

RESEARCH ARTICLE:

## Challenges Experienced by SMMEs and Interventions by the South African National and Provincial Government: A Literature Review

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### Abstract

*Small, Medium, and Micro Enterprises (SMMEs) are pivotal players in economies worldwide, especially in developing and emerging economies, where they contribute significantly to job creation, poverty alleviation, and innovation. Despite their limited capital and financial resources, SMMEs play a vital role in new product development and technological innovation, driving industrial renewal and economic growth. This study employs a qualitative content analysis approach to examine the challenges and opportunities confronting SMMEs. Data for this analysis were drawn from various scholarly sources, including journals, books, and reputable academic publications. The findings of this theoretical literature review underscore that while SMMEs aim to foster economic growth and formalize their presence, regulatory and legislative frameworks often present stringent compliance requirements, posing significant challenges. This research highlights the potential of national and provincial public sector institutions to facilitate SMME growth and development, ensuring their stability and prominence within the economy.*

**Keywords:** *small medium and micro enterprises; economic development; entrepreneurship*

### Introduction

Small, medium, and micro enterprises (SMMEs) in South Africa play a pivotal role as catalysts for sustainable development and economic growth. Their significance lies in their contribution to poverty alleviation and the reduction of unemployment, particularly through employment-generating programs targeting vulnerable and disadvantaged citizens (Stević *et al.*, 2020). These dynamic enterprises constitute a remarkable 91% of formalized businesses in South Africa and employ approximately 60% of the nation's labour force, contributing substantially approximately 34% to the overall economic production (Stević *et al.*, 2020). Furthermore, SMMEs drive diversification within emerging economic sectors, addressing the challenges of underdevelopment and untapped opportunities. Notably, technology based innovative SMMEs serve as a cornerstone for South Africa's international trade and expansion, enabling active participation in the economies of Brazil, Russia, India, China, and South Africa (BRICS) (Khan *et al.*, 2020). Despite these contributions, South Africa grapples with persistently high levels of unemployment, posing a significant development challenge. SMMEs provide a promising solution by employing labour-intensive production techniques that not only increase employment opportunities but also foster equitable income distribution, particularly in agriculturally based provinces (Guertler and Sick, 2021a). This study focuses on SMMEs, including startups aiming to break into the formal and mainstream economy, and investigates their pivotal role in the country's overall economic growth and sustainability (Ithia, 2015; Bhalla *et al.*, 2022).

In the 2021 financial year alone, South Africa saw 2.3 million enterprises actively contributing to its economy, with over 1.5 million operating informally, creating a remarkable 9.7 million jobs (STATSSA, 2022; World Bank, 2022). Black-owned formal SMMEs, constituting a substantial portion of registered enterprises, further underscore their significance, with their collective contribution to the economy reaching 37.4% (Maduku and Kaseeram, 2021; Khan *et al.*, 2020). Thus, the study aims to investigate how SMMEs in South Africa, despite being recognized as pivotal

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drivers of sustainable development and economic growth, face a multitude of challenges that impede their growth and sustainability. These challenges encompass stringent regulatory compliance requirements, limited access to resources, and the need to navigate complex legislative frameworks (Khan *et al.*, 2020; Kaur and Sharma, 2022). The persistent issue of high unemployment rates further underscores the importance of SMMEs in creating job opportunities and promoting equitable income distribution (World Bank, 2022). Furthermore, given the diverse sectors in which SMMEs operate and their growing reliance on technology-based innovations, there is a need for an in-depth examination of the specific challenges and opportunities they encounter. Consequently, this study seeks to explore and analyse the prominent challenges experienced by SMMEs in South Africa and assess the potential role of national and provincial institutions in fostering their growth and development.

This study hopes to investigate the prominent challenges that SMMEs experience in South Africa. Specifically, it seeks to identify and analyse the obstacles that hinder the growth and sustainability of SMMEs, including issues related to regulatory compliance, resource accessibility, and legislative complexities. In addition, this research aims to assess the potential role of national and provincial institutions in facilitating the growth and development of SMMEs. It will explore how these governmental bodies may contribute to ensuring the stability and prominence of SMMEs within the South African economy. By achieving these objectives, this study aims to provide a comprehensive understanding of the challenges faced by SMMEs and the mechanisms through which governmental institutions can support their sustainability and positive impact on the national economy.

## Literature Review

The sustainability of SMMEs holds paramount importance in the context of South Africa's economic landscape. However, recent trends have raised concerns among both private institutions and the government. In the financial period of 2020-2021, South Africa witnessed a troubling decline in the number of registered enterprises, signalling a pivotal challenge. This decline amounted to an 11% decrease in the total number of SMMEs operating in the sector, translating to a substantial reduction from 2.61 million to 2.33 million within a year (Teresiene *et al.*, 2021; Centobelli *et al.*, 2021). Furthermore, this shift in SMME dynamics has been accentuated by the movement of enterprises from various regions of South Africa into metropolitan centers, including Gauteng, Cape Town, and Durban. This migration has intensified competition among local SMMEs, adding to the multifaceted challenges faced by these businesses (Mokoena and Liambo, 2023). In light of these developments, the following literature review aims to delve into the roles, challenges, and opportunities associated with SMMEs in South Africa, providing valuable insights into their sustainability and growth prospects.

The SMME sector has significantly contributed to global socio-economic and economic growth by serving as a complement to larger multinational industries (Guertler and Sick, 2021a). SMMEs contribute to economic growth in a variety of ways, including the creation of jobs in rural and urban areas, through the provision of desirable sustainability (Ratten and Leitão, 2022), and the advancement of innovation in the economy (Alstete, 2014; Berisha and Pula, 2015; Khan, Khan and Naqvi, 2022). SMMEs have coordinated and worked with the relevant ministries, stakeholders, and state governments to improve rural regions as many SMMEs have played a critical role in creating job opportunities in rural regions (Olatunji and Houghton, 2017; The World Bank, 2017; Gherghina *et al.*, 2020). SMMEs continue to assist in developing rural regions at a lower capital cost than larger multinational organizations as SMMEs are more efficient and effective since they have implemented adaptable specialization approaches. Globally, developing, and underdeveloped countries face several challenges that affect the development rate. Challenges such as extreme poverty, high unemployment, and moderate economic growth impact the development of countries growing progressively (Kosmas, 2020). One of the methods that can be used to mitigate global challenges and sustainably reduce poverty is to promote economic growth through employment and wealth creation. Very often SMMEs are characterized and defined by the respective countries based on the applicable legislation, which is cognizant of the economic factors, the nature of business and operations as outlined in their respective economic policies and strategic positions.

The development of SMMEs is imperative as these enterprises are strategically important in a country's economic development. Most developing and underdeveloped countries rely on SMMEs for economic development. In the United Kingdom, there were 5.6 million SMMEs in 2021, which was over 99% of all businesses (Hutton and Ward, 2021; Zutshi *et al.*, 2021). The participation of SMMEs in the socio-economic and economic development of emerging and developing economies should be regarded as the pillar and support of the economic system. Employment in any economy is paramount, and SMMEs' development is crucial as SMMEs are found worldwide and employ more than 50% of the population worldwide (The World Bank, 2017; Chege and Wang, 2020). The

creation of employment opportunities in emerging economies is important as inhabitants become economically active, thus contributing to economic wealth and inhabitants' well-being resulting in reduced poverty. Political instability, a delay in social and technological advancement, and government legislation are some of the challenges that continue to hinder the development and growth of SMMEs (Morina and Gashi, 2017; Yoshino and Taghizadeh-Hesary, 2020; Manzoor *et al.*, 2021).

The global insight and awareness of SMMEs have reached notable importance in addressing the economic development issues that continue to persist. "Globalization has placed small enterprises unwaveringly in the limelight and attention. These are gradually and progressively the main strength for national economic development" (Manzoor *et al.*, 2021). This, in turn, has boosted economies and generated income whilst alleviating poverty. The contribution of SMMEs to economic development is crucial to the growth and prosperity of the economy (Chiloane-Tsoka and Rasivheshele, 2014; Hu and Kee, 2022; Le and Ikram, 2022), nevertheless SMMEs encounter challenges despite this.

## **Methodology**

This study utilizes a literature review approach to comprehensively investigate the challenges and opportunities faced by Small, Medium, and Micro Enterprises (SMMEs) in South Africa. A systematic and in-depth review of existing literature will be conducted, incorporating academic articles, books, conference papers, and industry reports. This comprehensive approach enables the systematic analysis of pertinent information and provides a holistic understanding of the research topic. The primary data collection method for this study is an extensive review of existing literature. Various online academic databases, including Google Scholar, JSTOR, and Scopus, were utilized to conduct an extensive search for peer-reviewed articles, scholarly publications, and other relevant sources. A carefully selected set of keywords related to SMMEs and their challenges in South Africa was employed to ensure the retrieval of pertinent literature. In this literature review study, the data analysis process is a multifaceted endeavour encompassing several crucial stages. Initially, the vast compilation of literature is systematically organized and categorized into thematic groups. These themes center on key aspects such as Small, Medium, and Micro Enterprises (SMMEs), economic development, entrepreneurship, and the challenges faced by SMEs in the context of South Africa. Thematic analysis techniques are adeptly employed to identify recurring patterns, overarching trends, and valuable insights residing within the collected literature. This process involves a meticulous sorting of the literature into distinct thematic categories, aligning with the research objectives and enabling comprehensive exploration of each thematic dimension.

Additionally, the data analysis approach incorporates a significant component of comparative analysis. This phase scrutinizes various perspectives, contrasting findings, and diverse viewpoints existing within the literature. Comparative analysis serves as a vital means to uncover disparities, agreements, and areas of contention across the reviewed sources. It facilitates the extraction of nuanced insights from the diversity of views presented in the literature, ultimately offering a comprehensive and balanced perspective on the research topic. By engaging in an extensive review of diverse literature sources, including academic articles, books, conference papers, and industry reports, this study aspires to provide a comprehensive understanding of the multifaceted landscape surrounding SMMEs in South Africa. The data collection procedures encompass rigorous database searches coupled with targeted keyword selection, while the subsequent data analysis phase involves systematic organization, identification of recurring themes, and the utilization of comparative analysis techniques. This comprehensive approach aims to unearth valuable insights and formulate evidence-based recommendations to enhance our comprehension of SMME challenges and opportunities within the South African context, thereby contributing to informed decision-making and policy formulation.

Ethical considerations in this study primarily pertain to the responsible and respectful use of existing literature and sources. The research adheres to ethical guidelines by accurately citing and referencing all information obtained from external sources to ensure academic integrity and avoid plagiarism. Additionally, all data utilized in this study are publicly accessible and do not involve human subjects, thereby eliminating ethical concerns related to data collection and research participants. In conclusion, the research methodology employed in this study, centered on a comprehensive literature review approach, offers a structured and rigorous framework for investigating the challenges and opportunities confronting Small, Medium, and Micro Enterprises (SMMEs) in South Africa. By diligently exploring a wide array of scholarly sources, we aim to gain a holistic understanding of the intricate landscape within which SMMEs operate. The systematic data collection procedures, including targeted keyword searches in reputable databases, are complemented by an in-depth data analysis process encompassing thematic

organization, thematic analysis, and comparative analysis. This methodological rigor ensures that our study is poised to yield nuanced insights and evidence-based recommendations, ultimately enriching the discourse on SMMEs' vital role in South Africa's economic development and growth.

### **Prominent Challenges of SMMEs in South Africa**

The importance of SMMEs to the country's local economic development (LED) is widely acknowledged. SMMEs significantly contribute to job creation in developing countries (Guertler and Sick, 2021a). This is because SMMEs foster entrepreneurial skills, knowledge, and attributes, which is important. After all, SMMEs employ a country's and province's inhabitants. As a result, this tends to decrease uncertainties and levels of crime. SMMEs contribute to developing industrial structural output and establishing resilient economic structures through linkages between small and multinational organizations (Morina and Gashi, 2017; Botha *et al.*, 2021). SMMEs often use more labour-intensive production processes than multinational corporations, resulting in increased employment and more equitable income distribution. However, there are a variety of economic factors and variables that can have an impact on the potential attractiveness of SMMEs globally. Economic variables such as fiscal and monetary policies of the government, inflation, interest rates, and foreign exchange rates, influence the demand for goods and services and the growth of new SMMEs globally, this impacts the consumption patterns and profitability of these organizations (Msomi and Olarewaju, 2021). As discussed below, SMMEs in South Africa further encounter many challenges. These challenges include but are not limited to, the lack of access to markets, a lack of management skills, access to financial capital and bank loans and credit, lack of access and exposure to appropriate technology, a lack of recognition by multinational corporations, a lack of production capacity, lengthy bureaucratic processes. These challenges and lack of support, stimulation, and enhancement of SMMEs hinder the important role that SMMEs can play in economic development and employment creation.

#### ***Rate of inflation***

Inflation can be defined as the rate at which prices increase over a certain period, generally a calendar cycle. Therefore, when products and services become more costly over some time, is known as inflation. Inflation is a measurement representing, for example, the cost of living in a nation. Still, it may also apply to micro measures, such as an increase in the price of raw materials (Masama and Bruwer, 2018; Bruwer *et al.*, 2018; Maduku and Kaseeram, 2021). In an economic system, the money supply increases relative to the size of its economy, and the value of the currency declines. Therefore, when the price of products and services increases, the value of a currency diminishes. Thus, the persistence of inflation will make it increasingly difficult for customers to obtain products and services at a reasonable price (Morina and Gashi, 2017; Kimanzi and Gamede, 2020). There are several reasons why inflation impacts SMMEs; inflation results in financial instability and uncertainty, and consumers and purchasers are forced to limit spending on goods and services, resulting in the decline of demand for goods and services and, eventually, a fall in the size of the market. A rising inflation rate harms SMMEs because the rate at which credit is made available to SMMEs is also impacted by inflation, as central banks may have to increase interest rates to control inflation (Matekenya and Moyo, 2022), which may result in high credit costs (Masama and Bruwer, 2018; Ratten and Leitão, 2022). This has a direct impact on wealth, which results in fewer opportunities for SMMEs. As a result of inflation, the costs of materials and services required to operate a firm may rise. Inflation could also increase the price of goods and services because of current labour shortages and supply chain challenges. Some SMMEs may experience an increase in the cost of items supplied (Kaur *et al.*, 2023). If the cost of services, raw materials, and supplies increases, SMMEs can consider increasing the pricing of goods and services to offset the growing expenses of commodities (Musara and Nieuwenhuizen, 2020). Increasing the price of goods and services harms profit margins.

#### ***Interest rates***

Interest rate indicates the amount of money a bank charges a lender in exchange for granting access to capital. The interest rate is represented as a percentage repo rate, which the Reserve Bank establishes, and impacts interest rates. The repo rate is the interest rate that a financial institution must pay to another financial institution to borrow money from the institution (Teresiene *et al.*, 2021). The Reserve Bank oversees the management of the money supply in the economy and sets interest rates for commercial lending. The Reserve Bank stimulates the economy by injecting money, lowering interest rates, and making loans to businesses more available. The Reserve Bank reduces or increases interest rates to maintain high employment levels maintain stable prices, and manage interest rates (Kimanzi and Gamede, 2020). Increased interest rates have a significant impact on prime rates. The



prime rate is the interest rate banks are willing to lend money at the lowest possible cost. The prime rate will increase (Rassier and Earnhart, 2015; Hodula 2023). An increased interest rate has an impact on loan repayments, credit card repayments, and the ability and opportunity to get more financing. This has a direct impact on SMMEs.

An interest rate increase could mean that SMMEs are required to pay significantly more money if interest rates continue to rise (Naidu *et al.*, 2020; Legoabe, 2017; Kaur *et al.*, 2023). This increase in interest rates could be detrimental to a business as this could mean that an SMME could pay a debt over an extended period. Taking out short-term loans to cover any unforeseen needs that may emerge and grow the SMME when necessary, will be more challenging due to these changes. High lending rates negatively impact SMMEs which most likely has restricted cash flow (Naidu *et al.*, 2020; Sánchez-Ballesta and Yagüe, 2023). To be able to repay any loans or debt that limits the amount of revenue available to the firm, SMME owners must put aside more money. High interest rates may also diminish the cost of assets, making it more difficult to sell them for money. An increase in interest rates could affect consumers' discretionary income. This implies that the capacity to purchase goods and services will diminish, resulting in a fall in sales for enterprises (Hamdan and Cheaitou, 2017; Rahayu and Ilham, 2023). When interest rates are high, banks also provide fewer loans; this has a negative impact, not just on consumers but also on SMMEs, as this reduces the expenditure on new equipment. SMMEs that offer luxury goods or services may be the most adversely impacted since luxury goods and services are not a priority for consumers with less discretionary income (Legoabe, 2017; Rahayu and Ilham, 2023). "The interest rate fluctuates depending on the current economic conditions. When the economy is strong, interest rates will be high, meaning that loans will be more expensive" (Garcia-Rodriguez and Romero-Merino, 2020). When interest rates remain low for an extended period, banks become more cautious about whom they select for business loans.

### **Unemployment**

SMMEs provide opportunities that make it possible for individuals to adapt and prosper (Garg and Phanyane, 2014; Legoabe, 2017). In developing and developed nations, small, medium, and micro-sized enterprises have an important role to play in the achievement of the Sustainable Development Goals (SDGs), particularly in promoting inclusive and sustainable economic growth, providing employment and decent work for all, alleviating poverty and inequity advancing sustainable industrialisation and encouraging innovation. The unemployment rate is used as an indicator to measure the total number of individuals who are not employed or individuals who are jobless in a particular region, country, or economy (Department of Labour, 2021). The official unemployment rate in South Africa was 32.6% in 2021, with a slight increase of 0.1% in 2021 and further increased to 34.4% in 2022 (STATSSA, 2022) and this is very high (Nobanda, 2021). This means that 46.3% of the individuals in the age category of 15 years to 34 years of age remain unemployed in South Africa. This is a significant concern to the national and provincial governments as the youth have the potential and the necessary skills that the government could use to ensure that the economy reaches its full potential. A lack of support, stimulation, and enhancement of SMMEs hinders the important roles that SMMEs can play in economic development and the creation of employment as SMMEs play a crucial role in the socio-economic development as SMMEs employ a large proportion of the workforce from various levels (Legoabe, 2017). SMMEs are effective in providing sustainable employment opportunities as multinational organisations require large capital investments, technologically advanced machinery, and tools with reduced labour intensification, thus reducing unemployment in society (Musara and Nieuwenhuizen, 2020). Multinational organisations also require specialized, sophisticated technical capabilities that are not readily available, particularly in developing countries. However, in South Africa, the challenge of the high rate of unemployment and consequently limited earnings has resulted in an increasing number of people "opting for self-employment whilst spending power is limited" (Bruwer *et al.*, 2018). This results in reduced growth or business failure because of the high rate of unemployment and consequently limited earnings.

### **Taxation**

The taxation imposed on SMMEs is an indispensable factor for policymakers to consider, as SMMEs account for the great majority of firms and often account for most employment. A comprehensive variety of SMME tax problems must be considered by the government, including the potential impact of taxes on the development, structure, and expansion of SMMEs; arguments for and against tax incentives for SMMEs; and ways to ease the relatively high tax compliance burden that SMEs must bear. Small medium and micro-sized enterprises' growth and profitability are influenced by a country's taxation structure (Bhall and Sharma, 2022) since increased taxes result in decreasing earnings for SMMEs (Sánchez-Ballesta and Yagüe, 2021). The expenses of corporate tax and value-added tax (VAT) in South Africa are among the highest in the world (Mgammal *et al.*, 2023). The complexity of the

South African tax system adds to the burden of the taxpayer. The effect on the cost of conducting business is larger since a huge percentage of SMMEs struggle with managing tax returns or utilizing the tax return system and are thus forced to seek help from tax experts, which is expensive because most tax experts demand a fee (Matekenya and Moyo, 2022). Small medium and micro-sized enterprises also bear a vastly higher tax compliance cost burden as opposed to multinational organisations, necessitating changes in administrative approaches and/or policy to address the impediments to SMMEs posed by tax compliance cost considerations are a critical element and should be an indispensable factor for policymakers to consider.

### **Access to capital**

The availability of financing is a critical aspect of the development and survival of SMMEs. It is particularly critical when an SMME is established to have a reliable source of income and funding. The inability to raise business funding for SMMEs due to restricted access to finance from financial institutions is a negative factor impacting entrepreneurship (Mvula, 2018). Established SMMEs may be unable to purchase raw materials, access skilled labour, infrastructure, distribution, and transport logistics, or secure the necessary expertise to expand or survive during adverse conditions. This could limit growth and competitiveness (Nkwabi and Mboya, 2019; Mini, 2017; Ngonisa *et al.*, 2023). The challenge that continues to exist is that SMMEs may (theoretically) get financing from a wide variety of sources, including the government and the private sector which may assist SMMEs to grow, including tax breaks, grants, equity financing alternatives, and loans. However, a small number of SMMEs may not have enough access to these benefits. The challenge of acquiring additional information on financing continues to exist, hindering the growth and expansion of SMMEs. Challenges that continue to exist range from the accessibility of information to how to obtain funding, and additional advice on the prerequisites for securing funding (Legoabe, 2017; Cusmano, 2018). It also includes constructive criticism if the respective SMME cannot obtain funding for businesses or does not qualify for funding. This enhances the likelihood of future grant applications being successful. Access to funding and capital for SMMEs should also promote training, guidance, and mentorship on various business matters and disciplines.

The ability of SMMEs to acquire the finance needed to grow and expand is "significantly constrained," with over half of SMMEs in developing nations illustrating "access to finance" as a key limitation in business operations (Senou and Manda, 2022). The absence of formal and organized methods for obtaining financial assistance continues to impede the development of SMMEs. Most financial institutions firmly believe that "financing SMMEs is costlier than lending to larger established multinational organizations" (Shane, 2013). SMMEs may find it challenging to consistently pay the increased interest rates demanded by banking institutions. As a result, SMMEs must have a significant amount of money available for investment instead of relying on banking institutions for finance. This is not always achievable. In conclusion, SMMEs are confronted with several obstacles, including access to markets and capital, technological advancement, and management. SMMEs are also important engines of innovation and competition. SMMEs enable the government and citizens to integrate local economies and regional development (Boschmans and Pissareva, 2018). The ability to support SMMEs through finance, tax, and subsidies and ensure and enhance the availability of information could benefit SMMEs by enhancing the lively business and entrepreneurial culture in South Africa.

### **Implications for SMMEs**

The findings of this comprehensive literature review underscore the pivotal role played by Small, Medium, and Micro Enterprises (SMMEs) in South Africa's economic landscape (TeSai, 2014; Dalberg, 2011; Yoshino and Taghizadeh-Hesary, 2020; Ngonisa *et al.*, 2023). These enterprises emerge as integral drivers of sustainable development and job creation, addressing the pressing issues of unemployment, inequality, and poverty. Despite the challenges they face, such as inflation, interest rates, taxation, and access to capital, SMMEs continue to be a cornerstone of economic growth (TeSai, 2014; Dalberg, 2011; Yoshino and Taghizadeh-Hesary, 2020; Ngonisa *et al.*, 2023). This study underscores the deliberate actions taken by the government to harness the potential of SMMEs in addressing these challenges. The National and Gauteng Provincial Government, among others, have spearheaded efforts to develop policies, legislation, and strategies aimed at creating an enabling environment for SMME growth (Chiloane-Tsoka and Rasivhetshela, 2014; Mwanza and Tshuma, 2023). Furthermore, the collaboration between all spheres of government and the private sector to promote economic development and support SMMEs is highlighted. Institutions like the Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), and Industrial Development Corporation (IDC) play vital roles in offering assistance and financing programs to South African SMMEs. Provincial support programs, such as those offered

by the Gauteng Department of Economic Development (GDED), Western Cape Department of Economic Development and Tourism, and others, further bolster the ecosystem supporting SMMEs (Ouma-Mugabe *et al.*, 2021; Maduku and Kaseeram, 2021).

The managerial implications of these findings are significant. Private and public institutions alike must recognize the imperative role played by SMMEs in addressing unemployment and fostering economic growth (Chinomona and Maziriri, 2015; Stević *et al.*, 2020; Žižovic *et al.*, 2020). Collaboration between the government and the private sector is key to creating an environment in which SMMEs can thrive and contribute their expertise, knowledge, and innovation to the competitive production of goods and services. Encouraging the development of SMMEs within the private sector, with the support of the government, is crucial for building a sustainable economy. This entails consistent adherence to a competitive environment that fosters growth and innovation. From a theoretical perspective, this study underscores the critical importance of SMMEs as vital players in economic development. The literature reviewed highlights the potential of SMMEs to make substantial contributions to the South African economy through job creation and innovative business practices (Chinomona and Maziriri, 2015; Stević *et al.*, 2020; Žižovic *et al.*, 2020). Their role as catalysts for sustainable social and economic growth is evident, emphasizing the need for ongoing research and theoretical exploration of SMME dynamics within the broader economic landscape. This study contributes to the evolving body of literature on SMMEs, enriching theoretical frameworks that guide our understanding of their contributions and challenges.

While this study provides valuable insights, it is not without limitations. The primary limitation lies in the scope of the literature review, which may not encompass all relevant sources or address every facet of SMMEs' contributions and challenges. Additionally, future research could delve deeper into specific industries, regions, or policy interventions related to SMMEs in South Africa. Further exploration of the practical outcomes of governmental and private sector collaboration on SMME growth and the long-term impact of SMMEs on job creation and economic development would also be beneficial. Finally, an examination of the sustainability and innovation potential of SMMEs in response to evolving global economic trends and challenges would provide valuable insights for policymakers and researchers alike (Chinomona and Maziriri, 2015; Stević *et al.*, 2020; Žižovic *et al.*, 2020).

## Conclusion

The literature reviewed has provided a comprehensive overview of the pivotal role that SMMEs play in South Africa's economic development and job creation. The findings reaffirm the potential for SMMEs to significantly contribute to the growth of the South African economy (Chinomona and Maziriri, 2015; Stević *et al.*, 2020; Žižovic *et al.*, 2020). As valuable agents of sustainable social and economic growth, SMMEs continue to create essential employment opportunities. The nature of the businesses they establish and the multitude of employment prospects they offer underscore the imperative nature of their contributions to economic growth. Furthermore, this study underscores the interconnectedness of both private and public institutions in mitigating the global challenge of unemployment. It highlights the equally crucial role of the private sector in driving economic growth and development. Through government support and collaboration, SMMEs within the competitive private sector can thrive, fostering innovation and contributing fresh expertise and knowledge to the production of goods and services. To create a sustainable economy, the government's role extends to facilitating the development of SMMEs within the private sector by ensuring a consistently competitive environment that encourages growth and innovation. In conclusion, this study has not only shed light on the vital contributions of SMMEs to South Africa's economic landscape but has also offered theoretical insights that contribute to the evolving body of knowledge on SMME dynamics in the context of economic development.

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