

CHALLENGES FACED BY SMME'S DURING COVID-19 PANDEMIC IN MANGAUNG METRO MUNICIPALITY

By

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DECLARATION

I Letshego Merriam Moipolai declare that the Field Study hereby submitted for the Magister in Business Administration at the UFS Business School, University of the Free State, is my own independent work and that I have not previously submitted this work, either as a whole or in part, for a qualification at another university or at another faculty at this university.

I also hereby cede copyright of this work to the University of the Free State.

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Date: 20 November 2022

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I am grateful to the Almighty living God for providing me with the strength, wisdom, and courage to embark on this journey. Indeed, Thy Word is a lamp unto my feet, and a light unto my path (Psalms 119:105).

This academic work is dedicated to my late father Koko Simon Lehoke. You taught me how to write even though you did not know how. I will forever cherish you in my heart.

I wish to express my sincere appreciation and gratitude to the following individuals, without whose assistance, this study would not have been possible:

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ABSTRACT

Small, medium, and micro-enterprises (SMMEs) are important economic drivers in South Africa. SME's account for 95% of all businesses worldwide and contribute 40% of all economic activity. South Africa's small businesses are a major source of job creation. The COVID-19 Pandemic, also known as Coronavirus, has had a significant impact on business operations as well as customer activities and trends. Because of the virus's rapid spread, the Pandemic has had immediate socioeconomic consequences in both developed and growing countries and is now the new normal.

The study aims to investigate and identify challenges faced by SMME during the COVID-19 pandemic in the Mangaung Metro Municipality, the effects it has on business development, and identifying possible solutions to these challenges. This study was executed using a qualitative approach. Purposive sampling was used, which allows participants to be chosen solely on the essential characteristics that make them the holders of the data needed for the study. A sample size of 20 SMMEs within Mangaung municipality was used. This sample included representatives from Bloemfontein, Thaba-Nchu, and Botshabelo. Open-ended questions were used in conjunction with other interviewing techniques to delve deeply into topics, allowing participants to elaborate and express their views freely. Qualitative interviews were based primarily on patterns and recognising the point of data saturation.

South Africa's SMMEs were faced with many challenges during the COVID-19 pandemic, these challenges include but not limited to lack of access to funding, limited access to local and international markets, strict Legislations and regulations, lack of training and education and access to technology. Themes and interpretive analysis were performed. The inability to obtain financing was identified is one of the main challenges that SMMEs in Mangaung Metro Municipality face. This severely impedes the development and expansion of these businesses. To survive in this region, SMMEs must acknowledge the importance of trying to access markets locally and internationally, as well as have the necessary skills and resources while pursuing government support. Perception and sample size were two of the limitations, and recommendations includes increased market accessibility, skills development, access to proper infrastructure, and technology advancement in SMME development. Future research may investigate the challenges that SMMEs may face if these findings are not addressed in future.

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CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 BACKGROUND

In South Africa, there are different sizes or levels of entrepreneurship, and among many, there are small, medium, and micro-enterprise (SMME's). For the sake of this study, it would be essential to have the definition of both of them cleared.

According to the Government gazette (2019), a small business enterprise is viewed as an individual and a well-recognized business establishment with its branches, inclusive of cooperative businesses. It is owner-managed or mainly passed on to other sections and business types and the type of market or consumers or any economy subsector. Some define SMME's in the Republic of South Africa as an enterprise with many different characteristics, including any of the following characteristics: turnover per annum of less than R64 million, less than 200 employees, Capital assets of less than R10 million which is owner-managed (Banking Association of South Africa,2019).

Small-medium enterprises (SME's) are identified as influential and critical drivers of complete economic development and growth, as stated by (Banking South Africa, 2019). Their development, sustainability, and growth are the key factors in developing an underdeveloped industry (Bello, Jibir & Ahmed, 2021:1-3). Moreover, SMEs can utilise more employees in their production process than high-end businesses (Olawale and Garwe, 2010). Lastly, creating more jobs and income leading to poverty reduction will significantly impact (OECD, 2014: 31).

The Gross Domestic Product contribution of SMEs ranges between 16% in low revenue up to 51% in countries with high income. SME's account for 95% of enterprises in the world, with an employment rate of over 60% of laborers in the private sector (Taylor and Francis, 2021). It is further argued that SMEs contribute about 40% of all economic activities in the country and remain essential to the country's socio-economic growth. It is also confirmed that SMEs contribute to the GDP of a state.

In the South African environment, it is projected that SMEs subsidise 42% of the state's GDP, contributing up to 50% of all employment.

The South African economy was vulnerable when the outbreak of the Corona Virus pandemic began in March 2020. The economy had experienced two-quarters of recession in succession, which worsened the economic crisis. South Africa is known to struggle with an alarming high national unemployment rate of 32, 5% with Free State rated at 33, 4% (Statistics South Africa, 2020: Quarter 4).

As stated in the Mangaung Metropolitan Municipality Annual performance report (2021), Mangaung has three urban centers (Thaba Nchu, Botshabelo, and Bloemfontein, and a rural area with small towns such as Van Stadensrus, Wepener, Dewetsdorp, and Soutpan covering an entire area of 9 886 km². Mangaung Metro had 93 400 unemployed people (2019), up 24 200 from 69 200 in 2009.

It has a 25.3 percent unemployment rate, lower than the provincial average of 34.4 percent. The total unemployed people in the Mangaung area accounts for 22.63 percent of all jobless people in the Free State Province (Statistics South Africa, 2020: Quarter 4). Public services (35,3 percent), finance (26,88 percent), commerce (16 percent), transport (11,8 percent), and manufacturing (11,8 percent) are the city's key economic divisions (3,5 percent) (MMM, 2019). According to Statistics South Africa (2020), in Quarter 4, the unemployment rate of the Mangaung metro quarter 4 has decreased by 11,4 as compared to quarter 3. However, a lot of SMME had to close down their business because of COVID-19. Due to regulations and red tapes, minimum access to government incentives left many businesses unable to meet their financial demands.

The unemployment rate of Mangaung metro in Quarter 2 of 2019 (29.9%) and there was an encouraging decline (7.7%) in Quarter 2 of 2020, further, the contributors of job searchers have also decreased (25.5%) from the 70.6% in Quarter 2 of 2019 to 45.1% in Quarter 2 of 2020 and cautiously active dropped (14.4%) from 49.5% in Quarter 2 of 2019 to 35.1% in Quarter 2 of 2020 (Mangaung Metropolitan Municipality Annual performance report, 2021).

SMMEs can play an integral part in helping to solve the challenges of adequate income and wealth distribution, the creation of jobs, and continuous growth and development in the economy (Maas & Herrington, 2007). To promote this sector as a substantial contributor to economic growth, a separate SME Ministry and other support functionaries

such as the Small Enterprise Development Agency have been established (Bureau for Economic Research, 2016:5). The number of SMMEs in their selected socioeconomic improvement role in the economy to date is unclear, debated, and questioned, however.

In 2020, the Government introduced measures and policies to help in reducing the economic effect of the COVID-19 outburst on SMMEs. To name a few, Debt Relief Finance Scheme was implemented for enterprises that were affected negatively due to the COVID-19 epidemic. It provides a low-interest loan facility to help SMMEs ensure their business survives during the Coronavirus pandemic. Business Growth Facility is for companies producing locally or supplying hygiene, medical products, and food items in demand to control and curb the spreading of the Coronavirus. Tax relief scheme, SMME's need to be tax compliant to qualify for government financial support (South African government, 2021). The SMME growth rate in the Free State is low, and we need to identify the cause and how they can be mitigated to enhance the economy.

1.2 PROBLEM STATEMENT

High failure rate of SMMEs is the problem in the Mangaung metro municipality during the COVID-19 Pandemic. The objective is to understand the challenges faced by SMMEs during COVID-19 in Mangaung municipality that is hindering economic growth and increasing the unemployment rate. As a researcher working with SMMEs daily, it is important to understand how challenges they face can be mitigated. They are identified as hindrances experienced by SMME's before the COVID-19 Pandemic and more so during this Pandemic.

As the virus spreads sharply in most countries, the outbreak of COVID-19 has become a global problem. Such a tragedy affects the global economy as with any other similar global issue, especially those linked to global health. (Ahani and Nilashi 2020:19–22). Meanwhile, the outburst of this global problem is also deeply affecting companies.

In South Africa, statistics suggest that about 91% of formal companies are micro-enterprises that account for between 51% and 57% of the GDP and 60% of jobs (Reginald & Millicent, 2014:59). However, even to date, SMME's are still faced with challenges such as low productivity, no financing support, limited capabilities of

management, limitations of contact to technology and management, along with hefty governing burdens (Saleh and Ndubisi, 2006:1-14).

Whilst mitigation for short-term stability in the economy is crucial to mitigating the immediate aftermath of the COVID-19 crisis, this study seeks to explore a longer-term business indicator, entrepreneurial funding, legislation as well as the impact it will have on SMME's if these challenges are not addressed.

SMEs, both in terms of value and numbers are increasing in the Free State Province at a slower rate. This is due to the external and internal causes that contribute to this slow progress, including a lack of management capabilities for businesses, financial sustenance, and failure to pay for goods and services after delivery. SMEs can avoid some of these causes, but some cannot since they are entirely dependent on external stakeholders.

In early 2014, A Small Business Development Ministry was established in South Africa to assist in the promotion and development of small enterprises. As stated by The DTI (2008), SMME's have shown to be the main contributors to the creation of jobs, contributing to national GDP. If the identified challenges are not addressed, it will negatively affect SMME's as drivers of economic growth, resulting in low inventions and decreased job opportunities.

Research questions

- How to determine the drivers and challenges faced by SMME's during COVID-19?
- What are the challenges faced by SMME's during the COVID-19 Pandemic in Mangaung Municipality?
- How are SMMEs affected by the COVID-19 Pandemic in Mangaung Municipality?
- What are the solutions on how to mitigate challenges facing small businesses in Mangaung Municipality?

1.3 OBJECTIVES

Primary objective

- To identify challenges faced by SMME's during the COVID-19 Pandemic in the Mangaung Municipality.

Secondary objective

- To determine the drivers and challenges faced by SMME's during COVID-19.
- To analyse how SMME's are affected by the COVID-19 Pandemic in Mangaung Municipality.
- To find solutions on how to mitigate challenges facing small businesses in Mangaung Municipality.

1.4 RESEARCH METHODOLOGY

This methodology will focus on the research design, sampling, and specified methods and procedures for the gathering of data.

1.4.1 Research design

The qualitative research design method will be used for this study. Qualitative research includes the collection and evaluation of non-numerical data to understand ideas, concepts, or perceptions (e.g., video, text, or audio). It is used to gain a detailed consideration of a problem or generate new research ideas. It entails gathering and evaluating numerical data to perform statistical analysis (Base and Research, 2021:4). The qualitative research approach seeks to ascertain the experiences of the individuals under investigation. This method is commonly known as gaining an insider's perspective. The goal is then to obtain a "emic" or insider perspective rather than a "etic" or outsider perspective.

The study follows the interpretivist analysis model. Interpretivism believes that every analysis strategy must take into account the distinctions between individuals and things Bryman, Bell, Hirshshon, Dos Santos, Du Toit, Van Aardt, Wagner (2014:14). This study aims to understand the challenges faced by SMME's during the COVID-19 Pandemic in Mangaung Metropolitan Municipality and how they are affecting SMME development. It allows for participants to express their views and justify their actions freely.

1.4.2 Population

The population study will consist of SMME's in the Mangaung Metro Municipality, Free State. Small Enterprise Development Agency (SEDA) database of registered SMME's in the Mangaung Metro will be used with a sample size of (3 020). Thirty (30) active businesses were identified and chosen based on the following similar characteristics; businesses that have been operational two years prior COVID-19 pandemic with an annual turnover between R500 000 and R5 000 000 and have more than 2 employees in the business. For this study and due to limitations on face-to-face interviews due to COVID-19, a representative sample size of 20 SMME's will be used, these are the respondents that meet the above criteria from the database, and they will be able to identify the challenges they face in their businesses during the COVID-19 Pandemic, how these challenges affect their business, and what possible solutions can be implemented in addressing those challenges.

1.4.3 Sampling

For this study, a sample will be drawn from the existing Seda Mangaung database with a sample size of 3 020 SMME's as it is readily available, and permission was granted. Thirty (30) active businesses were identified and chosen based on the following similar characteristics; businesses that have been operational two years prior COVID-19 pandemic with an annual turnover between R500 000 and R5 000 000 and have more than 2 employees in the business. The study's goal was to get all 30 SMMEs as identified from the database to participate in the study, however due to limitations on interviews due to COVID-19, a representative sample size of 20 SMME's will be used. Access and availability were used to determine sampling.

A sample size of 20 SMME's within Mangaung municipality will be used; this sample will include representatives from Bloemfontein, Thaba-Nchu and Botshabelo due to COVID-19 restrictions, which might limit the interactions in other towns. For this study, a non-probability study will be used to select the sample. A non-probability is when the sample used has not been selected using an unplanned selection method, implying that some units in the population are more biased to be selected than others (Bryman, et.al 2014:178).

The purposive sampling method will be used. This method of sampling will allow participants to be chosen solely on the basis of the essential characteristics that make them the holders of the data required for the study (Nieuwenhuis, 2007: 79).

1.4.4 Data Collection method

This study will make utilize both the primary and secondary data. Primary information will be obtained through qualitative interviews, while secondary data will be collected through extensive literature reviews, such as those conducted on the Seda website, reports, and the client database. Semi-structured interviews will be conducted to allow respondents to express their feelings and give personal input. In-depth interview methods will be used to reach more suitable information.

1.4.5 Ethical considerations definitions and application

Bryman, et.al (2014:120), in the research design stage, states the importance of examining potential ethical issues rather than addressing them during the research process. Below are ethical principles that the research will abide by:

- **Permission to conduct research**, in conducting this study, permission will be sorted from my organization as I will be using its database as my sample, as well as the participants to ensure that they understand what is expected from them for this research. Permission obtained see appendixes 1 and 3.
- **Confidentiality and anonymity**- The participants will be assured that their views and participation in this study will be confidential, and their identities will be protected. A confidentiality agreement will be put in place as well as a non-disclosure.
- **Voluntary participation**- this will be strictly voluntary, the participants will not be forced to be part of the study, and should they not feel comfortable, it will not hinder any existing relationship.
- **No harm**- because all views will be confidential and anonymity will be applied, it will give assurance to the participants that their participation will not bring any harm to their businesses and damage their reputation for possible future business prospects.
- **Conflict of interest** - There will be no conflict of interest, as the researcher in this study is the professional business advisor at Seda, working with other advisors within the Seda branch. Data will be collected from other colleagues' client

portfolios and those that are directly linked to the researcher's portfolio, one of the colleagues not linked to the client will be asked to conduct the interview to ensure objectivity.

1.5 CONTRIBUTION OF STUDY

This field research seeks to detect the challenges encountered by SMME's during the COVID-19 Pandemic, how these challenges affect their business, and what possible solutions are in addressing these issues identified. The study will be focusing on SMME's operating within Mangaung metro municipality; a sample size of 20 SMME's selected from the Seda Mangaung database will be used, specifically in Thaba-nchu, Bloemfontein, and Botshabelo.

1.6 CHAPTER LAYOUT

CHAPTER 1: Overview of the Study

This chapter introduces the research, discusses the problem statement, explains the primary and secondary objectives, explains the study's contribution, outlines the research methodology, and concludes with a chapter summary.

CHAPTER 2: Literature Review

The chapter will provide relevant literature to assist in achieving the study's objectives. SMEs will be defined in accordance with the National Business Act, as well as their importance to the economy, as well as the factors influencing their growth, and the challenges they face during the COVID-19 Pandemic. The final section of the chapter will go over the Government's mitigating factors and their role in the development of SMEs.

CHAPTER 3: Research Methodology

The research methodology will be described in Chapter 3. This methodology will concentrate on the study design, sampling, and data collection methods and procedures.

CHAPTER 4: Data Analysis and Interpretation

This section outlines the study's research methods, which was qualitative in nature. Also it describes the population, sample, and data collection method.

CHAPTER 5: Conclusion and Recommendations

This chapter presents the conclusion and offers recommendations, limitations, and future research directions.

1.7 CONCLUSION

Following the outbreak of the Coronavirus, also known as COVID-19, the Government put restrictions, also known as lockdown. This was a way of containing and slowing down the spread of the virus. The country was placed on a hard lockdown for several months, only selected few businesses were allowed to operate, and as the country eased the lockdown restrictions, businesses were allowed to operate on a small scale.

By 2020, the governments' effected actions and policies intended at decreasing and failing to implement the economic effects of the COVID-19 eruption on businesses will harm job creation, poverty reduction, and economic contribution. Local municipalities in South Africa have a duty to bring their citizens' socio-economic development. They can be achieved by playing various roles as local economic improvement managers and organizers. South African small enterprise ecosystem should be implemented, and different key stakeholders should be identified to develop an action plan that will assist SMME's in surviving this COVID-19 period. Focusing on addressing challenges and how each role player can have an optimistic effect on the SMME development and progress in the Mangaung metro municipality.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The study aims to investigate and identify challenges faced by SMME during the COVID-19 Pandemic in the Mangaung metro municipality, the effects it has on business development, and identifying possible solutions to these challenges. Interpretations and trends in literature from South Africa and other places around the world were probed. As a result, the following literature will be discussed to gain a sufficient understanding of the topic.

Even though the study was directed in the Mangaung metro municipality, Free State, all the factors were investigated internationally and nationally because they have an impact on the district. Various topics will be discussed in this section, including a relative approach to Government, large business indifference toward socioeconomic growth, and the situation of SMMEs in the Mangaung metro municipality.

Outbreaks and viruses aren't just passing through; they have a lifelong effect on society and the economy. Consider the early 1830s cholera outbreak in France (as well as other regions of Central Europe, when medical facilities were heavily burdened with patient populations whose illnesses doctors could not really explain (O'Sullivan, 2021). While the epidemic wiped out at least 3% of Parisians within the first month, it was a driving force behind France's industrial revolution. It also raised political turmoil and inequity, causing havoc on the town's poor, whereas the affluent used their savings and assets to flee disease outbreak areas and limit their interactions with the general public (Economist, 2021).

The COVID-19 Pandemic, also known as Coronavirus, has had a significant impact on business operations as well as customer activities and trends. Because of the virus's rapid spread, the Pandemic has had immediate socioeconomic consequences in both developed and growing countries and is now the new normal. The COVID-19 pandemic recession has the swiftest downgrades in the growth of the economy among all global recessions (World Bank's Global Economic Outlook, 2020).

Coronavirus harms aspiring entrepreneurs, especially those from developing countries with limited government support. Authorities' lockdowns and temporary control orders were the most significant factors affecting entrepreneurial activity. It resulted in low demand and market stagnation, putting even more pressure on entrepreneurs to complete their start-up projects, and it heightened the fear of failure, with the highest risk of cessation or minimal entrepreneurial activity.

2.2 DEFINITION OF SME'S AND COVID-19

Definitions of small and medium-sized businesses often vary by country and usually depend on their numbers of employees, annual sales, and value. Micro enterprises are typically classified as companies with less than ten workers, small companies with ten to 100 workers, and medium-sized companies with 100 to 250 workers. The commonest definition of an SME, therefore, is: An SME is a business with a workforce of less than 250. This comprises all types of businesses, whether they are formal or informal companies (such as family businesses, sole owners, or cooperatives), regardless of their legal form (Media.africaportal.org, 2021).

As stated by OECD (2021), In the United Kingdom, if the company meets two out of three measures, the company is defined as an SME: its turnover is lower than £25 million, and its employees are fewer than 250. Gross assets are below £ 12.5 million. [26]. [26]. In the UK, very small companies with simpler financial reporting requests are known as micro-entities. The following two measures must be met by such micro-enterprises: The balance sheet shall be £316,000 or below, and the income shall be £632,000 or lower.

For small and medium-sized enterprises, the term MSMEs is used in Kenya. Under the 2012 Micro and Small Enterprise Act, KES 500 000 is the maximum annual income for micro-enterprises and fewer than 10 employees.

The National Small Business Amendment Act (2004) in Southern Africa describes micro-enterprises in various industries as enterprises with five or fewer workforce and turnover up to R100.000, which vary from manufacture to retail. Very small enterprises have a workforce of 6 to 20, and small enterprises have 21 to 50 employees.

The top turnover ceiling for a small enterprise range as low as R1 million in agriculture and as high as R13 million for food preparation, lodging, as well as other businesses, the manufacturing sector, and the wholesale sector, as high as R32 million. In the middle of business, the highest income varieties vary, starting at R5 million in agriculture and highest at R51 million in production and wholesale with R64 million, trade managers, and allied services sector, with a population of up to 200 employed (100 in the agriculture sector).

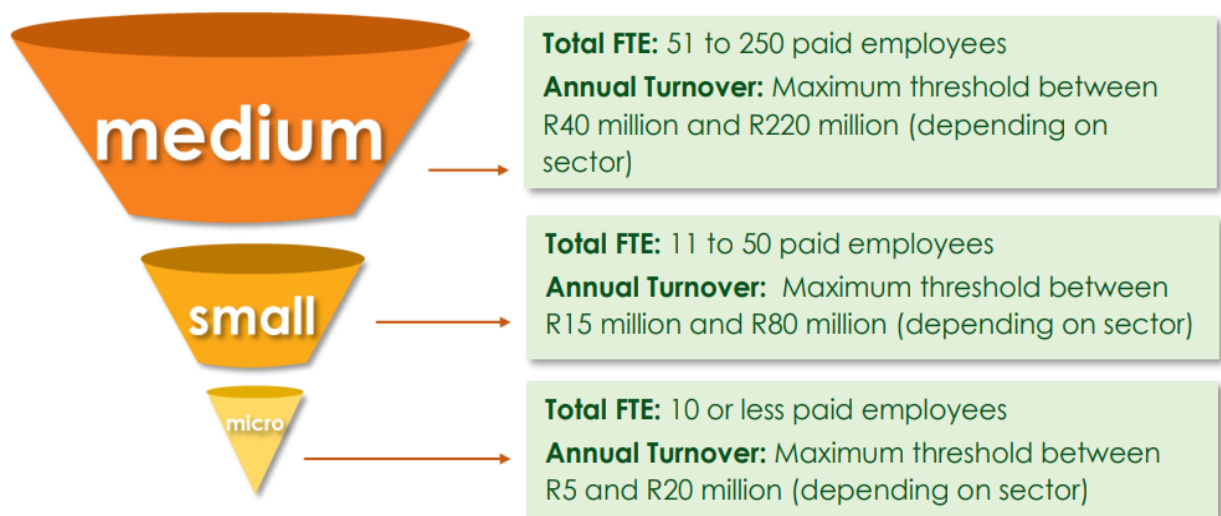


Figure 1: The overall range for classification for small enterprise

The DSBD point bears witness to and illustrates that the prevalent criterion for selecting SMMEs in South Africa have included the number of employees, the size or category of enterprise, the industry, and annual sales (Seda, 2020).

Coronavirus (COVID-19) is a newly detected coronavirus-borne infectious disease. Most COVID-19 infected individuals suffer from mild to modest respiratory disease and are recovered without special therapy. Elderly people and people with pre-existing medical conditions such as cardiovascular disease, diabetes, chronic lung diseases, and cancer are more likely to contract severe illnesses. The COVID-19 virus spreads mostly through saliva droplets or nasal fluctuation if a person is infected and coughs or sneezes (COVID-19 – World Health Organization, 2021).

In particular, several countries strictly adopt preventive measures, such as adequate hygiene, lockdown, frequent washing of hands, personal protective equipment (e.g., masks and gloves), and cough etiquette (de Caro, Hirschmann, and Verdonk, 2020). The Pandemic from COVID-19 peaks at unmanageable levels is crucial to all these mechanisms.

The unforeseen beginning of the COVID-19 scourge has caused stuns throughout the planet, which has majorly affected how we live and work. Because of measures like forbiddances on movement and social distance, creation and supply chains have been upset, and request stun has been reinforced. However, there are leading companies in the middle of this epidemic that adapt successfully to the changes (Sarkar and Clegg, 2021).

2.3 THE IMPORTANCE OF SMME'S IN THE ECONOMY

SMMEs are the primary economic growth drivers in every country. They are an important source of job creation, entrepreneurship, and innovation in the country and are thus necessary for fostering economic growth, work opportunities, and alleviating poverty, as well as acting as catalysts in society (Wadood, 2013).

The contribution of Gross Domestic Product (GDP) ranges from 16% to 51% of low-income SMEs in high-income countries. 95% of companies worldwide account for SMEs, and more than 60% of workers in the private sector have an employment rate (Oecd.org, 2021). It is also maintained that around 40 percent of all economic activities in the country are contributed by SMEs and remain important to the country's socio-economic growth. SMEs have also been confirmed to contribute to a country's GDP. In the South African context, the contribution of SMEs to 42% of national GDP is estimated with up to 50% of all jobs.

Formal SMEs have improved their contribution to the gross value, 2010 was 18%, and 2015 it increased to 22% (Bureau for Economic Research, 2016:31), and according to the GEM and the BASA, SMMEs creates 50-60% jobs while contributing between 35%–45% to GDP (Long, 2016).

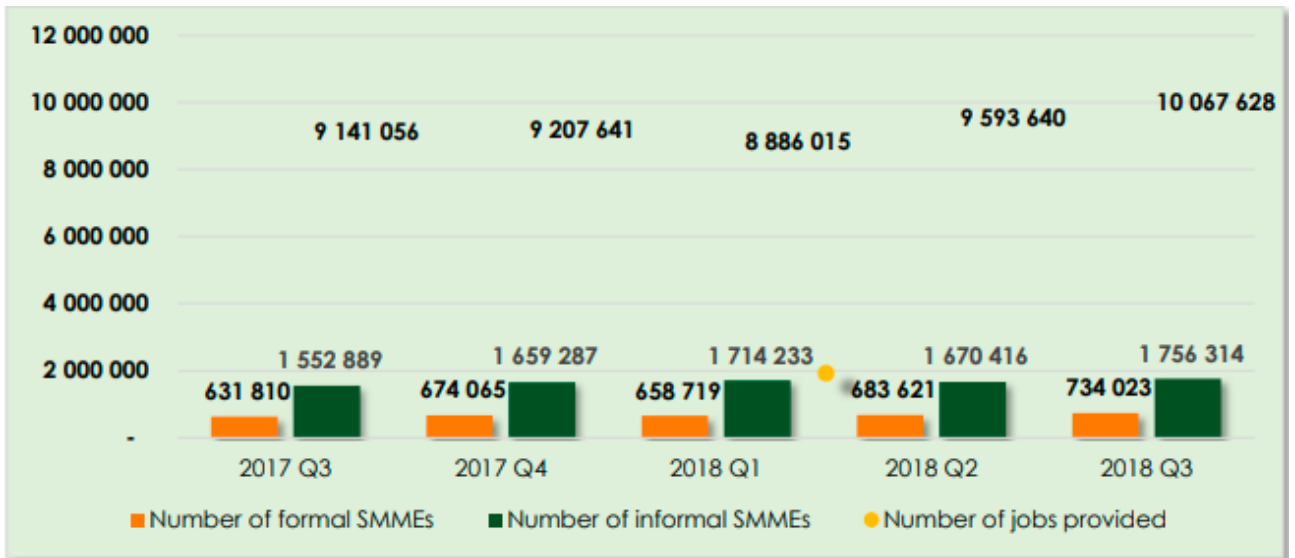


Figure 2: Major Indicators and Trends (Seda,2019)

Because of the state's numerous casual or non-enrolled organizations, the extended obligations of SMMEs to GDP in South Africa are changing. The tangible impact of SMEs on the South African economy, jobs, and GDP is thus difficult to determine, if not impossible. Nevertheless, it is impossible to underestimate the value of SMMEs for the economy as SMMEs create 65 percent employment opportunities and are the largest contributory contributors to private jobs in South Africa, according to Busa Unit South Africa (2019).

According to (Leboea, 2017: 11), in recent years there has been a much greater awareness of the importance that SMMEs participate in gradual countries like South Africa, in addition to the major contributor SMMEs make to a economic growth of such countries. In comparison to their larger corporate counterparts, SMMEs are regularly described as efficient, and they may also be shown as greats in terms of employment creation. Furthermore, SMMEs are regarded as the stream that feeds big business, keeps big business running, and serves as the fuel that SA's economic engine utilizes to grow.

2.4 CHALLENGES FACED BY SMME'S DURING COVID-19

SMMEs and cooperatives play an imperative role in economic and social growth in South Africa and contribute significantly to GDP and jobs (Department of small business development, 2021). However, they face numerous barriers to growth and development, leading to high failure rates and avoiding the industry's full potential as a catalyst for

economic transformation. If a factually large, completely exogenous destructive shock has an alleged impact on large parts of the private sector, state intervention is required to avoid both distinct and macroeconomic hardships. The point that a rare event has hit whole sectors without fault also means that moral risks usually posing public support problems for companies are far less a problem in Coronavirus disaster (Bonardi, Brühlhart, Danthine, Jondeau & Rohner, 2020:15).

Knowledge is the most important asset in the economy. It's what we buy on the market and sell. Saleh and Ndubisi (2006: 1-14) specified a lot of problems faced by SMEs, and these include low productivity, no financing support, limited managerial capabilities, limitations of access to markets and technology, along with heavy regulatory burden. As stated in the Global Entrepreneurship Monitor report of 2015-2016, South Africa received a low score of 3.1 out of 9 for sound policy decisions, taxes, and bureaucracy, indicating the South African government's ineptitude (Herrington, Kew & Mwanga, 2016:104). Below are the top three but not limited challenges identified as hindering progress and growth of SMME's internationally and nationally, including the Mangaung Metro Municipality, and these challenges have worsened during the COVID-19 Pandemic.

2.4.1 Regulations and legislations during COVID-19

In terms of its contribution to GDP, the creation of jobs, and the expansion of prosperous and healthy economies, the contribution of SMEs to the global economy is important. By default, companies are legal entities with rights to economic activities, such as contracts, ownership of a property, holding obligations, and opening banking accounts, while they conduct their own business (Mahmudova and Kovács, 2018:1).

In many developing countries, SME growth is most restricted by rules and legislation (Herrington & Kew (2017) and Nyamwanza, (2016). South African companies had 2,251,821 in 2015. With 667 433 enterprises officially compliant and the majority of 1 497 860 informal SMME (BER, 2016). These records rose slightly from 2,180,000 SMMEs in 2008, 666,500 of which are registered entities. 933 formal entities were created in eight years.

South Africa relies on Small and medium enterprises for economic security, economic expansion, and work opportunities; however, the effect of rules and regs and modifications has a massive effect on SMME survival and growth. Conformance with regulatory standards is regarded as a major impediment to SMME growth. Even though they oftenly lack staff members or internal capacity to manage these matters, the compliance cost is onerous in contrast to their turnover (Krause, Ackermann, Gayoso, Hirtbach, Koppa, & Siciliano Brêtas, 2010).

Nieuwenhuizen, (2019: 666-677) states that the Government of South Africa has failed to achieve its objective of providing the environment for SMMEs to stimulate and empower them. More obligation is needed to instrument existing government growth plans, to put an end to the steady growth in regulations, and to concentrate on limiting burdens on SMEs; she further reiterates new, and growing businesses are creating growth and employment. By forcing extra expenses and rules on current ventures which add to the nation's economy, consideration is diverted from invigorating development and undertaking. To solve the problem of smaller businesses and progress, the state ought to focus on generating a business start-up and development environment without political action.

The most burdensome red tape issues cited by SMMEs are SARS, and BEE, mandated by regulatory law requirements, municipal matters, and labor issues. SARS was recognized as the most complicated and time-consuming disease to treat (SBP, 2013:6). The same issues have been identified as significant growth obstacles (SBP, 2013:12). According to the findings of the study conducted by Mahadea (2008), respondents perceive income tax, VAT, the Skills Development Levy (SDL), as well as the UIF) as time, funds, and opportunity costs.

Furthermore, labor laws are viewed as a major impediment to the development of SMMEs. As a result, the Government does not appear to be assisting SMMEs in reducing the burden of complying with multiple regulations (Cassim, Soni & Karodia, 2014:37).

Municipal rules and regulations add to the paperwork that small and medium enterprises must deal with. Municipal bylaws can be restrictive and may not be required to enhance SMME development. Residential properties, for instance, cannot be utilized for

commercial purposes unless zoned as such. Many SMMEs operate from their residences, which is against municipal zoning bylaws.

Another example is compliance with Health and Safety regulations. SMMEs must focus on ensuring that their commercial premises comply with these regulations. Financial penalties and other penalties apply when a residential building fails to adhere to these rules. Local bylaws are strictly enforced by the municipality, and many small and medium enterprises are fined or forced to close if they keep violating them. SMMEs, in contrast side, believe they face an overly strict and punitive regulatory environment.

2.4.2 Limited access to local and international markets

SMME managers and owners must understand the workings of competing in their industry in order to survive and succeed. They must also acquire competencies and skills that will give them a competitive advantage in the market. SMMEs must scan and interpret changes in the environment to comprehend market dynamics, especially the extent of future and current competition. This will assist them in maintaining the viability and performance of their company. The magnitude of competition and possible rivals influence the prospective and growth opportunities of the SMME market. Despite the fact that the degree of competition between many firms ways unique across industry sectors (David, 2007:86).

Market is an important pathway for business survival and growth. Although Small and medium enterprises are more dynamic and opportunistic in general than larger firms, they are not immune to huge reductions in demand for one's commodities (Cowling, Liu, Ledger, & Zhang, 2015).

Difficulties in accessing markets and finding and retaining customers have been identified as major challenges for South African SMMEs. According to a study initiated by the DSBD (2017a), market access for SMMEs is difficult for a variety of reasons, the most prominent of which are as follows:

Large private companies control approximately 90% of the economy. These large companies frequently control the majority of the market, making it difficult for small businesses to enter the market. In other cases, large companies have established relationships with suppliers and, as a result, are unwilling to do business with new, small companies with a short track record.

Because SMMEs have difficulty accessing finance and funding, they are unable to expand and provide goods and services to the market to build consumer trust and compete with large private companies.

Many SMMEs are also hampered from entering markets due to a lack of resources and networks to overcome structural barriers. Many SMME owners lack the knowledge, skills, and access to information needed to properly assess the market and identify gaps and opportunities. Lack of access to technology makes it even more difficult for small business owners to use technology and associated platforms to access the market and promote their products.

According to Forbes (2017), the SARS eruption caused a significant drop in private consumer spending due to limited mobility and declining consumer confidence, resulting in a highly uncertain and volatile atmosphere for SMMEs that needed rapid adjustments to changes in the marketplace associated with the labour force, supply chains, and consumer demands. Previously, the market growth changes encountered by various industries in the aftermath of disasters were investigated, and it was revealed that retail businesses experienced started changing buying habits in post-disaster phases, including such decreases in luxury products consumption. Because the large percentage of SMMEs are private and thus reliant on regular client traffic for survival, the epidemic's decreased market demand hit them the hardest.

Because COVID-19 is a highly contagious and lethal virus, as stated by Lu, Wu, Peng, and Lu (2020), people's sense of feelings of inadequacy was significantly increased, with many suffering serious panic. Face-to-face contact services suffered a severe setback as a result of widespread fear of infectious disease through such interactions. Consumer confidence has continued to have a massive effect on their current level of satisfaction and their anticipations for the nearish term. Customers avoided shops, eateries, and

entertainment venues due to the anxiety and panic surrounding the epidemic, and travelers forced to cancel trips. Moreover, because the limits imposed to comprise the virus outbreak forced people to stay home, economic growth and social request were stifled.

2.4.3 Limited access to financial resources

All businesses require capital to get started and grow. According to Foxcroft, Wood, Kew, Herrington, and Segal (2002), in South Africa, 75 percent of SMME loan applications are rejected. FinMark (2006) discovered that only 2% of new SMMEs in South Africa have access to finance. SMMEs frequently struggle to obtain bank financing, owing to a lack of collateral security, the required bank deposit, or credit history. Another reason for SMMEs' inability to access bank financing in South Africa is the poor presentation of business plans.

During previous disasters, governments implemented a variety of assistance policies and measures to assist their SMEs. Many governments are responding much more proactively and forcefully to the COVID-19 pandemic, which is likely to contribute to post-disaster recovery and long-term resilience for SMEs.

As stated in the banking organization report (2019), Prior to the lockdown, a large percentage of the businesses had taken on debt. This, combined with the fact that only 34% of businesses had cash reserves, meant that the inability to generate income during lockdown level 5 put an unfathomable financial strain on the businesses.

The majority of the businesses that made it through the lockdown had been in operation for more than three years. During the lockdown, start-ups and early-stage businesses were the hardest hit. Businesses earning less than R120,000 per year experienced the greatest number of closures. These are also the companies that are least likely to qualify for funding.

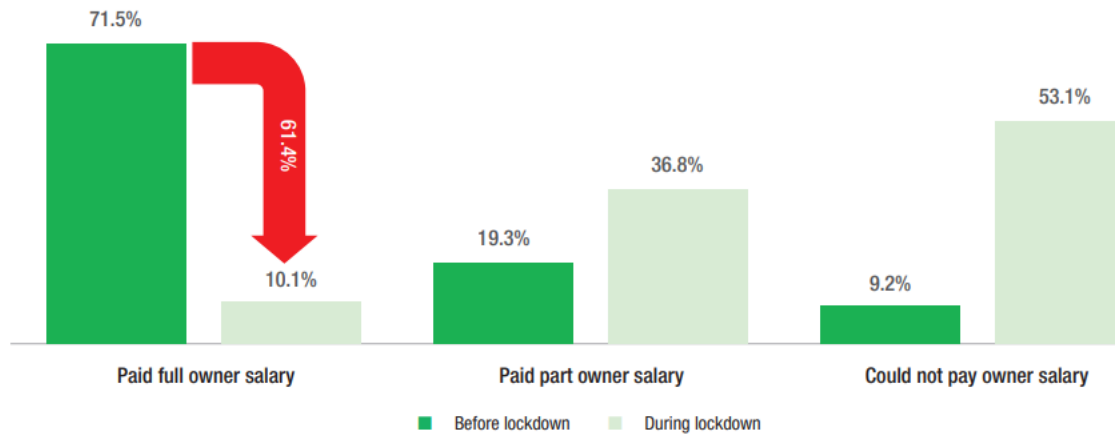


Figure 3: The Ability of businesses that remained open

The report further demonstrates above how businesses struggled to even remain open due to the inability to generate enough turnover to pay the salaries of their employees. The owners prioritized paying their employees, overpaying themselves. During the lockdown, 53.1 percent of employees were not paid.

It is also important to note that lenders (banks, DFIs, and formal SMME lenders) examine the owners' personal bank statements to ensure that they have a consistent monthly income deposited at the same time each month. This is one of the criteria used by lenders to determine whether or not to grant business loans. Small businesses, on the other hand, operate in a different manner. First, they pay their employees and key expenses (especially their suppliers), and then they pay themselves when cash flow allows. Due to cash flow timing issues, owners frequently pay themselves after the end of the month. This data conclusively demonstrates that lenders must reconsider their "one-size-fits-all" credit application methodology, as the majority of SMMEs, particularly at a time like COVID-19, will fail this test.

2.5 GOVERNMENT INTERVENTION DURING COVID-19

States from all over the world responded with aid initiatives. During the early stages of the Pandemic, the Paycheck Protection Program (PPP) in the United States was the largest program providing funds to small businesses, with a volume of \$650 billion (Bhutta, Blair, Dettling and Moore, 2020).

The Small Business Administration (SBA)-managed program made loans to small businesses through banks, credit unions, and other financial institutions, with the goal of keeping small businesses open and employees employed (Fairlie and Fossen, 2021).

In China, measures began in February 2020, when the Chinese central bank unblocked loan extensions or renewals to companies and announced a reduction in banks' mandatory reserve ratio. In the midst of the crisis, the Government unveiled a package to assist SMEs in digitalizing. A wide range of policy measures for SMEs have been announced at the regional level in China, including deferred tax payments for SMEs, reduced rent costs, waived administrative fees, subsidizing R&D costs for SMEs, social insurance subsidies, subsidies for training and purchasing teleworking services, and additional funding to encourage SME loans (KPMG, 2020).

According to the 2020 GEM report, in response to the COVID-19 Pandemic, 54 national governments made emergency policy decisions and took action (GEM report, 2020). Extraordinary amounts of state aid were directed toward bolstering economies all over the world.

In addressing the challenges faced by SMME's during COVID-19, President Ramaphosa presented measures and policies to help in reducing the economic impact of the COVID-19 outbreak on SMME's. To name one, Debt Relief Finance Scheme was implemented for enterprises that were affected negatively due to the COVID-19 epidemic. It provides a low-interest loan facility to help SMMEs to ensure their business survives during the Coronavirus pandemic.

The South African Government offered several interventions to try and mitigate the blow, especially to small businesses, to try to contain the economic and employment consequences of the Government's 21-day lockdown in South Africa. The Government established a Solidarity Fund to support pandemic measures and to help small enterprises (Visser, 2020:1).

After announcing the lockdown, the Government of Swiss progressed swiftly to pay damages to the workers involved and, to a lesser degree, companies. 42% of sample firms availed of at least one of the three arrangements (Short-term work and income

substitution for income from work and corona loans to meet the outstanding liquidity needs), and 8% made available of all three (Brühlhart, Lalive, Lehmann & Siegenthaler, 2020).

In 2020, the Government introduced measures and policies to help in reducing the economic impact of the COVID-19 outbreak on SMME's. To name a few, Debt Relief Finance Scheme was implemented for enterprises that were affected negatively due to the COVID-19 epidemic. It provides a low-interest loan facility to help SMMEs to ensure their business survives during the Coronavirus pandemic. Business Growth Facility is for businesses producing locally or supplying hygiene, medical products, and food items that are in demand to control and curb the spreading of the Coronavirus. Tax relief scheme, SMME's need to be tax compliant to qualify for government financial support (South African Government, 2020).

According to SAnews, 2021, To aid in recovering from the coronavirus epidemic and to save employment, the Free State Department for Economic, Small Business Development, Tourism, and environment contributed over R30 million to SMME's. A total of 741 jobs with Mangaung Metro have been created from Free State businesses to help them to regain their feet.

2.6 CONCLUSION

This same South African government had also fallen short of its goal of creating a visually stimulated and ideal solution for SMMEs. Greater devotion is essential to carry out all the government's development plans, to stop the constant rise in regulatory requirements, and to concentrate on reducing the red tape which affects SMMEs.

In terms of opportunity entrepreneurs, South Africa ranks 50th out of 60 countries (Kelly, Singer, & Herrington, 2016). According to Nieman and Nieuwenhuizen (2009:31), education is one of the most significant barriers to entrepreneurial activity in South Africa, and it is undoubtedly related to all entrepreneurial activity. The lack of management skills among SMME owners and managers can be attributed to a lack of education and training. Education and training aid in the development of management competencies, which are necessary for the success of the enterprise.

SMMEs should have access to a database of qualified, skillful, and motivated employees in order to perform well and grow. Given the challenges SMMEs face in accessing finance, hiring skilled labor is difficult and costly. Labor must be decided to hire at a cost that is within the variables of worker protections such as the Jobs and Minimum Wage Regulations, as according Fatoki and Garwe (2010:732). Infrastructure quality may also have an effect on SMME future growth. Most developing nations, including South Africa, face this issue. To address the problem of limited operating establishment and growth, this same state should focus on creating a business-friendly environment while attempting to avoid political intervention.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION

This study seeks to identify the challenges faced by SMME's in Mangaung Metro Municipality, Free State Province during the COVID-19 Pandemic, how these challenges affect their business, and what are possible solutions in addressing these issues identified. It was indicated in chapter 1 that this study is based on qualitative methods. According to (Teherani et al., 2015), the systematic investigation of social phenomena in natural settings is known as qualitative research. These phenomena include but are not limited to how people perceive aspects of their lives, how individuals and/or groups behave, how organizations operate, and how interactions shape relationships. The primary data collection instrument in qualitative research is the researcher. Qualitative research examines events and their outcomes viewed through the sight of those who are involved.

The study follows the interpretivist analysis model. Interpretivist believes that every analysis strategy must take into account the distinctions between individuals and things Bryman, Bell, Hirshshon, Dos Santos, Du Toit, Van Aardt, Wagner (2014:14). This is accomplished by analyzing the researcher's conversations and interactions with the subjects. This design primarily employs interviews as data collection methods. As a result, an interpretive approach was determined to be the most appropriate methodology to use in the current study.

The structure of the empirical study will be outlined in this chapter. It includes a description of the participants, an explanation of the measurement instruments, and an explanation of the data collection method. The study subjects were chosen because they face these challenges in their small businesses and are thus likely to be the most knowledgeable and informative about the phenomenon under investigation.

3.2 RESEARCH METHODOLOGY

This methodology will focus on the research design, sampling, and specified methods and procedures for the gathering of data.

3.2.1 Research design

Cooper and Schindler (2008) contend that an appropriate research design must be chosen before any research study can begin because the research design establishes the parameters within which data collection, measurement, and analysis will take place in order to best answer the research questions. Bryman (2008) agrees with this definition of research design but adds that it gives an indication more about priority being given to a scope of magnitudes of the research process.

The qualitative research design method will be used for this study. Qualitative research includes the collection and evaluation of non-numerical data to understand ideas, concepts, or perceptions (e.g., video, text, or audio). It is used to gain a detailed consideration of a problem or to generate new ideas for research. It entails gathering and evaluating numerical data to perform statistical analysis (Base and Research, 2021:4). According to (Flick, 2018), Qualitative research aims to analyze concrete cases in their temporal and local specificity, beginning with people's expressions and activities in their local contexts. The qualitative research approach seeks to ascertain the experiences of the individuals under investigation.

According to Duque-Páramo, (2019), an important aspect of qualitative research is that, because of the close relationship established between the researcher and the participants, it is easier for the participants to contribute effectively, filling gaps between scientific evidence and professional practice.

The study follows the interpretivist analysis model. Interpretivism believes that every analysis strategy must take into account the distinctions between individuals and things Bryman, Bell, Hirshshon, Dos Santos, Du Toit, Van Aardt, Wagner (2014:14). This study aims to understand the challenges faced by SMME's during the COVID-19 Pandemic in Mangaung Metropolitan Municipality and how they are affecting SMME development.

The overall objective is to find solutions and be able to mitigate these challenges therefore ensuring businesses thrives during and beyond the pandemic. This study allows for participants to freely express their views and justify their actions.

3.2.2 Population

Wiid and Diggines (2013) define a population as "a large number of units, or objects that can be instruments for observation." The phrase "population" signifies the total number of persons who must provide information.

Mangaung has a population of 747 431 people, of which 83% are black Africans, 11% are white, 5% are colored, and the remaining 0.7% are from other ethnic groups. Of those aged 20 and up, 4.7% have completed primary school, 33.2% have some secondary school, 30.3% have completed matric, and 14.2% have completed some form of higher education. 4.3 percent of this group has no formal education (Statssa,2011).

The population study will consist of SMME's in the Mangaung Metro Municipality, Free State. Small Enterprise Development Agency (SEDA) database of registered SMME's in the Mangaung district will be used with a sample size of 3 020 business owners/managers, 30 businesses were chosen based on similar characteristics, such as businesses that have been operational two years prior COVID-19 pandemic with an annual turnover between R500 000 and R5 000 000 and have more than 2 employees in the business, but for this study and due to limitations on face-to-face interviews due to COVID-19, a representative sample size of 20 SMME's will be used.

3.2.3 Sampling

A sample is defined as a group of cases, participants, or records drawn from a subset of the target population and carefully chosen to represent that population (Cooper & Schindler, 2008). Choosing which sample size of it to use is often a case of reasoning rather than calculation, writes Wiid and Diggines (2013). The researcher must select a sample large enough to yield a reasonably precise estimate of population values while remaining economically and practically feasible.

Cooper and Schindler (2003:179) define sampling as the method of selecting a representative sample or segment of a population to determine the features of the whole population. According to Motlhaudi (2016), gathering data on the overall population is impossible due to time and budget constraints; choosing a sample size from of the target group indicates that the research enjoy the same rights about the population, that also enables for prediction.

Table 1: Types of Non-probability Sampling

TYPES OF NONPROBABILITY SAMPLING	DEFINITIONS	ADVANTAGES	DISADVANTAGES
1. Purposive sampling	Entails the researcher handpicking the subjects on the basis of particular characteristics, thus ensuring a balance in the selected groups	Useful when large samples are not required	The opinion of researchers vary regarding the population elements that should be selected.
2. Quota sampling	Ensures the selection of adequate numbers of subjects with appropriate characteristics.	Faster and less costly as it enables the interviewer to interview any individual who is available and fits the criteria	The interviewer's own judgement or discretion when selecting respondents largely influences the quality of the data obtained
3. Snowball sampling	Entails subjects with the appropriate characteristics giving referrals for subjects with similar characteristics	Used to gain access to populations where the sampling units are difficult to identify	The exclusion of significant sections of the population makes the sampling biased in nature.
4. Convenience sampling	An inexpensive method that ensures sufficient numbers of a study based on the convenience of the researcher	It is convenient as individuals who are in the same place at the same time as the researcher have the possibility of being selected	The sample is not representative of the population, No reliable generalisations can be made.

Source: Bryman, et.al 2014:165-186

In this study, the purposive sampling method will be used. This method of sampling will allow participants to be chosen solely on the basis of the essential characteristics that make them the holders of the data required for the study (Nieuwenhuis, 2007: 79). According to the study's purpose, the subjects will have some specific characteristics and expert insights into the challenges faced by SMMEs. Purposive sampling is a type of non-probability sampling that involves gathering information from people who have specific knowledge about the phenomenon under study.

The participants will be selected because they are active in businesses and have been operational two years prior COVID-19 pandemic with an annual turnover between R500 000 and R5 000 000 and have more than 2 employees in the business. They are also chosen because their businesses are experiencing these challenges hence, they are considered to possess relevant knowledge during this COVID-19 Pandemic.

Because the study is qualitative and exploratory in nature, it is limited to research participants who are thought to be most relevant to the study, implying that the sample size is allowed to be small (Payze, 2004). The content of the information is more important than the size of the sample in qualitative research.

The Mangaung Metropolitan Municipality is classified as a Category A municipality. It is located in the Free State province, in South Africa's central interior. The state which has seen the fastest development in the last five years as a result of increased government programs in livelihood improvement interventions, drives the economy. Due to active real estate and construction activities, the finance sector is the second-fastest-growing sector. SMMEs play an important role in the Mangaung economy in terms of job creation, income generation, and output growth (statssa, 2011).

A sample size of 20 SMME's within Mangaung municipality will be used; this sample will include representatives from Bloemfontein, Thaba-Nchu, and Botshabelo due to COVID-19 restrictions, which might limit the interactions in other towns. A Non-Probability study will be used to select the sample. A non-probability is when the sample used has not been selected using an unplanned selection method, implying that some units in the population are more biased to be selected than others (Bryman, et al. 2014:178).

For this study, a sample will be drawn from the existing Seda Mangaung database as it is readily available, and permission was granted.

The selection is equitable, a sample size selection will be diverse as it will be taken from other business advisors within the Mangaung branch. In mitigating conflict of interest, data will be collected from other colleagues' client portfolios and those that are directly linked to the researcher's portfolio, one of the colleagues not linked to the client will be asked to conduct the interview to ensure objectivity. The sample size will aid in the simplification of the data collection process, resulting in more precise data from respondents.

3.2.4 Recruitment strategy

As previously stated, the Mangaung Metro Municipality has a total of 3 020 registered SMMEs (as per Seda Mangaung database). Because this study took a qualitative approach, 20 of the 30 identified SMMEs were chosen for in-depth interviews. The 20 interviews will take place based on availability and positive feedback from owners/managers.

Personal visits will be made to respondents, while others will be contacted by phone to seek approval and schedule interviews. The request to conduct research on Seda clients was approved by the Seda Mangaung branch manager. To ensure that all participants are willing to participate in the study, they will be given a consent form.

3.2.5 Data Collection method

The purpose of data gathering is to obtain data in order to come up with a sensible and concise solution to an issue. This study will make use of both secondary and primary data. Primary information will be collected through qualitative interviews, while secondary data will be collected through extensive literature reviews, such as those conducted on the Seda website, reports, and the client database. Semi-structured interviews will be conducted to allow respondents to express their feelings and give personal input. In-depth interview methods will be used to reach more suitable information.

Personal and telephonic interviews will be conducted with the study subjects to collect data. Interviewing is done through the interaction of the interviewer and the participants.

For a variety of reasons, Imam (2021) states that personal interviews are preferred because both the respondent and the interviewer can make eye contact. The interviewer has the opportunity to explain the study and respond to any questions from the respondents. The interviewer can ask the respondent to elaborate on particularly important answers. It is possible to avoid misinterpretation and misunderstanding.

The interview guide will be used before starting with all interviews; it will assist in determining what questions to ask and in what order to ensure consistency with all respondents. I will start all interviews by explaining to all respondents why we are doing the study, the aims, and objectives, including the importance of their contribution to it. Sixty (60) minutes will be allocated per interviewee, and it will be done where it is convenient and comfortable for them. All sessions will be recorded to be able to better analyse all information and ensure no data is misinterpreted.

Conducting research in the midst of the COVID-19 pandemic, like other aspects of society, necessitates adaptation while maintaining research quality. Time constraints will be observed as during the pandemic, information must be generated in a shorter period. Social distancing is a major strategy for limiting virus spread by limiting close contact with others (Galea et al., 2020; WHO, 2020). All respondents will be screened before the face-to-face interviews and in cases where the client shows signs of COVID-19, a telephonic interview will be scheduled if it will be convenient for them. Face masks will have to be used and all participants will be sanitized as is required by the law. Social distance will also be always observed to ensure all participants are protected and adhere to the regulations. Because of this new reality, we must reconsider certain principles and practices when conducting qualitative research.

The research will employ open-ended questions. Open-ended questions are used alone or in conjunction with other interviewing techniques to delve deeply into topics, comprehend processes, and identify potential causes of observed correlation, according to Weller et al. (2018). Furthermore, the sample size for open-ended questions or qualitative interviews is primarily determined by data saturation, which is the point at which little new information is obtained from data collected from respondents, See Appendixes 2.

There will be no more interviews conducted once the data saturation point has been reached. If data saturation is not reached after 20 identified SMMEs, more samples from the Seda database will be sourced until data saturation is reached.

3.2.6 Analysis of Data

A sample size of 20 SMME's within Mangaung municipality will be used; this sample will include representatives from Bloemfontein, Thaba-Nchu, and Botshabelo. Data will be collected by conducting in-depth interviews with respondents. Coding qualitative data simplifies the interpretation of customer feedback. The researcher can understand better the response by allocating codes to phrases and words in each response. Thematic and interpretivist analysis techniques will be used.

3.3 ETHICAL CONSIDERATIONS

Bryman, et al. (2014:120), in the research design stage, states the importance of examining potential ethical issues rather than addressing them during the research process. Below are ethical principles that the research will abide by:

- **Permission to conduct research**, in conducting this study, permission will be sorted from my organization as I will be using its database as my sample, as well as the participants to ensure that they understand what is expected from them for this research, See appendixes 1 and 3.
- **Confidentiality and anonymity**- The participants will be assured that their views and participation in this study will be confidential, and their identity will be protected. A confidentiality agreement will be put in place as well as a non-disclosure.
- **Voluntary participation**- this will be strictly voluntary, the participants will not be forced to be part of the study, and should they not feel comfortable, it will not hinder any existing relationship.
- **No harm**- because all views will be confidential and anonymity will be applied, it will give assurance to the participants that their participation will not bring any harm to their businesses and damage their reputation for possible future business prospects.
- **Conflict of interest** - There will be no conflict of interest, as the researcher in this study is the professional business advisor at Seda, working with other advisors within the Seda branch. Data will be collected from other colleagues' client

portfolios and those that are directly linked to the researcher's portfolio, one of the colleagues not linked to the client will be asked to conduct the interview to ensure objectivity.

3.4 CONCLUSION

In this chapter, the research methodology will be discussed in detail. There will be an outlining of the background to the study, research design, sample selection, data collection methods and techniques, and data analysis. The introduction to the study includes all aspects highlighted above. A qualitative research design will be used. Personal and telephonic interviews will be conducted to collect and gather data. A purposive sampling method will be used, allowing participants to be chosen solely on the basis of the essential characteristics that make them the holders of the data required for the study (Nieuwenhuis, 2007: 79).

A sample size of 20 SMME's within Mangaung municipality will be used; this sample will include representatives from Bloemfontein, Thaba-Nchu, and Botshabelo due to COVID-19 restrictions, which might limit the interactions in other towns. A Non-Probability study will be used to select the sample.

Open-ended questions will be used alone or in conjunction with other interviewing techniques to delve deeply into topics, allowing participants to elaborate and express their views freely. The determination of sample size for open-ended questions or qualitative interviews will be based primarily on patterns and recognising the point of data saturation.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The previous chapter (Chapter 3) identified and investigated the study's background, research design, sample selection, data collection process, and data analysis process. This chapter aimed to present the information gathered by the researcher through face-to-face and telephone interviews. Representatives from Bloemfontein, Thaba-Nchu, and Botshabelo, Mangaung Metro Municipality, Free State, participated in semi-structured interviews.

To identify a pattern of association and trends, all participants were analyzed using the same questions. Although not all discussions followed the program's sequence, all interviews covered the introductory questions that established first if the participant is relevant for the study, such as understanding their business life cycle stage, how the COVID-19 pandemic affected their businesses, and challenges they faced during that period. The participants were then asked ten (10) open-ended questions that the researcher had purposefully chosen to answer the following research questions. The study was targeting to interview twenty (20) participants, however, data saturation was reached after we interviewed participant number thirteen(13).

- How to determine the drivers and challenges faced by SMME's during COVID-19?
- What are the challenges faced by SMME's during the COVID-19 Pandemic in Mangaung Municipality?
- How are SMMEs affected by the COVID-19 Pandemic in Mangaung Municipality?
- What are the solutions on how to mitigate challenges facing small businesses in Mangaung Municipality?

The study was motivated by the researcher's belief that SMMEs face numerous barriers to growth, they are faced with many challenges as discussed in Chapter 2, these challenges became more apparent during the COVID-19 pandemic.

4.2 ANALYSIS AND INTERPRETATION OF BIOGRAPHICAL DATA

Table 2: Demographic profile of the participants

Participants	Years in operations	Annual Turnover	Number of employees	Gender	City where the Participant is Situated
Participant 1 -	5 – 7 years	R1 000 000 – R 2 000 000	12	Female	Bloemfontein
Participant 2 –	15 years – 20 years	R2 000 000 – R 3 000 000	4	Female	Bloemfontein
Participant 3-	5 - 10 years	R1 200 000 – R 1 500 000	7	Male	Bloemfontein
Participant 4	5 - 10 years	R1 500 000 – R 2 000 000	5	Male	Thaba-nchu
Participant 5	10 - 15 years	R1 000 000 – R 3 000 000	10	Female	Botshabelo
Participant 6	10 – 15 years	R500 000 – R 1 000 000	3	Male	Bloemfontein
Participant 7	5 - 10 years	R1 000 000 – R 2 000 000	7	Male	Bloemfontein
Participant 8	7 - 10 years	R1 300 000 – R 2 000 000	15	Male	Thaba-nchu
Participant 9	5 – 10 years	R1 000 000 – R 3 000 000	9	Female	Botshabelo
Participant 10	10 – 15 years	R3 000 000 – R 5 000 000	21	Female	Thaba-nchu
Participant 11	5- 10 years	R2 000 000 – R 4 000 000	10	Female	Bloemfontein
Participant 12	10 -15 years	R1 000 000 – R 3 000 000	4	Female	Botshabelo
Participant 13	3 – 5 years	R600 000 – R 2 000 000	6	Male	Botshabelo

Source: Author

4.2.1 Gender

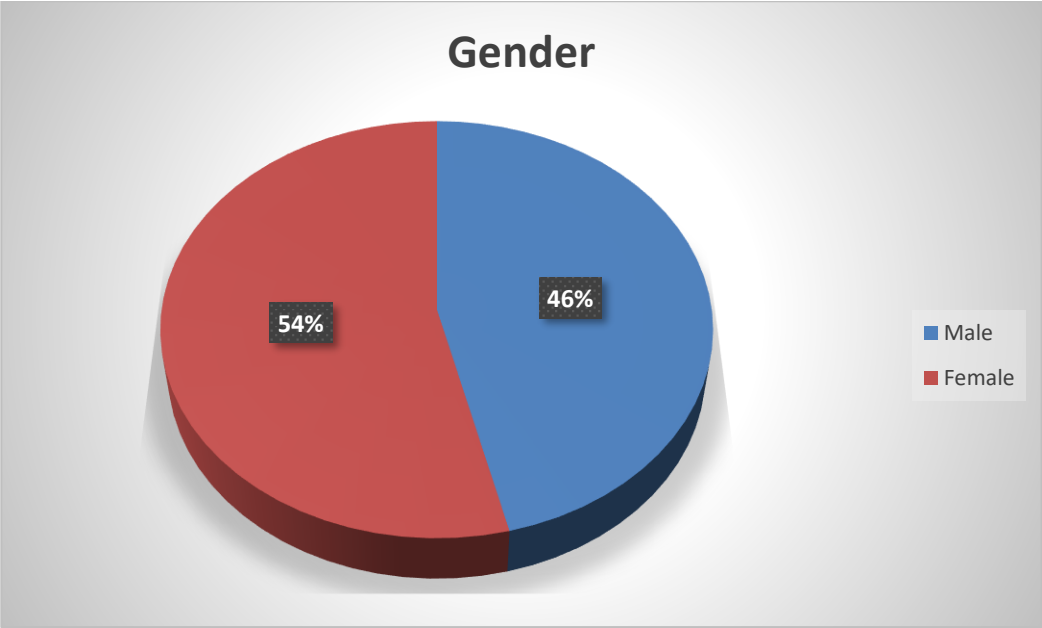


Figure 4: Gender

The data gathered in the qualitative study reflects both male and female perspectives. As indicated in figure 4 above, the research study included seven (54%) females and six (46%) males. Thirteen participants were interviewed, and all thirteen of them are business owners.

4.2.2 Number of years in operation

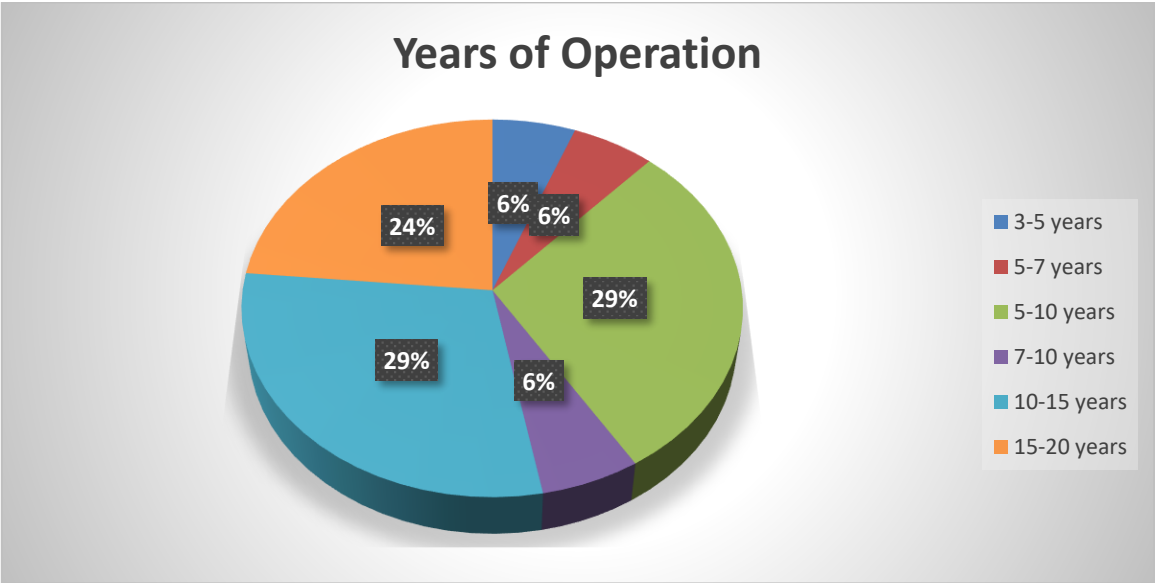


Figure 5: Years of Business Operation

The above figure 5 shows the number of years the company has been in operation; only one participant has been in operation for less than five years.

4.2.3 Turnover

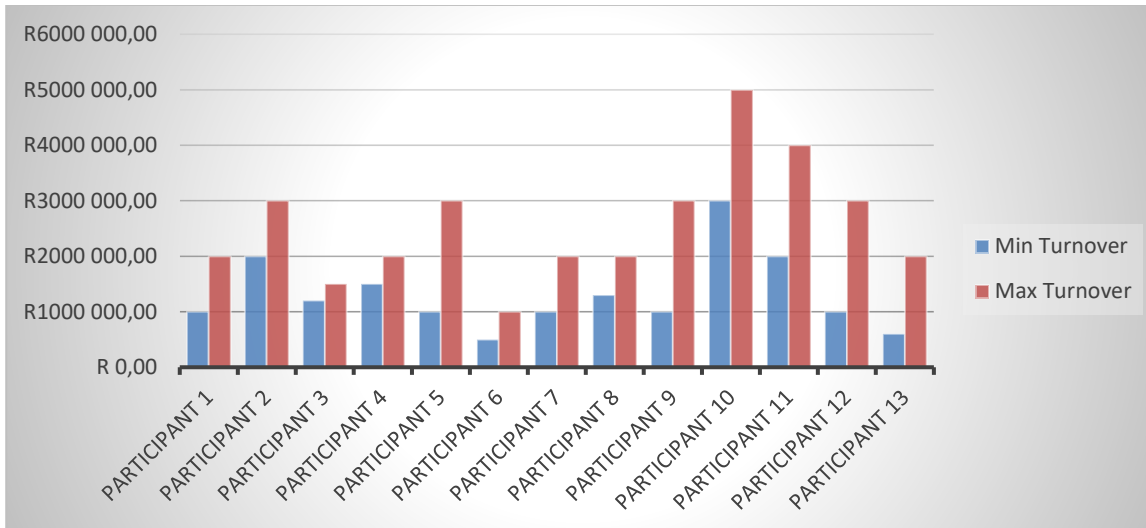


Figure 6: Business Turnover

As indicated in table 4.1 and figure 6 above, Participants 6 and 13 have annual turnovers of less than one million (R1m), participants 1,2,4,5,7,8,9,12 have annual turnovers of between one and two million, and participants 2, 10,11 have annual turnovers of more than two million (R2m).

4.2.4 Number of Employees

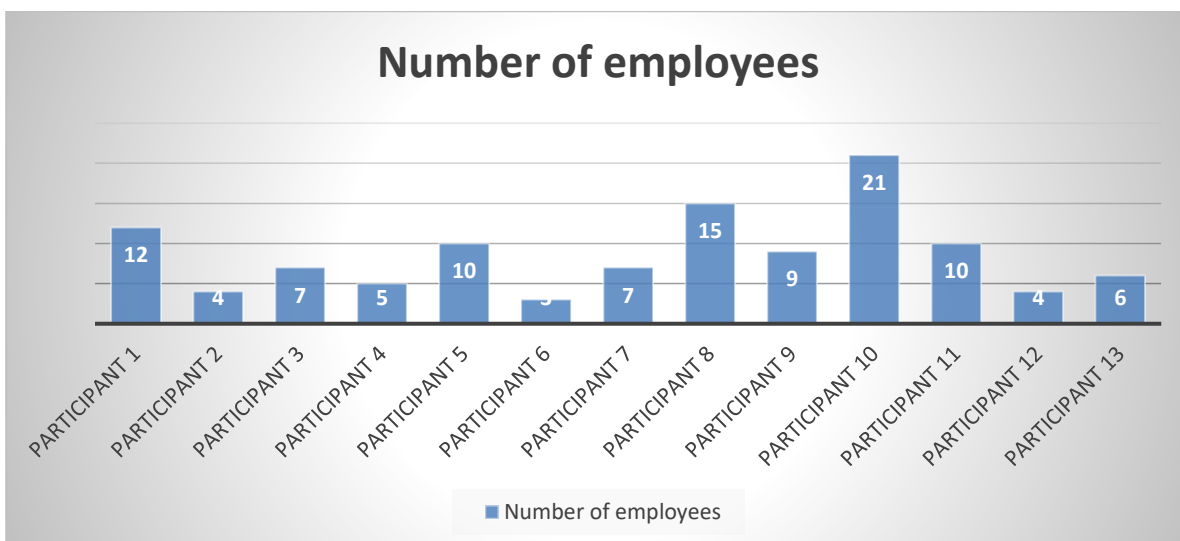


Figure 7: Number of Employees

According to figure 7, The number of employees in the businesses of the participants ranges from a minimum of three to a maximum of twenty-one. Participants (2,3,4,6,7,9,12,13) have fewer than ten employees, participants (1,5,8,11) have ten or more employees, and only participant ten has more than twenty employees.

4.2.5 Location of SMME's

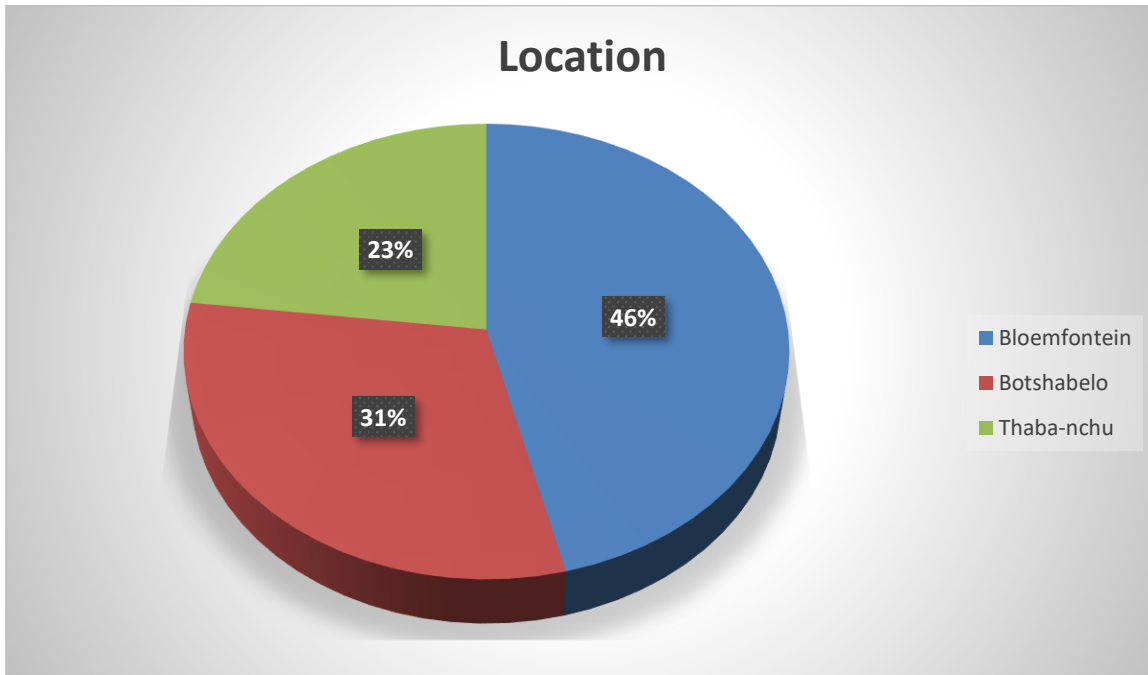


Figure 8: Business Location

Finally, as mentioned in Chapter 3, all participants are based in the three major towns within the Mangaung Metro Municipality: Bloemfontein, Botshabelo, and Thaba-nchu. Six participants are from Bloemfontein, four from Botshabelo, and three from Thaba-nchu, see figure 8.

4.3 ANALYSIS AND INTERPRETATION OF DATA

4.3.1 Lifecycle of SMME's

Before the themes are discussed, the lifecycle stage of the business will be discussed in order to establish the stage the business was at before the COVID-19 pandemic hit, this will assist in establishing and measuring the impact it had on the business.

Participants were asked, which stage of the life cycle was their company before COVID-19 (Start-up/Growth/Maturity /Declining).

Participant 3 - *Before COVID-19 pandemic, the business was at the growth stage, it was sustainable, and could meet all operational costs. The demand and clientele for our services were increasing.*

Participant 4 - *The business was in a maturity stage before the pandemic, it was well established and making money. It was able to meet all business obligations and very functional.*

Participant 13 - *although the company has been operational for two years prior the pandemic, it was showing already showing a great potential. The business had just established the brand and had solid customer base, with couple of contracts in place.*

The majority (69%) of business owners indicated that their businesses was at the growth stage when COVID-19 pandemic started. Their businesses had reached major milestones and sales goals, and they were in the process of exploring opportunities to further expose their products and services. They had established a customer base and were now concentrating on increasing sales and operations. 23% was in the maturity stage with a strong brand recognition and a stable or growing customer base, they were able to expand brand portfolio into new or existing markets. They had reached the point where all employees within the company understood all day-to-day processes and could now focus on the company's long-term goals. 1 participant (8%) was at the start-up stage, with great potential for growth as they were creating jobs and were able to make a turnover of more than R600 000 per annum.

The themes were identified from the information collected from the interviews are presented in the table below.

Table 3: Themes and Coding

Research Questions	Main- themes	Codes	Number of quotations
How are SMMEs affected by the COVID-19 Pandemic in Mangaung Municipality?	Job losses	JL	13
	Turnover decrease	TD	13
What are the challenges faced by SMME's during the COVID-19 Pandemic in Mangaung Municipality?	Lack of access to funding	LAF	9
	Limited access to local and international markets	LAM	8
	Strict Legislations and regulations	SLR	11
	Lack of training and education	LTE	12
	Lack of access to resources and proper infrastructure	LARPI	13
	Lack of access to technology	LAT	8
What are the solutions on how to mitigate challenges facing small businesses in Mangaung Municipality?	Not enough government support	NEGS	10
	Access to finance	AF	13
	Access to Markets	AM	10
	Access to Technology	AT	9
	Increased Training and Development	ITD	11
	Financial management	FM	8
Mentorship and coaching	MC	10	

4.3.2 Emerging Themes

The themes that emerged from the participants' responses, as depicted in Table 4.2 above, will be discussed in this section. For each theme, quotes from the discussion data will be used to justify the selection of a topic, followed by a discussion of the theme's implications.

4.3.2.1 Effects of COVID-19 Pandemic on SMME's during COVID-19 Pandemic

Participants were asked to explain how the COVID-19 Pandemic affected their businesses. Job losses and a decrease in turnover emerged themes as indicated in table 4.2.

Theme 1: Loss of Jobs

Participant 4 – *production at the factory decreased due to lockdown and when the industry opened the orders had decreased drastically, had to retrench half of the employees because business could not afford to pay them.*

Participant 5 – *given the sector we operate in, the demand for our products decreased, orders were terminated, and business had to retrench employees in order to manage the operating costs.*

Participant 7 – *COVID-19 pandemic crippled our revenue, company could only break-even as most clients need services on the ground. We worked with a large number of employees but less revenue led to less employment created.*

It is evident from the responses above that COVID-19 pandemic affected most of the business negatively, turnover decreased which further led to job losses. Workers lost part or all of their income as the coronavirus spread around the world and workplaces closed. Even if they continued to be employed, many employees were compelled to accept reduced hours and/or pay cuts because the company could not generate enough income to cover all expense. Most companies were forced to downsize their workforce.

Theme 2: Turnover Decrease

Participant 2 – *business was adversely affected as face-to-face trainings were stopped due to the pandemic, lost two contracts because there was no clause protecting the business. Lost all income from contracts as they were all put on hold.*

Participant 3 – *the pandemic affected the business negatively financially, customers couldn't pay for the services rendered thus causing back locks in service delivery which led to decrease in turnover.*

Participant 4 – *all sales were lost because there was no production and there no demand for the products.*

Participant 6 – *business was not making any money, had to stop all operations.*

Participant 8 – *Hospitality industry came to a standstill, had to cease all operations for some time because of all the regulations. Turnover decreased and jobs were lost.*

Participant 12 – *our business was categorized under essential services, we were able to still operate profitable, our turnover decreased as we also introduced new products.*

Participant 13 – *the pandemic brought growth into the business. The business was more profitable, and clientele increased, we were able to expand the market as well because our services were categorized as essential.*

Evidence gathered from participants regarding the COVID-19 crisis's impact on SMMEs reveals significant disruptions and worries among small businesses. The majority of participants reported a significant reduction in turnover as a result of the pandemic. Manufacturing and services decreased as demand decreased; in April 2020, their turnover was relatively low than their normal range. Two of the participants above indicated growth in their business as their services were categorized as essential during that period. They were able to increase profitability and expand their market.

4.3.2.2. Challenges Faced by SMME's During COVID-19

The following is a thematic analysis of the challenges faced by SMMEs during the COVID-19 pandemic.

Theme 3: Lack of access to funding

Access to finance is one of the most global problems that SMMEs face throughout their entire lifecycle. It is portrayed as a critical component needed to build and grow SMMEs, but many business ventures typically face difficulties in obtaining such a resource, particularly from private institutions. Government, municipality, and individual funding become their sources of funding.

Participant 1 – *Received no funding from municipality or other government institutions, , this meant that I had to use own funding which affected my personal finances as well as cash flow in the business.*

Participant 3 - *Lack of municipal and government support, as well as other private financial support. This implies that the company owner must seek its own funding.*

Participant 5 – *Access to finance was the most difficult encounter I had during the COVID-19 pandemic, I had to make use of my future savings in order to keep the business afloat and cover all other operational costs.*

Participant 6 – *Lack of access to finance was a big challenge in the business, could not cover operational costs, this implied that the owner would have to fund the business himself. Due to lack of funds, business had to close during that time.*

Participant 7 – *There was a barrier of access to funding due to requirements of daily income received requested by banks and other private lenders. Business received no finding from municipality or other government institutions. Lost contracts because they could not fund them.*

Participant 13 – *The biggest challenge was keeping up with the budget. Since we had to downsize, the amount generated was very little and could not afford to make our usual payments. Banks rejected our applications and government resources could also not be accessed.*

Funding is required for any business to succeed, including SMMEs. The respondents all agree that having access to finance is critical. Their businesses are in financial distress, and the Mangaung Metro Municipality is failing to play its role by assisting them. Because these businesses are considered high-risk, it is difficult to obtain funding from banks as well as other private lenders. Most participants had to fund their business activities during COVID-19 pandemic without any assistance from other stakeholders.

Furthermore, focusing on participant feedback, it's indeed evident that the rate of failure for bank finance for SMMEs who apply for finance is high, and a substantial chunk of SMMEs are specifically erased from the financial sector.

Theme 4: Limited access to local and international markets

SMME owners and managers must understand the dynamics of competition in their industry. They must also develop skills and competencies that will give them an advantage in the marketplace. Inadequate access to markets for services and products is one of the barriers to SMME success. Market access is rapidly and constantly changing as a result of sustainable development and product specifications, business regulations, certification, customs procedures, and requirements in local as well as in foreign markets.

Participant 1- *being in the agro-processing industry, it not easy to access local and international markets because of all the regulations and legislations that we must comply with. Although Seda is assisting with international markets access, all compliance processes are costly for the business.*

Participant 2 – *There are few tools available to coerce the private sector to help SMMs gain access to markets. Private institutions control estimated 90% of the economy, providing significant opportunities for small businesses, but entry barriers remain high.*

Participant 4 - *Large corporations frequently regulate the vast majority of the market, trying to make entry into the market difficult for small businesses. They already have formed markets with suppliers and are therefore hesitant to do deal with new, small businesses with a limited track record.*

Participant 8 - *High competition continues to be a barrier to market access; in the events management industry, there are many companies offering the same services, which can lead to fewer customers and thus less revenue for the company. This puts a great deal of pressure on you to stay relevant in the marketing space.*

Participant 11 – *Access to international markets has been a challenge for the business, we have managed to access a portion of the local markets through building relationships with large chain stores such as Game stores. We are in a clothing manufacturing industry and want our products to be exported to other countries, but we lack support and capacity to be able to carry out requests and meet the international standards.*

More than 80% of the respondents indicated Marketing as a critical tool for SMMEs' growth and development. Many SMMEs have difficulty finding markets for their products. When markets are secure, issues of poor quality of goods and services result in a lack of trust in their product. One of the major issues that SMMEs confront in terms of markets is that many business owners begin production without conducting adequate market research on their good or service. Sometimes stockpiling is caused by poor flow of information and a lack of advertising regarding supply and demand, rather than insufficient demand. Participants felt that government and local SMME development ecosystem partners should assist in this regard.

Theme 5: Strict Legislations and regulations

South Africa relies on SMMEs for financial security, growth, and work opportunities; nevertheless, the effect of legislation as well as changes has a massive effect on SMME survival and growth. Conformance with regulatory standards is regarded as a major impediment to SMME growth. Small businesses lack resources or internal capacity to manage these matters, the cost of compliance is burdensome in contrast to their turnover, and it is costly to delegate such functions.

Participant 4 - *Compliance with COVID-19 regulations was the most challenging obstacle as it came along with a lot of financial burdens. We did not receive any funding and had to fund everything from own pocket to ensure compliance.*

Participant 5 - *It was not difficult to comply with COVID-19 regulations staff was trained on safety measures and being in the clothing manufacturing industry, we manufactured masks for the staff and the public. Our difficulty was purchasing of sanitizers as they were funded from the cashflow of the business. However other regulations and legislation challenges remained the same. We are faced with red tapes from the moment the business is required to register, from registering with SARS to ensuring that the financial records are compiled and reviewed by an accountant. We must comply with Department of Labor, health and safety regulations because we work in the manufacturing industry and must ensure proper procedures are adhered to. All these regulations are prohibitively expensive for small, struggling SMMEs.*

Participant 8 - *Being in a hospitality industry, we do events and prepare food. It was not easy for the business during the start of the pandemic as the regulations were stringent, having to monitor all COVID-19 protocols to ensure we comply it was costly for us. Municipal bylaws also add to the amount of red tape that small and medium enterprises must deal with. They are stringent and do not promote the development of SMMEs. We operate from home, and our premises must be rezoned in accordance with municipal bylaws, as well as meet food safety standards; while all of these are required, they are quite costly to meet.*

Participant 13 - *Compliance to legislations and regulations is a big challenge. There are too many red tapes from when you need to be assisted with funding, you need to ensure all records are up to date and compliant.*

Most of the participants highlighted the importance of compliance in running a business, however, they indicated the challenges they faced regarding being compliant. In South Africa the regulations and legislations make it very costly to comply. SARS, mandatory regulations, municipal issues, Black Economic Empowerment (BEE) and labor issues have been identified as the most onerous red tape issues by SMMEs. SARS was identified as the most difficult and time-consuming.

Theme 6: Shortage of training and education

In South Africa, a major impediment to entrepreneurial behavior in the SMME sector is a lack of education. The lack of leadership skills among SMMEs' managers and owners has a significant impact on training and education.

Participant 2 – *On trying to shift to online training during the beginning of the pandemic was a challenge for the business, the majority of the people that we train do not have resources to be trained online, therefore skills training was limited.*

Participant 3 - *Lack of employee skills and training are a significant challenge because the company must spend a considerable amount of time training employees on how to perform the work. In the automotive space, on-job training is important and sometime fruitless for the employer as employees leave for other organizations after acquiring the necessary skills, and the owner has no recourse again.*

Participant 5 – *In the brick manufacturing business, if employees are not skilled it affects production, this may also result in a lot of wastage and loss of revenue.*

Participant 6 – *Being in the financial service business, it is difficult to get qualified employees to work with mainly because of level of education. Higher education is expensive, and many people are unable to access it. We mostly make use of contractual workers or outsource the skills which has proved to be also costly for the company.*

Participant 7 - *Lack of training, staff members do not have all the necessary knowledge and skills to contribute to the business.*

Participant 8 - *Lack of training has an impact on the business in the sense that sometimes employees, such as cooks in the kitchen, are not competent or well educated for the job. This is due to the company's inability to afford qualified employees. This also limits the business's ability to provide services and access to more formal labour market.*

SMEs must be capable of obtaining a pool of highly skilled, and motivated employees in order to have a good bottom line and sustain growth, which they are not. The inability of SMMEs to afford highly competent people is one of the primary reasons for their inability to

recruit the right talent. The comments of participants reveal a lack of business training. Due to a lack of training, procedures and business events have been poorly executed. They suffer from high staffing costs and a poor employee retention, as employees are constantly leaving for better-paying jobs.

Theme 7: Lack of access to technology

Following the outbreak of a COVID-19 pandemic, most companies were forced to face the challenges posed by global lockdowns. During this time, while some large enterprises had a competitive advantage, many smaller companies strived to fill the gap by moving their product offerings online. Technology still remains a challenge for SMME's due to inadequate skills and financial resources.

Participant 2 – *As a training service provider for SMME's, is it vital for the business to adopt to technology. During lockdown we had to stop having face-face trainings and move to doing online trainings. It was difficult because our small business does not have access to technology and those that do it comes at a high cost.*

Participant 9 – *Access to technology plays an important role in the hospitality industry, clients need to be able to access your services easily. As a lodge owner we need a booking system that enables our clients to book, pay and give feedback online. These kinds of systems are mostly used by large hotels and do not come cheap for small enterprises.*

Participant 10 – *Our business needs to digitalize, we are manufacturing clothing and it was quite evident during the pandemic that we need to adopt robotics in our business. If we had, we would have been able to continue uninterrupted with production with few employees. However, the company cannot afford that kind of technology and there are not enough support form government entities.*

Participant 12 – *moving from conducting training from face-to-face to online proved to be challenging as more people are still trying to navigate and understand all the online platforms.*

Most of the participants indicated lack of access to technology as their challenge especially during COVID-19 pandemic. Digitalization frequently necessitates a diverse set of skills, including technical knowledge, analytical abilities, and fundamental marketing abilities. As SMMEs consider replacing legacy systems with more modern systems, they will face stiff competition from larger organizations that can easily attract skilled personnel in these areas. As a result of the IT skills gap, SMEs fall behind with their journey because they lack trained personnel to utilize these new technologies.

Theme 8: Lack of access to proper infrastructure and resources

Businesses typically want to develop structure to boost production with machines and equipment, but expansion is typically limited. Due to limited resources, these infrastructure developments are not being met. Poor transportation infrastructure and a lack of public amenities such as energy, sanitation water, and telecommunications place significant constraints on SMME development in South Africa. The power outages, which began in 2008, are an example of the constraints that businesses face when critical services fail.

Participant 1 - *We have been struggling with getting a proper infrastructure for a long time. Food manufacturing must have adequate and proper machinery, equipment as well as infrastructure. As our clientele includes large retail stores, we need to comply with food safety regulations which are mostly reliant on the space we operate from. Accreditations required to be a supplier are stringent as well.*

Participant 3 - *Poor working conditions and infrastructure - At the moment, the municipality is not supporting the business. we had to fund our building located at the location. We struggled to get accreditation from RMI as they require our infrastructure to be of good standard compared to large automotive companies.*

Participant 4 – *We do our brick manufacturing manually; we need to access proper machinery and infrastructure to be able to penetrate the market further. Mangaung metro municipality is in charge of allocating land but to this date we have to rent the space we are operating from and is very costly for us.*

Participant 7 – *to survive and succeed in the construction industry, we need to have appropriate tools and machinery. Access to these resources costs a business a lot of money and we must rent the tools which decreases our returns. If we owned these resources, we would be able to grow our company, create employment and secure bigger contracts.*

Participant 8 - *a scarcity of resources, particularly in catering. This has a significant impact on the business because they lack all of the necessary resources and equipment such as qualified people, particularly in the kitchen, resulting in the firm failing to adequately satisfy the customer. As a result, customers explore options, limiting the company's ability to compete more effectively.*

Resources or services such as business premises, hygiene, transportation, telecommunications, and electricity are critical for the country's improvement and the success of SMMEs. All participants stated that they are suffering from one or more of such resources, which is negatively affecting their business. A well-managed infrastructure can serve as the foundation for an environment in which SMMEs can thrive and reach their full potential.

Theme 9: Not enough government support

Because there is no government assistance for SMMEs, owners should indeed rely on their own personal funds, which are regularly insufficient. The absence of government aid from the community . local through municipality has hindered the growth and development of these businesses. The operations are ineffective and inefficient as a consequence of limited funds and government support.

Participant 3 - *There is a lack of support from the local government. We had to establish a company with our own money or seek funding from outside sources like relatives and friends. We were unable to obtain funding from banks due to the numerous red tapes, and the government provided no assistance.*

Participant 4 - *Financial assistance from the local govt and municipal government is lacking. Because of the reduced production, this can have an impact on the business's day-to-day operations. This results in less the company's revenue.*

Participant 6 – *The local government and municipality are not providing financial assistance. This can have an effect on the day-to-day operations of the business due to the lack of access to information technology. Decreased clientele results in reduced company's income.*

Participant 9 - *Insufficient support from government and municipalities during the business's pandemic period. The company had created job opportunities and employment, but there was no government assistance.*

Participant 13 - *Financial assistance is not being provided by the government or other external stakeholders. Leaders divert funds meant for such reasons to other divisions, and it is hard to secure financing from external stakeholders including banks stability in terms and security of a new company.*

Many respondents felt that their governments did not provide financial assistance prior to and during the pandemic. Participants asserted for state assistance in the form of tax breaks, grants, subsidies, job training, and debt financing. This lack of assistance is particularly concerning given the high failure rate of SMMEs in the Mungaung Metro Municipality and the critical contribution they make in our economy.

4.3.2.3 How to Mitigate Challenges Facing Small Businesses

Theme 10: Mitigating the barriers

The participants were interviewed and asked how in their opinion based on the challenges they indicated can be assisted by municipalities, government departments and other relevant stakeholders in the SMME development.

Participant 1 – *through Seda intervention, I was able to secure a contract with a big retail store, delivering our products to couple of their stores, this increased our revenue, and our brand is now visible. International markets were established as I had an opportunity to attend exhibitions in Zanzibar and Kenya. We are focusing more on establishing our brand so we can grow further.*

Participant 2 – *Our core business being trainings, we had to come up with strategies to bring our services to the people without compromising their health and increase our clientele. We had to do virtual pre-training workshops as most of the trainings were now conducted online. Once the clients were comfortable with the technology, revenue increased as we were now able to access the local and international clientele.*

Participant 3 – *Our main challenge that led us to a decreased clientele was back locks that were caused by delayed delivery of auto parts. To mitigate that we developed a system whereby we would check-up with the suppliers before we commit to a client, in that way we could have an estimated delivery time. This system enabled us to sort out the delays and operations were restored, resulting in increased turnover.*

Participant 4 – *We were unable to mitigate the challenges faced, business is slowly recovering and getting back to the state it was in before the COVID-19 pandemic. We need government to intervene through mentorship and coaching, this will enable to deal with many other challenges we are faced with.*

Participant 5 – *We had a challenge with accessing finance to assist us with operational costs, we were unable to mitigate this challenge. We made applications for financial assistance but until now, we have not received any assistance. Access to a more advanced technology will add value in our business as well as introduction of artificial intelligence.*

Participant 6 – *Lack of skilled labor force was our biggest challenge as we had to outsource skills and that led to increased costs to render a service. This affected our clients and our revenue decreased. To mitigate this challenge, we introduced recruited new professionals with no experience and paired them with experienced employees to transfer skills and because it is an inhouse training, it decreased the cost of outsourcing consultants and our revenue increased.*

Participant 7 – *Our challenge with access to funding was resolved when we received assistance from a government department for COVID-19 relief fund. With the amount received we were able to cover operational costs, machinery and tools were also purchased and that enabled us to increase customers and turnover.*

Participant 8 – *We received a relief fund and that assisted us to cover operational costs as we recovered from the pandemic. Access to resources was our main challenge, being in the hospitality industry, specifically catering, we need qualified cooks. We established relationships with technical schools and SETA's to offer experiential training to their graduates, this costs us less but we have now access to the needed resource.*

Participant 9 – *We could not mitigate any of our challenges, we are still funding our venture and need government assistance. All government support structures should play a more visible role by introducing mentorship and coaching programs as well as linkages to the private sector.*

Participant 10 – *We received a loan from the bank and were able to cover operational costs. We bought more fabrics and increased productivity. However financial management training is needed in order for our business to realise more profits.*

Participant 11 – *Our business is still recovering from the pandemic, we could not mitigate our challenges, we still awaiting response from different government departments were we requested assistance.*

Participant 12 – *We capacitated our staff internally to ensure that they are able to do online trainings and workshops. We did not receive any assistance from government of municipalities.*

Participant 13 – *Business funded all their needs with no help from the municipality and government institutions.*

Participants above all indicated that their business challenges that prohibits their growth and development. In South Africa, businesses should have access to a diverse range of physical assets in order to function effectively. A construction company, for example, may require power tools to function, and a food retailer may require a cold storage unit to keep stock. In order to expand and remain competitive, businesses require access to assets in addition to basic operations.

Low skill profile of SMMEs according to responses received was identified a barrier to growth, as skills, experience, and trainings are critical aspects for the growth and development of businesses, particularly the entrepreneur's skills and experience. As a result, skill development among small business owners and staff may be a vital enabling factor for sector development.

Some of the participants also alluded on how local and international markets can be accessed. The indicated that to raise awareness of product offerings, corporate leaders should have or learn marketing skills. Creating and maintaining marketing strategy will result in brand awareness, which will attract customers, resulting in brand awareness and, eventually, increased profitability of the company.

4.4 CONCLUSION

The goal of this chapter was to accomplish two objectives of the study: to identify challenges faced by SMMEs during the COVID-19 Pandemic in Mangaung Municipality, and to find solutions to mitigate challenges faced by small businesses in Mangaung Municipality. To meet these objectives, 13 business owners and managers have been interviewed, and ten themes emerged from the collected data. The following chapter concludes the research.

CHAPTER 5

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter presents the study's conclusions and recommendations. The chapter goes on to discuss the findings in relation to the research questions and study objectives. The study's limitations are discussed, as are recommendations for future research in the SMME Sector. This is followed then by a conclusion.

5.2 RESULTS AND CONCLUSIONS

Primary Objective

- To identify challenges faced by SMME's during the COVID-19 Pandemic in the Mangaung Municipality.

Secondary Objectives

- To determine the drivers and challenges faced by SMME's during COVID-19.
- To analyse how SMME's are affected by the COVID-19 Pandemic in Mangaung Municipality.
- To find solutions on how to mitigate challenges facing small businesses in Mangaung Municipality

Two approaches were taken in order to reach these objectives. The first was through a review of the literature, and the second was through interpretive analysis. The first approach was accomplished in Chapter two through a review of literature, and the approach was accomplished in Chapter four through the presentation of findings.

The following are the challenges that were identified which SMME's were faced with during COVID-19 pandemic, how the affected their business and ways to mitigate them:

- Lack of access to funding
- Limited access to local and international markets
- Strict Legislations and regulations
- Lack of training and education
- Lack of access to technology

It is universally recognized that SMMEs are a major source of job creation, desperately needed to stimulate the South African economy, particularly in the aftermath of the COVID-19 pandemic. According to the literature, this problem primarily affects small businesses and is less problematic for large corporations. Job creation and economic growth opportunities are lost without access to finance, particularly during the start-up and growth phase.

Limited access to local and international markets also stood out as a critical tool for SMMEs' growth and development. Many SMMEs have difficulty finding markets for their products mainly because they lack a clear marketing strategy, their product lines and service offerings are unknown to their customers. Based on the findings of this study, it is feasible to conclude that a lack of knowledge and skills is a major challenge for SMMEs as well. Due to a lack of training, operations and business activities have been poorly executed. They suffer from high staffing costs and a poor employee retention, as employees are constantly leaving for better-paying jobs.

Among the most crucial components required to boost the productivity and growth of an economic project for citizens is infrastructure. It was also identified as a challenge for the SMMEs and needs to be addressed in order to create a business enabling environment. Not leaving behind access to technology, findings show that most of the businesses suffered and could not meet their business obligations because of inadequate technology. Legislations and regulations impact the business negatively and was also seen as one of the major contributors to a decline in productivity and growth, SARS, mandatory regulations, municipal issues, Black Economic Empowerment (BEE) and labor issues have been identified as the most onerous red tape issues by SMMEs.

5.3 RECOMMENDATIONS

5.3.1 Access to Finance

The COVID-19 crisis has severely impacted access to financing for SMMEs. The sharp decline in revenues, in particular, created acute liquidity problems, threatening the continued existence of many entrepreneurial ventures. Small and medium-sized businesses underneath the jurisdiction of Mangaung Metro Municipality must learn how to access funds. If the government is unwilling to help, a relationship with the private industry must be

established and owners should take the initiative of establishing relationships with other ecosystem partners as well.

To raise funds, unique selling propositions that endear to shareholders, financial institutions, and municipal governments must be forwarded to relevant stakeholders via project proposals, marketing plans and business plans. Business owners need to also ensure that they put their business in a position that will entice the investors, they should comply with the requirements, seek take-off agreements or letters of intent because that also shows the investors that there will be return on their investment. SMME's should establish forums that will work together with government departments as well as municipalities to achieve their goals.

5.3.2 Access to local and international markets

One of the most pressing concerns of SMMEs is assistance with marketing and acquisition to deal with the decrease in clients they have experienced. Given the constraints and shifting consumer behavior brought upon by the COVID-19 pandemic, online technologies are better suited to offer this assistance. Although they confront a pressing need, these are long-term techniques and tools because their execution will have a long-term impact on business growth.

Another study finding is that proper implementation of enterprise development or supplier development leads to structural economic change, as suppliers progressively advance through the value chain from providing raw materials to more sophisticated components with the assistance of governments and other ecosystem partners. However, in order for this to happen, both the private sector and the government must develop programs to assist SMMEs in overcoming market access barriers. Pricing and positioning strategies must be tailored to the particular market in which they operate. Advertising, networking, promotional strategies, and distribution plans must all be coordinated as they play a vital part in accessing local as well as international markets.

5.3.3 Legislations and regulations

More responsibility is needed to implement established government expansion plans, to halt the significant rise in regulatory requirements, and to concentrate on limiting heavy burden on small and medium enterprises; new and expanding businesses generate employment and economic growth. By imposing extra costs as well as rules on existing ventures that make a contribution to the economy, the focus is diverted away from part of the project and endeavor. To tackle the problem of smaller companies and advancement, the government should concentrate on creating an environment conducive to business start-up as well as development that does not necessitate political intervention. Some economic interests of micro and informal businesses can also be met by changing laws and regulations to grant special rights to micro and informal companies or exempt them from paying business expenses for a specified period of time.

5.3.4 Access to technology

COVID-19 cost-cutting measures have intensified the case for assisting SMMEs in accelerating the adoption of remote working and digitalization, which are increasingly seen as critical to boosting their resilience. The government's interventions in this area are primarily focused on two areas which are improving the digital capabilities of entrepreneurs, business owners, and their staff members through business development services: and increasing access to digital infrastructure, tools, and strategies, including such cloud infrastructure, teleconference amenities, e-commerce, and so on.

Technology can help businesses streamline their processes within the industry or sector in which they operate, as well as reduce some of the obstacles that small and medium-sized businesses face. Telecommunications, the internet, and technologically sophisticated equipment and machinery can help companies nurture efficiency, productivity, and reduced lead times, resulting in satisfactory product delivery rates and increased profits through sales.

5.3.5 Training and education

Small business managers, owners, and employees must be sufficiently educated and trained in core competencies that will allow them to prevail share of the market in their jurisdiction. Employees in both the government and small and medium-sized businesses (SMMEs) ought to be knowledgeable computer fundamentals. Furthermore, in order to offer better services and resources, small and medium-sized enterprises throughout Mangaung Metro Municipality should ensure that their staff are knowledgeable about policy decisions, constitutional responsibilities, supply chain management and public administration. Owners and managers invest more time and money in employee development.

5.3.6 Access to resources and proper infrastructure

Infrastructure is among the most crucial components required to boost a company's growth and productivity. The company must operate in areas that have adequate roads, railways, electricity, telecommunications, water, and sanitation. Furthermore, in order to achieve a competitive advantage in an industry, a business must try and develop or own resources that are distinct from competitors. The government must play a role in both resource and infrastructure provision to ensure that SMMEs operate in an enabling environment. As a result, SMMEs could perhaps establish a representative body to approach the government on this issue.

5.4 LIMITATIONS OF STUDY

5.4.1 Size of sample

Data was only collected from small enterprise owners registered on Seda Mangaung database, thereby excluding those who are not registered with this database. Further studies should consider the database of other ecosystem partners.

5.4.2 Based on perceptions

All interviews were based on the participants' perceptions. As a result, if the participant does not respond properly, clearly, or truthfully, the data quality may suffer.

5.5 CONCLUSION

Small and medium-sized businesses play an essential role in global and national economic growth. The majority of SMMEs face challenges that impede their growth and development. The purpose of this research was to look into the challenges that SMMEs faced during the COVID-19 pandemic in the Margaung Metro Municipality. The researcher employed qualitative research and conducted interviews to gather data for analysis in this study. Although a sample of 20 SMMEs was used, only 13 SMMEs were interviewed due to data saturation. Themes and interpretive analysis were performed

The inability to obtain financing is one of the main challenges that SMMEs in Margaung Metro Municipality. This severely impedes the development and expansion of these businesses. To survive in this region, SMMEs must acknowledge the importance of trying to access markets locally and internationally, as well as have the necessary skills and resources while pursuing government support. Perception and sample size were two of the limitations, and recommendations included increased market accessibility, skills development, access to proper infrastructure, and technology advancement in SMME development. Future research may look into the challenges that SMMEs may face if these findings are not addressed in future.

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ANNEXURE 1-ETHICAL CLEARANCE



GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

25-Aug-2022

Dear Miss Letshego Moipolai

Application Approved

Research Project Title:

CHALLENGES FACED BY SMME'S DURING COVID-19 PANDEMIC IN MANGAUNG METRO MUNICIPALITY

Ethical Clearance number:

UFS-HSD2022/0866/22

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

Dr Adri
du
Plessis

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ANNEXURE 2- RESEARCH APPROVAL LETTER

Free State

Telkom Building
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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 Sciences
PO Box 339
Bloemfontein
9300

Date: 21 May 2022

To whom it may concern

The purpose of this letter is to grant Letshego Merriam Moipolai, student at the University of the Free State permission to conduct research at Small Enterprise Development Agency (SEDA). The project titled " CHALLENGES FACED BY SMME's DURING COVID-19 PANDEMIC IN MANGAUNG METRO MUNICIPALITY".

I Andrew Setho, hereby give permission that primary data collection such as observations, interviews, focus groups and secondary data collection including the Seda website, reports, and relevant database may be used in collecting data for this study. Further, 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 JAATSHO	■ MS P MQINGWANA	■ MS BT NKAMBULE
■ MS NF KANA (DEPUTY CHAIRPERSON)	■ MR N #BATHA (ACEO)	■ MR JS MTSWENI	■ MS TV TOBIAS-POKOLO
■ PROF V GUMEDE	■ MS N #EDUPE	■ DR IJ NDLOVU	■ DR M QOBO
■ MR M KUBHEKA	■ MR M MFULENI	■ MS GN NGCUKUNA	

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4. What are some of the obstacles and challenges you've encountered in your business during COVID-19? (For example, legislation, Access to finance)

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5. How did you mitigate these barrier(s)?

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6. What, in your opinion, should be done to overcome these barriers and promote SMME growth in the Margaung Metro municipality?

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7. What are the skillsets or competencies that you believe are critical to the growth of your company as an owner/manager?

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8. What interventions by government or any other key role players were implemented in your business during COVID-19 Pandemic? What impact did it make in your business?

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9. What can be done to assist small businesses?

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10. What other recommendations do you have?

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