

# Entrepreneurship in emerging cities: mitigating impediments to small business development in Tshwane, South Africa

Commonwealth Journal of Local Governance

Issue 28: September 2023

<http://epress.lib.uts.edu.au/journals/index.php/cjlg>

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## Abstract

*This article explores, and offers recommendations to address, the factors impeding small business development in the City of Tshwane (formerly Pretoria), Gauteng Province, South Africa. It also examines small business development in the broader context of South Africa and other emerging economies. The research adopted a qualitative case study approach based on a systematic analysis of documents concerning governance and small business development in Tshwane. Obstacles for small businesses identified in this study include red tape and regulatory failure, inadequate infrastructure and support services, supply chain management challenges and a lack of markets, as well as inadequate vocational, educational and skills training opportunities for local entrepreneurs. The City of Tshwane needs to foster synergies between small businesses and the market to sustain growth and development. Its Integrated Development Plan should incorporate targeted measures to support competitive emerging businesses.*

**Keywords:** Small business, growth and development, municipal governance, Tshwane Metropolitan Municipality, South Africa

## Introduction

Globally, small businesses are recognised as economic hubs positively contributing to the employment status, gross domestic product, tax base and innovative capability of countries; but most fail within ten years of inception (Alsaaty and Makhoulf 2020). In South Africa, failure of small businesses has been associated with various factors such as lack of entrepreneurial capacity, an inauspicious operating

**DOI:** <https://doi.org/10.5130/cjlg.vi28.8360>

**Article History:** Received 13/09/22; Accepted 06/08/23; Published 25/09/23

**Citation:** Commonwealth Journal of Local Governance 2023, 28: 105-121, <https://doi.org/10.5130/cjlg.vi28.8360>

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environment, and enterprise management failure (Bushe 2019). Also, South Africa is seen to have “*inefficient government bureaucracy, stringent labor rules, and a lack of adequate tax benefits for smaller businesses*” (Cant 2016). Rogerson (2017, p. 1) argues that good governance in the small business sector is necessary for economic development and also to address the triple threats of poverty, unemployment and inequality facing South Africa.

In this study ‘small business’ is defined as a privately owned corporation, partnership or sole proprietorship with fewer than ten employees and low annual revenues. Resources are strained, and strategic leadership receives limited attention (Agwa-Ejon and Mbohwa 2015, p. 521). Good governance is defined as efficient and effective leadership characterised by ethical values of responsibility, accountability, equity and inclusiveness (United Nations Development Programme [UNDP] 2021).

The City of Tshwane Metropolitan Municipality (formerly known as Pretoria) is home to South Africa’s administrative capital. It has adopted numerous programmes to support small business growth and development. These are either managed single-handedly by the municipality or with the aid of private partners (for example the Khula mentorship programme, the Tshwane Virtual Entrepreneurship Academy and the Tshwane Economic Development Agency).<sup>1</sup> Also, a range of relevant national government agencies and programmes are based in Tshwane, including the Small Enterprise Development Agency (SEDA); the Small Enterprise Finance Agency (SEFA); the National Empowerment Fund; sector education and training authorities (SETAs); the Enterprise Information Centre (EIC) programme; and the National Youth Development Agency (NYDA) (National Treasury, 2019; Worku 2017, p. 247). Currently, however, the municipality is experiencing significant governance challenges. On 4 March 2020, the Executive Council of the Province of Gauteng dissolved the city council under section 139(1)(c) of the Constitution and appointed an administrator. The council had failed to convene sessions due to disruptive councillors staging walkouts from meetings, leaving the council without the required quorum (Stevens 2020).

Against that background, this research paper aims to identify and provide recommendations to address impediments to small business development in Tshwane. It responds to the following research questions:

- What are the salient factors impeding small businesses?
- What policy improvements and changes can be made to mitigate those impediments?

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<sup>1</sup> The Khula mentorship programme assists small businesses with finance applications, writing up of business plans and the transfer of skills. The Tshwane Virtual Entrepreneurship Academy provides free online courses (eg how to start a business; how to lower costs and increase business; and demystifying digital tools) for young entrepreneurs. The Tshwane Economic Development Agency promotes and facilitates investment in the city and assists emerging exporters.

The paper is structured as follows: after the introduction, a review of literature from an international and South African perspective is provided. This is followed by the study methodology, results and analysis, and conclusions/recommendations.

### **International experience**

South Africa is a member of the BRICS group of emerging economies along with Brazil, Russia, India and China. BRICS is considered an emerging global powerhouse, established to create strong ties between these leading emerging economies through political and economic agreements (Meyer and Meyer 2017, p. 432). Literature on the other four BRICS countries points to ways in which the quality of governance affects the success of small businesses. The following paragraphs offer a summary for each country.

China recognises the significance of small businesses through policies such as its 12th Five-Year National Economic and Social Development Plan, which focuses on growing the economy (Wang et al. 2015; Wonglimpiyarat 2015). According to Ma et al. (2021), the small businesses sector accounts for approximately 75% of China's labour force. For example, in Beijing approximately one million small enterprises are registered, and account for about 83% of all businesses. However, access to credit is a major challenge. Small enterprises generally seek investment for projects that financial institutions find difficult to monitor and assess. Therefore, to mitigate their risks, the banks in Beijing limit credit by applying criteria such as credit histories and sufficient collateral (Wang et al. 2015).

Also in China, small business has found it difficult to compete with state-owned enterprises (SOEs) and has been overburdened by discriminatory regulations. However, as China has embraced new policies to grow its economy, it has lessened the burden on small businesses seeking to enter previously SOE-controlled sectors such as finance, insurance, healthcare and education (Wonglimpiyarat 2015, p. 296). The authorities have also fostered better relations generally between the government and Beijing's private business sector. In 2015 the Chinese State Council established a national small business fund worth RMB60 billion (then about US \$9.4 billion) and reduced taxes to promote and strengthen the sector at a local level. As a result, Beijing's accounted for 7% of the national GDP in 2017, while notably being recognised as a hub for technology start-ups (Reuters 2018).

According to Pawar and Sangvikar (2019, p. 53), India has the most small businesses globally, followed by China. The sector delivers an array of services and is engaged in manufacturing more than 6,000 products. Furthermore, Kumari and Trivedi (2016, p. 38) posit that the small- and medium-sized enterprise (SME) sector is growing at a very rapid rate and exports approximately 1.5 million products and services. Nevertheless, the small business sector is confronted by numerous challenges, for example lack of expertise, limited funds and inadequate infrastructure and technology, which adversely affect growth. Studies conducted in Mumbai by Kumari and Trivedi (2016) and Singh and Wasdani (2016)

reveal that small businesses rely largely on bank loans, personal funds or money from friends and family to acquire working capital (machinery, buildings and land). Securing bank loans is a common challenge for start-ups and small businesses, either because they are unable to offer collateral or because the process is too lengthy and complex. By contrast, larger enterprises in a growth phase may utilise public bank funding that offers more favourable repayment terms to obtain surety and working capital, while private banks are also available to them for short-term loans. Nevertheless, under India's Micro, Small and Medium Enterprises Development Act 2006, all businesses can register with implementing agencies to qualify for support such as tax concessions, government funding and training programmes. Beyond these incentives, registered firms are eligible for secondary benefits, for example, accessible credit from private banks.

In the early 2000s, the Brazilian federal and state governments acknowledged the need for explicit policy interventions to promote economic development. A key intervention was the introduction of a cluster development policy known as '*arranjos produtivos locais*' (APL). Garone et al. (2015) studied the direct and indirect causal effects of the APL policy on small businesses in the states of Minas Gerais and Sao Paulo. Their findings revealed a downward impact on employment in the initial year of implementation, but positive effects over time with a steady increase in employment levels and exports. In the two cities mentioned, small business, corporations and government authorities came together to form APLs. Initially, APLs experienced problems such as a lack of technical and managerial skills for cooperation, as well as insufficient information on new markets (Garone et al. 2015, p. 926). However, the available evidence indicates that subsequent interventions under the APL policy, such as technical support, training and trade promotion, proved successful over time.

In Russia, the small business sector contributes about 20% of the country's GDP in 2015, and there are 5.7 million SMEs which employ 18 million people (Pinkovetskaia et al. 2018, p.178). However, Yukhanaev et al. (2015, p. 314) reported that Russia was faced with multiple challenges which impede the development of SMEs. These include excessive bureaucracy and corruption, inadequate regulations, lack of funds and limited access to markets. In 2016, Russia adopted a strategy for small business development until 2030 to double the SME sector contribution to GDP growth (aiming to reach 40%) and to increase employment by 35% of the country's total employed population. (Pinkovetskaia et al. 2018). According to Kiseleva et al. (2018, p.354), this included state support programmes to assist small businesses financially, procure products from them, and strengthen the influx of investment. The effectiveness of these programmes was reduced by subsequent budget cuts and deficits, but in 2017 another initiative known as the Federal Corporation for the Development of Small and Medium-sized Entrepreneurship (the 'SME Corporation') was introduced to enhance small business activities (Kiseleva et al. 2018, p.354). It included financial and legal support, information sharing and marketing assistance.

### **South African context**

In South Africa, Boeker and Wiltbank (2005) found unfavourable market conditions, insufficient capitalisation, poor management strategies and key personnel ineptitude were the four most significant factors causing business failure. Fatoki (2014) found a number of additional reasons why South African small businesses fail: lack of market awareness and defined focus; underestimating the amount of time required to work the business; establishment of businesses for poorly chosen reasons; family demands on time and money; an education system that discourages entrepreneurship; lack of financial accountability; crime and corruption; and lax enforcement of contracts and property rights. In the specific case of Tshwane, Worku (2015) established in a study conducted over five years that the main predictors of SME start-up failure and sustainability problems were inadequate entrepreneurial skills, deficient mentoring programmes, a lack of monitoring and evaluation programmes, and difficulties with access to finance. Moreover, the failure percentage of start-up businesses had remained high despite measures to provide financial and administrative support by the national Department of Trade and Industry (DTI), the South African Chamber of Commerce and Industry, and SEDA.

Rungani and Potgieter (2018, p. 1) emphasise the necessity for government intervention to support SME development given these businesses' high failure rate. They found that more than 85% of SMEs experience substantial difficulties, and conclude that there is a need to promote a vigorous sector development plan. Also, there seems to be a dire lack of studies that assess and evaluate how start-up businesses take advantage of government support programmes (DTI 2015). The DTI (2015) notes that SMEs are usually unaware of funding programmes, and numbers of applications are very low despite an array of government incentive schemes. Moreover, SMEs that do apply for funding opportunities are usually unsuccessful. According to Rungani and Potgieter (2018, p. 3) the failure of SMEs to access credit is usually due to factors such as insufficient information, poor business and managerial skills, low literacy rates and inadequate business plans.

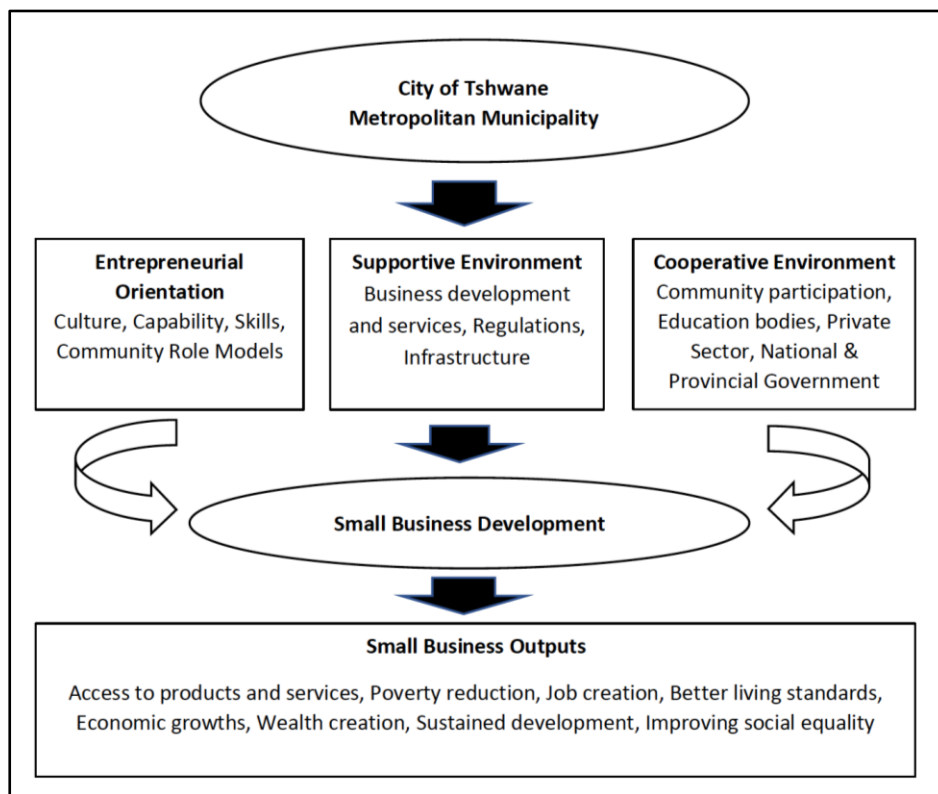
South Africa also suffers from a 'dual economy' as a legacy of apartheid (Madzivhandila and Musara 2020). This situation is evident in the City of Tshwane, which is challenged by excessive levels of un- and under-employment as well as poverty. Although Tshwane is a developing economy, it is surrounded by informal and poor rural areas (African Development Bank 2018). While various support programmes<sup>2</sup> are available, rates of growth and development of small businesses in the City of Tshwane Metropolitan Municipality remain low.

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<sup>2</sup> For example, the Tshwane Economic Development Agency (TEDA); Tshwane Auto Special Economic Zone (TASEZ); Women's Economic Empowerment Programme; Youth Empowerment Programme; and Enterprise Development Centres (EDCs).

In South Africa, small business development is an important local government responsibility and should be managed in a well-coordinated and expert manner. A conceptual framework for governance and small business growth and development in the City of Tshwane is illustrated in Figure 1 below. The components in the conceptual framework demonstrate how the City of Tshwane could employ various interventions to encourage the development of small businesses. The City’s Economic Development Department manages the coordination and facilitation of small business support as part of its mandate to create an environment that promotes productive growth and economic opportunities in the city (Matlala and Motsepe 2015, p. 331). Its executive director has considerable authority in relation to the implementation of local economic development strategies, the restructuring and revitalisation of economic hubs, and stimulating the development of black economic empowerment enterprises.

Figure 1: Conceptual framework for governance and small business development



Source: Adapted from Madzivhandila and Musara (2020, p. 265).

An inclusive and coordinated approach is required to bring together provincial and national governments, the private sector, communities and training institutions to further promote the sector. Matlala and Motsepe (2015, p. 331) postulate that the economic development department of the municipality should implement various initiatives in cooperation with national and provincial development agencies such as SEDA, SEFA, the Gauteng Department of Economic Development and the Gauteng Enterprise Propeller. Tshwane needs to be creative and facilitate strategic linkages between well-established companies and start-up small businesses in rural areas. This would help small businesses to access larger markets in the city. Local community participation in municipal decision-

making is also essential to ensure that their interests are addressed and aligned with the City's goals (Madzivhandila and Musara 2020, p. 265). Equally, participation by educational institutions such as universities, schools and other relevant training centres is important to develop small businesses and address the high failure rate due to skills shortages. The City's Integrated Development Plan (IDP) can provide an overarching framework to enhance access to training and development services, education, infrastructure and resource development (land and capital) to advance small businesses (City of Tshwane 2019). Preparation of an IDP is a statutory requirement under the Municipal Systems Act 2000, through which municipalities adopt an all-inclusive strategy for their area. The purposes of an IDP are as follows: "*(a) links, integrates and coordinates plans and takes into account proposals for the development of the municipality; (b) aligns the resources and capacity of the municipality with the implementation of the plan; and (c) forms the policy framework and general basis on which annual budgets must be based*" (City of Tshwane 2019). Madzivhandila and Musara (2020, p. 265) assert that small business development outputs emanating from the IDP, should include developmental aspects: for example, better access to products and services; job opportunities; enhanced living standards; poverty reduction; economic development; equity; and sustainable development.

### **Research methodology**

The research in this paper adopted a qualitative case study approach based on a systematic review of literature, which was interrogated using thematic analysis. The systematic review followed the criteria of the Preferred Reporting Items for Systematic Review and Meta-Analyses (PRISMA). Search engines used included Google Scholar, Wiley, Elsevier and Springer. Keyword and search strings were utilised to identify appropriate studies and reports. Keywords employed were 'small business', 'governance', 'regulation', 'policy', 'information and technology', 'innovation' and 'services'.

Once the relevant documents were identified, the thematic analysis was carried out using Atlas.ti.<sup>3</sup> According to Alhojailan (2012, p. 40), thematic analysis reveals flexible, systematic, accurate and intricate information on a frequency basis, including the entire content of a theme; this can enhance broad understanding of an issue (see Table 1).

Survey and statistical data was found to be limited. For example, South Africa has a Companies and Intellectual Property Commission, but its database does not capture reasons for companies' closure. Consequently, it is difficult to determine precisely how a lack of municipal governance systems and other challenges impede the growth and development of the small business sector. Moreover, most start-up small businesses have short lifespans and neither physical premises nor websites. Also, the nominated home address for the business is not always in the City of Tshwane itself.

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<sup>3</sup>Atlas.ti is a software used for qualitative data analysis and can be used for coding, analysing transcripts and annotating features within bodies of unstructured data. It is especially useful for identifying themes within large datasets. It also assisted the researcher in analysing literature.

*Table 1: Summary of key themes and source documents*

Theme	Sources
Regulations and policy	Christensen et al. (2016); Mahambehllala (2019); Leboea (2017); Nieuwenhuizen (2019)
Crime and corruption	Moatshe (2020); Nxozzi (2019); Mukwarami et al. (2020); Xego (2020); Rungani and Potgieter (2018); Department of Small Business Development (2017)
Infrastructure development	Small Enterprise Development Agency (2020); City of Tshwane (2019); Worku (2017); Randal (2021)
Competition and markets	Kalitanyi (2019); Mohlomi (2019); Mungadze (2021)
Innovation, information and communication technologies	Legoabe (2017); Leboea (2017); Lu (2017); Mabotja (2019); Gumbi and Twinomurizi (2020)

Source: Author's compilation.

## Results and analysis

This section sets out the thematic analysis of salient governance factors affecting the development of small businesses in the City of Tshwane, applying the methodology outlined above.

### ***Regulations and policy***

Mahambehllala (2019, p. 32) maintains that the City's municipal by-laws and regulations are not particularly small-business-friendly and can restrict their growth and development. Often, small businesses operate from home and in contravention of regulatory and policy stipulations. For example, the Tshwane municipal rezoning by-law requires small businesses which operate from residential homes to rezone for this purpose. Also, small businesses must comply with health and safety regulations that are stringently enforced. Businesses are either fined heavily or required to terminate their venture, and believe that they are being exposed to punitive and strict regulations unnecessarily (Mahambehllala 2019, p. 32). In a study on the impact of over-regulation on small enterprises, Worku (2016, p. 12) found that red tape and bureaucracy repressed the sustained growth and development of small businesses in Tshwane. The City's municipal regulatory environment includes land-use management, zoning schemes, noise and pollution controls, business licensing and trading by-laws, and it also charges property rates based on land use (Christensen et al. 2016). Given such regulation, small businesses are reluctant to conduct business within the City (Leboea 2017; Nieuwenhuizen 2019).

### ***Crime and corruption***

In 2000, the national Preferential Procurement Policy Framework Act was passed to benefit small businesses when government was inviting tenders for the procurement of goods and services. Unfortunately, the system is plagued by cases of corruption. In December 2020, Tshwane Mayor Williams exposed a corrupt and manipulated procurement process which involved public officials and bidders. A tender worth R4 billion was awarded for fleet management. The process was labelled illegal and tainted with irregularities (Moatshe 2020). The forensic investigation that followed revealed that qualified bidders were removed from the process while some who did not qualify were permitted to



submit tenders. It was revealed that tenderers and officials connived at various levels to manipulate supply chain processes.

Another issue is physical crime. According to Nxosi (2019), the high crime rate in South African cities poses serious risks for small businesses and therefore impedes business development and sustainability. These criminal activities, for example theft of expensive equipment or products, affect small business owners disproportionately, as they are not in a position to replace costly items or undertake repairs. Furthermore, the high crime rate in itself impedes investment, growth and employment opportunities. Mukwarami et al. (2020, p. 495) note that business owners have become fearful of the increased level of crime in the City, which is an anti-social blight on communities that increases the cost of doing business and undermines the effectiveness and membership of community-based organisations that enable entrepreneurs to network. This further reduces the support available for would-be entrepreneurs to start and sustain businesses in focal communities (Churchill et al. 2023).

The national Department of Small Business Development (DSBD 2017) has also reported that theft and other types of crime are a serious concern for small businesses in the City, and those who fall victim thereto are faced with the inconvenience of restoring the damage and loss they suffer. At the same time, the reviewed literature suggests that a lack of monitoring and inadequate government control systems lead some small businesses themselves to resort to unethical conduct: they may be lured into malpractice simply to survive (DSBD 2017; Leboea 2017; Rungani and Potgieter 2018).

Xego (2020) underscores that alongside poor access to finance and markets, small businesses consider corruption as a significant barrier to growth and development. Two aspects of corruption are identified: 'grand corruption' and 'demand-side corruption' (Xego 2020). Grand corruption relates to huge amounts of money involved in dealings among senior managers, highly influential persons and politicians; while demand-side corruption is imposed by individuals who collect and demand bribes, particularly from small businesses. Extreme demand-side corruption is an impediment to becoming self-sufficient and sustainable because small businesses have to part with their hard-earned money or are excluded from opportunities. Grand corruption is particularly damaging for the Tshwane economy because it appears to have become the norm and accepted among highly influential persons. Moreover, it impedes service delivery, may result in missed opportunities for business development, prevents fair competition between small businesses, and contributes significantly to the risk of eventual failure.

### ***Services and infrastructure***

Worku (2016, p. 274) reports that small businesses in and around the City of Tshwane are faced with, among other things, inadequate municipal services and lack of financial and non-financial assistance. For example, newly established small businesses may not benefit from national government programmes such as SEDA. Randal (2021) underscores that infrastructure development in the City must

be a priority. Tshwane's economic competitive advantage is evident in a variety of business areas, including the automotive industry, agri-processing, the defence sector, and research and innovation. However, growth is inhibited in these areas, especially amongst small business, due to infrastructural challenges. On a positive note, during his 2021 State of the Province address the Premier of Gauteng, David Makhura, reported that the province is taking the lead in implementing an economic reconstruction and recovery plan which focuses on high-priority infrastructure and support projects to unlock economic opportunities (South African Government 2021). A notable component is the Tshwane Automotive Special Economic Zone (TASEZ), which could distribute financial and non-financial support to 262 small businesses in the City. Tshwane also requires more conveniently located, well-serviced and affordable development land for both businesses and workers. This is a major challenge according to SEDA (2020), as in both the townships and informal settlements in Tshwane, small businesses are often illegal or informal operations.

The City of Tshwane IDP 2018/19 perceived the high unemployment rate in the City as crucial and acknowledged that growth and development were a key local government mandate (City of Tshwane 2019). Also, the City's 2019 Metropolitan Spatial Development Framework, which included a goal to foster tangible development, clearly stated that Tshwane had not created adequate employment opportunities for the growing population, and conceded that it must do more to encourage economic development and promote entrepreneurship through infrastructure-led growth.

### ***Competition and markets***

Mohlomi (2019) reported that access to markets is one of the major barriers for small business. According to Kalitanyi (2019), larger businesses dominate the City and control the major market share, which inhibits small business from expanding their markets. Furthermore, since larger businesses have established relationships with suppliers, they are uninterested in forging new relationships with small businesses which lack long-standing credentials. Also, small businesses in Tshwane find it difficult to compete in international markets as a result of global competition (Leboea 2017; Rungani and Potgieter 2018) and their inability to locate and maintain a suitable set of customers. At the same time, globalisation has had a significant impact on industry guidelines, product criteria and customs requirements, which has increased barriers for small businesses to trade internationally and to compete with larger companies. As a result of these pressures and technological advancements, small businesses also lose their skilled workers to larger competitors (Mabotja 2019, p. 23). On the other hand, Mohlomi (2019), states that with the right support globalisation might help small businesses access export markets, increase foreign investment in the sector and improve technology, thus enhancing their productivity, client satisfaction and financial success.

### **Information and communication technologies and innovation**

Small businesses in the City of Tshwane find it difficult to adapt to new technologies due to lack of skills and/or funding, and thus fail to adopt appropriate and relevant technologies to advance available products or services. They may also fail to acquire or use existing equipment due to the erratic electricity supply from the country's national utility and primary generator, ESKOM (Legoabe 2017). Loadshedding is necessary as a result of insufficient generation capacity, and small businesses have to invest in costly alternative power supplies, such as generators, routers and power banks.

Leboea (2017) affirms that most small businesses in Tshwane also lack technical and emerging information and communications technology (ICT) skills and the capital to buy necessary equipment. Few are in a position to acquire items such as copying machines, computers, telephones and wifi routers, and thus to become web-enabled. Hence, they fail to create a proper online presence, which is vital for both suppliers and customers, in order to locate businesses and track the services they provide. Furthermore, the lack of ICT results in small businesses having to forgo global market opportunities as well as access to applicable business information.

Many small businesses will need to keep pace with smart manufacturing – an evolving phenomenon of the fourth industrial revolution ('4IR'). The 4IR involves *“the increasing digitisation and automation of the manufacturing environment, as well as the creation of digital value chains to enable competition between products, their user environment and business partners”* (Lu 2017, p. 8). According to Gumbi and Twinomurizi (2020, p. 42), smart manufacturing can be described as technological innovations which spark intelligence and drive enhanced operations. Again, Mabotja (2019, p. 23) postulates that small businesses lack innovation as a result of capital constraints and insufficient access to markets – despite attempts by the government to assist.

### **Conclusions and recommendations**

This research seeks to contribute to the literature by capturing salient factors impacting small business growth and development in South Africa's capital city (Tshwane) and by relating those findings to the experience of small business development in similar emerging countries. Through an extensive thematic analysis of relevant documents, together with a review of experience in similar emerging economies, the study identified five key factors that impede small business growth and development in the City of Tshwane. These are red tape and regulatory failure (enabling corruption); inadequate infrastructure and support services; supply chain management challenges; lack of access to markets; and inadequate vocational, educational, and skills training opportunities for local entrepreneurs.

The City of Tshwane Metropolitan Municipality needs to address these issues and foster synergies between small businesses and the market to sustain growth and development. Application of good governance principles to the City's support of the small business sector is essential to create job

opportunities, social progress and local economic development in the Tshwane region. In particular, the municipality's IDP should be used to provide an overarching framework and incorporate targeted small business skills development and measures to encourage competitiveness among emerging businesses. The study findings are also relevant to the work of a range of key South African institutional stakeholders involved in small business development, such as SEDA, the National Empowerment Fund, and the DTI.

Based on the research, the following recommendations are presented for the City's consideration.

### ***Community, government and private sector liaison***

Initiatives to support small businesses have not been incorporated effectively into the City of Tshwane's IDP and consequently are not linked to the IDP's broader strategies and programmes. A rigorous effort by the government, community, private sector and entrepreneurs is required to review the relevance of training, funding and regulatory frameworks to develop a small business. Furthermore, the small business sector needs to be enabled to participate in the development of programmes and policies to ensure that businesses needs and aspirations are met. These steps need to be prioritised in the IDP in order to create a more streamlined approach towards assisting the small business sector, and will involve establishing strategic partnerships with other public and private stakeholders – for example financiers, innovators and small business development agencies – to provide a supportive network for sector development. Furthermore, aligning policies, strategies and plans with those of national and provincial government departments through the prioritisation of intergovernmental relations can ensure that the City acquires greater access to available grants and supporting mechanisms.

### ***Reducing red tape, corruption and crime***

Some easing of regulations such as zoning by-laws and complex compliance requirements is essential to enable small businesses to achieve their full potential. Relaxation of overly restrictive rules would assist government at all levels to appreciate the role small businesses can play in achieving governmental goals such as job creation, equality and minimising poverty. Specifically, consideration should be given to a reduction of taxes or a zero-based tax for start-up businesses during the first three years of operation: it has been documented that small businesses which fail generally do so within this period. Reduction of red tape can also expedite small businesses' access to funding.

In addition, when dealing with tenders the City needs to prioritise fair procurement practices that are likely to attract small businesses, and take all possible steps to eliminate corrupt practices. It must be seen as an investment-friendly and as far as possible, crime-free location.

### ***Targeted training and educational programmes***

Workshops or training programmes for entrepreneurs can inform them of means and opportunities to establish viable businesses. Generally, small businesses are unaware of available funding and support programmes through the various government systems. The City, in cooperation with the Department of Small Business Development, SEDA, academic and training institutions (such as the Tshwane Virtual Entrepreneurship Academy) and other stakeholders, needs to offer regular targeted training on business skills to ensure sustainable financial management and marketing. Moreover, commercial bank requirements for loans are complex and generally require business applicants to supply business plans, guarantees and financial statements. Specialist training in this regard is needed, especially for informal businesses that usually do not meet the requirements of public lending institutions.

### ***Improved infrastructure and services support***

Proper infrastructure such as transport and utilities, well located and reasonably priced land or premises, and telecommunications are crucial to growing a business. Provision of essential infrastructure for small business is largely the responsibility of the City, and also needs to be incorporated in the IDP. Moreover, infrastructure development, such as small business incubation centres, needs to be linked to small-business-friendly legislation. A business-friendly city will promote employment and economic growth. Establishment of a 'one-stop shop' for small business support in the City could provide a hub where information about policies and regulations, tax filing and registration, funding opportunities, and business development training is readily available.

### ***Encouraging business networks and forums***

Networking is a crucial tool for small businesses to learn, build business alliances and acquire relevant information and support. Small businesses should be encouraged to join business networks or forums. This will enable them to establish links with the government, business development agencies, financial institutions and private funders. Networking opportunities can be arranged in the form of business breakfasts or forums at which small businesses should be permitted to present their views, exchange ideas, and support each other. These forums need to be sector- or community-specific and be hosted at local facilities, such as a community hall. Also, additional mentorship programmes could be introduced, perhaps linking small businesses with larger companies, as a means to help small businesses grow.

### ***Access to markets and technology***

The City should strengthen networks with more established businesses. Business networks and associations can help small businesses to access markets, and can provide information and knowledge sharing. This approach could also enable small businesses to collaborate with established corporates in supply chain management. In particular, the City should work with shopping mall owners to create spaces for small businesses within those precincts. This networking should go hand in hand with

establishment of online business platforms and assistance for small business in accessing and using new technologies.

### Declaration of conflicting interest

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

### Funding

The authors received no financial support for the research, authorship or publication of this article.

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