



The Mechanism of Entrepreneurship in Fostering Economic Growth in South Africa

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ABSTRACT :Entrepreneurship is crucial for stimulating economic growth in South Africa by promoting innovation, generating employment, and improving the socio-economic welfare of its populace. This desktop assessment examines the processes by which entrepreneurship fosters economic development in the country. Essential aspects encompass the establishment of new enterprises, the launch of novel products and services, and the enhancement of market rivalry. Moreover, entrepreneurship facilitates the effective allocation of resources and the enhancement of human capital. The analysis underscores the obstacles encountered by South African businesses, including legislative constraints, restricted access to capital, and insufficient support mechanisms. It also analyzes the effects of legislative initiatives designed to foster a favourable climate for entrepreneurial endeavours. The results indicate that a strong entrepreneurship framework and focused assistance for high-growth and technology-driven enterprises may markedly improve economic growth and decrease unemployment rates. This paper emphasizes cultivating a dynamic business environment for sustainable economic development in South Africa.

INTRODUCTION

The paper examined the influence of entrepreneurship and socio-economic development on promoting social and economic advancement through small, micro, and medium-sized enterprises (SMMEs) in South Africa. “The research suggests that, like to other developing nations, South Africa’s socio-economic development strategy focuses on optimizing entrepreneurial potential and supporting small, micro, and medium-sized enterprises (SMMEs)” (SBP Alert 2014).

Studies indicate that entrepreneurship and small, medium, and micro businesses (SMMEs) are acknowledged in the literature as vital contributors to economic growth and employment generation (Enaifoghe & Vezi-Magigaba, 2022; Chinweuba and Sunday 2015: 3). Dzansi (2004:25) and Mitchell (2013) “contend that the growth and advancement of SMMEs might be the most efficacious approach to attain sustainable development by alleviating unemployment and its associated poverty and inequality in developing countries”.

Agupusi (2007:1) recognized the industry as a “catalyst for economic advancement.” “The South African government has prioritized entrepreneurship and the SMME sector since the publishing of the 1995 White Paper on SMME development”

(Enaifoghe 2024a). The Small Enterprises Development Agency (SEDA) and an independent Ministry of SMMEs were formed to enhance this sector and position it as a crucial catalyst for economic growth (Bureau for Economic Research 2016:5). The extent to which SMMEs have contributed to socioeconomic improvement in the economy remains ambiguous, contested, and debatable.

The SMME initiatives implemented in South Africa fail to foster entrepreneurship, inventiveness, and a start-up culture conducive to genuine economic growth. Ramsuraj (2023: 3) asserts that the SMME sector is not only ineffective in alleviating the persistent unemployment rates in South Africa but this failure is also considered a contributing factor to the situation. This perspective is derived from Winter (1995:27), who contends that SMMEs function primarily as net job destroyers due to their elevated failure rate.

Rambe and Mosweunyane (2017:7) articulated analogous views, asserting that the nation’s elevated rate of SMME closures poses significant issues regarding the sustainability of SMMEs as catalysts for job creation and poverty reduction. Likewise, the Small Business Institute (SBI) (2019) indicates that the contribution of SMMEs to job creation is diminishing, as larger enterprises are augmenting their workforce at a substantially fast-

er rate than SMMEs. This section will address several concepts, including the contextual viewpoint on the government's and large corporations' disinterest in socioeconomic growth, entrepreneurship, and the obligations of small, medium, and micro enterprises (SMMEs) within the nation.

Objective of the Study

The main aim of this study is to examine the methods by which entrepreneurship stimulates economic growth in South Africa. The study specifically intends to:

1. Determine the principal elements that facilitate the success of entrepreneurial enterprises in promoting economic growth.
2. Examine the effects of entrepreneurship on employment generation, innovation, and market rivalry.
3. Analyze the obstacles encountered by entrepreneurs in South Africa, encompassing regulatory impediments, financial accessibility, and support frameworks.
4. Assess legislative reforms and efforts to foster entrepreneurship and their efficacy in establishing a favourable climate for company development.
5. Evaluate the impact of high-growth and technology-driven enterprises on improving economic performance and decreasing unemployment rates.

The study offers suggestions for cultivating a dynamic entrepreneurial ecosystem that promotes sustainable economic growth. By accomplishing these objectives, "the research aims to provide important insights and practical solutions to augment the role of entrepreneurship in South Africa's economic growth".

RESEARCH METHODOLOGY

The research used advanced desktop search and thematic content data analysis to obtain most of its data. With the help of written materials in the public or private domain, this method enables researchers to examine various literature gathered through desktop-based research (Sileyew 2019). Based on their importance to the study, the researchers assess the materials they consult for relevance (Silverman 2016). This approach enables "researchers to access varied literature and assess the pertinent news of the papers they consult depending on their value to the study" (Enaifoghe

2020:119). This study's data were mainly gathered from secondary sources and examined based on this publication's content.

Among the procedures used to carry out this investigation was a review of relevant literature in the field of study. The study researched desk to acquire data from published secondary sources for this project. The following sources included "academic journals, conference presentation reports, news pieces, public media articles, published books, and published books". Google Scholar and other search engines were also used to hunt for information. Additionally, library access was made possible via institutional resources like EBSCOhost and Emerald Insight. The inclusion criteria considered regional and worldwide literature explaining how major and minor businesses, the government, and the university perform economic functions.

Methods

The research titled "The Mechanism of Entrepreneurship in Fostering Economic Growth in South Africa" will utilize both qualitative and quantitative approaches for an exhaustive investigation. The principal approaches comprise:

Literature Review: A comprehensive examination of the current literature about entrepreneurship and economic growth, with an emphasis on South Africa. This assist in identifying major topics, trends, and deficiencies in existing studies.

Case Studies: Examining particular case studies of high-growth entrepreneurial initiatives in South Africa to comprehend the elements that facilitate their success and their influence on economic growth.

Policy Analysis: Assessing current policies and changes designed to foster entrepreneurship, evaluating their effectiveness, and pinpointing opportunities for enhancement.

Comparative Analysis: Evaluating South Africa's entrepreneurial environment against that of other nations to discern best practices and possible areas for improvement.

This research used these approaches to deliver a comprehensive and sophisticated knowledge of the role of entrepreneurship in fostering economic growth in South Africa.

Literature Review

The literature highlighting the responsibilities of SMMEs within South Africa's unique socio-

economic setting, marked by “its history of apartheid, inequality, unemployment, and social instability, was chosen through a deliberate method”. The following principles support the analysis and investigation within the theoretical framework of this study. The study employed these categories as a framework and search criteria to gather relevant data from secondary sources that corroborated the findings. In contrast, another body of research asserts that SMMEs lead in job creation and poverty reduction (Enaifoghe, 2024b; Economy Bulletin, 2017; Kongolo, 2010; Cant et al. 2014; Dzansi 2004).

Mitchell (2013:27) states, “attention in South Africa is now focused on entrepreneurship to resolve this issue due to the inability of large industry and the public sector to generate employment.” Moreover, the Real Economic Bulletin (2017:2) states, “in 2015, there were 5.8 million employees in official small businesses, in contrast to 3.6 million employees in large businesses.” Business Unity South Africa (BUSA) (2019: 23) corroborates these numbers by asserting that “SMEs constitute the predominant source of private employment in South Africa, contributing 65 percent of all job opportunities.” These positive depictions of SMME impact align with prior international study results.

The absence of definitive evidence about the extent to which SMMEs alleviate poverty, provide employment, and foster economic growth undermines the presumption of SMMEs as catalysts for economic advancement (Enaifoghe, 2024c; Enaifoghe & Durokifa 2024; Cant & Stanford 2006). SMMEs are a crucial component of “South Africa’s strategy for socioeconomic development”. The research’s statement of objective indicates a divergence in the literature about the significance of entrepreneurship and SMMEs as instruments for socioeconomic development.

The inconsistency of South Africa’s government and big corporations has hindered small businesses from achieving socioeconomic development goals. According to Machirori and Fatoki (2013:115), the capacity of the government and large enterprises to tackle the nation’s most urgent economic issues and their commitment to enhancing the socioeconomic circumstances of the populace are reportedly questionable. In South Africa, the corporate sector has been implementing workforce reductions for the past decade, and the overstaffed public service has likely exceeded its sustainable

capacity, necessitating imminent pressure to decrease employment levels to more manageable figures (Enaifoghe and Vezi-Magigaba 2024; Enaifoghe et al. 2024; Mohedeen 2019).

The above indicates that, as will be demonstrated subsequently, these organizations have considerably expanded the array of challenges that SMMEs must confront, including poverty, unemployment, racial discord, economic transformation, and fostering a favorable national sentiment through their initiatives. The research evaluates the “contributions of small and medium-sized enterprises (SMMEs) to economic growth and the resolution of social concerns in an environment where large corporations and the government seem to be little engaged”. This analysis investigates how small, medium, and micro enterprises (SMMEs) in South Africa are actively driving socioeconomic development amongst the inertia of large corporations and government entities. This article systematically analyzes “the socioeconomic development roles of SMMEs in South Africa, given the considerable apathy of corporations and government”.

Roles of Entrepreneurship and SMME in South African Economic Development

Entrepreneurship and Small, Micro, and Medium Enterprises (SMMEs) are vital catalysts for South Africa’s economic growth. This literature review analyzes these organisations’ several functions in promoting economic growth, job creation, and socio-economic development. As indicated by Enaifoghe and Ramsuraj (2024), “entrepreneurship and Small, Medium, and Micro Enterprises (SMMEs) are essential for South Africa’s economic advancement, facilitating job creation”, promoting innovation, and making substantial contributions to GDP while also being pivotal in alleviating poverty and ensuring social stability.

Scholars like Enaifoghe and Vezi-Magigaba (2022) and Buthelezi et al. (2018) believe that Small and medium-sized enterprises provide an excellent environment for skill enhancement and capacity development. Owing to their reduced size, employees frequently assume various roles, acquiring a diverse skill set and invaluable experience. This varied experience provides employees with transferable abilities advantageous for their careers (Lee et al., 2016). Moreover, the learning environment at

SMEs is typically more practical and collaborative, promoting knowledge exchange and skill development.

Small and Medium-sized Enterprises are a pivotal catalyst for economic growth and development in South Africa. Their contributions encompass several dimensions: job creation, innovation, economic diversification, and skills development. Acknowledging the critical importance of SMEs and offering them requisite support will enhance the nation's economic resilience and success (Reginald and Millicent 2014: 3). As South Africa progresses, cultivating and promoting the development of these firms will surely remain a priority for a prosperous economy.

Economic Advancement and Innovation

"Entrepreneurship and small, medium, and micro enterprises (SMMEs) play a crucial role in economic growth" by bringing innovative goods and services, fostering competition, and improving productivity. Research demonstrates that small, medium, and micro enterprises (SMMEs) are crucial in generating employment and promoting social and political equity within the nation (Reginald and Millicent 2014). The entrepreneurial sector is seen as a "catalyst of economic advancement," fostering innovation and economic vitality.

Employment Generation and Poverty Reduction

Entrepreneurship and small, medium, and micro enterprises (SMMEs) play a crucial role in generating job prospects. By creating employment opportunities, these firms contribute to diminishing unemployment and mitigating poverty (Enaifoghe 2024a). Research indicates that small, medium, and micro enterprises (SMMEs) play a crucial role in mitigating socio-economic issues, especially in developing nations such as South Africa (Chinweuba and Sunday, 2015). The South African government has prioritized the expansion of "the SMME sector since the release of the 1995 White Paper on SMME development".

Socio-Economic Advancement

Entrepreneurship and small, medium, and micro enterprises (SMMEs) are essential for socio-economic development (Enaifoghe 2024a). They foster equitable growth and mitigate inequality. They enhance the cultivation of human capital and the effective allocation of resources (Rambe and

Mosweunyane, 2017). The literature emphasizes the significance of cultivating a dynamic business environment to attain sustainable economic development.

Obstacles and Limitations

Despite their substantial contributions, SMMEs have many hurdles that impede their growth and success (Reginald and Millicent 2014). These encompass legislative constraints, restricted access to capital, and insufficient support mechanisms. Comprehending these limitations is crucial for formulating effective policies and initiatives to assist the SMME sector.

Policy Formulation and Assistance

The South African government has enacted several policy reforms and measures to foster entrepreneurship and assist SMMEs. These initiatives encompass the creation of the Small Enterprise Development Agency (SEDA) and several support agencies (Buthelezi et al. (2018:9). Assessing the effects of these policies is essential for pinpointing areas for enhancement and guaranteeing the success of entrepreneurial enterprises.

Comparative Perspectives of SMME in South Africa

Comparative studies emphasise the distinctive characteristics of the SMME sector in South Africa and offer insights into exemplary approaches from other nations. According to Enaifoghe and Ramsuraj (2024), these comparisons facilitate the identification of prospective areas for improvement and guide policy formulation. "Entrepreneurship and small, medium, and micro enterprises (SMMEs) are essential to South Africa's economic growth". The scholars further indicated that SMME foster innovation, provide employment, and encourage inclusive development (Enaifoghe and Ramsuraj, 2024). Confronting the obstacles encountered by these firms and cultivating a conducive entrepreneurial ecosystem is vital for attaining sustained economic development.

Contributions by South Africa's businesses and government to broaden the national economy

Research consensus indicates that SMMEs are vital to the economy. According to research (Edmiston, 2012), SMMEs serve as the driving force

of the American economy despite the presence of large corporations. Lee et al. (2016) report that SMMEs constitute 90 percent of global firms, employ over 50 percent of private sector workers, and account for 56 percent of Sweden's economic value. In a 2017 study in India, Nagaya (2017) found that small, medium, and micro enterprises (SMMEs) positively influenced economic growth by generating employment and alleviating poverty. Furthermore, SMMEs facilitate economic growth and act as catalysts for the development of the Nigerian economy (Bello et al., 2018).

Statistics indicate that SMEs constitute over 91 percent of South Africa's legal business entities, account for between 51 percent and 57 percent of the national GDP, and provide 60 percent of all employment (Reginald and Millicent 2014: 3). To illustrate the extent of the contributions made by South Africa's businesses and government to the broader national economy, reverse statistics will be utilized on the SMME data. SEDA (2018) found that the economic contributions of SMMEs are underestimated, contested, and diminished, despite claims of their substantial role in economic growth (Turyakira et al. 2012: 106; Gebremariam et al., 2004). Despite the numerical predominance of SMMEs in the economy, Enaifoghe and Ramsuraj (2024), along with Fjose et al. (2010:12), indicate that there is less evidence to substantiate their contribution to economic growth, as they siphon limited resources from bigger enterprises.

Audretsch et al. (2000) contend that "SMMEs obstruct rather than promote economic advancement". Utilizing "the elevated failure rates of start-ups, it is clear that any initial investment is lost with the demise of a small firm". This viewpoint, however, "neglects to acknowledge that SMMEs employ resources like unskilled labor, which bigger corporations deem extraneous and unproductive" (Dzansi 2004), to manufacture goods and services. It also "neglects that small firms act as a channel for identifying potential organizational leaders and managers within local communities" (Quaddus and Hofmeyer 2007).

Furthermore, data from the affluent European Union economic bloc, where 93 percent of all firms are small businesses, contradicts the findings of Audretsch et al. (2000). The efficacy of large corporations as a definitive solution for advancing socioeconomic development in this situation is contentious. Historical evidence indicates that "in

South Africa, akin to other regions of the continent, the presence of substantial entities such as multinational corporations (MNCs)" without the active participation of small enterprises significantly contributes to poverty, unemployment, and sluggish economic growth (Enaifoghe and Vezi-Magigaba 2022). Therefore, it is important to consider both the historical backdrop of economic growth in South Africa and specific criteria intended to evaluate the socioeconomic effect of SMMEs when analyzing their function.

In South Africa, SMMEs were mostly viewed as elements of the informal sector and functioned on the periphery of economic recognition during apartheid, a condition that largely endures today. Buthelezi et al. (2018:9) analyzed market concentration in South Africa and determined that large enterprises dominate markets due to historical advantages, including governmental support, which small, medium, and micro enterprises (SMMEs) lack. The research indicates that "prior to 1994, cultural norms and legal constraints hindered black entrepreneurs from owning and operating enterprises" (Tengeh 2013). "The primary conclusion is that democratic South Africa started with a limited cohort of established small enterprises as a result of apartheid regulations" (Real Economy Bulletin 2017:6).

Consequently, although business incubation programs are often targeted at small enterprises, historical experiences within the business environment indicate that a comprehensive incubation strategy is essential for the whole small business economy to evolve and mature into a viable sector. Mitchell (2013) contends that "the local economic structure remained largely unchanged following the onset of democracy, as SMMEs persist in being economically marginalized from the mainstream economy due to the mistrust perpetuated by enduring apartheid institutions and the racially exclusive culture of business networks in the country" in support of this perspective (Mitchell 2013: iv). Impractical industry laws continue to impede SMMEs from obtaining capital from corporate banks, so excluding them from mainstream economic standards (Cant et al. 2014; Real Economy Bulletin 2017).

RESULTS

Barriers Hindering Growth of SMMEs

Urban (2018) asserts that tight oligopolies in many sectors, dominated by a limited number of

big firms that establish substantial barriers to entry, impede the growth of small, medium, and micro businesses (SMMEs). Consequently, SMMEs are obligated to function in less safeguarded areas such as commerce, retail, and business services. Chikweche and Mujeyi's (2015: 5) research in Zimbabwe asserts that "utilizing established national economic indicators such as GDP, formal employment statistics, or export values inadequately reflects the contributions of the SMME sector to the economy, especially in developing nations."

Chikweche and Mujeyi (2015) propose utilizing matrices outside the conventional employment levels axis to evaluate "SMME contributions to socio-economic development, acknowledging the increasing importance of the informal economy. This aligns with the conclusions obtained by Clarke and Klettner in 2009". Data from 2013 indicates that the informal economy employs about 2.4 million workers, "representing 13 percent of the labor force, and provides employment for over 4.4 million unemployed individuals and 14.9 million adults deemed economically inactive". These statistics undeniably play a crucial role in the nation's social and economic advancement" (Small Business Institute 2019).

The Economic Contributions of Small, Medium, and Micro Enterprises

In addition to "their economic contributions, small enterprises offer social advantages, such as familial and communal cohesion, which improve the quality of life in communities". Specifically, locating dependable and current information about SMME activity in South Africa is challenging. The issue is intensified by the use of "varied methodologies by different scholars and organizations to gather data on SMMEs" (Bureau for Economic Research 2016:14), leading to inconsistent estimates of the quantity and potential economic influence of SMMEs.

In contrast to "the Small Business Institute's (2019) assertion that just 25,000 exist, estimates of SMMEs fluctuate between 1.2 million to 6 million". The Small Business Institute claims that large corporations and the government constitute 56 percent of total employment, making them the primary employers. Consequently, "the significant discrepancies in the statistics about the size and status of the South African SMME sector render any estimates potentially dismissible as guesswork" (SEDA

2018:2). Due to the ambiguity around the size of the SMME sector, the discourse on its significance for socioeconomic growth is expected to persist (SBP Alert 2014). Following the establishment of the context for SMMEs in South Africa, the subsequent section addresses the theoretical and conceptual issues that underpin this study.

Conceptual Challenges of Social and Economic Development in South Africa

Socio-economic Advancement in South Africa

This research defines social and economic development as the improvement of living standards and the advancement of individuals' social and economic conditions (Ijere 2014:27). Metrics employed to assess social and economic progress include the quantity of SMMEs, GDP, employment levels, economic growth, wealth production, and changes in political, racial, and transformational national aspirations.

Small, Medium, and Micro Enterprises (SMMEs) and Entrepreneurship

Chivasa (2014:5) defines entrepreneurship as creating new economic entities to provide unique commodities and services. This research broadly defines entrepreneurship as the ability to initiate and sustain a business, in accordance with the neoclassical perspective. Tustin (2015:79) defines an SMME as any enterprise employing fewer than 200 individuals, encompassing street sellers. The assertion seeks to acknowledge the importance of economic hubs, which are often disregarded by formal and legal definitions of SMMEs.

The Role of SMMEs in the Economy and Major Corporations

Elements of SMME Contributions to Socioeconomic Development in South Africa

The following results "outline the numerous contributions of SMMEs to economic growth in South Africa, based on the three main components of this study". The inquiry will assess each role separately. Research demonstrates that SMMEs are integral to South Africa's socioeconomic advancement. Small, Medium, and Micro Enterprises

(SMMEs) provide several functions, such as connecting urban economic hubs with rural areas and generating employment for marginalized communities, especially in rural locales where they operate as centers of commercial activity (Enaifoghe and Ramsuraj 2024).

“Small, Medium, and Micro Enterprises (SMMEs)” offer regional options for employment development in urban areas. The study corroborated these findings by indicating that SMMEs in South Africa’s context, marked by substantial corporate presence and governmental apathy towards socioeconomic advancement, do the following principal activities.

DISCUSSION

Capacity of SMMEs to Generate Employment

In the context of employment creation, the restructuring and downsizing of large corporations have rendered small, medium, and micro enterprises (SMMEs) increasingly vital to the economic growth of South Africa (Kongolo 2010; Chimucheka 2013: 10). State-owned entities such as ESKOM and the South African Broadcasting Corporation (SABC) have experienced job losses, diminished their capacity to manufacture items for domestic and foreign markets (SEDA 2018), and extracted financial resources from families through restructuring, downsizing, and retrenchments. Laid-off employees engage in entrepreneurial ventures, primarily of a survivalist nature, to mitigate the onset of severe poverty.

Enaifoghe and Vezi-Magigaba (2022) assert that small enterprises contribute to alleviating poverty and unemployment. The concept posits that small enterprises offer a rapid escape for those facing constrained employment, financial, and social support options.

Promoting the Sustainability of the Rural Economy

Other studies indicate that small, medium, and micro businesses (SMMEs) are optimally positioned in rural areas when markets are insufficiently large to attract major corporations (Dzansi 2004: 33). This pertains to the sustainability of the rural economy. Small, Medium, and Micro Enterprises (SMMEs) are the foundation of “the South Afri-

can economy in rural and peri-urban areas”. Trade connections integrate the rural and urban economies in undeveloped and remote areas (Hemson et al. 2004). Evidence from Zimbabwe indicates that SMMEs are very important in providing income for several family members in both rural and urban regions. They have “assumed exceptional value in offering a source of income to numerous individuals in both rural and urban areas” (Manuere and Majoni 2016: 63).

SMMEs inadvertently enhance the proliferation of industrial enterprises nationwide, establishing a framework “for an industrialization network” that may foster sustained economic growth, disseminate income, and eradicate poverty. “Opportunities and entrepreneurial self-employment protect laid-off people from the poverty trap”, even when earnings in the informal market are inferior to those in the official sector (Real Economy Bulletin 2017).

The SMME sector organization in the nation asserts that survival-oriented small firms surpass other sizes within the category (Fatoki 2014), indicating a potential correlation between necessity-driven entrepreneurship and unemployment. Large corporations are automating processes, downsizing, and employing only highly skilled personnel in the current climate (Harris 2018), resulting in minimal direct influence on poverty alleviation. “Small and medium-sized enterprises (SMMEs) that depend significantly on labour and employ individuals deemed unproductive by larger corporations must bear this obligation.

Promoting Entrepreneurial Initiatives

In contrast to the traditional belief that entrepreneurs are only risk-takers, contemporary entrepreneurs are small-business proprietors who aspire for growth and prioritize the expansion of their enterprises (Waterhouse 2019). Small, Medium, and Micro Enterprises (SMMEs) possess the capacity to stimulate innovation and entrepreneurship, potentially attracting foreign direct investment (Raynard and Forstater 2002).

In South Africa, SMMEs will have challenges garnering foreign investment due to ongoing scandals involving prominent firms (e.g., the Steinhoff disaster) and the government (e.g., state capture), undermining the nation’s reputation. The SMME sector serves as a critical “nursery” for advanced innovation and entrepreneurship (Oduntan 2014: 24), wherein entrepreneurs participate in experi-

mentation until they get the necessary skills for operational growth.

Ensuring and Sustaining a Resilient Economy

Evidence indicates that SMMEs participate in export trade, notwithstanding their strong entrenchment in local markets and communities. Exporting facilitates the influx of essential foreign capital and promotes business growth, allowing SMMEs to employ more personnel (Kongolo 2010). Moreover, exports link SMMEs with foreign enterprises, exposing local firms to global norms and augmenting their industry experience as they compete across diverse sectors in South Africa, such as manufacturing, retail, and services. Small, Medium, and Micro Enterprises (SMMEs) contribute to establishing a varied economy.

Fostering Social Cohesion and Mitigating Conflict within Society

Foreign immigrants in South Africa can mitigate tensions with local communities over formal employment by establishing small firms (Fatoki and Chilya 2012). Rootman and Zeka (2013: 25) contend that SMMEs uphold the social and political framework of the economy, whereas Mbedzi (2011) claims that SMMEs play a crucial role in societal stability by generating employment. Small, Medium, and Micro Enterprises (SMMEs) often possess local proprietors and operators. Dlova (2017: 22) asserts that they bolster social structures, cultural norms, and connections among extended families, tackling racial, social, and economic disparities.

Smaller enterprises such as SMMEs are expected to facilitate social empowerment and transformation in a country characterized by one of the highest inequality indices globally (Sanchez 2011). The South African Human Rights Commission (2018:4) reports that gaps in poverty and economic inequality based on race, gender, and disability persist in South Africa. Consequently, the government endorses SMMEs in realizing its radical socioeconomic change initiative. Through BEE activities and preferential treatment, SMMEs offer a refuge for marginalized groups often overlooked in the formal sector, including women, those with disabilities, and youth of color.

Research by ANDE (2012) indicates that SMMEs predominantly employ marginalized

groups, including women, youth, and the economically disadvantaged. Consequently, SMMEs provide a social security framework for people often excluded from the conventional sector. Consequently, it is apparent that SMMEs in South Africa have several socioeconomic challenges. The government prioritizes small, medium, and micro enterprises in its strategy for social and economic growth. Consequently, these enterprises strive to attain their political, social, and economic objectives. Consequently, their social ramifications must be assessed alongside economic objectives such as GDP, employment rates, and exports.

The Conclusion of the Study's Findings

This segment of the research consolidates the study's findings. SMMEs are crucial for fostering self-sufficiency and facilitating business opportunities for individuals in marginalized communities, while also serving as a catalyst for innovation and entrepreneurship (Rungani and Potgieter 2018: 2). Government financing can combat poverty by acknowledging the potential of SMMEs to stimulate community development. Small, Medium, and Micro Enterprises (SMMEs) should be recognized as a vital component of the national economy. With appropriate support, entrepreneurship may be used to stimulate job development, advantageous to both local and global economies. Moreover, small, medium, and micro enterprises (SMMEs) in South Africa play a substantial role in product innovation (SBP Alert, 2014). This is directly related to the characteristics of entrepreneurship.

Small, Medium, and Micro Enterprises as Instruments for Wealth Creation

Small, Medium, and Micro Enterprises (SMMEs) had the potential to evolve into substantial corporations capable of identifying market gaps and addressing specific demands, so providing additional benefits to the South African economy. Moreover, SMMEs serve as a national mechanism for wealth creation due to their extensive distribution across rural and urban demographics. In contrast to major enterprises, which are often confined to urban industrial areas, SMMEs facilitate the transfer of technology from metropolitan regions to rural communities. Conversely, SMMEs has the advantage of direct access to the commu-

nity, enabling them to effectively handle local challenges.

Requirement for SMME Collaboration with the Local Community

SMMEs should use the community to identify potential market gaps, since this will enhance demand and stimulate economic growth. Some assertions suggest that SMMEs in South Africa are equally effective as huge enterprises in promoting social reform. This indicates that, beyond their “economic contributions, SMMEs are designed to address social, political, and economic issues, such as sustainable economic growth, job creation”, and social progress.

Small, Medium, and Micro Enterprises (SMMEs) are at the forefront of addressing socioeconomic challenges arising from the legacy of apartheid. To validate the above claim, Enaifoghe and Adetiba (2018) evaluated several South African legislative and policy frameworks, “including the BEE Act and the Growth, Employment and Redistribution (GEAR) Act”. The research demonstrates that the principal aim of SMMEs is to promote political, structural, and economic reform within the nation. This strategy seems to be broadly supported in South Africa. The impact of SMMEs on development must be accurately assessed, acknowledging their often-overlooked responsibilities in advancing social justice within the nation.

CONCLUSION

The study investigated the socioeconomic progress and obstacles faced by small, micro, and medium firms in South Africa. The study analyzed the influence of small, micro, and medium-sized companies (SMMEs) on South African development policy. This study evaluated the contribution of small and medium-sized companies (SMMEs) to economic growth and the resolution of social issues in a context where giant firms and the government appear to be less impactful. The data offered in this research underscores three salient findings. SMMEs significantly influence economic growth due to their ability to foster local development.

The research indicates that SMMEs, due to their many characteristics—from street vendors to medium-sized enterprises—can enhance the

most essential form of commerce in society, in alignment with global trends analyzed. The study has examined studies on detrimental business practices and large corporate operations that exacerbate societal issues, revealing a deficiency of motivation to foster socioeconomic development. It has also analyzed the many roles that SMMEs play in fostering socioeconomic development. Research indicates that SMMEs positively impact the economy and contribute to the development of social and political justice within the nation.

RECOMMENDATIONS

The paper suggests the recommendation to address countries’ “long-standing demand for frameworks and tools to improve the effectiveness of SME and entrepreneurship policies, ensuring coherence and synergy across multiple policy areas and actors while accounting for the diversity of the SME and entrepreneurship population”.

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