made use of audio recordings of the interviews, transcribed notes, and use of rubric tables to record data for data reliability because tables serve many functions in qualitative research throughout the project's lifecycle and audio recordings were to ensure data transcription accuracy for data analysis, these methods made it easy to navigate and sort the data and to examine them from various angles.

Cloutier and Ravasi (2021:113) stated that tables help researchers condense, organise, and make sense of data, as well as see what would otherwise be difficult—if not impossible—to see among the hundreds, if not thousands, of pages of unreduced textual data that form the basis of most qualitative studies.

3.8 Limitations of the study

The study focused on exploring factors influencing the growth of SMEs in the Mangaung Province limitations of the study are listed as follows.

- The study focus aimed at reaching 12 participants' responses to collect the data, therefore research findings were based on the number of responses received.
- The study focused on the Mangaung municipality and not the Free State Province as a whole.
- Purposive sampling was used; therefore, the selection of the sample units depended on the researcher's subjective judgement; results had a limited risk of bias.
- Participants selected were from the SEDA database only, businesses outside the SEDA database were not considered.

3.9 Assumptions

It was assumed that because participants would answer the interview questions based on their own opinions, they would demonstrate considerable experience in the variables under study. Additionally, the researcher assumed that participants are knowledgeable of challenges and factors for the growth of SMEs.

3.10 Trustworthiness and Credibility

Qualitative data confirmability is ensured through regular checks and rechecks during data collection and analysis, documented through a clear coding schema that identifies patterns and codes (Creswell, 2013). The researcher assessed data saturation or validity based on the initial data's repeatability of findings.

3.11 Ethical considerations

According to Bhandari (2021:60), ethical considerations are standards or guidelines that control the methods and assumptions used in research. Researchers are required to always adhere to a set of guidelines when collecting data from individuals.

These are the guidelines that make sure standards are established for research studies and practices and that participation in the study is informed, voluntary, and safe.

The researcher ensured that fair processes took place when participants were selected and identified, the researcher affirmed no conflict of interest with the selected participants and last, there were no discrimination or bias processes that took place when participants were identified, with that being mentioned the following ethical considerations methods were considered.

- Informed consent: Before the interview session the researcher gave participants a verbal full detailed explanation of the purpose of the interview and issued the participant informed consent form for them to sign.
- Voluntary participation: Researchers ensured that participants were aware of their right to decide whether to participate in research studies and that declining to participate in any research had no bearing. Participants were advised that they had the right and freedom to withdraw at any time if they felt uncomfortable.
- Anonymity and confidentiality: No personal information was used in the study, and identification and participant profiles were hidden. For the study, the researcher ensured to not request any personal information from the participants during the interview, and they did not provide any personal information in response to the participant's consent form.

- Respect for participants: Participants had the freedom to express their opinions and exercise their legal and constitutional rights. During the interview, the researcher allowed participants complete freedom of speech and expression; neither the participant nor the study were subjected to any information imposed by the researcher.
- Participants were informed of the results to make sure that the study was free of fraud and misconduct. The data from the interviews were honestly reported by the researcher.

3.12 Conclusion

The study focused on a sample of 12 participants who were purposively selected and recommended to the researcher by the SEDA Managaung branch. The researcher used a qualitative research method with an interpretivist philosophy in the study to investigate and identify the factors for the growth of SMEs in Mangaung. A nonprobability sampling technique using purposive sampling was used in the study. As it is susceptible to research bias, sampling bias, or selection bias, the study used purposeful sampling, which was used to recruit connected participants.

Semi-structured interviews were used as the primary method of data collection because of their benefits in that they allowed for social interactions between the researcher and the participants and gave the researcher the chance to learn more than he had originally intended to learn from the interviews' follow-up questions. The interviews were audio recorded and the researcher also used a rubric table to identify data repeatability to guarantee data validity and reliability.

Informed consent, respect for participants, voluntary participation and anonymity of participants were critical ethical consideration methods undertaken by the researcher to ensure the rights of participants were protected and the integrity of the study was adhered to. This concludes Chapter 3; Chapter 4 follows to discuss the analysis of the interviews.

4 CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter analyses and evaluates the obtained data from the semi-structured interviews with the participants and delivers the analysis and interpretation of their feedback. The purpose of this research is to investigate the elements that influence the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State. In addition, to identify factors to the growth of SMEs in Mangaung. A sample of 12 participants was selected for this study's findings, and semi-structured interviews were conducted. Most of the enterprises were from Bloemfontein, with a total of six SMEs, three from the Botshabelo area, and three from the Thabanchu area.

Section A (Demographics) and Section B (Data Analysis) present the findings, analysis and interpretation. A topic rubric was utilised to connect findings to the literature and to establish fresh contributions. To ensure accuracy, the interviews were audio recorded to ensure accurate data transcription. Table 4 below details participants along with the interview dates.

No	Position of individual	Company name	Date of interview
Part 1	Business Owner	Electrical company services	12 July 2023
Part 2	Business Owner	Agriculture, Farm owner	13 July 2023
Part 3	Business Owner	Taxi and Food Delivery services	14 July 2023
Part 4	Business Owner	Training and Development Centre	15 July 2023
Part 5	Business Owner	Restaurant & Alcohol outlet	18 July 2023
Part 6	Business Owner	Tax & Financial Business	19 July 2023
Part 7	Business Owner	Automotive Services	21 July 2023
Part 8	Managing Director	Bakery Business	24 July 2023
Part 9	Managing Director	Manufacturing & Clothing Business	25 July 2023
Part 10	Business Owner	property developers & interior design	28 July 2023
Part 11	SME Business Development Expert	SME Business Advisor	29 July 2023
Part 12	SME Business Development Expert	Business Development Services	29 July 2023

Table 4 List of participants interviewed and dates.

4.2 Section A: Demographics

This section acknowledges and examines the demographic features of the SMEs as well as the input from participants. The study used basic demographic analysis for two purposes: first, to identify population characteristics to ascertain the participant's basic information, and second, to identify information about the participants, such as their age, level of education, gender, and level of business experience, which will also reveal the participants' expertise and experience in the study's topic. As a result, several charts are employed to display the socio-demographic information of individuals.

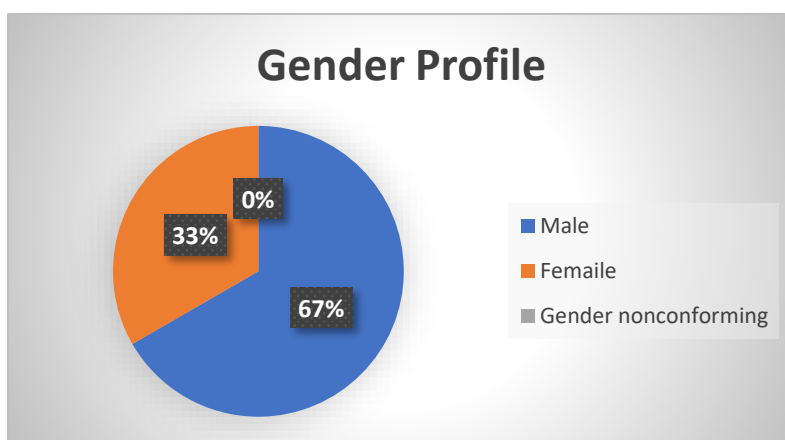


Figure 4.2.1 Gender profiles of participants

Figure 4.2.1 depicts the gender profiles of the participants. Females made up 33% of the participants, while males made up 67%. There was no other gender profile apart from the two mentioned.

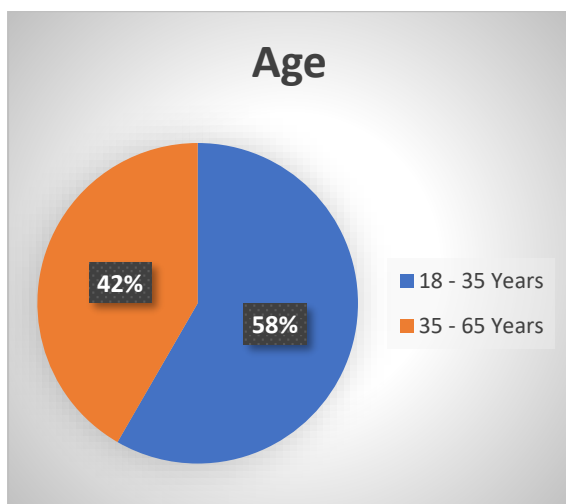


Figure 4.2.2 Age profile of participants

Age is separated into two basic groups, as shown in Figure 4.2.2: 18 to 35 and 35 to 65. According to Figure 4.2.2, many study participants were between the ages of 35 and 65. This shows that the 35-65 age group may be the most entrepreneurially engaged.

This result shows that SME owners are frequently active between the ages of 35 and above. This is consistent with the findings of Kuratiko and Audretsch (2016:14), who argue that two natural age peaks are associated with entrepreneurship: the late twenties and the mid-forties.

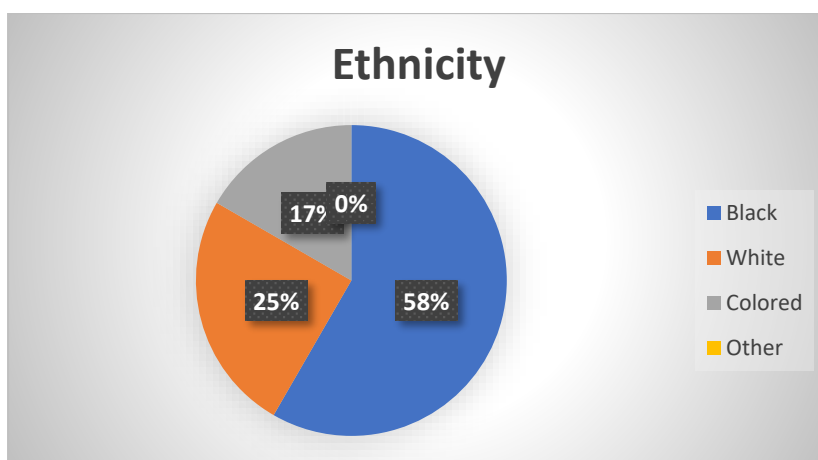


Figure 4.2.3 Nationality of Participants

Figure 4.2.3 shows that the majority of participants were from Bloemfontein, South Africa. Black participants made up the majority (58%), followed by white participants (25%), and coloured participants (17%). No other ethnic group was selected nor participated in the study.

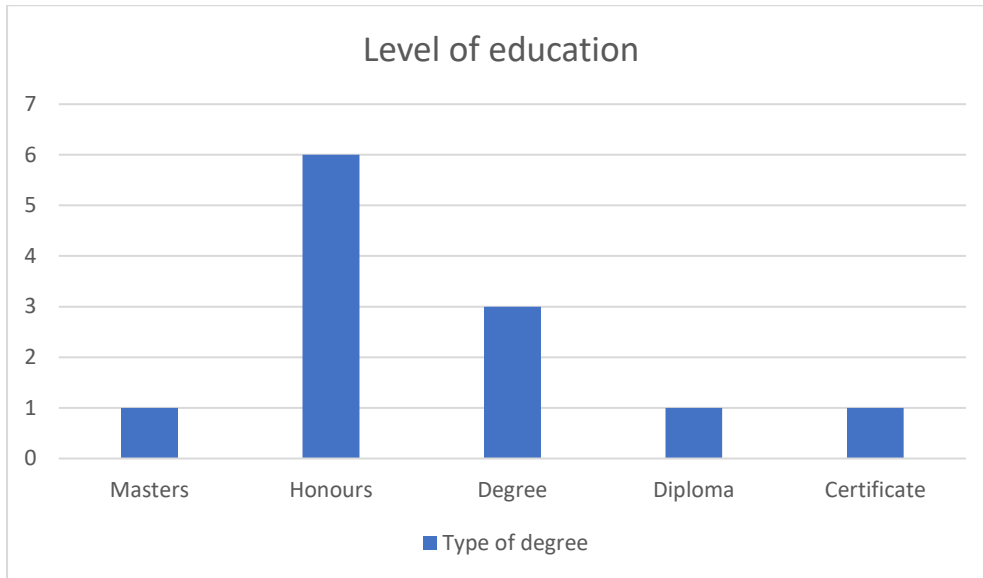


Figure 4.2.4 Level of education.

Figure 4.2.4 illustrates the educational level of the individuals. According to Figure 4.2.4, the majority of participants have Honours degrees, with only 1 and 1 holding diplomas and certificates, respectively. This suggested that a bigger proportion of participants had a higher degree of education. This is consistent with the findings of Ahmad et al. (2009), who concluded that education increases the likelihood of uncovering good business possibilities and business success.

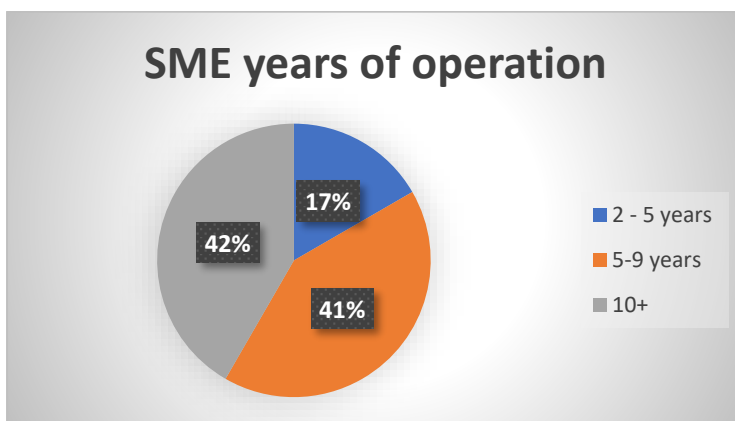


Figure 4.2.5 SME year of operation

Figure 4.2.5 shows the number of years the company has been in operation. 42% of the businesses have been in operation for ten years or more, 41% have been in operation for five to nine years, and 17% have been in operation for two to five years.

4.3 Section B: Analysis and Interpretation

4.3.1 Challenges affecting SME growth.

This segment focuses on subjects related to the challenges that SMEs encounter. This relates to the study's second objective. This section will go over the analysis of participant feedback quotes that will be used to analyse the data.

- The section answered the following research question: What are the challenges affecting SME growth in Mangaung, Free State?

4.3.2 Theme 1: Lack of access to finance

Access to financing is a critical step for SMEs or any other form of business. Banks are just one source of funding; crowdfunding and loans from friends and family are also options. Business owners who have access to funding can budget for administrative and overhead costs.

- *Participant 1: "We lack finance availability because we don't have assets; I had to use my bursary incentives to invest in my business."*
- *Participant 2: "Limited access to financial resources; my partner and I struggled with obtaining finance; we had to attach our cars when we approached banks and only for us to receive less of the amount we requested; fortunately for us, we were able to repay the amounts with the profit we made, but even now we still have to attach something for us to receive less of an amount we would like."*
- *Participant 5: "I was told I still lack experience in the field and that my clientele has not grown, so I cannot receive any financial access at this stage."*
- *Participant 6: "I struggled a lot with funding from the government and banks. I was told that I needed to produce a statement that indicates a range of profit for me to apply for a business loan."*
- *Participant 9: "I believe that as Small business owners, we don't have the capital to fund continuous ideas and don't have a strong enough credit rating to receive funding".*

- *Participant 11:* " We struggle a lot with finance because sometimes, the little profit you make, you have to pay for the lights and staff members, and it is difficult to re-invest that little profit to increase productivity to produce more so you get more profit when you approach the banks and government services we are told the business does not generate enough for us to receive a loan".
- *Participant 12:* " You have to go through hoops and loops to get funding approval, and when you do, the conditions to pay back are not favourable it is like you are being put at high risk of a credit repayment".

4.3.2.1 Interpretation of theme 1: Lack of access to finance

Most participants mentioned lack of access to financing as a critical challenge since it inhibits them from making the best use of their resources. Lack of access to financing prohibits SMEs from fulfilling their full potential.

The lending standards used by financial lenders appear to be too stringent for many SMEs to meet, which causes a dilemma because enterprises that acquire business loans are subject to high interest rates. Furthermore, granting SMEs high-risk credit ratings discourages them from seeking funding, and the lack of access to business loans persists. According to Mbhohwa (2018:9), financing is a critical component required to develop and expand SMEs, however, these businesses typically require assistance to acquire such a resource. Banks are hesitant to invest in such businesses due to their high failure rate and lack of years of experience in the sector industry.

In conclusion, there appears to be much red tape associated with SMEs receiving funding from the local government or municipality, which discourages them from applying for funding and seeking lending/funding opportunities. There's limited information available on SME funding from the government, and Many SME owners struggle with processes to follow to apply for funds; thus, guidelines and funding information should be easily accessible, or a flow of channel communication should be implemented.

4.3.3 Theme 2: Access to markets, information, and technology

SMEs suffer from a lack of market access, information and proper technology infrastructure, due to this they are unable to grow and expand. This also has an impact on their employment rate, at this stage, the world is progressing. Many consumers chose e-commerce during and after the COVID-19 outbreak, putting many SMEs in Margaung in a tough situation due to a lack of information and technology resources, including inadequate or restricted internet connectivity and underdeveloped service providers.

- *Participant 1: "The market in Margaung is still small, and it is sometimes difficult to reach other people in this small market, the business relies mostly on social media and word of mouth, and you need to have a well-known brand that will appease the market. So due to the small market, we are in, people support those who are well known."*
- *Participant 2: "After covid-19 pandemic, we are struggling a lot with reviving our clientele; we lost so many clients; Yes, we know economic conditions are not as before, but due to not having information and capacity of technology during covid as the pandemic was also new to us, we are struggling to bring back the markets and accessing new markets".*
- *Participant 3: "Clients are scarce, and no one trusts the new guy in the business. Many companies don't want to take risks, which is understandable".*
- *Participant 4: "The market is small because people, especially in the farming sector, need help to supply major retailers due to supply and demand, so we focus more on small businesses of which even themselves are struggling".*
- *Participant 8: "From my experience as an advisor, I think the government should do more in bringing information closer to people because our entrepreneurs lack access to information, lack of access to markets, and importantly lack of access to mentors who will be able to guide entrepreneurs during a time of difficulties. I believe the government should bring information hubs to those distant areas that are not in the CBD for those SMEs to receive proper information at the right time this will also create employment."*

- *Participant 9: “We decided with my partner to upscale and we have recently ventured into advertising space, and it’s a bit challenging to source out clients to advertise on our media platforms as advertisers want to associate their products/themselves with big companies like PRIMEDIA, JC Decaux et al”.*
- *Participant 11: “From my experience, I started experiencing customer issues during the period of COVID-19 until now. I believe consumers have lost their spending power, especially now that interest rates and commodities have gone up. So, we are struggling with retaining and gaining new clients. The technology we rely on is the one we get from our technological components. We don’t receive much information from the government, only when it is tax season”.*
- *Participant 12: ‘The market in Bloemfontein is small, people prefer to go to the people they trust, we lack technological and information resources which makes it even harder to attract people outside the province”.*

4.3.3.1 Interpretation of theme 2: Access to markets, information, and technology

According to the findings, several businesses failed to obtain or retain new clients as a result of the Covid-19 outbreak. Interest rates and other commodities have hampered consumers' capacity to spend. Consumers choose companies with good reputations or well-known brands because they are more trustworthy, whereas lesser-known enterprises still require assistance to preserve and extend their market share.

SMEs continue to require assistance in obtaining information, particularly those in isolated areas such as Thabanchu or Botshabelo that are not in Bloemfontein. This is because essential information is not reaching those locations this responds to Reddy (2022:1) who claims that entrepreneurs are either unaware of the opportunities or did not know where to find the information required to apply for the available opportunities for them. It is recommended that government information hubs be established in these areas.

Throughout the country, proper internet connectivity infrastructure is scarce. Businesses would be able to connect to the internet in their local area if suitable internet connectivity arrangements were in place, rather than paying a monthly membership fee to a provider while still struggling to make ends meet.

Connectivity concerns generate problems for business owners since they cannot market, engage, or access clients online, especially those located far from Bloemfontein's CBD main area, where customers must drive to see their facilities. Finally, there is concern that as a result of this issue, enterprises in Mangaung may find it difficult to attract markets outside of Mangaung and the Free State. This is a source of concern because the Free State is in the centre of South Africa therefore markets outside the Free State should be the targeted market.

This is in line with today's globalised environment, the inability to secure technology at the outset can have a detrimental impact on the entrepreneurship growth process. Most businesses sell services or products online, allowing them to engage and communicate with clients in this manner, which means that certain SMEs are at a disadvantage due to a lack of technological equipment and industry knowledge (Bushe, 2019:6).

4.3.4 Theme 3: Illegal immigration business

Nambei (2019:25) goes on to say that illegal immigrant-owned businesses not only work longer hours but also sell food at significantly lower prices than locals, forcing local merchants out of business.

- *Participant 2: "We have an issue with the illegal business of people outside of the country, as they provide cheap products that are not of good quality and because of the economic conditions, consumers are buying these products".*
- *Participant 6. "You have seen on TV and videos circulating on social media, that there are unregistered immigrant businesses that supply people with expired goods, This is a challenge because other consumers tend to think we also do the same they put us in one bracket because are not established or well-known brands at the moment."*
- *Participant 12: "Foreign unregistered businesses are a challenge because many local SMEs are closing while foreign unregistered businesses are multiplying. Consumers tend to buy from foreigners due to their cheap pricing and access to cheap alternative brands."*

- *Participant 11. "You know sometimes it is like you are dealing with a mafia the way these unregistered illegal immigration businesses can distribute and supply different markets at the same time or quicker it is out of this world, I wish we SMEs had such a distribution network."*

4.3.4.1 Interpretation of theme 3: Illegal immigration business

Illegal immigration businesses are seen as threats to locally registered businesses, Participants suggest that there are illegal businesses by immigrants that supply expired goods, and some of them are not registered, and the goods they sell are cheaper and not of good quality, and consumers consume these products because of they are cheaper.

This is driving local SMEs out of competition, increasing their closures or failure rates, especially in local communities. Availability of networks and distributions are a source of strength for illegal immigration businesses, whereby they can distribute products amongst each other or supply markets quicker than the local registered SMEs.

4.3.5 Theme 4: Copycat businesses

Copycat enterprises foster a culture of inconsistency and lack a desire to create more innovation. Many entrepreneurs lose their ability to be creative and become inefficient in developing novel products. These types of enterprises compete in the same market and can provide low-quality products to customers. The majority of participants saw the copycat business as a challenge that prevents Mangaung's entrepreneurial activity from growing.

- *Participant 5: 'We have a problem of SMEs in Mangaung and the province where they don't want to come up with new ideas; they would rather copy someone doing well or focus on government tenders Others are reluctant to share ideas because they feel like their ideas will be stolen'.*
- *Participant 6: "SMEs in Mangaung lack exposure to the market space and ideas that can be generated to increase the level of entrepreneurial activity, I would suggest initiatives that will bring successful people from outside the province or country even better to show or teach SMEs how they grow their respective fields".*

- *Participant 10: "I think most businesses tap into the same market here in Mangaung, and it is still challenging for others to attract a different market, so many businesses look at what others are doing and implement that for themselves. Many SMEs are always looking at potential government events they can supply or cater for."*
- *Participant 11: "There is a lack of innovative ideas; many owners try to be politically affiliated to have government as a service provider".*
- *Participant 12: "I think due to limited access to markets in Mangaung and lack of information, most owners always look to do something comfortable with them, we always want to play it safe and not break boundaries or do differently we only do something different if another person has done and worked for them we are also scared to showcase our ideas because we are scared they will be stolen and used by other people, many people's ideas were stolen at SEDA and NYDA but due to poor execution they amounted to nothing".*

4.3.5.1 Interpretation of theme 4: Copycat businesses

According to participant feedback, many businesses are like-for-like in Mangaung this might be due to a lack of exposure and a large market, many SME owners try to emulate what others are doing to stay competitive; nevertheless, this stifles entrepreneurial activity and product innovation across the industry. Many are focusing on one area, primarily the government, as a source of business. Everyone tends to do the same thing and serve a limited market, which ultimately causes SMEs to fail owing to no captured market since similar enterprises with reputable brands are available.

Investors do not even consider funding or investing in such businesses, making access to finance much more difficult. Many entrepreneurs are sitting on ideas but prefer not to engage the ideas because they are in fear of losing their intellectual property to others, especially to those in support structures of government, therefore there is a need to bridge the collaboration gap between SMEs and the private sector rather than SMEs being reliant only on government services or support to assist with producing new products.

4.4 Factors influencing the growth of SMEs.

This section focuses on topics relating to the factors that drive the growth of SMEs. This refers to the main and third objectives of the study. This section will examine the analysis of participant feedback resulting from questions 9 through 12 of the interview instruments, which focused on growth factors.

- The section answered the following research question What factors contribute to the growth of SMEs in Mangaung, Free State?

4.4.1 Theme 1: Access to finance

Access to finance can be both a challenge and a success growth factor, SMEs who have access to finance from any source are likely to utilise their resource to their maximum.

- *Participant 4: "Having access to money assists us because it gives opportunity to increase our production".*
- *Participant 5: "Having access to capital assist many SME owner we can produce more and be in a position, to pay administrative costs".*
- *Participant 7: "Access to capital ensures we can plan to know that you are in a position to plan for 6 months having capital to pay staff or infrastructure like rent and electricity".*
- *Participant 8: Having access to funds ensures that we can buy equipment or assets that are needed urgently like inverters or generators due to load-shedding that impacts us daily.*
- *Participant 9: "finances or being able to secure finance assist owners to buy equipment or machinery needed to improve the services of the business".*
- *Participant 10: Having access to capital, especially as a startup assists with cashflow management and challenges we encounter when we start this journey".*

4.4.1.1 Interpretation of Theme 1: Access to finance

According to the responses, a company's ability to operate and cover costs like salaries, rent, and inventory depends on its cash flow. Access to capital can help businesses boost productivity or better manage their cash flow during times of economic distress. Access to funds can provide small firms with a competitive advantage by allowing them to invest in new products, services, or technology. This allows them to compete within the market and increase their clientele.

Access to finance can also assist small firms in achieving long-term sustainability by providing the resources required to invest in the future growth and success of the SME especially to those in the first stages of the Growth stage1 (Existence) and Growth stage 2 (Survival) of the 5 stages of small business growth model by Scott and Bruce (1987). Last access to finances is crucial for SME owners to expand and sustain their enterprises. It gives them the tools they need to overcome obstacles and compete with larger firms or other SMEs in the market, ultimately contributing to the overall prosperity of the small company ecosystem.

4.4.2 Theme 2: Education and Training

Obtaining new knowledge or having knowledge about a specific industry can give you a competitive advantage and provide you with the necessary skill set to operate in the field.

- *Participant 1: "Because of my education I was able to navigate through challenges I faced when I started"*.
- *Participant 2: "My education gave me a theoretical advantage of skills I needed to advance in my business"*.
- *Participant 3: "The trainings I attend for enhancing my business skills helped as they boosted my confidence in managing my business"*.
- *Participant 5: "I struggled with admin and marketing until I studied admin and did a few business programmes these helped in promoting and managing my business successfully"*.
- *Participant 6: "If I had not studied, I wouldn't have started my business"*.

4.4.2.1 Interpretation of Theme 2: Education and Training

Education and training have embraced the entrepreneurial commitment of the owners, it has uplifted their knowledge in the industry, and the researcher can argue that education and training allowed the SME owners to better understand the needs of their customers, competition, and how problems can be solved or innovated upon to provide better services or products for them, the analysis is supported by Borat and Steenkamp (2016:12) as they claim that formal education and practical training are critical variables in improving the performance of SMEs. Education and training have also transitioned the owners' skills to a position where they can navigate challenges they came across in their businesses.

Education has also enhanced or driven the owners to start opening their businesses promoting the ability of startups. Education and training ensure that owners are always up to date on new trends, allowing them to make greater use of existing systems and prevent wasting time and resources. Bushe, (2019:12) states that education improves productivity, and increases effectiveness, efficiency, and productive capability.

4.4.3 Theme 3: Client focus

Client focus describes the methods businesses may employ to give clients' requirements priority and enhance their relationship with a brand. By utilising relationship-building strategies, they frequently concentrate on developing a customer-centric culture and enhancing client happiness. By achieving these objectives, businesses may encourage greater client loyalty and maximise customer retention rates.

- *Participant 4: "I like to listen to feedback from my customers, this gives me perspective on what they like, and it helps me to create services for their needs rather than wants".*
- *Participant 6: "Without my customers, I will be out of my business, building a relationship with customers and understanding their preference is important to us as owners".*
- *Participant 7: "My customers are my focus because I also market with them with word of mouth and this has been a powerful tool".*
- *Participant 10: "I always aim to provide consistent services to my clients, if they are happy, I'm happy the business does well".*

- *Participant 12: “Knowing what my customers want and being able to deliver makes me stand out and provides with an advantage in a market that is small”.*

4.4.3.1 Interpretation of Theme 3: Client focus

Findings support the literature by Devadas and Hettiarachchi (2022:10) who assert that customer focus service excellence is a crucial component in business success. These findings also demonstrate that customer focus has a positive and significant relationship with business performance, including internal business process performance such as marketing, customer relations, service learning, and growth performance.

To fill market gaps and meet client needs, SME owners can identify products or services that are designed to meet customer preferences and features to include in a company's offerings. This approach also helps SME owners build a competitive edge and a devoted clientele by supporting projects and opportunities to connect with customers and rekindle their interest in the brand. This helps create and maintain enduring relationships with customers.

4.4.4 Theme 4: Strategic planning and goal setting

Setting objectives and strategising, understanding and articulating the mission and developing long-term goals and objectives that are linked to the company's vision.

- *Participant 1: “You need to know what you are doing, why you are doing and how you are going to do it that’s an important factor you need to have a vision and ways of how you are going to achieve your vision”.*
- *Participant 3: “Having strategic goals helps you as the owner to have something to achieve, meeting my target every month ensures that I have profit at the end of every month.*
- *Participant 4: “Planning and setting goals assisted me as an owner in planning for challenges and managing my finances properly”.*
- *Participant 5: “We are operating in a market where many people are taping onto the same market, but our strongest weapon is the way we strategise and work towards achieving our goals”.*

- *Participant 7: “One of the reasons we don’t use SWOT analysis is that we can see our strengths and weaknesses when we strategise to develop how we can achieve our mission”.*

4.4.4.1 Interpretation of Theme 4: Strategic planning and goal setting

According to the findings, goal setting and strategic planning help SME owners plan for minimising challenges, handling administrative tasks, and, most importantly, achieving targets by entering new markets to boost profit margins. SME owners can plan for the medium and long term with the help of strategic planning and goal setting. This is consistent with the observation made by Rodrigues et al, (2021:7) that strategic planning, when well expressed, can increase an organisation's performance and competitive advantage. According to Hashimi (2020:12), having a clear aim for your company can help you plan out its establishment, as well as its short- and long-term commercial development strategies.

4.5 Conclusion

Figure 4.2.6 details the summary of participant feedback and an interpretation of the analysis of the challenges faced by SMEs responding to questions 4 – 7 on the interview schedule focusing on challenges contributing to the lack of growth of SMEs.

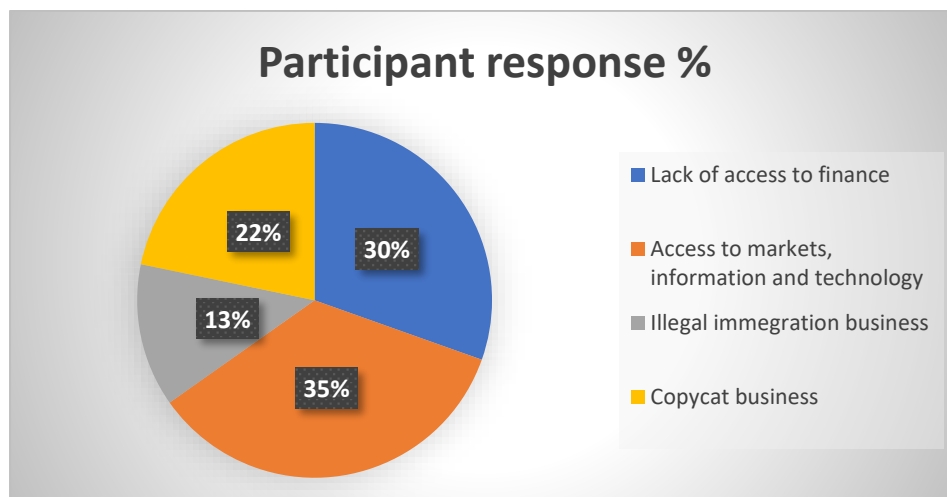


Figure 4.2.6 Participant responses to challenges

To investigate factors influencing the growth of SMEs, we must first identify the obstacles that SMEs encounter. According to the semi-structured interviews, 35% of the participants believe that access to the market, information, and technology is the most difficult challenge. The municipality area lacks technological resources, and critical information is inaccessible, particularly to SMEs outside the municipality's main town, Bloemfontein, and access to the broader market is difficult, as is retaining current clients.

Following the lack of access to finances, 30% of participants feel that relying on banks for business and government support is an essential challenge. Bank lending requirements disfavour many SMEs, and those who can obtain loans are sometimes subjected to excessive interest rates as a result of being assigned a high credit risk rating. Information about guidelines for government loans is not published or accessible. There is no clear connection between the government and SMEs; most owners are arbitrarily routed through several departments and receive nothing in the end. This presents a problem for SMEs who must travel across town to seek funding.

Only 13% of participants believe that Illegal immigrant firms pose hurdles to local SME growth potential because local SMEs believe that by pricing goods or services at a low cost and offering lower-quality goods or services, many consumers may label local SMEs with the same narrative. Participants believe that unregistered businesses create a negative narrative in the minds of consumers.

Copycat businesses prevent product innovation, and 22% of the participants believe that with owners focused on offering the same products and services, the market economy will not grow. Many business owners seek government contracts, and many SME owners operate in the same industry because there is a lack of market reach in other areas. SME owners are afraid to lose their IP to others, so they protect their innovative ideas to themselves this will eventually create a culture of non-collaboration amongst SMEs if not already and this will further decrease the levels of entrepreneurial skills.

Entrepreneurial, managerial and marketing skills were not seen as a challenge as most of them were educated and trained in their business skills. Also because of their education and training, they followed the channels required and complied with government regulations, and because the majority of the participants were educated, and experienced with education and training it was declared not as a challenge but a success factor.

One of the new themes mentioned is the question of "compliance." Many SMEs in Margaung are not in compliance with government regulations, as they are not registered, and are not registered with various bodies, setting them in a position where the government struggles to assist them and financial institutions reject their funding applications immediately. However, this could be due to a lack of available information on the part of many SMEs due to their location.

It was also claimed that the local government only appears to support SMEs for the interest of local newspapers and reports, however in reality nothing is done to support or promote these SMEs. Therefore, something needs to be done in the background to support SMEs in the province, as many have requested assistance by submitting proposals but have only received empty promises or nothing has materialised. There is a need for the local government or municipality to become more active in the transition of SMEs and to avoid prioritising government-affiliated firms through tenders.

The majority of organisations do not use any growth model since owners feel that growth models are only used during the startup stage. Owners feel that they are now aware of the business's strengths and flaws as time passes however the researcher believes that reverting to the models and analysing their assessments from time to time will always improve their performances this is in line with Rihan (2019:1) affirms that a company should conduct a comprehensive analysis every three to five years, utilising extensive data and examining key industry players every year or every other year.

Finally, the COVID-19 outbreak, and current economic conditions were noted as important factors that hampered consumer purchasing capacity, contributing to the stagnation of SMEs in Mangaung. This concludes the challenges the study will now focus on the success factor for the growth of SMEs.

Figure 4.2.7 details the summary of participant feedback and an interpretation of the analysis of the factors that influence the growth of SMEs, responding to the objective of the study.

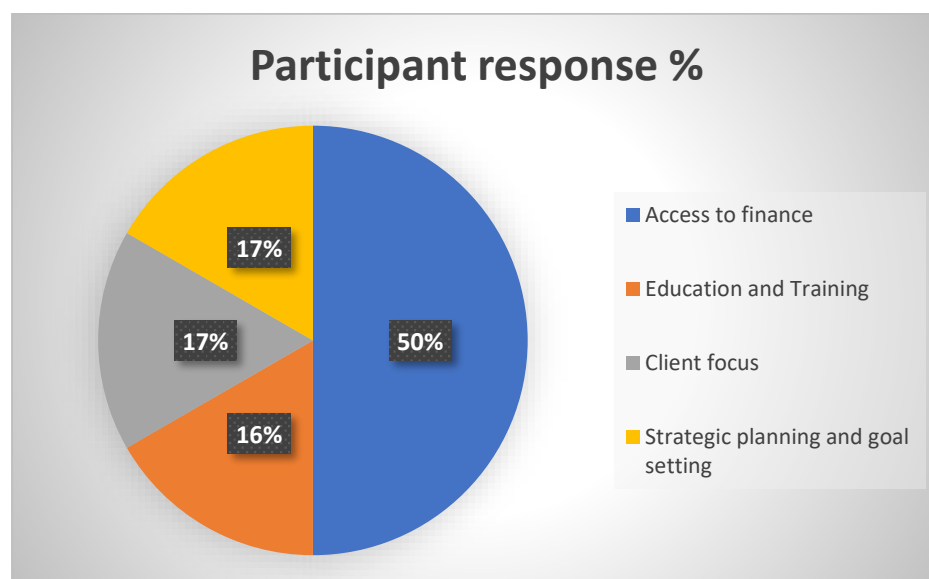


Figure 4.2.7 participant feedback on growth factors

According to the semi-structured interviews, 50% of the participants think that access to finance is a crucial success factor for the expansion of SMEs. This is backed up by Dix (2017:20), who asserts that, as access to finance is necessary to accomplish several goals in a business, this is a suitable metric for determining the success of that business. Effective financial management and access to financing are crucial for SME success in Europe, the availability of finance options including loans, grants, and venture capital has an impact on sustainable growth (Beck et al., 2018:16).

15% of the feedback centred around education and training, with participants contending that their education and training enabled them to minimise challenges and understand how to manage their finances and business operations, as well as keep up with the latest trends and information. Client focus was highlighted by 15% of the participants as a growth success factor where entrepreneurs believe that based on client preferences, recommendations, and comments, the entrepreneurs could create products that were tailor-made for their clientele, giving them a competitive edge and a loyal customer base.

The last 15% growth suggestion was based on strategic planning and goal setting. In conclusion, for the business to move forward, there needs to be a strategy and a goal set for it. The participants claimed that their ability to set goals and strategise how they will achieve their goals has helped them stay in business thus far. Most of the owners were able to reach their targets and accomplish their mission mainly because they were able to set their goals and strategies on how they could accomplish them.

This concludes chapter 4; the next segment chapter 5 will detail the recommendations.

5 CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the study's findings and recommendations. The chapter continues to discuss the findings in connection to the study's research questions and objectives. The study's limitations are discussed, as well as recommendations for further research in the small to medium firm sector. Following that is the conclusion of the study.

5.2 Revisiting the problem statement, research questions and objectives of the study.

5.2.1 Problem statement overview

The growth of SMEs is critical since it may increase the viability and survival rate of communities, as well as contribute to employment creation and economic development in the country and communities. However, some problems contribute to the failure and lack of growth of SMEs in Mangaung, as many close within a few months of their commencement, resulting in a fall in business development and a lack of economic activity and investment in the province.

Finding approaches to encourage the growth of SMEs may be facilitated by examining and comprehending the factors that influence the growth of SMEs. As a result, employment growth is encouraged, unemployment rates are reduced, and the economy benefits.

5.2.2 Research questions

The research questions of the study were.

- What is the role of SMEs in the economy of South Africa?
- What are the challenges affecting SME growth in Mangaung, Free State?
- What factors contribute to the growth of SMEs in Mangaung, Free State?

5.2.3 Objectives

The objectives of the study were.

- To identify SMEs' role in the South African Economy.
- To determine challenges affecting the growth of SMEs in Mangaung.
- To investigate and identify the growth factors for the growth of SMEs in Mangaung.

5.3 Key findings of the study

The findings of the research may assist policymakers by highlighting the issues that must be resolved if SME growth is to be promoted in Mangaung Municipality. The findings of the study will also guide SMEs on how to apply elements that will increase their chances of growth and on how to deal with difficulties that arise in the SME sector. Last, this will encourage organisations that provide business assistance to tailor their services to address the problems and challenges that SMEs face, thus increasing the value and effectiveness of their support.

5.3.1 *Research question 1 - What is the role of SMEs in the economy of South Africa?*

In South Africa, SMEs are significant job-creation engines. They provide a sizable fraction of work prospects, especially for people who might otherwise find it difficult to find employment in larger organisations. SMEs contribute to lowering unemployment rates and eradicating poverty as they grow and prosper. SMEs are nimble enough to quickly adjust to shifting market demands, which leads to more flexible recruiting procedures.

Small enterprises are strongly ingrained in local communities and contribute significantly to their growth and welfare. These businesses promote a sense of pride and collaboration, building social fabric and local economies, whether it is through sourcing local suppliers, hiring local talent, or actively taking part in community initiatives.

Furthermore, SMEs frequently have strong relationships with their communities. Their actions and choices directly affect the communities they serve, resulting in an improvement of the social and economic conditions. SME participation in local supply chains and employment creation help to advance sustainable development at the community level. This localised effect aids in distributing economic gains more fairly across the country.

The competitiveness and growth of SMEs are fuelled by innovation. These businesses frequently compete in specialised industries, where their flexibility allows them to test out novel concepts and methods. By doing this, they support an environment that promotes risk-taking and the search for creative solutions, helping to build an entrepreneurial and creative culture. SMEs also frequently collaborate closely with academic institutions, research organisations, and other stakeholders, which encourages innovation.

5.3.2 Research question 2 - What are the challenges affecting SME growth in Mangaung, Free State?

The key challenges facing Mangaung SMEs that were highlighted by the study were access to markets, information and technology, lack of access to finance, copycat businesses, and illegal immigration businesses. There were only a few comments relating to the challenge such as government and legislation, as it was stated that some SMEs are operating without being registered, which makes it difficult for them to obtain or apply for funding or other opportunities. However, this might result in a lack of information or accessibility to critical information.

Many of the participants were educated and obtained degrees from higher education institutions therefore education and training were not seen as an obstacle but rather as a success factor for SMEs as participants assume that education and training played a significant role in maintaining and sustaining their business. The next segment will focus on the recommendations to combat these challenges.

5.3.2.1 Recommendations

Figure 5.1 lists the recommendations suggested to navigate through the challenges identified by the study. The recommendations are discussed in detail below.

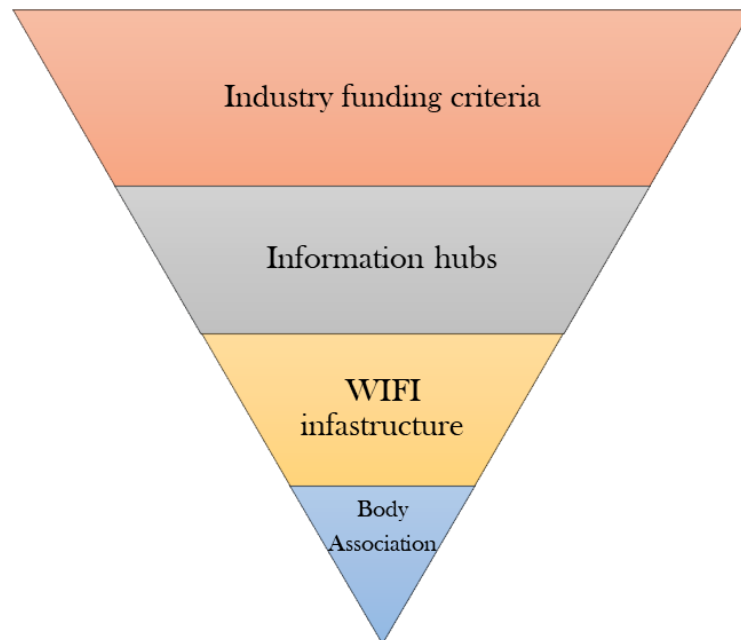


Figure 5.1 List of challenges recommendations

- **Industry funding criteria**

Instead of generalising, it is suggested that funding lenders develop criteria that reflect the industry sector. To reduce the possibility of a higher credit risk rating, lending criteria should be industry-specific rather than generic. For example, this would mean that an SME in the manufacturing sector would not be compared to an SME owner who operates a restaurant because the risks are not the same.

It is also recommended that one agency manages and coordinates the funding processes for organisations that provide financing or lending capital to SMEs rather than several different government departments or entities. It would also create a database that makes it easy to locate SME beneficiaries so that it can be monitored and checked whether some SME recipients receive funding on multiple occasions while making room for others. This would reduce the red tape involved in submitting a single proposal to many departments for various signatures.

- **Information hubs**

When SMEs are situated distant from Bloemfontein's CBD or other big towns, they are denied access to new markets and information that will be beneficial to them. As a result, information hubs should be established. Information hubs are places where reliable information about the opportunities, norms, and services available to society is provided.

Typically, they are coordinated by both national and local governments. The information centres in the outlying towns will see to it that SMEs receive the same information being delivered to or made available to SMEs in the central business district of the main town.

- **WIFI lines for SMEs**

Instead of having to pay a higher network subscription fee, local governments should invest in infrastructure for internet connectivity or make sure that WIFI lines are accessible or available to SMEs at a fixed rate or a subscription fee. This will make it easier for them and ensure that they can market to distant markets. Additionally, it will raise the technological proficiency of SMEs.

- **Body corporation/association**

Municipalities should set up a body corporate or organisation that may monitor the operations or compliance of immigration firms to reduce or control the growing number of illegal immigrant businesses. The organisation should be given a fair and stringent mandate and appropriate standards that can restrict how many of these enterprises are available in one location, to ensure that they are licensed and are operating in a legal status of the country. The recommendation for *Research Question 2 has been concluded; Research Question 3 will be discussed in the next section.*

5.3.3 Research question 3- What factors contribute to the growth of SMEs in Mangaung, Free State?

The segment focuses on answering the last research question along with the main research question. It was identified from the study's findings that, access to finance, education and training, client focus, and last, strategic planning and goal setting are key factors for the growth of SMEs in Mangaung.

5.3.3.1 Recommendations

Figure 5.2 highlights the recommendations of the growth factors for SMEs in Mangaung recommended by the study. The recommendations are discussed below in detail.

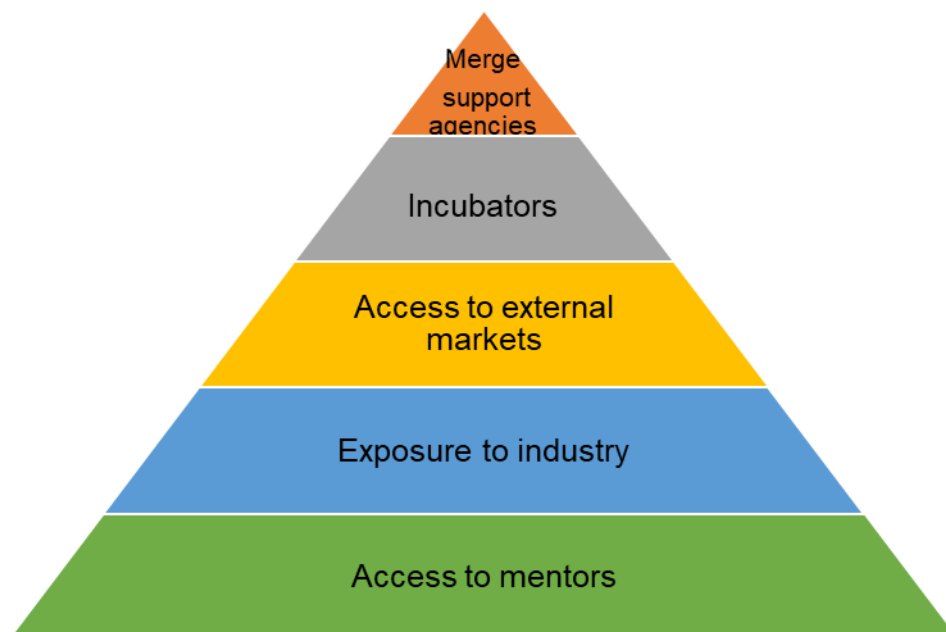


Figure 5.2 List of recommendations for growth factors

- **Access to mentors**

SME business support services should introduce and create a culture of mentorship and provide access to mentors to SME owners, especially to those who are still first stages of their growth stage model.

- **Exposure to industry**

The majority of SMEs lack experience in the industry they trade in, thus they must be exposed to it. Bridging the gap between the private sector and SMEs is necessary. It is necessary to develop a partnership between the private sector and SMEs; this will also spur innovation and exposure because resources will be available.

- **Access to external markets**

The Free State province, primarily the Mangaung region is in the centre of the country. Having a central location between provinces is advantageous for the area. So, if given the chance, SMEs may contribute significantly to the growth of the tourism sector. This will also ensure that SMEs have access to markets outside of their municipalities or provinces.

- **Incubators**

The Government should collaborate with local higher education or TVET institutions to create and promote SME incubators to increase government and societal involvement. The goal of this initiative is to encourage and accelerate innovation. Additionally, this will foster the development of SME owners who lack formal education and training.

- **Merge of SME support agencies**

Since SME support organisations like SEDA, NYDA, and DESTEA offer SMEs a similar level of assistance, it was suggested that the departments combine to form a single organisation with a range of resources aimed at SMEs or to form one organisation with a variety of resources to concentrate on SMEs growth.

5.4 Fulfilling the study's objectives

5.4.1 The study's first secondary objective is to identify SME's role in the South African Economy.

- *The objective was fulfilled as the role of SMEs in the South African Economy was identified.*

5.4.2 The study's second secondary objective is to Determine challenges affecting the growth of SMEs in Mangaung.

- *The objective was accomplished, and significant challenges that hindered the growth of SMEs were identified.*

5.4.3 The third secondary objective of the study is to identify the growth factors for the growth of SMEs in Mangaung

- *The objective was achieved, and it was discovered that several factors could influence the growth of SMEs.*

5.5 Benefits of the study

- The study's assessment of factors influencing SME growth may assist business support agencies and development organisations in implementing future policies.
- The study can serve as a solid foundation for further research and provide insightful information on the difficulties faced by SMEs.
- Finally, the study's conclusions will assist SMEs in adopting key success elements and tackling particular difficulties in the SME sector.
- The study's recommendations can also inform authorities on factors they can implement to support and market SMEs outside the municipality.

5.6 Recommendation for future research

- To broaden the SME client base, studies can concentrate on the use of Tourism to promote SME growth in Mangaung.
- There is a need to bridge the gap between the private sector and SME collaboration for industry exposure.
- Use of information hubs and incubators to grow SMEs in isolated towns.
- To focus on meaningful connections that impact the people involved in communities and leadership future studies can focus on the importance of mentors for SME owners.
- Implementing an industry focus criterion, for lending capital to SMEs.

5.7 Conclusion

Small and Medium-sized Businesses (SMEs) are crucial to South Africa's economy. They are an important driver of economic growth and the reduction of poverty. Additionally, SMEs contribute significantly to trade and exports, diversify the economy, and generate jobs. The research's findings make it transparent that the SMEs' concerns and challenges must be urgently addressed by the South African business sector and the government.

Some of the recommendations to combat challenges were for a finance institution to adopt a lending criteria or policy that is not generic but rather focuses on the industry the SME is trading in as the risks are not the same, information hubs should be implemented to ensure equal distribution of information and resources, an association to control the spread of illegal immigrant businesses was also suggested.

The technological infrastructure is needed especially for those that are distant from the main town, the infrastructure is needed to market and importantly to research, learn and develop as an enterprise.

To increase the growth factors there's a need for mentors to assist new SME owners or startups with guidance, advice, feedback and support, also there is a need for SMEs to collaborate with the private sector to attain industry exposure this is important as it will minimise the copycat businesses and drive innovation and create to promote new products or services.

To conclude there are various government SME support services or agencies like NYDA, SEDA, and DESTEA. The study asserts that if all these agencies were to combine resources under one umbrella, they would have a major impact on growing SMEs together rather than individually.

The study further recommends that the Government should look at ways and strategies of ensuring that by participating in SME development, they can start by developing the tourism industry to its full potential to expose SMEs to different markets (national and international) this might also develop a collaboration between SMEs and the private sector.

Small to medium enterprises have a significant role in economic growth globally and in the country. Most SMEs face challenges that hinder the growth and development of these businesses. This study aimed to explore the factors influencing the growth of SMEs. In this study, the researcher used a qualitative research design and conducted interviews to collect data for analysis. A sample of 12 participants was used.

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APPENDICES

APPENDIX A: INTERVIEW SCHEDULE

Mojalefa Buti (2018524948)/ 0718647144; 2018524948@ufs4life.ac.za

The purpose of the document(s) serves as an interview schedule for collecting data for a research study by Mojalefa Buti 2018524948 titled Exploring the Factors Influencing the Growth of SMEs in Mangaung, Free State Province.

The interviews will be in the form of a Semi-structured interviews, between the researcher and the participant, and the following questions will be asked. The questions do not follow a certain sequence. The interview schedule aims to identify challenges faced by SMEs and identify factors that influence the growth of SMEs.

Concerning Chapter 2, literature review questions were compiled into the following groups:

- Question 1 - 3; focuses on defining the business (SME)
- Question 4 - 7; focuses on identifying challenges.
- Question 8 - focuses on the SME model.
- Question 9 -12; focuses on growth factors.

Biographical questions

Age	
18 - 35 Years	
35 - 65 Years	

Gender	
Male	
Female	
Gender nonconforming	

Ethnicity	
ASIAN	
AFRICAN	
WHITE	
COLOURED	
INDIAN	
Prefer not to indicate	

Level of education	
Less than matric	
Senior certificate	
Short courses of less than one year	
Certificate	
Diploma	
Degree	
Honours	
Masters	
PhD	

No	Question
1	Tell us about your educational background, professional experience, and how you started your business.
2	What made you start your business? (Aspirations)
3	How long has your company been operating or in service?
4	What were the challenges you faced when you were starting your business?
5	What are your current challenges in maintaining and sustaining your business?
6	What factors are seen as challenges to the whole SME sector in the province?
7	Which role does the government play in the SME sector?
8	Does your company have a business analysis model? (SWOT or GSM) or any other model (if yes, please elaborate on why you chose this model)

9	Which factors contribute to the success of your business?
10	What is the impact of SMEs on the municipality or the local economy?
11	What can be done to promote the growth of SMEs in the province?
12	What opportunities are available for SMEs in the province?

Rubric

The challenges below were derived from the chapter; the researcher listed them to assess whether respondents would mention the challenges or indicate new ones:

List of growth factors derived from Chapter 2	TICK	List of challenges from derived Chapter 2	TICK
Access to Finance		Lack of Access to Finance	
Product Innovation, Skills Improvement		Entrepreneurial, Managerial, and Marketing skills	
Strategic Planning and Goal setting		Access to new Markets, Information, and Technology	
Network, Distribution, and Partnerships		Government legislation Processes	
Customer Focus		Illegal Immigration Businesses	
Market Positioning and Brand Building		Education and Training	

Education and Training		Copycat Businesses	
Other;		Other;	
-	-	-	-
-	-	-	-
-	-	-	-

APPENDIX B: ETHICS APPROVAL LETTER



GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

13-Jun-2023

Dear Mr Mojalefa Buti

Application Approved

Research Project Title:

Exploring the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State Province.

Ethical Clearance number:

UFS-HSD2023/0561/3

We are pleased to inform you that your application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. We request that any changes that may take place during the course of your study/research project be submitted to the ethics office to ensure ethical transparency. Furthermore, you are requested to submit the final report of your study/research project to the ethics office. Should you require more time to complete this research, please apply for an extension. Thank you for submitting your proposal for ethical clearance; we wish you the best of luck and success with your research.

Yours sincerely

Dr Adri Du Plessis

Chairperson: General/Human Research Ethics Committee

Adri
Du
Plessis

Digitally
signed by Adri
Du Plessis
Date:
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APPENDIX C: SEDA APPROVAL LETTER

Free State
Telkom Building
1st Floor
Nelson Mandela Road
Bloemfontein, 9300
Tel: +27 51 411 3820
Fax: +27 51 444 4235



From: Mr Andrew Setho

To: University of the Free State
Faculty: Economic and Management and Sciences
PO Box 339
Bloemfontein
9300

Date: 01 June 2023

To whom it may concern

The purpose of this letter is to grant Mr Mojalefa Buti (Student No 2018524948), student at the University of the Free State, permission to conduct research on SMMEs in Mangaung with support of Seda Mangaung Branch. The project titled " Exploring the factors influencing the growth of Small and Medium Enterprises (SMEs) in Mangaung Municipality, Free State Province"

Seda Mangaung Branch hereby commit to assist the researcher in identifying and recommending SMMEs that may be interviewed for this study. Seda acknowledges that the results of this research will be used to fulfill the requirements for the master's thesis at the University of the Free State.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Setho", is written over a horizontal line.

Mr Andrew Setho

Seda Mangaung: Branch Manager

BOARD MEMBERS:

- | | | | |
|-----------------------------------|----------------------|------------------|-----------------------|
| ■ MS X DAKU (CHAIRPERSON) | ■ MR J MATSHO | ■ MS P MQINGWANA | ■ MS BT NKAMBULE |
| ■ MS NF KANA (DEPUTY CHAIRPERSON) | ■ MR N MBATHA (ACEO) | ■ MR JS KITSWENI | ■ MS TY TOBIAS-POKOLO |
| ■ PROF V GUMEDE | ■ MS N MEDUPE | ■ DR AU NGLOVU | ■ DR M QOBO |
| ■ MR M KUBHEKA | ■ MR M MFULENI | ■ MS GN NGCULUNA | |

APPENDIX D: LANGUAGE EDITING CERTIFICATE

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Pretoria 0081
Tel: 0027123466198
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Sandra Duncan



Professional Editing services

13/09/2023

To whom it may concern:

This is to certify that I Sandra Duncan have language edited the below thesis and the onus is therefore on the author to make the additional changes and address any comments made.

Prepared by,

Mojalefa Buti

2018524948

Master of Business Administration (MBA)

Faculty of Economic and Management Sciences

Yours sincerely

A handwritten signature in cursive script that reads 'Sandra Duncan'.

Sandra Duncan