

SMALL AND INFORMAL ENTERPRISE DEVELOPMENT IN DEPRIVED AREAS

BY

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DECLARATION

I, **Jim Matsho**, declare that the mini-dissertation “**SMALL AND INFORMAL ENTERPRISE DEVELOPMENT IN DEPRIVED AREAS,**” now submitted for the qualifications of **Master’s in Development Studies** degree at the **University of the Free State**, is my original, independent work and that have not previously submitted the same work for a qualification at another institution of higher learning.

I relinquish to the **University of the Free State**.



Signature: Mr Jim Matsho

10 April 2024

Date

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Finally, thanks to Almighty God, I trust in you.

DEDICATION

This mini-dissertation report is dedicated to my late parents, Mr. Ezekiel Sebapi Matsho and Mrs. Paulinah Ntshedi Matsho, who instilled the importance of education from an early age that “*knowledge acquired will empower you for life.*”

ABSTRACT

The research investigated small and informal enterprises' business problems and experiences in a deprived context of the King Cetshwayo District Municipality in northern KwaZulu-Natal within the forestry value chain. The research followed a qualitative approach using semi-structured interviews with entrepreneurs. An interview guide was used, and it is available both in English and iSiZulu. Most participants from the sample of 12 operate transport businesses that move timber from the forestry timber small-scale farmers' area(s) to the processing plants in the Richards Bay industrial complex.

The data analysis provides the following themes: capacity building, finances, financial systems, machine(s), operational challenges, and records management. The study limitations include the following: study area size, small sample size, unavailability of participants, business conditions, and human capacity. The study found eight key challenges SMMEs face in deprived areas, with finance access being the main challenge, including mentorship, regulatory compliance, and economies of scale, among others identified. It was found that proper maintenance and implementation of financial systems are critical to the SMME ecosystem.

The study provides twelve recommendations addressing the eight main findings to address the research question, which is as follows: dedicated funding for SMMEs in the forestry value chain, increased funding be made available for entrepreneurs, promotion of finance and accounting systems, additional trucking capacity for increased demand, improved efficiency and monitoring systems with the operation, upskill contractor personnel through HEIs, embark on capacity building programme focusing on locals, implementation of filling system and protocol(s), implementation of the Enterprise Development Program (EDP) for SMMEs inclusion, a dedicated mentorship program for the forestry value chain entrepreneurs, legislation introduction mainly targeted forestry SMMEs to reduce compliance costs and measurement of productivity.

It also offers further research study area suggestions for future research projects. Lastly, the study concludes and reiterates that SMMEs drive sustainability, employment creation, and economic contribution in deprived areas.

Keywords: deprivation, forestry, informal business, smme, sustainable development

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LIST OF ABBREVIATIONS AND ACRONYMS

ACCE	Adult Community and Continuing Education
ASGISA	Accelerated and Shared Growth Initiative of South Africa
BASA	Banking Association South Africa
BBBEE	Broad-Based Black Economic Empowerment
BPO & O	Business Process Outsourcing and Offshoring
CBD	Central Business District
CC	Competition Commission
CFM	Commercial Forestry Masterplan
CIOD	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance and Traditional Authority
COVID	Coronavirus Disease
CSI	Corporate Social Investment
DFI	Development Finance Institutions
DoL	Department of Finance
DoL	Department of Labour
DSBD	Department of Small Business Development
EDTEA	Economic Development, Tourism, and Environmental Affairs
EDP	Enterprise Development Program
EMDE	Emerging Market and Developing Economies
eMM	eThekweni Metropolitan Municipality
ESE	Economy Social and Environment
FP & M	Fibre Processing and Manufacturing
FAO	Food and Agriculture Organisation
FSA	Forestry South Africa
FSC	Forestry Stewardship Council
GDP	Gross Domestic Product

GEM	Global Entrepreneurial Monitor
GFP	Global Forests Products
HEI	Higher Education Institutions
ICFPA	International Council of Forests and Paper Associations
IDP	Integrated Development Plan
ILO	International Labour Organisation
IMF	International Monetary Fund
ISO	International Organisation for Standardisation
KCD	King Cetshwayo District
KDM	King-Cetshwayo District Municipality
Km	Kilometer
KZN	KwaZulu-Natal
LDC	Less Developed Country
LED	Local Economic Development
MAFISA	Micro Agricultural Financial Institutions of South Africa
MSME	Micro, Small and Medium Enterprises
M Ha	Million Hectares
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NEDLAC	National Economic Development Labour Council
NIPF	National Industrial Policy Framework
NISED	National Integrated Small Enterprise Development
OHS	Occupational Health and Safety
OECD	Organisation for Economic Cooperation and Development
PDP	Professional Driver Permit
PGDP	Provincial Growth and Development Plan
POPI	Protection of Personal Information

PPE	Personal Protective Equipment
PPP	Public Private Partnership
PSA	Productivity South Africa
QDAS	Qualitative Data Analysis Software
QPI	Qualitative Pre-test Interviews
RSA	Republic of South Africa
REC	Research Ethics Committee
SARS	South African Revenue Services
SETA	Sector Education and Training Authorities
SSA	Sub-Saharan Africa
SDG	Sustainable Development Goals
SMME	Small Medium and Micro Enterprise
StatsSA	Statistics South Africa
TVET	Technical and Vocational Education and Training
uDM	uThungulu District Municipality
UIF	Unemployment Insurance Fund
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
US\$	United States Dollar ¹
WCP	Workplace Challenge Programme
WESO	World Economic and Social Outlook
WB	World Bank
ZDM	Zululand District Municipal

¹ Dollar (\$): United States of America currency

Chapter 1: Introduction

1.1 Introduction

South Africa, similar to any other developing nation post-independence, experiences triple challenges of inequality, poverty, and unemployment (Pauw, 2005; Chatindiara, 2019; Ukpere, 2011; Chibba and Luiz, 2011). The statistical data show increasing unemployment, poverty, and inequality (StatsSA, 2023a). The economy of the Republic of South Africa (RSA) registered a -0,7% Gross Domestic Product (GDP), performing worse than other African countries such as Rwanda, Kenya, Egypt and Nigeria, reaching 7,5%, 5,9%, 2,7%, and 2,5%, respectively². These trends then negatively impact the SMME ecosystem in many economic sectors, while the impact is higher in remote areas³.

According to Trade Economics (2023), “the GDP annual growth rate in South Africa averaged 2.39% from 1994 until 2023, reaching an all-time high of 19.20% in the second quarter of 2021 and a record low of -16.20% in the second quarter of 2020.” The RSA GDP during the third quarter of 2023 contracted by 0,20% compared to the second quarter (StatsSA, 2024). The future economic outlook of RSA for the GDP growth rate is estimated at a 1,5% annual average (2024-2026), 1,8% (2024), 0,9% (2024), and 1,4% (2024) by the World Bank, IMF, Fitch, and RSA National Treasury⁴, respectively. The trends of provincial economies differ, considering the contributions to national performance of the economic sectors of the respective provinces. See Annexure A for the yearly RSA GDP trend.

In terms of the 2022 GDP percentage contribution, the three leading provinces are Gauteng (smallest in land size), KwaZulu-Natal (KZN), and then the Western Cape, while both Gauteng and KZN account for 49% of the country’s GDP. The least populous province, the Northern Cape, accounts for 2,2% of the national GDP, with Annexure B showing all the provinces. Each provincial economic structure differs regarding the main economic sectors. The focus turns to KZN as the province of analysis as the study is conducted within the province. The three leading economic

² *Third Quarter 2023 Statistics (Trade Economics, 2023)*

³ *Remote areas in the study refer to rural and peri-urban areas of South Africa*

⁴ *National Department of Finance (DoF)*

sectors of KZN account for 56%, as follows, namely personal services (21%), finance (19%), and manufacturing (16%), according to StatsSA (2023b).

The United Nations (UN) Habitat (2022) reported that in South Africa, 67% of people live in urban areas, projected to increase to 80% by 2050. The Census 2022 report shows that while South Africa has 62 million people, KZN, being the third smallest province in terms of land size, accounts for 12,4 million (20%) of RSA, with 78% speaking isiZulu and 67% living in urban areas (EDTEA⁵, 2021; StatsSA, 2023c). The rural areas predominantly have diverse agricultural economic sectors, mainly timber, and sugar cane, as strategic foreign currency generators through export markets via the Durban and Richards Bay port terminals. The rural area economic sector is geared toward SMME development (Agbenyegah, 2013) and policy implications on economic structure (Van Aswegen and Retief, 2021).

KZN has 11 district municipalities, including the eThekweni metropolitan, as most are rural-based. The geographical spread and uneven economic hub (for example, Richards Bay Industrial) value across the province provides opportunities and threats to emerging and small businesses in different value chains. The budgets of the different municipalities for 2023/24 show disparities in eThekweni with R65,5 billion, Zululand with R1,5 billion, Ugu approved R1,1 billion, and uMkhanyakude with R669 million (eThekweni, 2023; COGTA, 2020a, Ugu, 2023 and COGTA, 2020b)⁶ respectively. This leads to fewer economic activities, resulting in business problems experienced by SMMEs in deprived areas. Studies on the impact of municipalities on SMME development include government grants (Nxumalo, 2021) and effective strategies (Mazwi, 2023).

The pivotal role of SMMEs has been acknowledged nationally and internationally in the quest to create sustainable employment opportunities while having business problems that impact their survival in different value chains. In the developmental trajectory of South Africa, the importance of supporting small enterprises is vital for government and the private sector (NDP, 2013, p.32), changes in economic structure

⁵ EDTEA: *Economic Development, Tourism, and Environmental Affairs*

⁶ *Economic activity is also available in the private sector*

toward SMME reliance (Masarira and Msweli, 2013), small business development (Tsatsenko, 2021), and small business growth (Ramsuraj, 2023).

Globally, by 2015, there were 3 999 million hectares (M ha) covered by forestry, while in South Africa, just over 1 M ha was covered by forestry (FSA, 2019). According to ICFPA⁷ (2023, p.5), “Forestry, which yields a vast range of products and ecosystem services useful both for local communities and at a global scale, could play a key role in accelerating a transformation towards societies that simultaneously conserve nature, better provide for human well-being and generate income, particularly for rural people.” The SMME challenges persist primarily in developing countries, including South Africa, as the remote areas are undeveloped, there are fewer economic benefits to locals, and the triple challenges of poverty, unemployment, and inequality are still prevalent.

1.2 Problem statement

Small and informal enterprises are crucial to employment creation in many economies internationally, while SMME development needs to be improved in many instances. Enterprise development is often framed as a critical element of development. However, this is more difficult than usual if these enterprises are located in rural areas or townships or are informal and run by women. The published studies on rural SMME challenges conclude that rural location adversely affects product marketability (Shields, 2005), provision of government support (Onu and Ekine, 2009), equal pay for rural businesses (Crabtree and Chamberlain, 2014), and government intervention Aluko, Bayai, and Enwereji, 2023).

In the South African case, colonialism and apartheid have also resulted in the economic exclusion of black people while facing challenges in access to financial support and race-based barriers to markets. The SMME ecosystem provides sustainable livelihood in many rural areas, as confirmed by different studies in varying contexts (Dorward, 2006; Muchie and Bekele, 2009; Churk, 2015; Guta, Vhudzi, and Chazovachii, 2017; Oladapo, Olayide, and Kayenwee, 2019).

⁷ ICFPA: *International Council of Forest and Paper Associations*

Lewis, Horn, Howard, and Ngubane's (2004) intervention towards addressing challenges faced by forestry SMMEs includes, among others, building the knowledge base, improving the enabling environment, organising for bargaining power, developing capacity, and shaping markets and financing systems, while the Malawian forestry study by Kambewa and Utila (2008) identified challenges as lack of access to the export market, ownership of forests resources, deforestation, and policy failure in promoting forestry re-establishment.

Furthermore, Badini, Hajjar, and Kozak (2018) conclude that incompatible regulatory environments, difficulties in achieving economies of scale, and insufficient access to technical and financial capacity hamper the development of SMMEs and the forestry contractors' profitability assessment (Kroonholm, Larsson, and Erlandsson, 2021). Therefore, understanding business problems and experiences in a deprived context is crucial to developing these enterprises. The research investigates small and informal enterprises' business problems in a deprived context.

1.3 Aim of the research

The research investigates small and informal enterprises' business problems and experiences in the forestry sector and in a deprived context. Studies by Lewis, et al. (2004), Clark and Isaacs (2005), Kambewa and Utila (2008), Kroonholm, et al. (2021), and Ferreti (2023) highlighted that there are persistent and systematic challenges that entrepreneurs face over decades in developing world.

1.4 Objectives of the study

The following objectives guided the research study in the forestry industry:

To investigate small and informal enterprises' business problems and experiences in deprived contexts.

To assess the sustainability of small and informal enterprises in the forestry value chain.

To identify leading challenges faced by forestry SMMEs.

1.5 Key concept Key concepts definition

Key terms or concepts from the study's inception are highlighted as follows. The study is within the SMME ecosystem, and (Gumbi, Gumbi, and Twinomurinzi, 2022) explained that they are regarded as significant contributors to economic growth and employment opportunities. In the RSA government context, support and development of SMMEs has been the Department of Small Business Development (DSBD) mandate since it was established in 2014. According to Marlese (2010, p. 258), the term “informal⁸” is intended as shorthand for describing marginality rather than signalling allegiance to a particular understanding of the relationship between the formal and informal sectors.”

At the same time, Mautjana and Makombe (2018, p.2) define deprivation as “unmet needs due to a lack of resources or opportunities concerning health, education, employment, housing, access to services, and financial means.” The sub-sector is forestry, where the participants operate their businesses. FAO (2023) defines forests as “land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ.”

The persistent triple challenges of poverty, unemployment, and inequalities continue in post-democratic South Africa. Ramsuraj (2023, p.289) concludes that SMMEs “have a big impact on stimulating economic growth because of their capacity to promote local development,” while Dzansi (2004) and Mitchel (2013) argue that SMME growth and development contribute towards reducing unemployment in developing countries while achieving sustainable development. Furthermore, different research findings on the local economy’s SMMEs include skills development (Urban and Naidoo, 2012), capacity development (Ajibade and Khavundi, 2017), sustainable livelihood (Joseph and Mutambara (2020), and job creation (Prince, 2023),

Lastly, the SMME ecosystem is integral to entrepreneurs’ journey by taking risks in starting an informal business⁹ and contributing to the local economy.

⁸ ILO (2019) defines the informal sector as “businesses characterised by seven specific traits, including low barriers to entry, small-scale operations, being labour intensive, family-owned, reliant on skills acquired outside of formal schooling and operating in unregulated and competitive markets.”

⁹ The term “informal business” was included in the SMME Strategy (i.e., National Small Business Strategy), termed “micro-enterprises” in the 1995 White Paper.

1.6 Overview of the chapters

The chapters in this mini-dissertation structure are presented as follows:

Chapter 1: Introduction – An introduction to the research project, its purpose, and an overview of what is expected in the research project are presented. Moreover, the alignment of the overall structure, including the research objectives, is given. The research questions are mentioned.

Chapter 2: Literature review – The economic performance of international economic blocks, including unemployment statistics that impact SMME sustainability and survival, is overviewed in this chapter. The forestry industry's global and South African value chain contexts are discussed in terms of land size, annual revenue, and operations, mainly in rural and deprived areas. The research scholars' findings are focused on the global, South African, and forestry challenges that SMMEs face.

Chapter 3: Research methodology – An overview is presented, including the research design, sampling, and technique in analysing the pre-tested information. This qualitative study was conducted in the King Cetshwayo District (KCD) Municipality in northern KZN. Qualitative research is associated with a broad spectrum of research methodologies and is not a homogeneous and monolithic approach. It is generally accepted that qualitative researchers use text rather than numerical data and analyse those in their textual form rather than in statistics to convert them to numbers (O'Neil and Koekemoer, 2016; Morgan, 2018; Moalusi, 2020).

Chapter 4: Empirical results and findings – After collecting data in the field, the researcher commenced a detailed analysis of the empirical data. The challenges that small and informal enterprises are operating in the forestry value chain in deprived areas in northern KZN face were identified through the findings. The resulting evidence showed that SMMEs still face varying challenges.

Chapter 5: Conclusion and recommendations – The recommendations based on the findings address the research questions highlighted in Section 1.5 above. A summary and possible future research areas for consideration by other researchers in the SMME ecosystem are also provided.

Figure 1.1 below provides a chapter map of the mini-dissertation.

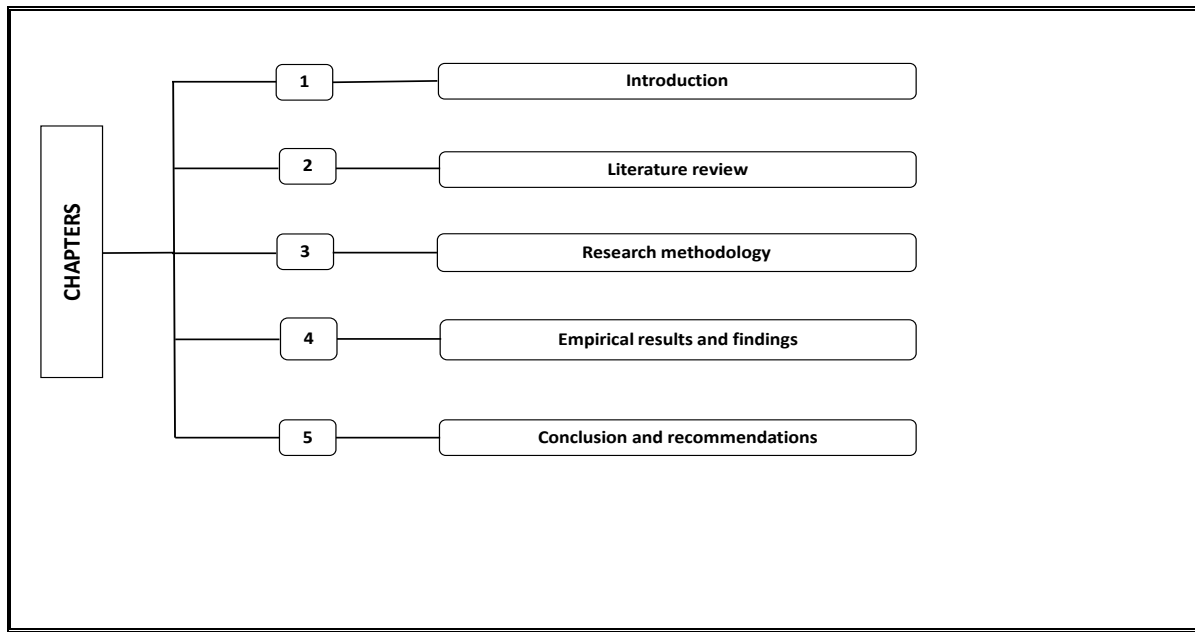


Figure 1.1: Chapter map of the mini-dissertation

Source: Author's Compilation (2024)

Chapter 2: Literature Review

2.1 Introduction

Positive and constant economic growth is critical in improving citizens' livelihoods. This economic growth results from sector-specific performance, new growth areas, and subsectors such as forestry¹⁰. In most countries, SMMEs play a crucial part in creating sustainable employment. This literature review analyses the role of SMMEs in the forestry industry in South Africa and internationally. The chapter will start with a forestry overview discussing size, players, and developmental trends. The next section is focused on SMMEs and their challenges. Finally, themes identified in peer-reviewed academic papers are discussed.

The demand for products and services, including forestry products, will keep increasing as the world population grows. At the same time, global unemployment has become a critical focal point in development. According to World Economic and Social Outlook (WESO) (2019, p.1), "there are 172 million unemployed individuals globally by 2018" out of the 7,6 billion people globally, as released by the International Labour Organisation (ILO, 2019) and as depicted in Table 2.1 below.

Table 2.1: Global Unemployment Rate by Country Classification

Country grouping	Demographic group	Unemployment rate: 2017-20 (percentages)				Unemployment rate: 2017-20 (millions)			
		2017	2018	2019	2020	2017	2018	2019	2020
World	Total	5,1	5,0	4,9	4,9	174,1	172,5	173,6	174,3
	Female	5,5	5,4	5,4	5,4	74,4	73,7	74,4	74,8
	Male	4,8	4,7	4,6	4,6	99,7	98,8	99,2	99,5
	Youth	12,0	11,8	11,8	11,8	60,4	59,3	59,1	58,7
Low income	Total	3,7	3,7	3,7	3,7	11,1	11,4	11,4	12,2
	Female	3,8	3,8	3,8	3,8	5,2	5,4	5,5	5,7
	Male	3,6	3,6	3,6	3,6	5,9	6,1	6,3	6,5
	Youth	6,2	6,2	6,2	6,2	5,2	5,3	5,4	5,6
Lower-middle income	Total	4,0	4,0	4,0	4,0	46,5	47,3	48,2	49,2
	Female	5,1	5,1	5,2	5,2	18,6	19,0	19,4	19,8
	Male	3,5	3,5	3,5	3,5	27,9	28,3	28,8	29,3
	Youth	11,9	12,0	12,1	12,2	23,3	23,4	23,5	23,7
Upper-middle income	Total	6,0	6,0	6,0	6,0	80,9	80,7	81,2	80,0
	Female	6,0	6,0	6,0	6,0	34,0	33,9	34,2	34,0
	Male	6,0	6,0	6,0	6,0	46,9	46,8	47,0	46,8
	Youth	14,9	14,9	14,9	14,8	23,5	22,9	22,5	21,8
High income	Total	5,7	5,3	5,1	5,1	35,6	33,1	32,3	32,2
	Female	6,0	5,6	5,5	5,5	16,6	15,5	15,3	15,3
	Male	5,4	5,0	4,8	4,8	19,0	17,6	17,1	16,9
	Youth	12,5	11,7	11,6	11,7	8,5	7,8	7,7	7,6

Source: WESO (2019, p.19)

¹⁰ FAO (2023, p.2) defines forests as "land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use".

It is evident in the table above that unemployment is a global problem, with the youth primarily being impacted across all countries' economic groupings. This global unemployment challenge includes South Africa, which has been classified as a less-developed country with an unemployment rate of 35,6% (StatsSA, 2022a). The scenario above shows enormous business world challenges, including the SMME ecosystem.

2.2 Forestry industry

In this section, the economic role of the forestry industry is discussed, globally and in South Africa.

2.2.1 Global forestry industry

Globally, the forestry industry plays a significant role in many countries by contributing to the national Gross Domestic Product (GDP). In 2015, 3 999 million hectares (M ha) were covered by forests globally, which translates to 31% of the world's land size. Europe accounts for 25%; South America, 21%; North America, 16%; Africa, 16%; and the rest, 22% (Keenan, et al., 2015, p.11).

According to Taye, et al. (2021), many countries estimate forests' economic values between 100 US\$/ha/year and 1,000 US\$/ha/year. Central America recorded the highest values above 5,000 US\$. Forest values differ by category, namely services, culture, and ecosystem (see Annexure C). Forestry value chains include tree breeding programmes, planting, harvesting, transport, processing, and import/export markets for further downstream business operations. As an example, Oji Paper is the world's largest forestry company with a revenue of \$12,5 billion and a net income of \$272 million (Oji, 2023). As of 2020, the global forestry industry has a market size of \$535,96 billion, 59 product categories, 24 product groups, and more than 245 countries and territories (FAO, 2020).

The product by-products from the forestry industry are highlighted in Table 2.2 below and Annexure D for exact production numbers.

Table 2.2: Forestry by-products

Product Name	Definition
Forest product	The forest products category is an aggregate category in the trade statistics comprising roundwood; wood charcoal, chips and particles, residues, pellets and other agglomerates; sawnwood and veneer sheets; wood-based panels; pulp and recovered paper; and paper and paperboard.
Roundwood	All roundwood felled or otherwise harvested and removed. It comprises all wood obtained from removals, i.e. the quantities removed from forests and from trees outside the forest, including wood recovered from natural, felling and logging losses during the period, calendar year or forest year
Wood Charcoal	Wood carbonised by partial combustion or the application of heat from external sources.
Wood chips and particles	Wood that has been reduced to small pieces and is suitable for pulping, for particle board and/or fibreboard production, for use as a fuel, or for other purposes.
Wood residues	The volume of roundwood that is left over after the production of forest products in the forest processing industry (i.e. forest processing residues) and that has not been reduced to chips or particles
Wood based panels	The wood-based panels category is an aggregate category comprising plywood, particle board, OSB and fibreboard. It is reported in cubic metres solid volume
Pulp paper	Fibrous material prepared from pulpwood, wood chips, particles or residues by mechanical and/or chemical process for further manufacture into paper, paperboard, fibreboard or other cellulose products
Recovered paper	Waste and scraps of paper or paperboard that have been collected for re-use or trade
Paper and paperboard	The paper and paperboard category is an aggregate category comprising graphic papers; sanitary and household papers; packaging paper and paperboard; and other paper and paperboard.

Source: FOA (2020, p.25)

In Finland, the focal points within the industry are profitability, liquidity, and solvency (Pentinnen, et al., 2013), while the digitisation for service provision is increasing (Kankaanhuhta, et al., 2021). Haggstro, et al. (2013) conclude that “the Swedish operation diversity has been paramount in reducing their reliance on forestry service providers”, while a study conducted by Kronhold, et al. (2021) in Sweden found that forestry contractors’ profitability has been low while their work volume has doubled since the 1990s. In China, a study on a public–private partnership (PPP) found that “forestry’s PPP can significantly enhance the forestry economy, positively relieving the pressure of forestry financing and stimulating the market mechanism of forestry” (Yang and Shang, 2023, p.12).

Owing to technological change, there are consumer changes in consumption patterns in the 21st century, for example, the demand for forest products in OECD countries has stagnated and declined compared to the developing countries. FSC countries in Africa are Namibia with 1,654 million ha and Gabon with 2,061 million ha as compared internationally with Brazil’s 7,723 million ha, Indonesia’s 3,153 million ha, and Chile’s 2,342 million ha. In 2019, the primary forestry sector had a total revenue of R26 billion, which translates to a R5 billion contribution to the country’s GDP.

2.2.2 South African forestry industry

The South African forestry plantation, which is classified as the primary industry sector within the value, covers 1,0% (in other words, 1,194,663 M ha) of South African land use (FSA, 2019). Secondary industries include pulp, board, sawmills, mining timber, treated and untreated poles, and other processing plants. The tertiary sector includes printing, packaging, publishing, the construction industry (lumber), furniture, windowframes, doorframes, etc. This covers sectors that are operating in different economic subsector classifications. The forestry industry covers 6,43% in Mpumalanga, 5,07% in KwaZulu-Natal (KZN), 0,84% in the Eastern Cape, 0,41% in Limpopo, and 0,24% in the Western Cape.

According to the FSA (2019), the South African forestry industry produced 14,6 million tons of timber (primary sector), which is equivalent to R10 billion in revenue, with direct and indirect employment figures at 106,000 and 41,000, respectively. Industry players comply with international certification standards. The Forestry Stewardship Council (FSC) leads with 1,404 M ha certified as of September 2021. Industry restructuring started in the early 1990s. The forestry industry sector is vital to the planet (in terms of its environmental impact) and is an economic strategic stakeholder that impacts many role players within the value chain and affects society in general through a social footprint in terms of rural contribution toward employment, education support, and corporate citizenship.

The industry went through restructuring in the early 1990s to introduce contractors to outsource most of the business within the forestry value chain in line with global business trends. According to Clarke and Isaacs (2005, p.4), the –

forestry industry outsourced in order to increase flexibility, save on the cost of capital equipment and fixed costs associated with full-time employees, and to avoid having to deal with what was perceived as overly constraining labour legislation brought in by the new government.

This exercise resulted in an excess of 35 000 workers nationally being employed by approximately 300 forestry contractors. The business problems of small and informal enterprises operating in the deprived context are investigated in subsequent chapters of this study.

2.3 Small, medium and micro enterprises

Formal and informal SMMEs are essential in any country's developmental trajectory. SMMEs provide an opportunity to create employment and contribute positively to the GDP and tax incomes. Opportunities are provided to business entrepreneurs while participating in the forestry value chain through them rendering services as contractors in the contracting ecosystem, which has been operating for decades across different countries. Outsourcing forestry services to SMMEs creates a new important economic sector mostly operating in deprived communities, in other words, rural communities. The SMME journey has been met with varying challenges (in other words, failures or successes) across sectors, including forestry. SMMEs globally and in South Africa are discussed in the sections that follow.

2.3.1 Globally – SMMEs

SMMEs play a significant role and are critical for economic development and international competitiveness. In many developing countries such as India, Singapore and the United Arab Emirates, SMMEs account for more than 60% of the labour force. However, the picture for SMMEs is not always rosy. Murrithi (2017) states that “in Africa, many SMMEs face numerous challenges ranging from power shortage, lack of capital, poor management skills and competencies, and inadequate information and corruption”. Global economic growth grew by 3,1% (2022) and is projected to slow down to 2,3% (2023), according to the World Bank (WB, 2023).

This decline will have a negative impact on emerging markets and developing economies (EMDEs) such as South Africa in the short to medium term. The 2023 WB economic growth projections for EMDEs are at 4,0%, while sub-Saharan Africa (SSA) is at 3,2%, with the forecast for 2024 being at 3,9% for both the EMDE and SSA economic blocks. This points to the critical role of SMMEs in sustaining employment during tough economic times as they provide much-needed livelihoods to deprived communities with a multiplier effect on beneficiaries, for example, family members and local SMMEs. Mhlongo, Van der Poll and Sethibe (2023) reaffirm the importance of SMMEs in the economy as “more than 90 percent of commercial establishments, almost 70 percent of jobs, and 55 percent of the GDP are held by SMMEs in mature economies while in developing economies accounts for 70 percent of employment and up to 40 percent of the GDP”.

In Table 2.3 below, the continental study summary on SMMEs is viewed from different perspectives.

Table 2.3: Continental¹¹ SMME studies

Continent	Author(s)	Year	Country	Key issues studies	Findings
Africa	Ebrahim and Andualim	2023	Ethiopia	(i) SMME contribution to development	SMMEs contributed to employment creation, alleviating poverty, and improving their living standards
Asia	Husin and Haron	2020	Indonesia	(ii) SMMEs competitiveness	SWOT analysis identified key findings towards SMMEs perception in relation to finance
Europe	Litvaj, Drbůl and Bužek	2023	Slovakia	(i) SMME sustainability	In the turbulence times, SMME sustainability is paramount to local economies.
				(ii) Product quality	Meeting product quality standards is important to meet different stakeholders requirements
Latin America	Melillanca, Ramírez and Forcael	2023	Argentina and Chile	(i) Key factors to sustain SMMEs growth	Entrepreneurs constant training and development
North America	Purwandani and Michaud	2021	USA	(i) Environmental impact on starting SMMEs	(i) Implementation of green practices by SMMEs
					(ii) Better public image or profile for SMMEs that implement green practices

Source: Author's Compilation¹² (2023)

The findings of studies from different continents differ in Indonesia (Husin and Haron, 2020), which concluded that SMMEs' competitiveness is vital to their sustainability, while the Ohio State study in the USA (Purwandani and Michaud, 2021) found that the implementation of environmental compliance provides an even better SMME profile in the public domain. The studies published in 2023 across Africa, Europe and Latin America conclude that SMMEs positively contribute toward employment creation and poverty alleviation (Ebrahim and Andualim, 2022), while sustainability and product quality are important (Litvaj, Drbůl and Bužek, 2023). Melillanca, Ramirez and Forcael (2023) conclude that the training and development of entrepreneurs.

2.3.2 South Africa – SMMEs

The South African government introduced policies to drive economic development, with SMMEs being at the centre of these initiatives starting with the legislative prescripts. The SMME system is underpinned by the National Small Enterprise Act, 1996 (Act No. 102 of 1996), as amended by the National Small Business Amendment Act, 2004 (Act No. 29 of 2004). In the current legislative system, in support of SMMEs, the 2021 revised Medium-Term Strategic Framework (MTSF) stipulates that –

¹¹ List arranged alphabetically

¹² Designed by the author, Jim Matsho

the interventions aimed at giving effect to the following outcomes of priority 2 – Economic Transformation and Job Creation while 2023 approved National Integrated Small Enterprise Development (NISED) Framework key focus area(s) is to align programme areas of work across different role-players in government and the private sector to coordinate and drive SMME growth and performance.

Another policy, namely the National Industrial Policy Framework (NIPF), as well as the Accelerated and Shared Growth Initiative of South Africa (ASGISA) focus on tourism, business process outsourcing, and offshoring (BPO & O), and the KZN Small Business Policy, KZN Provincial Growth and Development Plan (KZN-PGDP) mention rural development as the key focus sector earmarked for development with the promotion and support of SMMEs. Government must monitor and report progress on SMME uptake and share learning on platforms such as the National Economic Development Labour Council (NEDLAC). The National Development Plan (NDP) 2030 drives innovation to set South Africa apart in the global competitive environment, with Chapter 6 focusing on agricultural¹³ sector employment targets.

There is no economic impact owing to SMMEs' contribution toward the rural community's sustainable livelihood improvement and Local Economic Development (LED) in deprived rural villages within the forestry industry. At the same time, legislation and policies have been approved since the post-democratic dispensation. See Annexure E for an overview of existing legislation and policies approved at the national and provincial levels of government in supporting and promoting SMMEs in South Africa. Adams (2023) concludes that the existence of SMMEs is being threatened due to unfavourable economic conditions and persistent loadshedding. Findings by Chukwuneme, Olaniyi and Innocent (2023) reiterate the need to create special funding to support SMMEs as the majority struggle to survive after the Covid-19 lockdown.

¹³ Includes forestry employment statistics

The survival of SMMEs in rural areas affects many dependents while operating in difficult economic conditions. See the table below with unemployment statistics in the three district municipalities in northern KZN.

Table 2.4: Northern KwaZulu-Natal district municipalities – Unemployment rate

District Municipality	King Cetshwayo	uMkhanyakude	Zululand
Unemployment Rate*	34,7%	35,2%	41,0%
Gini-Coefficient*	0,61	0,59	0,57

*: 2019 statistics

Source: KCDM, UDM and ZDM (2019)

It is evident that there are still challenges that rural communities, including SMMEs, face with a high unemployment rate across the three district municipalities and a Gini-Coefficient¹⁴ ranging from 0,57 to 0,61, which is slightly below South Africa’s 0,63 as the most unequal society in the world. The social challenges above will continue further in the quest to understand the typical problems that emanate from SMMEs and that they face constantly in the SMME ecosystem. It is further advocated by Litvaj, et al. (2023) that the sustainability of SMMEs is vital to business in general. The above scholars’ approach from different scholars’ perspectives about SMME importance is impacted by typical problems identified in the following section.

2.4 Typical problems for SMMEs

Typical problems identified by SMMEs in the global forestry and South African forestry industries are highlighted in this section, which is concluded with the South African perspective.

2.4.1 Global forestry industry

Internationally, different studies confirm the importance of SMMEs as key contributors to the local economy (Basa, 2015; Rahman, et al., 2017; Zahorskyi, et al., 2020). Mitha (2019) reaffirms that SMMEs are the backbone of the local economy. SMMEs’ international participation brings diverse views between different continents as key issues, among others, are addressed differently, such as government,

¹⁴ A coefficient based on the Lorenz curve showing the degree of inequality (Bannock, Baxter and Davis, 1992, p.183)

competitive markets, economic performances (in other words, GDP), financial markets, customer base, and entrepreneurial competencies. The figure below presents comparative studies in selected countries and continents regarding the challenges faced by SMMEs in the forestry industry value chain.

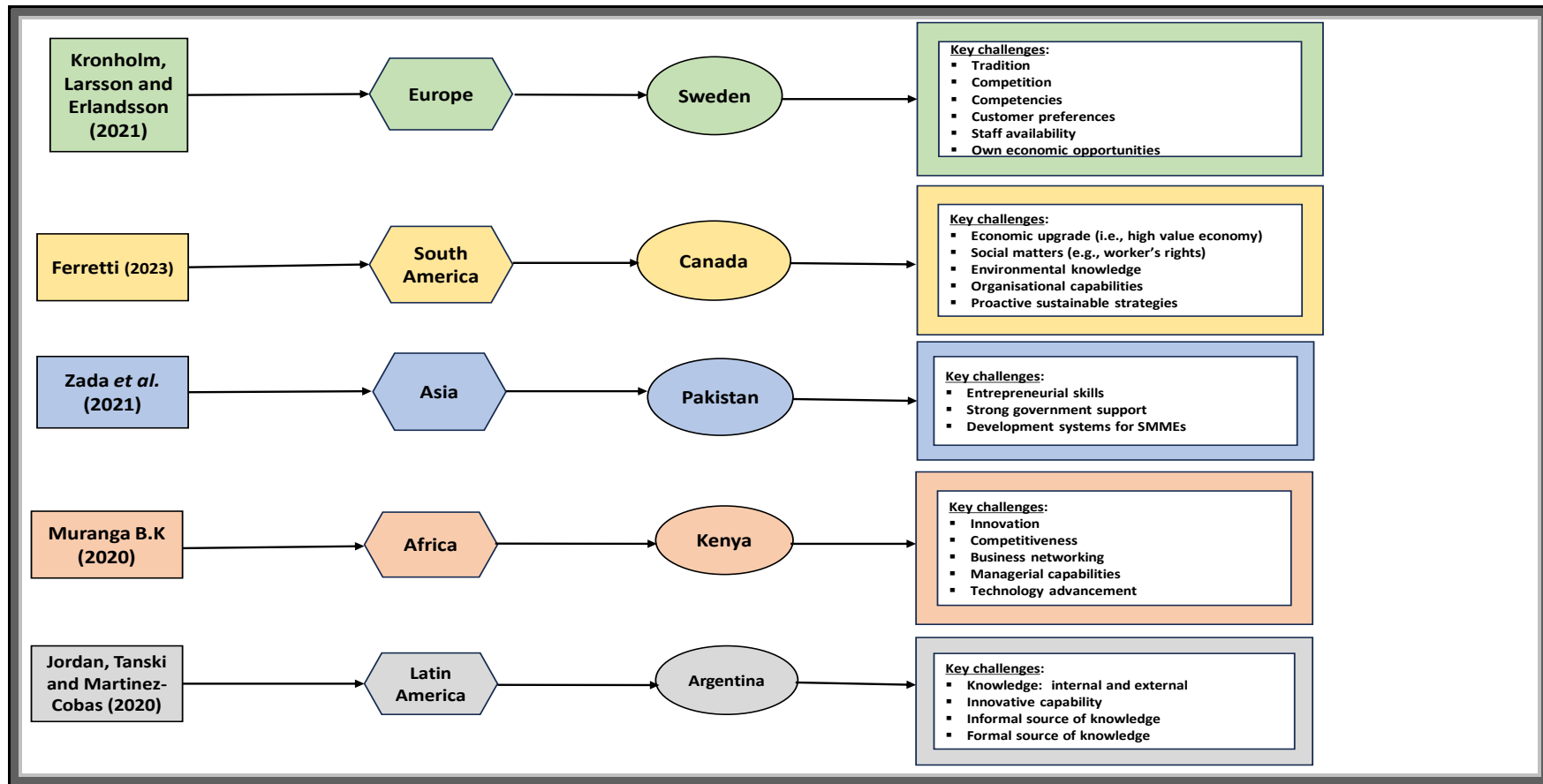


Figure 2.1: Selected Global Studies - SMMEs Comparative Challenges (Author's Compilation, 2023)

The table above shows studies' similarities and divergent views in different continents. Kronholm, et al. (2021) conducted a European study on forestry contractors' characteristics. In the South American study conducted by Ferreti (2023) in Canada, accessing the forestry value chain and its impact on small business is researched. The Asian study conducted by Zada, et al. (2021) is focused on Pakistan SMME development in the local economy. Muranga (2020) studied competitiveness determinants of SMMEs in Kenya and the Latin America study conducted by Jordan et al. (2021) is focused on subsistence farmers' business knowledge providing a different perspective. The above trends can be viewed against the South African forestry industry's SMME challenges below.

2.4.2 South African forestry industry

The country's forestry industries have experienced changes over the past two decades. In the pre-democratic dispensation, multinationals, including government entities, mainly managed forestry operations in-house. This section starts with an overview of South African forestry ownership, as depicted in Table 2.5 below. Ownership size allows economies of scale with the potential to increase the economic participation of SMMEs in the forestry value chain (see Annexure F). The value chain analysis in the subsequent section provides a clearer picture of the role and participation of SMMEs in deprived areas within the South African environment.

The table below shows that the South African 1,194 million ha plantation is 82% and 18% owned privately and publicly, respectively, with a provincial split for both private and public ownership patterns, which impact SMMEs' opportunities and challenges. The two leading provinces in terms of total land size plantation ownership are Mpumalanga and KZN, with 41% and 40%, respectively, during the 2018/19 period.

Table 2.5: RSA Forestry Plantation Ownership

Province	Ownership: 2018/19			Percent	Percent
	Private	Public*	Total	Privately	Publicly
	Hectares			Owned	Owned
Eastern Cape	114 286	27 619	141 905	80,5%	19,5%
Free State	0	0	0	0,0%	0,0%
Gauteng	0	0	0	0,0%	0,0%
KwaZulu Natal	442 157	36 161	478 318	92,4%	7,6%
Limpopo	26 707	24 340	51 047	52,3%	47,7%
Mpumalanga	361 417	130 474	491 891	73,5%	26,5%
North West	0	304	304	0,0%	100,0%
Northern Cape	0	0	0	0,0%	0,0%
Western Cape	30 701	496	31 197	98,4%	1,6%
Total: R.S.A	975 268	219 394	1 194 662	81,6%	18,4%

* Includes SAFCOL (KLF)

Source: FSA (2019, p.2)

The table above shows that the South African 1,194 million ha plantation is 82% and 18% owned privately and publicly, respectively, with a provincial split for both private and public ownership patterns, which impact SMMEs' opportunities and challenges. The two leading provinces in terms of total land size plantation ownership are Mpumalanga and KZN, with 41% and 40%, respectively, during the 2018/19 period. As alluded to earlier, the few large international companies operating in the forestry value chain since contracting was introduced in the early 1990s provide opportunities in the value chain for SMMEs to participate as economic players.

Lewis, et al. (2004) identifies the following challenges in the forestry SMME ecosystem, namely legal access, ease of entry, operational costs, and regulatory compliance. Lewis, et al. (2004) also argue that "though they feature at almost every level in the value chain, they are concentrated in the initial stages of the value chain". The highlights of SMMEs' challenges in South Africa are presented in the following chapter.

2.4.3 South African SMME problems

The table below provides an overview of studies on SMME challenges in South Africa followed by key themes for South Africa and globally emanating from different studies, as indicated in Table 2.7. The grouping of themes is constructed in the subsequent chapter.

Table 2.6: South African SMME Studies – Challenges

Year	Author(s)	Challenge
2005	Clark and Isaacs	Workers health at risk Workers are vulnerable Lack of financial viability of contracting Workers lack means for collective bargaining
2019	Musara	Access to finance Access to markets Poor infrastructure Corruption and crime Regulation and legislative burdens Lack of managerial skills, knowledge, and training
2020	Chababva, Tengeh and Dubihlela	Lack of key suppliers High municipality costs Unexpected increase in financial costs
2022	Ogujiuba <i>et al.</i>	Location of business i.r.t business plan Government support (urban vs rural programs) Entrepreneurial sustainability*
2022	Wiid and Cant	High level of unemployment Shortage of finance and credit Lack of business training Inadequate infrastructure Shortage of qualified staff Lack of managerial, business and admin skills
2023	Mhlongo and Daya	Lack of entrepreneurial leadership skills lack of financial resources and/or finances Lack of financial education Infrastructure constraints Lack of training Lack of technology Crime and corruption
2023	Majadibodu, Fitzgerald and Ladzani	Lack of stakeholder support, e.g. Government Agency Management of business records Training Lack of compliance with government regulations Business competition with large companies

*: Financial, Social and Environmental

Source: Author’s compilation (2023)

2.5 Key themes: Globally and in South Africa

Table 2.7: Study Key Themes¹⁵

Global Forestry Industry			South African Forestry Industry		
Author(s)	Thematic Idea	Thematic Statement	Author(s)	Thematic Idea	Thematic Statement
Penttinen <i>et al.</i> (2013)	Financial	Increase level of solvency for forestry contractors	Lewis <i>et al.</i> (2004)	Challenges	Identification of small business challenges
Haggstro <i>et al.</i> (2013)	Contracting	Company profiling towards service provision	Clarke and Isaacs (2005)	Contracting	Forestry contractors business viability and sustainability
Murrithi (2017)	Challenges	Operational impediments for small business	Basa (2015)	Importance	Small business plays crucial role in local economy
Mitha (2019)	Centre	Small business are the economic backbone	Rahman <i>et al.</i> (2017)	Importance	Small business plays crucial role in local economy
Zahorskyi <i>et al.</i> (2020)	Importance	Small business plays crucial role in local economy	FSA (2019)	Ownership	Land size ownership by forestry role players
Husin and Haron (2020)	Competitiveness	Financial support critical to small business operation	Musara (2019)	Business support	Lack of small business support hampers survival rate
Jordan <i>et al.</i> (2020)	Small scale	Subsistence farmers business knowledge is importance	Chababva <i>et al.</i> (2020)	Business costs	Increased business costs impact on small business progress
Muranga (2020)	Competitiveness	Small business operational competitive advantage	Ogujiuba <i>et al.</i> (2022)	Location	Business location determines kinds of support for small business
Kankaanhuhta <i>et al.</i> (2021)	Efficiency	Technological advancement increased process improvement	Wiid and Cant (2022)	Social dynamics	Declining socio-economic performance influence profitability
Kronhold <i>et al.</i> (2021)	Viability	Implementation of new business model vs profitability changes	Adams (2023)	Threats	Unfavourable economic performance threatens small business
Ebrahim and Andualim (2022)	Sustainability	Importance of SMME sustainability towards LED contribution	Chukwuneme <i>et al.</i> (2023)	Funding	Dedicated financial support to address unplanned events
Purwandani and Michaud (2021)	Environment	Good understanding of green environment add value to business	Litvaj <i>et al.</i> (2023)	Sustainability	Success of small business good for economy
Zade <i>et al.</i> (2021)	Development	Small business critical role in local economy	Majadibodu <i>et al.</i> (2023)	Support systems	System failures of partners in the ecosystem leads to business failures
Ferretti (2023)	Value chain	Role players impact in the industry value chain	Mhlongo and Daya (2023)	Poor services	Lack of support systems from stakeholders affect entrepreneurs
Mellilanca <i>et al.</i> (2023)	Constraints	Lack of training and development impact on entrepreneurs success			
Mhlongo <i>et al.</i> (2023)	Importance	Small business significant contribution in the local economy			
Melilanca <i>et al.</i> (2023)	Constraints	Lack of training and development impact on entrepreneurs success			
Litvaj <i>et al.</i> (2023)	Survival	Small business survival key to local economic contribution			
Yang and Shang (2023)	Partnership	Stakeholders partnership towards industry development			
World Bank (2023)	Economy	Declining economy growth across the globe			

Source: Author's Compilation (2023)

¹⁵ Lists arranged chronologically in terms of publication year and surnames of first author(s)

2.6 Summary

For any economic system to be sustainable, improved and positive economic growth is paramount to sustain business, including community livelihoods. The supply of goods and services will always be available if there is “demand and supply” players in the market. The establishment of SMMEs has been influenced largely by market forces over centuries. Different scholars agree that SMMEs’ contribution to the local economy is important as BASA (2015) alludes that 90% of formalised businesses in South Africa are from the SMME ecosystem, 95% in the Nigerian economy (Lekhanya and Mason, 2014), and 80% of businesses being classified as SMMEs in the Republic of Congo.

In this chapter, an overview was given of selected countries, including unemployment statistics, which have an impact on SMME sustainability and survival. It was mentioned that customers are important as a base for revenue generation. The forestry industry perspective was provided within the economic sectors in the global and South African context with the world’s largest forestry company 2022 annual revenue being at \$12,5 billion (Oji, 2023). Forestry occupies 31% of global land size and is a significant GDP contributor across economies, while at the same time providing employment opportunities across the forestry value chain within the forestry by-product. In South Africa, forestry land size equates to 1 194 M ha. According to FSA (2019), the industry annual revenue reached R10 billion in South Africa.

The geographical sphere in South Africa was provided in this chapter with Mpumalanga and KZN occupying more than 80% of forest land, including rural operations. The industry has been in existence in South Africa for more than a century and went through different forms of development, reform and restructuring, including the early 1990s contractor introduction as multinational companies moved from in-house operations to contracting (outsourcing). This provided opportunities for the emergence of SMMEs within the forestry value chain. The challenges in the global, South African and industry base were discussed. A further analysis of challenges is compared with field results in Chapter 4 (Data Analysis and Results) to provide new findings in the 21st Century forestry SMME ecosystem.

2.7 Conclusion

The forestry industry is rural based, operating in small towns such as Mtubatuba, Vryheid, and Piet Retief, compared to cities such as Durban and Cape Town, where the socio-economic challenges are more severe and require an urgent intervention that is tailor-made for rural municipalities. Forestry literature covering the background, operation, and challenges faced by SMMEs in the ecosystem was presented in this chapter. The Global Entrepreneurship Monitor (GEM) reports highlight that the South African level of entrepreneurial activity is low compared to other developing countries on similar developmental levels.

In the following chapter, the findings indicate whether forestry SMME sector participation in the economy can assist in sustaining their businesses, including a positive contribution toward sustainable development pillars, in other words, Economy, Social and Environment (ESE) and SDG goals, including livelihood improvement.

Chapter 3: Research Methodology

3.1 Introduction

Following the literature review in the previous chapter, this chapter is focused on the different aspects of a research methodology, including the research design, sampling, data collection techniques, and data analysis. This research project investigates business problems and experiences of small and informal enterprises in a deprived¹⁶ context. An outline of the study research area is also provided, followed by an overview of the ethical considerations, study limitations, and trustworthiness for quality assurance in the qualitative research project. The summary and conclusion are highlighted at the end of the chapter.

3.2 Research site information

The research is located in the King Cetshwayo District (KCD) Municipality on the North Coast of KZN among 10 district municipalities in KZN with offices in the Richards Bay Central Business District (CBD). See Figure 3.1 below for the district map and Annexure G for a historical summary of the KCD.

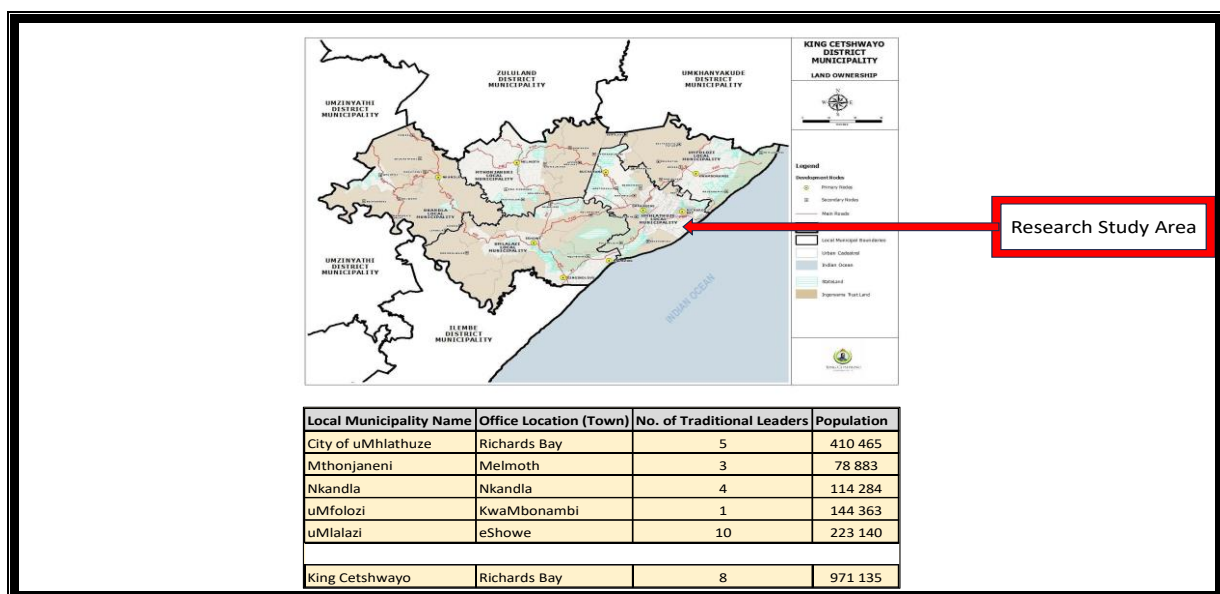


Figure 3.1: Municipality – King Cetshwayo District Map

Source: COGTA (2020c, p.6)

¹⁶ Deprivation refers to unmet needs due to a lack of resources or opportunities concerning health, education, employment, housing, access to services, and financial means (Mautjana and Makombe, 2018, p.2)

The KCD Municipality covers an area of 8 212 km² and borders four districts, namely uMkhanyakude in the north, Zululand to the north-east, iLembe in the south, and uMzinyathi to the north-east, and is located approximately 150 km to the north of the eThekweni Metropolitan Municipality (eMM). As depicted in the figure above, the district has five cities, with the City of uMhlathuze and Mthonjaneni accounting for 50% of the population of the district split at 42% and 8%, respectively.

According to the StatsSA 2016 Census report, the KCD Municipality has a population of 971 135 (8,6% of the KZN population), mainly in rural areas, with 709 000 inhabitants living in poverty¹⁷ in 2019, increasing from 672 000 in 2009. Twenty-three and eight traditional leaders are represented in the five local and district municipality councils, respectively. The KCD is strategically located with Richards Bay's industries and port for dedicated export markets that contribute an estimated 6,5% of the KZN Gross Domestic Product (GDP), with uMhlathuze leading at 44%, followed by uMfolozi at 25,7% and uMlalazi at 21,3%, according to COGTA (2020).

Approximately 40% of the population of the KCD is younger than 15 years, with 4,2% older than 65 years, accompanied by the 2019 statistics of 87,400 unemployed people, which has increased from the 2009 statistics of 27,900. The district constitutes 9.71% of the unemployment rate in KZN. It had an annual average increase of 3,91% between 2009 and 2019, while KZN recorded an annual average rate of 2,59% during the same period. Persistent unemployment patterns impact the poverty level experienced by the inhabitants of the district. As depicted in Figure 3.2 below, there has been an increase in the percentage and number of people living in poverty since 2011.

The unfavourable economic conditions in the KCD put pressure on all economic sectors, while the informal sector bears the biggest challenge to addressing poverty and unemployment. One of the strategic goals of the KCD is the development of SMMEs to drive and promote emerging entrepreneurs to create and initiate labour-intensive job opportunities that ultimately contribute toward positive economic growth. The informal sector is vital for the KCD, which also unfolds in this research project.

¹⁷ Using the upper-bound poverty line definition. Bannock (1992, p.334) defines poverty as "the situation facing those in a society whose material needs are least satisfied".

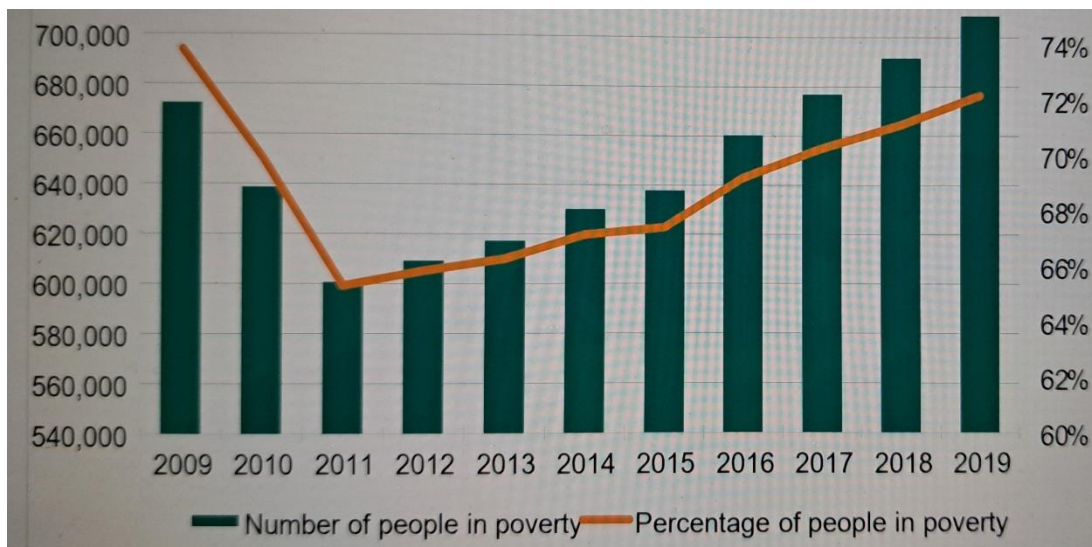


Figure 3.2: King Cetshwayo District – Number and percentage of people in poverty (2009-2019)

Source: COGTA (2020, p.11)

3.3 Definition of methodology concepts

According to Creswell (2003), a methodology is defined as a plan or strategy of action that links methods to outcomes and guides the choice and use of methods. Burns (1997) argues that research has been described as a systematic investigation. Mackenzie and Knipe's (2006) research dilemma covers the research paradigm, methods, and methodology. A research paradigm (for example, positivism or interpretivism) is a method, model or pattern used to conduct research. Methods (qualitative, quantitative, or mixed) refer to the procedures and specific tools used to collect and analyse data, which are discussed in the following sections.

3.3.1 Research design

The key questions to be answered by the research design include 'what', 'where', 'when', 'how much', and 'by what means' regarding a research study. McCombes (2021) confirms that a research design is a strategy adopted to answer the research question using empirical data while deciding the research objectives, data source (primary or secondary), sampling method selection, method of data collection, procedures in collecting data, and the tools used for analysis. This research study is qualitative in understanding the phenomenon being studied, which is discussed in later sections. Antwi and Hamza (2015) reiterate that the choice of a research design or

approach is guided by epistemological, ontological, and methodological considerations that represent the underlying philosophical assumptions that form a researcher's view and nature of knowledge, and understanding of the world (Guba and Lincoln, 1994).

3.3.1.1 Qualitative research design

Bryman (2012) stipulates that a qualitative research design or approach mainly uses constructionist ontological orientation and interpretivist epistemological orientation, while Creswell (2003, p.8) is of the view that an interpretivist/constructivist researcher tends to rely on "participants'" views of the situation being studied and recognises the impact of their background and experiences on the research. A qualitative research design is more flexible and inductive, allowing a researcher to adjust the research approach based on the findings throughout the research journey.

According to Creswell (2014), "Social constructivism means that various socially formulated realities exist where individuals seek to understand their world by creating subjective meanings of their experience directed towards certain objects or things". A qualitative research design includes, among others, gaining in-depth knowledge of a specific context or culture, exploring under-researched problems and the generation of new ideas, and being subjective in understanding the participants' experiences, concepts and beliefs. This research method involves the inquirer often making knowledge claims primarily based on constructivist perspectives on the study to achieve results.

Along the research process journey, the researcher ventured into an exploratory research approach, which forms part of the inquiry basket type to consider when gathering data to answer the research question. This view is supported by Reiter (2013), who states that "exploratory research provides an opportunity for the researcher not only to measure but also to apply their experience, mind, and skill to propose alternative ways of how to examine and interpret reality". This study provides a better understanding of the problems and experiences of small and informal enterprises in deprived areas.

3.3.2 Population and sampling

A universe, commonly known as a population, refers to the entire group a researcher includes in their study. This study investigates small and informal enterprises' business problems and experiences in a deprived context. The research area is the KCD Municipality in northern KZN. All the SMMEs and informal traders in the KCD are referred to as the population, while the selected few to answer the questions during the semi-structured interviews are referred to as the sample. Moreover, it should be noted that the sample participants in this qualitative research study are within the forestry industry. Shukla (2020, p.1) defines a population as "the set or group of all the units on which the research findings are to be applied". Similarly, Bhardwaj (2019, p.158) describes sampling as a procedure to select a sample from an individual or a large population group for a certain kind of research purpose. A list of 39 contractors operating in the forestry industry has been secured. See Table 3.1 below for details.

Table 3.1: List of forestry SMME contractors

No.:	Company Name	No.:	Company Name	No.:	Company Name
1	TM-N77 Holdings	14	Voyzane (Pty) Ltd	21	ZM Green Solutions
2	Funjwa Logistics	15	Tholi Trading (Pty) Ltd	22	Ingwe Construction and Logistics
3	Phumasizwe Transport	16	Macele Mthethwa Transport	23	Umthandazo Logistics
4	Allways Towing	17	Virgo Transport	24	Khumalo Trucking
5	Nsombosi Trading	18	My Power	25	TSK Enterprise
6	Rambro Logistics	19	Breamhill Enterprise	26	Phimdile Civil and Building Projects
7	Maqhama Transport	20	Koback	27	Izintuthwane Logistics
8	Lubanzi 249 (Pty) Ltd	21	Northern Transport	28	Amandla Nkosi Logistics
9	Phumohlwini	22	Mthintisi Trading and Project	29	Mahluba Ndabuko
10	Emalangeni Holdings (Pty) Ltd	23	Pheduka Trading Enterprise (Pty) Ltd	30	Ekachube Enterprise (Pty) Ltd
11	BTA Construction	24	VN Nxumalo Transport	31	WM Gee Logistics (Pty) Ltd
12	Sigwaza Transport	25	Bheje Sengome Group	32	Mawolela Global Trading (Pty) Ltd
13	Phikelahlubi	26	Inyameko Trading 1296 CC	33	Noshia Trading Enterprise

Source: Khulanathi Forestry Company (KFC, 2023)

A sample of eight participants was selected for the semi-structured interviews, which represent 21% of the population. The sampling of the participants was based on the criteria highlighted in the first chapter (introduction) of this mini-dissertation. Hennink and Kaiser (2021) argue that saturation¹⁸ is the guiding principle for assessing the adequacy of purposive samples in qualitative research.

¹⁸ Bannock (1992, p.381) defines a saturation point as "a level beyond which the relative absorption of a product or service is not expected to increase".

3.3.2.1 Sampling technique and design

According to Kabir (2016, p.170), a sample design refers to the “plans and methods to be followed in selecting a sample from the target population and the estimation technique formula for computing the sample statistics”. Kothari (2004, p.55) refers to the technique or procedure a researcher would adopt to select sample items. There are two types of sampling in social research: probability and non-probability. The application of non-probability sampling is used in this research as each unit, in other words, a participant in a sample frame does not have an equal chance of being selected for a particular study.

Purposive sampling,¹⁹ an example of non-probability sampling, is used in this study. Fouche, Strydom, and Roestenburg (2021, p.382) define purposive sampling²⁰ as “a particular case is chosen because it illustrates a particular feature or process that is of interest to a particular study. This does not imply that any case will suffice, and there must be a justified reason for selecting such a case. Participants are selected for convenience – i.e., being readily available.” As depicted in Table 3.1 above, the list of participants was selected to answer questions during the interviews using pre-testing questions (see Annexures H and I) for the university’s approved questions and consent participation form, respectively).

3.3.2.2 Pre-testing the research instrument

Buschle, Reiter, and Bethmann (2022, p.823) reiterate that the “*Qualitative Pre-test Interview – QPI*” is essential and it is the only way to ensure that the information collected from respondents/participants is suitable for providing good answers to research questions. The first participant, ‘Entrepreneur 1’ was interviewed on 19 September 2023 (see transcript attached as Annexure J), with Figure 3.3 below highlighting a summary of the key findings. It is evident from the interview that the following findings are critical to the success of entrepreneurs in the forestry transport industry operating in deprived areas in South Africa.

¹⁹ Also referred to as judgemental sampling by some authors such as Babbie (2016, p.187) and Rubin and Babbie (2017, p.355).

²⁰ Also referred to as convenience sampling by some scholars such as Leary (2012, p.109).

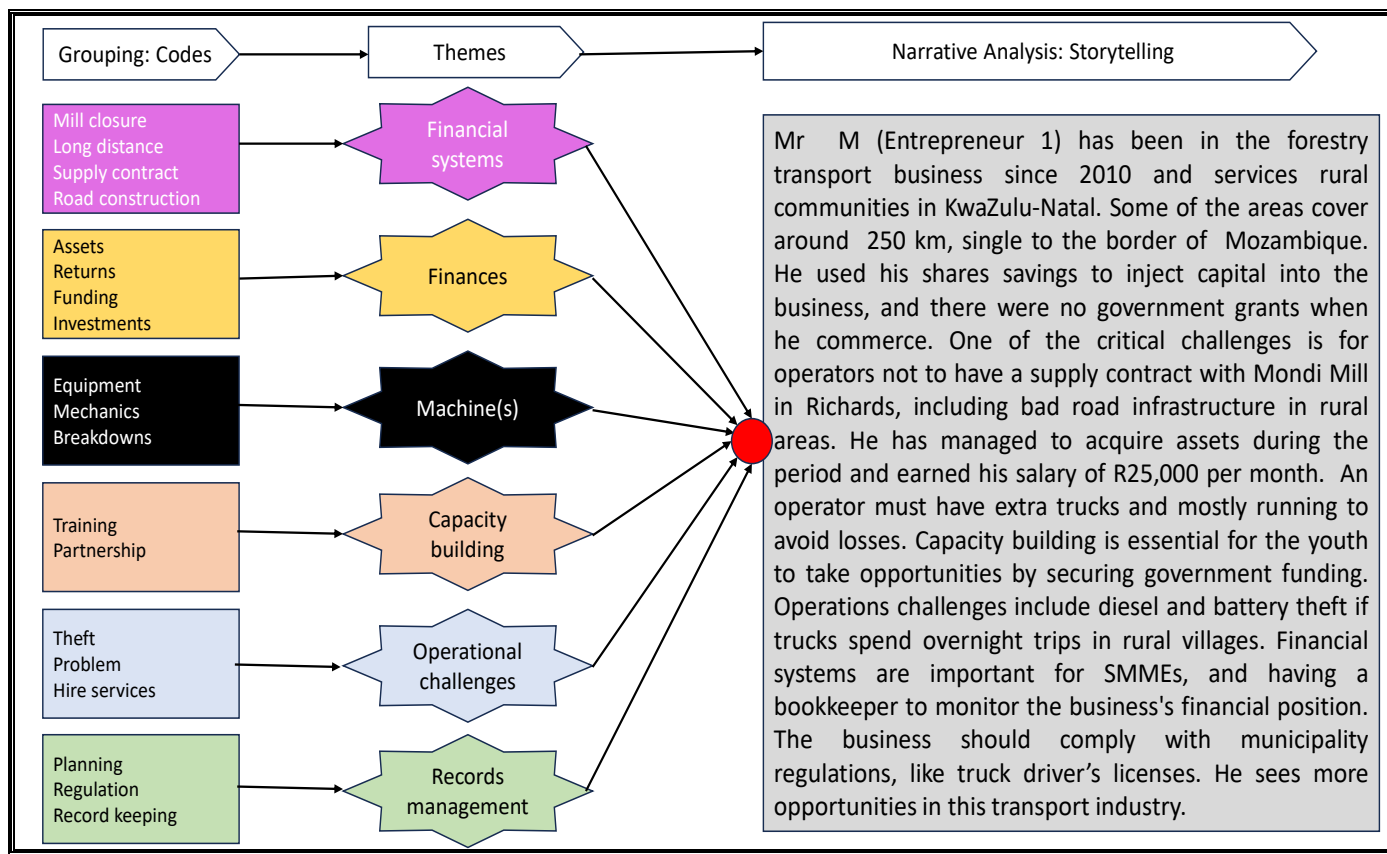


Figure 3.3: QPI Research Key Summary (Entrepreneur 1)

Source: Researcher (2023)

3.3.3 Data collection techniques

According to Bryman (2012), interviews are one of the major data collection methods used in research, which can be structured, semi-structured or unstructured to generate primary data. In this qualitative research study, the researcher uses semi-structured interviews to collect mainly primary data, incorporating secondary data. Fontana and Frey (1994, p.361) allude to the fact that semi-structured interviews are an “individual, face-to-face verbal interchange which offered the benefit of structure that kept the study from straying from the aim and set objectives), at the same time enabling the researcher to avoid being strictly confined by structure from delving deep into the issues the researcher was aimed at uncovering”.

A schedule of interviews was designed to collect data from selected participants, as per Figure 3.3 above, in rural KZN. The data collection tool, in other words, the interview guide (questions), is available in English and isiZulu (see Annexure K) to understand the questions clearly.

3.3.3.1 Qualitative data

A interview schedule was used to collect qualitative data through semi-structured interviews with participants operating in the forestry contracting economic sector. The researcher visited the participants in their offices and plantation operations, such as timber-loading depots, in rural areas to familiarise himself with the setting and context in which they operate. By visiting the operations, this type of observation method provided the researcher with first-hand information in uncovering the real life of an entrepreneur in a qualitative study. This type of research is called phenomenology. According to Lester (1999, p.1), phenomenology is “concerned with the study of experience from the perspective of the individual, ‘bracketing’ taken-for-granted assumptions and usual ways of perceiving”.

3.3.4 Data analysis technique

The outcome or results of a research study are essential to inform researchers, decision-makers and academics about the project findings, learnings and recommendations for future projects to mitigate risk. Data analysis is vital to draw meaningful insight to determine the best course of action. According to Hillier (2023), data analysis involves the following steps, (i) defining the question, (ii) collecting the data, (iii) cleaning the data, (iv) analysing the data, and (v) visualising and sharing the findings. Options are available for analysing qualitative data using software²¹ such as N.Vivo or Atlas.Ti²². N.Vivo is used during the data analysis stage to present the research findings.

3.4 Ethical Research Considerations

In social science research, where data are collected from participants or human subjects, a researcher’s compliance with ethical standards is pertinent to the research process and outcomes. Approved ethical clearance was secured from the university (see Annexure L). In compliance with the ethical requirements of the university’s Research Ethics Committee (REC), the following was taken into consideration and shared with the participants through the research study information leaflet and consent form:

²¹ *Qualitative Data Analysis Software (QDAS) is a system that helps with a wide range of processes that help in content analysis, coding, text transcription, discourse analysis, recursive abstraction, Grounded Theory methodology, and interpreting information to make informed decisions (Pat Research, 2023).*

²² *Qualitative Data Analysis Software*

- Ethical approval:
“This study has received approval from the Research Ethics Committee. A copy of the approval letter can be obtained from the researcher. Approval number: UFS-HSD2023/0438/23”
- Nature of participation:
“Participation is voluntary and there is no penalty or loss of benefit for non-participation. Being in this study is voluntary and you are not obligated to consent to participate. If you decide to participate, you will be given this information sheet to keep and be asked to sign a copy for our records. You can withdraw at any time and without a reason.”
- Confidentiality of information:
“We will not record your name outside of the consent form and no one will be able to connect you to the answers you give. We will give your answers a fictitious code number and you will be referred to it this way in the data, any publications or other research reporting methods such as conference proceedings. People responsible for ensuring that research is done properly, including the supervisor and Research Ethics Committee members, may review our work. Otherwise, records that identify you will be available only to people working on the study (the interviewer/student and transcriber) unless you permit others to see the records.”
- Information storage:
“Keeping with the POPI Act²³, we will keep documents containing your personal information (such as the consent form) in locked storage at the Centre for Development Support, which will be destroyed five years after collection. We will store all anonymous information on a password-protected computer. Future use of the stored anonymous data will be subject to further research ethics review and approval.”
- Participants’ informed consent form:
“All participants will be provided with a consent form for participation to be completed before commencement of the data collection.”
- Honesty:

²³ POPI (Protection of Personal Information) Act, Act No. 4 of 2013 that commenced on 01 July 2020

“The integrity of the research study is important to all stakeholders, especially the researcher. The researcher took the precaution to apply honesty in data management, which includes capturing, analysis, and interpretation. No participation has been discriminated based on disabilities, race, and gender during the research process undertaken.”

3.5 Limitations of the study

No research study is flawless or inclusive of all possible research aspects. Key research limitations include, among others, (i) study area size, (ii) small sample size, (iii) unavailability of participants, (iv) business conditions, and (v) human capacity, with the discussion in the next section.

(i) Study area size

The study area within the KZN coastal KCD Municipality, compared with the national and global size with the important subject matter of small and informal enterprise development in deprived areas, might limit the study’s findings. In the context of the KCD, municipalities with small towns cannot make a considerable representation of KZN or South Africa by including all small and informal enterprises, which is limiting. The study title requires a broader perspective to cover a larger area with a high variation that will produce more results for better comparison of either provinces or metropolitan municipalities, providing more acceptance by broader stakeholders.

(ii) Small sample size

Most conventional quantitative research studies, such as surveys, have many respondents. In contrast, qualitative studies have few participants, as in the case of selecting twelve entrepreneurs or informal business owners. This research study cannot be generalised, but is specific to the area with detailed and focused results that stakeholders can use.

(iii) Unavailability of participants

It is difficult to secure interviews with participants. Sometimes, scheduled interviews are cancelled on short notice for reasons beyond the business operator’s control. A rescheduled date is confirmed as this process takes longer to complete and requires patience and proper planning to mitigate the risk of an incomplete project or delayed

report submission. It should be appreciated that the business size is small with a limited number of employees who might be available to be seconded for the interview sessions.

(iv) Business conditions

There are instances where entrepreneurs are forced to change their business operations due to unforeseeable circumstances. The forestry contracting operations are in an open environment, for example, in plantation size-loading zones. If there is persistent rainfall, some road infrastructure conditions in rural areas prohibit operations from continuing as normal. Poor road construction leads to cancelled operations, ultimately changing the weekly calendar, including scheduled interviews.

(v) Human capacity

This research project had limited human capacity as a limiting factor. The data were collected solely by the researcher, in other words, one person, in the data analysis, report writing, and site visits. A similar study requires budgetary post-graduate scholarship funding support to provide extra human capacities, such as research assistance or data capture, which will provide the capacity to cover a larger area with more participants.

Given the above limitations, the researcher proposes conducting further studies in a similar context across South Africa. This will provide a better picture of small and informal enterprises' challenges in deprived areas as rural conditions in KZN differ from Limpopo and the Northern Cape provinces. For the findings to be accepted in this qualitative research, trustworthiness is discussed below to provide authenticity.

3.6 Trustworthiness

In qualitative research, trustworthiness refers to the systematic rigour of the research design, the researcher's credibility, the believability of the findings, and the applicability of the research methods (Johnson & Parry, 2015; Lincoln & Guba, 1985). According to Korstjens and Moser (2018, p.121), four main quality criteria for trustworthiness are depicted in Table 3.2 below with their meanings, while Guba (1981) describes each criterion.

Table 3.2: Trustworthiness quality criteria

Criteria	What it means	Description by scholars	Other research scholar(s)
Credibility	The research findings are plausible and trustworthy	Guba (1981:79), "How can one establish confidence in the truth of the findings of a particular inquiry for the subjects (respondents) with which and the context in which the inquiry was carried out?"	Merriam (1985), "Credibility seeks to assess how congruent the findings are with reality"
	There is alignment between theory, research question, data collection, analysis and results		
Dependability	The extent to which the research could be replicated in similar conditions	Guba (1981:80), "How can one determine whether the findings of an inquiry would be consistently repeated if the inquiry were replicated with the same (or similar) subjects (respondents) in the same (or similar) context?"	Sandelowski (1986), "The consistency and reliability of the research findings and the degree to which research procedures are documented, allowing someone outside the research to follow, audit, and critique the research process."
Confirmability	There is a clear link or relationship between the data and the findings	Guba (1981:80), "How can one establish the degree to which the findings of an inquiry are a function solely of the subjects (respondents) and conditions of the inquiry and not of the biases, motivations, interests, perspectives and so on of the inquirer?"	Shenton (2004), "Concerned with demonstrating that the work's findings are results of experiences and ideas of respondents rather than characteristics and preferences of the researcher."
Transferability	Findings may be transferred to another setting, context or group	Guba (1981:79-80), "How can one determine the degree to which the findings of a particular inquiry may have applicability in other contexts or with other subjects (respondents)?"	Lincoln and Guba (1985), "Sufficient contextual information concerning the study site was provided so that readers of the resultant report of findings may transfer the findings their own context should they feel."

Source: Authors' Compilation (2023)²⁴

²⁴ Guba (1981)
 Korstjens and Moser (2018)
 Lincoln and Guba (1985)
 Merriam (1985)
 Sandelowski (1986)
 Shenton (2004)

To secure assurance of the credibility of the findings, the researcher has incorporated the findings from the semi-structured interviews and the site field visits to understand the conditions of small and informal enterprises in the KCD Municipality. The participants were encouraged to be frank during the interviews. The research settings differ, while at the same time, readers can transfer the findings to their context should they desire to achieve transferability.

Lincoln and Guba (1985) argue that achieving credibility is also a pointer to the dependability of a study. Confirmability is, therefore, achieved by ensuring that the findings are the participants' experiences and ideas rather than the researcher's preferences and characteristics. The interview recordings are available to authenticate the research findings and verify the participants' responses. The chapter is summarised in the following section, and a conclusion of the research methodology undertaken in this research project is provided.

3.7 Summary

The research methodology for this study project was focused on the small and informal development in deprived areas of the KCD Municipality in northern KZN within the forestry contracting sector. The project investigates business problems and experiences of small and informal enterprises in deprived areas. The municipality accounts for 8.6% of the KZN population, with 31 traditional leaders represented across all local municipalities in the district. Creswell (2003) defines a methodology as a plan or strategy of action that links methods to outcomes and guides the choice and use of methods.

A sample of 12 participants were selected for the semi-structured interviews. The questionnaire was pre-tested with 'Entrepreneur 1' to ensure that the information collected from the respondents/participants was suitable for providing good answers to the research questions, with a detailed transcript and a summary of the key findings attached. The researcher also used phenomenology to gather additional information during site visits. It should be noted that research studies have flaws as limitations were acknowledged. Lastly, a discussion is presented on quality criteria for trustworthiness to secure the research integrity of the information.

3.8 Conclusion

A research methodology overview was presented in this chapter, including the research design, sampling, and technique applied in analysing the pre-tested information. This qualitative study was conducted in the KCD Municipality in northern KZN, which has an estimated population of just below 1 million inhabitants that mostly live in deprived areas, in other words, rural villages. The district faces unfavourable economic conditions with unemployment among 40% of the population younger than 15 years old and recorded increased unemployment statistics in 2019, which accounts for 9.71% of the KZN unemployment rate.

All countries' economic groupings are impacted. This global unemployment challenge includes South Africa, which has been classified as a less-developed country with an unemployment rate of 35,6% (StatsSA, 2022a). The scenario above shows enormous business world challenges, including the SMME ecosystem. The research findings are presented in the following chapter.

Chapter 4: Empirical Results and Findings

4.1 Introduction

The international economic overview of economic performances, including unemployment statistics and its impact on SMME sustainability and survival was provided in Chapter 2. Forestry occupies 31% of global land size. It is a significant GDP contributor across economies while providing employment opportunities in the forestry value chain. In South Africa, forestry plantations are primarily located in rural areas. Chapter 3 was focused on the research methodology. The area under study was in the KCD Municipality within the forestry contracting sector in northern KZN. The municipality accounts for 8,6% of the KZN population. A sample of 12 participants was selected for the semi-structured interviews (see Annexure M), as depicted in Table 4.1.

This research investigates business problems and experiences of small and informal forestry enterprises in a deprived context. The factors influencing the failure or success of these enterprises are analysed. Businesses operate to achieve their goals, including maximising profits, creating jobs, as well as contributing to local economies, key stakeholders as responsible corporate citizens, and sustainability. Semi-structured interviews were used to collect data from selected entrepreneurs in the forestry industry.

The qualitative research method assists in understanding respondents' interpretation of the world around them as reality is socially constructed. Using this method, the researcher was focused on understanding the viewpoints of the subjects being observed, rather than observers' viewpoints. The study contributes to deepening the understanding of the business problems and experiences of small and informal forestry enterprises in a deprived context in the SMME ecosystem.

4.2 Background

The research findings from the participants' responses are depicted in Table 4.1. A further discussion of the leading research findings is addressed in the following section. The top six leading challenges faced by small and informal enterprise development in deprived areas are finance, operational challenges, financial systems, capacity building, machinery, and records management.

Table 4.1: Challenges in deprived areas²⁵

No.:	SMMEs Key Challenging Issue(s)	No. of Participant											
		Entrepreneur 1	Entrepreneur 2	Entrepreneur 3	Entrepreneur 4	Entrepreneur 5	Entrepreneur 6	Entrepreneur 7	Entrepreneur 8	Entrepreneur 9	Entrepreneur 10	Entrepreneur 11	Entrepreneur 12
1	Finances	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Operational challenges	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓
3	Financial systems	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	
4	Capacity building		✓	✓	✓	✓		✓	✓	✓	✓		✓
5	Machinery	✓	✓	✓		✓	✓	✓		✓	✓	✓	
6	Records management	✓	✓	✓	✓		✓	✓	✓	✓		✓	
7	Fluctuating volumes	✓	✓	✓		✓			✓	✓			✓
8	Mentorship		✓	✓	✓		✓	✓	✓				✓
9	Regulatory compliance	✓	✓			✓	✓			✓	✓	✓	
10	Economies of scale		✓	✓	✓			✓	✓		✓		✓

Pre-Test Interview	✓	* Refers to key challenge mentioned by the entrepreneur(s) during interview
No.:		* Refers to the ranking of key challenges mentioned by the entrepreneur(s) during an interview
		* Ranking based on the number of occurrences of each challenge mentioned by the entrepreneur

Source: Authors' compilation (2023)

The information cordoned off with red arrows in the top right-hand corner of Figure 4.1 depicts the six primary challenges SMMEs face in the deprived areas of northern KZN, which are discussed in section 4.3. The other four challenges are also shown in Figure 4.1. See the annexure N for detailed information on the data.

²⁵ Table 4.1 Summarised Annexure N

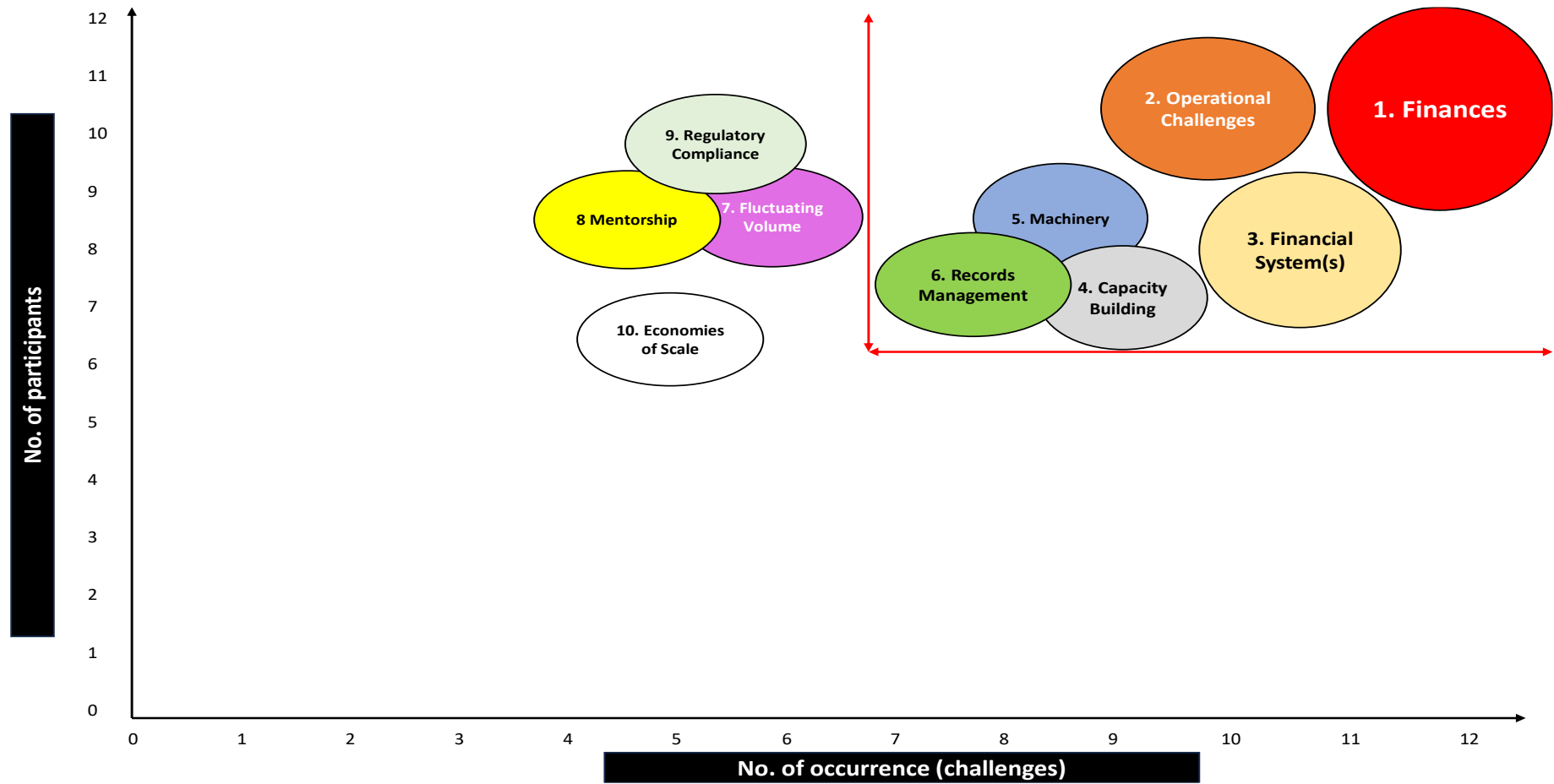


Figure 4.1: Key challenges faced by small, micro and medium enterprises in deprived areas

Source: Authors' compilation (2023)

4.3 Identified key challenges

The identified key challenges in the forestry value chain are discussed in this section.

4.3.1 Finance access

The participants mentioned that the leading challenge is “finance access”. Forestry operations require capital, even for small-scale timber growers. Finance is needed during each phase of forestry timber rotation for, among other expenses, (i) establishment items – de-bushing, burning, pitting, and marking, (ii) maintenance – weed control and pruning, (iii) harvesting – chainsaw, measuring tapes, and marking paint, as well as (iv) transportation – short haul timber from the field to the depot or zones, then to the depot and ultimately to production facilities (See Annexure O) for the participants’ responses regarding entrepreneurs’ challenges regarding financial access).

The literature suggests that access to finance impacts the performance of SMMEs (Chimucheka, 2013; Ndjwili-Potele, 2013; Leboea, 2017). Moreover, financial management by entrepreneurs requires specific skills (Wolmarans and Meintjes, 2015; Kirsten, 2018). Content analysis was used to analyse the data to see certain words, themes or concepts within given qualitative data. The text was deduced from entrepreneurs’ transcripts. Prominent words used by the participants included “*credit score, expenses, cash-flow, court judgements, minimum deposit, budget, guarantee, blacklisted*”. Of critical importance is understanding the context of these words used during the interviews.

The subthemes that emerged in categorising keywords or themes are illustrated in Figure 4.2. The discussion of subthemes under bank financial requirement(s) and bank application feedback is substantiated by the participants’ responses. In Chapter 2, access to finance challenges was alluded to by Clark and Isaacs (2005) and Musara (2019) in South African SMMEs studies. The studies by Wiid and Cant (2021) conclude a need for more finance and credit in the SMME ecosystem, while

Majabibodu, Ramasimu and Ladzani (2023) argue that managing business records is essential.

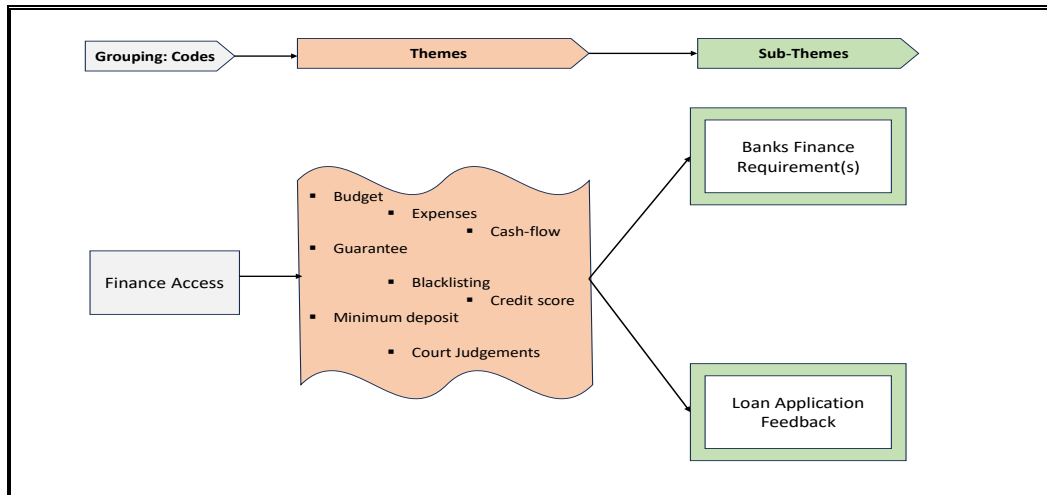


Figure 4.2: Subthemes (Finance Access-Challenge)

Source: Author's Compilation (2023)

Most entrepreneurs who were interviewed believe that securing finance is complex in that being an entrepreneur submitting an equipment finance application for the first time without a good financial and credit record is also compounded by being black and lacking the security required by financial institutions, which makes it difficult.

4.3.1.1 Bank finance requirement(s)

Lenders of capital (financial institutions) have requirements that applicants should meet. Most of the participants argued that while using personal savings and a minimum deposit at inception in financing trucks proved to be challenging in terms of securing loan(s) from banks and that the situation was usually worsened by negative credit ratings, with no guarantees or security to provide. Some entrepreneurs felt that the lack of financing impacted their potential to grow in general. The following three quotations from participants capture their opinions regarding securing finance:

“Secured bank loan to finance the first truck. I included one full-year operating budget (income and expenses) and cash flow statement with the application.”

(Entrepreneur 2)

“The bank official informed me that my credit score rating is not favourable to apply now for financial assistance.” **(Entrepreneur 8)**

“Entrepreneurs operating in rural areas seen as big risk by banks. No bank support at all and only used my savings from the general dealer shop to enter transport business.” **(Entrepreneur 12)**

The quotations show that players in the SMME ecosystem face severe challenges during the introductory phase in securing finance to purchase trucks in the forestry value chain business. In mitigating these challenges, most entrepreneurs used their savings to secure their first truck to enter the trucking and logistics industry. The participants felt that being small businesses from rural areas without security, in other words, the guarantee, would continue to hinder new entrants. At this junction, entrepreneurs know that improved financial profile(s) can produce positive requirements toward securing bank finance for the equipment required for operation.

4.3.1.2 Loan application feedback

One of the critical steps in securing finance is the loan application feedback from banks. The participants mentioned that this step can be viewed as a break or make for entrepreneurs, as well as how all actors process and manage the feedback. Three entrepreneurs said the following:

“Court judgement in respect to furniture store impacts my truck application.”

(Entrepreneur 5)

“Provided deposit from retirement funds, as loan guarantee.” **(Entrepreneur 9)**

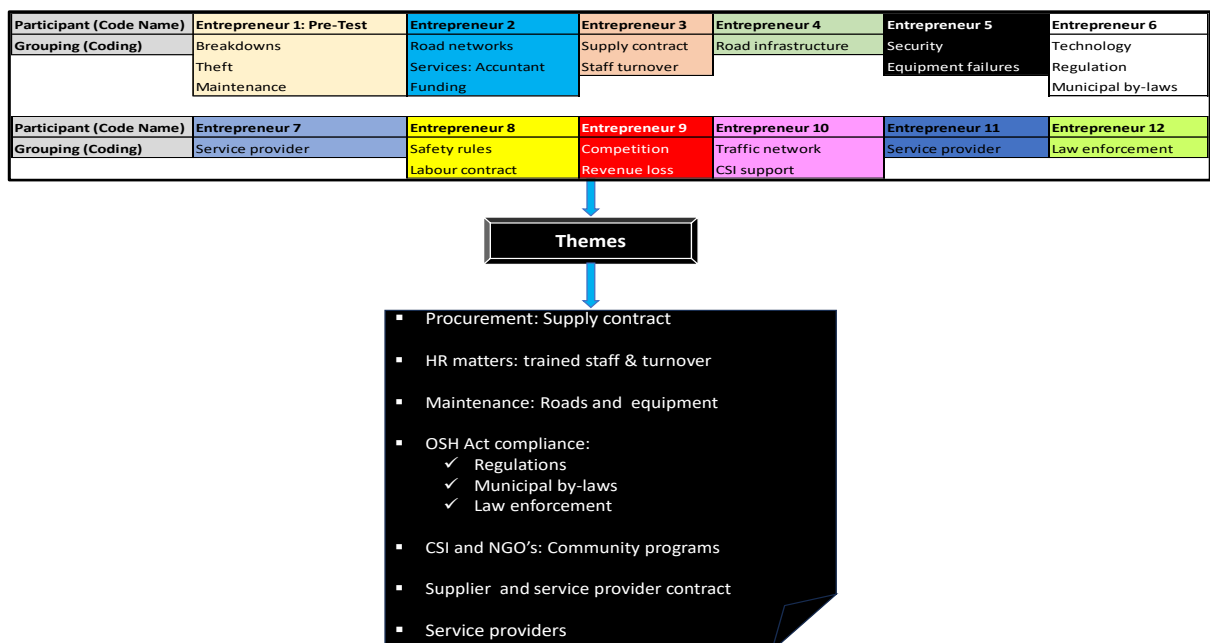
“Old outstanding account debt resulted in the black listing.” **(Entrepreneur 10)**

The impact of previous management of personal finance on future transactions, as in the case above, should be viewed as a learning curve rather than the end of the road for SMMEs' access to finance. It should be noted that the participants, after having operated for a few years, now understand the importance of budgets, including cash flows and guarantees (initial minimum deposits), which will ultimately impact their future chances of accessing finance from banks. Finance is the lifeblood of business operations, including SMMEs, in respect to any industry value chain.

4.3.2 Operations challenges

Entrepreneurs in forestry-deprived areas face varying operational challenges. Most operational challenges, among others, are highlighted in Table 4.2.

Table 4.2: Analysis of operational challenges



Source: Author's Compilation (2023)

Most entrepreneurs who were interviewed manage and run their own SMME businesses within the forestry value chain in rural northern KZN. The critical operational challenges mentioned by the participants regarding truck breakdowns (for

example, tyre damage) due to poor road maintenance, as per the quotation, are captured as follows:

“Most rural municipality roads are bad with potholes, which is more dangerous to drive during the rainy season. Lack or poor maintenance results in high truck unnecessary tyre(s) repair costs.” **(Entrepreneur 2)**

“It is a major problem. We drive on bad roads, mostly in rural areas. It is not a road to drive heavy timber trucks as they get damaged regularly.” **(Entrepreneur 4)**

The following quotations capture the responses regarding law enforcement and regulations:

“Roadblocks mainly along the N2 highway to Richards Bay sometimes cause traffic congestion and the compulsory weighbridge tonnage monitoring at the uMfolozi Weight-Bridge Depot results in production loss as the system is slow to process trucks impacted by load shedding.” **(Entrepreneur 6)**

“Safety compliance (i.e., OHS Act) at production facilities is non-negotiable.”
(Entrepreneur 8)

Literature confirms that challenges in the forestry SMME include legal access, ease of entry, operational costs, regulatory compliance (Lewis, et al., 2004), and infrastructure constraints (Mhlongo and Daya, 2023). As mentioned during the interviews, it is evident that securing timber supply contracts is paramount to the existence of SMMEs. The operational challenges of failing to secure contract(s) threaten the survival of entrepreneurs. The following quotations by the participants regarding contract(s) signing are as follows:

“High staff turnover as drivers leave within two (2) years due to secure permanent or contract jobs.” **(Entrepreneur 3)**

“In the absence of a signed supply transport timber contract for five years. There is an impact on entrepreneurs' viability to employ labour on a fixed-term contract vs. ad-hoc appointments currently used.” (Entrepreneur 8)

“As an entrepreneur, support community projects, i.e., CSI activities mostly during cultural month and heritage days like King Shaka Day celebrations by local traditional authorities.” (Entrepreneur 10)

The quotations above show that uncertainty created due to the absence of a signed contract led to skilled personnel being lost to other industries, for example, the manufacturing operations based at the industrial sites in Richards Bay. In Chapter 2, a literature review of existing studies indicated a shortage of qualified staff (Wiid and Cant, 2022), with workers being vulnerable (Clark and Isaacs, 2005). The quotations reflect entrepreneurs' business viability and survival by securing a fixed-term transport timber supply agreement, allowing them to employ staff on fixed-term contracts and reducing the staff turnover they are experiencing at present.

SMMEs provide employment opportunities and economic activities, especially in deprived areas. Inyang (2013, p.123) concludes that “increased resources, training programs, the development of SMMEs oriented tools and standards to guide adoption and implementation of CSI programs”, while Dzansi (2011) and Maome and Zondo (2022) argue that CSI remains a development tool that facilitates growth for SMMEs in South Africa. As alluded to by Litvaj, et al. (2023), the sustainability of SMMEs is vital to business in general.

4.3.3 Financial systems

Most of the participants believe that financial systems are essential to the business operation of SMMEs (see Annexure P) for entrepreneurs' quotations recorded during the interviews in respect to financial systems). In most SMMEs operating in deprived areas, proper maintenance of financial records is essential for business compliance with regulatory authorities. The financial system is non-negotiable for SMMEs,

irrespective of the area of operation. The participants uttered the following during their interviews regarding financial systems:

“They must have their bookkeeper in the first place.” (Entrepreneur 1)

“The service of bookkeeper or accountant is important for SMMEs.” (Entrepreneur 2)

“I had no system at the beginning. Now is a must to have and be informed.” (Entrepreneur 3)

“I have limited personnel. This service is outsourced to a local bookkeeping firm in Town.” (Entrepreneur 10)

“My operation is fully integrated with Pastel and Sage to provide better service to.” (Entrepreneur 11)

The above quotations reflect that the accounting system is vital for compliance and proper reporting. Entrepreneur 2 stated that *“the service of bookkeeper or accountant is important for SMMEs”*, with Entrepreneur 12 uttering: *“I have limited personnel. This service is outsourced to a local bookkeeping firm in town”*. The quotations above imply that the financial system requires SMMEs to manage records properly and have information readily available for authorities, such as the DoL²⁶ Compliance Officers' visits and submission to SARS²⁷ for annual returns.

In Chapter 2, research studies conclude that a lack of interpretation skills and an awareness of how to use information from financial statements also emanates from poor financial systems being implemented (Brijlal, Enow, and Isaacs, 2014). While SMMEs do not view information systems as a critical competitive advantage (Ahmat, 2016), bookkeeping records assist entrepreneurs in tracing their business problems (Ernest, 2018). *“SMME owners need more accounting training or bookkeeping awareness”* (Olarewaju and Msomi, 2021, p.111). Financial systems are essential for SMME operations, as supported by the participants' quotations mentioned earlier.

²⁶ DoL: Department of Labour

²⁷ SARS: South African Revenue Services

4.3.4 Capacity building

According to the United Nations Development Group (UNDG, 2018, p.5), capacity²⁸ development is defined as “the process whereby people, organisations, and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time” to achieve development results. It was found that constant training and development is important for entrepreneurs across the forestry value chain. The participants argued that capacity building for all SMME personnel is paramount for business efficiency while contributing to the country’s skills development trajectory. These quotations reaffirm that capacity building is central to skills development within the forestry industry.

The subthemes that emerge in categorising keywords or themes are illustrated in Figure 4.3 and the discussion of subthemes under support systems and specialised programmes is substantiated by the participants’ responses. In Chapter 2, Musara (2019) concludes that there is a lack of managerial skills, knowledge, and training for SMMEs, and a study by Wiid and Cant (2021) reaffirms that there is a lack of business training.

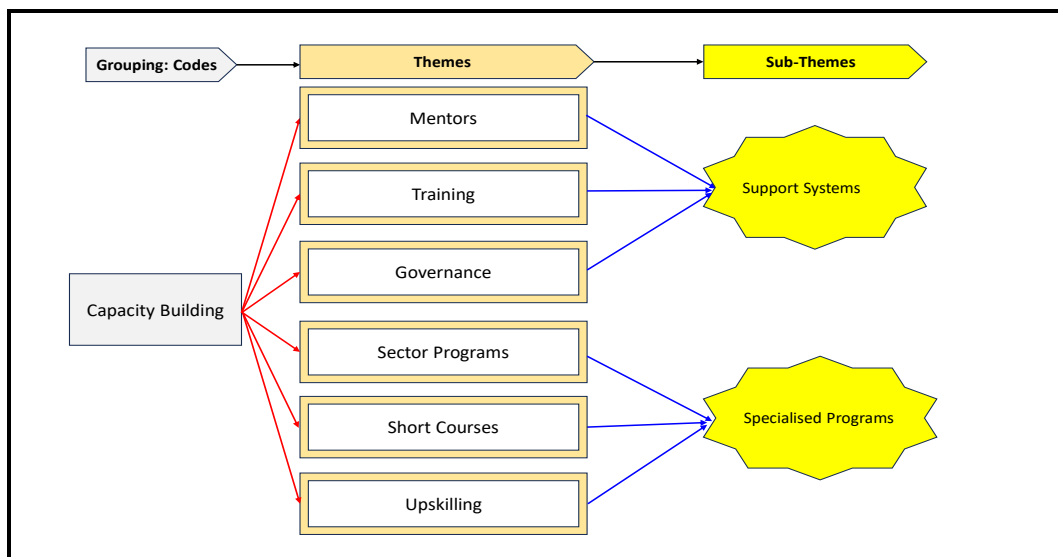


Figure 4.3: Capacity-building challenge

Source: Author’s Compilation (2023)

²⁸ Capacity: “The ability of people, organisations, and society as a whole to manage their affairs successfully (UNDG, 2018, p.5)

The participants' comments, shown by the quotations below, address the subthemes, as follows:

4.3.4.1 Support systems

Most entrepreneurs agreed that training is essential as the building block for capacity building within the SMME ecosystem. Quotations from the following participants capture their opinions regarding support systems in providing training for SMMEs:

“Capacity building for old and new entrepreneurs is vital, including dedicated Mentor.” (Entrepreneur 2)

“Training is required for all personnel to be updated with industry information.” (Entrepreneur 3).

“As I started as an extension forester within government. Now, as an entrepreneur, keep attending workshops and send staff.” (Entrepreneur 5)

The quotations above reiterate that constant and continuous capacity building exists within the forestry entrepreneurs' ecosystem irrespective of the personnel, from owner or manager to office administrators. It has also been mentioned that a dedicated mentor is important to guide entrepreneurs in their business journeys.

4.3.4.2 Specialised programmes

Similar to any other economic sector, forestry has specific needs and requirements for skills development. The participants' quotations below showcase those entrepreneurs who attended sector-specific training programmes:

“There's high competition for skilled workers and prefers to send staff on training programs more especially offered in the industry.” (Entrepreneur 9)

“I attended forestry enumeration short courses provided by Mandela University in early February 2023. Is very important to be trained especially for industry related courses.” (Entrepreneur 10)

“The accountant has secured us free courses offered by forestry SETA. It has been a good program to attend, especially on governance.” (Entrepreneur 12)

In summary, the participants' quotations illustrated that sector-specific and specialised training programmes are vital for capacity building within the forestry value chain and the SMME ecosystem within the northern KZN environment. The quotations showcase the importance of capacity. Entrepreneur 9 stated: *“There's high competition for skilled workers and prefers to send staff on training programs more especially offered in the industry,”* and Entrepreneur 10: *“I attended forestry enumeration short courses provided by Mandela University in early February 2023. Is very important to be trained especially for industry related courses”*. The quotations above insinuate that specialised training programmes add value to the overall upskilling of entrepreneurs and employees in terms of capacity development.

4.3.5 Machinery

The forestry transport industry requires heavy equipment such as (i) short-haul trucks, (ii) loading machines, and (iii) timber trucks. The production facilities in the Richards Bay industrial hub only allow 40 tons to 45 tons of timber-interlink trucks for deliveries. As an example, a new 40-ton FUSO (Hino 500 2626 model) costs R1,087 million (Marketbook, 2023). As mentioned earlier, SMMEs require capital investment to buy or lease trucks. Regarding the above description, the following significant quotations capture the requirement of a well-maintained timber truck to meet the target daily or weekly and even monthly deliveries:

“You must have a good truck or running truck.” (Entrepreneur 1)

“I bought my first transport truck after harvesting 50 hectares of Eucalyptus²⁹ Trees. It was a well-running second-hand truck from a truck dealership in Pietermaritzburg.” (Entrepreneur 5)

“I would advise any entrepreneur in this timber transport industry to employ full-time mechanic who will attend to any emergency breakdowns at any time of the day. Pay them well to stay, and you will remain in business with less downtime.”

(Entrepreneur 9)

“At first, I could not get funding and had to start with second-hand equipment.”

(Entrepreneur 10)

The quotations above signify that well-maintained and running trucks are prerequisites and mandatory equipment in the forestry transport value chain. Most participants mentioned that they started with a second-hand truck before purchasing a brand new one due to differing challenges when entering the industry. These chronicles are confirmed by literature studies conducted by Chakwizira and Mashiri (2012); Chakwizira and Mahapa (2013); Mkhungo, Green, and Proches (2018); Harris (2020); Kuhlase (2022); and Fihlani, Musasa, Mago, and Modiba (2023), in which transport challenge(s) for SMMEs operating in deprived areas were identified.

4.3.6 Records management

Records management is defined as a “field of management responsible for the efficient and systematic control of the creation, receipt, maintenance, use, and disposition of records, including processes for capturing and maintaining evidence of and information about business activities and transactions in the form of records” (ISO, 2001). The studies by Ibrahim and Musah (2014, p.115) conclude that “the ability of these SMEs to contribute effectively depends on their performance which in turn is affected by several factors including the maintenance of proper records keeping,” while Mintah, Gabir, Aloo, and Ofori (2022, p.1) argue that “maintaining records helps

²⁹ *Eucalyptus trees: Are a group of trees belonging to the Myrtaceae (myrttie) family. Normally known as gum trees in forestry industry.*

businesses in making better judgments and developing appropriate policies, resulting in enhanced effectiveness and efficiency”.

The following quotations by participants substantiate the above narrative:

“Records are important for business operations, and knowing the business important matters for attention” **(Entrepreneur 2)**

“I do check our records to familiarise myself with the records management system.”
(Entrepreneur 6)

“My accountant briefs me every month on key documents required for submission.”
(Entrepreneur 8)

“I ensured that the administrator was trained in records management.”
(Entrepreneur 9)

The quotations confirm the importance and impact of proper records management within entrepreneurs’ businesses. Entrepreneur 6 stated: *“I do check our records to familiarise myself with the records management system,”* and Entrepreneur 9: *“I ensured that the administrator was trained in records management”*. The quotations reiterate that records management is critical in SMME businesses management in order to provide valuable and important information to key stakeholders such as auditors, compliance officers and management reporting. In Chapter 2, it was demonstrated that managing business records is central for SMMEs (Majadibodu, et al., 2023). These findings support standardising records management systems for SMMEs. This will ensure that the SMME ecosystem operates efficiently and effectively while sustaining business growth and sustainability.

4.3.7 Fluctuating volumes

Timber forestry SMMEs mainly operate without signed contracts with manufacturing companies for timber transport services. The timber transporters rely heavily on small timber growers' ad-hoc requests for transport services from the rural areas to production facilities or operations in the Richards Bay industrial sites. The volume is the ad-hoc impact on their long-term planning within the operation as they cannot offer contract employment and secure funding to finance additional trucks to meet increased demand. Fluctuate can be defined as "the change frequently in size, amount, and quality, especially from one extreme to another" (Oxford, 2023). The following quotations captured the participants' responses regarding the contract challenge.

"I had no contract with the company." **(Entrepreneur 1)**

"The ad-hoc timber transportation is not assisting SMMEs to grow for long-term sustainability without a signed contract. I'll remain in rural areas for some time." **(Entrepreneur 5)**

"Since started operating in this timber transport industry for just over a decade mainly operating in rural areas, have not been offered a five-year contract by the manufacturing companies." **(Entrepreneur 8)**

"As small businesses, we're unable to negotiate for better rates with processing companies." **(Entrepreneur 12)**

The quotations above corroborate the timber supply contract challenge being experienced by SMMEs in northern KZN. Entrepreneur 5 stated: *"The ad-hoc timber transportation is not assisting SMMEs to grow for long-term sustainability without a signed contract. I'll remain in rural areas for some time,"* and Entrepreneur 8: *"Since started operating in this timber transport industry for just over a decade mainly operating in rural areas, have not been offered a five-year contract by the manufacturing companies."*

The unfortunate outcome is that, in the absence of valid timber supply contracts, growth could be improved, including loss of revenue for entrepreneurs, while employment opportunities cannot be created. Ultimately, rural economic growth will be affected negatively. The researchers conclude that impediments to SMME development include, among others, access to tender contracts (Clover and Darroch, 2005), while Molnar, France, Purdy, and Karver (2011) argue that small timber farmers provide varying forest products without legal contracts.

4.3.8 Mentorship

The participants' responses provide reasonable evidence that mentorship is an important and critical ingredient for guiding entrepreneurs, especially new entrants in the forestry timber transport ecosystem. Mentorship can be defined as "the guidance a mentor provides, especially an experienced person in a company or educational institution" (Oxford, 2023). The participants' responses regarding mentorship are indicated in the quotations below:

"Mentorship is important, more especially for new SMMEs, to avoid previous mistakes committed." **(Entrepreneur 2)**

"I do not have a mentor. It might be good for one to have a mentor for guidance."

(Entrepreneur 6)

"I currently mentor two young emerging truck operators." **(Entrepreneur 8)**

"Fortunately, our accountant assists us with industry information, especially training Programs." **(Entrepreneur 12)**

The quotations above show that mentorship plays a significant role in the SMMEs value chain and entrepreneurs' ecosystem during the business journey. The first quotation (Entrepreneur 2) indicates the importance of avoiding previous mistakes committed. The researchers conclude that most SMMEs in South Africa close businesses within the first five years since inception. A study conducted by Bushe (2019) concludes that more than 70% close within 5-7 years after commencement,

while Mukwarami, Mukwarami, and Tengeh (2020) argue that there is a high failure rate of SMMEs in South Africa despite all concerted efforts provided to the ecosystem.

The third quotation (Entrepreneur 8) guides young emerging truck operators by providing a good reason for the future survival and existence of SMMEs in the forestry value chain, while creating the next generation of entrepreneurs. In Chapter 2, the lack of small business support hampers survival rate (Musara, 2019). The critical role of small businesses in the local economy (Zada, et al., 2021), and the lack of support systems from stakeholders affect entrepreneurs (Mhlongo and Daya, 2023).

4.3.9 Regulatory compliance

In business operations, the industry is regulated by legislation, municipal by-laws, and industry rules and regulations for all SMMEs. As highlighted in the quotations below, the interview feedback and responses confirm that regulatory compliance is mandatory for businesses to trade and meet all regulatory requirements.

“I learned the hard way as the company was penalised for late submission for COID³⁰, SARS, and UIF³¹ contributions.” (Entrepreneur 3)

“As a former extension forester within government. I do understand the importance of compliance.” (Entrepreneur 5)

“The administrator ensures that drivers' PPE, permits, truck licences, and drivers licences are all up to date.” (Entrepreneur 9)

“As an accountant, it is mandatory to have all compliance requirements updated including clients records with regulatory authorities.” (Entrepreneur 11)

The above quotations assert the importance of regulatory compliance for businesses. Studies by Mmakola (2009) argue that “the limited SMMEs voice during policy formulations and implementation impact negatively on entrepreneurs operations”,

³⁰ COID: Compensation for Occupational Injuries and Diseases

³¹ UIF: Unemployment Insurance Fund

while Nieuwenhuizen (2019, p.666) concludes that “excessive red tape with regards to compliance with labour laws, human and industrial relations, tax and tax-related issues, legal requirements, municipal regulations and support for business start-ups are key obstacles experienced by SMME”. Madzimore (2020) also reiterates that compliance challenges faced by most SMMEs continue.

One can further contend that the quotation above insinuates that entrepreneurs acknowledge the value of regulatory compliance as a ticket to operate in South Africa, of which compliance is mandatory for SMMEs to qualify for government support programmes, while evidence in practice proves that regulatory compliance is still a major hindrance to SMME operations.

4.3.10 Economies of scale

Bannock, Baxter, and Davis (1992, p.130) define economies of scale as “factors which cause the average cost of producing a commodity to fall as the output of the commodity rises”. Most of the participants concur that due to their limited truck capacity, they cannot benefit from the economies of scale. The interview responses of the participants are as follows:

“We operate in rural areas, with no competition for timber. Small-scale timber growers constantly request truck services from transporters.” (Entrepreneur 3)

“Small trucking business with one truck, unable to tender for a bigger job opportunities due to limited trucking capacity.” (Entrepreneur 4)

“The volume delivered annually does not provide any advantage to benefit for bigger consolidated volumes across different rural areas in the district municipality.” (Entrepreneur 8)

“As a small business, unable to secure, for example, diesel rebates discounts due to lower the monthly volume purchased from petrol service stations.” (Entrepreneur 10)

The quotations above reaffirm that SMMEs have limited capacity to take advantage of new opportunities to increase their share of the industry revenue. Entrepreneur 3 stated: *“We operate in rural areas, with no competition for timber. Small-scale timber growers constantly request truck services from transporters,”* and Entrepreneur 8: *“The volume delivered annually does not provide any advantage to benefit for bigger consolidated volumes across different rural areas in the district municipality”*. The quotations above imply that the entrepreneurs are unable to take advantage of economies of scale opportunities such as diesel rebates and additional volume for delivery due to limited truck capacity.

The CC³² (2020, p.71) report concludes that “forestry vertical integration results in benefits mainly for larger integrated firms at the expense of raising barriers of entry for small players,” and it was found in a study conducted by Naape (2023, p.40) that “the South African markets are characterised by substantial barriers to entry comprising structural, strategic, and regulatory barrier”. As alluded to in Chapter 2, the South African forestry industry’s annual revenue reached R10 billion in 2018 (FSA, 2019).

The findings in the literature study, augmented by industry information, show the economic contribution of the forestry industry value chain in South Africa, while barriers of entry impact SMME participation and growth potential.

4.4 Conclusion

This chapter identified the findings on the challenges faced by small and informal enterprises in deprived areas in northern KZN operating in the forestry value chain, with the majority of participants managing and owning transport businesses. The resulting evidence showed that SMMEs still face varying challenges. Finance access is the leading challenge, followed by operational and financial systems challenges. Initial investment in the form of capital is required to start an SMME business, even for small-scale timber growers in rural areas. Timber rotations are essential in the forestry

³² CC: Competition Commission

value chain ecosystem, affecting the estimated volume availability for transport business profitability and truck utilisation during the year.

The following areas under operating challenges were identified as hindrances to the SMME business, namely poor and bad road infrastructure network, which results in higher truck maintenance costs, and law enforcement implementation, which occasionally results in delays for transport deliveries and ultimately results in few deliveries being performed. It has been found that the uncertainty caused by the non-committal of manufacturing companies in offering timber transport agreements or supply agreements adds to the staff turnover of drivers as the ad-hoc appointments are unfavourable while permanent and fixed-term contracts are being offered by industries in the Richards Bay industrial complex.

Through the literature studies, it was found that proper maintenance and implementation of financial systems are critical to the SMME ecosystem. The study also concludes that the appointment of a bookkeeper or accountant is critical to have a smooth operation for entrepreneurs, while also providing information for reporting purposes to relevant authorities. It was found that support systems and specialised programmes are central to entrepreneurs' capacity building. Furthermore, the availability of transport equipment is still a challenge for entrepreneurs in the forestry value chain for various reasons. The study findings also affirm that proper records management is important for SMME businesses, while driving sustainability, sustaining employment, and making economic contributions in deprived areas. Further challenges that were presented include fluctuating volume, mentorship, regulatory compliance, and economies of scale.

Chapter 5: Conclusion and Recommendations

5.1 Introduction

This study investigated business problems and experiences of small and informal forestry enterprises in a deprived context. I analysed the factors influencing the failure or success of these enterprises. Businesses operate to achieve their goals, including maximising profits, creating jobs, contributing to local economies, being key stakeholders as responsible corporate citizens, and maintaining sustainability. Semi-structured interviews were used to collect data from selected entrepreneurs in the forestry industry.

5.2 Overview of the main chapters of the study

The qualitative research method helps understand respondents' interpretation of the world around them as reality is socially constructed. Using the qualitative research method, the researcher tried to understand the viewpoint of the subject being observed rather than the observers' viewpoint. The study's contribution is to broaden the understanding of small and informal enterprises' business problems and experiences in a deprived context in the SMME ecosystem.

Chapter 2 provided an overview of the forestry literature review covering the background, operation, sustainability, survival, and challenges faced by SMMEs in the ecosystem from global and South African perspectives. The forestry industry occupies 31% of global land size and is a significant GDP contributor to many economies while providing employment opportunities. In South Africa, forestry plantations are primarily located in rural areas.

Chapter 3 focused on the research methodology, including the research design, sampling, data collection techniques, and data analysis. The area under study was in the KCD Municipality within the forestry contracting sector in northern KZN. The municipality accounts for 8,6% of the KZN population, with 31 traditional leaders represented across all local municipalities in the district. A sample of 12 participants were selected for the semi-structured interviews. Creswell (2003) defines a methodology as a plan or strategy of action that links methods to outcomes and guides

the choice and use of methods. The researcher also used phenomenology to gather additional information during site visits.

Chapter 4 provided the empirical evidence from the interviews and distilled findings regarding the SMME challenges of forestry enterprises in deprived areas: finance, operational challenges, financial systems, capacity building, machinery, records management, fluctuating volumes, mentorship, regulatory compliance and economies of scale. The evidence showed that challenges affect entrepreneurs at varying levels depending on the business size, truck capacity and operational efficiencies to take advantage of opportunities. Despite the identified challenges SMMEs face, entrepreneurs still survive while creating employment and providing economic activities in the forestry value chain ecosystem in the rural areas in northern KZN.

5.3 Main findings of the study

The ten main findings of the research investigation into business problems and experiences of small and informal forestry enterprises in a deprived context are discussed in this section.

5.3.1 Access to finance and the financial system being obstacles

According to the study conducted by Wiid, et al. (2021, p.52), “the reality is that, without much-needed funds and financial support, it will be difficult for MSMEs to grow and reach their full potential, which will hinder their ability to bear the envisaged fruits of economic growth and the obliteration of poverty”. This problem was also prominent during the interviews. The participants mentioned that access to finance remains a significant challenge SMMEs face in deprived areas. Despite having operated for more than ten years, entrepreneurs are still regarded in line with the definition and classification of SMMEs (see Annexure Q for the definition of South African SMMEs within the agricultural³³ sector). The evidence points to two main concerns: long-term finance needs in the forestry sector and a lack of appropriate financial records. In the forestry sector, finance is required throughout timber rotation. At the same time, most entrepreneurs fail to meet financial institutions' application requirements (i.e., financial and credit records).

³³ Forestry sector is classified under “agricultural sector” for South African Revenue Services (SARS) reporting.

The study concurs with the statement that small and informal enterprises in deprived areas lack financial systems. Furthermore, Agwa-Ejon et al. (2015) conclude that SMMEs need more adequate financial management skills. Moreover, more financial information and expertise are required to manage owned businesses, which is unsupported in this challenging area. The study found that accounting systems are vital for compliance and proper reporting to authorities, for example, as alluded by entrepreneurs 3 and 11, while entrepreneurs 1, 2, 11, and 12 all agreed that services of the bookkeepers and auditors are essential to address this challenging area as mitigation to reduce risk exposure.

Most entrepreneurs operating in the forestry transport sector confirmed that the high capital or finance required to secure trucks hinders others from joining the sector and delays progress for those already in the industry. This is compounded by the fact that the majority operate with short-term timber supply contracts from paper processors (or manufacturers), which the financial institution relies on during credit application processes. Similarly, Clark et al. (2005, p.14) conclude that “commercial banks are reported to no longer provide loan finance to forestry contractors, as they consider the business too risky.”

Research findings indicated that “a well-maintained and running timber truck is always required to meet the daily delivery target. Also, it was noted that most participants started operating in the forestry value chain using second-hand trucks before purchasing brand-new ones.”

5.3.2 Operational challenges impact on entrepreneurs’ business efficiency

It was found that “operational challenges³⁴” are one of the key findings for small and informal enterprises operating in deprived areas. This finding is concurred by the conclusion in a study conducted by Mhlongo et al. (2023, p.10) that the “*low entrepreneurial activity and high failure rate among SMMEs is because of a lack of entrepreneurial leadership capabilities and understanding of the business environment.*” This aligns with the findings that entrepreneurs are self-employed with less than ten employees within the operation and the owners handling administrative

³⁴ Operational challenges in business are problems that can create waste and affect profitability (UCS, 2022)

and operational activities (i.e., truck breakdowns due to poor road maintenance, high staff turnover due to short-term employment contracts, absence of signed transport timber contract to secure additional truck capacity).

5.3.3 Capacity constraints is a hindrance

Upper Inc. (2023) defines capacity constraints in business as “the limitations or restrictions on the utilization of resources or maximum output within an organization.” The study found that capacity constraints include, among others, mentorship, training, governance, and upskilling. The evidence revealed that entrepreneurs affirm the importance of support systems, as participants 2, 3, and 5 alluded to. In contrast, entrepreneurs 9, 10, and 12 all agree that forestry sector-specific training programs are vital for the capacity building of SMMEs to address this challenging area as mitigation to reduce risk exposure.

Musara (2019, p.v) argued that “cross-learning, advisory services, mentorship, training sessions, and information networks” are essential for small businesses’ success and survival rate. The empirical evidence reveals that capacity building is a challenge for entrepreneurs. Furthermore, many entrepreneurs agree that support and mentorship are more critical, especially during the initial years of operation.

5.3.4 Records management is an obstacle

Pursuing this further, the study by Majadibodu et al. (2023, p.7) concluded that “SMMEs lack the knowledge to keep records, so new SMMEs fail because they do not have a track record.” In the studies conducted by Ibrahim et al. (2014, p.115), it was concluded that “the ability of these SMEs to contribute effectively depends on their performance, which in turn is affected by several factors including the maintenance of proper records keeping.” This will ensure that the SMME ecosystem operates efficiently and effectively while sustaining business growth and sustainability.

The research revealed that maintaining records management is important, as entrepreneurs 2 and 6 corroborated. Although entrepreneur 8 receives monthly critical documents from the accountants, entrepreneur 9 ensures that the administrator is always adequately trained on records management systems.

5.3.5 Ad-hoc timber volume deliveries impact business viability

The conclusion is that impediments to SMME development, among others, include access to tender contracts (Clover et al., 2005), while Molnar et al. (2011) argue that small timber farmers provide varying forest products without legal contracts. Timber transporters rely heavily on small timber growers' ad-hoc requests for transport services from the rural areas to production facilities or operations in the Richards Bay industrial sites. The volume is the ad-hoc impact on their long-term planning within the operation as they cannot offer contract employment and secure funding to finance additional trucks to meet increased demand.

The research findings showed that revenue growth potential is negatively impacted by the absence of valid timber supply contracts, ultimately resulting in temporary or fixed-term employment contracts offered to staff, as confirmed by entrepreneurs 1, 5, and 8. The entrepreneurs facing this challenge cannot negotiate better timber delivery rates (i.e., Rands/ton based on kilometers sliding scale) with processing companies as there is no legal obligation to offer competitive market rates to SMMEs, as revealed by entrepreneur 12, which ultimately threatens their survival and sustainability.

5.3.6 Mentorship as a business component for guidance

It was found that mentorship is vital to entrepreneurs while assisting with upskilling and supporting the new generation of entrepreneurs. Mathibe and van Zyl's (2011) study concludes that poor mentorship programs have been provided to SMMEs. Cishe, Mpongwana, and Kativhu (2022) argue that mentorship is vital for SMME development, while Sibiyana and van der Westhuizen (2023) conclude that mentorship assists entrepreneurs in business operations matters and disciplines. Furthermore, Vacu-Nggqila and Sin-Yu (2023) found that business networks are critical to unlocking mentorship opportunities for SMMEs, and finally, Prince (2023) holistically supports mentorship programs in the South African SMME ecosystems.

The study findings substantiate the importance of mentorship, as insinuated by entrepreneurs 2 and 8, in guiding new entrepreneurs to avoid repeating the same business mistakes. On the other hand, consultants like accountants and business

advisors also provide mentorship to guide entrepreneurs, especially older business owners within the forestry transport industry in the northern KZN.

5.3.7 Regulatory compliance as a business licence requirement

Legislation, municipal by-laws, and industry rules and regulations for all SMMEs regulate the transport industry. Mmakola (2009) argues that “the limited SMMEs’ voice during policy formulations and implementation impact negatively on entrepreneurs’ operations.” Entrepreneurs acknowledge the value of regulatory compliance as a ticket to operate in South Africa, where compliance is mandatory for SMMEs to qualify for government support programmes. The evidence in practice proves that regulatory compliance is still a significant hindrance to SMME operations.

The participants' responses assert that regulatory compliance for business is essential to operate without hindrances from regulatory authorities. Failure to comply might lead to penalties, including overdue interest charges like SARS, as insinuated by entrepreneur 3. However, even truck drivers might be suspended by the local municipality traffic department while implementing the National Road Traffic Act (Act No 93 of 1996)³⁵ and the National Land Transport Act (Act 5 of 2009)³⁶.

For example, the Professional Driver Permit (PDP) has expired, and the truck roadworthiness test fails. In that case, it will lead to suspension and penalties, which will result in revenue loss for the SMME, as it was voiced by entrepreneur 9. Regulatory compliance is a must and should be adhered to by all businesses in managing this risk exposure.

³⁵ National Road Traffic Act (NRTA) regulates, among others, rules on drivers, licences, rules of the road, and vehicle roadworthiness.

³⁶ National Land Transport Act (NLTA) regulates the management of the national land transport system, e.g., tollgate operations, road maintenance, and transport planning.

5.3.8 Economies of scale is crucial for success

Bannock, Baxter, and Davies (1992, p.130) define economies of scale as “factors which cause the average cost of producing a commodity to fall as the output of the commodity rises.” Mdletshe and Obi's (2023, p.20) research found that “cheaper market information can promote the participation of small-scale broiler producers in high-end markets, thus increasing their profitability.” This made the SMMEs economically viable by taking advantage of their economies of scale. Due to their limited truck capacity, entrepreneurs cannot benefit and take advantage of the economies of scale, such as diesel rebates and additional volume for delivery due to limited truck capacity.

The study findings indicate that currently, forestry transport operators are unable to maximise economies of scale, as validated by entrepreneurs while providing varying reasons why the fact includes, among others, limited truck capacity and timber delivery volume not justifying rebates from suppliers like fuel retailers.

5.4 Recommendations

The study’s recommendations emanate from the qualitative research illustrated in Table 5.1.

Table 5.1: Main findings and recommendations of the study

No.:	Main findings	Recommendations
1	Finances, finance systems and machinery	# A dedicated funding for SMMEs in the forestry value chain. # An increased funding be made available for entrepreneurs. # Promotion of finance and accounting systems. # Additional trucking capacity for increased demand.
2	Operational challenges	# Improve efficiency and monitoring systems within operation.
3	Capacity building	# Upskill contractor personnel through HEIs. # Embark on capacity building program focusing on locals.
4	Records management	# Implementation of filing system and protocol(s).
5	Fluctuating volumes	# Implementation of the Enterprise Development Program (EDP) for SMMEs inclusion
6	Mentorship	# A dedicated mentorship program for the forestry value chain entrepreneurs
7	Regulatory compliance	# Legislation introduction mainly targeted forestry SMMEs to reduce compliance costs
8	Economies of scale	# Measurement of productivity

Source: Authors’ Compilation (2024)

The three spheres of government, namely national, provincial, and local municipalities dealing with SMMEs, as well as entrepreneurs operating in deprived areas, can adopt these recommendations. The recommendations are discussed in the following section.

5.4.1 Dedicated funding for small, micro, and medium enterprises in the forestry value chain

A dedicated funding scheme is required within governmental Development Finance Institutions (DFIs) for SMMEs in deprived areas. The government-approved Commercial Forestry Masterplan (CFM) aims to fast-track transformation, inclusivity, and competitiveness within the sector and recognise the need to support SMMEs through capacity-building programmes and financial support. This will go a long way in assisting entrepreneurs to participate in the forestry value chain.

5.4.2 Increased funding for entrepreneurs

A similar fund, namely the Micro Agricultural Financial Institutions of South Africa (MAAFISA), is being created by commercial banks to support the forestry industry and the CFM aspiration. This will drive access, transformation and empowerment of deprived areas and, ultimately economic contribution in rural municipalities. Chukwenene, Olaniyi, and Innocent (2023) reiterate the need to create special funding to support SMMEs as the majority struggle to survive after the COVID-19 lockdown.

5.4.3 Promoting finance and accounting systems

Key actors, including business support managers from DFIs and commercial banks, should make accounting systems like Sage Pastel part of the package when entrepreneurs receive continuous banking and financial support. This will assist accountants and bookkeepers in preparing annual financial reports and submitting them to the South African Revenue Service (SARS).

5.4.4 Additional trucking capacity for increased demand

Additional trucks are needed to meet increased demand. The lack of trucks negatively impacts entrepreneurs' business viability due to a loss of income. This also permeates to small-scale timber growers as deliveries happen long after harvesting. Additional trucks will assist in bringing extra revenue for small and informal businesses.

5.4.5 Improving efficiency and monitoring systems within the operation

Entrepreneurs should implement systems to monitor deviations or losses, such as diesel usage in liters vs. kilometers travelled, to reduce theft and crime. This will minimise shrinkage or loss. The infrastructure challenges can be addressed through the local business chambers by formally engaging the local municipality. The KZN-PGDP³⁷ has mentioned rural development as a key focus sector earmarked for development.

5.4.6 Upskilling contract personnel through higher education institutions

The higher education institution based in northern KZN, the local Technical and Vocational Education and Training Colleges (TVET), Universities, Sector Education and Training Authorities (SETAs), and Adult Community and Continuing Education (ACCE) must embark on skills capacity development programmes across deprived areas. The sector-specific and specialised training programmes are vital for capacity building within the forestry value chain and the SMME ecosystem within the northern KZN environment. This will align with promoting "lifelong learning" for all contractor personnel, including entrepreneurs.

5.4.7 Embarking on a capacity-building programme focusing on locals

Having a trained and skilled workforce is important for any business. Capacity building for locals attending short-term and learning programmes is critical to have additional capacity ready for full or contract work within the forestry SMME ecosystem.

³⁷ KZN-PGDP: KwaZulu-Natal Provincial Growth and Development Plan

Entrepreneurs should apply annually for discretionary grants offered by the Fibre Processing and Manufacturing (FP&M) SETA during open window periods.

5.4.8 Implementing filing system and protocol(s)

Entrepreneurs should implement a filing system that suits their business, maintain a consistent routine, and dispose of redundant files regularly. This will assist in maintaining good, efficient, and proper records management.

5.4.9 Implementation of the Enterprise Development Programme for small, micro, and medium enterprises' inclusion

The SMMEs in the forestry value chain mainly operate without valid contracts, which impacts their growth and development. In contrast, SMMEs have been identified as one of the key strategic partners for corporations' licences to trade. Including the SMMEs in the processing companies' supply and value chain will provide a guaranteed opportunity for entrepreneurs to thrive and expand their operations, increasing their truck fleet. The EDP has been legislated as part of the BBBEE³⁸ scorecard for multinationals and corporates to meet as part of their compliance and support to the SMME ecosystem in South Africa.

5.4.10 A dedicated mentorship programme for the forestry value chain entrepreneurs

Like any other economic sector, the forestry industry has a nuisance that incapacitated entrepreneurs must master and understand. A dedicated mentorship programme should be introduced for SMMEs linked to multinational companies operating in the value chain procurement. A signed contract can be linked to a mentorship programme as a support system package for entrepreneurs. An experienced SMME business mentor appointed for five years should be linked to a contract. This initiative should be rotated to accommodate newly contracted entrepreneurs in the next phase while broadening the SMME base and pulling for the forestry industry ecosystem.

³⁸ *Broad-Based Black Economic Empowerment Act (Act 53 of 2003)*

5.4.11 Introducing legislation mainly targeting small, micro, and medium forestry enterprises to reduce compliance costs

SMMEs must comply with various legislation regarding tax, the forestry industry, the environment, and safety. The proposed “*South Africa SMME Act*” regulates reporting and compliance during the first ten years of operation, following which all applicable laws are required for annual returns, compliance, and submission.

5.4.12 Measurement of productivity system

Introducing a productivity measurement system will lower costs, with SMMEs ultimately taking advantage of the economies of scale within the forestry value chain ecosystem. Introducing the PSA³⁹ Workplace Challenge Programme (WCP) will assist SMMEs in being competitive and sustainable using a world-class best practice system.

5.5 Further research

“I’m convinced that about half of what separates successful entrepreneurs from the non-successful ones is pure perseverance by Steve Jobs.”
(Mansueto Ventures LLC, 2018).

This study aimed to investigate small and informal enterprises’ business problems and experiences in a deprived context. The chosen research area was the KCD Municipality in northern KZN. Researchers have confirmed and acknowledged that SMMEs are crucial in sustainable employment. The SMME ecosystem has been experiencing global challenges, but the study was focused on deprived areas, mainly rural and small municipal areas within the forestry value chain. The identified problems are multifaceted, as some are within the industry stakeholders. In contrast, others are influenced by global business trends such as contracting, which started in the mid-2000s in South Africa, while others are within government systems contrary to policy mandates and aspirations.

Furthermore, entrepreneurs’ survival, productivity, and efficiency are impacted by identified key challenges, which have dire consequences if the majority of SMMEs fail in deprived areas as there are limited economic opportunities. Hence, the district

³⁹ PSA: *Productivity South Africa*

municipality is a critical and strategic stakeholder in driving sustainable improvement of rural and deprived areas' livelihoods. Against this background, the following topic is recommended for future research.

“SMME challenges in selected industries within the KCD Municipality”

The above proposed future research will share excellent practices in all key economic sectors within the district for SMMEs' further understanding and to assist in designing dedicated support programmes for small and informal enterprises in deprived areas.

5.6 Conclusion

The study's main findings confirm that small and informal enterprises' business problems and experiences in a deprived context within the forestry value chain persist. The identified challenges seriously hinder their growth and sustainability while they survive against all odds despite all the problems and difficulties experienced over some time. This proves that SMMEs are strategic socio-economic actors, mainly in rural communities, providing employment opportunities and contributing to community sustainability. Finally, the research objectives mentioned in Chapter 1 were achieved, as alluded to in the previous section.

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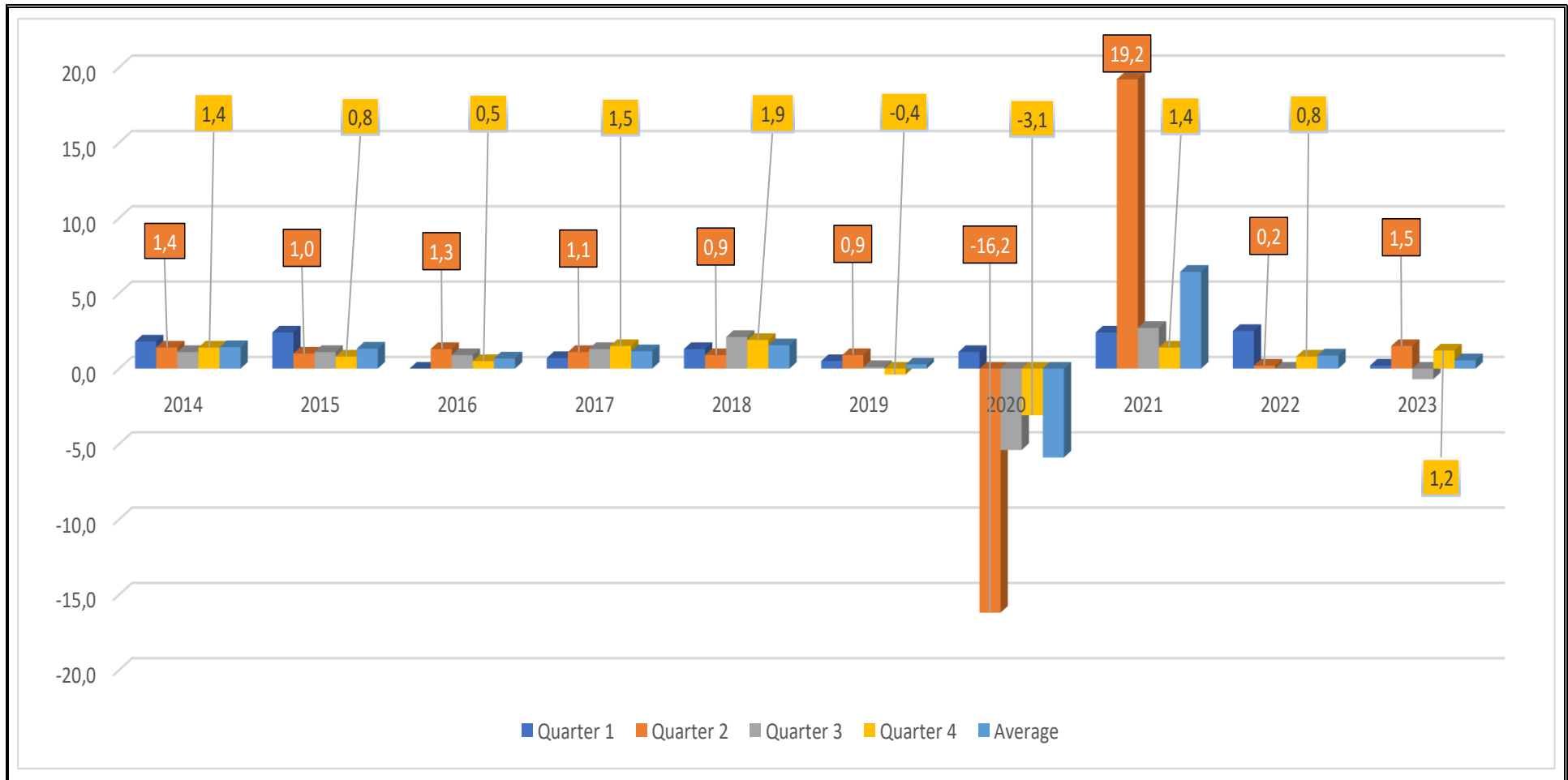
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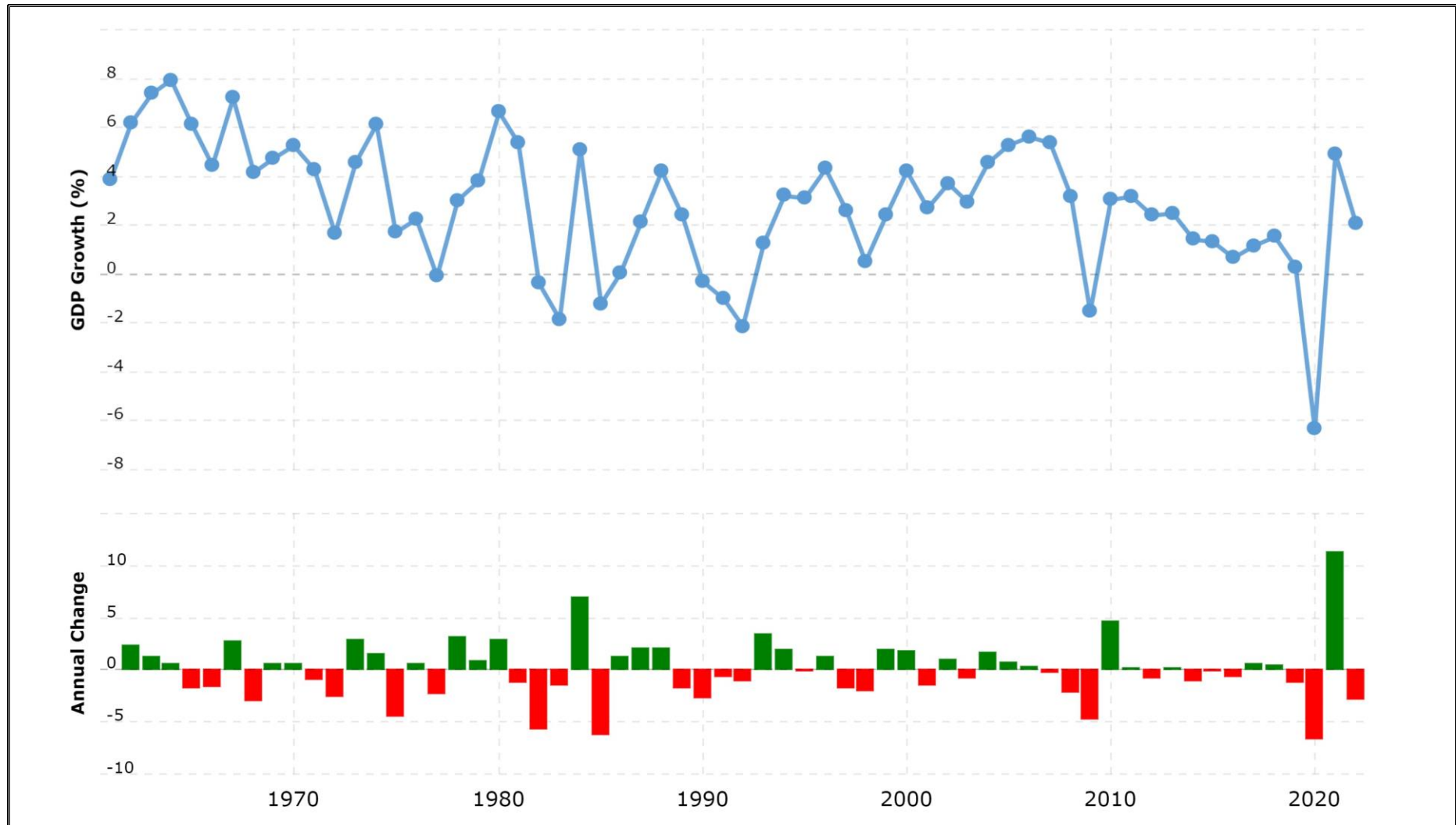
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Annexure A(i): South African GDP Annual Growth Rate



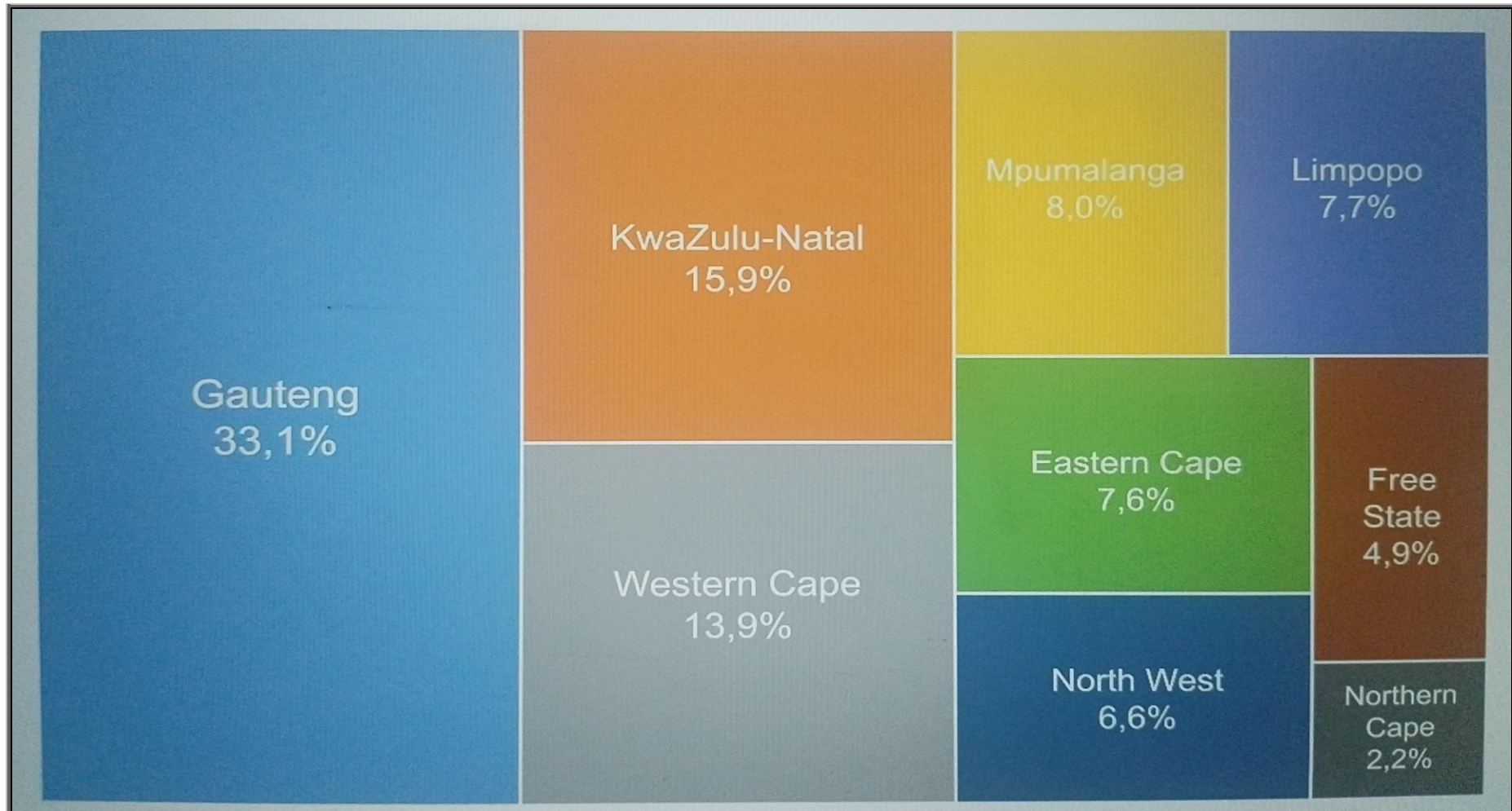
Source: Trade Economics (2024)

Annexure A(ii): South African GDP Annual Growth Rate



Source: Macrotrends (2024)

Annexure B: RSA Provincial GDP contribution



Source: StatsSA (2023c)

Annexure C: Forestry Product Categorisation

COMPOSITION OF WOOD PRODUCT AGGREGATES													
		AGGREGATES											
		Roundwood	Wood fuel	Industrial roundwood	Industrial roundwood, coniferous	Industrial roundwood, non-coniferous	Sawlogs and veneer logs	Pulpwood, round and split	Other industrial roundwood	Wood pallets and other agglomerates	Sawnwood	Wood-based panels	Fiberboard
Product	Units	m ³	m ³	m ³	m ³	m ³	m ³	m ³	m ³	tonnes	m ³	m ³	m ³
		R,I,E,C	R,I,E,C	R,I,E,C	R,I,E,C	R,I,E,C	R	R	R	P,I,E,C	P,I,E,C	P,I,E,C	P,I,E,C
Wood fuel, total	m ³	i,e	i,e										
Wood fuel, coniferous	m ³	r	r										
Wood fuel, non-coniferous	m ³	r	r										
Sawlogs and veneer logs, coniferous	m ³	r		r	r		r						
Sawlogs and veneer logs, non-coniferous	m ³	r		r	r		r						
Pulpwood, round and split, coniferous	m ³	r		r	r			r					
Pulpwood, round and split, non-coniferous	m ³	r		r		r		r					
Other industrial roundwood, coniferous	m ³	r		r	r				r				
Other industrial roundwood, non-coniferous	m ³	r		r		r			r				
Industrial roundwood, coniferous	m ³	i,e		i,e	i,e								
Industrial roundwood, non-coniferous tropical	m ³	i,e		i,e		i,e							
Industrial roundwood, non-coniferous non-tropical	m ³	i,e		i,e		i,e							
Wood charcoal	tonne												
Wood chips and particles	m ³												
Wood residues	m ³												
Wood pellets	tonne									p,i,e,c			
Other agglomerates	tonne									p,i,e,c			
Sawnwood, coniferous	m ³										p,i,e,c		
Sawnwood, non-coniferous	m ³										p,i,e,c		
Veneer sheets	m ³												
Plywood	m ³											p,i,e,c	
Particle board	m ³											p,i,e,c	
Oriented strand board (OSB)	m ³											p,i,e,c	
Hardboard	m ³											p,i,e,c	p,i,e,c
Medium/high density fibreboard (MDF/HDF)	m ³											p,i,e,c	p,i,e,c
Other fibreboard	m ³											p,i,e,c	p,i,e,c

Legend Aggregates R = Removals P = Production I = Import E = Export C = Consumption Products r = removals p = production i = import e = export c = consumption	Notes: Removals (R) for an aggregate equals the sum of removals for all of its elements identified with a (r) in the column. Production (P) for an aggregate equals the sum of production for all of its elements identified with a (p) in the column. Import (I) for an aggregate equals the sum of import for all of its elements identified with an (i) in the column. Export (E) for an aggregate equals the sum of export for all of its elements identified with an (e) in the column. Consumption (C) for an aggregate is calculated only when data for production (P), import (I) and export (E) are available for that aggregate. Consumption (c) for an element is calculated only when data for production (p), import (i) and export (e) are available for that product.
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Source: FOA – GFR (2023, p.30)

Annexure D: Forestry Weight and Volume

Product	kg/m ³			m ³ /tonne		
	General	Coniferous	Non-coniferous	General	Coniferous	Non-coniferous
Wood fuel	725	625	750	1.38	1.60	1.33
Sawlogs and veneer logs						
Tropical			730			1.37
Non-tropical		700	800		1.43	1.25
Pulpwood, round and split	675	650	750	1.48	1.54	1.33
Other industrial roundwood	750	700	800	1.33	1.43	1.25
Wood chips	625			1.60		
Wood residues	667			1.50		
Sawnwood		550	700		1.82	1.43
Veneer sheets	750			1.33		
Plywood	650			1.54		
Particle board and OSB	650			1.54		
Hardboard	950			1.05		
Medium/high density fibreboard (MDF/HDF)				1.34		
Other fibreboard	420			2.38		

Source: FOA – GFR (2023, p.55)

Annexure E: Forestry Sector Main Legislation(s) and Policies⁴¹

LEGISLATION AND POLICIES	
National	
Legislation	Policies
Cooperatives Act, 2005 (Act No. 14 of 2005)	Economic Reconstruction and Recovery Plan (ERRP, 2020)
Employment Equity Act, 1998 (Act No. 55 of 1998)	Medium-Term Strategic Framework (MTSF)
National Small Business Amendment Act, 2004 (Act No. 29 of 2004)	National Development Plan (NDP)
National Small Enterprise Act, 1996 (Act No. 102 of 1996)	National Industrial Policy Framework (NIPF)
	National Integrated Small Enterprise Development (NISED) Framework
LEGISLATION AND POLICIES	
Provincial: KwaZulu-Natal	
Legislation	Policies
KZN Business Bill (2020)	KZN Small Business Policy
	KZN Small Enterprise Strategy (2014)
	KZN Policy for Informal Economy
	KZN Provincial Growth and Development Plan (KZN-PGDP)
	KZN Provincial Integrated Youth Development Strategy (PIYDS)
	KZN Youth Development Strategy (2021)

Source: Author's Compilation (2023)

⁴¹ The current list is ongoing and will be updated as the research journey unfolds.

Annexure F: Forestry Value Chain



Source: Laubscher, Bekker and Ackerman (2022, p.48)

Annexure G: KCD Historical Summary

The district shares the branding heart and soul of the Zulu Kingdom with its neighbouring Zululand District Municipality (ZDM). The region is home to King Shaka's KwaBulawayo Military Capital and is recognised as being one of the key sites of Zulu heritage. The centre was officially opened by His Majesty the Zulu King Goodwill Kabhekuzulu Zwelithini in 2011.

Nkandla is situated in a remote area of breathtaking mountainous beauty, which consists mainly of tribal lands and state-owned land. The area has a wealth of undisturbed forests, which boast many indigenous species. Nkandla has a claim to be the 'cradle' of Zulu history. From Malandela to Shaka, to Dingane and Cetshwayo, Nkandla has been at the centre stage of the Zulu nation's history. The graves of King Malandela and Cetshwayo are at Nkandla.

Source: COGTA (2020c, p.4)

Annexure H: UFS Approved Questions

(i) Interview schedule (informal enterprises)

1. Tell me how you started the business (probe for reasons, sources or original capital, problems at starting)
2. Tell me about the current success and achievements of your business.
3. What are your biggest obstacles?
4. What is the municipality doing to support or hinder you?
5. How do you respond to the negative actions of the municipality?
6. What are the positive/negative aspects of your location?

(ii) Interview schedule (authorities)

1. What role does the municipality play in women's vending?
2. What vending by-laws does the municipality have for women vending?
3. Why are these by-laws necessary? Do they discriminate against women?
4. What has the municipality done to make the women aware of the vending by-laws?
5. To what extent do women vendors comply with these laws?
6. What can be done to make women vendors comply with the vending by-laws?

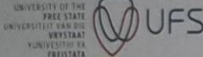

(iii) Interview schedule (women vendors)

1. Demographics


Study Number	Where do you come from?	Age	Marital status	Level of education

2. What did you do for an income before vending in the CBD?
3. Tell me what made you decide to be involved in street vending.
4. Tell me why you vend in Harare Central Business District.
5. What goods are you selling, and where do you get them?
6. How does street vending help you generate income?
7. How does street vending contribute to your livelihood as a woman?
8. Which vending by-laws are you aware of?
9. How do the Harare municipality police protect you or harass you as a woman?
10. How do you protect yourself as a woman against police actions?
11. Are you accepted as a women's vendor by your fellow vendors? Give reasons.
12. What should the municipality police do to protect you as a woman vendor?

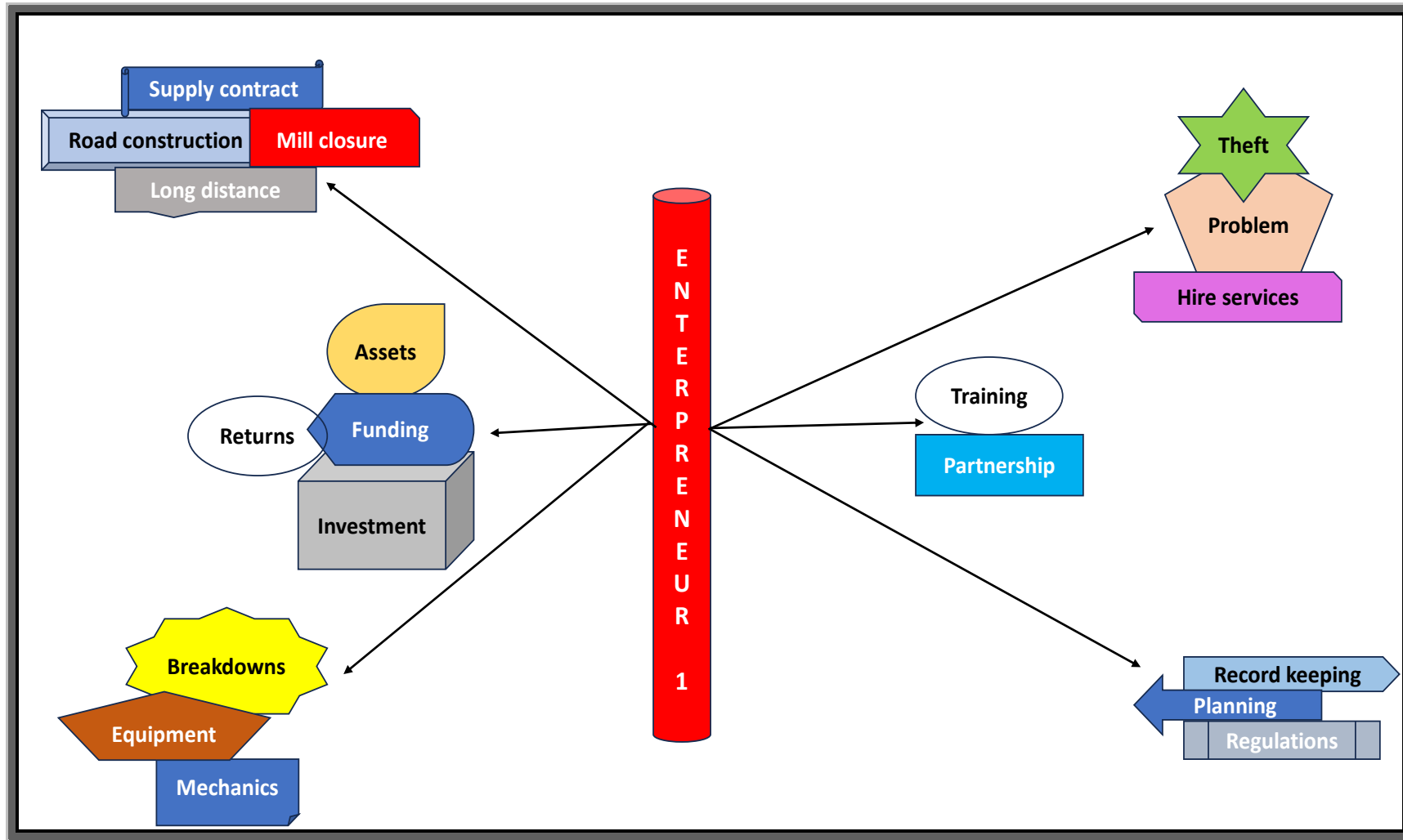
Annexure I(i): Consent Participation Form - English

 <p style="text-align: center;">Research study information leaflet and consent form</p> <p>Date June 2023-June 2024</p> <p>Title of the research project Small and informal enterprise development in deprived areas</p> <p>Researchers names and contact numbers:</p> <table border="0"> <tr> <td>Ellen Gundani</td> <td>2022150300</td> <td>+623 (0)78 116 4402</td> </tr> <tr> <td>Mdudzi Madonsela</td> <td>2022148874</td> <td>+27 (0) 73 884 8913</td> </tr> <tr> <td>Jim Matsho</td> <td>2019805460</td> <td>+27 (0) 61 524 6095</td> </tr> </table> <p>Faculty and Department: Economic and Management Sciences Centre for Development Support</p> <p>Study leader name and contact number: Prof Lochner Marais (4040707) +27 (0)51 401 2978 JGLMarais@ufs.ac.za</p> <p>What is the purpose of the study? The research investigates business problems and experiences of small and informal enterprises in a deprived context. We hope that we may contribute to an improved understanding of the development of these enterprises and their contribution.</p> <p>Who is doing the research? Students in the Master of Development Studies programme conducts the research. The research forms part of ongoing research by the centre and its affiliates on the impact of small and informal enterprises and development.</p> <p>Has the study received ethical approval? This study has received approval from the Research Ethics Committee of UFS. A copy of the approval letter can be obtained from the researcher.</p> <p>Approval number: UFS-HSD2023/0438/23</p>	Ellen Gundani	2022150300	+623 (0)78 116 4402	Mdudzi Madonsela	2022148874	+27 (0) 73 884 8913	Jim Matsho	2019805460	+27 (0) 61 524 6095	<p>Why are you invited to take part in this research project? We are interviewing owners/operators of small and/or informal enterprises. We believe that your experiences can give valuable insight.</p> <p>What is the nature of participation in this study? The interview will take 30-60 minutes. It will cover your business, the problems it experiences and your ideas on how it can be assisted.</p> <p>Can you withdraw from the study? Participation is voluntary, and there is no penalty or loss of benefit for non-participation. Being in this study is voluntary, and you are under no obligation to consent to participation. If you decide to participate, you will be given this information sheet to keep and asked to sign a copy for our records. You are free to withdraw at any time and without giving a reason.</p> <p>What are the potential benefits of taking part in this study? There are no direct benefits to you or your business. However, your information can give valuable insights that could improve the environment in which your business operates.</p> <p>What is the anticipated inconvenience of taking part in this study? Besides the time you set aside for the research, we do not foresee any other inconvenience or risk.</p> <p>Will what I say be kept confidential? We will not record your name outside of the consent form, and no one will be able to connect you to the answers you give. We will give your answers a fictitious code number, and you will be referred to in this way in the data, any publications, or other research reporting methods, such as conference proceedings. People responsible for ensuring that research is done properly, including the supervisor and Research Ethics Committee members, may review our work. Otherwise, records that identify you will be available only to people working on the study (the interviewer/student and transcriber), unless you permit others to see the records.</p> <p>How will the information be stored? In keeping with the POPI Act, we will keep documents containing your personal information (like the consent form) in locked storage at the Centre for Development Support, which will be destroyed five years after collection. We will store all anonymous information on a password-protected computer. Future use of the stored anonymous data will be subject to further research ethics review and approval.</p> <p>Will I receive payment or any incentives for participating in this study? You will not receive any payment or incentive for participation. However, we value the information you provide as it could give valuable insights that could improve the situation in the community.</p> <p>How will you be informed of the findings of the study? If you would like to be informed of the final research findings, require any further information, or if you have any questions about the study, you may contact Prof</p>	 <p style="text-align: center;">Consent to participate in this study</p> <p>I, the undersigned,</p> <p>(participant's full names to be included), (the "Participant")</p> <p>confirm that I voluntarily agree to participate in the research study referred to as Small and informal enterprise development in deprived areas (the "Study") being conducted by (participant's full names to be included), (the "Researcher").</p> <p>I, the undersigned Participant, further confirm that-</p> <ol style="list-style-type: none"> 1. the Researcher has explained the nature, procedure, potential benefits and anticipated inconvenience of my participation in the Study; 2. I have read (or had explained to me) and understood the Study as explained in the attached information sheet; 3. I have had sufficient opportunity to ask questions and am prepared to participate in the Study; 4. I understand that my participation in the Study is entirely voluntary and that I am free to withdraw at any time without penalty (if applicable); 5. I voluntarily provide the UFS and the Researcher with my personal information and consent to the UFS and the Researcher collecting, disclosing and processing my personal information in order to conduct the Study and any related activities in relation thereto; 6. I hereby acknowledge and confirm that I understand the purpose for which the UFS and the Researcher may collect, store, use, delete, destroy, outsource, transfer or otherwise process, as the context and circumstances may require and as contemplated in terms of POPIA, my personal information as set out herein; 7. I am aware that the findings of the Study will be anonymously processed into a research report, journal publications and/or conference proceedings and that my personal information will be aggregated and deidentified at such stage; 8. I also give the UFS permission to share, without notification, the collected anonymous data with other researchers at the UFS or other Higher Education Institutions. This permission is dependent on the same principles of ethical research practices, anonymity/confidentiality, safekeeping of information, and other issues listed above applying. <p>I, the Participant, agree to the recording of the interview.</p> <p>Full Name of Participant: _____</p> <p>Signature of Participant: _____ Date: _____</p> <p>Full Name(s) of Researcher(s): _____</p>
Ellen Gundani	2022150300	+623 (0)78 116 4402									
Mdudzi Madonsela	2022148874	+27 (0) 73 884 8913									
Jim Matsho	2019805460	+27 (0) 61 524 6095									

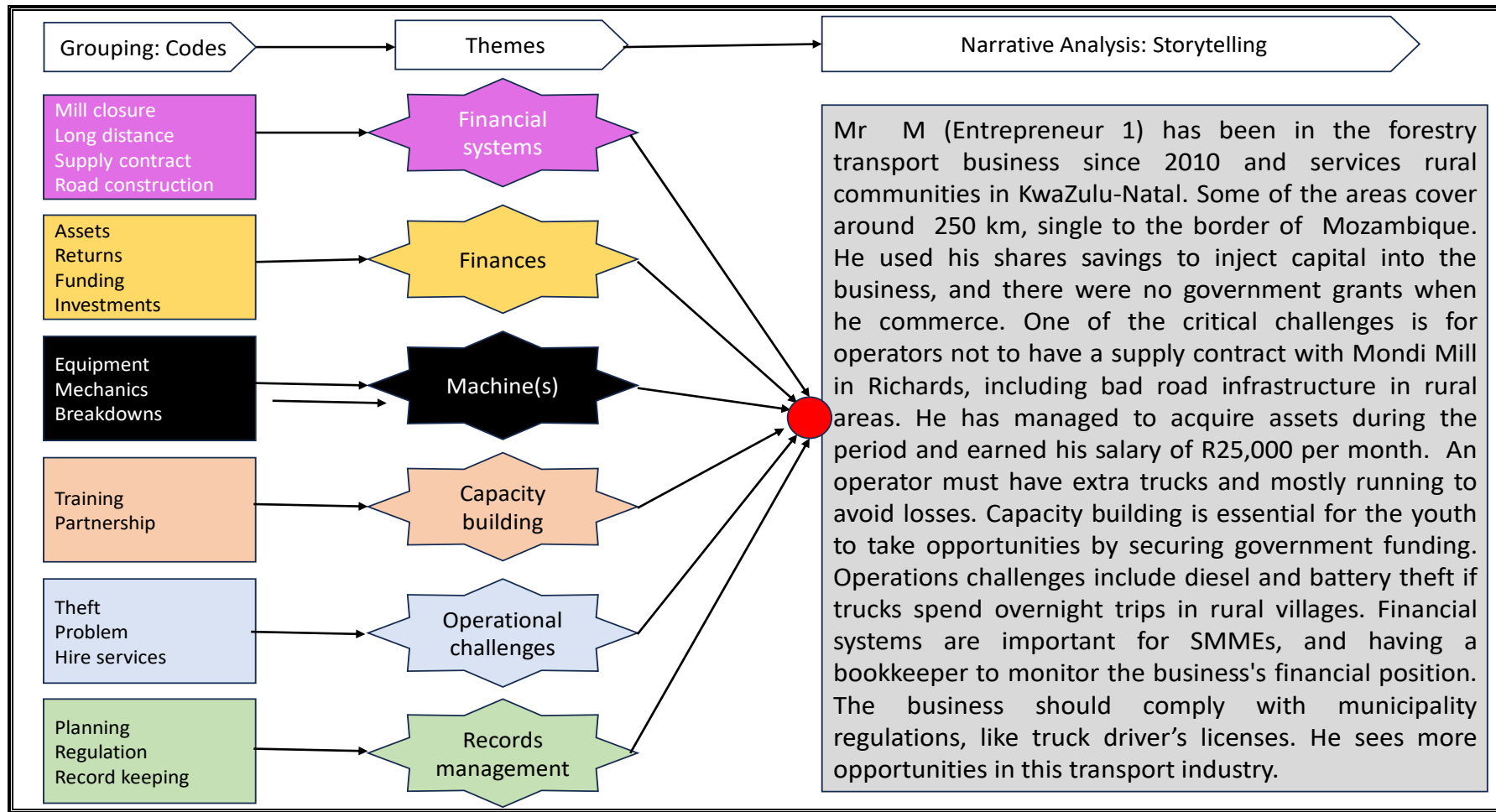
Annexure I(ii): Consent Participation Form - iSiZulu

<p> UFS</p> <p>Ipheshana leminingwane yocwaningo kanye nefomu lemume</p> <p>Usuku UNhlangulane 2023 - UNhlangulane 2024</p> <p>Isihloko sohlelo locwaningo Small and informal enterprise development in deprived areas</p> <p>Abacwaningi nezinombolo zokuxhumana:</p> <table border="1"><tr><td>Elen Gundani</td><td>2022150300</td><td>+623 (0)78 116 4402</td></tr><tr><td>Mabuthi Madonsela</td><td>2022148874</td><td>+27 (0) 73 884 8913</td></tr><tr><td>Jim Matshe</td><td>2019805460</td><td>+27 (0) 61 524 6095</td></tr></table> <p>Ubuhlakani noMnyango: Economic and Management Sciences Centre for Development Support</p> <p>Igama lomholi wesifundo kanye nenombolo yokuxhumana: Prof Lochner Marais (4040707) +27 (51) 401 2978 JGLMarais@ufs.ac.za</p> <p>Iyini inhloso yocwaningo? Ucwaningo luphenya izinkinga zebhizinisi kanye nolwazi lwamabhizinisi amancane nangakaleleli esimweni esincishwe. Sithemba ukuthi singabamba iqhaza ekuqondeni okuthuthukisiwe kokuthuthukiswa kwalawa mabhizinisi negalelo lawo.</p> <p>Ubani owenza ucwaningo? Abazandi abakulelo lwe-Master of Development Studies benza ucwaningo. Lolu cwano luyingonye yocwaningo oluqhubekayo olwenziwa yilezi sikhungo kanye nabasebenzisana naso kumthelela wamabhizinisi amancane nabangalelele kanye nentuthuko.</p> <p>Ingabe ucwaningo luthole ukugunyazwa kwezimiso zokuziphatha? Lolu cwano luthole ukugunyazwa yiKomiti Lokuziphatha Lokucwaninga le-UFS. Ikhophi yencwadi yokugunyaza ingatholwa kumcwano.</p> <p>Inombolo yokugunyaza: UFS-HSD2023/0438/23</p>	Elen Gundani	2022150300	+623 (0)78 116 4402	Mabuthi Madonsela	2022148874	+27 (0) 73 884 8913	Jim Matshe	2019805460	+27 (0) 61 524 6095	<p>Kungani umenywa ukuthi ubambe iqhaza kulo msebenzi wocwaningo? Sixoxisana nabanikazi/abaqhubi bamabhizinisi amancane kanye/noma angahlelekile. Sikholelwa ukuthi ukuzweza kwakho kunganikeza ukujonda okubalulekile.</p> <p>Injani imvelo yokubamba iqhaza kulolu cwano? Inhlolokhono izothatha imizuzu engama-30-60. Izofaka ibhizinisi lakho, izinkinga elihlangabezana nazo kanye nemibono yakho yokuthi lungasizwa kanjani.</p> <p>Ungakwazi ukuhoxa ocwaningweni? Ukubamba iqhaza kuvukuzithandela, futhi akukho nhlawulo noma ukulahlekelwa yinzuzo ngokungabambi iqhaza. Ukuba kulolu cwano kungokuzithandela, futhi awuphoqelekile ukuthi uvume ukubamba iqhaza. Uma unquma ukubamba iqhaza, uzonikezwa leli phepha lolwazi ukuthi uligcine futhi ucelwe ukuthi usayine ikhophi ukuze uthole amarekhodi ethu. Udlulelekile ukuhoxa nganoma yisiphi isikhathi ngaphandle kokunikeza isizathu.</p> <p>Yiziphi izinzuzo ezingaba khona zokubamba iqhaza kulolu cwano? Azikho izinzuzo eziqondile kuwe noma kubhizinisi lakho. Nokho, ulwazi lwakho lunganikeza imininingwane ebalulekile engathuthukisa indawo ibhizinisi lakho elisebenza kuyo.</p> <p>Yikuphi ukuphazamiseka okulindelekile kokubamba iqhaza kulolu cwano? Ngaphandle kwesikhathi osibekele ucwaningo, asikuboni okunye ukuphazamiseka noma ubungozi.</p> <p>Ingabe engikushoyo kuzogcinwa kuyimfihlo? Ngeke sirekhode igama lakho ngaphandle kwefomu lemume, futhi akekho ozokwazi ukukuxhumanisa nezimpendulo ozinikezayo. Sizonikeza izimpendulo zakho inombolo yekhodi engelona iqiniso, futhi uzoqondiswa ngale ndlela kudatha, noma yikuphi okushicilelwe, noma ezinye izindlela zokubika ucwaningo, njengeziqubo zengqungquthela. Abantu abanomthwalo wemfanelo wokuqinisekisa ukuthi ucwaningo lwenziwa ngendlela efanele, okuhlanganisa nomphathi kanye namalungu eKomidi Lokuziphatha Lokucwaninga, hangabuyekeza umsebenzi wethu. Uma kungenjalo, amarekhodi akukhombayo azotholakala kuphela kubantu abasebenza ocwaningweni (umhloli-mibuzo/umfundi kanye nomlobeli), ngaphandle uma uvumela abanye ukuthi babone amarekhodi.</p> <p>Ulwazi luzogcinwa kanjani? Ngokuhambisana noMthetho we-POPI, sizogcina amadokhumenti aqukethe imininingwane yakho yomuntu siqu (njengefomu lemume) endaweni ekhiyiwe eSikhungweni Sokusekela Intuthuko, ezocelwa phansi ngemva kweminyaka emihlanu iyoqwe. Sizogcina yonke imininingwane engaziwa lukhempuyutha evikelwe ngephasiwedi. Ukusetshenziswa kwesikhathi esizayo kwedatha engaziwa egcinwe kuzoba ngaphansi kokubuyekeza olwengeziwe kwezimiso zocwaningo kanye nokugunyazwa.</p> <p>Ingabe ngizothola inkokhelo noma noma yiziphi izikhuthazo zokubamba iqhaza kulolu cwano? Ngeke uthole noma yiphi inkokhelo noma isaisusa sokubamba iqhaza. Nokho, siyalwazisa ulwazi olunikezayo njengoba lunganikeza imininingwane ebalulekile engathuthukisa isimo emphakathini.</p>	<p>Uzokwaziswa kanjani ngokutholwe kulolu cwano? Uma ungathanda ukwaziswa ngemiphumela yocwaningo lokugcina, udinga noma yiluphi ulwazi olwengeziwe, noma unokukhathazeka ngendlela ucwaningo olwenziwe ngayo, ungathintana noProf Lochner Marais ngemininingwane enikezwe ngenhla.</p> <p>Siyabonga ngokuzinika isikhathi sokufunda leli phepha lolwazi nokubamba iqhaza kulolu cwano.</p>
Elen Gundani	2022150300	+623 (0)78 116 4402									
Mabuthi Madonsela	2022148874	+27 (0) 73 884 8913									
Jim Matshe	2019805460	+27 (0) 61 524 6095									

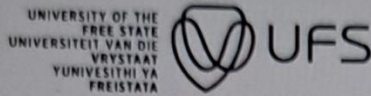
Annexure J(i): Key words grouping → codes creation



Annexure J(ii): Codes → Themes → Narrative Analysis



Annexure J(iii): UFS Research Consent Form



Consent to participate in this study

I, the undersigned,

DAVID MPHUMUNZI GUMEDE
(participant's full names to be included), (the "Participant")

confirm that I voluntarily agree to participate in the research study referred to as

Small and informal enterprise development in deprived areas (the "Study") being conducted by

JIM MATSHO
(participant's full names to be included), (the "Researcher").

I, the undersigned Participant, further confirm that-

1. the Researcher has explained the nature, procedure, potential benefits and anticipated inconvenience of my participation in the Study;
2. I have read (or had explained to me) and understood the Study as explained in the attached information sheet;
3. I have had sufficient opportunity to ask questions and am prepared to participate in the Study;
4. I understand that my participation in the Study is entirely voluntary and that I am free to withdraw at any time without penalty (if applicable);
5. I voluntarily provide the UFS and the Researcher with my personal information and consent to the UFS and the Researcher collecting, disclosing and processing my personal information in order to conduct the Study and any related activities in relation thereto;
6. I hereby acknowledge and confirm that I understand the purpose for which the UFS and the Researcher may collect, store, use, delete, destroy, outsource, transfer or otherwise process, as the context and circumstances may require and as contemplated in terms of POPIA, my personal information as set out herein;
7. I am aware that the findings of the Study will be anonymously processed into a research report, journal publications and/or conference proceedings and that my personal information will be aggregated and deidentified at such stage;
8. I also give the UFS permission to share, without notification, the collected anonymous data with other researchers at the UFS or other Higher Education Institutions. This permission is dependent on the same principles of ethical research practices, anonymity/confidentiality, safekeeping of information, and other issues listed above applying.

I, the Participant, agree to the recording of the interview.

Full Name of Participant: DAVID MPHUMUNZI GUMEDE

Signature of Participant: [Signature] Date: 2023/09/19

Full Name(s) of Researcher(s): JIM MATSHO

Signature of Researcher: [Signature] Date: 2023/09/19



Annexure K: Interview Guide (Questions) in English and iSiZulu

English:

1. Tell me how you started the business (probe for reasons, sources or original capital, problems at starting)
2. Tell me about the current success and achievements of your business.
3. How do you think you can build on these achievements?
4. Tell me about the current problems and obstacles (probe for infrastructure, human resources, finance, cash flow, market access etc.)
5. How do you think you can overcome these obstacles?
6. What policy and regulatory changes would you like to see?
7. What support do you require?
8. What are the positive/negative aspects of your location?
9. Where would you resettle if you had the opportunity?

isiZulu:

1. Ngitshele ukuthi uliqale kanjani ibhizinisi (phenya ngezizathu, imithombo noma imali yokuqala, izinkinga ekuqaleni)
2. Ngitshele ngempumelelo yamanje kanye nezimpumelelo zebhizinisi lakho.
3. Ucabanga ukuthi ungakha kanjani kulezi zimpumelelo?
4. Ngitshele ngezinkinga zamanje nezithiyo (uphenyo lwengqalasizinda, abasebenzi, ezezimali, ukungena nokuphuma kwemali, ukufinyelela ezimakethe njll.)
5. Ucabanga ukuthi ungazinqoba kanjani lezi zithiyo?
6. Yiziphi izinguquko zenqubomgomo nokulawula ongathanda ukuzibona?
7. Iluphi usekelo oludingayo?
8. Yiziphi izici ezinhle/ezingezinhle zendawo yakho?
9. Ungahlala kuphi kabusha uma uthola ithuba?

Annexure L: Research Ethics Committee (REC) Letter



GENERAL/HUMAN RESEARCH ETHICS COMMITTEE (GHREC)

23-Jun-2023

Dear Prof Johann JGL Marais

Amendment Approved

Research Project Title:

Small and informal enterprise development in deprived areas

Ethical Clearance number:

UFS-HSD2023/0438/23

We are pleased to inform you that your amendment application for ethical clearance has been approved. Your ethical clearance is valid for twelve (12) months from the date of issue. 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 notifying the ethics committee of the changes/amendments that have been made to your study; we wish you the best of luck and success with your research.

Yours sincerely

Dr Adri Du Plessis

Chairperson: General/Human Research Ethics Committee

Adri
Du
Plessis

Digitally
signed by Adri
Du Plessis
Date:
2023.06.26
08:52:52
+02'00'

205 Nelson Mandela Drive
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South Africa

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Bloemfontein 9300
Tel: +27 (0)51 401 9337
duplessisA@ufs.ac.za
www.ufs.ac.za



Annexure M: Interview schedule

No	Entrepreneur No.:	File Code	Date Schedule
1	Entrepreneur 1	0001-2023	19/09/2023
2	Entrepreneur 2	0002-2023	09/10/2023
3	Entrepreneur 3	0003-2023	10/10/2023
4	Entrepreneur 4	0004-2023	11/10/2023
5	Entrepreneur 5	0005-2023	12/10/2023
6	Entrepreneur 6	0006-2023	13/10/2023
7	Entrepreneur 7	0007-2023	16/10/2023
8	Entrepreneur 8	0008-2023	17/10/2023
9	Entrepreneur 9	0009-2023	18/10/2023
10	Entrepreneur 10	0010-2023	19/10/2023
11	Entrepreneur 11	0011-2023	20/10/2023
12	Entrepreneur 12	0012-2023	23/10/2023

Pre-Test Interview

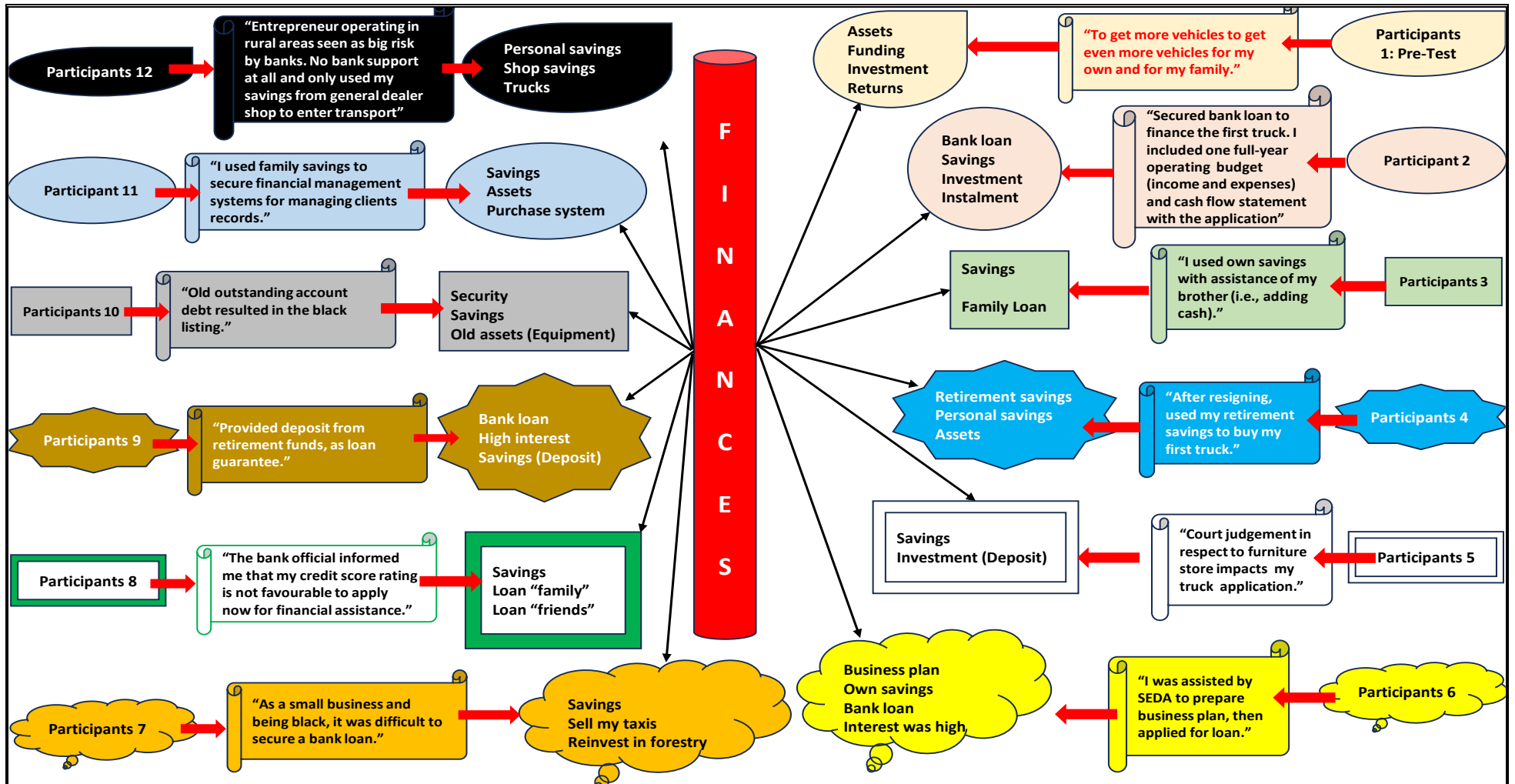
Source: Author's Compilation (2023)

Annexure N: Participants responses

Participant (Code Name)	Participant Response
Entrepreneur 1: Pre-Test	To get more vehicle to get even more vehicles for my own and for my family.
	I started planting some trees in my rural area. An area of about 10 hectares.
	I can pay and be paid every month this amount of money.
Entrepreneur 2	Secured bank loan to finance the first truck. I included one full-year operating budget (income and expenses) and cash flow statement with the application
Entrepreneur 3	I used own savings with assistance of my brother (i.e., adding cash).
Entrepreneur 4	After resigning, used my retirement savings to buy my first truck.
Entrepreneur 5	Court judgment in respect to furniture store impacts my truck application
Entrepreneur 6	I was assisted by SEDA to prepare business plan, then applied for loan.
Entrepreneur 7	As a small business and being black, it was difficult to secure a bank loan.
Entrepreneur 8	The bank official informed me that my credit score rating is not favourable to apply now for financial assistance
Entrepreneur 9	Provided deposit from retirement funds, as loan guarantee
Entrepreneur 10	Old outstanding account debt resulted in the black listing
Entrepreneur 11	I used family savings to secure financial management systems for managing clients records.
Entrepreneur 12	Entrepreneur operating in rural areas seen as big risk by banks. No bank support at all and only used own savings from general dealer shop to enter transport business.

Source: Author's Compilation (2023)

Annexure O: Key words grouping → codes creation



Source: Author's Compilation (2023)

Annexure P: Participants responses (financial systems)

Participant (Code Name)	Participant Response
Entrepreneur 1: Pre-Test	They must have their bookkeeper in the first place.
Entrepreneur 2	The service of bookkeeper or account is important for SMMEs
Entrepreneur 3	I had no system at the beginning. Now is must to have and be informed.
Entrepreneur 4	My accountant provides all the financial reports and I'm happy so far.
Entrepreneur 5	I was advised by friend who started earlier than me to secure financial system.
Entrepreneur 6	The SEDA official who assisted with business plan ensures that I have system from the onset.
Entrepreneur 7	My system not purely financial, but legal i.t.o Legal Practice Council (LPC) in managing clients accounts.
Entrepreneur 8	I was forced by circumstances to secure basic financial system for the administrative office
Entrepreneur 9	At present, no system in place as Ithala Bank provides financial management system as part of loan provision.
Entrepreneur 10	In my office, no financial system installed. All the records are with the accountant.
Entrepreneur 11	My operation is fully integrated with Pastel and Sage to provide better service to clients.
Entrepreneur 12	I've limited personnel, this service is outsourced to local bookkeeping firm in town.

Source: Author's Compilation (2023)

Annexure Q: RSA SMME's Definition and Classification

Column 1	Column 2	Column 3	Column 4
Sectors or sub-sectors in accordance with the Standard Industrial Classification	Size or class of enterprise	Total full-time equivalent of paid employees	Total annual turnover
Agriculture	Medium	51 - 250	≤ 35,0 million
	Small	11 - 50	≤ 17,0 million
	Micro	0 - 10	≤ 7,0 million

Source: DSBD (2019)

Annexure R: Editor's Letter

LET'S EDIT

EDITING CERTIFICATE

18 March 2024

TO WHOM IT MAY CONCERN

DECLARATION: Editing of Mini-dissertation

I, Christelle van der Colff, professional, qualified and practising editor, hereby confirm that I proofread, formatted and edited the style, layout (numbering, pagination and heading format), in-text references, and language (spelling, grammar, punctuation, consistency) of a mini-dissertation titled **SMALL AND INFORMAL ENTERPRISE DEVELOPMENT IN DEPRIVED AREAS** for **Jim Matsho** in fulfilment of a **Master of Development Studies (MDS)** at University of the Free State. I did no structural rewriting of the content. Changes were suggested in track changes and Jim Matsho has the prerogative to accept, delete or change amendments made by the editor before submission. I am, therefore, not accountable for any changes made to this document by Jim Matsho or any other part subsequent to my edit. The edited work described here may, therefore, not be identical to the final copy submitted for examination purposes.

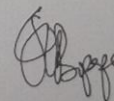
As the editor, I am not responsible for detecting or removing passages in the document that closely resemble other texts and could, therefore, be viewed as plagiarism.

Name of Editor: Christelle van der Colff

Reviewed by:


Qualification: Master's Degree in Applied Linguistics and Literary Theory (Research Development) (*cum laude*); BA Honours Degree: Applied Linguistics: Translation, Interpreting and Editing; BA Language Practitioners

Khomotso Bopape



Full Member of the Professional Editors' Guild

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EDITORS
Guild

Signature: 

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