



**THE ROLE OF LOCAL GOVERNMENT IN THE EMPOWERMENT OF YOUTH-
OWNED SMALL, MEDIUM, AND MICRO ENTERPRISES IN CAPE TOWN**

BY

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DEDICATION

I dedicate this thesis to my late father, Templeton Makhosi Mgxekeni Bango and my late grandmother, Nobonke Danisa. Your precious memories gave me confidence to complete this research project.

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ABSTRACT

The main focus of this study was to explore the role played by local government in the empowerment of youth-owned small, medium and micro enterprises (SMMEs) in Cape Town. Youth empowerment is critical for small businesses because it holds the key to economic growth, hence this study advocates that youth empowerment should be broadened and promoted by City of Cape Town officials to enhance economic growth. An investigation of the role played by local government in facilitating youth empowerment is imperative as it allows the critical evaluation of the efficacy of the strategies that the local authorities are implementing in order to support the empowerment of the youth.

Using an exploratory research design the sought to establish the role of local government in the development of the SMME sector. The study therefore used a qualitative research approach that collected data through in-depth interviews. The sample of this study consisted of 11 participants drawn from all the SMMEs owned by youths in the City of Cape Town as well as the authorities in the local government (City of Cape Town). The sample was obtained using a non-probability technique of purposive sampling. The data for the study was collected using interviews using open-ended questions to allow participants to express what they were actually experiencing.

From this study, the local government does not offer any funding to any business. What they do at the local government level is to support SMMEs in general, in terms of facilitation and skills development capacity. Most participants confirmed this as they acknowledged that they were not aware of any funding opportunities offered by the local government. The participants identified the factors that hinder the growth and development of youth owned SMMEs with the lack of financial resources being the most mentioned hindrance. The participants also suggested strategies that could be implemented to empower SMMEs by the local government. This study provides pertinent information that may assist local governments to formulate policies and strategies to support and grow youth owned SMMEs. Findings and recommendations emanating from this study, if implemented, have the potential of supporting the growth and development of youth-owned enterprises in Cape Town, leading to economic growth of

the city and the reduction in youth unemployment, inequality and poverty.

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CHAPTER ONE: INTRODUCTON

1.1 Introduction

Municipal authorities in South Africa are constitutionally mandated to manage local government affairs in the areas of their jurisdiction. The local government authority is empowered to service the socio-economic needs of the communities under their jurisdiction. Malefane and Khalo (2019) posit that it is the responsibility of municipal authorities to promote economic and social development of the communities under their governance. The role of that municipalities should play in the communities in which they operate is enshrined in Chapter 7 of Act 108 of the South African constitution. The sphere of local government came about as the devolution of powers and responsibilities of national government to the spheres of local government for the sake of ensuring administrative efficiencies and proximity to the community (Malefane and Khalo, 2019). In this regard, local government, being the closest structure of government closer to the community, should endeavour to address the needs and expectations of the communities in its area of jurisdiction.

The Constitution of South Africa further stipulates that municipalities are entrusted with both the executive and legislative authority over all areas that fall under their direct management. The South African government, upon its inauguration into full national administration in 1994, had the primary aim of eliminating poverty in the country with its focus anchored on the previously marginalised native South Africans (Maboa, 2018). Various strategies were put in place in a bid to ensure that the communities were developed, such as Broad-Based Black Economic Empowerment (BBBEE), Youth Empowerment, Youth Employment Strategy (YES), Local Economic Development (LED) Policy, Integrated Development Plan (IDP), Skills Development Initiative, bursaries, learner ships, vocational training, and many more (DTI, 2009-2019).

Research demonstrates that in developing countries such as South Africa, SMMEs create nearly 80% of employment, and a lack of thereof results in a rise in the unemployment rate, which further leads to excessive pressure on the government to try to cater for the

unemployed through special grant issuance (Cele, 2015). SMMEs play a significant role within the local communities and the nation at large, which can further extend to the global arena where they are among the principle means by which poverty and unemployment can be addressed (Maboa, 2018). It is evident from the national statistics that SMMEs contribute 45% of the GDP of South Africa (Cele, 2015).

SMME support is a tool to enhance employment, and it is evident that large firms contribute less within an economy than the SMME sector in employment terms, since the majority of the SMMEs are labour-intensive, which becomes a critical poverty-alleviation tool in the context of the developing nations (Malefane & Khalo, 2019). National governments across the globe have devised strategies that would lead to the provision and facilitation of financial help in a bid to sustain the SMME sector. Some of the strategies include guaranteeing loans issued to SMMEs by loan providers so that in case of default, the government will take the responsibility thereby reducing the risk on the lenders' side (Maboa, 2018).

Developed countries such as the Canada, Japan, Germany, and many others, have had high rates of GDP growth because of their ability to focus on youth empowerment in their economies. Unemployment on the African continent is heavily concentrated on the youth who have completed their studies in anticipation of finding employment. Nations such as the People's Republic of China have set aside funds to empower the youth who are fresh from school so that they do not have to look for employment but will instead be able to create their own employment. This is through using the skills they learn from college to start their own ventures that are monitored by the government. The developed nations are driven by youth initiatives that grow into big businesses that eventually have a global footprint. However, this is not the case with developing nations such as South Africa, in that the some of the inefficiencies of government can be associated with the downfall of youth business initiatives through harsh policies and a lack of support that leave the youth only with the option of looking for work. It seems that governments in developing countries do not know the exact role they have to play in supporting youth-owned SMMEs. This is the reason why this study was pursued: for the sake of clearly outlining local government

can support the empowerment of youth owned SMMEs. The study will be beneficial to the government in that officials will be reminded of its role in empowering youth SMMEs. Government officials will be able to formulate strategies that can be adopted from developed nations on how they can enhance youth-oriented business initiatives. The youth will also benefit through knowing what the government must do so that they can keep on reminding government officials of their roles in empowering youth owned SMMEs.

However, the South African economy has a 52% unemployment rate, which is increasing, and the failure of SMMEs is increasing day by day, with a failure rate of 70 to 80% in the first five years of inception (Malefane & Khalo, 2019). Several studies were undertaken to evaluate the effectiveness of some of the tools that are used by the government to curb high youth unemployment rate with reference to youth employment strategy (YES) (Barbarasa, Barrett & Goldin, 2017; Lau et al., 2018). The study was built around a theoretical framework based on the economic development theory and the resource-based view. In terms of the theory of economic development theory, the study sought to investigate how youth entrepreneurship fits into the broader economic development goals of the local government and considered how it contributes to job creation, poverty reduction, and economic diversification. Resource-based view emphasises the role of resources and capabilities in creating and sustaining competitive advantages. Using this framework, the study investigated how local government provides resources such as funding, infrastructure, and access to networks, which can be critical for youth entrepreneurs.

The main research question for this study centred on establishing the role that local authorities play in empowering youth- owned SMMEs. In this research project, a case study of Cape Town was used. The purpose of the study was to find out the role of local government in the empowerment of youth-owned small, medium, and micro enterprises in Cape Town. However, in order to clearly understand the role that local authorities play in youth empowerment, it is important to understand the contextual background of this study. The next section therefore discusses this issue.

1.2 Background

In 1995 the South African government introduced a policy to drive a strategy to promote the advancement of SMMEs in South Africa and to develop a policy framework that will focus on supporting SMMEs (Parliament of the Republic of South Africa, 1995). The policy also provided a distinction between different forms of SMMEs and this is where the various definitions were derived. Malefane and Khalo (2019:3) note that support by the national government for SMMEs is extensively recognised as vital to the country's effort of economic restructuring, poverty alleviation, and addressing the high levels of unemployment amongst the youth. Furthermore, the local economic development strategy was also brought into the picture for the sake of promoting entrepreneurship within the local municipalities, with the main aim focused on youth participation in economic activities through innovation and effective usage of the available resources to their benefit and the nation at large. The key role of government is to ensure that the public has a better living standard by ensuring that basic needs are met. In addition, another government mandate is to reduce unemployment, since it is necessary to develop the economy and reduce the crime rate, mainly with reference to youth.

According to the country's constitution, municipalities are responsible for setting up administrative structures, systems, and processes for the management of their localities. This role includes the support of small enterprises within their areas of jurisdiction. Malefane and Khalo (2019) argue that SMME development in local government is characterised as part of a local economic development strategy that aims to prioritise achievement in local government's objective of advancing the youth owned SMMEs. The Local Government Municipal Systems Act (South Africa, 2000), local government authorities must cater to the needs of the communities in which they operate. These communities also include youth owned SMMEs. Maboja (2018:28) postulates that local government has an important role to play in the empowerment of businesses in general and youth-owned businesses.

Maboja (2018) states that municipal SMME programmes are captured in the IDP. Cele (2015) notes that much as municipalities are obligated to support SMMEs, one of the challenges that they face is funding. The National Youth Development Agency Annual

Report (2018) highlighted that it is the responsibility of all state and non-state actors to contribute to youth development.

According to Ncoliwe (2019), is of the view that the local sphere of government has the potential to spearhead and support entrepreneurial activities in areas under its jurisdiction by establishing policies to support the initiation, growth, and development of SMMEs. Badroodien (2019) states that the City of Cape Town has established the YouthStartCT initiative as a platform for creating business ideas for young people, who want to grow their businesses and employ more people, so that young entrepreneurs can also assist other young people to break free of the constraints of unemployment. Debeila (2018:6) argues that, despite the availability of several government opportunities to support the advancement of SMMEs, youth owned SMMEs have failed to grow and be transformed into larger companies and corporations due to several challenges such as shortage of funding, educational entrepreneurship and market opportunities that hamper youth entrepreneurial development. The SMME failure rate in the first five years after inception is extremely high in South Africa (Maboa, 2018) and this indicates a need to determine what role can the local sphere of government play in the empowerment of youth owned SMMEs, and to establish if this role is being fulfilled. It further indicates the need for an investigation the reasons for the unsustainable SMME failure rate, and to identify solutions on how best government can play its part in ensuring greater SMME survival and growth. This can be achieved by first identifying the reasons why youth owned SMMEs are not growing and developing.

1.3 Problem statement

The key national institutions tasked with supporting the development of small businesses in South Africa, namely, the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) all perpetually report that small businesses in South Africa are not receiving adequate support. SMMEs are very important for economic development and advancing the human development index (HDI); reducing poverty, unemployment, youth-related criminal activities; and enhancement of the quality of life of citizens in general (Nieuwenhuizen, and Nieman 2019). Nonetheless, despite the positive contributions SMMEs bring, statistics show that

three out of five youth-run SMEs fail in the first three years of operations and those that start show a high failure rate before the fifth year (Ombaka, Kariuki & Kyalo, 2020). This shows a high SMME failure rate in South Africa, which can further be generalised to the City of Cape Town. Despite the South African government having created programmes that are aimed at empowering youth in the country through entrepreneurship, it is still unclear what an effective strategy to empower youth-related enterprises might be. It is also unclear if the government is quite aware of its various roles in promoting youths SMMEs, or if it is aware, what could the problem be in terms of its roles. This is an implication of the high youth related SMME failure rate within the nation. Further, the reasons why youth led SMMEs are not growing and developing have not been fully articulated.

Each SMME must be identified and categorised in accordance with the definitions in the White Paper on National Strategy on the Development and Promotion of Small Business in South Africa in terms of aspects such as number of employees, initial capital, turnover and many more factors. Cape Town was used as a case study in order for the researcher to investigate the role that the local sphere of government plays in supporting businesses owned by the youth and as such and this was thus the main purpose of the study.

1.4 Rationale and significance of the study

SMMEs are described as a strategic sector in which unemployed youth can establish their own small businesses as a way of accessing opportunities in the economy. The overall objective of this study was to understand the role local government plays in promoting and advancing youth-driven SMMEs. The study also sought to identify the hurdles that youth-owned SMMEs in the City of Cape Town face and then propose strategies to ameliorate these challenges. Lastly, the study provides pertinent information that may assist local governments to formulate policies and strategies to support and grow youth-owned SMMEs.

The study could be beneficial to various stakeholders, which include both state and non-state actors. The government could benefit from the study in that the study will provide knowledge of the various factors that hinder the growth and survival of youth-owned

SMMEs, as well as identify how government can support the growth and development of youth-owned SMMEs. The youth could also benefit in that they will know what forms of government support are available to them with regards to SMME development and survival, which they can use such as a reminder to the responsible authorities. The private sector can also use the same information in the study to strategise how they can support youth-led SMMEs. Lastly, this study contributes to the body of knowledge on the role that local spheres of government can play in supporting businesses owned by the youth. can be used in future studies to address related problem.

1.5 Objectives of the Study

The main objective of the study was to investigate the role that local government plays in promoting the advancement of youth in small and medium enterprises in the selected City of Cape Town with the specially focused youth owned SMMEs. The study also sought to achieve the following objectives sub-objectives:

- To characterise youth owned SMMEs in Cape Town
- To establish the factors that hamper the growth and development of youth-owned SMMEs;
- To recommend the strategies that local government can implement to empower youth owned SMMEs.

1.6 Research Questions

Main research question

- What role does local government play in empowering youth owned SMMEs?

Sub research questions:

- What characterises the different type of youth owned SMMEs in Cape Town?
- What are the factors that hamper the growth and development of youth-owned SMMEs?
- What are the strategies that the local sphere of government can implement to empower youth owned SMMEs?

1.7 Research Methodology and Design

This study followed an exploratory qualitative research design. The sample participants were identified through purposive sampling and the data was analysed using a thematic analysis approach.

1.8 Outline of the Dissertation

This dissertation is structured into five chapters. Chapter one provided a comprehensive introduction, and background to this study. Furthermore, the chapter highlighted the research problem, the research questions and objectives and the significance of the study. Chapter two is composed of a literature review pertaining to the role that the local sphere of government plays in supporting the growth and development of SMMEs.

Chapter three provides a detailed explanation of the research methodology and design that underpinned this study. Additionally, the chapter highlights the research philosophy, the research strategy, sampling, data collection and data analysis techniques that we used in this study. Chapter five provides an analysis and interpretation of the data that was collected for the study. The last chapter provides the key findings, conclusions, recommendations, and directions for further studies.

1.9 Chapter summary

This chapter presented an introduction and background to this research study. The chapter also highlighted the research problem and the objectives and significance of the study. The next chapter provides a literature review on the body of knowledge pertaining to this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The previous chapter provided an introduction and background to the study. This chapter provides a literature review of previous research on the role of local government in the empowerment of youth-owned SMMEs.

The literature review outlines the views of different authors who have studied the same or related issues in relation to the role that the local sphere of government plays in the empowerment of youth owned SMMEs. In terms of organisation, this chapter starts with an outline of the definition of the main terms, followed by a review of literature on the role of local government in empowering youth-owned SMMEs and the factors hindering the growth and development of youth-owned SMMEs. The chapter concludes with a discussion of the various benefits of SMMEs to the South African national economy.

2.2 The Theoretical Framework

This study aimed to explore the role of local government in fostering the growth and development of youth-owned businesses. To understand this complex issue, the researcher employed two theoretical frameworks: the Economic Development Theory and the Resource-Based View (RBV).

Economic Development Theory provides a comprehensive framework for understanding the broader socio-economic context in which youth-owned businesses operate. According to this theory, local governments play a critical role in promoting economic growth and development within their regions (Smith, 2015). They do so by implementing policies, programs, and infrastructure investments that stimulate business activity, create employment opportunities, and enhance the overall economic environment. In the context of supporting youth-owned businesses, this theory suggests that local governments can impact economic development by fostering an entrepreneurial ecosystem that is conducive to young entrepreneurs. This includes initiatives such as providing financial incentives, reducing regulatory barriers, and facilitating access to

resources and markets (Johnson & Brown, 2019).

The Resource-Based View (RBV) is a valuable lens through which to examine how local governments contribute to the success of youth-owned businesses. RBV focuses on the unique resources and capabilities that organizations possess and how they can leverage these assets for competitive advantage (Barney, 1991). In the context of this study, local governments can be seen as possessing a variety of resources that can be channelled toward supporting youth-owned businesses. These resources may include financial support, access to networks, mentorship programs, and infrastructure development (Wernerfelt, 1984).

By strategically allocating these resources and building capabilities, local governments can enhance the competitiveness and sustainability of youth-led enterprises in their jurisdictions. The adoption of both Economic Development Theory and the Resource-Based View as theoretical frameworks thus provided the researcher with the ability to comprehensively analyse the multifaceted role of local government in supporting youth-owned businesses. Through the Economic Development Theory, the researcher gained insights into the broader economic context, while the Resource-Based View helped the researcher to understand the allocation of resources and capabilities critical for youth entrepreneurship.

2.3 General overview of SMMEs

To correctly describe the SMMEs, the first step is to define them as the inaccurate definitions of the term has several implications. SMMEs are defined as those business enterprises that have an annual turnover of less than R5 million with a maximum number of 200 employees (Khan, Noor & Anuar, 2016:44). Some of these organisations range from partnerships to sole proprietorship (Khan, Noor & Anuar, 2016:44). According to Oyelana and Adu (2015:12), SMMEs are generally defined according to the number of employees, turnover, productivity as well as the net asset value. SMMEs are highly diverse and heterogeneous, ranging from single-person retail stores to export oriented manufacturing businesses with a total of up to 250 employees (European Commission, 2022:14). The National Small Business Act (NSB Act) of 1996 in South Africa defines

SMME's as:

'... a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations (NGOs), managed by either an individual owner or morewhich, including its subsidiaries or branches, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in column I of the Schedule and which can be classified as a micro -, a very small, a small or a medium enterprise by satisfying the criteria mentioned in column 3, 4 and 5 of the schedule'.

Implications of inconsistencies in official SMME definitions can cause significant distortions in donor expenditure for private sector development (Bureau for Economic Research, 2016). Secondly, the use of a single definition of SMMEs to multiple nations at various stages of economic development causes further distortions (Bureau for Economic Research, 2016). Nonetheless, key defining characteristics can be isolated that hold the true definitions across a wide range of SMMEs which distinguishes SMMEs from large businesses as illustrated in Figure 2.1 below.

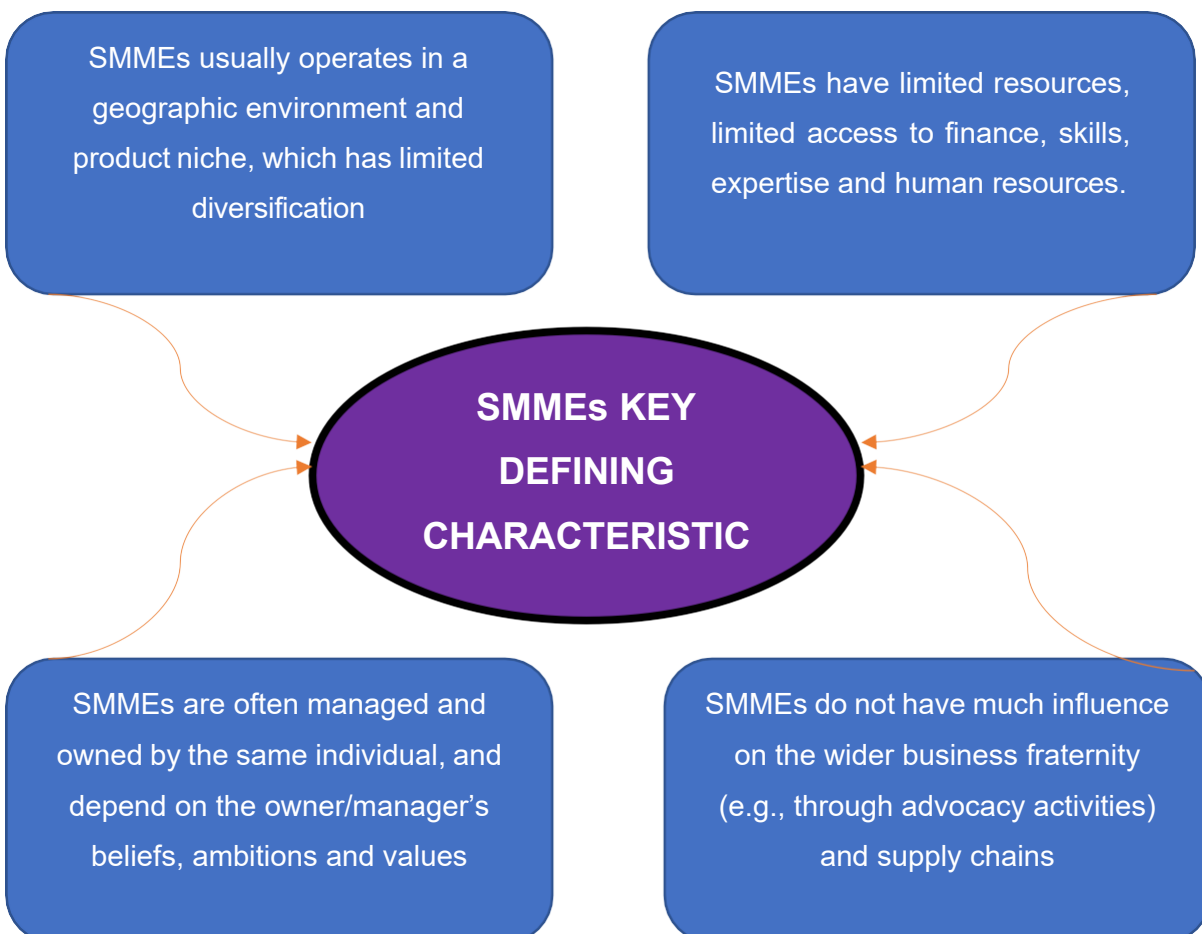


Figure 2.1: The key defining characteristics of SMMEs. Source: European Commission (2022:14)

Unlike the big businesses and enterprises, SMMEs can be easily established and do not require huge resources with regards to large capital to procure the required machinery or technology, prepare the business location, or to attract the required personnel to run the business (Li, 2019:21; Ismail & Naqshbandi, 2022:525). SMMEs usually require small areas to operate their businesses (i.e. small offices, small shops) with minimal preparations and a limited number of essential employees (Ismail & Naqshbandi, 2022:525). Irrespective of the size of SMMEs, they are at the centre of most economies and can become international businesses in different ways that include: contractual arrangements, exporting, joint ventures, strategic alliances, licensing and franchising, and fully owned foreign direct investment (European Union, 2021:5).

Since the global economic crisis of 2008-2009, several states have increasingly valued SMMEs as contributors of significant growth which absorb economic challenges (Ali Qalati et al., 2021:2). The importance of SMMEs lie in social cohesion, job creation, economic growth, poverty alleviation and innovation (Fatoki, 2014:923; Lekhaya, 2015:413; FinMark Trust, 2015; Wang, 2016:167; Ali Qalati et al., 2021:3; Zaato et al., 2022:1). SMMEs play crucial roles particularly in the economies of most developing countries (Jeong et al., 2021:1; Ismail & Naqshbandi, 2022:525) as reflected by a GDP of > 40% as well as 70% of job creation (Ali Qalati et al., 2021:2). SMMEs account for 99% of all businesses and 60-70% of all global informal jobs (Nasip et al., 2017; Ogundana et al., 2017:1; Hongyun et al., 2019:65). In Africa, SMMEs constitute 90% of businesses (Zaato et al., 2021:1).

SMMEs have increased employment in more than 130 countries, with permanent employees nearly doubling from 79 to 156 million (Nasip et al., 2017). SMMEs play a critical role in achieving the United Nations Sustainable Development Goals (SDGs) as they promote inclusiveness and sustainable economic growth as well as development, providing decent jobs, thereby reducing economic disparities among individuals (OECD,

2017). Despite SMMEs' significant contributions to the economies of most developing countries, their performance is however affected by a number of issues (Ali Qalati, 2021:1; Zaato et al., 2022:2; European Commission, 2022:20) which are discussed in the next section.

2.4 Factors affecting SMMEs

The literature on the factors that affects the endurance and growth of SMMEs is relatively rich (Wang, 2016:168; Sitharam & Hoque, 2016:278; Leshilo & Lethoko, 2017:46). There are several internal and external factors that affect SMMEs and their growth (Wang, 2016:168; Almawishir, 2018:58; ILO, 2021:10; European Commission, 2022:20). Internal factors controlled by the business owners, such as capabilities and strategies, whereas the external factors are not controlled by the business owner and might be an opportunity or threat in the market (Wang, 2016:168; Almawishir, 2018:58). The lack of capability of a business to control both the internal and external factors can negatively affect the SMME, to a point of even failure (Li, 2019:17).

2.4.1 Internal factors

The internal factors are characterised by managers who work in line with the culture of the business organisation (Syntia & Mulya, 2018:604). The internal factors of the business is declares forces that exist within the business organisation itself which can be controlled by the management (Syntia & Mulya, 2018:604). Internal factors for a business are a collection of various kinds of capabilities, resources and competencies that the business uses to establish a market position (Ismail & Naqshbandi, 2022:526). Factors that are regarded as internal include: (1) management competence; (2) lack of skilled labour; (3) marketing; (4) technology.

2.4.1.1 Management competence

Manager competency is a behaviour, characteristic or trait and attitude of managers that contribute to their ability to conduct their day to day duties in line with their management functions to help the business to achieve its goals (Mulyani & Arum, 2016:182). SMMEs generally have less trained managers as compared to large established businesses and hence, the former do not use proper accounting procedures and systems, chooses poor

production technology, and underestimate required funding (Ramachandran & Yahmadi, 2019:19). SMMEs spend less finances on training their managers than large established businesses due to financial constraints. Failure to train managers results in incompetence and hence, the SMME does not grow and develop (Ramachandran & Yahmadi, 2019:19).

2.4.1.2 Lack of skilled labour

Lack of skilled labour hampers SMMEs particularly in developing countries (ADB, 2015:4). Dong and Men (2014) highlight that hiring individuals with the required skills that drive the growth of SMMEs is one of the biggest hurdles and thus, it is difficult for them to attract highly skilled workers as well as to retain skilled them. This is because they prefer to work for large businesses that offer lucrative salaries, job security and career possibilities (Fragomen, 2018).

2.4.1.3 Marketing

Lack of marketing skills and platforms for an SMME results in its failure to attract the attention of its target market as marketing is an essential part of an SMME particularly in a competitive business environment (Sanyal, Hisam & Baawain, 2020:283). SMMEs generally are not knowledgeable about other markets and thus, are limited in terms of their ability to market the products and services they make to larger groups of customers so as to expand their business (Kasema, 2021:3). It is however argued that wide marketing is not the best form for a business to succeed, conversely, a close personal relationship, referrals using just the word-of mouth, niche marketing efforts have been shown to be successful more cost effective which can then be used by SMMEs (Kasema, 2021:3).

2.3.1.3 Technology

Many SMME managers do not apply the accurate technology in their business as in most cases, they are not aware of the technologies that are being used (OECD, 2020:5). Although most businesses (both SMMEs and established businesses) are connected to the internet, information and communication technologies are still primarily seen as a tool for communication (Kergroach, 2021:5). The digital lag as reported for SME arises from

a wide range of barriers and factors that include the lack of information and awareness of the SMME, financial constraints, skills gaps, missing complementary assets such as digital technology itself (OECD, 2019:3).

2.4.2 External factors

The external factors are instrumental in influencing the manager's decision making processes as well as organisational structure (Dragnić, 2014:127; Engidaw, 2021:5). No business organisation is isolated from the natural environment (ILO, 2021:14). Even if a business operates with essentially zero competition, it will need to pay attention to the factors that are outside the business organisation that are beyond their control (ILO, 2021:14). These factors can significantly impact the business and it therefore important for managers to understand these external factors (Dragnić, 2014:127).

2.4.2.1 Competition

Competition is often seen as a damaging factor for the survival of a business (Li, 2019:74). Developing countries often face competition from other developed countries due to globalisation as trade is increasing (Arbiana, 2013:5). Due to competition, SMMEs find it difficult to comply with regulations set up by organisations such as World Trade Organization. Further to this, many countries produce low-cost, low value-added, labour-intensive products, and SMMEs have to compete with these countries since many businesses focus on the strategy of price competition through low labour cost. SMMEs are generally not competitive with regards to market knowledge, innovativeness, investment, good management and business operations which are all vital factors (Arbiana, 2013:5).

2.4.2.2 Economic crisis

As revealed by events such as the global financial crisis of 2008-2009 and the COVID-19 pandemic, SMMEs are particularly vulnerable to these crises and shocks (Miklian & Hoelscher, 2022:179). The longer the economic crises or pandemic, the more the SMMEs are affected as they lack sufficient resources for them to be able to withstand extended periods of crisis once their operating finances are depleted (Cowling, Brown & Rocha,

2020:594).

2.4.2.3 Political

Political factors include regulatory frameworks, legal issues, as well as any impact from the respective political climate of the particular region or country of business operation (Zonouzi, Hoseyni & Khoramshahi, 2020:47). Although there has been a general increase in policies promoting and supporting SMMEs to achieve economic growth and alleviate poverty, there is still a lack of laws as well as administrative procedures and assistance from governmental agencies (Anderson, 2017:3).

2.4.2.4 Access to finance

Access to finance turns out to be the most important factor that affects SMMEs (Wang, 2016:168; ILO, 2021; Ismail & Naqshbandi, 2022:11). Access to funding for SMMEs has been reported by many sources as a major challenge that many SMMEs face (Orford, Wood, & Herrington, 2014; Leboea, 2017:3). This problem arises because the responsible financial institutions are generally reluctant to offer SMMEs loans. The financial crises in the world because of various disasters like the Ukraine-Russia war, the COVID-19 pandemic and other natural causes have made credit processing more complex. These crises have made financial institutions more cautious, which has made it difficult for SMMEs to be able to meet the requirements for a loan (Haron et al., 2013:44).

In many developing nations, access to credit was already a challenge for SMMEs even before the financial crises being presently experienced. In many of these countries, banks do not readily provide capital to SMMEs (Haron et al., 2013:44). From the above information it seems there is a consensus among researchers that financial challenges are amongst the most pressing for entrepreneurs in many countries such that many SMMEs in developing countries rely on self-funding.

2.4.2.5 Corruption

Developing countries often have alarming levels of corruption, which affects both society and business (Bryant & Javalgi, 2016:439; Barkemeyer, Preuss & Ohana, 2018:26;

Adomako et al., 2021:607). Responsible institutions affect the allocation of SMME resources in a country and correspondingly SMMEs shape the institutions they operate in by actively responding to the institutional environment (Adomako et al., 2021:609). Weak institutional environments, as a result of bureaucracy can hinder SMMEs and make corruption the attractive option (Adomako et al., 2021:610). Under those conditions, corruption can therefore grease the SMME processes to prevent some inordinate delays in procurement of resources and necessary approvals (Dreher & Gassebner, 2013:414). SMME owners engaged in corrupt activities could receive special beneficial treatment, such as permit approvals, bank loans, direct contracts and regulation waivers (Dheer, 2017:814; Wellalage, Locke & & Samujh, 2019:284). Furthermore, since SMME owners have limited opportunities to earn income, they may be compelled to engage in corruption (e.g. circumventing tax and bribery) in order to succeed (Ahsan, Adomako & Mole, 2020:3).

2.3 The South African SMME sector

South Africa has been facing economic challenges such as high poverty levels, inequality and high unemployment rates since the dawn of democracy in 1994 (World Bank, 2018). SMMEs are regarded as vital instruments for achieving set socioeconomic goals and innovation as set out in South Africa's National Development Plan (Bhorat et al., 2018; Lukhele & Soumonni, 2020:831). Leboea (2017:23) argues that SMME enterprises have some economic roles to fulfil, such as contributing to the country's gross national product. Ways in which SMMEs contribute to the country's gross national product include (1) manufacturing goods of value and (2) through the provision of services to both consumers and/or other enterprises. This exclusively encompasses the provision of products, and to a lesser extent, services to foreign clients, thereby contributing to overall export performance (Leboea, 2017). From an economic perspective, SMME enterprises are not just suppliers, but also consumers of the products and services of the bigger firms. Therefore, they have an important role to play if they are able to position themselves in a market with purchasing power. Their demand for industrial or consumer goods will improve the productive activity of their suppliers, just as their own productive activity is stimulated by the demands of their clients (DTI, 2019). The demand in the form of investment has a dual role to play, from the demand side (with regard to the suppliers of

industrial goods) and on the supply side (through the potential for new production arising from upgraded equipment). Furthermore, demand is important to income-generation potential of SMMEs, and their ability to stimulate the demand for both consumption and capital goods.

Most importantly, and from a South African context, in theory, SMMEs have the potential to generate employment and upgrade human capital, due to their low capital and mechanisation levels (Oyelana & Adu, 2015). SMMEs usually struggle in business due to a number of factors (Oyelana & Adu, 2015; Bureau for Economic Research, 2016) as described in the previous sections. Economic historians have demonstrated the importance of this phenomenon in Europe's industrialisation and the subsequent development of other emerging economies (Zervoudi, 2020). As technological progress in agriculture liberated the agrarian labour force, this unskilled excess labour force was absorbed into small manufacturing industries and exposed to business experience, thereby encouraging a "learning-by-doing" effect (OECD, 2014). From the European industrial revolution, we can therefore learn that the combination of job creation and skills upgrade which can be offered by SMMEs enhances the process of industrialisation, and social and economic development in a nation.

South Africa's current economic situation is comparable to the above scenario: the excess labour force is released, not so much from the agricultural sector, but rather from large enterprises in the secondary and tertiary sector (Bvuma & Marnewick, 2020:3152). UNHCR Global Report (2020) states that enterprises are not necessarily facing economic recession, but they are rather growing and transforming themselves in such a way that their demand for unskilled labour is generally decreasing. This results in an abundant pool of unskilled labour, which SMMEs can possibly employ and upskill.

From a different viewpoint, it has been suggested that, in cases of jobless growth and a mismatch between the demand and supply of unskilled labour, a shift in both the sectorial composition of the economy and the occurrence of growth in different categories of firms

may be an important avenue for the generation of both employment opportunities and growth (Oyelana & Adu, 2015). The question here is whether a more robust SMME growth strategy in South Africa will bring about such changes. This in turn depends on whether SMMEs are more labour-intensive and therefore likely to employ unskilled labour, and whether they can provide a process of skills upgrading. With these categories of functions defined from a theoretical perspective, the following section examines the structure of the South African economy to see whether SMMEs can, in their current position, fulfil these roles.

2.2.2.1 Why youth empowerment through SMMEs is an urgent need in South Africa

The term 'youth' is used in many contexts, such that there is a wide variety of definitions. According to the United Nations, the youth refer to people between 15-24 years, without regard to member states' classifications (United Nations, n.d.). The National Youth Policy 2020 – 2030 (South Africa, n.d.) defines the youth as persons aged between 14 up to the age of 35, and this age range is consistent with international and regional laws, specifically the African Youth Charter (2006), which asserts that individuals between the ages of 15 and 35 are regarded as being the youth. From the definitions given, it seems that there is a unanimous agreement that the youth is defined in terms of age, though the age range of what may be termed youth varies. Statistics South Africa's Quarterly Population Review (StatsSA, 2019) states that the youth in South Africa are numbered at 20 640 722, which makes them about 37% of the total population of South Africa.

South Africa has an alarming unemployment rate of 60% which is one of the highest, worldwide (du Toit, 2020). A significant number of unemployed youth live in under-resourced marginalised communities. SMMEs are therefore proposed by a number of researchers in the field of socioeconomic sciences to reduce the unemployment pressure (du Toit, 2020). South Africa has faced various challenges, such as the economic downturn and recession caused by the COVID-19 pandemic, economic growth hampered by poorly positioned and inadequate infrastructure, and other physical constraints that have perpetuated the marginalisation of the poor (Government Communication and

Information System, 2013); further, many people are employed in the informal sector, where employment does not necessarily involve a formal employment contract or medical aid or access to a pension fund (Sharpe, 2021). These individuals make just enough to survive (food and shelter) without a decent or luxurious lifestyle. Even though the youth occupy a significant proportion (37%) of the South African population (SEDA, 2018), in the pre-COVID-19 environment the youth have been marginalised from participating in the mainstream economy mainly as a result of colonial policies of the past, which persists through the largest wealth inequality in the whole world (Sharpe, 2021; The World Bank, 2022). There are also gaps in current national policies which cause corruption and unequal allocation of resources that expose the youth to several challenges such as poverty, unemployment, skills shortages, lack of market knowledge and so on (SEDA, 2019). The fact that the youth own about 5.5% of all businesses attest to the fact that the youth do not access to business opportunities in the mainstream economy (Mahlangu, 2017:18). It is therefore important for government to come up with initiative to breakdown this cycle of poverty, unemployment, and inequality by ensuring that the youth have access to economic opportunities (DTI, 2009-2019).

2.4 Government involvement in SMMEs

Globally, the support of the governments is considered to have a significant impact on the performance of an organisation for its economic independence (Hogue, 2018; Nakku et al., 2020). As governments fully understand how SMMEs support economies, they assist SMMEs in various ways (Ali Qalati et al., 2021:2; Zaato et al., 2022:2). Government interventions such as training, tax relaxations, funding and allied business support facilitates SMMEs to engage in business-level innovations (Alhnity, Mohamad & Ku Ishak, 2016:96). Governments also supports SMMEs to identify as well as to acquire resources necessary to execute the business ideas of the SMME and plays substantial roles in SMMEs performance (Zaato et al., 2022:4). Moreover, Nakku, et al (2020) explored the relationship between SMME orientation and SMME government support programs as well as performance from a developing economy perspective. Findings revealed that government support has an essential effect on the innovativeness and performance of a SMMEs.

Local governments of South Africa include municipalities (and their respective councils) as well as regional districts (and their respective boards), and are governed by the Local Government Act and the Community Charter. The primary role of municipalities is defined in Constitution (South Africa, 1996) as "promotion of socioeconomic development," and it is reaffirmed in South Africa's White Paper (South Africa, 1998) on Local Government, as well as other related legislation such as the white Paper on Municipal Service Partnerships (South Africa, 2000) and the Local Government Municipal Systems Act 32 of 2000 (South Africa, 2000). According to Sections 153(a) and 152(c) of the Constitution (South Africa, 1996), a municipality must "organise as well as to manage its budget, administration and planning processes to prioritise societal requirements as well as to promote the socioeconomic growth of the community."

From the above information, it is clear that in South Africa, as well as service provision, the role of municipalities is also to foster local economic development (LED) in their areas. Scholars define LED in several ways, and the definitions that follow provide context for how it is used in this research. According to Kanyane (2008:699), LED is about local people working together to generate sustainable economic growth that benefits everyone in the community. Establishing local job opportunities, alleviating poverty, and redistribution of opportunities and resources benefits all local citizens and improves the quality of life (Mokoena, 2019).

LED is one vital strategy among others that can reduce poverty (Wekwete, 2014), therefore LED goals should be centered around creating jobs to grow the local economy. More factories, industries and enterprises should therefore be established in the municipal areas (Department of Rural Development & Rural Reform, 2012). As part of the Integrated Development Plan (IDP, 2017), key municipal stakeholders should come together in order to achieve an agreement as well as to make sound decisions that will foster economic growth and provide a wide range of economic options for more individuals, especially the poor (IDP. N.d).

Since SMMEs are integrated in LED, municipalities must ensure that developmental concerns are well addressed within regulated and supported SMME frameworks. Municipalities have developed LED strategies to assist the establishment of SMMEs within their areas (Tsoabisi, 2012). LED strategies are decided by municipalities, and the development processes must then be part of the IDP process (Wekwete, 2014). The assertions above show that there is consensus among researchers on the notion that municipalities are the custodians of LED. To develop an LED strategy, municipalities should assess the present conditions, consider growth potential, as well as to choose tactics that ensure that objectives are achieved (Leshilo & Lethoko, 2017).

To achieve its objectives, a municipality can implement the following essential strategies:

- Infrastructural development to ensure that businesses smoothly operates (i.e., residential areas, roads, transport system, electricity and water etc.) which is addressed in the municipality's IDP. This improves living standards, creates an environment that fosters the growth of the economy (Orford, Wood, & Herrington, 2014).
- Promoting the tourism industry, which is one of the country's fastest-growing sectors. This includes the enhancement of local tourism scenery as well as facilities (Orford, Wood, & Herrington, 2014).
- Municipal tendering and procurement policies must prioritise SMMEs. Where these SMMEs are unable to deliver the required services, positive initiatives should be taken in order to encourage the established businesses to partner with the SMMEs (Orford, Wood, & Herrington, 2014).
- The municipality must market itself, its people, services and its infrastructure to both local and international enterprises. Service centres can supplement this to offer support as well as to give information to various firms looking to set up shop in the respective municipality. (Orford, Wood, & Herrington, 2014).

The connection between municipal LED plans as promotional platforms and SMMEs existence is obvious. This is because LED policies must allow the private sector (particularly SMME initiatives) and municipalities and to collaborate for the local economy

to be strengthened. The focus of the interaction should be at improving how various SMMEs are competitive and encouraging community-wide, inclusive, and participatory growth (Tsoabisi, 2012).

On the one hand, the LED strategy should be viewed as the product of local government actions and interventions, as well as the continuous improvement and integration of national priorities and programmes in the local realm. SMME development as well as operation should be viewed as a result of the LED strategy, which aims to improve community living circumstances. This comprehension emphasises the idea of LED strategy as a springboard for SMMEs.

In that vein, the LED concept is laden with the task of SMME development and implementation. Across the entrepreneurship continuum, municipal policies and programmes must attempt to guarantee that suitable support and delivery mechanisms exist. This means that every stage of the business, from pre-launch through launch, the survival, growth and expansion of a business, as well as turnaround of failing firms, should be meticulously planned (Wekwete, 2014).

However, despite all the above being planned, the SMMEs in South Africa are struggling as outlined in the previous sections. According to Tsoabisi (2012), for most towns in South Africa, the most recognised element of economic programmes is poor implementation. A fundamental debate has been whether the government should offer direct funding to meet the needs of the private banking and financial services sectors in assisting SMME development. The majority of SMMEs in South Africa continue to fail within a very short period, with high failure rates ascribed to the various challenges they face (Chimucheka & Mandipaka, 2015:309; Bruwer, 2020:148). The SMME sector, which is the economic backbone of South Africa, is dwindling, indicating a stagnating economy (Saah, 2021). The continuous dwindling of the SMMEs led to South Africa's growth rate of only 0.3% in 2016, which was an indication of a build-up to a constant economic slowdown because the country has been experiencing a per capita recession as population growth is exceeding that of the economy, thereby plunging South Africa into a technical recession

(Sanele & David, 2021). Failure of SMMEs in South Africa is attributed to lack of government support (Ogujiuba et al., 2021) either in the form of capital funding or operating funds (OECD, 2022; Ogujiuba et al., 2022:2). Some of the most significant support systems by the government of South Africa for SMMEs in are: Rural Economic Development Initiative, Small Enterprise Development Agency (SEDA), and Khula Enterprise Finance (Ogujiuba et al., 2022:2).

2.5 Research gap

SMMEs are described as a strategic sector in which unemployed youth can establish their own small businesses as a way of accessing opportunities in the economy. Literature has reviewed the government support programs that are available for SMMEs. Although these are available for example on the government website, SMMEs still face various challenges for them to grow and develop which also could be a combination of factors (external and internal) as described in this chapter. As these SMMEs are based in local municipal areas, this study explores the role that local government plays in promoting and advancing youth-driven SMMEs. This is mainly based on the fact that local governments represent the national government and are mandated to support national government programmes (Leshilo & Lethoko, 2017). As SMMEs provide revenue, local employment and other activities the economic outputs reflect performance of that particular local government. This study therefore explores SMMEs in Cape Town to determine the magnitude of support that they receive from their local government.

2.5 Conceptual framework

The conceptual framework for this study is shown in Figure 2.2. The figure illustrates how the availability or unavailability of several factors from the government (funding, training, tax waivers, rental discounts) lead to either the success (when available) of the SMME, or its failure (when not available) (Figure 2.2).

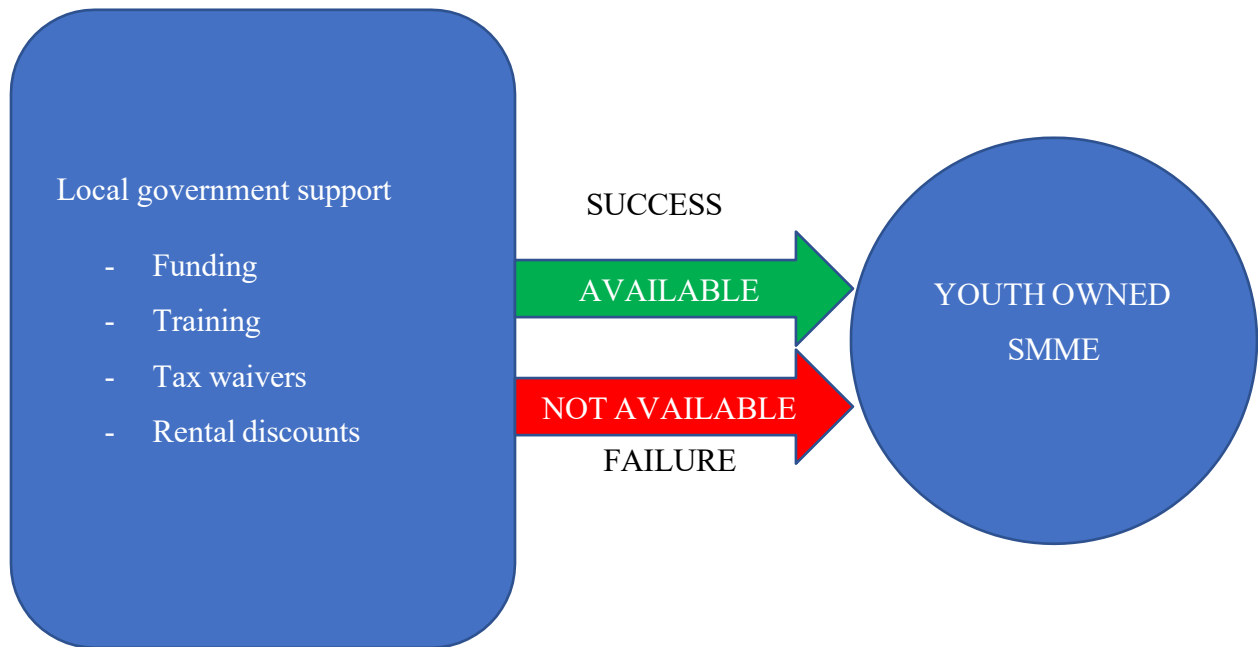


Figure 2.2. Conceptual framework for this study

2.5 Conclusion

This chapter presented a conceptualisation of youth-owned SMME enterprises and outlined the characteristics of youth-owned business and why youths are venturing into business. Furthermore, the chapter highlighted the challenges affecting the SMMEs in South Africa as well as the role that the government plays in empowering youth-owned enterprises. Information on how local government and municipalities supports SMMEs in their areas is however scant and yet the local government is mandated to act on the behalf of the national government in line with their legislative mandate. The conceptual framework was also presented which showed the factors that should be available for the success of a youth owned SMME. The next chapter outlines the research methodology and design that was adopted for this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter follows the literature review which supported the study with what other scholars have written about the area of study. The previous chapter focused on the conceptualisation of youth who owned SMMEs. It also pointed the challenges that affect youth in their business ventures and identified a research gap in this context. This chapter documents the research methodology, design and approach that was followed. It includes the study area where the study was conducted, the population and sample. The data collection procedures, data instrument (questionnaire) as well as the reason for the choice are mentioned in this chapter. Lastly, the data analysis methods are discussed, as well as the ethical considerations.

3.2 Research methodology

3.2.1 Research philosophy

Philosophy in research implies the manner in which a social scenario is examined for the sake of gaining understanding of the phenomenon so as to develop explanations of the phenomena under study (Al-Saadi, 2014). In the case of this study, an interpretive research philosophy was used as it clearly gave the researcher the ability to interpret the situation under study with reference to the role of local government in empowering youth-owned SMMEs. An explanation was developed after engagement with the study sample. The interpretive paradigm was considered suitable, as it allows human beings to try to understand the various occurrences taking place around the world (Moon & Blackman, 2014:16). In addressing the social reality, an interpretivist research philosophy was used in this study in trying to find out the role played by local government in in empowering youth-owned SMMEs.

3.2.2 Research approach

The research approach is in essence the blueprint of the study, which clearly states the various steps to be undertaken so that the study becomes a success, and these steps include the collection of data, its analysis, as well as interpretation (Gwena &

Chinyamurindi, 2018). In doing so, the study used an inductive approach where data were collected for exploring the phenomenon under study. This study aimed to find out if local government was actually playing its role in sustaining youth-owned SMMEs in Cape Town. The approach was best suited for the study as theory was to be generated to find out if some of the roles were undertaken and which ones were relevant in ensuring growth and development of the SMME sector.

3.2.3 Research design

Creswell and Creswell (2018) point out that a research design shows a plan of how researchers intend to carry out the research. Mpe (2018:12) states that qualitative research emphasises primarily the discovery of what is thought to be a dynamic reality instead of attempting to generalize behaviour-based universal laws, focusing on knowable specifics. An exploratory research design was utilised for this study as it will permit adequate, clear descriptions of the relationship between local government and the SMME sector. Saunders, Lewis, and Thornhill (2016:152) state that an exploratory research design aims to obtain facts as which define phenomena which exists by enquiring with subjects about their perceptions and values. This study did not consider quantitative research design options because the study was not explanatory or conclusive in nature. Furthermore it did not seek to establish cause and effect.

3.2.1 Research strategy

Research strategies are the way in which primary data is accessed from the research participants (Gwena & Chinyamurindi, 2018). When a research strategy is clearly defined, the research will have direction and meaning, as a known procedure will be followed and that will enable the success of the research. Nxumalo and Matsiliza (2020:56) indicate that a qualitative research strategy can be used to explore the perceptions of the respondents based on a naturalist view of a real-life situation. This study employed a case study to focus the researcher on distinct cases that will help in generalising results with reference to the rest of the population. A case Cape Town City was used in this study.

3.3 Empirical study

Amongst the three approaches (qualitative, quantitative, mixed methods approaches) (Saunders, Lewis & Thornhill, 2016), a qualitative approach was utilised for this study to use when conducting a study. According to Ewing and Park (2020), qualitative data reflects an understanding of the research context and the subsequent development of findings, which tends to involve smaller samples that may not equally well represent the larger demographic population commonly modelled in quantitative methods. The instrument for data collection was interviews addressing the research questions and objectives formulated in the first chapter of this study, and then tested against the participation of the respondents. This allowed the researcher to produce new ideas and observations as well as make concrete contributions.

3.4 Delimitation of the study

Theofanidis and Fountouki (2019:157) describe delimitations as those features that control the scope and define the limits of this research. This study mainly focused on youth-owned SMMEs and hence the youth participation in SMMEs was the main priority together with municipal or local government authorities. The study had its main focus on the role of the City of Cape Town in encouraging the survival, growth and development of youth-owned SMMEs. The research was conducted in Cape Town on young people in the 18-35 age range.

3.5 Research processes

3.5.1 Unit of investigation

The unit of investigation was youth SMME owners and local government officials in the City of Cape Town. The central issue at the focal point of the research was to examine the role that local government can play in empowerment of youth-owned SMMEs in Cape Town.

3.5.2 Population and sample selection

Figure 3.1 illustrates the population and sample relationship.

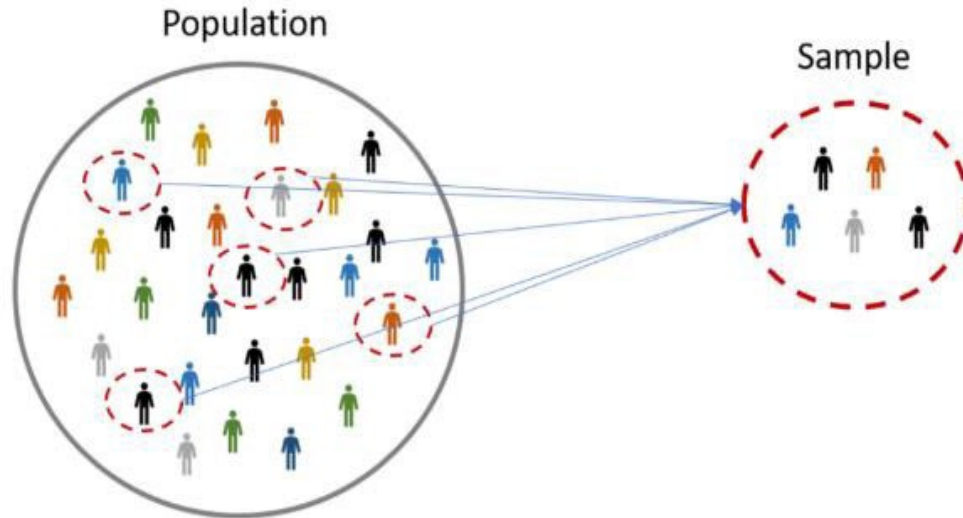


Figure 3.1: Population-sample relationship

Source: Data Scientist Interviews, n.d.

A population is a gathering (frequently alluded to as a gathering of individuals) that contains phenomena that have at the least one collective characteristic (Creswell & Creswell, 2018). The population of this study included all the SMMEs owned by youths in Cape Town as well as the authorities in the local government in the city. The focus was on the role that the local government must play in empowering youth-owned SMMEs. The owners of SMMEs provided information about the various challenges that they are facing which hinders their business from growing and developing.

Testing requires choosing a number of units to get answers concerning the population from a representative number of individuals. The size of a sample is critical and influences the error margin (Suresh & Chandrashekara, 2012:17). A sample is defined as a small subgroup that is taken from the population and represents the whole population (Creswell & Creswell, 2018). The advantage of using this sampling strategy is that it is cost-effective and useful in getting ideas for a study. The study sample was obtained from local government authorities and youth who have SMMEs in Cape Town. Purposive sampling technique (a non-probability sampling method) was used to select a participant from the Cape Town Municipality as well as 10 SMMEs owned by youth. Convenience sampling permitted the researcher to save time and costs by engaging those who were available

at the time of the selection. The result from the sample selected was generalised to the broader category of SMMEs.

According to some researchers, a factor analysis should contain at least 10 respondents for each item being evaluated. In addition, up to 300 responses are common when developing a Likert scale, according to Clark & Watson (2016). Due to no specific sample size being mandated for qualitative research, the sample size that the study adhered to was dictated by those who were available and willing to participate in the research.

3.6 Data collection

An interview was used as a data collection procedure in order to address the study objectives and questions. Data were collected in the period 2021/22; however, due to COVID-19 restrictions, most of the participants were not able to meet the researcher until the regulations were starting to be relaxed, which made the collection of data was much easier. For reasons of validity and reliability, the researcher requested face-to-face interviews rather than telephonic contact, which is why it took a long time to collect the data. The interview comprised of open-ended questions to allow the participants to express what they were actually experiencing. The instrument was tested through two people from the Cape Town as a representation of the municipality and 10 SMMEs owned by youth. The interview schedule was corrected each time the participants identified any errors and ambiguous questions.

3.6.2 Reliability and validity

In this study, research design was followed in order to prevent personal biases which could influence the research findings. All the interviews were recorded, coded and stored. To ensure that the data were consistent as well as transparent, a clear decision trail was well established. The participants' accounts which were described, support the findings and demonstrate true clarity with regards to the thought processes during data analysis. The researcher was able to get each interviewee to make a declaration promising to give accurate information reflecting the organisation's genuine position in respect to its operational activities.

3.7 Ethical considerations

The CPUT Research Ethics Committee approved this study (Clearance Certificate No | 2021_FBMSREC 059) (Appendix 2) as it followed research ethics protocols. The research study did not ask culturally sensitive questions, and it also gave participants the option not to answer questions and withdrawal rights from the study if they felt so inclined. No minors took part in the study as the age range of the SMMEs owners was between 18 and 35. The sources that were used were acknowledged and recognised, as it is a required standard for all professionals.

Anonymity implies that the identity of the respondents to the study are kept hidden or unknown so as to avoid victimisation and to allow respondents to participate in the study freely (Al-Saadi, 2014). To ensure anonymity in the study, no respondent was asked to provide their name and under no circumstances were the respondents' names made known.

Confidentiality implies that the information given by the respondents to the study will be kept secret and the data was used for the primary reason for which it was collected (Al-Saadi, 2014). A confidentiality agreement was signed between the researcher and the respondent that the data would not be accessed by third parties.

Informed consent implies asking for permission to conduct the research with the sample selected as well as making every respondent aware of what they were committing to (Al-Saadi, 2014). All the information was made available including the fact that it was a voluntary act where one was free to withdraw at any time if need be.

In terms of honesty and integrity, the researcher reported all his findings honestly and no information was falsified or fabricated. In this regard, participants were given transcribed interviews in order to validate the content and the integrity of transcriptions and adhering to interviewees as well as all the promises and agreements made prior to the interview.

Literature review presented as well as the primary data were not fabricated or falsified, and all individuals that contributed were acknowledged. Data collected will be kept for future reference which shows the honesty in the data collected.

The researcher recognised and expressed his gratitude to the participants and informed them about the findings or results of the research; after completion of the study the researcher undertook to make copies available to the participants.

3.8 Limitations of the Study

The researcher also acknowledged the potential bias in the study as he is a youth and resides in the community where the youth entrepreneurs that were interviewed reside. This situation therefore is a limitation of this study. However, throughout the study, the researcher endeavoured to be as objective as possible.

3.9 Summary

The problem at the centre of this study was to examine the role played by the local government in empowerment of youth-owned SMME firms. In this chapter, the research philosophy, design, approach, research paradigm and data collection methods were described. A purposive sampling approach was utilised with the target participants being youth SMME owners and local government officials. The qualitative research method was utilised for this research to collect primary data through open-ended interviews. The sample consisted of 1 Cape Town Municipality official and 10 youth owners of SMMEs. All the data collected were recorded, organised, and summarised in order to provide a better understanding of the data as well as to develop themes. Ethical considerations were presented at the end of this chapter as well as the reliability and validity considerations. Findings from this study are presented in the next chapter.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The receding chapter described the study's research methods for data collection and analysis in order to achieve the research objectives. The main objective of this study was to explore the local government roles in empowering youth-owned SMMEs in Cape Town as described in chapter one. The study also aimed to identify the challenges that youth SMMEs face in Cape Town as well as to develop strategies to promote the advancement of the youth SMMEs. Lastly, the study provides pertinent information that may support local government to formulate policies and strategies to support and grow youth-owned SMMEs. Presented in this chapter are research findings as transcribed from the interviews as well as the description of the participants.

4.2 The research questions and research problem re-visited

The research problem is stated as follows: Despite the South African government having created programmes that are aimed at empowering youth in the country through entrepreneurship, it still unclear what an effective strategy to empower youth-related enterprises might be. It is also unclear if the government is quite aware of its various roles in promoting youths SMMEs, or if it is aware, what could the problem be in terms of its roles. To solve the identified research problem, this study made inquiries about the following:

1. What is the characterisation of SMME businesses in Cape Town?
2. What factors hinder the growth and development of youth-owned SMMEs?
3. What strategies are implemented by the local government to empower youth-owned SMMEs?

4.2.1 Description of the participants

The sample consisted of 1 Cape Town Municipality official and 10 youth owners of SMMEs.

4.2.1 Interview findings

The answers which were obtained from the interviews are presented in this section. All the answers shown here relate to finding answers to the research problem and are in relation to the research questions that foregrounded this study.

RQ1.0 What is the characterisation of SMME businesses in Cape Town?

RQ1.1 What types of SMME businesses are in Cape Town?

RQ1.2 How long have these SMME businesses been in existence?

RQ1.3 What do you think is the role of the local government in SMME empowerment?

Roles derived from The Local Government official interview.

Roles derived from the participants' interviews.

RQ2 What factors hinder the growth and development of youth-owned SMMEs?

RQ3 What strategies can the local government use to empower youth-owned SMMEs?

The interview questions and answers are presented in Appendix 3. The next section deals with outlining the corresponding answers in relation to RQ1, RQ1.1, R1.2 and RQ1.3.

Research Question 1

Research question 1 asked about the characterisation of SMME businesses in Cape Town. This was an essential question as the research problem was to find answers and give more information on the businesses' characteristics, including the nature of the business, scope of operation and duration of operation, such that solutions could be tailored according to the nature of the business; therefore question 1 was broken into 3 parts. The results shown in Table 4.1 below provide answers to RSQ1.1 and RSQ1.2.

RQ1. What is the characterisation of SMME businesses in Cape Town?

RQ1.1. What types of SMME businesses are in Cape Town?

RQ1.2. How long have these SMME businesses been in existence?

Table 4.1: Units of analysis used in the research study

CASES	INDUSTRY	SCOPE OF BUSINESS	YEARS IN OPERATION
1	Food and beverages	Restaurants, retail and catering	5
2	Events	Events planning, conducting events, catering and events consultancy	2
3	Events	Events planning and conductance, media and events consultancy	8
4	Clothing	Designing and selling clothes.	5
5	Publishing	Book publishing	3
6	Marketing	Digital marketing services	1
7	Clothing	Clothing manufacturing and branding	7
8	Logistics	Logistics and supply	1
9	Environment	Environmental consultancy	2
10	Metalwork	Manufacturing and installation of aluminium windows, gates and doors	2

Table 4.1 above gives the responses to the research questions shown above. The 10 participants operate in a range of business areas of which almost all the businesses offer services in their respective areas and with a few involved in both manufacturing and service provision as described in Table 4.1. Most youth-owned SMME businesses in Cape Town are in service provision and very few combine both manufacturing and service provision.

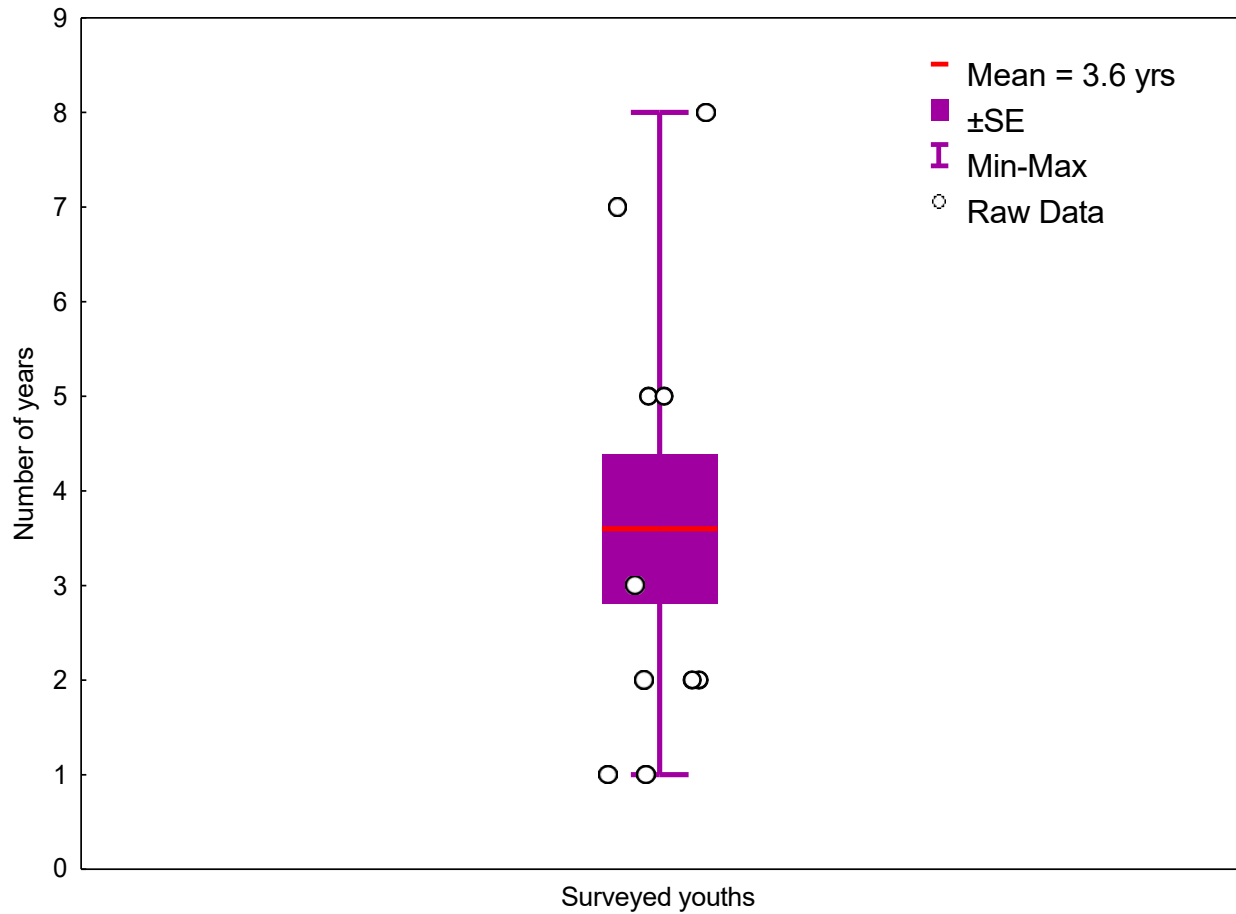


Figure 4.1: Box plot showing the number of years in the SMME sector

The years of operation of this business ranges from 1 (start-up) to 8 years (thriving SMME) (Figure 4.1). It was found out that the mean number of years of the SMME businesses in Cape Town is 3.6. This is illustrated in Figure 4.1 above whereby the red line across the box show the mean of 3.6 years, and the individual years are shown by the points and the bars across the box representing the minimum (1 year) and maximum (8 years).

Role of the local government in empowering youth SMMEs: Response from local government official

The last question RQ1.3 dealt with finding out the role of the local government in empowering youth SMMEs. The first part was getting this information from a local government official, and the second part was getting the information from the youths. Two participants were scheduled to clearly answer o what is currently being done by the City of Cape Town in empowering youth-owned businesses, but only one managed to give the researcher an overall response of what is currently being done.

The respondent stated that as the Cape Town Municipality, the core of their services is service delivery, meaning that they ensure that running tap water is available in every household, and they look after the drainage system; however also they support businesses in general, that is a mixture of youth businesses, as well as established ones. The respondent further clarified that they run business programmes that are concurrent with what is currently happening at national level in terms of support. The respondent clearly stated that the municipality did not offer any funding to any business, mainly because this was currently managed at provincial as well as at national level. Part of the municipal official's response is below:

“We do not as the municipality to offer any funding to any business. What we do at the local government level is to support SMMEs in general, in terms of facilitation and skills development capacity. People from social development and community services are the ones that used to run programmes specifically meant for youth entrepreneurs. They used to advertise a call where young entrepreneurs would submit their proposals based on their respective businesses. As local government, it is our primary role to ensure that services are delivered: ensuring that there is running tap water in every household, maintaining the drainage system, taking care of refuse and garbage.

In summary, the respondent stated that what they are currently doing at a local level to support SMMEs is facilitating any growth, potentially, that could assist SMMEs and growth in terms of skills development capacity. The City runs training programmes for entrepreneurs, such as how to do business with a city or government. The city's social development and community services runs a programme specifically meant for youth entrepreneurs and they promote youth entrepreneurship through what is called “pitch and

plan". Youth entrepreneurs submit a copy of their business plan and business model when Department of Social Development does a call for project proposals through official communication platforms. So, this presents an opportunity for young entrepreneurs to pitch their business ideas or the business that they currently run, and they go through certain phases of facilitated help and development through help from the professionals in the department.

Information from the municipal official contradicts the position of the government of South Africa which is mandated to ensure that there is a reduction in poverty through its various initiatives such as provision of a conducive environment for entrepreneurship, provision of jobs, offering security, ensuring that the public has access to clean water, accommodation, healthy facilities, road infrastructure, proper drainage system and many more (Bvuma & Marnewick, 2020). The government places the onus on local authorities and municipalities to lead as well as to promote socioeconomic development in the communities when executing their constitutional mandate of providing legislative and executive authority over areas that fall under their jurisdiction. As part of its mandate, the government therefore established the LED policy as well as the IDP in order to ensure and promote entrepreneurship within the nation (Nkwinika & Munzhedzi, 2016); and municipalities align their own policies with these to achieve youth empowerment according to the cities' goals and objectives.

Governments are usually deeply involved in the support of SMMEs and thus provide different types of financial support, all of which are country-specific. For example, in Europe, government agencies provided 36% of the venture capital for SMMEs that was raised on the European market in 2015 (Invest Europe, 2016). The reason why European governments have economic policies with strong orientation towards SMMEs is their larger potential in providing jobs and thus contributing more to the economic growth of the nations (Seo, 2017). Global trends currently are such that small to medium businesses are growing and are consistently the largest employers in both the developing and developed world (Leboea, 2017). This is contrary to reality in South Africa as the country is facing one of the highest failure rates of SMME in comparison to its developing

counterparts. As the SMMEs are pivotal in the economy of South Africa with regards to curbing unemployment and poverty (Leboea, 2017), it is therefore imperative that they receive support from local governments.

The lack of access to finance for SMMEs remains a huge challenge in South Africa thereby inhibiting their growth and sustainability (OECD, 2020). Contributing factors to the low access to financial resources include the lack of suitable formal finance products which are available; the lack of readily available credit information for SMMEs; the perceived risk of SMMEs; and the lack of appropriate assets available to SMMEs for the purposes of collateral. All of these issues affect the availability of financial resources for SMMEs (OECD, 2020). A balance should be struck between the SMMEs and government and considering all the factors, risk percentages, before providing funding for the SMMEs.

In this study, the local government official responded that they did not have funds allocated for local SMMEs and that funds should be applied for from the national government. The response with regards to the availability of funds is quoted below:

“At municipality level, we do not offer any funding to any business. If young people want to venture into any business in our city, they can apply to the national government or inquire from the provincial offices, as no budget is allocated for us to support SMMEs. What we do at the local level is to support SMMEs in general by facilitating their growth and skills development.

The domains of different levels of the South African government are inter-related, interdependent and distinctive (Gopaul & Manley, 2015) (Table 4.2). They however, all operate under the Constitution as well as policies that are made by national Parliament (Education Training Unit for Democracy & Development, 2015).

Table 4.2: Government domains

Sphere	Legislature	Executive	Administration
National	Parliament	President and Cabinet	Directors General and departments
Provincial	Legislature	Premier and Executive Council	Heads of Department and staff
Local	Council	Mayor and Mayoral Committee	Municipal Manager, <u>HoDs</u> and staff

Source: Gopaul & Manley (2015)

Table 4.2 therefore means, support for SMMEs can be implemented at any level. Local governments in South Africa collect revenue through various sources that comprise property rates and service charges on sewage, domestic water, electricity, sanitation as well as waste removal. Some South African municipalities have however been experiencing financial distress in recent years which has received more attention from provincial and national government (Glasser & Wright, 2020). This could then affect the availability of funds for SMMEs and hence local governments will be restricted in providing platforms for the SMMEs and refer finance assistance matters to the national government.

Role of the local government in empowering youth SMMEs: Response from the local youths

This subsection dwells on espousing the Cape Town youth SMME owners' views on the role the local government must play in their economic empowerment. Table 4.3 below shows the youth business owners' views about the roles of the municipality in youth SMME economic empowerment. This section is very important as it will help inform the policy makers what the business owners think that municipal government should provide towards the upliftment of SMME businesses owned by the youths.

Table 4.3: Respondents' views about the roles of the City of Cape Town in youth SMME economic empowerment

Participant Number	Views on Municipal's role in Youth SMMEs' Economic Empowerment
1	<ul style="list-style-type: none"> • The municipality must provide youth entrepreneurs with operational spaces and rent out outlets for them. • Provision of financing for youth Entrepreneurs.
2	<ul style="list-style-type: none"> • Provision of funds for youth entrepreneurs. • Skills Training and making the youths aware of entrepreneurship. • Eliminating crime • Reducing corruption in youth-related affairs.
3	<ul style="list-style-type: none"> • Coaching and training of youth to understand all stages of business start-up and government tendering systems. • Provision of business mentorship seminars in townships occasionally to help unemployed youths. • Funding youth-owned entrepreneurs.
4	<ul style="list-style-type: none"> • Workshops to reach out to the unemployed youths in different areas of the city to make them aware of empowerment opportunities.
5	<ul style="list-style-type: none"> • Youth enterprise funding, and funding opportunities. • Knowledge and skills transfer to youth entrepreneurs.
6	<ul style="list-style-type: none"> • Assist youths in business start-up procedures and basics of building a business. • Youth enterprise funding. • Skills training.
7	<ul style="list-style-type: none"> • Policy creation and implementation. • Establishing places in administrative positions so that the youth entrepreneurs have a say in policy planning and creation so that the policies represent youth SMME solutions.
8	<ul style="list-style-type: none"> • Support for local youth owned SMMES

	<ul style="list-style-type: none"> • Promoting SMMEs through campaigns, offering awards and leadership training • Giving youth-owned SMMEs waivers and discounts on municipal bills, service charges and licences • Access to markets, loans and finance, improved infrastructures, business support, enhancement of competition at the SMME level through skills training
9	<ul style="list-style-type: none"> • The role local government has played is basically giving support in terms of SMME development programmes that are funded through government initiatives. • Tax should be reduced because SMMEs fall within a certain bracket which would also bring down the financial burden that they face.
10	<ul style="list-style-type: none"> • Government should play a crucial role in empowering youth-owned SME's by providing grant programmes offered directly to SMMEs as one way to use tax by stimulating business

All business ventures require some form of financing (through either equity, grants, or loans) to start, sustain as well as to develop operations. This will be regardless of industry type, dimension, or geographical location. The pressure that comes with acquiring the funding can be time-consuming, discouraging, overpowering, expensive and at times, impossible especially to individuals with limited information about the availability of the funds to use for their businesses (Abubakar, 2015).

In this study, the respondents were aware of the government's mandate on youth empowerment, particularly supporting SMMEs. In Table 4.3, the majority (about 70%) of the respondents expected the local government to provide funding for SMMEs. The majority of the youth business owners however expected the municipality to provide them with the following for their businesses to prosper: funding, skills training, business mentorship and charges reduction. One of the respondents confirmed the role of the local government in supporting youth business and highlighted that there are not aware of any

financial support to date that has been given to the youth. Below is the response from the respondents with regards to this matter:

“The role supposed to be played by the local government is to empower, coach and develop as well as to assist young people in terms of understanding the business processes and in terms of developing tender processes, but our local government does not assist the young people. Some of young people have brilliant business ideas, but they do not know how to implement as no one from the city coaches or mentors them.

This was also confirmed by another respondent who explained that they often hear about government funding but in Cape Town, they have never heard of such local government funding for businesses. The response from the respondent is below:

“We do hear about other people saying that they get funding from government but with us we have never had any funding. Our government should empower young people especially who wish to start their own SMMEs as it does not make sense to encourage an entrepreneurship graduate to look for work, and yet they should be creating employment. If funding is available, it is only acquired by a few individuals through corruption and favouritism. Funding should be acquired through merit to deserving youth and not through who one knows [someone]. Local governments should avail funds to entrepreneurship institutions to help students interested in establishing SMMEs after they graduate as it is currently difficult to find a job.”

The lack of awareness of the youth as reported in this study corroborates with a study by Gwija et al. (2014) set in Khayelitsha, Cape Town, who also found that the youth were not aware of the government support initiatives aimed at supporting their businesses.

From almost all the responses, one can tell that according to the youths, the national and provincial government makes promises which are then not implemented on the ground. Also mentioned was the criteria used by the government for the youths to acquire funding for their SMMEs which in most cases are repulsive. This was confirmed by another respondent below:

“There are a lot of promises from the government which in most cases, are not fulfilled. In trying to acquire funding, there are a lot of challenges in terms of the criteria that they set which in most cases are repelling to the youth who wish to establish their SMMEs. Young people should therefore be involved in the decision making process so that some of these criteria are relaxed to allow brilliant candidates to acquire the funding. An example is our Western Cape Department of Economic Development, they should have young people young entrepreneurs as part of their board, even if it is an external board, whereby they get information directly from the authorities with regards to what is it that is needed to ensure transparency”

Their responses indicate that they all believe that their SMMEs have the potential to contribute significantly to socioeconomic livelihoods. The SMMEs create an employment platform for the business owner as well as other young employment seekers through exploitation and responsiveness to new economic trends and opportunities (Maboa, 2018). The SMMEs moreover, give a platform for the youth business owners to opportunities that can foster innovative ways that could be able to solve the persistent problems that communities continue to face in this present world (Malefane & Khalo, 2019). Owing to the potential for the youth to transform the economy, alleviate poverty and unemployment through SMMEs, the importance of assistance provided by local government can therefore not be denied and it is crucial for not only supporting the SMMEs, but to reduce their failure rate as well.

In other parts of the world, the issue of funding youth-owned businesses has been ongoing with various perceptions with regards to availability of funds. Most countries have these policies lined up to support youth SMMEs, but the situation on the ground is similar to the Cape Town situation (as reported in Table 4.2), which reflects contradictions between the official position and what entrepreneurs actually experience, and the youth still struggle to establish and run an SMME. In Malaysia, organisations such as the Small and Medium Industries Development Corporation (SMIDEC) support youth SMMEs. Various countries have a Constituency Development Fund (CDF) which channels money

directly from the central government to constituencies as well as local governments for local infrastructure and projects (Chibomba, 2013).

At least 23 countries in the world have adopted the CDFs. Decisions on how CDFs spent are heavily influenced by the elected members of parliament (MPs) (Chibomba, 2013). CDFs are appreciated because they are perceived as an appropriate tool for effective delivery of various projects, direct financing of community development, facilitation of the local communities in development as well as their direct response to the respective development demands of local communities. Questions have been raised with regards to whether CDFs are primarily political projects and whether they actually represent efforts to support the youth.

Regardless of the perceptions by the youth in Cape Town, the government of South Africa indeed has programmes to support the youth through the local government. The negative perceptions reported in this study could be due to the information not being widely campaigned for. If one navigates to the South African government website (<https://www.gov.za/about-government/small-business-development>), one can observe the several SMME support programmes initiated and financed by the government. The inadequate marketing of opportunities by the local government was also reported by Sambo (2015). The following are the support platforms from the government for various businesses: Small Enterprise Development Agency (SEDA); Co-operatives Incentive Scheme (CIS); Black Business Supplier Development Programme; Khula Enterprise Finance LTD; South African Micro Finance Apex Fund (Samaf); Technology for Sustainable Livelihoods; South African Women in Construction (Sawic); Technology for Women in Business (TWIB); and Gender and Women Empowerment Unit (South African Government, 2022). The Umsobomvu and the National Youth Service are specifically for the youth as described in the South African Government (2022).

The youth should take their time to check the government website and follow the requirements and apply for funding for their respective businesses. Apart from the local government support, the youth should also explore other funding bodies the World Bank, the Soros Economic Development Fund among others, which all operate internationally.

Research Question 2

This section deals with the factors hindering the growth and development of youth-owned SMMEs in Cape Town. Table 4.4 below shows the challenges noted and highlighted by the youth.

Table 4.4. Factors hindering the growth and development of youth-owned SMMEs in Cape Town

Challenge	Business sector(s) affected	Number of business affected/10	Percentages
Crime and corruption	<ul style="list-style-type: none"> • Food and beverages • Manufacturing 	2	20%
Lack of business and entrepreneurial skills and knowledge to start a business	<ul style="list-style-type: none"> • Media and events • Publishing • Environmental consultancy • Metal foundry 	4	40%
Lack of funding, space allocation and general lack of support from the municipality	<ul style="list-style-type: none"> • Media and events • Environmental consultancy • Metal foundry • Clothing manufacturing • Food and beverages 	5	50%
Lack of unity among entrepreneurs	<ul style="list-style-type: none"> • Events and media • Clothing • Manufacturing • Digital marketing 	4	40%
Unfair competition from corporates and stringent	<ul style="list-style-type: none"> • Environmental consultancy 	3	30%

requirements for government tenders	<ul style="list-style-type: none"> • Events and media • Clothing 		
High SMME taxes	<ul style="list-style-type: none"> • Logistics • Supply chain 	1	10%
Favouritism and nepotism in allocation of funding and help by the city council or municipality	<ul style="list-style-type: none"> • Clothing 	1	10%

The challenges in the above table show some of the hurdles endured by SMME owners and businesses in the Cape Town. It is clear from the interviews that the majority of businesses are not growing due to the lack of funding and other necessary resources and support from the local government. This factor constituted 50% of the responses (Table 4.4). The lack of funding has been discussed in detail in the previous section. The youth need funding so that they can start up their businesses, strengthen or diversify them. This was explained by one of the respondents below:

“Young people struggle to raise capital to start up their SMMEs mainly because there is limited access to financial resources, like loans from the bank, grant funds from the public sector or even the private sector as well which are hindering factors for SMME growth.”

Some respondents also mentioned that youth in SMMEs need to unite and support each other. This will increase their success rate in their respective businesses. Lack of unity and co-operation as a hindrance for SMMEs constituted 40% of the responses. Lack of unity among SMMEs was explained by one of the respondents:

“One of the challenges is that is very difficult for young people to support one another I do not know the reason why but young people do not support one another so it becomes challenge because there is a lot of young people with businesses but I don’t find them supporting each other in their business that became challenge

at same time I don't think I am empowered enough to understand that in order for our business to grow we have to be there for each other it can't be financial but we need to be there may be in terms of ideas or in terms of motivation so it's one of the factors affecting our business our business don't grow we make mistake because the is no one support us."

The other respondent also agreed to the lack of support factor as a hindrance for SMMEs. The response is below:

"Money is not circulating among us the youth and that is one of the problems that hinders SMME growth as we are not supporting each other. We need to get to that the level where money circulates amongst us. If one is selling shoes I buy from them and they will also buy from me if I have a product that they wish to buy and at the end of the day, we support each other's business which will solve the problems that hinder SMME growth. We need a system where we support each other especially us as young black entrepreneurs to prevent competition and build this country as a unit."

Lack of business and entrepreneurial skills and knowledge to start a business also is a challenge as described by the respondents. This factor contributed 40% of the responses. Respondents also mentioned that they need mentoring from established businesses:

"It is very important to have mentors who will teach us as well as to monitor our progress to see how we will be doing. They will be able to guide us through the business challenges that are faced by SMMEs"

Lack of funding also creates unfair competition from corporates and well established businesses, which makes it very difficult for the youth-owned SMMEs to penetrate into the respective businesses or markets. This factor contributed 30% of the responses (Table 4.3). This was explained by one of the respondents:

"We are competing with large businesses that have been around for years and you will find that some tenders and funding opportunities will require your business to have at least 10 years of experience. As a young entrepreneur and freshly graduated, there is no way I or my SMME can have 10 years of experience within

the field I am operating in.” The tender or opportunity is then awarded to the big established businesses, and we continue to be side-lined due to inexperience.”

The stringent requirements from the government tendering systems in terms of money and years of operation of the business also affect the SMMEs. These act as negative factors for the youth to apply for government support. This was explained by one of the respondents:

“Our SMMEs mostly lose on tenders and opportunities as the government has certain standards which are beyond our reach as SMMEs as we are still in our early growth phase, still trying to establish our businesses. It is those regulatory compliances that act as repulsive factors to us getting opportunities from the government. One cannot get certified with certain ISO standard or other compliances because SMMEs do not have the requirements. SMMEs struggle to come with capital mainly because there is limited access to financial resources, like loans from the bank, grant funds from public sector or even private sector as well.”

Other factors that were mentioned include crime and corruption (20% of the responses); High SMME taxes (10% of the responses); and favouritism and nepotism in allocation of funding by the city council or municipality (10% of the responses). These factors individually or in combination also affects the success of youth-owned SMMEs. The issue of favouritism was mentioned by one of the respondents:

“The challenges that we are facing to acquire funding is the fact that the government has individuals that they know, and have this favouritism of people that they know, who then end up getting funding. No matter how good you are with running a business, if you are not well connected to the influential people, no one will recognise you. You then have to find a way of forcing yourself into the leaders so that you get known.”

These factors described above need to be holistically addressed in order to promote SMMEs in Cape Town. The factors are summarised in Figure 4.2 below.

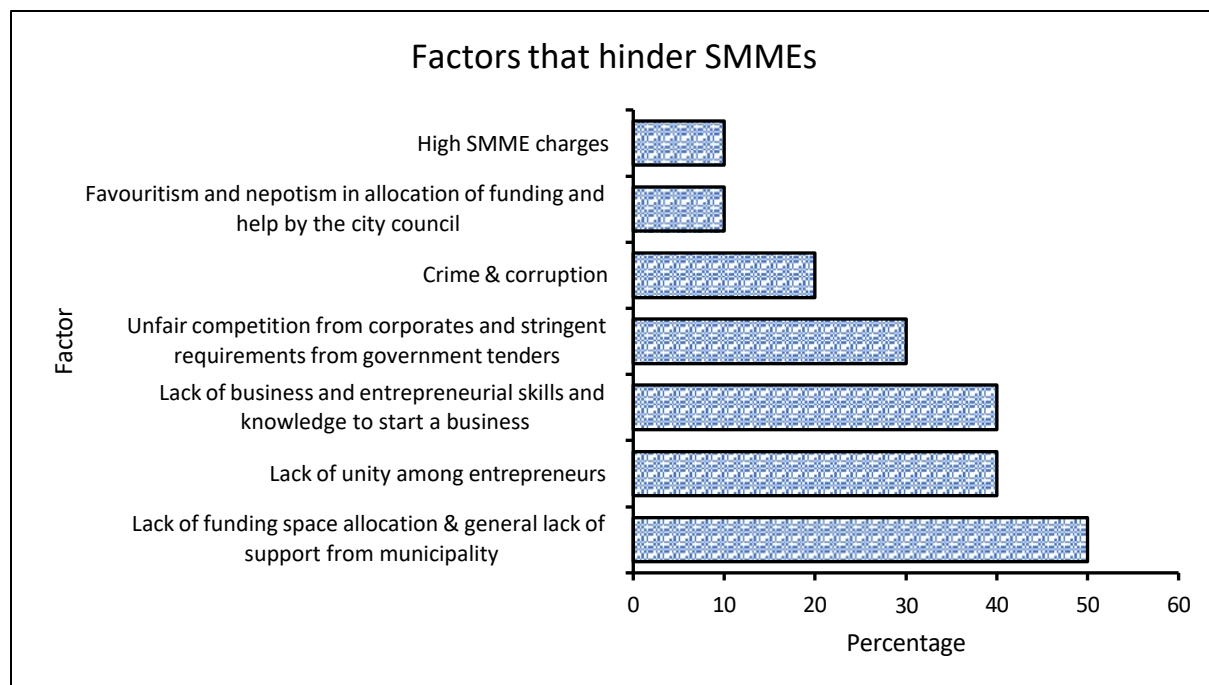


Figure 4.2: Factors that hinder SMMEs

Research Question 3

This section deals with the question of what strategies can be used by local government to empower youth-owned SMMES in Cape Town. Most responses under this question were directed to making funds available for the youth to support their SMMEs. The issue of funding has been a topical factor in the previous sections. Indeed, the local government should allocate in its budget a certain percentage to support youth-owned SMMEs to empower them and alleviate unemployment and poverty, in line with national and international goals. The youth also wish to be involved in policies at local government level so that they contribute to some of the policies and have opportunities to present their ideas. This was explained by one of the respondents below:

“We as young people must be involved in strategic discussions at local government, provincial and national level so that we get to know how these three level of government support SMMEs and if funds are available, we should get to know exactly what is needed. There must have forums where these matters are discussed.”

Respondents further advised the local government to review its policies and put in place those that are aligned towards supporting youth-owned SMMEs. This was explained by one of the respondents below:

“The government should implement new policies when they advertise tenders so that SMMEs get to be awarded a certain percentage to do government work. By awarding SMMEs government tenders, it ensures and strengthens government support for SMMEs.”

4.3 General discussion of findings

The aim of this research study was to explore the role of the local government in the empowerment of youth-owned small, medium, and micro enterprises in Cape Town. The overall objective of the study was to understand the role that local government plays in promoting and advancing youth small, medium, and micro enterprise. The study also identified the challenges faced by youth SMMEs in the City of Cape Town. This section classifies emerging patterns and relationships that exist in the deduced findings. It presents a summary of the findings based on patterns of similarity in the interpretation of their meanings.

4.3.1 Basic description of SMMEs

Most youth-owned SMME businesses in Cape Town are in service provision and very few combine both manufacturing and service provision, and the SMME businesses have been in operation for an average of 3.6 years. This shows that the majority of the SMMEs are rather recent start-ups, which entails less experience, fewer business contacts and limited resources, hence these businesses look up to the council for a conducive environment for their enterprises to thrive among big businesses. For them to endure in the market, they need support from local government as well as positive attitudes of the business owners.

4.3.2 Funding provision by the local government

The majority of the interview respondents expect the local government to provide funding for SMMEs which was reported by most respondents as a major hurdle faced by many

SMMEs. Municipalities must provide a conducive environment for provision of financial sources and many governments around the world have devised strategies that would lead to the provision and the facilitation of financial help in a bid to sustain the SMMEs sector. Some of the strategies include guaranteeing the loans issued to the SMMEs by the loan providers so that in case of default, the government would take responsibility, thereby reducing the risk of default on the lenders' side (Maboa, 2018).

Unfortunately for the youth, they cannot access loans from the city because the mandate is a national and provincial affair, which is a huge inconvenience to SMME owners. The Constitution of South Africa, sections 152(c) and 153 (a) shows that local governments should manage their administration, budgeting and planning processes so as to give priority to societal needs, as well as to promote socioeconomic development. The Local Government: Municipal Systems Act 32 of 2000 (South Africa, 2000) similarly obligates the local government, in section 26(c), to include its LED aims in the municipal IDP. The youth need to be aware of these instruments as well as grants that aim to support local development. These can be checked on the government website (<https://www.gov.za/about-government/small-business-development>) to see which funding opportunities are suitable for their respective SMME and the requirements. It is indeed SMMEs that foster local development and hence the youth need to engage local government authorities and get to know more on how they can benefit from LED programmes.

Studies conducted outside South Africa also support the contention financial constraints are major challenges for aspirant youth business owners. Studies in Zambia corroborates these issues as, most youth cited the lack of financial capital as a major challenge in as to why they did not have successful businesses (Sambo, 2015:161). Inadequate capital was also mentioned as a principal factor constraining SMMEs in Nigeria (2012:16). Access to financial capital for the youth is clearly, a global challenge, and South Africa is no exception (Sambo, 2015:161). A study by Chiloane-Tsoka (2013) in South Africa confirmed that lack of financial support from the government is a key constrain to SMME development. This was also supported by Kew et al. (2013) in the Free State Province

where over 61% of youth cited the inability to access finance as the main factor why they could not engage in business.

While constraints to access finance have been reported, the Dr Kenneth Kaunda District Municipality (generally referred as “Dr KKDM”) in the North-West Province seems to be doing well in this regard. The Dr KKDM has prioritised SMME the development as they consider them to be catalytic factors for LED (Rangwetsi, 2021). The District Growth and Development Strategy (DGDS) developed in the late 2000s in collaboration with the DTI gave direction for the district concerning how it should support and prioritise SMMEs that are in their jurisdiction. The SMMEs are supported with either financial assistance (of between R1 – R30, 000) or non-financial assistance such as training. Based on Dr KKDM annual reports, the district seems to be making much progress in achieving local development goals in line with the national and international goals. The Dr KKDM in this regard, initiated a grant funding policy and every year, it has been funding SMMEs. The grant funding policy of the Dr KKDM has specific requirements that should be adhered to by the recipient SMMEs so that they acquire the funding (Rangwetsi, 2021). The local government of Cape Town should look into these examples and adopt them in order to foster LED in the Western Cape.

Besides the government, private sector actors can be engaged to apply for funding. In South Africa, there are several agencies in the private sector that support economic growth and development through SMMEs. Examples of businesses include Afrox, Anglo American, Barloworld, BP and De Beers, among others (Joseph, 2013:2). The businesses are dedicated to investing in black service providers in business to position them in an elevated or enhanced platform suitable for business networking and deals to increase their competitiveness.

4.3.3 Skills training and business mentorship

A majority of the respondents also cited skills training as a major need for SMMEs, as most lack the business, time, leadership and money management skills to run a business, which causes businesses to fail, and for the high entrepreneurship failure rate. In the

previous section, the city official claimed they provide the entrepreneurship training and since part of the problem of this study was to assess if the municipality or local government is doing its job well, the results therefore obviously point they are not doing it well as many entrepreneurs and SMME owners are not aware that such a platform exists.

While institutional arrangements in South Africa are compromised, municipalities should be transformative so that they change from being passive service providers to actively facilitate LED in line with its mandate, in the 1996 Constitution of South Africa (Ndou & Sebola, 2016). Most local governments in South Africa have, however, proved to be lacking in living up to such prescripts by the Constitution. This is reflected in the continuing service delivery protests that sweep across the country, and the distressing financial audits indicating unhealthy financial conditions in the municipalities. A vital component to strengthen local government and its local economy is through developing and training local communities for LED (Ndou & Sebola, 2016).

Access to non-financial support (training and mentorship) not only equips the youth in business with skills necessary to effectively operate their SMMEs but could also unlock access to capital (Youth Business International, 2011). Moos (2014) identified business mentorship and business incubation as among the business support services that could help the youth to establish and operate successful SMMEs. Access to mentoring services by the youth in business enhances the chances for the SMME to endure beyond the start-up period, and over 90% of the businesses found mentoring to be a useful tool for a business to be successful (Sambo, 2015). With regards to business incubation, Turton and Herrington (2012) and Timm (2012) showed that it has been successful in fostering start-ups to grow in countries such as Brazil, Chile and Malaysia, and Maina (2012:23) confirmed that 90% of USA and Europe incubated business start-ups remained active after 3¹/₂ years of operation and showed potential to grow with a significantly higher rate of success, as compared to start-ups that had no incubation support when they were launched (Sambo, 2015).

4.3.4 Minimisation of SMME taxation and requirements

Most of the respondents started their business ventures before they had registered. According Yergenthren and Rajendra (2018), SMMEs in the country were not able to account for 11 various taxes. Tax compliance challenges adversely impact business growth and development and hence, there is an urgent need tax reform policies in SMMEs so that they are able to accomplish their objectives.

The government should investigate better ways of reducing the burdens of taxes in favour of SMEs as they play a pivotal role in shaping the economy of the country. The SMMEs should therefore be given preferential treatment in taxation to promote their growth and development. Tax for SMMEs should be reduced under certain considerations, for example, the government should look at the age of the SMME and the owner, so as to reduce the tax for youth who are starting their businesses. Many governments took decisive policies to help SMMEs over the long term (Zhang & Matiashvili, 2020). Chile reduced SMME corporate income tax rate to 12.5% from 25% for 2020, 2021 and 2022. Japan reduced the SMME fixed assets tax and city planning tax on buildings and depreciable assets to one half or zero for a year in the 2021 taxation period. Australia managed to extend its 50% wage subsidy for eligible SMMEs with 200 employees or less to March end in 2021.

The government and funding bodies should relax the minimum requirements for the youth to acquire funding. They should assist the youth to prepare the rightful documentation for grant applications so that they can be able to fund their businesses. Bank loans should provide low interest rates and flexible payback options so as not to deter the youth from applying for the loans.

4.4 Chapter summary

This chapter answered the research questions and fulfilled the study's research objectives. In this chapter, the researcher characterised the youth-owned SMMEs through the responses of the interview participants. Most participants were not aware of the programmes and funding at their disposal. The participants noted the roles that the local

government must play in empowering youth SMMEs. The participants also identified the factors hindering the growth and development of youth-owned SMMEs and suggested strategies that could be implemented to empower SMMEs. The results were discussed by comparing results of this study to other studies by other authors and researchers. This study thus can be deemed successful as all the objectives were met. The next chapter provides a conclusion to this study and also outlines several recommendations that could be adopted by both the government and the SMMEs. Lastly, the chapter proposes directions for future studies.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The previous chapter presented the research findings and provided the discussion of the main findings and in relation to other situations and studies. The youth generally are not aware of the funding opportunities of they can take advantage. Various hindrances were discussed in the previous chapters behind why SMMEs are not succeeding in Cape Town. Empowering youths economically is thus a win-win opportunity for the City of Cape Town Municipality. As more and more SMMEs are established, the city's revenue from their activities will increase. The SMMEs are generally labour intensive, and if fully developed and supported, they can potentially hire a significant population of the local youth and provide on-the-job training and experience that can be a gateway to a career, thereby working towards the United Nations Sustainable Development Goal (SDG) 8 on decent work for youth. At the same time, youth can help developing countries increase exports by boosting the human capital of firms and fostering innovation, thereby contributing to SDG 9 on innovation and SDG 17 on international trade. This chapter provides the conclusions for this study based on the objectives presented in Chapter 1.

5.1.1 A recap on the Scope and Objectives of the Study

The main objective of this study was to investigate the role of local government in the empowerment of youth-owned enterprises. The study also sought to fulfil the following sub-objectives:

- To characterise youth owned SMMEs in Cape Town
- To establish the factors that hamper the growth and development of youth- owned SMMEs;
- To recommend the strategies that local government can implement to empower youth owned SMMEs.

5.1.2 To characterise youth-owned SMMEs in the city of Cape Town

Most youth-owned SMME businesses in Cape Town are into service provision and very few combine both manufacturing and service provision. The youth-owned SMME businesses provide diverse services. Heterogeneity of SMMEs matters for productivity, innovation, job creation as well as inclusive growth (OECD, 2017). This

diversity helps to reduce competition amongst them and fosters dependencies amongst the various businesses. If a client requires a product, they can get it from SMME X and if they require some other product, they get it from SMME Y. At the end of the day, all the SMMEs are supported as they supply different products and services which can promote their growth.

Most SMMEs are diverse with regards to business models, profile, size and ownership, aspirations and age (OECD, 2017). The years of operation of SMMEs ranged between 1 and 8 years with a mean of 3.6 years. Most SMMEs were less than 5 years old. Companies that have been in operation for a long time have the ability to prepare financial statements better compared to a recently founded company (Hastuti, Sandjaya & Koeswoyo, 2019). With increased age, a business is better able to compete, as well as to take advantage of the business opportunities in an economy, has more experience gained and certainly has better strategies for enduring in the future (Hastuti, Sandjaya & Koeswoyo, 2019). Although companies that are long established have the advantages of establishment it is the recently founded companies that are vibrant and brings fresh ideas, products and services in the market which can result in their becoming well established in the particular industry.

5.1.3 To identify factors that hinder the growth and development of youth-owned SMMEs

This study identified the factors hindering the growth and development of youth-owned SMMEs. The factor that had the highest percentage of being mentioned by the respondents was lack of funding and general support from the local government. Funding helps the youth to start up their SMMEs, and strengthen or diversify their businesses. In South Africa's growing and developing economy, channelling of resources towards the growth and development of SMMEs benefits for the whole South African economy and population. Lack of funding creates unfair competition from corporates and well established businesses, which makes it difficult for the youth-owned SMMEs to establish themselves and penetrate into the respective businesses or markets. Other factors that were highly mentioned include a lack of unity amongst the youth, and lack of business and entrepreneurial skills and knowledge to start or run the SMMEs. The lack of unity leaves SMMEs vulnerable to failure, reducing them to be labour brokers with some closing down their businesses. Unified SMMEs can

create business opportunities for each other, reduce competition and foster LED.

5.1.4 Strategies that local government can use to empower youth-owned SMMEs

It seems the problem of SMME failure is centred around lack of funding. As most responses alluded to, the local government should make funding available for the youth to support their SMMEs. The local government should allocate in its budget, a certain percentage to support youth-owned SMMEs to empower them and alleviate unemployment and poverty in line with the national and international goals. The youth also wish to participate in the development of policies at local government level so that they can contribute to some of the policies and present their ideas, as explained by most respondents. Involving the youth in policies and decisions could align development goals to youth activities which potentially can lead to LED. The national government should look into tax issues and make amendments to reduce tax for SMMEs under strict considerations, particularly for start-ups, as done in other countries as discussed in the previous chapter. The government and funding bodies should also relax their minimum requirements for the youth to acquire funding and loans to promote SMMEs.

5.2 Recommendations

It seems that youth in Cape Town are not aware of any funding opportunities for SMMEs by the local government. The local government also confirmed that they do not offer any funding to any business but instead that their core business is service delivery (running water, refuse collection, drainage systems, sewage etc.). This is contrary to the Constitution of South Africa (South Africa, 1996), section 152 (c) and section 153 (a), and the Local Government Municipal Systems Act 32 of 2000 (South Africa, 2000), section 26(c), which all calls for local governments to support economic development in their areas of jurisdiction apart from their primary roles of service delivery. Lack of funding was cited as the major issue that affects youth owned SMMEs. This study therefore gives the following recommendations:

- It has been determined from this study that the youth are not aware of the funding opportunities for their SMMEs. They should therefore check the government website which has a list of funds that they can apply for. This recommendation concurs with the recommendation by Chimucheka and Mandipaka (2015) in their study on the challenges facing small businesses in

South Africa.

- This study also found out that there is no proper dissemination of information with regards to the support that the local government offers to SMMEs. The municipality must hold outreach campaigns to publicise its their entrepreneurial training programmes and funding to the general public so that the youth SMME owners and prospective entrepreneurs know where to find the help they need to start a business. Anderson(2017) agrees with this recommendation when he argues for the need for local authorities to increase their support to small businesses.
- Also raised in this study is how difficult it is to acquire loans, tenders and other opportunities because of certain requirements which repel potential SMMEs from applying. The government and banks should be flexible on their requirements to provide funding and loans for youth-owned SMMEs. The government should also provide free training services, give new SMMEs reduced tax rates, tax rebates, provide infrastructure, and subsidise inputs to support SMMEs.
- The South African education system does not support SMMEs and entrepreneurship at the grassroots level, and yet the youth are expected to participate in the economy. Failure to increase the rate of SMMEs among the youth will not only constrain the economic growth of South Africa, but could also lead to socio-economic and political instability in future. Curriculums must therefore teach courses aligned to the creation of SMMEs as these could be the major employment providers going into the future.
- Lastly, lack of unity among the youth was raised as a hindrance to the growth of youth owned SMMEs. The youth in SMMEs should unite and support each other for their respective businesses to grow and endure, even during harsh economic periods.

5.3 Directions for further studies

The government on its website lists the potential funding programmes that the youth and other age and social groups can apply for. From this survey, the youths claim that they are not aware of any funding that is available for them. For some who know that the government has funding programmes, they claim that corruption and favouritism affect the whole process of fairly awarding funds, which are only given to the youth

who know influential people. It is therefore vital to conduct a study that determines the contributions of the government towards the growth of SMMEs. The study should target SMMEs that were funded by the government to determine the sector, the funding amount, duration and how the funding was acquired. This should be done using academic methods and not investigative methods. The study could then validate the claims raised in this study on whether there is funding available or not; and whether the funding is fairly awarded or not.

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Appendices

Appendix 1: Consent letter



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

COUNCILLOR SAMKELO JOHN
WARD 52

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T: 021 444 6902
EMAIL: Samkelo.John@capetown.gov.za

LANGA ADMINISTRATION BUILDING

18 August 2021

Dear Sir/ Madam

PERMISSION TO CONDUCT ACADEMIC RESEARCH: IN THE COMMUNITY AMONGST YOUNG PEOPLE

The City of Cape Town ward councillor in ward 52, Samkelo John, would like to grant permission to Mr Bongani Bango (student no. 213001624) to compile a mini thesis on the following subject: The role of local government in the empowerment of youth-owned Small Medium and Micro Enterprises in Cape Town.

Kindly note that upon completion, we would like to receive the copy of this thesis.



Samkelo
John

Councillor, City of Cape Town
Commissioner of Oaths
for the Republic of South Africa

Councillor's Stamp

Councillor's Signature

CIVIC CENTRE IZIKO LOLUNTU BURGERSENTRUM
12 HERTZOG BOULEVARD CAPE TOWN 8001 P O BOX 298 CAPE TOWN 8000
www.capetown.gov.za

Making progress possible. Together.

Appendix 2: Ethics certificate from CPUT



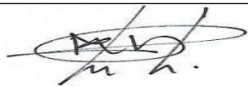
P.O. Box 1906 | Bellville 7535
Symphony Road Bellville 7535
South Africa
Tel: +27 21 4603291
Email: fbmsethics@cput.ac.za

Office of the Chairperson Research Ethics Committee	FACULTY: BUSINESS AND MANAGEMENT SCIENCES
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The Faculty's Research Ethics Committee (FREC) on **14 September 2021**, ethics **APPROVAL** was granted to **Bongani Bango (213001624)** for a research activity for **M Tech: Business Administration** at Cape Peninsula University of Technology.

Title of dissertation / thesis / project:	The Role of Local Government in the Empowerment of Youth- Owned Small, Medium and Micro Enterprises in Cape Town Lead Supervisor (s): Dr V. Mugobo
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Decision: APPROVED

	14 September 2021
Signed: Chairperson: Research Ethics Committee	Date

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the CPUT Policy on Research Ethics.
2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study requires that the researcher stops the study and immediately informs the chairperson of the relevant Faculty Ethics Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, notably compliance with the Bill of Rights as provided for in the Constitution of the Republic of South Africa, 1996 (the Constitution) and where applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003 and/or other legislations that is relevant.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
7. No field work activities may continue after two (2) years for Masters and Doctorate research project from the date of issue of the Ethics Certificate. Submission of a completed research ethics progress report (REC 6) will constitute an application for renewal of Ethics Research Committee approval.

Clearance Certificate No | 2021 FBMSREC 059

Appendix 3: Interview questions



Title

***The Role of Local Government in the Empowerment of Youth-Owned
Small, Medium and Micro Enterprises in Cape Town***

By

Bongani Bango (213001624)

RESEARCH INTERVIEW

PROTOCOL

Interview Questions

1. What kind of business do you operate?
2. When did you establish this business?
3. Which organisations have supported you in your businesses?
4. What do you think is the role local government play in empowering
5. What factors hinder the growth and development of youth-owned
SMMEs?
6. What strategies should local government implement to empower youth-
owned SMMEs can use?