Conceptualizing the role of entrepreneurship and SME in fostering South Africa's local economic development

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ABSTRACT

The purpose of the study was to investigate the roles of entrepreneurship and small and medium-sized businesses in fostering local economic development. Based on this assumption, this conceptual study attempts to investigate the function of small and medium-sized firms in LED. According to studies, the entrepreneurial spirit of the SME owner is a significant determinant of a SME's ability to surmount survival challenges and achieve sustainable growth. The article also attempts to locate and establish the purpose of the study by identifying the barriers that small and medium-sized businesses encounter in their efforts to contribute to economic growth and offering potential solutions to these barriers. Due to inadequate infrastructure development and a lack of the fundamental capabilities to control and influence local economic growth, the study concludes that exceptional measures are necessary to overcome obstacles such as finance and service. The purpose of this study is to answer the research question of whether emphasis should be placed on creating competent entrepreneurs, particularly among previously disadvantaged individuals, if the government's goal to leverage the SMME sector is to have any significant success. It was noted that the LED is essential but has not been utilized frequently. Using a qualitative thematic analysis approach, the study accessed data on both private and public spaces primarily through secondary sources. The qualitative investigation accessed the foundational literature via a sophisticated search. According to the study, small and medium-sized enterprises play a crucial role in the promotion of LED. The study concluded, among other things, that the local level of governance in South African municipalities is incapable of providing basic services and the necessary infrastructure.

Introduction

The study examines the critical role of entrepreneurship and small and medium-sized enterprises (SMEs) in fostering South Africa's local economic development. The study revealed that the concept of local economic development (LED) in local governance is crucial, as it continues to generate debate among policymakers, members of the civil society, and academics worldwide. Given that fundamental services are provided at the local level, this is notably true. The debate over LED in local government is sparked, in part, by problems with financing, infrastructure backlogs, and unemployment. Consequently, there is consensus among these stakeholders that LED may have an effect on socioeconomic development programs, particularly in developing nations and rural South Africa.

Nonetheless, the role of entrepreneurship and small and medium-sized businesses (SME) is crucial for promoting and advancing social and economic development in these rural regions, especially in South African municipalities. The Department of Trade and Industry (DTI) published a comprehensive analysis of the South African SMME market in 2008. Since then, both the local and global economies have undergone tremendous change. The research endeavors to identify these changes and evaluate the current state of affairs in the study area. All of these sources of change affected the South African SMB landscape.
The government has identified the small, medium, and microenterprise (SMME) sector as one of the potentials means to enhance prospects for wealth distribution and employment creation and to foster an enabling environment (Ayandibu & Houghton, 2017; Department of Trade and Industry, 1995). The following subsection’s structure and divide the article: Literature review; conceptual background of the study; small and medium enterprise (SME) characteristics; conceptualizing the function of SME in economic development; methodology; Discussion of the Findings and Challenges of SMME to South Africa's Economic Development; Conclusion and Suggestion The literature review is presented in the following section.

**Literature Review**

This section of the study review and conceptualize the relevant literature within the study area as the study responds to the question of whether the emphasis should be on creating skilled entrepreneurs, particularly among those who are categorized as previously disadvantaged people. Besides the significance of the natural connection between the dynamics of the small and medium-sized enterprise sector and the overall significant contributions to GDP growth, job creation. Entrepreneurship, small and medium-sized firms (SMEs) are widely recognized as the main forces behind socioeconomic development (Enaifoghe & Vezi-Magigaba, 2022; Oyewale, Adebayo & Kehinde, 2020). Considering the enormous effects of the most severe economic crisis the contemporary world has ever seen on the SME sector, Jones and de Zubielquí (2017), noted that there have been surprisingly few academic studies that have looked at the performance aspects of the SME sector both during and after the crisis.

By conducting comparative assessments of the key performance indicators for the SME sector in significant advanced and developing economies, this study seeks to close this vacuum in the literature on SMEs. In both established and emerging nations, the growth of the SME sector is directly correlated with economic expansion, while the contribution of new businesses to employment and value-added in the post-crisis era (Mahmudova & Kovács, 2018), the contributions of the SME sector to the economy vary widely across various circumstances. The study noted that if the government's aim to leverage the SMME sector is to have any substantial success. To Mason and Brown (2013); and Guzmán and Santos (2001), the entrepreneurial spirit of the SMME owner is a crucial factor in determining an SME's ability to overcome survival challenges and experience sustainable growth.

When addressing the issues, the SME sector was having the plan set out many crucial goals. The most prevalent issues were an unfavourable legal environment, a lack of access to commodities and purchasing, a lack of accessibility to financing and credit, a lack of skills, a lack of information access, and, finally, a lack of efficient, supporting institutions (Republic of South Africa 1996). To meet the socioeconomic requirements of a given community, inside a specific geographic region, LED initiatives typically constitute a component of a holistic poverty alleviation strategy, notably at the local level of government.

**Conceptual Background**

South Africa since the start of the new democratic era in 1994, much attention has been paid to fostering LED with the objectives of promoting empowerment. The creation of jobs, economic growth, and community development, with a focus on the function of small to medium-sized businesses (SMEs) in the local government sphere (Ozili, 2020). The growth of SMEs inside local government is a crucial part of an LED strategy, which aims to, among other things, implement the constitutional mandate of local governments to promote economic development in general. The Department of Cooperative Governance and Traditional Affairs (2009:45) states that the severe issues with rural development and a significant backlog of infrastructure are only two examples of the unique challenges encountered by South Africa's weaker and more vulnerable towns.

The study argued that to overcome the challenges with finance and service, exceptional steps are required, because of inadequate infrastructural development and a lack of the essential abilities to control and influence local economic growth. The argument is that LED is crucial but has not been regularly applied (Papadopoulos, Baltas & Balta, 2020). The rationale for this is that SME development in South African local government is an example of an LED strategy to solve difficulties related to reducing poverty and unemployment. In most nations, the small medium-sized enterprise industry contributes the most to employment overall. This is especially important for the development of new jobs (Robinson & Kengatharan, 2020). A significant portion of technological innovation and the creation of new products come from the SME sector (Ou, 2006; Organisation for Economic Co-operation and Development, 2005).

It has been stated that innovation and entrepreneurship are both related to economic development and industrial regeneration. But it's not clear how it works. Growth, entrepreneurship, and innovation sometimes have indirect rather than direct links with one another. Innovative entrepreneurship is the consequence of combining entrepreneurship and innovation. It refers to new businesses built on novel (innovative) concepts that are occasionally but not usually founded on research. According to Dhochak and Sharma (2015), these businesses frequently have a strong potential for development and might turn into gazelles. Unfortunately, there is little information and research available on creative entrepreneurship.

A significant portion of net new employment is created as a result of the launch and growth of new businesses (Eggers, 2020). While gazelles and high-expectation entrepreneurial enterprises are frequently found among inventive and technology-based new businesses, it is also crucial that there be a sizable supply for them to play a substantial role in economic growth. In other words, promoting broad entrepreneurial activity is likely to enhance both entrepreneurship and the number of creative, high-growth businesses (Hasanat et al., 2020). There is a need to promote entrepreneurship in several European nations. SMEs are more likely
than large companies to use labour-intensive production methods (Global, 2018; Gaynor, 2002). As a result, they greatly contribute to the creation of chances for productive work, the production of income, and ultimately the elimination of poverty (Barbosa, 2016).

Small and medium-sized firms are those with less than 250 employees. To distinguish between small and medium-sized businesses, a small enterprise is defined as an organization with less than 50 employees. These businesses are often controlled by owner-operators and are commonly referred to as SMEs (Adams, Bessant & Phelps, 2006). The South African Revenue Service (SARS) use a range of definitions for small firms depending on the circumstance rather than having a singular notion for them: For Amnesty, a small business is defined as any enterprise with annual revenue of up to R10 million; for income tax purposes (Section 12E), a small business corporation (SBC) is defined as an enterprise with annual revenue of less than R14 million, in addition to other qualifying factors (Section 12E) (South Africa's forum, 2012). A corporation is considered a Small and Medium Enterprise (SME) for capital gains tax purposes if its total net assets fall under R5 million.

**Conceptualizing the Role of SMME’S to Economic Development.**

This section of the study conceptualizes the role of SMME’S in promoting economic development. The definition of small and medium-sized businesses varies from country to country. The specifications of an SME's stated size depend on the nation in which the business is located. Depending on the nation, a company may be sized or classified as an SME based on a variety of factors. The characteristics can be any combination of the following: market capitalization, number of assets owned by the company, number of employees, and annual sales. SMEs are also defined differently in the US depending on the industry.

With the exception of Sannajust (2014) and Chowdhury (2011)'s studies about the role of the SME sector in fostering local economic development, there are surprisingly few scholarly studies focusing on the investigation of the after-crisis performance indicators of SMEs. This is surprising given the significance of the organic link between the dynamics of the SME sector and the overall economy and the enormity of the problems caused by declining global demand and constrained financial resources.

With the advent of specific policies (grants, subsidized credits, special tax treatment, etc.) and the formation of small businesses or SME assistance, the idea of SME and entrepreneurship development was first brought into the growth and development landscape as early as the late 1940s (Bartik et al., 2020). He agreed with the World Bank that SMEs provide the following contributions to the economy, in his study on the importance of the SME sector and the reason for the existence of ARC:

| SMMEs as a panacea to Economic Development. | 1. SMEs are the growth engine; |
|                                           | 2. SMEs are necessary for a competitive and effective market; |
|                                           | 3. SMEs are key for reducing poverty; |
|                                           | 4. SMEs are particularly significant in developing nations. |

In a 2010 paper 2 from the World Bank on the role of SME job creation in the South African economy, Bylund and McCaffrey (2017: 4), notes that “SMEs (defined as companies employing 1 to 499 people) account for over 76% of the total employment within the economy and that they contributed 53% of the net new jobs created between 2004 and 2007”. In other words, it's crucial to assist any sector of the economy that creates 53% of all new jobs.

Never forget that this is unquestionably the "biggest risk" component of doing business (few SMEs have the luxury of corporate budgets or government largesse – if things do not work out, the shareholders and employees have very little safety buffer) (Chimucheka, 2013: 7).

Imagine what this could do for job creation in SA if stronger policies and institutional support can inspire more entrepreneurs to start their SMEs. In South Africa, SMEs play a hugely significant role in the second point. Consider the telecom industry. The SME sector frequently serves as a driving force behind many creative goods, new distribution methods, and general advances. It would seem that SMEs are more agile and driven than their bigger corporate colleagues, making them more suited to benefit from the deregulating sector. The general population will be quite happy with this since it will lead to increased competition and, eventually, a more productive and efficient economy. The third point—that poverty is being reduced as a result of SME activity—needs additional investigation.

Outside of the typical major urban hubs, small and medium-sized enterprises are regularly found. This can be because there are greater business prospects there or because of lifestyle factors. Whatever the reason, it is a truth that economic development outside of major cities creates employment possibilities and reduces poverty in rural areas thanks to the famous "multiplier effect,” which economists adore. Naturally, not all SMEs are located in non-metropolitan areas, but Hair Jr. & Lukas (2014), notes that both these types of SMEs contribute to the elimination of poverty by providing jobs, training opportunities, and softer social advantages like CSI.
Characteristics of Small Medium Enterprises (SMEs).

SMEs are defined by their size, which includes the number of employees, assets, and financial turnover that is below predetermined thresholds. Most emerging (and also developed) economies rely heavily on SMEs to provide rapid economic growth and stability. They are seen as important job generators, critical economic engines, and necessary for efficient and competitive markets. SMEs are a vital component of large enterprises' complementarity in many aspects. According to rough calculations, SMEs make up around 95% of all enterprises worldwide and provide about 40% of the GDP.

Global Business traits of a Small Business

Regarding the essential traits of SMEs, various nations use different terminology and norms. Beginning with comparing SMEs in various regions of the world, this part covers some of the major features from the viewpoint of geography, business structure, and operational nature of enterprises. In certain countries, SMEs are further broken down into several types of businesses, such as manufacturing, trading, etc. In addition to the number of employees, SMEs also have other crucial features including management style and kind of activity. Owners of the SMEs may operate them, and they commonly have family members assist them (Gerald, Obianuju & Chukwunonso, 2020). In this aspect, the decision-making process is largely ad hoc, unstructured, and dependent on the personal drive of one or more of the executives.

Due to the nature of their operations, SMEs have a constrained range of products and services, a simple management structure, and a constrained level of risk tolerance. While acquiring inputs, it might be difficult for individual SMEs to gain economies of scale, and they typically are unable to take advantage of "market possibilities that need high production volumes, uniform standards, and consistent supply" (Chittithaworn et al., 2011: 2). When decisions are made hastily and without reference to solid business information, SMEs are particularly challenged. The ownership structure (among shareholders) and management style of a corporate organization determine whether it is an SME or a Large Enterprise (LE). The organizational structure and the process used to make strategic choices are important differentiators.

LEs are more likely to have a matrix organization and several business units (or lines of business) that concentrate on certain market segments or business domains than SMEs, which may have a flat hierarchy and an integrated set of business-enabling divisions. In reality, a thin management structure is typical for SMEs, but huge corporations may have numerous levels of management. Even the patterns of corporate ownership varied significantly between the two entities. Location and operational presence are further SME characteristics. While LEs may have locations around the world and conduct business internationally, SMEs are often constrained to certain geographic areas (although this is not a requirement) and inside a single nation. SMEs vary from bigger firms in that their organizational structures are often flatter.

A manufacturing SME could have a single headquarters and a few production facilities, often located in the same city or close by, but bigger businesses might have regional, local, and corporate offices. Large firms frequently have discrete business-enabling services including finance, administration, human resources, sales, and marketing, but small organizations typically integrate these operations.

Global Contributions of SMMEs to National Development

Small firms are projected to account for one-third of industrial employment and a smaller percentage of production in First World countries like the United States of America and the United Kingdom. Third World countries, whose SMEs predominate among economically active enterprises, place significantly higher importance on SMEs' prosperity than do First World countries (Rwigema and Karungu, 1999). African SME activities are essential for promoting economic progress, generating jobs, and alleviating poverty (Rogerson, 2001a). Research of SMEs in Africa, however, discovered that, on average, there are more SME closures than expansions, with just 1% of micro-enterprises moving from five or fewer people to ten or more.

The argument that SMEs are crucial for job creation and economic progress has persisted for a long time, especially in countries with high unemployment rates like South Africa, where it is projected that the rate can reach 40% (Ahmad et al., 2020). The SME sector is critical to the South African economy's efforts to address sustainable development, according to the 2003 Human Development Report for South Africa (Rogerson, 2004). In South Africa, small, medium, or micro companies are estimated to make about 90% of all official businesses (Rwigema and Karungu, 1999). The SME sector makes a significant contribution to the South African economy.

In addition to creating new jobs, the SME is seen as a source of economic growth. In Asian nations, where the SME employment contribution is estimated to be 80%, the SME sector accounts for 75% of new jobs, mostly as a result of the growth of new microbusiness formations (Hair Jr. et al., 2016). The SME sector has been highlighted by the South African government as a strategy to achieve increased economic growth. Nonetheless, this goal was not met in large part due to the SME industry's high level of failure of 80% of businesses (Hair Jr. et al., 2014).

Given the current supply side policies and their success to date, smaller towns and rural areas receive even less support from government entities in creating an enabling environment conducive to beginning and/or developing SME’s than metropolitan areas do (Peters, 2009). Apartheid resulted in the deliberate exclusion of formerly oppressed towns from urban centers, metropolitan areas,
and—more significantly—development centres. This highlights the necessity of spatial planning. Municipalities are one example of a local government structure that offers a number of services under the aegis of local economic development (LED).

Unfortunately, the majority of these towns lack the ability to provide efficient or effective support to current and potential entrepreneurs, despite the fact that they are the most aware of the issues encountered by business owners in their particular districts. LED has grown significantly in popularity among developers. In order to facilitate market expansion and promote market-driven economic expansion and growth. The government's neo-liberal macroeconomic program intended to "crowding private investment and increase short-term economic performance” through infrastructure spending by local governments (RSA 1996).

**Challenges of SMME to Economic Development in South Africa**

The unfavorable legislative environments, a lack of access to markets and procurement, a lack of access to funding and credit, a lack of skills, a lack of information access, and, lastly, a lack of effective supportive institutions were the most prevalent problems (Republic of South Africa 1996). Given the current supply side policies and their success to date, smaller towns and rural areas receive even less support from government entities in creating an enabling environment conducive to beginning and/or developing SMME's than metropolitan areas do (Peters, 2009). As a result of apartheid, formerly disadvantaged communities were deliberately relocated outside of and far from cities, metropolitan areas, and more crucially, developed centres. This shows that from a spatial perspective, planning is essential.

Unfortunately, the majority of these towns lack the ability to provide efficient or effective support to current and potential entrepreneurs, despite the fact that they are the most aware of the issues encountered by business owners in their particular districts. LED has grown significantly in popularity among developers.

**Conceptualization of Local Economic Development in South Africa**

The term local economic development (LED) is a national government policy initiative for economic development that enables and inspires neighbourhood residents to collaborate in order to achieve sustainable growth and development (Sibanda, 2013:647). However, other researchers, including Bartik (2003) and Sibisi (2009:5), define LED as a notion that has to do with the growth of a region, specifically trying to stimulate the local economy to expand, compete, and generate jobs by better utilizing locally available resources. By participating in LED, locals from all sectors collaborate to boost local economic activity, creating a resilient and sustainable economy (Meyer &Venter (2013).

Additionally, it is a means of assisting in the creation of decent jobs and enhancing everyone's quality of life, including that of the poor and marginalized. To this end, LED encourages the public, private, and civil society sectors to form partnerships and work together to find solutions to shared economic challenges. In essence, LED aims to strengthen a community's economic potential in order to enhance both its economic future and everyone's quality of life. According to Goga, Murphy, and Swinburn (2006:27), LED is a process in which partners from the public, private, and nonprofit sectors collaborate to improve the environment for economic development and job creation. These parties create an LED strategy, which serves as a general direction for enhancing the local economy. A comprehensive plan including short-, medium-, and long-term objectives and actions that outline goals is known as an LED strategy. In essence, it provides a plan to address both opportunities and difficulties while promoting and developing a local community's economic, physical, social, and environmental assets.

**Research and Methodology**

This is a conceptual study that aims to investigate the function of entrepreneurship and SMEs in driving local economic development (LED) in South Africa. The study primarily utilised secondary sources to access available data in both private and public spaces through a thematic qualitative analysis approach. The qualitative study accessed the baseline literature through an advanced search (Russell & Gregory, 2003: 37). The phases of data collection and analysis are not as distinct and sequential as they are in quantitative research because the research is qualitative and because qualitative research is flexible, open, and responsive to the situation (Fossey et al., 2002: 717). According to Fossey, rather than being connected in a linear fashion, "sampling, data collecting, analysis, and interpretation are bound to each other in a cyclical (iterative) manner” (Fossey et al., 2002: 717).

According to the above advice, the researcher chose the methodology to be applied, how it will be carried out, and to which and how many units it will be applied. The study used a qualitative research methodology and gathered data mostly through an expanded evaluation of the literature found in various databases. The data was gathered and then examined based on the substance to lend credibility to the secondary sources. Using content analysis as the selection criterion allows the researcher to reflect on the topics for which they are looking for proof.

**Findings and Discussions**

**The Role of Small Medium Enterprises in the Implementation of Local Government**

In the discourse of the role of small medium enterprises in the implementation of local government, Oualalou (2012:57) asserts that SMEs play a significant economic and social role due to their presence in the economy and ability to create jobs, a function that is
much valued during current difficult economic times and periods of rising unemployment. Despite this, the growth of SMEs can assist in addressing several issues related to the nation's economic development, including disparities, extremely high unemployment, demographic changes, and the need for structural reform. Additionally, the growth of SMEs provides several employment opportunities that can aid in reducing unemployment and addressing the demographic issues brought on by expanding populations (Malefane, 2013).

Additionally, this study finds that the rise of the SMEs sector may help to boost productivity and competition, which would then encourage an increase in both overall and per capita income. As innovation and technological advancement are linked to a thriving small- and medium-sized business sector, this development will also encourage structural transformation. Sibanda (2013:663) agrees with the claim that the SMEs sector is crucial to the South African economy because it provides livelihoods for dependents and employment prospects for communities in the second economy. Regarding this, SMEs in South Africa generate roughly forty-five (45%) of the GDP (Sibanda, 2013). In line with Malefane (2013) who asserts, however, that the government of South Africa’s support for SMEs is widely regarded as the nation's effort to reduce poverty and facilitate economic restructuring.

Conversely, this recognition is the result of the political and legislative commitment of governments to ensure the viability of SME development through policy and strategy. SME development in local government is an example of how to implement an LED strategy that, among other things, aims to fulfill the constitutional mandate of local governments to support economic development. This has led to legislation in South Africa outlining the country's goals for the SME economy (Geyer, 2006:2).

**Challenges of LED in the South African Local Government**

SMEs deal with a variety of intricate problems and challenges. One of the factors preventing SME growth is a restrictive legal and regulatory environment. Other factors include poor or nonexistent business facilities or infrastructure, inadequate institutional economic delivery vehicles to support and enhance SMME, and inadequate institutional economic delivery vehicles (Adams and Madell, 2002:43). Municipalities' regulatory effects on small enterprises are inextricably linked to their functions in service delivery and development, claim Kane, Madel, and Pahwa (2006:16). Yet, the ability of a particular municipality to implement change will determine how the regulations really affect citizens.

Municipalities frequently decide to implement specific legislation only when they have the resources to do so, even when inconsistent enforcement may be caused by capacity issues. The majority of rural local municipalities, experience difficulties in increasing their own revenue, according to the National Treasury (2011:207), particularly because the vast majority of people are impoverished. However, there are some families and small enterprises in the area who can afford to pay for the services that they utilize to advance the local economy. According to the Department of Cooperative Governance and Traditional Affairs (2009:51), LED is essential for the development of the nation but has been inconsistently implemented in practice since it takes a certain expertise to lead and shape economic progress in local areas.

South Africa consequently has a cutting-edge legislative and policy background for LED, although there are still difficulties with implementation. According to the National LED Framework, municipalities have a very clear and defined facilitation role to play in promoting economic growth and job creation. The developmental difficulty that economic growth occurs unevenly and inequitably across economic space, geography, and social groupings rather than everywhere at once is another factor contributing to the need for LED, posing significant difficulties in meeting citizens' needs for employment opportunities, wealth creation, and services, especially for disadvantaged and marginalized groups. Therefore, LED strategies can be conceptualized as a process that brings together national, provincial, and local government, business, and community to address the development difficulties that arise at local levels.

**Institutionalised Corruption**

Although institutionalised corruption is a global challenge, developing nations such as South Africa are particularly affected by it (Maduku & Enaifoghe, 2018; Department of Public Service and Administration, 2003:11). According to Thornhill (2012), corruption is the act of providing a public official or another person with something of value or another benefit, such as a gift, favor, promise, or advantage for oneself or for another person or entity, in exchange for any actions the official takes or fails to take while carrying out his or her official duties. According to Adam and Alarifi (2021: 2), corruption is more prevalent in areas of poverty. According to Maduku and Enaifoghe (2018:1), corruption is the intentional misuse of official authority for personal gain. Bribery, fraud, and the theft of financial resources are the most prevalent forms of corruption.

The explanation for this can be related to the dependence of developing societies on the government for the provision of services. As a result, it implies that candidates and small enterprises who are not eligible may receive government grants and subsidies for LED initiatives. Businesses that don't qualify for the grants and subsidies in question may pay bribes or kickbacks to get them. According to Okafor (2004:98), reports of hyper-corrupt behaviour among political leaders have been linked to virtually all democratic experiments. “Because corruption among political leaders has been identified as one of the major causes of poverty and the failure of developing countries, particularly in Africa, it continues to be one of the greatest challenges for democracy on the continent” (Maduku & Enaifoghe, 2018: 32).
Poverty and Unemployment

Poverty and unemployment are two important elements that Mavhungu (2011:35) attributes to Africa; as a result, it also causes the community to participate in municipal protests. The local level of government in South Africa is under increasing strain as poor people move from rural to urban regions in search of employment and to raise their standard of living. In this sense, poverty and unemployment have an impact on economic development (Oura, Zilber & Lopes, 2016). It is also important to keep in mind that if people are not employed, the business sector will not expand, which will ultimately result in a poor market because there will be no money poured into the economy to spur growth. Municipalities will not be able to support LED innovations with money and train LED technologies, and as a result, the local economy would suffer.

Capacity Building and Human Resources

In terms of capacity for human resources, the LED unit frequently uses ineffective recruitment procedures. According to Ingle (2014:479), the position of LED Officer is too frequently treated as a virtual sinecure in far too many towns and filled by the most unqualified individuals conceivable. When senior officials in a municipality lack the necessary skills, this shortage cascades through the organization's structure as progressively fewer capable people are employed and capable people leave in frustration (Munzhedzi, 2015:176). A poor implementation of the LED program may frequently result in the appointment of unsuitable candidates. Lack of an adequate organogram and appropriately qualified employees may also show itself in a lack of prioritization of LED to the point where in certain towns the LED unit only has one employee (usually the LED officer).

Financial Resources

Insufficient money is a problem associated with the issue of inadequate human resources. The supportive role of the government is frequently demonstrated by means both financial and non-financial. Controlling inflation, lowering tariffs and currency controls, providing tax advantages, investing in economic infrastructure and SME growth through an appropriate policy framework are just a few examples of non-financial support (Malefane, 2013: 677). The Industrial Development Corporation (IDC), the Small Enterprise Development Agency (SEDA), and the recently created Department of Small Business Development are a few of the government organizations that support LED. South African SMMEs have access to finance from commercial banks together with non-financial support (Turner, Varghese & Walker, 2008:22).

However, Turner et al. (2008: 22) warn that because informal sector SMMEs frequently fail to meet credit conditions, credit tends to be granted more favorably to formal than to informal SMMEs. In some instances, staff shortages were actually brought about by a lack of money for the program rather than necessarily a problem with LED's lack of priority. Low budget allocations may frequently be caused by the general lack of attention given to the LED unit. Sharp criticisms of the necessity and effectiveness of foreign aid for developing nations have recently surfaced (Gurría, 2020; Moyo, 2009).

SMME Support from the government

The Municipal Infrastructure Grant's (MIG) Contribution to Local Economic Development About 20 years ago, the concept of fiscal decentralization was developed in South Africa to transfer some authority to the local government, which is the third sphere of government (Schoeman, 2006). When fiscal decentralization was implemented, the theory was that by bringing decision-making centres closer to the populace, service delivery and poverty reduction would be more easily addressed. As a result, the intergovernmental grant regime's structure and the capacity of underfunded municipalities—where the demand for basic services is greatest—were both taken into consideration.

The primary policy instruments that direct municipalities' spending attitude in order to meet the targets for the supply of infrastructure services are municipal budgets and MIG. To that end, poor municipal infrastructure has detrimental effects on service delivery, as well as on the economy and development (Bikam, Chakwizira & Rapodile, 2015:10). Infrastructure is crucial to the social and economic growth of African nations (Smith & Da Lomba, 2008:3). Since it allows to produce commodities and services without involving itself directly in the production process, it is regarded as the economic center. The majority of infrastructure consists of water supply systems, airports, public educational facilities, public transit networks, and water resources (Omar, Ishak & Jusoh, 2020). Areas with inadequate backlog infrastructure are characterized by high rates of poverty, accessibility to basic municipal services, and the supply and maintenance of general infrastructure and services within the municipal area.

Conclusions

The essential role or function of SMEs in local government is to stabilize the economy, particularly in local communities, with an eye toward empowering individuals and the historically disadvantaged, such as women, people with disabilities, and people of color. Municipally administered LED programs have not significantly reduced the aforementioned issues. The public and private sectors should form a strong partnership to foster economic growth and community development in order to expand the market in which employment would be created and reduce poverty.

It is essential for the government, particularly the National Treasury, to provide effective monitoring and evaluation of the LED program in order to generate a definitive report on whether economic development is occurring or not. However, non-governmental organizations should also continue to play a significant role because they contribute to the growth of regional economies. To combat
the corrupt element that may emerge as a result of the introduction of LED technology, steps should be taken to foster economic development. The following are some suggestions for resolving the ongoing problems with LED in municipalities.

In a democracy, accountability and transparency are key components that support good governance as a fundamental right of the citizen. Government effectiveness requires much more than state authority or political will alone. Consequently, it implies that the process of facilitating, supporting, and coordinating LED programs and efforts is transparent and cost-effective. Planned interventions for skill development should consider both the current and future needs of the economy.

To attract, maintain, and expand local businesses, South Africa’s vital skills, including agriculture, mining, manufacturing, and tourism, should be prioritized. To address the funding deficit that impedes the effective implementation of LED policies, the government as a whole should allot more funds to this cause. This is due to the fact that municipal budget allocations for LED are frequently insufficient to generate employment and business opportunities.

Acknowledgement

All authors have read and agreed to the published version of the manuscript.

Author Contributions: This research was conceptualised and co-written by the authors

Funding: This research was not funded

Informed Consent Statement: This research is conceptual literature review from a working paper. Informed consent was not obtained from any subjects since no one was involved at this stage in the study for the data collection process, however, all the materials used has been duly acknowledged and credited to the authors.

Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to restrictions.

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