

Micro, Small and Medium Enterprises Promoting Sustainable Livelihoods Within the South African Context

Mahlatse Ragolane

University of Johannesburg, South Africa

Abstract

The objective of this study is to investigate the effects of Micro, Small and Medium Enterprises (MSMEs) in improving sustainable livelihoods. MSMEs are economic growth drivers, particularly in rural and peri-urban regions, through the impetus of social entrepreneurship. South Africa faces several socioeconomic difficulties, which affect most of its population, including unemployment, crime, poverty, and inequality. The formation of small businesses in rural and peri-urban regions has been suggested as a remedy for this condition, to guarantee that people can retain their livelihoods, whether in terms of income or food security. The majority of MSMEs fail to realize their full potential due to problems such as a lack of finance, resources, and knowledge dissemination. The methodology adopted in this paper is qualitative and data was collected using secondary sources and materials. According to the findings of the study, MSMEs have made significant contributions to job creation, poverty alleviation, and GDP growth. It is demonstrated that MSMEs have the potential to ensure that people at the grassroots level do not rely solely on government or incentives. Instead, it can create sustainable lives while contributing to the larger economy, and expanding opportunities for future generations. It is recommended that raising awareness about financial initiatives, business development, and MSMEs support structures is crucial for both the government and private institutions. Moreover, creating more job opportunities requires the public sector to formulate policies and legislation, which support businesses and enable them to compete in the global market.

Keywords: MSME, Sustainable Livelihoods, Social Entrepreneurship, Rural and Peri-urban Entrepreneurship, Job Creation.

I. INTRODUCTION

The economic insecurities that exist in South Africa have led to unstable livelihoods igniting high rates of social protests and crime in local government. The existing inequality in South Africa has remained a challenge to the achievement of sustainable income that could stabilize people's livelihoods. In the attempt to address an unstable income, both public and private sectors have been working toward addressing economic insecurities so that people achieve sustainable livelihoods. There are many Micro, Small, and Medium Enterprises (MSMEs) that are collaborating with the local government to enhance the state of the sector. The City of Johannesburg, for instance, is running programs that encourage small businesses and enterprises in the MSMEs industry. They have invested R34 million in the establishment of the Greater Alexandra Automotive Hub in Alexandra, which aims to provide opportunities to the people of the Township and accommodate up to 18 MSMEs.¹ According to Peters and Naicker, the government's approach towards developing the SMME sector has been focused on 'supply-side interventions,' such as providing access to training, credit, mentoring, and information to both existing and new businesses. However, they argue that the primary reason

¹ *Draft Integrated Development Plan* (City of Johannesburg, 2020).

for the under-delivery of government support initiatives in SMME development is the lack of awareness.²

MSMEs are the most important contributors to economic growth and development in South Africa. They have spurred the pursuit of sustainable livelihoods, lowering unemployment, and empowering women and underserved groups in the industry (MSMEs). The nature of the MSME sector has been not easy to recognize or as see a contributor to poverty alleviation. MSMEs' contributions to poverty reduction and economic growth remained understudied. MSMEs, according to the International Finance Corporation (IFC) (2018),³ account for the vast bulk of employment generation and poverty reduction in communities. MSMEs as drivers of social entrepreneurship have broadly been associated with sustainable livelihoods. MSMEs are the catalysts for enabling a broad social ecosystem and are made up of small companies that are run by women and young people. In their roles, MSMEs improve the economic system, address the gaps that exist between the rich and the poor, and promote employment for young people. A substantial quantity of research demonstrates that MSMEs and their roles in social entrepreneurship in South Africa have not yet been brought to the books. Particularly scholars have said that when it comes to resource allocations and skills development,⁴ the MSMEs remain unnoticed.⁵ For this reason, many of them have been depending on well-wishers and external funds which come with conditionalities.

Despite the lack of national funds, literature acknowledges MSMEs' contributions and the ways through which they navigate their sector to assist citizens in achieving a sustainable livelihood.⁶ Among the factors that recently hindered the MSMEs performance include COVID-19. Sonobe et al. for example argue that Covid-19 has had a tremendous impact on the MSMEs in their efforts to contribute to sustainable employment which promotes economic growth.⁷ However, the effects Covid-19 has on the MSMEs have not yet been explored so mechanisms to address those effects be put in place. However, some research has explored the effect of MSMEs in promoting sustainable livelihoods such as job creation. Therefore, this research is timely as it seeks to examine the MSMEs effects on sustainable livelihoods. The MSMEs have remained unrecognized by policymakers or legislators, this is the reason that the government does not allocate funds and support for them. The present research aims to fill in this gap.

II. METHODOLOGY

This study is qualitative and showcases elements of description. The concept of sustainable livelihoods is explored in this paper to provide a description and how MSMEs come into the

² R M Peters & Naicker V, "Small Medium Micro Enterprise Business Goals And Government Support: A South African Case Study" (2013) 44:4 South African Journal of Business Management 13–24.

³ *the Unseen Sector A Report On The Msme Opportunity In South Africa*, by International Finance Corporation (Washington, D.C., 2018).

⁴ Fatoki Olawale & David Garwe, "Obstacles to The Growth of New SMEs In South Africa: A Principal Component Analysis Approach" (2010) 4 African Journal of Business Management 729–738.

⁵ Tayla Thomas, *The Township-Based MSME's Perspective: Understanding the Challenges and Benefits Associated with DFI Business Development Services in South Africa* (Master Of Commerce, The University of Cape Town.,

⁶ Crispen Karananda & Nuria Toledano, "Social Entrepreneurship in South Africa: A Different Narrative for A Different Context" (2012) 8:3 Social enterprise journal 201–215.

⁷ Asami Takeda, Hoa T Truong & Tetsushi Sanobe, "The Impacts of The Covid-19 Pandemic on Micro, Small, And Medium Enterprises in Asia and Their Digitalization Responses" (2022) 82 Journal of Asian Economics 1–21.

framework. The research methods include a literature review of secondary and primary data obtained from journal articles, publications, books, media reports, and government documents and policies used to gather information.

III. SUSTAINABLE LIVELIHOODS: A FRAMEWORK FOR MSMEs DEVELOPMENT

A. *The Concept of Sustainable Livelihoods*

The concept of sustainable livelihoods has its roots in the 1987 UN Conference on Environment and Development which called for the integration of all human livelihood aspects and how people can obtain them. In this study, sustainable livelihoods are a systemic and adaptive approach that links issues of poverty reduction, sustainability, and empowerment processes such as participation, gender empowerment, and good governance. Chambers and Conway (1991) defined sustainable livelihood as a livelihood comprising people,⁸ their capabilities and their means of living, including food, income, and assets. Tangible assets include resources and stores, and intangible assets include claims and access. According to the authors, a livelihood comprises the capabilities, assets, and activities required for a means of living and a livelihood is sustainable when it can cope with and recover from stress and shocks, maintain or enhance those capabilities and assets without compromising opportunities for future generations while contributing to benefits to the livelihoods at local and global levels.⁹

To understand the concept of sustainable livelihoods, the paper provides the Department for International Development (DFID) Sustainable Livelihoods Framework developed upon the different works of scholars and analysts in understanding the livelihoods of people, and how they are affected, maintained, and improved.

B. *Understanding Sustainable Livelihoods Framework*

The sustainable livelihood framework (SLF), which is a key element of the Sustainable Livelihood Approach, presents an overview of livelihoods, particularly those of the poor.¹⁰ Serrat defines this framework as a means of thinking about development policy objectives, scope, and priorities.¹¹ It includes aspects that are not narrow and does not focus solely on one component as a contributor to poverty, therefore emphasizing the vulnerability and social exclusion of the poor to highlight the relevance of policies, institutions, and organizations in assisting with sustainable lifestyles.

⁸ Robert Chambers & Gordon R Conway, *Sustainable Rural Livelihoods: Practical Concepts for the 21st Century* (IDS Discussion Paper 296, 1991).

⁹ *Ibid.*

¹⁰ *Sustainable Livelihoods Guidance Sheets* (Departement for International Development (DFID), 1999).

¹¹ Olivier Serrat, "The Sustainable Livelihoods Approach. In: Knowledge Solutions" in *Knowledge Solutions* (Springer Open, 2017) 21.

Figure 1 depicts the sustainable framework, which, according to DFID (1999),¹² does not function uniformly and does not attempt to give a model of reality. DFID defines the framework as a mechanism to assist stakeholders from various viewpoints in engaging in the structured and logical discourse regarding the many elements that impact, their relative importance, and how they interact.¹³ This, in turn, should aid in the identification of relevant entry points for livelihood assistance. As a result, the framework based on the Sustainable Livelihoods Approach (SLA) tries to comprehend the complexities of livelihoods, what affects poverty, and where interventions might be implemented.¹⁴

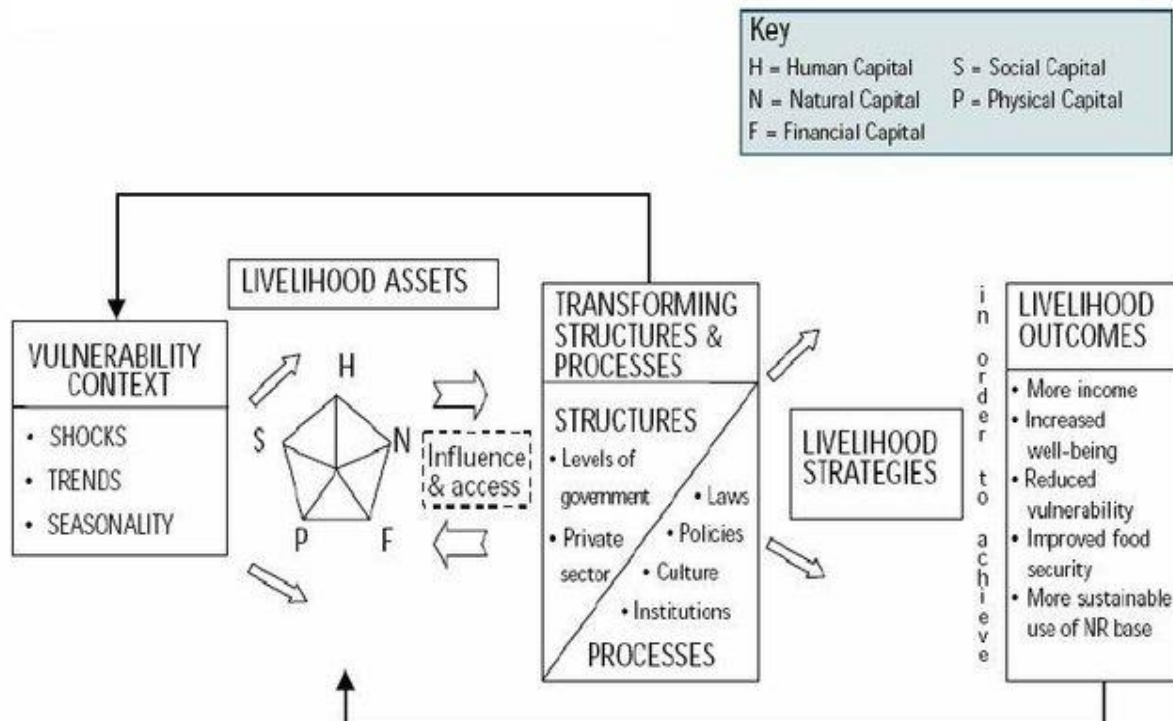


Figure 1: Farrington, Carney, Ashley, and Turton, 1999 an adaptation of DFID (1999) Sustainable Livelihoods Framework

The SLF (See Figure 1) views individuals through the lens of vulnerability; in this sense, people have access to assets or poverty-reduction strategies that have meaning and value as a result of the existing social, institutional, and organizational environment.¹⁵ In this view, livelihood strategies are how individuals combine and employ assets to achieve desirable livelihood outcomes that meet their livelihood aims and are also impacted by the environment. According to Majale,¹⁶ the strategy's efficacy and viability are dependent on the availability and accessibility of assets, services, and opportunities, which can be favorably or negatively impacted by environmental conditions and social or institutional processes.

¹² note 10.

¹³ *Ibid.*

¹⁴ John Farrington et al, "Sustainable Livelihoods In Practice: Early Applications Of Concepts In Rural Areas" (1999) Natural Resource Perspective.

¹⁵ *Regulatory Guidelines for Urban Upgrading: Towards Effecting Pro-Poor Change*, Research Paper, by Mike Majale, Research Paper (United Kingdom: Intermediate Technology Development (ITDG), 2002).

¹⁶ *Ibid.*

In the framework of the study, MSMEs are therefore the choice for sustainable livelihoods; yet they are dependent on the strategies developed by many stakeholders and the enterprise environment. This also involves the organizations' capabilities and accessibility in reaching their goals. According to DFID,¹⁷ individuals construct their lives on five assets: (a) human capital; (b) natural capital; (c) financial capital; (d) physical capital; and (e) social capital. However, to get these assets, there are regulations, organizations, and processes in place that govern how the assets are used in the pursuit of livelihoods.¹⁸

Within this setting, there is still considerable discussion about resource accessibility, particularly among individuals living in rural and township communities. According to Haan and Zoomers, this component is determined by three factors: social interactions, institutions, and organizations.¹⁹ The authors categorize social relations as gender, age, class, and ethnicity; institutions define the norms and conventions, markets, and land tenure; and organizations comprise local administrations, state agencies, and non-governmental organizations (NGOs). Humanitarian and development organizations should seek to foster the underlying circumstances that enable the greatest diversity of choice and flexibility in the pursuit of a livelihood by the sustainable livelihood approach.

When all these aspects are recognized, the framework predicts that there will be income, increased well-being, reduced vulnerability, food security, and enhanced environmental sustainability. According to Norton and Foster (2001),²⁰ the following lessons have been drawn from the Sustainable livelihood approach over the last twenty years:

- (a) *Poor people, particularly in rural areas, manage a complex range of assets and activities to sustain themselves, and development professionals and officials frequently fail to see and understand this. Thus, this method has been the primary correction to the inclination of professionals to believe that everyone lives largely by being part of a family with a limited number of economically active individuals, each of whom is engaged in one principal "work" or occupation.*
- (b) *Access to assets that are not privately held, common property, or open-access resources, such as forests, common grazing land, and fisheries, are frequently disproportionately dependent on by the poorest people.*
- (c) *Effective poverty reduction through public budgets is more than just a matter of what is often referred to as "social expenditures" (health, education, welfare). Poor men and women also require access to a variety of assets and services, such as financial services, marketplaces, and a fair legal system.*

This framework has been the foundation for research on measures to reduce poverty. The study emphasizes that when attention is given to MSMEs, they contribute to sustainable livelihoods, and job creation becomes a viable strategy to alleviate poverty and grow local economies. Therefore, this effort to provide a way of thinking about the livelihoods of poor people will spark debate and reflection.²¹

¹⁷ note 10.

¹⁸ Steve de Gruchy, "A Christian Engagement With The Sustainable Livelihoods Framework" (2005) 33:1 *Missionalia* 56–72.

¹⁹ *The Potential of Using Sustainable Livelihoods Approaches in Poverty Reduction Strategy Papers*, Working Paper, by Andy Norton & Mick Foster, Working Paper 148 (London: Overseas Development Institute, 2001).

²⁰ *Ibid.*

²¹ Gruchy, *supra* note 18.

IV. LITERATURE REVIEW

A. *The implication of MSMEs in promoting sustainable livelihoods*

MSMEs are at the forefront of fostering sustainable livelihoods and development. MSMEs promote long-term livelihoods. Sustainable livelihoods are the repeating safety net of life's necessities, such as income, employment, and other activities such as food, housing, and clothing, among others. In this study, sustainable livelihood refers to a method of poverty alleviation and economic system stability.²² This means that their effects on job employment play a key role in helping people achieve sustainable income which in turn influences their livelihoods. According to Tsoabisi (2012),²³ and Masumbe (2018),²⁴ MSMEs promote economic development in local communities and government. The authors assert that small businesses have the potential to alleviate socio-economic challenges such as poverty, unemployment, and inequality at the grassroots levels. Chiromo and Nani (2019) concur that MSMEs contribute a larger share to poverty alleviation,²⁵ however, they found that there is still a gap in the support of the businesses from the government, corporations, and the communities at large to ensure the growth of MSMEs and to reach the goal of sustainable livelihoods. Small, Medium, and Micro Enterprises (SMMEs) play a crucial role in creating jobs, reducing income disparities, and alleviating poverty. However, according to a study conducted by Peter and Naicker in 2013,²⁶ government initiatives aimed at fostering employment and a fair economic system have not yielded positive results. The study, which involved surveys and questionnaires, found that even after 18 years of democracy, government assistance programs in this area remain ineffective, as shown by the data and previous research in this field. Furthermore, survey respondents said that they had not heard from two key firms that financially support young entrepreneurial start-ups, namely Khula Enterprise and Umsobomvu Youth Fund (UYF). It also highlighted a lack of understanding of the relevant government programs in the MSME sector, as well as a failure of government agencies to communicate adequately on which initiatives should be distributed to the sector, resulting in sector disassociation.²⁷

Berry et al. (2002) found that while it is well-recognized that MSMEs or SMMEs are the drivers of job creation,²⁸ their impact on job creation in South Africa has gone unreported due to a lack of empirical data. The significance of MSMEs in fostering support and intervention of entrepreneurs to improve people's livelihoods is overlooked. Masumbe (2018) discovered that there is a need for the government, businesses, entrepreneurs, and communities at large to assist small enterprises if society is to achieve economic stability.²⁹

B. *MSMEs and Economic Growth in South Africa*

²² Karananda & Toledano, *supra* note 6.

²³ Sello Tsoabisi, "Supporting Small Medium and Micro Enterprises in South Africa" (2012) 3:12 *Mediterranean Journal of Social Sciences* 35–50.

²⁴ Sally Lindiwe Masumbe, "Rural entrepreneurs require interventions to increase their success rate in addressing the challenges they face" (2018) Gordon Institute of Business Science.

²⁵ SJ Chiromo & GV Nani, "The role of locally-owned Small, Medium and Micro enterprises on poverty reduction, Rustenburg South Africa" (2019) 16:2 *Journal of Contemporary Management* 653–672.

²⁶ Peters & Naicker V., *supra* note 2.

²⁷ *Ibid.*

²⁸ Al Berry et al, *The Economics Of Smmes In South Africa* (Trade and Industrial Policy Strategies, 2002).

²⁹ Masumbe, *supra* note 24.

According to the International Finance Corporation (IFC) MSMEs in South Africa contribute 34 percent of the Gross Domestic Product from the 5.78 million small, medium, and micro enterprises.³⁰ They however pointed out that there is very little data, and these enterprises are often excluded from the mainstream conversations.³¹ Despite this, the Worldwide Worx (2012 in Dlova, 2012) attests that these enterprises account for about 7.8 million jobs in South Africa, and they contribute to the reduction of income inequality and economic growth improvement.³² According to FinScope (2020)³³, small businesses are the critical component and major contributor to local economies and their strength.

The level of socio-economic challenges in South Africa calls for the establishment of small businesses, this is to present new employment opportunities and build innovations in rural and peri-urban communities. According to the IFC (2018),³⁴ “building small businesses that contribute to the economy and create jobs is one of South Africa's biggest development opportunities.³⁵ Thus, the South African government to ensure the ongoing benefits and opportunities associated with the MSMEs adopted the National Development Plan as a policy that seeks to guide the socio-economic development trajectory of the country, hence reducing poverty, inclusive growth, improving living standards and inequality are envisaged in the plan.³⁶

Despite this the sector has remained stagnant in recent years, the IFC (2018) noted that the sector only grew from 2.019 million to 2.309 million in 2017,³⁷ which counts to 14.3 percent over nine years. According to the report, there is a low rate of entrepreneurship in South Africa, and if we are to look at the growth of the economy there is a need for the sector to grow. The OECD (2022) asserts that despite the realization of the MSMEs’ link to growth and employment, South Africa remains low in the creation of successful MSMEs.³⁸ This disregards the fact that MSMEs contribute to more than 40 percent of the total GDP and account for more than 87 percent of employment.

Notwithstanding their contributions to the economy, MSMEs have faced challenges that have been seen to inhibit their growth and substantiality, and among these,³⁹ has been the lack of finances⁴⁰. This according to the IFC occurs in developing countries, where about 40 percent of MSMEs funding has not been distributed.⁴¹ Thus, in South Africa, this issue is worse given that about three-quarters of the MSMEs are rejected when applying for funding. These

³⁰ International Finance Corporation, *supra* note 3.

³¹ *Ibid.*

³² Mzwanele Roadwell Dlova, “An Investigation into Constraints Impacting on Small Micro and Medium Enterprises (SMMES) Access to Finance in Buffalo City Metropolitan Municipality” (2012) Masters Rhodes University: East London.

³³ Finscope, *MSME Survey South Africa 2020. Making Financial Markets Work for The Poor* (2020).

³⁴ International Finance Corporation, *supra* note 3.

³⁵ Bulelwa Maphela, “Gauteng Enterprise Propeller’s Support on Manufacturing MSMEs in Gauteng” (2022) 3:2 Regional Economic Development Research 102–116.

³⁶ *Ibid.*

³⁷ International Finance Corporation, *supra* note 3.

³⁸ *In Financing SMEs And Entrepreneurs 2022: An OECD Scoreboard* (OECD, “South Africa”, 2022).

³⁹ Johannes A Wiid & Michael Cant, “Obstacles Faced by Owners of Township Micro, Small and Medium Enterprises to Acquire Funds for Survival and Growth (2010-2020)” (2021) 9:1 Entrepreneurship And Sustainability Issues 52–65.

⁴⁰ Siyavuya Mangwana & Bulelwa Maphela, “Gauteng Enterprise Propeller’s Support on Manufacturing MSMEs In Gauteng,” (2022) Regional Economic Development Research. 3 (2).

⁴¹ *The MSME Voice Growing South Africa’s Small Business Sector* (International Finance Corporation, 2020).

challenges have thus made the sector become the “unseen sector”. However, the government acknowledges that there is a lack of financing for small businesses, thus the government is currently initiating policy measures such as the Financial Inclusion Policy which has a pillar dedicated to the MSMEs and SME access to Finance Action Plan under the FSRDP that proposes the following: a) an SME credit information system, a redesigned partial credit scheme, and a movable collateral registry.⁴²

Perhaps the future of small businesses is yet to be determined. According to Statistics SA (2020),⁴³ the government has realized the contribution of the MSMEs to economic growth. The Annual Financial Statistics Survey (AFS) found that small businesses generated about R10.5 trillion in total turnover in 2019 which includes money received from sales of goods, services rendered, leasing or hiring of equipment, land, machinery, or buildings. Small businesses without exposure, have expanded from 16 percent of turnover to 23 percent of turnover in 2019.⁴⁴

In van Sheers' study on the link between economic growth and SME success in South Africa, it was concluded that the success of SMEs contributes positively to sustainable economic growth in the country.⁴⁵ According to Sheers, improving the success rate of SMEs is the solution to the unemployment problems and revitalization of the stagnant economy.⁴⁶ The MSMEs have the potential to create an economic system that not only is positioned in favor of the advantaged but the disadvantaged population, especially those in the rural and peri-urban areas.

C. MSMEs and Poverty Reduction

MSMEs are known to contribute to the alleviation of the social ills in the communities and economy, and this includes poverty alleviation. However, the concept of poverty is seen differently among policy statements, it is thus seen as the lack of material things such as food and shelter and the lack of access to basic services such as health and education.⁴⁷

The concept of poverty is contested, as pointed out by the South African Treasury (2007).⁴⁸ This is because poverty measurement and reduction are closely linked to a country's economic progress. In South Africa, poverty is primarily measured by income equality and access to basic services. The South African Treasury (2007) defines poverty as narrow or broad. In the narrowest sense, it is a lack of income.⁴⁹ However, in a broader sense, poverty encompasses other factors such as housing, health, education, access to resources, and social power relations, which are controversially referred to as 'social capital. Despite the various notions around poverty, research shows MSMEs contribute to poverty alleviation (Nursini,

⁴² note 38.

⁴³ *Three Facts About Small Business Turnover in South Africa* (Statistics SA, 2020).

⁴⁴ *Ibid.*

⁴⁵ Louise Van Scheers, “Is there a link between economic growth and SMEs success in South Africa” (2016) 13:2 *Investment Management and Financial Innovations* 249–353.

⁴⁶ *Ibid.*

⁴⁷ International Labour Office · Geneva, *Poverty Reduction Through Small Enterprises Emerging Consensus, Unresolved Issues and Ilo Activities*, by P Vandenberg (International Labour Office · Geneva, 2006).

⁴⁸ Richmond200 Johannesburg, *The Measurement of Poverty in South Africa Project: Key Issues. Studies In Poverty and Inequality Institute* (South African Treasury, 2007).

⁴⁹ *Ibid.*

2020;⁵⁰ Vandenberg, 2006;⁵¹ Manzoor et al., 2019;⁵² Mboma, 1999;⁵³ Abisuga-Oyekunle et al., 2020;⁵⁴ Rambe and Mosweunyane, 2017.)⁵⁵ In the South African context, the high level of unemployment and inequality positions the establishment of MSMEs and entrepreneurship in a great fold. According to Rambe and Mosweunyane's (2017) theoretical investigation of the poverty-reduction-oriented perspective of small business development in South Africa,⁵⁶ they note that the relationship between poverty reduction and MSMEs lies in the market management capabilities and innovation management capabilities of the environment in which these businesses operate. Rambe and Mosweunyane (2017) however point out that there is a great relation to poverty reduction through MSMEs, however, there is a great disjuncture between the growth of the MSMEs and the deepening poverty levels in South Africa, and this is despite their contributions to this phenomenon.⁵⁷ Furthermore, this is tied to the government's inability to have proper intervention policies that promote enterprises without inequality and the inability to consider human capabilities approach entrepreneurship. This is corroborated by Nursini (2020),⁵⁸ the empirical study found that the capacities and capabilities of owners of the enterprise contribute to their success and thus their contribution to poverty reduction. They however found that there is a direct effect of MSMEs on poverty reduction in Indonesia. Nursini asserts that the development of MSMEs can contribute to the reduction percentage of the poor, the distance between the average expenditure of the poor and the poverty line, and the disparity in average expenditure by the poor.⁵⁹

According to Manzoor, Wei, Nurunnabi, and Subhan's (2019) study on the role of SMEs in Poverty Alleviation in the SAARC region using a panel data analysis comprising a fixed effect method and multiple regression models between 1990 and 2015.⁶⁰ They argued that in developing countries the role of SMEs is important to the achievement of sustainable development goals by generating employment, fostering innovation, promoting sustainable livelihoods, and industrialization, and reducing income inequalities. They posit that SMEs provide employment opportunities, especially to rural communities with low labor skills, they are therefore the instrument that drives the country's financial, economic, political, and social, and are the main source of poverty alleviation in developing countries. Their findings provide

⁵⁰ Nursini Nursini, "Micro, small, and medium enterprises (MSMEs) and poverty reduction: empirical evidence from Indonesia" (2020) 7:1 Development Studies Research 153–166.

⁵¹ P Vandenberg, *supra* note 47.

⁵² Faiza Manzoor et al, "Role of SME in Poverty Alleviation in SAARC Region via Panel Data Analysis" (2019) 11:22 Sustainability 6480.

⁵³ ML Mboma, "SMEs And Poverty Alleviation in Africa; Developing the Small-Scale Retail Sector, A Breakthrough to Poverty Alleviation, The Case of Tanzania" 6:2 Business Management Review Journal 82–100.

⁵⁴ Oluwayemisi A Abisuga-Oyekunle, "SMEs in sustainable development: Their role in poverty reduction and employment generation in sub-Saharan Africa" (2019) African Journal of Science, Technology, Innovation and Development.

⁵⁵ P Rambe & L, "A Poverty-Reduction Oriented Perspective to Small Business Development in South Africa: A Human Capabilities Approach" (2017) 9 African Journal of Science, Technology, Innovation and Development 289–302.

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

⁵⁸ Nursini, "Micro, small, and medium enterprises (MSMEs) and poverty reduction", *supra* note 50.

⁵⁹ *Ibid.*

⁶⁰ Manzoor et al, *supra* note 52.

three main factors in reducing poverty in the SAARC region: (i) SME growth, (ii) openness to trade, and (iii) social sector development.⁶¹ In contrast to South Africa, the SAARC region is faced with low job opportunities, and this is due to the economic and social ills in the countries. Hence to mitigate these challenges the promotion of MSMEs in rural and peri-urban communities is vital. The City of Johannesburg noted that the issues of deprivation occur in the communities in rural and peri-urban /townships,⁶² therefore the drive for the establishment of small businesses and entrepreneurship is critical to alleviating the rate of poverty in the communities. MSMEs' contributions to poverty reduction are known however, there is scant research that indicates the relation between this phenomenon and the rate of entrepreneurship drive. Rambe and Msoweunyane (2017) argued that entrepreneurship development is insufficient for reducing poverty, judging from the growing poverty and inequality levels amid the mushrooming of SMMEs and increased entrepreneurial activity in South Africa.⁶³

The MSMEs play a direct role in reducing poverty. They help people attain sustainable livelihoods, which is a means to reduce poverty. A study conducted by Jiantou et al (2007 in Ganbold 2016) in Xiji, a province in China with a high rate of poverty, demonstrated a successful poverty reduction example through the implementation of agricultural industrialization and an SME development program.⁶⁴ The study concluded that the success of the program was influenced by several critical factors. These included a comprehensive system of agricultural production and marketing, investment in research and development, and assistance from the local government through the provision of public services, such as the industrial program, infrastructure, and information and marketing services.⁶⁵ The IFC (2018) contends that in South Africa,⁶⁶ the MSMEs fail to grow from informal businesses to well-established businesses that contribute to job creation and economic contribution. They posit that this is because of the lack of support from the business's start and throughout their development phases. Governments have tried to help their SMEs either in training, through finance or their state support or state agencies but their results have not been successful. South Africa is not an exception to this trend, while the SMEs contribute largely to the GDP count, they have unfortunately not been reflected in the government policies, and nor do they receive the necessary support and attention they deserve.⁶⁷

According to Saah (2021),⁶⁸ SMEs help to alleviate poverty by creating jobs through the expansion of existing businesses or establishment of new businesses thus generating income for the poor communities in which they work. The poor in this case according to Saah, "refers to owners of small businesses, workers who are employed by these small businesses,

⁶¹ *Ibid.*

⁶² note 1.

⁶³ Rambe & L., *supra* note 55.

⁶⁴ The impact of the small and medium enterprise support programmes on the livelihoods of microentrepreneurs using sustainable livelihood framework: A Case Study of Enterprise Mongolia Project Phase 2 by United Nations Development Programme in Mongolia" (2016).

⁶⁵ *Ibid.*

⁶⁶ International Finance Corporation, *supra* note 3.

⁶⁷ World Bank, *Small and Medium Enterprise (SME) World Bank Group review of small business activities - 2001 (English)* (Washington, D.C.: World Bank Group., 2001).

⁶⁸ Paul Saah, "The impact of small and medium-sized enterprises on the economic development of South Africa" (2021) 24:1 Technium Social Sciences Journal 549–561.

the dependent relatives of such poor workers or owners, and the poor who buy goods and services from these enterprises operating in their communities".⁶⁹

Mangwana et al. (2022),⁷⁰ and Saah (2021) both contend that there is a need for the government to intervene and support young entrepreneurs.⁷¹ Paah asserts that the government must create a favorable climate for young entrepreneurs so that they can identify and start new opportunities to improve their livelihoods.⁷² In the same vein, Maphela et al. added that according to the Infant Industry Protection Theory government is urged to intervene to protect the infant industries against global competition. Furthermore, literature provided that in line with the theory the government must provide support to MSMEs to enable them to accumulate productive capabilities over time. In South Africa, particularly, the argument to protect and support MSMEs is relevant due to the country's political history, which created capital and economic concentration on large businesses while restricting small businesses from growing.⁷³

To realize the potential of MSMEs in South Africa to alleviate and reduce poverty through the support of enterprises to enable them to create employment opportunities for community members at the grassroots level (i.e., Rural and Township).

V. DISCUSSION

According to the literature, the importance of MSMEs in promoting sustainable livelihoods has been recognized, but a lack of support from various stakeholders and the government has reduced them to an "unseen sector. The MSME landscape is surrounded by an environment that is prone to failing enterprises due to a lack of funds, support, and access to larger markets. It is also revealed that MSMEs are struggling with market expansion and penetration, according to the scholars discussed in this paper, this is due to the enterprise owners' inability to share and receive market information. This includes difficulties in obtaining funds and financial support, which have made the processes difficult for most business owners. Furthermore, it has been revealed that most business owners fail to produce paperwork for financial assistance, while the majority are suffocated by loan interest rates.

According to Wiid and Cant's (2021) research, "it is clear that MSMEs in townships face a variety of growth barriers, ranging from high levels of unemployment among their client base to insufficient infrastructure, a lack of business training, and high levels of competition".⁷⁴ Furthermore, the environment is marked by a lack of financing and financial support, which is exacerbated by a lack of financial management business training and culminates in an expressed need for financial support. As a result, it has been discovered that the difficulties associated with obtaining funds and financial support, as well as the factors that impede ease of access to financing, may play an important role in impeding the growth and survival of MSMEs, particularly in townships.

According to most researchers, supporting MSMEs is the key to promoting sustainable livelihoods due to the growth the enterprises will experience. In the sector, job creation is

⁶⁹ *Ibid.*

⁷⁰ International Finance Corporation, *supra* note 3.

⁷¹ Saah, *supra* note 68.

⁷² *Ibid.*

⁷³ Maphela, *supra* note 35.

⁷⁴ Wiid & Cant, *supra* note 39.

regarded as an important factor in ensuring that people's livelihoods are sustained through income and job security. According to the sustainable livelihood framework, where people can have structures that create processes where livelihood outcomes are easily attained is critical to the overall development of communities. The government has attempted to ensure that MSMEs are recognized and receive the necessary support, but the divide between peri-urban and rural areas remains. It has been revealed that unemployment and poverty are drivers of most established businesses because people are looking for ways to sustain their lives; however, the issue is a lack of growth, which is hampered by bureaucratic complexity (IFC, 2019).

According to the literature, MSMEs face challenges such as a lack of infrastructure, funds, market access, inequality, and information. All of this has caused the sector to fall short of its potential in recent years. Nonetheless, the literature supports the potential of MSMEs to encourage social entrepreneurship and sustainable livelihoods through job creation, as well as to reduce poverty and impact economic growth.

VI. RECOMMENDATION

MSMEs' effects on sustainable livelihoods would be ineffective without social, institutional, and organizational environmental support. In any case, public and private institutions must work together to help businesses grow in the sector. Given that MSMEs are having difficulty obtaining financing, financial institutions should assist small businesses in entering the market and avoiding shocks. To create more jobs, the public sector must develop policies and legislation that support businesses and grow the sector into a global market.

Most businesses have failed due to a lack of knowledge and information in the industry. The government and private institutions must raise awareness about their financial initiatives, business development, and MSMEs support structures. This study agrees with the IFC (2018) that better data in the sector is necessary for collecting data on the state of MSMEs that is easily accessible to all stakeholders, leading to more comprehensive business development and policies.

The government and MSMEs' owners must form alliances to address the challenges that limit the sector's growth, as it is critical to poverty alleviation, unemployment reduction, and GDP contribution. Furthermore, the implementation of reforms and policies will benefit MSMEs and shape the sector to contribute to the larger global economy.

VII. CONCLUSION

MSMEs are determinants and drivers of economic growth at the bottom level. They are the solutions to the problems and challenges of chronic poverty South Africa is currently facing. MSMEs are the connecting factors between the government and the people at the grassroots level. MSMEs remain the drivers of economic prosperity, hence, ensuring that young people are employed, therefore reducing the level of crimes in society. Crimes do occur in society because of the lack of sustainable income and economic insecurity that people face in society. With MSMEs enabling young people to get employment, they are thus the drivers of positive social change, social order, and security.

In the current state of the economy, sustainable livelihoods are critical, and it has since become impossible to alleviate poverty and unemployment in various communities through job creation. In a country where unemployment is high and other socioeconomic challenges

exist such as inequality, it is critical to have economic aspects that not only sustain the economy but also the people at the grassroots levels. MSMEs are critical to this measure, particularly in peri-urban and rural areas with high levels of poverty and deprivation. According to the findings of this study, MSMEs have made significant contributions to job creation, poverty alleviation, and GDP growth. It demonstrated that MSMEs have the potential to ensure that people at the grassroots level do not rely solely on government or incentives but can instead create sustainable lives while contributing to the larger economy and expanding opportunities for future generations.

There is still a need for investigation of the effects of the MSMEs on sustainable livelihoods. There is also a need for government officials both at the national, provincial, and local to understand the effects of MSMEs on positive social change, order, and security in society. The need to understand the role and effects of MSMEs in terms of poverty reduction and helping people achieve sustainable livelihoods needs to be recognized and supported by both the people and the government. This will reduce the high rates of unemployment and crimes, together with social protests that local government officials are daily facing.

VIII. REFERENCES

- Abisuga-Oyekunle, O.A., Patra, S.K., and Muchie, M, "SMEs In Sustainable Development: Their Role in Poverty Reduction and Employment Generation in Sub-Saharan Africa," [2019] *African Journal of Science, Technology, Innovation and Development*, 12, 405 – 419.
- Berry, Al, Blottnitz, Magali von, Cassim, Rashad, Kesper, Anna, Rajaratnam Bala & Seventer, Dirk Ernst van, " *The Economics of SMEs In South Africa*," [2022] Trade and Industrial Policy Strategies, 1-116.
- Chambers, Robert & Conway, Gordon, "Sustainable Rural Livelihoods: Practical Concepts for the 21st Century," [1991] IDS Discussion Paper 296.
- Chiromo, S.J. & Nani, G.V, "The Role of Locally Owned Small, Medium and Micro Enterprises on Poverty Reduction, Rustenburg South Africa," [2019] *Journal Of Contemporary Management*, 16: 2.
- DFID, "Sustainable Livelihoods Guidance Sheets," [1999] DFID, London.
- Dlova, M, "An Investigation into Constraints Impacting on Small Micro and Medium Enterprises (SMMES) Access to Finance in Buffalo City Metropolitan Municipality," [2012] Masters Dissertation. Rhodes University: East London.
- Farrington, John, Carney, Diana, Ashley, Caroline & Turton, Cathryn, "Sustainable Livelihoods in Practice: Early Applications of Concepts in Rural Areas," [1999] *Natural Resources Perspectives*, Issue 42:1999.
- Finscope MSME Survey South Africa 2020. Making Financial Markets Work for The Poor. 04 May 2020.
- Ganbold, M, "The impact of the small and medium enterprise support programmes on the livelihoods of microentrepreneurs using sustainable livelihood framework: A Case Study of Enterprise Mongolia Project Phase 2 by United Nations Development Programme in Mongolia," [2016] Master of Philosophy. Massey University, Palmerston North, New Zealand.

- Gruchy, S.D, “A Christian Engagement with The Sustainable Livelihoods Framework,” [2005] *Missionalia: Southern African Journal of Mission Studies*, 33, 56-72.
- Haan, Leo De & Zoomers, Annelies, “Exploring the Frontier of Livelihoods Research,” [2005] *Development and Change*, 36, 27-47.
- International Finance Corporation, “The MSME Voice Growing South Africa’s Small Business Sector,” [2020] Washington, D.C.
- International Finance Corporation, “The Unseen Sector A Report on The MSME Opportunity In South Africa,” [2018] Washington, D.C.
- Karanda, C. & Toledano, N, "Social Entrepreneurship in South Africa: A Different Narrative for A Different Context", [2012] *Social Enterprise Journal*, 8:3 (201-215).
- Littlewood, D.C. & Holt, D, “*Social Entrepreneurship in South Africa: Exploring the Influence of Environment*,” [2015] *Business and Society*. ISSN 1552-4205
- Majale, M, “Regulatory Guidelines for Urban Upgrading: Towards Effecting Pro-Poor Change,” [2002] ITDG, Warwickshire
- Mangwana, Siyavuya & Maphela, Bulelwa, “Gauteng Enterprise Propeller’s Support on Manufacturing MSMEs In Gauteng. Regional Economic Development Research,” [2022] 3: 2(2022).
- Manzoor, Faiza, Longbao Wei, Mohammad Nurunnabi & Qazi Abdul Subhan, "Role of SME in Poverty Alleviation in SAARC Region via Panel Data Analysis" [2019] *Sustainability* 11, no. 22: 6480.
- Masumbe, Sally Lindiwe, “Rural Entrepreneurs Require Interventions to Increase Their Success Rate in Addressing the Challenges They Face,” [2018] (master’s Dissertation). Pretoria: University Of Pretoria.
- Mboma, M. L, “SMEs And Poverty Alleviation in Africa; Developing the Small-Scale Retail Sector, A Breakthrough to Poverty Alleviation, The Case of Tanzania,” [1999] *Business Management Review Journal*, 6:2(82-100).
- Murambadoro, Miriam, “How Sustainable Livelihoods Framework Can Contribute Towards Sustainable Social Development: Where Are We Going?,” [2009] IAIAsa 2009 National Conference, Wilderness, George, 23-26, pp 5.
- Norton, Andy & Foster, Mick, “The Potential of Using Sustainable Livelihoods Approaches in Poverty Reduction Strategy Papers,’ [2001] Centre for Aid and Public Expenditure, Working Paper 148.
- Nursini, Nursini, “Micro, Small, And Medium Enterprises (Mssss) And Poverty Reduction: Empirical Evidence from Indonesia,’ [2020] *Development Studies Research*, 7, 153 - 166.
- OECD, “*In Financing SMEs And Entrepreneurs 2022: An OECD Scoreboard*,” [2022] OECD Publishing, Paris.
- Olawale, Fatoki & Garwe, David, “Obstacles To the Growth of New SMEs In South Africa: A Principal Component Analysis Approach,” [2010] *African Journal of Business Management*, 4(5), 729-738.
- Peters, R.M., & Naicker, V, “Small Medium Micro Enterprise Business Goals And Government Support: A South African Case Study,” [2013] *South African Journal of Business Management*, 44(4), 13-24.

- Rambe, P., & Mosweunyane, L, “A Poverty-Reduction Oriented Perspective to Small Business Development in South Africa: A Human Capabilities Approach,” [2017] *African Journal of Science, Technology, Innovation and Development*, 9(3), 289-302.
- Saah, Paul, ‘The impact of small and medium-sized enterprises on the economic development of South Africa,’ [2021] *Technium Social Sciences Journal*, 24(1), 549–561.
- Scheers Louise van, “Is There a Link Between Economic Growth and SMEs Success In South Africa?,” [2016] *Investment Management and Financial Innovations*. 13. 349-353. 10.21511/Imfi.13(2-2).2016.09.
- Serrat, Olivier, “The Sustainable Livelihoods Approach. In: Knowledge Solutions. Springer, Singapore,’ [2017] Knowledge Solutions, pp 21-26.
- Sonobe, Tetsushi Takeda, Asami Yoshida, Susumu Truong, Hoa T, “The Impacts of The Covid-19 Pandemic on Micro, Small, And Medium Enterprises in Asia and Their Digitalization Responses,” [2021] Asian Development Bank Institute, Adbi Working Paper Series, No. 1241.
- Statistics South Africa, “Three Facts About Small Business Turnover in South Africa,” [2020] Available At: <https://www.Statssa.Gov.Za/?P=13900>
- Tayla, Thomas, “The Township-Based MSME’s Perspective: Understanding the Challenges and Benefits Associated with DFI Business Development Services in South Africa,” [2021] Master Of Commerce. The University of Cape Town.
- The City of Johannesburg, “Integrated Development Plan (2022/2027),” [2020] Available at: https://www.joburg.org.za/documents_/Documents/2022-27%20Draft%20IDP/2022-27%20Draft%20Integrated%20Development%20Plan.pdf
- The South African Treasury, “The Measurement of Poverty in South Africa Project: Key Issues. Studies In Poverty and Inequality Institute,” [2007] Richmond, Johannesburg. Available At: <Http://Www.Treasury.Gov.Za/Publications/Other/Povertyline/Spil%20document.Pdf> (Accessed on 15 August 2022)
- Tsoabisi, Sello “Supporting Small Medium and Micro Enterprises in South Africa”. [2012]. *Mediterranean Journal of Social Sciences* 3 (12): 35.
- Vandenberg, Paul, “Poverty Reduction Through Small Enterprises Emerging Consensus, Unresolved Issues and ILO Activities,” [2006] Working Paper, International Labour Office · Geneva
- Wiid, Johannes A. & Cant, Michael C, ‘Obstacles Faced by Owners of Township Micro, Small and Medium Enterprises to Acquire Funds for Survival and Growth (2010-2020),’ [2021] *Entrepreneurship And Sustainability Issues*, 9(1), 52-65.