

Why do Small Businesses in South Africa Fail? An Inclusive Growth in Township Economy

Mmakgantse M. Mmereki

University of South Africa, South Africa

Abstract

Small and Medium and Large Enterprises (SME) across the globe have been acknowledged to play a significant role in the economic growth of both developed and developing countries. In South Africa, SMEs have found a way to create employment, innovation, and local economic resilience, particularly in townships. However, South African SME grapple with various challenges that hinder their growth and sustainability. These challenges differ from limited access to finance, lack of skills, socio-economic challenges and ineffective marketing. Additionally, COVID-19, load shedding, and civil unrest have put a lot of SMEs out of business.

Using the World Bank's Enterprise Survey data collected between 2019 and 2021, the study will evaluate the trends, patterns, and gaps that lead to SME failure in the manufacturing sector and its impact on the South African township. The data will be analysed using descriptive and thematic methods. Understanding economic factors and operational challenges will assist the government in drawing up policies and best-tailored programs to increase the number of successful SMEs, which is paramount to township economic growth and community development, building inclusive economic growth, and mitigating socio-economic disparities in South Africa.

Keywords: economic development; enterprises; inclusive growth; manufacturing; township economy