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The impact of public procurement on business success of small micro medium enterprises: case of Greater Kokstad Municipality

by
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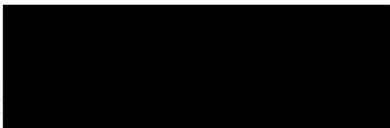
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DECLARATION

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LIST OF ABBREVIATIONS

BBBEE	Broad-based Black Economic Empowerment
BER	Bureau of Economic Research
CIDB	Construction Industry Development Board
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
DPME	Department of Planning, Monitoring and Evaluation
GEM	Global Entrepreneurship Monitor
GKM	Greater Kokstad Municipality
HDI	Historically Disadvantage Individual
KZN	Kwa-Zulu Natal
LG	Local Government
LR	Literature Review
MFMA	Municipal Finance Management Act
NDP	National Development Plan
PARI	Public Affairs Research Institute
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
RDP	Reconstruction and Development Programme
SARS	South African Revenue Services
RSA	Republic of South Africa
SA	South Africa
SCM	Supply Chain Management
SME	Smal Medium Enterprise
SMME	Small Medium Micro Enterprise
SEDA	Small Enterprise Development Agency
IFC	International Finance Corporation

ABSTRACT

Small, medium and micro enterprises (SMMEs) in South Africa are struggling to survive. However, improving their success rate in public procurement will significantly enhance their business growth and success. The purpose of this study was to investigate the impact of public procurement on the success of SMMEs within the Greater Kokstad Municipality (GKM). The aim was to gain a deeper understanding of how effective public procurement can be in assisting SMMEs in becoming successful businesses that can contribute to the local economy. The study employed a qualitative research method, utilizing a case study design. Twelve (12) participants were selected for the study, which consisted of municipal officials and local SMMEs. In-depth semi-structured interviews served as the primary data collection method to gain a comprehensive understanding of the impact of public procurement on the business success of local SMMEs. Qualitative data was analysed using thematic analysis. The thematic analysis was conducted on the information received from interview transcription.

The study findings revealed that public procurement in the GKM can enhance the profitability of local SMMEs and contribute to building their reputation and experience. However, several barriers such as limited access to finance, competition from larger firms, delayed payments, lack of transparency and corruption continue to hinder the growth and success of SMMEs within the GKM procurement system. Although government policies do exist to support and develop SMMEs in public procurement, their effective implementation remains a challenge in supporting local SMMEs in the GKM, as these policies lack practical support to address the needs of these enterprises. The study highlights the need for a more pragmatic approach to supporting local SMMEs, including strengthening training programs, improving access to finance, having more inclusive procurement measures and greater transparency within the procurement process. The outcome of the study contributes to a broader understanding of the dynamics of local SMMEs operating within the public procurement market. The findings collectively enhance knowledge on SMME development and public sector reform, while also enriching the existing literature on public procurement, small business growth, and local economic development. It bridges theory and practice in promoting inclusive growth, opening opportunities for future research aimed at improving procurement systems to better support local enterprises.

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CHAPTER ONE: GENERAL INTRODUCTION

1.1 Background of the Study

Globally, small, medium and micro enterprises (SMMEs) are considered as the most dynamic and influential enterprises in the world economy and play a critical role in the human well-being development of any country (Naradda Gamage et al., 2020). SMMEs are often regarded as the backbone of many economies and account for a substantial portion of business activities worldwide. Despite these enterprises' importance, they are still faced with numerous challenges that hinder their growth and success. Public procurement over the years has emerged as a strategic tool to support SMMEs thereby enabling their growth, success and economic contribution. However, this is only possible if they are provided with sufficient opportunities available to participate in government contracts. According to Akenroye et al. (2020), despite being essential players in boosting national economic development and growth, SMMEs are more often underrepresented in the public procurement market sector.

This study investigates the impact of public procurement on the business success of SMMEs in the Greater Kokstad Municipality (GKM). The aim is to determine if there is any growth and success that is achieved by local SMMEs who participate in the public procurement process of the GKM. The focus will be looking at black SMMEs rather than looking at the general population of the SMMEs at GKM. There is limited literature on studies at the local government level. Therefore, such research is important as it allows the government to monitor and evaluate progress regarding the SMME sector and the public procurement policy. This study aims to highlight the success and challenges of public procurement policy in SMME growth and success.

Post apartheid South Africa (SA) continues to struggle with developmental challenges that stem from its history of inequalities. To address issues of inequality, poverty and unemployment, the government enacted transformative legislations post-1994 based on the 1996 Constitution which reformed procurement practices to include historically marginalized groups. Policies, such as the Broad-Based Black Economic Empowerment Act No. 53 of 2003 and also the Preferential Procurement Policy Framework Act No. 1 of 2000, aimed to rectify racial and economic inequities from the apartheid era (Department of Trade, 2014; Mafundu and Mafini, 2019). However, despite these legislative efforts, progress has been uneven which is a cause for concern for the growth of South Africa (Shai, Molefinyana and Quinot, 2019).

The South African government has increasingly emphasized the role of SMMEs in addressing socio-economic challenges and boosting the national economy. Ndlovu (2021) highlighted the prioritization of SMMEs as an important factor in financial growth. During a social dialogue in 2011, stakeholders reached an agreement on using public procurement as a tool to empower SMMEs (South Africa, 2017). Despite this commitment made, the effectiveness of such initiatives remains unclear, especially at the local municipality level. Many SMMEs continue to face public procurement challenges thereby delaying their ability to contribute to job creation and poverty reduction. Mtambo, Lubbe and Ohei (2023) suggested addressing the persistent underperformance in the SMME sector to elevate its potential benefits fully.

The purpose of this chapter is to present the study concepts and approach to the larger research topics, as well as the argument that will serve as the basis for the subsequent chapters. The research will provide a clear background to the study, as well as a problem statement, objectives, study questions, a summary of the methodology and the structure of the thesis.

1.2 Background to Study

The SA government comprises three spheres which are National, Provincial and Local Government as outlined in the 1996 Constitution. Historically, there were National and Provincial governments that existed with municipalities functioning under provincial governance. However, post-1994 constitutional democracy saw municipalities becoming an independent sphere, as emphasized in Section 151 of the 1996 Constitution.

SA Local Government, which is the closest to its citizens, plays a pivotal role in driving the country's socio-economic development. As highlighted in the 1998 local government white paper, beyond just basic service delivery, local governments are mandated to foster social development, excel in community services, create jobs and stimulate local economic growth (SA Local Government White Paper, 1998). They are also tasked with leading inclusive development by engaging citizens and stakeholders, building social capital and pursuing sustainable local solutions. Drawing authority from the constitution, this developmental model has enhanced the capacity and role of local governments in fostering prosperity (Mkele, 2019).

With municipalities emerging as key players in global economic integration, the idea of a developmental local government has gained traction (Ramodula and Govender, 2021).

Municipalities are now tasked with devising economic strategies that bolster local community well-being, growth and prosperity. Auriacombe and Van der Waldt (2020) underscored that one of the chief responsibilities of SA municipalities is to curtail economic vulnerability, integrated into a comprehensive Local Economic Development (LED) strategy. The South African Constitution mandates municipalities to prioritize community needs and promote socio-economic advancement (Republic of South Africa, 1996). Hence, municipalities are pivotal in aiding the government to realize its socio-economic targets through procurement.

Over the years, South Africa has seen increased pressure on municipalities to improve their performance in service delivery and local economic development initiatives (Enaifoghe, 2022). As a result of not meeting these demands, SA municipalities have frequently experienced standoffs with the community which often resulted in violent protests. According to Ngcamu (2019), SA protests are linked to economic withdrawal and the combined effects of a recession and increased joblessness. Highlighting the widespread dissatisfaction among South Africans regarding the quality-of-service delivery that is provided by the municipalities and their inability to address pressing socio-economic challenges effectively.

Given the pressing challenges that SA faces, there has been an outcry and a growing demand from the public for municipalities to robustly support SMMEs through public procurement, recognizing their potential in local economic development and the creation of jobs. Presently, there is interest in investigating the role of public procurement in the GKM, particularly its impact on the growth and success of existing local SMMEs.

1.3 Profile of the Study Area

The GKM is a Municipality that is situated in the Harry Gwala District within KwaZulu Natal (KZN). The Municipality is one of the four municipalities that make up the Harry Gwala District and falls under Category B, which are municipalities that share legislative power within their region with the Category C municipality and are also known to be local municipalities (Constitution of SA of 1996). The municipality has a population estimated at 76753 and an annual population growth of 3.44% (annual Report 2020/2021). The Municipality covers an area of approximately 2 680km and acts as the economic and service centre for the majority of East Griqualand and the surrounding regions of the Eastern Cape, with which it shares boundaries (Annual Report 2020/2021).



Figure 1. 1: Map Depicting Greater Kokstad Municipality Geographical location in Harry Gwala District

Source: Harry Gwala District Municipality (2020)

The GKM, like many other local municipalities, faces significant challenges, including crime, high unemployment rates, poverty and inequality. There is a pressing need for development and the promotion of social well-being to help the Municipality combat and alleviate these social issues. In 2011, the overall unemployment rate in the Municipality was reported at 28.9%, with youth unemployment at 36.3% and a dependency rate of 54% of the total population (Annual Report 2020/2021). Additionally, Statistics SA indicated that 64.5% of the population in the district lived below the lower poverty line, meaning they were "in poverty" (Harry Gwala District Municipality, 2020). More than half of the population relies on support since they are unemployed, highlighting the extent of poverty in the area.

The researcher chose to focus on GKM due to its convenience as the researcher resides within the Municipality. The study considers the challenges that are faced by the local Municipality such as poverty, unemployment and business failures which negatively affect the communities and the local economy. By undertaking this study, the researcher aims to gain a deeper

understanding of the challenges affecting the growth and success of SMMEs involved in public procurement. The findings could help identify ways to improve the success of local SMMEs, thereby assisting in reducing unemployment, poverty and inequality within the Municipality.

1.4 Problem Statement

The SA government spending of R500 billion annually on goods and services stands as an important player in the country's economy (National Treasury, 2018). This expenditure is perceived as a strategic avenue for transforming the economic structure and targeting marginalized sections of society (Gabela and Okeke-Uzodike, 2020). However, even with so much spending it has remained ambiguous regarding the extent to which the SMMEs have benefited from public spending through the government supply chain. This is the case in many government departments in SA and municipalities, including the GKM. The GKM with its noticeable 10% spending increase between 2017/2018 and 2018/2019 further amplifies this uncertainty (Annual Report 2020/2021).

It is therefore vague and unknown the impact of public spending on SMMEs, especially in the case of GKM. The possibility is that such promising figures are spent by the Municipality through public procurement that only a monopoly and a handful of businesses that are well established are benefiting from government procurement. This then makes it possible that the objectives or purposes of public procurement policy are not met. According to Kraai (2021), policymaking oversight empowers a potential barrier within the public procurement system since the goals and actual implementation of policies are not related to the common goal of encouraging SMMEs.

This research addresses the gap in investigating the impact of public procurement on the growth and success of SMMEs in the GKM to gain a deeper understanding of how public procurement practices influence and affect the growth and success of SMMEs in the GKM. Despite various policy frameworks promoting the inclusion of SMMEs in public procurement, the core impact of these interventions on the actual growth and success of local SMMEs in local municipalities remains insufficiently explored. While existing literature highlights procurement as a potential catalyst for SMME development, there is limited empirical evidence that clearly unpacks the direct and indirect mechanisms through which public procurement influences small business success at the local municipality level. Thus, the gap lies in the inadequate understanding of whether public procurement effectively supports local SMMEs, and if so, how and to what

extent it contributes to the growth and long-term success of local SMMEs in the context of the GKM. Therefore, the study is conducted to fill the knowledge gap and could be used to set a policy narrative in the GKM, as the extent to which public procurement has impacted SMME's success at the local Municipality remains limited and to a certain extent unknown.

1.5 Motivation for the Study

In South Africa, the number of small firms are not growing, and they are at the staggering failure rate of 75% (Estrin et al., 2019). Statistics SA (2021) reported that in March 2021 there were 216 small enterprises that were liquidated. This Highlights the low survival rate of these businesses.

However, the SA government is under pressure to create employment opportunities and stimulate and develop the economy. The World Bank (2023) noted that SA struggles with low job creation and high inequality, ranking SA as one of the most unequal countries in the world with a Gini Coefficient of 0.63. While the official unemployment rate hovers around 25%, it reaches approximately 36% when including discouraged job seekers (Chazireni and Kader, 2021). Msomi and Olarewaju (2021) stated that South Africa's unemployment rate is the highest in the world due to SMEs being unsustainable. Julien (2018) was in support of this, indicating the need for sustainable SMEs that would create job opportunities. Unemployment and poverty are prevalent in local municipalities, making the role of entrepreneurs important in alleviating these challenges. Their contributions help improve access to essential products and services and enhance infrastructure in these areas. Hence their importance in the local economy. This study is driven by the bleak economic outlook in South Africa, despite the South African government's efforts in enacting public procurement policies to support SMME development.

1.6 Purpose Statement

The primary purpose of this study is to investigate the impact of public procurement practices on the business success of small, medium and micro enterprises (SMMEs) in GKM. Through a detailed case study analysis, the research intends to investigate how public procurement policies affect the participation, growth and long-term success of SMMEs within the GKM.

1.7 Objectives

1. To investigate the impact of public procurement on growth and business success of local SMMEs in the GKM.

2. To explore the challenges that SMMEs experience in becoming successful businesses in the GKM.
3. To investigate if the public procurement policies are meeting their intended objectives of assisting local SMMEs in the GKM
4. To Identify ways in which the local SMMEs within the GKM can become more involved in the public procurement processes.

1.8 Research Questions

1. What is the impact of public procurement on the growth, sustainability and business success of SMMEs within the GKM?
2. What are the challenges do SMMEs experience in becoming successful enterprises in the GKM?
3. Is public procurement meeting its intended objectives of assisting SMMEs in the GKM?
4. How can the local SMMEs become more involved in the public procurement processes in the GKM?

1.9 Limitation and Delimitation

1.9.1 Limitations of the Study

Given that this was a mini dissertation, the study's time frame did not allow for the inclusion of a large sample. Hence, purposive sampling was used for the study. While the sample size of 12 participants which includes 5 municipal officials and 7 black local SMME owners/managers was deemed practical and possible, given the researchers' available resources and time allowance, the sample size may not be representative of the overall target population. Having said that, the sampling procedure may provide insufficient information to contribute to the study and so the material acquired for the research may be limited and biased to some extent.

1.9.2 Delimitation of the Study

Delimitations, on the other hand, refer to the study's bounds that are controlled and purposefully chosen by the researcher (Miles, 2019). The study's delimitation is based on the impact of public procurement on the business success of GKM SMMEs; the findings and results of the study may speak to the GKM and may not capture the exact information of the impact of public procurement on SMMEs in other Municipalities. However, because GKM is part of the framework of the municipalities in the country, whatever is happening there may be the same

case in other Local Municipalities. Therefore, the findings can be transferred to other local Municipalities.

1.11 Research Outline

CHAPTER 1 — Introduction to the Research Problem.

This chapter will introduce the study and give background. It will outline the research problem of this study, research questions, objectives and Motivation of the Study.

CHAPTER 2 — Literature Review.

This chapter will provide a literature review on the impact of Public Procurement on business success of SMME's, in line with the topic under investigation.

CHAPTER 3 — Research Methodology.

The chapter will focus on the research design, methods, target population, sampling strategies, data gathering techniques, trustworthiness of the results and ethical considerations.

CHAPTER 4 — Presentation and Discussion of the Findings.

This chapter gave the research results and a discussion of those findings. The presentation and discussion were based on the findings from the research questions posed in chapter one of this study.

CHAPTER 5 — Conclusion and Recommendations.

The chapter incorporates the summary of the findings on the impact of public procurement on the business success of SMMEs in the GKM, conclusions and recommendations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The preceding chapter explored the research background, motivation of the study, highlighting the problem statement and existing gaps in the literature. This chapter consists of a review of existing literature about the study. To start with, it is necessary to give a clear definition of what can be considered as a literature review. Many authors have defined literature review as a process of looking for, reviewing, summarizing and synthesising previous work on a topic or the written summary that results from the search (Adler and Clark, 2011; Leavy, 2017). Furthermore, it also yields a complete review of the prior research on a subject pertinent to your research query. This summary highlights what is already known and what is unknown about a subject, giving context for the subject or highlighting the need for additional research

2.2 Definition of Terms

2.2.1 Public Procurement

Public procurement is referred to as the government activity of purchasing the goods and services needed to perform its functions by using public funds, governed by law and public contracts that ensure the provision of such goods, tools and services (Siyal and Xin, 2020). Manyathi, Burger and Mortimer (2021) simplified public procurement by stating that public procurement is merely the government procedure of purchasing services, works and products that are needed to meet the requirements of its citizens. According to Swensson and Tartanac (2020), one of the fundamental features of government procurement is that all of the stages of the procurement process are governed and regulated by specific policies and precise rules.

2.2.2 Small and Medium Enterprise (SME)

The term SME stands for small and medium enterprise, but in some other countries the term encompasses SMME, which stands for small, medium and micro enterprise, which comprises a large survivalist industry. In SA, the two acronyms 'SMME' and 'SME' are used interchangeably. Therefore, for the sake of the study, the two names are utilized interchangeably.

2.3 Business Success

It is considered that there isn't a commonly accepted definition of what constitutes business success, therefore each organization determines and measures success using its own standards. Hence, it is believed that the idea of corporate success is quite complicated and derives from a

variety of viewpoints. Business success can be viewed as a business of high performance. However, Billan et al. (2020) on the other hand defined business success as growth in revenue and employee count, which leads to an increase in asset base. Other writers have also claimed that success is inherent in personal characteristics like owner prospects. Similarly, Ifekwem (2021) research came to the conclusion that intrinsic factors for business success include personal income, wealth and increased financial returns; extrinsic factors include freedom and sovereignty, controlling one's own destiny and being one's own person in charge. However, Gano (2020) contended that a successful company is viewed as one that generates a respectable return on the assets used. For the purpose of this study, a successful small enterprise is an enterprise that shows sustainable growth and success within the public procurement industry.

2.4 Contextualizing Public Procurement in South Africa

In South Africa presently, public procurement has been legislated and constitutionalized to provide service delivery and address past injustices. Before 1994 during the apartheid system, the procurement function was only regulated by provincial and national legislation. The apartheid regime implemented a centralized procurement framework, where national responsibilities were entrusted to a State Tender Board. The boards were responsible for all the procurements for various departments and organizations (Brunette, Klaaren and Nqaba, 2019). This resulted in a very complicated and fragmented system as each sphere would allocate tenders to what they deemed necessary.

Tender boards were often made up of political representatives, governmental authorities, corporate interests and other associations. These interests were actively involved in tender allocation; the notion was that they would balance one another out so that tender circulation would be impartial (Brunette and Klaaren, 2020). However, that was not the case as the system was heavily influenced by apartheid politics and tender processes which lacked fairness and transparency. According to Ambe (2019), government procurement was highly fragmented due to the exclusive responsibility of the tender boards.

The public tendering system historically favoured developed and white businesses, making it challenging for small and new enterprises, particularly black-owned enterprises. Black businesses were limited in their operations, resulting in significant economic inequality (Van de Reede, 2022). As a result, this prevented these groups, which make up the majority of the population, from access to suppliers as well as fair opportunities to own a business (Shai,

Molefinyana and Quinot, 2019). Due to the severity and nature of these discriminatory acts, a dependency syndrome developed, leaving more than 70% of the population powerless due to a lack of supportive environments (Mabeta, 1991; Hlakude, 2015). By 1994, black individuals owned less than 5% of the economy, while 5% of the white population controlled 88% of the wealth (Asaf et al., 2010, Van De Reede, 2022). Consequently, many black entrepreneurs felt they could not fairly compete. In response, the democratic government enacted various policies to address these injustices, including recognizing government procurement as a means to rectify past discrimination (Rogerson and Rogerson, 2019). The Reconstruction and Development Programme (RDP) launched in 1994 aimed to dismantle apartheid policies and foster a democratic future (RDP, 1994). In 1995, the 10-point plan focused on improving access to tender information and simplifying the process (Nkwanyama and Agbenyegah, 2024). By 1996, the new South African Constitution established procurement as a tool for correcting economic imbalances and assigned regulatory responsibilities to the National Treasury, which absorbed the Tender Boards (Brunette, Klaaren and Nqaba, 2019).

The South African government went on to produce the 1997 Green Paper on Public Sector Procurement Reform, which was formulated to encourage the principles of good governance. The document outlined the procedure for dissolving tender boards; under the Public Finance Management Act and the Municipal Finance Management Act (Brunette and Klaaren, 2020). The document established the groundwork for subsequent legislation enacted to implement the Constitution's provisions. According to SALGA (2020), the post-apartheid procurement reforms aimed to use government procurement power to address past injustices and support the participation of smaller, emerging suppliers in providing goods and services. Key legislative measures that supported these reforms include the National Small Business Act (1996), the National Small Business Amendment Act (2004), the BBBEE Act (2003) and the PPPFA (2000).

The BBBEE Act promotes Broad-Based Black Economic Empowerment to ensure equality and enhance the participation of historically disadvantaged individuals in the economy (BBBEE Act 2005). The PPPFA provides a national framework for implementing preferential procurement policies, favouring Historically Disadvantaged Individuals (HDIs) and supporting the growth of SMMEs. According to the Department of Trade and Industry (2014), these legislations contributed significantly to the development of the SMME sector, especially the BBBEE Act of 2003, which created opportunities for historically disadvantaged individuals.

Furthermore, the Act expanded upon past empowerment charters spearheaded by the private sector, by standardizing their approaches (Brunette, Klaaren and Nqaba,2019). However, Tshilo and van Niekerk (2016) argued that despite these frameworks, there is limited evidence of significant SMME growth in some provinces Zilwa (2020) supported this view, stating that BBBEE and legislation are seen to have sidestep local SMMEs. Kraai (2021) added that while numerous variables contribute to the failure of SMEs, legislative frameworks are still insufficient to foster the growth of SMEs.

2.4.1 The Importance of Public Procurement

The public procurement market is substantial and continues to expand. According to Goyal (2019), public procurement has increased tenfold over the past decade, and this growth trajectory is expected to persist. Public sector organizations manage large budgets and play a significant role as both buyers and sellers in the capital market. In developing nations, public procurement is increasingly recognized as a vital component of service delivery, constituting a significant portion of total expenditure (World Bank Group, 2021). Additionally, several studies have shown that effective and efficient public procurement contributes to sustainable economic growth and development (Adekoya, 2024). Manu (2021) identified public procurement as a crucial government function and a significant determinant of a country's economy.

Consequently, many governments worldwide are beginning to formulate strategies for optimizing public procurement to enhance economic development. In South Africa, public procurement is regarded as just as important as it is in other countries. According to the Ambe (2019), the government views procurement as a commitment to the well-being of South Africans and to building the nation's economy. The fundamental importance of government procurement as a policy mechanism for accomplishing national government goals is emphasized in the National Development Plan (NDP) 2030, which ensures that government procurement will be an essential driver of demand for SMMEs (Department of Small Business Development, 2023).

2.4.2 The Objectives of Public Procurement

In many countries around the world, public procurement is understood to have two sets of objectives: primary and secondary. The primary objectives pertain to the procurement of goods

and services necessary for delivering infrastructure and other public services at the most advantageous terms (Fourie and Canal, 2020). These primary objectives are often associated with principles of good governance and typically include quality, time, cost, risk minimization, competition maximization and ensuring integrity and transparency (Thai, 2009; Adediran, 2018). The secondary objectives of public procurement focus on promoting broader social, economic and environmental outcomes (Fourie and Canal, 2020). These can include increasing economic activity, shielding domestic companies from foreign competition, making particular industrial sectors more competitive, and resolving national disparities. (Bolton, 2006; Ambe, 2019). In South Africa, these objectives are outlined in the Constitution of the Republic of South Africa, Act 108 of 1996, specifically in Section 217.

Secondary objectives of public procurement enable the SA government to foster job creation and contribute to various social aspects of the country this includes support for SMMEs. Section 217(2) of the Constitution allows the use of public procurement as a policy tool to achieve specific constitutional goals of promoting equality through preferential treatment of contractors in certain situations. However, it is important to recognize that the implementation of these objectives is governed by various laws and regulations which could complicate their execution. As a result, many governments have struggled to successfully achieve both sets of objectives. According to Mdadane (2022), while some public procurement goals may seem straightforward, history demonstrates that actual implementation often faces obstacles and conflicting policies. There appears to be a fundamental mismatch between the public procurement regulatory framework and its stated developmental objectives (Brunette and Klaaren, 2020). Public procurement officials frequently encounter the challenge of balancing competing socio-economic objectives. Consequently, these officials must continuously evaluate the trade-offs between conflicting procurement objectives to reach optimal decisions (Thai, 2009; Adediran, 2018).

2.5 The Concept of SMMEs

Any organization created to support small businesses and primarily composed of individuals running such businesses in any economic sector, regardless of incorporation status, is classified as an SMME (Asytuti et al., 2024). This includes officially registered, unregistered and VAT-exempt organizations (SEDA, 2023). While Department of Planning, Monitoring and Evaluation (DPME, 2020) defined SMMEs as registered businesses with fewer than 250 employees, this does not adequately distinguish between SMMEs. Defining SMMEs is

challenging, leading to a lack of a universally accepted definition despite their economic importance (Mtambo, Lubbe and Ohei, 2023). The unique characteristics of various industries complicate this further; criteria that classify firms as small in one sector may differ in another (Pulka and Gawuna, 2022). Often, nations consider factors such as asset value, number of employees and annual turnover when defining SMMEs. The number of employees is the most common criterion, but there is no consensus on size limitations (Contreras, 2022). Globally, SMMEs are mainly categorized based on paid-in capital, annual revenue and employment numbers. In the European Union, SMEs are businesses with less than 250 people and an annual revenue of up to 50 million Euros (Kushnir, 2010; DPME, 2020).

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ €50 million	or	≤ €50 million
Small	< 50	≤ €10 million	or	≤ €10 million
Micro	< 10	≤ €2 million	or	≤ €2 million

Figure 2. 1: European Union Definition of Small and Medium Enterprises

Source: DPME, (2020).

Similarly, in China, an SME is defined as a business with fewer than 3,000 employees and revenue ranging from 10 million to 400 million Yuan (DPME, 2020). The National Small Business Act (1996) defines SMMEs as "small businesses," but various agencies do not apply this definition consistently, complicating comparisons of studies and data related to SMEs.

2.5.1 Different Categories of SMMEs in South Africa

According to the National Small Business Act 102 of 1996 in South Africa, SMMEs are categorised into five stages namely: survivalist, micro, very small, small and medium-sized enterprises. These stages are briefly discussed below as follows:

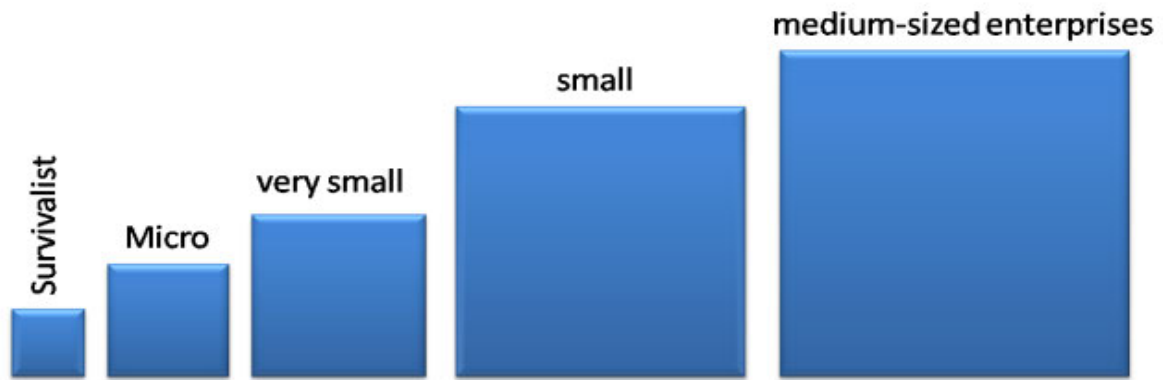


Figure 2. 2: Various Categories of SMMEs in South Africa
Source: Development of Small Business Development (2023)

2.5.1.1 Survivalist Enterprise and Micro Enterprise

The informal sector includes micro survivalist and micro non-survivalist firms. These businesses are owned by black South Africans. In the survivalist group, there are no paid staff and there are very few assets (Ndlovu, 2021). Often operated by individuals who cannot find employment and the aim of starting or entering into business is to generate some income. These businesses are not registered for VAT or income tax. In the micro-enterprise group, the revenue is less than the annual R150 000 limit for VAT registration (Adediran, 2018). These businesses typically lack registration related to formality. These owners have inappropriate business abilities and training for managing the business and have few chances for expansion. According to the DSBD (2023), it is not realistic to expect these enterprises to move from informality to full formality while they lack financial and economic inclusion

2.5.1.2 Very Small Enterprises

Very small firms are on the verge of developing into small or medium-sized businesses. Since they have already been formalized. These categories of enterprises hire less than ten workers. These enterprises are familiar with technology and are professional; they operate and adhere to the official labour market standards. Entrepreneurs who work for themselves are included in this group (Zulu, 2017; Ndlovu, 2021).

2.5.1.3 Small Enterprise

The maximum number of employees is 50 and the business owners do not oversee them directly (Ndlovu, 2021). They are probably tax-registered, run their operations out of commercial or industrial spaces and adhere to other official registration requirements (Zilwa, 2020). Small

businesses typically have more reputable and experience than very small businesses and use more sophisticated business procedures. Adediran (2018) claimed that the companies have gross assets of between R500,001 and R1 million and/or produce annual revenues between R200,001 and R6 million.

2.5.1.4 Medium Enterprise

This group has a complex organizational structure and includes a range of professionals with different abilities. Although the owners have direct control of their business, they give the management the authority to make executive decisions (Ndlovu, 2021). The maximum employee count is 100, or 200 in the case of skilled workers. These businesses are frequently distinguished by the decentralization of power to an additional management layer and the division of labour. Their annual revenue ranges from R6.1 million to R26 million (Adediran, 2018).

2.6 The Impact of Public Procurement on the Growth and Success of SMME

The White Paper on Reconstruction and Development Programme (1994) clearly advocated for preferential procurement and full engagement of SMMEs owned by Previously Disadvantaged Individuals (PDIs). Furthermore, the National Treasury's General Procurement Guidelines reinforced the government's commitment to supporting SMME development (National Treasury, 2018).

Public procurement across the world plays an important role in stimulating markets and promoting inclusive development. According to Mwanaumo et al. (2024), public procurement serves as a strategic tool for promoting the goal of building a strong domestic business sector that provides employment, integrates into the local economy, and improves the country's welfare. This is particularly important for SMMEs, which are widely recognized as engines of economic growth. Odei, and Hamplov (2022) noted that enabling SMMEs to access public procurement opportunities not only enhances their financial sustainability but also promotes industrial innovation and competitiveness. Empowering SMMEs through public procurement contributes to broader economic freedom by fostering job creation, supporting industrial development, expanding the tax base, and increasing participation in the formal economy.

Ayalu, Abbay and Azadi, (2023) argued that the success of small enterprises is directly linked to sustainable development and improved livelihoods. Furthermore, Liu et al. (2024)

emphasize that increasing SMME participation in public procurement can significantly contribute to GDP growth by boosting local production and strengthening the role of domestic industries in national value chains. Therefore, leveraging public procurement to support local SMMEs is essential for achieving inclusive economic transformation.

Despite these acknowledged benefits of public procurement, research has not sufficiently examined the exact impact of public procurement on SMME development. While globally, the role of public procurement in the development of SMMEs has gained significant attention (Israel and Kazungu, 2019), questions still arise about how effective public procurement is in supporting SMMEs. Many studies have yet to clearly determine the extent to which public procurement contributes to the growth and success of SMMEs. According to Gabela and Okeke-Uzodike (2020), this area remains under-studied as there is not much known about how effective public procurement is in actually supporting the growth and success of SMMEs. OECD (2024) call for more empirical research on the tangible results of public procurement on SMMEs development.

This topic has gained increased attention as a result of successful international efforts to support SMMEs through public procurement. For instance, in the United States, SMEs are entering into direct contracts with the government, some of which are subcontracted to larger enterprises. In contrast, the South Korean approach emphasizes the joint development of SMEs and major enterprises (Park and Ryu, 2021).

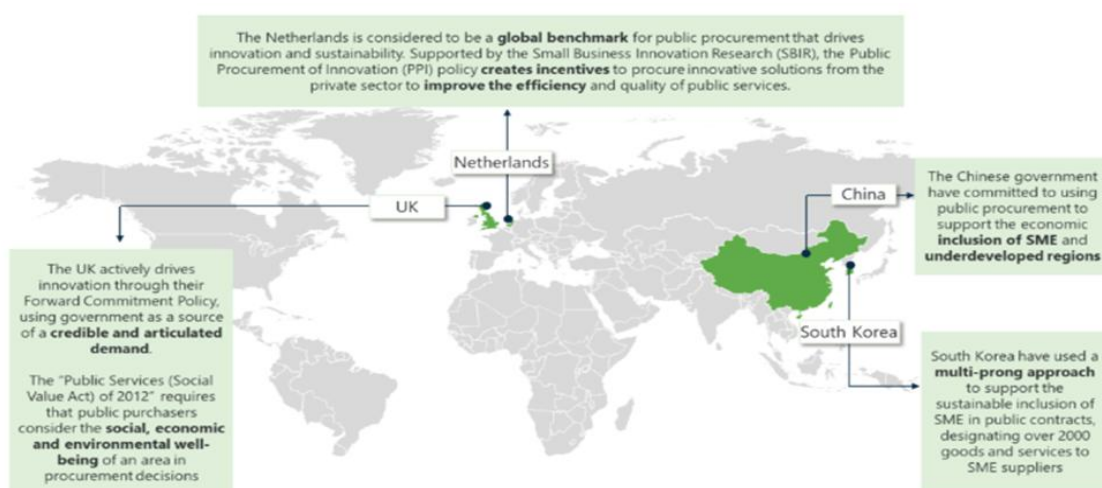


Figure 2. 3: International Public Procurement Best Practice
Source: Hoekman and Tas (2020)

Ambe (2019) asserted that the public procurement market plays an important role in the growth of SMMEs as the government has the power to influence this sector, unlike the private companies. Sarter (2024) stated that procurement provided business and employment opportunities and could serve as a government policy tool to facilitate social and economic growth. The public procurement sector often serves as an important market for small enterprises thereby making it vital to enhance public procurement processes by eliminating barriers and increasing SMME participation. Hoakman and Tas (2020) argued that SMMEs can target public sector markets to achieve demand stability and secure a reliable income stream. Mwanaumo et al. (2023) agreed, adding that this stability and predictability allow SMEs to plan for the future, invest in new equipment and expand their workforce. However, the prospects offered by public-sector markets for SMMEs may not be sustainable in the long term due to financial constraints arising from austerity measures and budget cuts (Citroni, Lippi and Profeti, 2019). As a result, it is unwise for SMEs to rely solely on public sector markets for their income; they may need to seek additional opportunities to generate extra income and ensure a continuous revenue stream (Tsikad, Imranand Ullah, 2024).

Lee (2021) revealed that securing at least one government contract every quarter contributed to a 2.2 percentage point increase in the firm growth during that period. Furthermore, a recent report suggested that SA could enhance support to their small businesses by considering reserving certain types of procurement contracts for their SMMEs, similar to what the US, South Korea, and Japan already do (Timm, 2011: 43; Rogerson and Rogerson, 2019). According to the Asian Development Bank (2020), set-asides are sometimes used to correct market failures.

Encouraging SMME growth via public procurement can also help South Africa reach its pro-poor local economic development objectives (Rogerson and Rogerson, 2019). However, the implementation of these suggested policies seems to have overlooked this sector. Numerous studies indicated that SMMEs face specific obstacles due to their size, which hinder their ability to compete for and secure public contracts (Enwereji, 2023). Official statistics show that SMEs remain underrepresented compared to large firms regarding the aggregate value of procurement contracts awarded by public sector agencies (Brunjes and Rodriguez-Plesa, 2024). According to Liebenthal and Cheelo (2020), SMMEs account for less than 7% of the public procurement market share, implying that over 93% is dominated by large companies. This underrepresentation is primarily due to various obstacles associated with procurement

processes, bureaucratic systems, market conditions and challenges that small and medium-sized enterprises encounter when trying to enter procurement markets (Mdadane, 2022). These challenges collectively hinder the effect of public procurement on SMME growth and success despite the SMME sector potential to serve as a growth catalyst.

2.7 The Contribution of SMMEs

Both theoretical and empirical evidence highlight the significant contribution that is made by SMEs to the economic growth of any nation worldwide (Khan and Khalique, 2014; Musa and Chinniah, 2016; Hafiz et al., 2022). SMEs serve as vital drivers of economic growth in both advanced industrialized countries and emerging economies.

In many countries, SMEs mostly dominate the economy and their impact on the national economic landscape is increasingly recognized on a global scale (Naradda Gamage et al., 2020). In the People's Republic of China (PRC), for example, SMMEs account for 99.9% of all businesses, employ 84% of the workforce and contribute 71% to total sales (Asian Development Bank, 2020). In Europe, SMEs are regarded as the primary source of entrepreneurial skills, innovation and employment, providing approximately 75 million jobs (Pulka and Gawuna, 2022). In India, SMMEs contribute about 45% of the manufacturing output and generate around 40% of the country's total exports (Das, 2021). As a result, SMEs are seen as global economic growth engines. According to the DPME (2020), SMEs represent about 90% of all businesses globally and provide an estimated 50% of all employment worldwide. In addition, SMEs are estimated to contribute close to 40% of the GDP in emerging nations (World Bank, 2021).

Das (2021) argued that SMEs are major contributors to a country's GDP, regardless of its level of development. Their contribution is even higher in countries with lower per capita incomes (Robu, 2013, p. 86; Swanepoel, 2018). The World Bank estimates that by 2030, approximately 600 million jobs will need to be created to accommodate the growing workforce (DPME, 2020). It is estimated that SMMEs will be responsible for the creation of four out of five new job opportunities (Ndiaye et al., 2018). This forecast underscores the important role played by SMMEs in shaping the economic landscape of developing economies.

2.7.1 SME's Contribution to South Africa

The SA government has recognized the importance of the SMME sector even going as far as creating a Ministry of Small Business Development in 2014. The intention of the ministry is to promote and develop small businesses (SEDA, 2023). In addition, the Ministry of Small Business Development was created as part of the SA government's commitment to prioritize economic growth and job creation. Enaifoghe and Ramsuraj (2023) emphasized that new businesses are a vital answer to South Africa's problems of unemployment and economic growth. Theletsane (2020) reinforced this argument by noting that without newly established enterprises entering the market, South Africa faces the threat of economic stagnation. Therefore, SMMEs are vital for a robust local economy, since they can employ more people and create opportunities for citizens to succeed. A similar sentiment was echoed by Bas (2021) who argued that the growing recognition of SMMEs among scholars stems from the significant social and economic benefits the sector provides. Mdadane (2022) discovered that the SMME sector plays a crucial role in promoting equity in South Africa through the employment of PDIs. Furthermore, SMMEs contribute to poverty reduction and are known for their innovative capacity.

In South Africa, the small business sector accounts for about 95% of all enterprises (Saah, 2021). SEDA (2020) estimated that at least 2,503 296 SMEs were operating in the country in 2020, of which 755,265 were classified as informal businesses while 1,748,031 operated as formal businesses. DSBD (2023) reported an even higher figure, estimating approximately 3.2 million SMMEs that collectively contributed 47% of the GDP. This finding is corroborated by the International Finance Corporation (2020), although it rated SMEs' GDP contribution slightly lower, at around 34%. According to Mdadane (2022), this reflects a significant increase compared to 32.58% in 2012. Some argue, however, that these figures do not adequately account for the underreported informal economy, particularly micro-enterprises (Swanepoel, 2018).

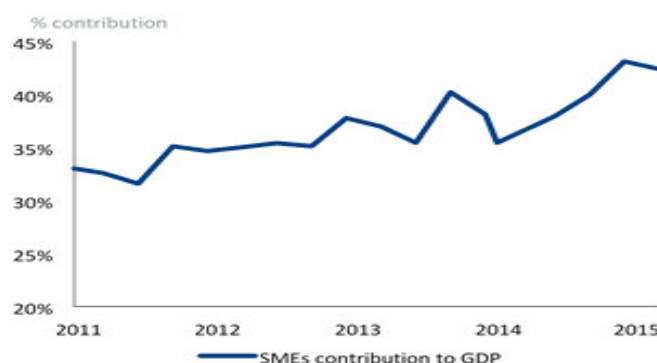


Figure 2. 4: SMME Contribution to the South African Economy in terms of GDP

Source: Mukwarami, Mukwarami and Tengeh (2020)

Not only do SMMEs significantly contribute to the country's GDP, but they also play a crucial role in employment. According to the DSBD (2021), SMMEs in South Africa contributed about 57% to total employment. This was supported by the Small Enterprise Development Agency (SEDA, 2023), which estimated that SMMEs provide 59% of total employment, with approximately 27% of that going to SMME owners and the remaining 73% to their employees.

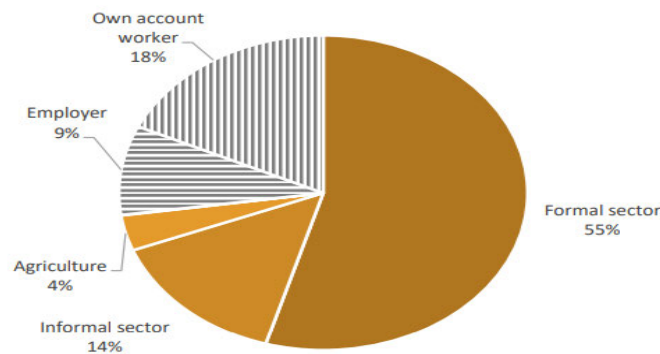


Figure 2. 5: Employment provided by SMMEs.

Source: Small Enterprise Development Agency (2023)

The SA government has indicated that the National Development Plan (NDP) aims for SMMEs to create 90% of jobs and improve the annual economic growth rate by 5% by 2030 (DSBD, 2023). However, the South African Institute of Chartered Accountants (SAICA, 2015) argued that unless the government alters its strategy for SMME development, such ambitious plans cannot be achieved. According to Borhat et al. (2018), small enterprises in SA face inadequate support and encouragement for their growth and sustainability and as a result, many SMEs struggle to survive, with numerous businesses closing shortly after they begin operations.

2.8 Factors that are inhibiting SMME growth in public procurement.

SMEs go through a rough patch as there are far too many challenges and uncertainties which are encountered (Anand and Dalmaso, 2020). Despite the importance of SMMEs in creating jobs and economic empowerment, they encounter obstacles such as inadequate funding, business management expertise, resources, limited assistance, complicated regulations, and corruption in the public procurement industry (Ayandibu and Houghton 2017; Ndiaye et al. 2018). According to Enwereji (2023) these restrictions impede SMMEs from enhancing their operations and seizing commercial opportunities. The following constraints have been deemed as major challenges to SMMEs in public procurement.

2.8.1 Lack of Financial Resources

Many previous studies have identified a lack of financing as a significant barrier for SMMEs particularly in developing nations (Nkwinika and Akinola, 2023). This point is emphasized by Jordaan and Coetzee (2021), who stated that financing is a major obstacle to the growth of SMMEs. According to Mukwarami, Mukwarami and Tengeh. (2020), capital is the lifeblood of a firm and its unavailability can significantly impact the development and expansion of SMMEs in various ways. The International Finance Corporation agreed (IFC,2020), noting that the potential of the SMME sector to drive economic growth and employment could be better realized if these businesses had access to productive financing. However, studies have suggested that obtaining adequate financial capital remains a major challenge for small business owners globally (Enwereji, 2023). Consequently, a lack of finance and low profitability are among the most common causes of business failure.

According to Mafunda and Mafini (2019), SMEs face challenges in securing funding from financial institutions and establishing credit lines for purchasing new equipment. Compared to other economic sectors, SMEs are more constrained when it comes to loans, primarily because banks are often reluctant to expand funding access. This reluctance stems from various factors, including a lack of knowledge about the risks involved in lending to SMEs, insufficient information and unfavourable financial policies (Mhlongo and Daya, 2023). In South Africa, financial institutions tend to adopt a more conservative stance, showing a preference for lending to small enterprises that are further along in their development (Mtambo, Lubbe and Ohei, 2023). Consequently, SMMEs must demonstrate a history of stability in their business before the bank could even think of taking a risk of offering any kind of financial help, which is challenging for SMMEs as most of these enterprises are still in their early stages of development and are still struggling to build their business. As a result of limited financing options, SMMEs are more likely to pursue small-scale operations which could hinder their growth due to restricted cash flow (World Bank, 2018; DPME, 2020). In some cases, SMMEs have sought out small microfinance lenders who often charge exorbitant interest rates that are difficult to repay. These high financing costs negatively affect SMMEs preventing these enterprises from achieving success and slowing their growth (Kraai, 2021). According to Bhorat et al. (2020), for SMMEs to have a chance of thriving in South Africa financiers must understand the circumstances surrounding potential small business owners and the challenges that they face.

2.8.2 Lack of Management Skills and shortage of skilled Labor

Mhlongo and Daya (2023) stated that the problems facing SMMEs sustainability can be tied to poor management and leadership skills as well as lack of leadership experience and insufficient education and training, which then affects technical and management capabilities. Managerial abilities encompass team management, project oversight within the organization and the supervision of financial constraints. DPME (2020) further included decision-making, budgeting and planning skills. Managerial skills emphasize a manager's capacity to coordinate individual efforts to achieve meaningful results. According to Da Silva Carvalho (2020), strong management skills enable an organization to conduct tasks more cost-effectively and respond more flexibly to changes. Additionally, as a form of human resource capability, managerial skills are critical for a firm's ability to manage the formal aspects of tendering and public contracting (Flynn and Davis, 2017; Da Silva Carvalho, 2020). Saah (2021) pointed out that the lack of management skills represents a significant systemic issue within the SMME sector. Similarly, Gabela and Okeke-Uzodike (2020) found that strict documentation requirements, the expense of tendering, and a lack of information deter SMEs from participating in public procurement. Enwereji (2023) noted that the challenges for SMMEs include both a lack of management expertise and a shortage of labour. 6

Kristanti, Rahayu and Isynuwardhana, (2019) contended that it is difficult for SMMEs to find competent workers who have the required training and experience. According to Mafunda and Mafini (2019), there are many black-owned SMEs that are faced with a shortage of skills due to the ongoing departure of professionals with the technical abilities required to oversee projects. The inability to retain skilled workers can significantly harm the company, making it challenging to meet delivery deadlines. This, in turn, affects the quality and standards of operations, ultimately reducing overall company performance.

2.7.3 High Competition

According to Naradda Gamage et al. (2020) competition is one of the main issues that is facing SMMEs, especially in developing nations where SMMEs are finding it difficult to resist the pressure put by large companies within the marketplace. The Swedish Institute for Growth Policy Studies agreed and claimed that SMME's participation in government procurement is limited due to big corporations being mostly in control of the resource supplier of resources in developing and submitting tenders, in contrast to smaller businesses (Mkele, 2019). The IFC

(2020) further stated that SMMEs are mainly challenged by an environment where access to customers and markets is constrained by the level of fierce competition.

From a marketing standpoint, SMMEs lack the competitive advantage required to compete with large corporations and build a market niche due to their size. SMMEs are unable to enter marketplaces and compete with established brands and hence lack negotiating power when compared to larger enterprises (Chimucheka, 2013; DPME, 2020). According to Mukwarami, Mukwarami and Tengeh (2020), in any market setting, they are leading players who are in charge of the rate of innovation, cost, and other factors in a particular sector and often act as dangers to smaller or less powerful businesses. Ramphoma (2021) addresses the issue of inadequate access to markets as one of the issues that limit the participation of SMMEs in public sector procurement dealings. Similarly, the IFC (2020) highlighted that SMMEs in SA face barriers to accessing the market, this includes limited integration into value chains and constraints in reaching broader customer bases. Hence, it is imperative that the government develop a more inclusive procurement framework and provide easier means for SMMEs to access the public procurement market. This will enable SMMEs to participate meaningfully and competitively in public sector opportunities.

2.7.4 Rigid Procurement Processes and Complex Government Regulation

According to Suliantoro, Winarno and Handayani (2019), the procurement process is central to the government's acquisition of goods and services, irregularities are most likely to occur during the process, which could make it more difficult for SMMEs to secure government procurement of goods and services. Olusegun and Akinbode (2016) stated that the bidding process of procurement of goods is regulated most rigorously and consumes resources and even minor variations from the requests may lead to the elimination of the service provider. SALGA (2020) concurred with such and further stated that the procurement regulations are impartially limited, in that as much they provide an organ of the state to develop its procurement policy and apply it within the framework of these legislations, the organ of state is not able to use a system that is more favourable to HDI or SMMEs.

The process is very competitive and presents significant challenges for SMMEs in contrast to larger companies, primarily due to factors such as the need for substantial capital and specialized technical know-how expertise (Malope, 2024). According to Ramphoma (2021), startup SMMEs in the procurement market lack expertise and the necessary know-how and

struggle to understand the requirements and jargon in tender bid documents. Research on procurement challenges at the Gauteng Metropolitan Local Government found that SMMEs view public procurement processes as confusing, costly, and time-consuming (Antonites and Truter, 2010). According to Varga (2021), reducing the administrative burden inside the government is one of the essential activities that the government needs to undertake to encourage small business development.

Kraai (2021) stated that there is a need for the establishment of efficient government procurement policies, robust processes and qualified individuals to guarantee that opportunities are cascaded swiftly, transparently and equitably, enabling SMMEs to access public procurement opportunities. Estrin et al. (2019) argued that governments in developing nations might have to put more effort into encouraging the growth of entrepreneurship by enacting laws that create a favourable atmosphere while simultaneously attempting to reduce transaction costs and uncertainty.

2.7.5 Lack of Information Availability

Lack of information in government procurement is highly considered as a hindering factor for many SMMEs in SA. According to Suliantoro, Winarno and Handayani. (2019), due to lack of access to information the SMEs miss out on many opportunities to track public procurement of goods and services. Ramphoma (2021) agreed, stating that inadequate access to essential information is perhaps the most significant impediment to SMME participation in public procurement. Hence, when competing effectively in public procurement, access to information is critical since the requirements issued in the tender documents must be met (Siyal and Xin, 2020). As a result, if the request is ambiguous in any way the SMMEs will be unable to bid properly on the advertised contract.

A study on SMMEs in the Tshwane Metropolitan Municipality found that small enterprises had limited awareness of available tender opportunities, highlighting gaps in knowledge and access to information. (Malope, 2024). In another study, Mdadane (2022) discovered that the unavailability of information on procurement opportunities is due to procurement-related practices such as corruption and fraud. Government tenders are posted in a various range of media, however SMMEs face difficulty in obtaining information about future contract prospects. Which reduces the chances of SMMEs participating and winning tenders in public procurement.

2.7.6 Late Payments

There are several primary reasons why SMME enterprises struggle to survive. The first is that SMMEs are never paid on time; they spend 6% of their time chasing government payments, which diminishes morale at the workplace and substantially affects cash flow (Sicetsha, 2018; Ndlovu, 2021). Arguably Late payment of suppliers has continuously affected the performance of many SMMEs in SA. According to the Xero State report (2019) regarding late payments in South Africa, 91% of small businesses are experiencing delays in receiving payments beyond their standard terms. This then delays the growth and performance of these enterprises.

According to Tshilo and van Niekerk (2024), cash flow is a hurdle that prevents SMMEs from engaging in procurement; normally, tendering requirements provide for payment within 30 days, but the government rarely pays contractors on time. This is the case in most departments and municipalities in SA. Late payments often upset the entire operation of SMMEs as they are unable to maintain optimal cashflow which makes it difficult for SMMEs to pay their staff and buy stock. Makwara (2022) concurred, adding that SMMEs experiencing late payments bear opportunity costs connected with following up on these payments. A study done by DPME (2020) established SMMEs typically spend an average of 5 to 20 days pursuing overdue payments. If it had to be turned to monetary terms it would equate to enormous costs that could otherwise be spent for business expansion and job creation. According to Otto (2023), due to late payments, SMMEs lose their competitive advantage and market share to enterprises that do not encounter similar issues. Finally, Dlovu (2021) noted that because this industry is unable to collect payments, they are unable to attract the most skilled workers. This then affects the quality and standard of their job.

2.7.7 Corruption

Corruption Watch defines corruption as a businessperson bribing a government official in order to get a government contract or license (Corruption Hotline, 2019; Shai Molefinyana and Quinot, 2019). Naidoo and Magakwe (2023) claimed that constraints to business expansion are particularly prevalent in nations with weak rule of law and significant levels of corruption. This was corroborated by Muchoka (2020), who stated that the development of small and medium-sized enterprises is directly related to the following factors: Government restrictions and policies, corruption and competitiveness. According to Pike, Puchert and Chinyamurindi (2018), corruption has the tendency to promote incompetent entities and flouting of tender

procedures, which have a devastating effect on the procurement of goods and services and the survival of companies. This usually has a lasting effect on the services which are provided as they are not done to standard. Also, in public procurement corruption also imposes high costs on both the government and the civil society. When the public procurement process is rigged with corruption, competition is unable to play its function of driving the prices down and quality up, thereby resulting in the loss of taxpayer money and lowering the quality of infrastructure and public services offered (World Bank Group, 2021).

South Africa has been one of the most corrupt countries in the world. A report by The Afrobarometer report on corruption, which was released on 13 September 2017, found that SA has been among the worst-performing countries when it comes to corruption (Transparency International, 2017; Mdadane, 2022). Another analysis by Corruption Watch (2020) on Local Government (LG) in SA found that the most common type of corruption in LG is resource misuse, which makes up 35% of corruption charges, which include 19% of corruption cases detailing procurement corruption by councillors and organized groups which are similar to cartels. Table 2. illustrates the trend in Local Government in SA

TOP MUNICIPAL CORRUPTION TRENDS	2019	2020
Misappropriation of funds	18.1%	35%
Procurement irregularities	35.5%	19%
Employment irregularities	11.8%	12%

Table 2. 1: Municipal Corruption Trends

Source: Corruption Watch (2020)

According to Ndlovu (2021), all these difficulties result in too many SMMEs closing down their businesses in SA.

2.7.8 Ineffective Support to SMMEs Requirements

There is also an issue of Ineffective support to SMMEs. Government support goes beyond its responsibility to establish a supportive environment, and it also involves the efforts of specialized departments and organizations to offer SMMEs marketing, financial, and training assistance. Over the years the SA government has developed departments and entities that are meant to assist in the development of these enterprises, such as SEDA, SEFA and IDC. However, despite the effort by the SA government in establishing these avenues of support for

SMMEs, these enterprises still continue to face challenges as a result of the lack of support. According to Mdadane (2022), the support is dispersed and poorly planned, and the majority of SMMEs are unaware of the programs available or how to apply for them. Furthermore, the support often takes time and stipulates so many requirements that should be adhered to before even considering the application, which then delays the success of SMMEs. In real practice, a large number of these SMMEs are incapable attain the enterprise objectives and require additional assistance and resources from both internal and external stakeholders including public and private institutions as well as from close associates, who may include friends and family (Rungani and Potgieter, 2018). Hence it is important for the government to be more involved through their programs and drive policies that encourage support to SMMEs.

2.9. Conceptual Framework

This study used a conceptual framework that shows the relationship among different variables. According to Shikalepo (2020) a conceptual framework is a visual representation that illustrates, either narratively or graphically, the primary subjects of the study the important variables, concepts and the assumed links between them. Formulating a conceptual framework for this study was necessary as it helped clarify the independent variables measured against the dependent variables and provided a general framework for the research. Conceptual framework also serves as a guide that outlines the key concept and also provides the structure and analytical approach for the research as a whole.

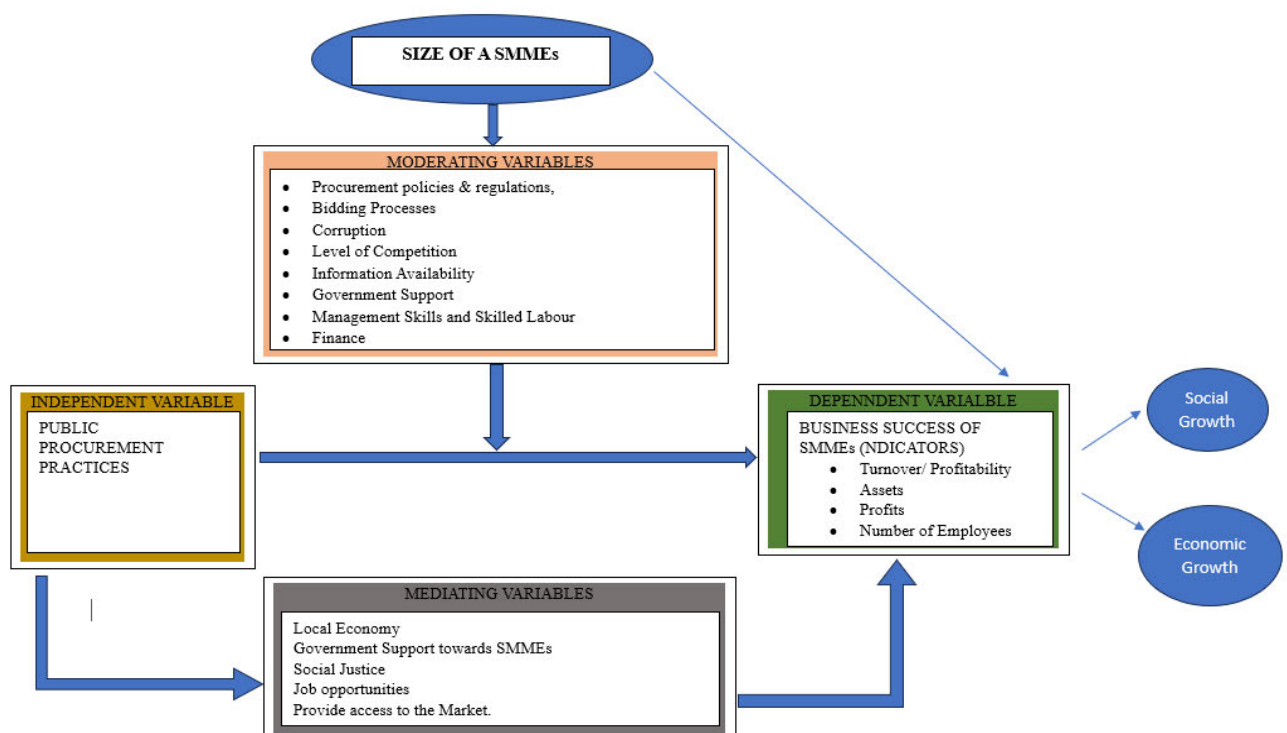


Figure 2. 6: Researcher Conceptual Framework

Source: Researchers' own Conceptualisation

Based on the literature review, a conceptual model is developed to show the relationship between public procurement and the business success of SMMEs. Public procurement plays a crucial role in SA, to the extent that it is enshrined in the country's Constitution of 1996. Its primary role is to provide goods and services for the delivery of public services. However, its secondary objectives involve promoting social development by addressing historical inequalities through targeting HDIs and SMMEs. The government, through its procurement policies, must ensure fair opportunities for all the people of the country with particular emphasis on extending economic benefits to black-owned SMMEs. This not only supports their financial growth but also contributes to the social and economic development of the country. Therefore, the conceptual framework positions public procurement as the independent variable and business success of local SMMEs as the dependent variable. Several moderating variables such as corruption, the bidding process, level of competition, access to finance, management skills, skilled labour, and the procurement process are assumed to influence the relationship between procurement and SMME growth and success, as depicted in the conceptual framework (see Figure 1). For SMMEs to thrive, these challenges must be addressed through targeted strategies that support their growth and active participation in public procurement.

2.9 Chapter Summary

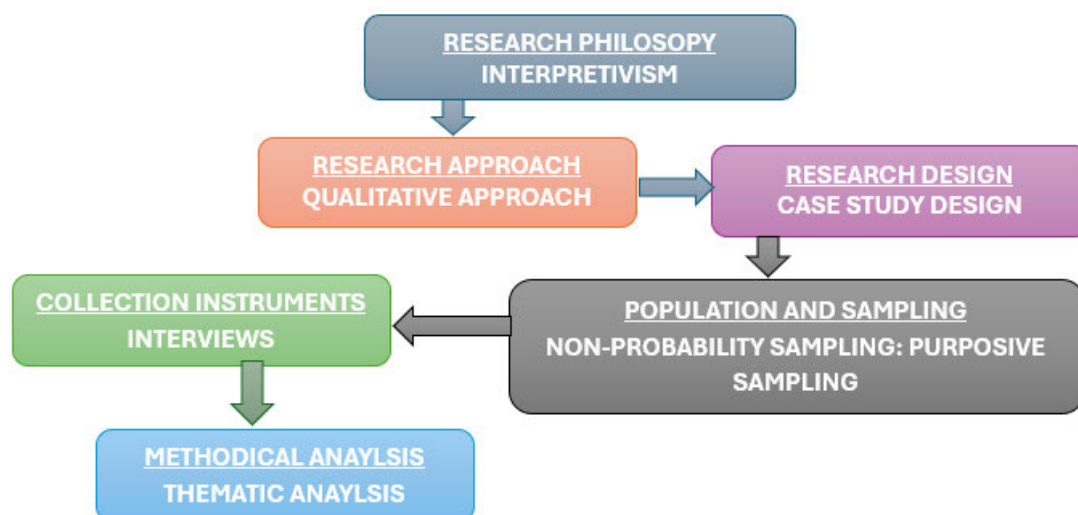
Chapter 2 reviewed the legislative and policy frameworks guiding public procurement in South Africa, with particular emphasis on public procurement's strategic role in addressing the country's social and economic challenges. The literature highlights public procurement as a powerful tool for stimulating local economic development and supporting the growth of SMMEs due to their contribution to job creation, innovation and competitiveness. However, the literature also reveals that many SMMEs are still struggling to benefit meaningfully from public procurement due to many challenges and obstacles that these enterprises encounter in public procurement. Furthermore, the literature points out that there remains a lack of clear evidence showing that public procurement has truly improved the success, growth, and competitiveness of small businesses. The next chapter, Chapter 3, intends to deliberate on the research methodology that is used in detail.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter 2, reviewed relevant literature and emphasized the concept of public procurement and SMMEs, provided the main objectives of public procurement and also the impact of public procurement on the SMMEs success. This chapter will examine the research methodology, research design, sample techniques, data collection methods and ethical considerations.

Figure 3. 1: The Diagrammatic flow of Research Methodology:



Source: Saunders, Lewis and Thornhill (2019)

3.2 Research Philosophy

Studies typically have underlying philosophical assumptions regarding their applicability and the suitability of their research methodology for knowledge creation (Ndlovu, 2021). As a result, it is critical to describe the research philosophy that guided the development of this research in order for the research to stay within the boundaries of its targets and objectives. A research philosophy is defined as, “the rulebook of the researcher, or the manner in which the researcher views the world, the researcher will have expectations about knowledge, the design of the research questions, approaches and clarification of findings” (Saunders, Lewis and Thornhill, 2019).

According to Dlamini (2016), the philosophy of interpretivism regards reality or being as socially created and prone to change, since human behaviour influences knowledge of the changing world. Interpretivism is more concerned with in-depth variables and factors related to a context; it regards humans as distinct from physical phenomena because they create deeper meanings, with the assumption that human beings cannot be explored in the same way that

physical phenomena can (Alharahsheh and Pius, 2020). As a result, this research is guided by the interpretivist philosophy, as it aims to understand the situation being studied and considers the participants' ideas, opinions and emotions.

3.3 Research Approach

According to Saunders, Lewis and Thornhill (2019), there are three types of approaches that can be followed when conducting research which are inductive, deductive and abductive approaches. The deductive approach refers to studies that start with a theory, often developed from reading academic literature, and the researcher designs a research strategy to test that theory (Saunders, Lewis and Thornhill, 2019). The inductive approach, in contrast to the deductive approach, describes research that starts with data collection to investigate a phenomenon and then lets theory develop from the results (Saunders, Lewis and Thornhill, 2019). In the abductive approach, a phenomenon is investigated by gathering data, recognizing themes and patterns, and then creating or adjusting a theory to account for those patterns (Saunders, Lewis and Thornhill, 2019).

This research initially considered all three approaches to determine which approach will best align with the study objectives. However, since the study aims to understand the impact of public procurement on the business success of local SMMEs in the GKM through gathering insights directly from participants, without depending on pre-existing theories the inductive approach is the most suitable. It enables the researcher to extract significant themes from the data and create an understanding based on the participants actual experiences.

3.4 Research Methodology

Saunders, Lewis and Thornhill (2019) identify three main methodological options which are qualitative method, quantitative method and mixed methods. Quantitative methods often involve using closed-ended questionnaires and arithmetic data analysis, the method is often applied in experiments or structured surveys. In contrast to the qualitative methods which rely on individuals lived experiences and viewpoints through open-ended questions, interviews, and narrative data (Zohrabi, 2013). Mixed methods research combines quantitative and qualitative methodologies to create a more thorough perspective. Although, quantitative data can be more efficient and easier to analyse. However qualitative data allows for a more nuanced and detailed exploration of the research problem (Zohrabi, 2013). Saunders, Lewis and Thornhill (2019) highlighted that one of the fundamental distinctions between qualitative and quantitative research lies in the use of non-numerical versus numerical data.

Given that this study intends to gain a deeper understanding of local SMMEs' experiences and opinions about public procurement in the GKM, a qualitative methodology approach was thought to be the most suitable for the study. This method makes it easier to get detailed and descriptive information directly from the people whose livelihood and operations are affected by the public procurement practices such as the business owners and relevant municipal officials. The qualitative approach was selected not only for its capacity to gather precise and relevant information aligned with the research objectives (Petty, Thomson, & Stew, 2012; Poole et al., 2015) but also for its interpretive nature, which enhances the authenticity and trustworthiness of the findings (Griffin, 2014; Mafundu & Mafini, 2019). According to Saunders, Lewis, and Thornhill (2019), qualitative research strengthens the credibility and validity of results through its emphasis on real-world contexts and participant perspectives.

Specifically, in the context of this study, the qualitative approach enabled a deeper understanding of how public procurement influences the business success of SMMEs in GKM. The phenomenon under investigation was explored by examining the perceptions and experiences of key stakeholders involved in municipal public procurement.

3.4 Research Design

According to Saunders, Lewis and Thornhill (2019), a research design is an overall plan that a researcher adopts in the collection of data that will be used for answering research questions. It develops the process and plan for data collection, measurement and analysis. There are several research strategies, that can be used in a research e.g. Experimental design, Survey design, Archival research, Case study, Ethnography, Action research, Grounded theory and Narrative inquiry (Saunders, Lewis and Thornhill, 2012). A case study, according to Simons (2014), is an in-depth assessment of a particular individual, group, event, or community. In contrast, a survey is a design that entails producing a systematic questionnaire in order to collect specific information from a target audience. In a survey a researcher seeks answers for 'what', 'who', 'where', 'how much', and 'how many' types of research questions (Saunders, Lewis and Thornhill, 2012). Survey design aims to produce statistical description of characteristics of a population. Grounded Theory is a qualitative research strategy that uses a systematic and inductive approach to generate theory from data (Saunders, Lewis and Thornhill, 2012).

After carefully considering all of the designs, it was determined that a case study research design would be more appropriate for the aims of the study. As the study intends to gain in-depth views and a detailed understanding of the impact of public procurement on the business success of SMMEs in the GKM. According to Simon (2014), a case study allows researchers to thoroughly answer research questions that are too specific to be generalized. Yin (2014) on the other hand claimed that one of the advantages of a case study technique is that it focuses on a small number of cases while providing a detailed explanation.

3.5 Population

In qualitative research, it's crucial that the researcher possesses a firm grasp of the particular group being studied. Hence, a target population must be identified to avoid the difficulties involved in studying the entire population. Therefore, a target population can be considered as every participant (subject) who satisfies the researcher's predetermined standards for inquiry (Leavy, 2017).

The study's target population comprised of GKM officials who are well-experienced in public procurement and SMME owners who are operating their businesses within the municipality. There are 420 GKM employees that are permanently employed by the municipality, however not everyone has experience in public procurement hence a sampling method was used in selecting the participants of the study. The Municipality indicated that there were 400 formally registered SMMEs within the jurisdiction of the Municipality (Annual Report 2020/2021). The idea of selecting municipal officials and SMME owners who have prior experience working with the municipality for the study was to get relevant information that would contribute to the overall study.

3.6 Sampling

The basic goal of sampling is to collect unique situations, events, or acts that can be used to clarify and expand understanding (Leavy, 2017). Most research studies in the human sciences use samples because the populations being investigated are too vast to deal with in the study (Manaka, 2021). Hence a sample is commonly defined as a procedure of selecting units or objects from a group or population in order to obtain research results (Simon, 2014).

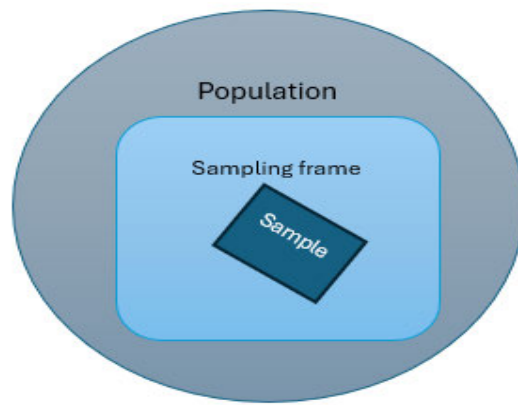


Figure 3. 2: Sampling Diagram
Source: Babbie (2013)

For the purpose of this research, purposive sampling was used in selecting the participants of the study. Purposive sampling is defined by Babbie (2013) as a type of non-probability sampling in which the unit of analysis is chosen based on one's own judgment as the most helpful representative. Manaka (2021) noted that respondents who are selected have an awareness of the problem statement and have a firsthand understanding and engagement of the circumstances. The sample was determined by the participants' significance to the research and not by how representative they were of the general population.

The GKM has many divisions within the organization and a vast number of Local SMMEs operating within the municipality and therefore could not select everyone for the study due to the qualification criteria and time limitations. Thus, the research study did not include the whole population of the GKM officials or all local SMMEs because it would be unnecessary, expensive and time-consuming. A sample of 12 participants were selected for the study. Five of the participants were from GKM and seven of the participants were from the local SMMEs. According to Leavy (2017), qualitative research favours a smaller sample size. Svend Brinkmann (2013) indicated that qualitative interview research usually involves no more than 15 participants. Hence, the sample of 12 participants was deemed appropriate for the study.

Inclusion criteria are considered as the fundamental qualities of the targeted population that the researchers would use to answer their study question (Patino and Ferreira, 2018). These key characteristics are decided by the researcher upon deciding on the participants of the study in order for the objectives of the study to be achieved. In this study, participants were eligible to participate in the study if they were owners-managers of registered black-owned SMMEs, of whom their enterprise was awarded a tender by GKM within the past 7 years. Their enterprise

must be operating within the municipality. GKM municipal officials were eligible to participate in the study if they were willing to take part in the study and were knowledgeable in the public procurement processes and either worked within the supply chain management unit at GKM as a supervisor or served within the Bid Committees at GKM.

Exclusion criteria are described as attributes of possible research participants who fit the inclusion requirements but exhibit extra traits that can hinder the study's progress or raise their chance of an unfavourable result. (Patino and Ferreira, 2018). According to Neuman (2018), removing participants who aren't relevant is essential to preserving the study's credibility. Those who were excluded from participating in the study were municipal officials and local SMMEs who did not meet the below criteria. All enterprises that did not qualify as SMMEs and are not black owned. Enterprises that have not been awarded a tender in the past 7 years by GKM. Enterprises that do not operate their business in the Municipality. GKM Officials that are not knowledgeable in procurement processes and are not either within the supply chain management unit at GKM as a supervisor or have not served within the Bid Committees at GKM.

3.7 Data Collection Instruments

For the purpose of the study, data was collected using interviews. There are three methods that can be used to conduct qualitative interviews which are structured, semi-structured, and unstructured. However, for the study semi-structured interviews were used. Semi-structured interviews are regarded as in-depth interviews that require participants of the study to answer pre-arranged open-ended questions (Leavy, 2017). The semi-structured interview will begin with particular questions but will subsequently enable the interviewee to follow their own thoughts. The interview allowed the researcher the freedom to elicit more details, make clarifications and look for explanations in order to promote a thorough in-depth discussion. The interview questions were prepared beforehand to guarantee that respondents had enough time for the interview. Interviews were performed on a private basis, one on one via telephone or via face to face with a manager/owner of the enterprise and with GKM officials, this was to obtain firsthand information from the respondents. The data collection process started on the second week of July 2024 and ended on the second week of August 2024. This method of data collection was the most appropriate for the study in light of the political environment under which the participants function. This method not only highlighted the importance of the

participants' voices but also further enriched the understanding of the challenges and opportunities that exist in the public procurement of the GKM.

3.9 Data Analysis

The gathered information was analysed using a thematic analysis process. In general, thematic analysis is a process where the researcher codes their own qualitative data in order to find themes or patterns that are relevant to their research topic and may be further examined (Saunders, Lewis and Thornhill, 2019). It is systematic since it offers a rational and structured approach to qualitative data analysis. Thematic analysis can thus be applied to both big and small qualitative data sets, producing detailed descriptions, justifications, and theoretical insights (Saunders, Lewis and Thornhill, 2019). As a result, the researcher repeatedly read through all the transcript data to familiarise themselves with it, while reflecting deeply on the content several times until data saturation was attained. The saturation point is the moment at which themes begin to occur repeatedly (Maxwell and Levitt, 2023). This is when the researcher began to develop ideas about the possibilities of the analysis and formulate themes. Interview quotes were used to support the data and in the discussions. Every sentence, line, and paragraph that contained an incident or event that would have indicated a study theme was given a code. Following that, the themes were divided into manageable groups of sub-themes and a summary table of the primary themes derived from the participants' stories was created (Poore et al., 2015). Conclusions and recommendations will be formed from these themes.

3.10 Trustworthiness

Haq et al. (2023) stated that trustworthiness research is achieved by including the concepts of credibility, transferability, dependability and confirmability in response to the quantitative quality standards of validity, generalizability, reliability and objectivity.

Credibility refers to the level of confidence that the study outcomes represent the truth of the participants (Ahmed, 2024). The researcher ensured the legitimacy of the research findings by using open-ended interview questions, allowing participants to make comprehensive responses. This made it possible for the researcher to delve deeper into the participant's answers, allowing the researcher to compare information from the twelve participants in order to identify the similarities and differences in the responses provided. Furthermore, verification that the participants within the sample SMMEs and GKM officials had appropriate knowledge and experience in the public procurement process was done. This was to improve the data's

credibility because these were people who would have had a better awareness of the challenges and obstacles that prevented SMMEs from succeeding in public procurement.

Dependability refers to the extent to which other readers would be convinced that the findings are reliable and could be duplicated in another setting to produce similar findings (Ahmed, 2024). The researcher ensured dependability by fully describing the methods used for the collection of data, the analysis as well as the sampling strategy. The researcher maintained clear documentation of each phase of the thematic analysis including how codes were developed, managed and grouped into themes. This provided a logical trace of how the findings emerged, allowing others to follow the decision-making process. Furthermore, the use of a semi-structured interview guide ensured consistency in the questions asked while allowing flexibility based on each participant's responses

Transferability refers to how well the research findings may be implemented in another setting. To enhance transferability, it is important to provide a thorough and clear explanation of the results, which allows readers to assess their applicability to comparable situations (Ahmed, 2024). In this study, transferability has been supported through a comprehensive analysis of the findings, allowing readers to evaluate the relevance of the findings for application in a different area. Rich and detailed information on the number of participants involved, the characteristics of the participants from the local SMMEs and municipal officials and the selection criteria used for their selection was also provided. This level of contextual detail allows readers to assess the applicability of the findings to similar municipal settings where SMMEs are facing comparable public procurement challenges.

Confirmability refers to the unbiased and objective nature of research findings, ensuring that they are free from the researchers' personal biases or preferences (Rasheed, Rashid, and Akhter, 2023; Ahmed, 2024). Stahl and King (2020) described confirmability as the extent to which a researcher approaches objective reality within qualitative research. Hence, it is essential for researchers to uphold fairness throughout the research process. To achieve confirmability in this study, an audit trail was maintained, comprising comprehensive records of all research decisions and activities which documented the process of how the research data were obtained and analysed so as to avoid any biases in the study. Furthermore, the development of themes was firmly rooted in the raw data, with direct quotations from participants included to illustrate key points and ensure that their voices remained central to the findings

3.11 Ethical Consideration

Manaka (2021) claimed that research has been seen as an ethical issue on a larger scale to the point where some nations have created codes of ethics and established ethics committees. The exercise's primary goal was to safeguard study participants' interests in order to prevent problems that can result from inadequate data handling.

For the research, the researcher complied with the ethical norms and criteria of the institution. Prior to data collection and analysis, this was made sure of by requesting ethical clearance and approval from the University of Kwa-Zulu Natal Research Ethics Committee and the Greater Kokstad Municipality. Furthermore, because this study consisted of only primary data collection using an in-depth semi-structured interview, no physical damage was imposed on respondents. The participants of the study were given an informed consent form at the outset of the interview.

Confidentiality and anonymity were also respected. The participants were given the assurance that their identities would remain a secret, which encouraged complete engagement and allayed any concern about being victimized. No participant expressed any unease throughout the interviews, prompting a break in the conversation so it could be resumed later. After the interviews, a debriefing was given to the participants to dispel any suspicions of deception. The study required voluntary participation and participants in this study gave their consent. Information about the participants was kept private to protect confidentiality. To guarantee that the balance of the group was not upset, those who were hesitant or refused to participate were replaced with other authorities of similar credentials.

3.12 Conclusion

Chapter 3 gave an extensive overview of the research methods that were used in the study. It described the research design, the data collection methods and the sample strategies that were carefully chosen by the researcher to ensure the trustworthiness of the data. By outlining the tools and procedures used in the data-gathering process, the chapter established a clear framework for how the research was conducted. These methodological foundations are critical for understanding the outcomes of the study, as they support the credibility of the findings and interpretations. The next chapter, Chapter 4 builds upon this foundation by presenting the research results, analysing the collected data, and interpreting the implications of the findings.

CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction to Chapter

The objective of the study is to investigate the impact of public procurement on the business success of SMMEs at the GKM. This study was motivated by the number of small enterprises within the local municipalities that are not progressing or succeeding, despite the effort by the SA government in developing and enacting public procurement policies that are structured to assist SMME enterprises in developing and succeeding. This chapter covers data analysis and provides findings from in-depth interviews with municipal officials and local SMMEs. As explained in Chapter 3, the data received from the interviews were analysed using the thematic analysis method to provide qualitative results, and the study findings were examined based on emergent themes. Thematic analysis was selected for its suitability in exploring the perceptions, experiences and the underlying meanings within the qualitative data. It allowed for an inductive approach to the analysis where patterns were identified directly from participants' responses, rather than being imposed by pre-existing frameworks. This allowed for a grounded understanding of the impact of public procurement on SMME success in the GKM. The researcher arranged the interview sessions with all twelve participants beforehand to allow them sufficient time to be prepared for the interviews. This was to ensure that the participants provided thoughtful responses. The interviews were done using different platforms, others done telephonically and others done at the participant's premises thereby enhancing accessibility and participation. During these sessions, the researcher took detailed notes with the consent of the participants. Some of the interview sessions were recorded with agreement taken from the participants to ensure accuracy. The recording and detailed notes were transcribed into Excel, which allowed a systematic arrangement, coding and analyses of the data. The duration of the interview session was 35 to 40 minutes. The data received were reviewed repeatedly to ensure familiarity and recurring ideas were coded and categorised into major themes. This rigorous process enhanced the credibility of the findings and enabled the identification of critical factors regarding the impact of public procurement on SMME success in the GKM. The interviews were done in compliance with the four research questions:

1. What is the impact of public procurement on the growth and business success of SMMEs within the GKM?
2. What are the challenges do SMMEs experience in becoming successful enterprises in the GKM?
3. Is public procurement meeting its intended objectives of assisting SMMEs in the GKM?
4. How can the local SMMEs become more involved in the public procurement processes in the GKM?

Table 4. 1: The List of the Participants Information from the SMMEs participants

No	Organization	Designation of Respondent	Respondent Codes	Ownership Status	Age	Gender	Highest Qualification	Industry	Number of Years in Business	Number of Employees
01	Local SMME-1	Enterprise Owner	SM01	Black	36	Male	Degree	Security	2016	40
02	Local SMME-2	Enterprise Owner	SM02	Black	40	Male	Diploma	Construction	2015	03
03	Local SMME-3	Enterprise Manager	SM03	Black	37	Male	Degree	Consulting	2015	02
04	Local SMME-4	Enterprise Owner	SM04	Black	32	Male	Matric Certificate	Supply and Delivery	2012	00
05	Local SMME-5	Enterprise Manager	SM05	Black	42	Female	Matric Certificate	Supply and Delivery	2013	00
06	Local SMME-6	Enterprise Manager	SM06	Black	36	Female	Matric Certificate	Event Management	2016	00
07	Local SMME-7	Enterprise Manager	SM07	Black	31	male	Matric Certificate	Construction	2014	01

Table 4. 2: The List of the Participants Information from the GKM Officials participants

No	Organization	Division/Unit	Respondent Codes	Qualification	Gender	Number of Years in SCM	Served in the Bid Committees
08	GKM	Budget and Treasury	BTO01	Degree	Male	07	Yes
09	GKM	Infrastructure Planning & Economic Development	ITS01	Diploma	Male	08	Yes
10	GKM	Infrastructure Planning & Economic Development	ITS02	Degree	Male	06	Yes
11	GKM	Corporate Services	CSS01	Postgraduate Diploma	Male	05	Yes
12	GKM	Budget and Treasury	BTO02	Diploma	Male	08	Yes

4.2 Background and information about the Participants

Twelve participants were selected to participate in the study. Seven local SMMEs and five municipal officials, as illustrated in Table 4.1. The respondents from these local enterprises were chosen based on specific criteria: they must be the owner or manager of the enterprise and their enterprise must have been awarded a tender within the past seven years. Additionally, municipal officials were included among the respondents of the study. These officials were selected based on their experience and knowledge of public procurement processes.

4.2.1 Industries of the Participants

The participants from the local SMMEs represented a variety of industries. Two participants were involved in the construction industry (29%), two in supply and delivery (29), one in security management (14%), one in consulting (14%) and one in event management (14%).

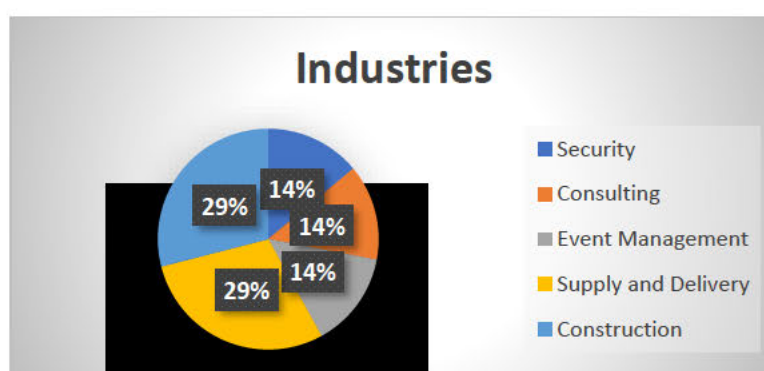


Figure 4. 1: SMMEs industry distribution

Having participants from local SMMEs from different industries enhanced the findings of the study, as participants were able to provide insights into how they perceive public procurement within their respective industries. All municipal official participants worked for GKM and were permanent employees of the municipality. Of the five municipal respondents, two were from the Budget and Treasury Office, two from Infrastructure Planning and Economic Development (IPED), and one from Corporate Services.

4.2.2 Experience

All the participants from local SMMEs had been operational for over eight years. This extensive experience in public procurement meant that these enterprises had gained valuable insights into navigating the public procurement landscape, which significantly contributed to the study. According to Kristanti, Rahayu and Isynuwardhana, (2019), the longer an enterprise has been operational in the industry, the more advantageous its learning curve becomes.

Ladzani (2020) suggested that the survival of these enterprises over such a long period indicates their capacity to provide valuable information regarding the challenges they faced during their startup years, enriching the study's depth. Furthermore, these enterprises reported having prior experience working with GKM and were familiar with the municipality's procurement process, enabling them to offer relevant insights about the procurement system.

All municipal participants had been employed for over five years, which contributed positively to the study as it indicated their level of experience. Each participant had served on the bid committees of the municipality and had firsthand experience working with local SMMEs in public procurement. Their involvement in the study enhanced the findings, as the officials understood the challenges SMMEs face and could provide insights on how to assist these enterprises effectively. Furthermore, their extensive experience and expertise equipped them with a strong understanding of procurement policies, legal frameworks and best practices, essential for selecting the most suitable suppliers, including SMMEs. Therefore, leading to smarter and more insightful responses on the impact of public procurement of business success of SMMEs in the GKM.

4.1.3 Ages of the Participants

The owners or managers of these local SMMEs were aged between 31 and 42 years. A majority (71%) of the participants exceeded the legal youth age range of 14 to 35. This was concerning, as public procurement policies encourage youth participation. However, having the majority of participants being older adults enriched the research due to their knowledge and experience in public procurement, leading to deeper insights into the real impact of public procurement on the business success of SMMEs at GKM. Consequently, the research questions were explored from various age perspectives.

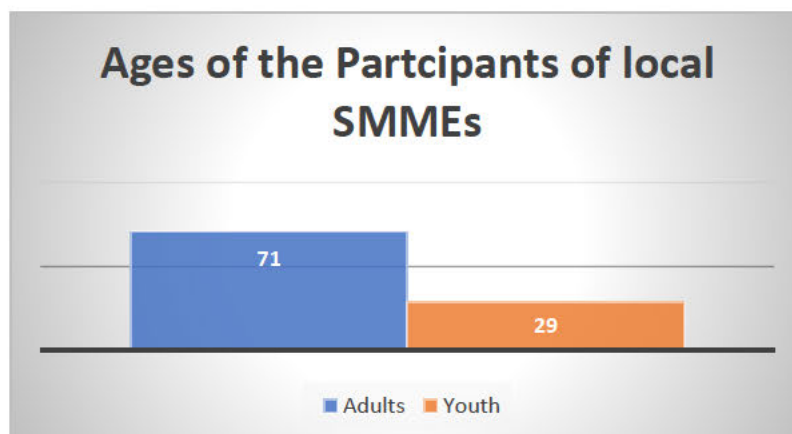


Figure 4. 2: Age Distribution

4.1.4 Educational Background

Two participants (29%) from SMMEs held degrees, one had a diploma (14%) and four (57%) participants from local SMMEs held matric certificates. It was positive to note that all the local SMMEs participants were able to complete their secondary education because this meant that they had foundational skills in literacy, numeracy and basic finance. This would enable them to manage some expectations of the business such as doing basic bookkeeping. However, it was also noted that the majority of the local SMME participants did not have higher education which was of concern since it meant that they had limited strategic skills that enabled them to deal with complex business deals. This also meant that these enterprise owners would have a challenge in navigating the complex public procurement requirements which requires an understanding of the legal framework for making informed decisions in public procurement. Although such, the variety in level of education also meant that the findings could be generalized to the entire population of local SMMEs, since the sample represented all the educational backgrounds of many SMMEs owners in the GKM.

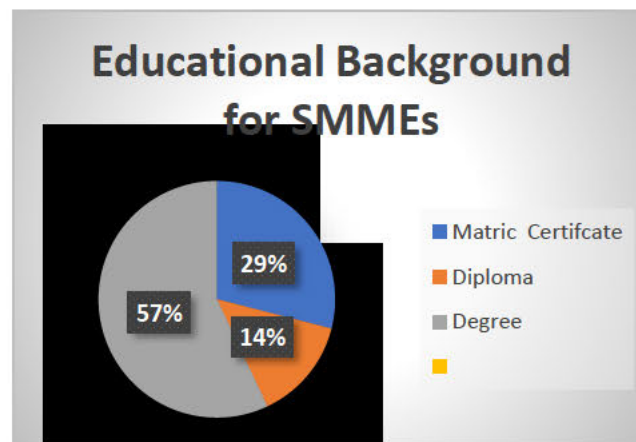


Figure 4. 3: Education distribution for SMMEs

Two Municipal official participants held a degree (40%), two held a diploma (40%) and one held a postgraduate diploma (20%). This meant that the municipality possessed highly educated officials with different ranges of qualifications. Furthermore, this also implied that the officials were able to bring comprehensive responses to the study which then enhanced the results. According to Jonas (2023), higher education often equates to a deeper comprehension of the difficulties faced by municipal supply chain officials in applying the PPPFA and its laws into practice, which can result in more perceptive and thorough responses.

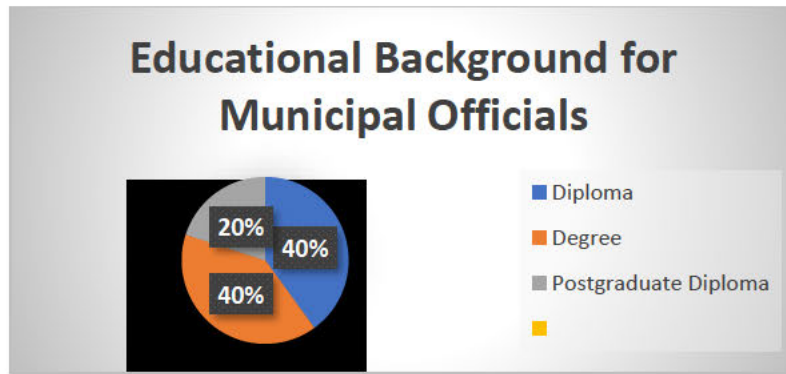


Figure 4. 4: Education distribution for municipal officials

4.1.5 Gender of the Participants

The study was not biased towards any gender and males and females were allowed to participate in the study. Hence the participants were composed of both genders, males and females. Seven participants from local SMMEs were featured in the study as indicated above, five males and two females from local SMMEs. However, the participants that dominated the study were males which showed that females were underrepresented in the public procurement industry in the GKM. This however coincided with the study done by Adediran (2018) who found that the majority of businesses in the public procurement industry are owned by men, although the government encourages women to participate in public procurement. Furthermore, Olusegun and Akinbode (2016) indicated that the disparity is expected because of the dwindling nature of business within the public procurement industry and could be the reason for less participation of females as public procurement requires courage and emotional fortitude to persevere in the face of overwhelming adversity.

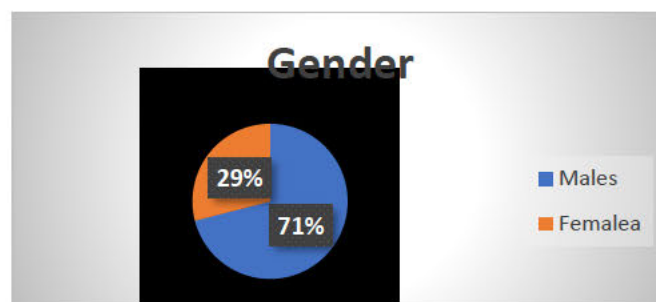


Figure 4. 5: Gender Distribution

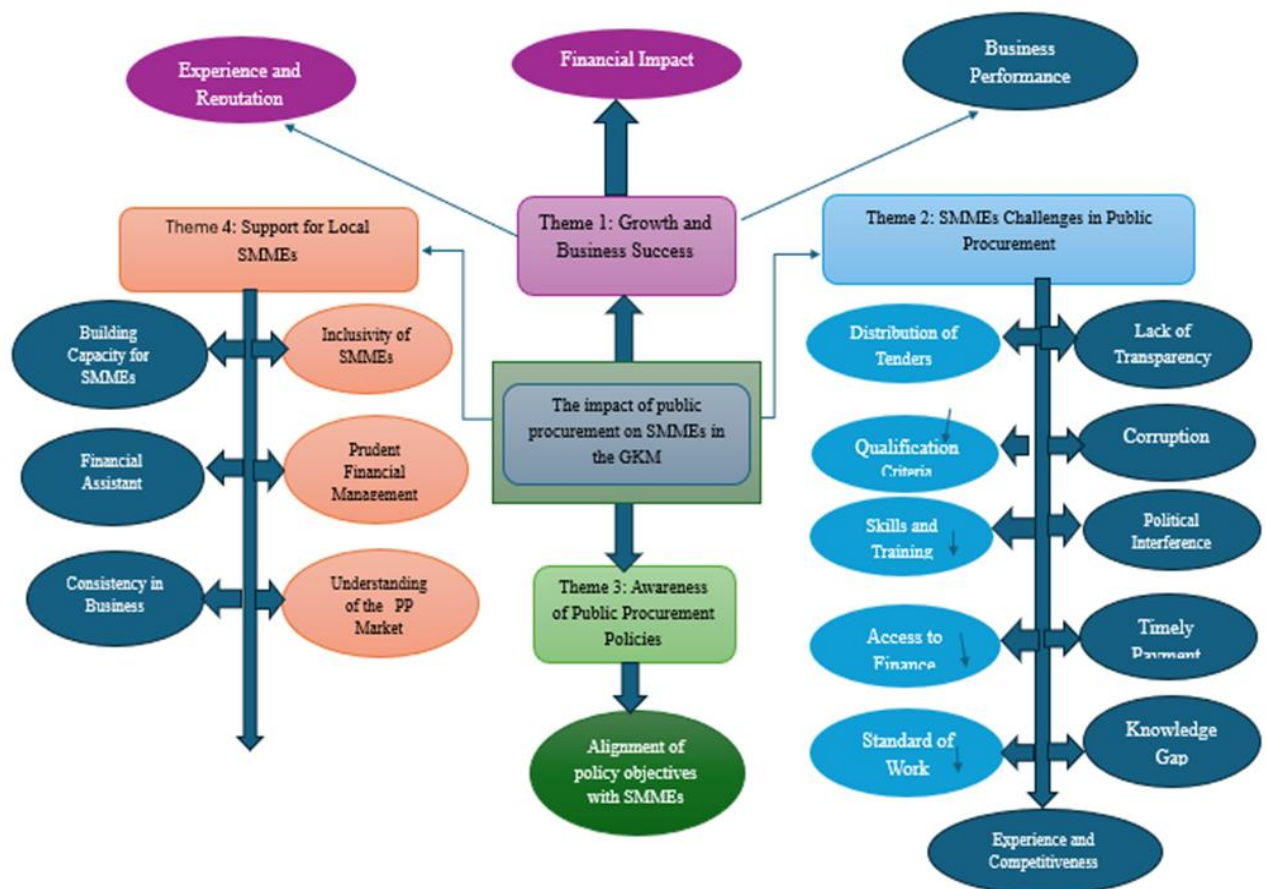
The participants from the municipality were only males. This was concerning since this meant that the study’s findings might not be as broadly applicable, as they reflect perspectives limited to male officials. However, having male participants from a municipal setting in research focused on business and community development can contribute unique perspectives and firmer responses, as they are often deeply involved in local economic initiatives.

Findings

Table 4. 3: Themes and Sub-themes

Objective 1: Impact of public procurement on growth and business success of SMMEs	
Theme	Sub-Theme
Growth and Business Success	<ul style="list-style-type: none"> • Financial Impact • Experience and Reputation • Business Performance
Objective 2: Challenges faced by local SMMEs in public procurement	
Theme	Sub-Theme
SMMEs Challenges in Public Procurement	<ul style="list-style-type: none"> • Distribution of Tenders • Qualification Criteria • Access to Finance • Standard of Work • Lack of Transparency • Political Interference • Timely Payment • Experience and Competitiveness • Corruption • Skills and Training • Knowledge Gap
Objective 3: Public procurement policies meeting its intended objectives of assisting SMMEs	
Theme	Sub-Theme
Awareness of Public Procurement Policies	<ul style="list-style-type: none"> • Alignment of policy objectives with SMMEs needs
Objective 4: How GKM local SMMEs can be more involved in public procurement	
Theme	Sub-Theme
Support for Local SMMEs	<ul style="list-style-type: none"> • Building Capacity for SMMEs • Inclusivity of SMMEs • Consistency in Business • Financial Assistant • Prudent Financial Management • Understanding of the public procurement Market

Figure 4. 6: Thematic Map of the themes and their associated sub-themes



4.3: Based on Objective One

4.3.1 Theme 1: Growth and Business Success of SMMEs

The growth and success of SMMEs in SA is important for economic development, job creation and innovation. These enterprises boost significantly the local economy by addressing specific market demands and further encouraging entrepreneurship within local SMMEs. SMMEs are confronted by obstacles such as limited access to capital, human resource shortage and market competition. However, strategic support can help them become more resilient and scalable. In addressing the first objective of the study three sub-themes emerged: Financial Impact, Reputation and Experience and Business Performance. These are discussed below.

4.3.1.1 Sub-Theme 1.1: Financial Impact

The financial impact sub-theme explored how local SMMEs' engagements with GKM contracts influenced their financial health. This inquiry was exclusively directed at SMMEs. Most of the participants (SME02, SME03, SME04, SME05) indicated that their enterprises were able to generate both revenue and profit from the awarded contracts. However, Participant SME01 and Participant SME07 which were the smaller subset participants reported that their enterprises were unable to achieve profit from the contracts awarded by the municipality. They cited the competitive nature of the public procurement process as a reason for feeling compelled to underquote.

Participant SME03 mentioned that: *“I was able to generate revenue from the project that I did at GKM. It contributed to the net profit and cash flow of the business”.*

Participant SME04 stated that: *“This enabled me to buy some equipment that I needed for the business with the profit that I made from the tender. The business was slightly able to progress. However, that was short-lived as the tenders became scarce and hard to come by”.*

Participant SME05 stated: *“My main reason for opening the enterprise was to tender and make a living out of tendering. As there are not many opportunities for Employment. Therefore, the profit that I made from the contract contributed to the cash flow of the business”.*

However, Participant SME01 and Participant SME07 indicated that they did not gain any profits when they were contracted by the Municipality as they had to underquote due to the competitive nature of the government procurement process.

According to Participant SME01: *“No, I was not able to generate profit because of the competitive nature of the Public Procurement System. I was compelled to under-quote to be the cheapest in terms of price’.*

Participant SME07 revealed that: *‘No, I was unable to make a profit. The material I bought for the project was expensive and I had to hire the equipment for the project which resulted in a breakeven where I was unable to make a profit or loss which is not good for business’.*

The findings revealed mixed outcomes from the participants with the majority indicating that they have financially benefited from the contract that they were awarded by GKM and others indicating that they did not gain financially from the contracts that they were appointed for by the Municipality. The findings are in line with the study done by Israel and Kazungu (2019) where it was found that access to procurement opportunities contributed to the cashflows and revenue of the SMMEs. OECD (2024) in their review agreed that when SMEs are engaging in public procurement, they are potential outcomes of economic and social benefits on a wider scale. Lee (2021) further stated that winning public contracts boosts business financial growth and the growth experienced often extends into the private markets.

Therefore, winning public procurement contracts can positively impact a small business by driving rapid increases in demand and profit and significantly enhancing a company’s financial performance. Also, Research by Fadic (2020) shows that firms that win public contracts, report on average a 22% increase in revenue and current assets along with an increase in fixed assets, compared to those that do not win contracts. Furthermore, the study emphasizes that public procurement contracts help ease the liquidity or credit constraints that a Company faces. This suggests that SMMEs can reduce the financial constraints that they are experiencing by using government contracts as collateral to qualify for loans which can be used to continue operations and further procure the required material and equipment to execute projects. This in turn provides the needed financial support that could assist these enterprises in improving their operational stability and ultimately increasing their potential for growth and success.

As emphasized in this literature, public contracts can serve as a critical driver for the financial growth of local SMMEs by improving revenue stability and cash flow. However, SMMEs remain challenged due to the competitive nature of public procurement, which often forces SMMEs to underprice their bids to secure contracts which then potentially erode their

profitability. A study by Siyal and Xin (2020) discussed how this dynamic has the potential to limit SMMEs ability to make sustained financial profits despite winning tenders. Moreover, while these larger firms can leverage economies of scale to maintain profitability, SMMEs still remain faced with higher unit costs for materials and high cost of labour and services thereby affecting their profits. Nkoe (2023) findings show that constant increases in expenses such as fuel prices, affect production costs. As a result, goods and services become expensive, which subsequently hurts the growth and survival of local SMMEs within the municipality. Therefore, while price and interest rate hikes affect all businesses, these increases are felt more by small businesses than by large ones.

4.3.1.2 Sub-Theme 1.2: Experience and Reputation of the Business

An Enterprise reputation is the perception from the clients about the business. A good reputation for an enterprise leads to improved trust, credibility and market worth. Building a strong reputation can help SMEs gain a competitive advantage by acquiring more clients and strategic alliances. Participants (SME02, SME04, SME06) indicated that when they were contracted by the municipality, they were able to gain valuable experience and business reputation. This assisted them to be in a better position of getting other business opportunities within the public procurement industry.

Participant SME02 stated: *“As you are aware, working within the construction industry requires experience in a similar project with credible references. Therefore, being awarded a contract by GKM allowed us to gain experience and a credible reference”.*

Participant SME04 their view: *“The experience that I have gained while working for GKM through the contract, taught me so much about how the public procurement Industry works. I learned to deliver up to standard while adhering to strict deadlines, which improved my experience within the industry”.*

Participant SME06 revealed that: *“Having been appointed by GKM allowed me to showcase my skill in event management which contributed to my reputation and also further put me on the map”.*

These findings are in line with Saastamoinen, Reijonen and Tammi (2020), who in their study found that successful public procurement participation can improve visibility and reputation,

thereby fostering additional contract opportunities for SMMEs. Similarly, Flynn and Davis (2017) also discovered that SMEs that are proficient in public procurement tendering as well as contract management are able to achieve superior outcomes, especially when they are leveraging on their track record in order to build trust with new clients. Fadic (2020) supported this view, noting that winning a public contract offers non-monetary benefits such as experience, reputation, and public sector contacts, which can lead to increased government sales that are beyond the normal small-value procurement contracts.

Woldesenbet and Worthington (2019) highlighted several critical aspects of an enterprise resource base, which include the owner-directors knowledge of the public sector market, social capital (networking) and prior experience in supplying large organizations. Their analysis underscores the importance of market experience, such as previous work in public sector organizations and the development of human capital. Moreover, Di Mauro and Ancarani (2020) in their study emphasized that market experience measured by company longevity has a strong effect on the success rate of a company. When SMMEs navigate public procurement complexities and further adhere to stringent deliverables, these enterprises are able to establish credibility and experience which significantly boosts their market reputation. This is important in the public procurement industry where credibility and past experience are pivotal in securing future contracts.

4.3.1.3 Sub- Theme 1:3: Business Performance

This sub-theme investigated how public procurement influenced the growth and success of SMMEs at GKM. The majority of participants (SME01, SME02, SME03, SME06) indicated that they are experiencing slow growth in public procurement, citing challenges that they experience in the public procurement process such as limited tender opportunities and high competition. In contrast, SME05 and SME07 reported stagnation despite being previously awarded contracts by the municipality.

Participant SME01 indicated that *“Yes, there is little success and growth in my business, but I do not get enough support from GKM. Most of the work I get is from other Municipalities and Departments”.*

Participant SME02 indicated that: *“Yes though the pace is slow, there seems to be light at the end of the tunnel”.*

Participant SME03 stated that: *“Yes, there is growth, but it is not much, this is due to challenges that we face in public procurement at GKM, we are not getting enough work from the Municipality which delays my business progress”.*

Participant SME06 in Support stated that: *“It is growing slowly, the problem is that there are many companies that we are competing with, which are better resourced than us.*

On the other hand, some participants highlighted significant barriers to growth, such as competition from established firms and limited municipal support. The following quotes are provided from the responses of the participants from the local SMMEs.

Participant SME05 stated that: *“I don’t even recall the time that I was awarded a contract by the Municipality it’s been years since I got a job from the Municipality, and this is due to having to compete with well-established firms”.*

Participant SME07 indicated that: *“My enterprise has not been growing for a long time, due to small contracts which I get once in a while from the Municipality which I do not generate much profit or revenue to allow my enterprise to grow and having no support from the Municipality also affects our business”.*

The finding revealed that public procurement at GKM drives slow growth among local SMMEs, indicating that there are systemic issues that constrain the growth of these enterprises. This aligns with Akenroye et al. (2020) who found that small firms struggle with accessing procurement opportunities due to issues like centralized systems, capacity constraints and competition from larger, established firms. A similar discovery was made by Mphela and Shunda (2018) who also found that SMMEs’ growth and success in public procurement were impeded by similar challenges such as lack of capacity, unfair bias, delayed government payments and competition from larger companies.

Nkoe (2023), further observed that large businesses often become dominant players that dictate the pace of progress and influence pricing in a specific sector, which they use to secure a disproportionate share of government contracts compared to local SMMEs which then drives the slow growth amongst local SMMEs. Nemec (2023) on the other hand, emphasized that

tendering for public contracts under the current procurement era involves higher entry costs, financial resources and substantial human that SMMEs often do not have. Therefore, this shows that structural and financial barriers in the procurement system are still common challenges that are being experienced by small businesses and make it very difficult for small businesses to compete effectively in the public market.

These structural and financial barriers hinder SMMEs from leveraging on public procurement for effective growth. Makwara (2022) further highlighted that those various larger companies' behaviours negatively affected the viability of SMMEs resulting in the small enterprises industry experiencing marginal growth. This marginalization perpetuates systemic unfairness, thereby limiting the ability of SMMEs to compete effectively in the public procurement industry. Therefore, overcoming these barriers is important for improving SMME growth and success within the GKM. By addressing these challenges, the local SMMEs would have a better opportunity to access public procurement contracts, thereby contributing to local economic growth and development within the country

4.4: Based on objective two.

4.4.1 Theme 2: SMMEs Challenges in Public Procurement

In addressing the second objective of the study, several questions were posed to Local SMMEs and GKM officials. However, eleven (11) sub-themes emerged. This includes Distribution of tenders, Corruption, Experience and Competitiveness, Political Interference, Lack of Transparency, Qualification criteria for tender, Skills and Training, Access to Finance, knowledge Gap, Timely Payments and Standard of Work as challenges that local SMMEs experience in competing in the GKM procurement process.

4.4.1.1 Sub- Theme 2:1: Distribution of Tenders

Participants (SME01, SME05, BTO1, BTO2) indicated that there is a lack of equal opportunities and fairness in the distribution of tenders by the municipality. Respondents from SMMEs expressed their concerns that most awards are given to larger companies. Although participants from the municipality acknowledged this issue, they also emphasized that the tendering process is open to all the qualifying bidders. They noted that public procurement policies encourage competition to achieve value for money and reduce corruption. The following selected quotes illustrate this finding:

Participant SME05 indicated that: *we don't have equal opportunities as with large businesses. I think the Municipality is missing the point of public procurement, which is to support local enterprises to grow. When contracts are unfairly distributed the municipality hurts our business but also deforms the entire economy".*

Participant BTO01 stated that: *they don't have an equal chance. Big companies have the advantage over SMMEs due to their size and economic scale which allows them to be in a better position of winning the bid. However, the Municipality does allocate points for specific goals which gives SMMEs a slight advantage in the public procurement process".*

Participant BTO02 indicated that: *"Yes, I agree SMMEs do not have similar opportunities when they are competing with bigger companies since these companies are well established and are well resourced. However, the unfortunate part is that public procurement is open to everyone to bid and the policies allow for competition to preside over the procurement process in order to attain value for money.*

The findings of the study reveal that there is unfairness in the distribution of tenders at GKM. Local SMMEs are required to compete equally and fairly with large companies despite their comparatively limited resources and capacity. This aligns with the findings of Normanyo, Ansahand and Boakye (2016), who identified that SMMEs face limited access to public procurement contracts due to bottlenecks such as their inherent size-related constraints, a challenging business environment and unfavourable legislation. Similar findings were made by Glas and Ebig (2018), who in their study found that lack of appropriate resources to engage in public procurement was a barrier to the participation of SMMEs in public procurement. Woldesenbet and Worthington (2019) also highlighted issues of market competition, revealing a sentiment felt by SMMEs that the public sector market is primarily dominated by large companies who they referred to as "big boys". Their study emphasized that SMMEs felt very under-resourced, which then limited their ability to compete effectively against major companies in what is theoretically considered as an open market. These factors collectively hinder SMMEs ability to compete effectively in the public procurement market.

Furthermore, Mahuwi and Israel (2023) noted that unlike in past decades, competition in public procurement has significantly intensified and both SMMEs and major enterprises are now focused on enhancing their competitive advantage to capitalize on procurement

opportunities. This intensified competition exacerbates existing disparities, as large enterprises often possess greater financial and operational resources which SMMEs struggle to match. Similarly, Kraai (2021) argued that addressing these imbalances requires creating a more inclusive procurement framework that levels the playing field for smaller enterprises. This includes revising legislation, simplifying procurement processes and providing tailored support such as financial assistance and training. Doing so would help mitigate the structural challenges faced by SMMEs and foster greater equity in tender allocation.

4.4.1.2 Sub- Theme 2:2: Experience and Competitiveness

Industry experience refers to the knowledge possessed by a business owner or the business itself regarding the sector in which it operates. This includes a thorough understanding of the dynamics, influences and key factors that contribute to success within that industry. Participants in the study (SME05, SME06, SME07, ITS02) indicated that a lack of experience in competing with larger companies was one of the challenges that affected their growth and success in public procurement. The following selected quotes supported these findings.

Participant SME05 stated that: *“These big companies have the technicality and the know-how. The Municipality when awarding tenders to these big companies should ensure that black local SMMEs are subcontracting on the project.”*

Participant SME07 supported: *“We don’t have the experience to compete with these big companies as they have been operational for many years and they are aware of how the market works. Hence you always find that when we are submitting tenders these companies are always the first ones to submit the tenders”*.

Participant ITS02 revealed that: *“SMMEs don’t have equal chances with big companies at GKM procurement process. Remember SMMEs are enterprises that have a short period of existence, while the bigger companies have been existing for a while and are better equipped to navigate the market and have the experience, resources and buying power”*.

This is consistent with Sphelele and Amoah's (2024) findings, which revealed that lack of experience in public procurement is one of the problems that confront local SMMEs. Their study emphasised that lack of experience limited the ability of SMMEs to write a competitive tender bid, demonstrate a track record of successful projects, and meet regulatory criteria.

Furthermore, Hoekman and Tas (2022) found that the use of open competitive tendering methods tends to benefit bigger companies more than SMEs, with major public contracts more likely to be given to big firms. Similar findings were reported by Akenroye et al. (2020) who noted that the small size of SMMEs means that these enterprises are subjected to resource constraints which then limits their chance of success in public tendering since they might not be able to complete the huge or complicated contracts that the public sector requires.

Mkele (2019) on the other hand pointed out that SMMEs lack of industry expertise and experience is made worse by their limited access to skill-development programs and mentoring. This makes the problem even more difficult for them to build a reputation in the market and manage complicated regulatory regimes. Ambe and Badenhorst-Weiss (2019) also highlighted how public procurement laws often benefited bigger businesses since they have strong processes and systems in place that are able to manage compliance requirements set out in the bid, yet SMMEs continue to struggle with a lack of understanding of these procedures. Additionally, Mphela and Shunda (2018) pointed out that SMMEs competitiveness is further made weak by their incapacity to take advantage of economies of scale and their lack of not having strategic partnerships with well-established companies. The study encouraged the inclusion of SMMEs in supply chains by developing laws that will require them to subcontract to nearby companies, which might improve their market exposure and build their capacity. Mohambi (2022) underlined the important role of well-structured support by the government which will include training programs, finance schemes and mentorship which are specifically designed to assist small businesses to grow. These initiatives could be the required intervention that could help SMMEs succeed and give SMMEs the knowledge, experience and ability to compete more successfully in public procurement in the Greater Kokstad Municipality.

4.4.1.3 Sub- Theme 2:3: Lack of Transparency

According to the OECD (2024), transparency in procurement should involve the equitable sharing of information with potential suppliers and oversight institutions throughout the procurement cycle. The National Treasury (2005) promotes openness and transparency in the procurement process by encouraging external scrutiny through public reporting to ensure accountability. However, participants (SME01, SME03, SME04, SME07) identified lack of transparency as one of the challenges that they face in the GKM public procurement process. The participants in the study noted that the municipality does not maintain transparency in its procurement process. The following quotes are taken from the participants' responses.

According to SME01: *“The Municipality in my view lacks the ability for them to redress us when it comes to tenders, when you enquire the reason for your Company not being awarded, they are not clear and straight forward with us hence they fail to be transparent”.*

Participant SME03 stated that: *The specification is sometimes not clear and is ambiguous, which is frustrating to us”.*

Participant SME04 revealed that: *“The Municipality lacks the ability for them to be transparent in their tender's processes. You will submit a tender and the next minute you will see someone working. You don't get feedback on what transpired in the procurement process that made the other bidder be awarded. You don't get feedback on what went wrong on your proposal for it to not be awarded”.*

Participant SME07 indicated that: *“The procurement process often feels deliberately obscure with decisions that are not always clear”.*

The study participants expressed their concerns about the lack of transparency in the GKM procurement processes, which in their opinion was discouraging and to some extent made purposely to be obscure. The findings are consistent with Mohambi (2022) study, which discovered that one of the issues faced by SMMEs in the municipality procurement process was lack of transparency in the procedure of awarding public contracts and in the officials' participating in contract awarding. Similar findings were discovered by Antonites and Truter (2010) in their study on investigating procurement issues in Gauteng Metropolitan Municipality, where it was found that one of the major concerns related to public procurement processes at the municipality was the absolute lack of feedback regarding the bidders' submission of the tenders. Lack of transparency in public procurement processes creates an environment where SMMEs perceive the procurement process as either biased to a certain extent or unfair, thereby potentially discouraging SMMEs dramatically and ultimately impacting their participation and competitiveness in public procurement. Hence it is very important that GKM maintains open and transparent processes that are subjected to public scrutiny in order to ensure that all parties that are involved, including local SMMEs feel confident in the fairness and impartiality of the public procurement system. This would not only enhance trust from the public, but it will also encourage greater participation from local

SMMEs which will then foster healthy competition and contribute to the overall development and economic growth of the municipality.

4.4.1.4 Sub- Theme 2:4: Tender Corruption

According to Marakalala (2024), corruption and fraud cost hundreds of millions of rand annually for South African taxpayers. Corruption Watch defines corruption as a businessperson bribing a government official in order to get a government contract or license (Corruption Hotline, 2019; Shai, Molefinyana and Quinot, 2019). Corruption in relation to the awarding of the tenders was indicated by participants (SMME01, SME03, SME05, SME07) as a serious problem facing SMMEs in the Municipality procurement process.

According to participant SME01: *“To my opinion, one of my challenges of the Municipality is Manipulation of submitted bids. Failure to provide Upfront payment for bribes”.*

Participant SME03 stated that: *“The tenders are often awarded to the same individual which leads us to believe that they might be some kind of foul play by Municipal officials”.*

Participant SME07 revealed that: *“ We frequently submit tenders to the Municipality where you find that we do meet the criteria set out in the tender document. However, you will find that contracts are constantly given to the same businesses every time”.*

The findings are consistent with Kraai (2021) study on procurement policies and the sustainability of SMMEs, where it was discovered that small and emerging enterprises are hampered by stringent and rigid labour laws, unfavourable tax rates, nearly unsolvable challenges to access finance, hostile business environments in which it is impossible to survive, corruption, and contracts lasting only three years. According to Israel and Kazungu (2019) corruption eliminates a sense of fairness in the application of public procurement, which then leads to the termination of the contract for the lowest-graded service suppliers. Pike, Puchert and Chinyamurindi (2018), contended that corruption has the tendency to promote incompetent entities and flouting of tender procedures, which have a devastating effect on the procurement of goods and services and the survival of small companies. Therefore, this alignment underscores the systemic nature of corruption in public procurement as a serious barrier to the success of local SMMEs at GKM. The ongoing lack of transparency and fairness within the process not only limits the growth and success of local SMMEs but also discourages their

participation due to unethical practices and irregularities. Hence, it is important that the Municipality urgently develops stronger anti-corruption measures and tighter controls in their procurement process. Additionally, the municipality must strengthen its oversight of the procurement process to ensure that there is transparency, accountability, and equal access to public procurement opportunities.

4.4.1.5 Sub- Theme 2:5: Political Interference

Participants (SME04, SME05, SME07) identified political involvement as one of their concerns with GKM's public procurement process. Participants voiced frustration when tenders appeared to be given to individuals with political connections rather than their merit. The following quotes illustrate the dissatisfaction experienced by local SMMEs regarding political interference in public procurement at GKM.

Participant SME04 stated that: *“Corruption and political interference make it so difficult for us to get tenders at the Municipality, especially in Security Management. The tendering system should be very transparent however political interest often takes priority over compliance”.*

Participant SME05 Indicated that: *We have certain companies that get all the tenders because they know someone in politics or are related to some politician in the Municipality. This is a setback for us Local SMMEs who are trying to grow and succeed in public procurement”.*

Participant SME07 in Support stated that: *“It is frustrating to see someone progressing in public procurement due to political connections, we work hard to meet the requirements of the tender however we hardly get awarded due to Political interference at the Municipality”.*

Political meddling can be a substantial limitation on the successful implementation of the public procurement process. It has the ability to compromise the fairness and integrity of the procurement process. The finding is consistent with Nkoe (2023) study on Challenges Facing SMMEs at Sol Plaatjie Local Municipality, which discovered that political meddling in tender awarding was one of the challenges faced by SMMEs, resulting in contracts being awarded to well-known companies based on their political connections. Ambe (2019) wrote that political meddling from local politicians, businesspeople, members of parliament, and extremely

powerful individuals in high management positions disrupts procurement procedures and hinders openness. Aigheysi And Edore (2015) concurred with the findings and further stated that flawed public procurement practices are utilized by corrupt political officers as an instrument for stealing public money, through collaborating with government suppliers to inflate the contract costs. The finding highlights the detrimental impact of political meddling on the success of local SMMEs in the GKM public procurement process which compromises the fairness and integrity of the process. It not only undermines the local economic growth of the municipality but also leads to the failure of SMMEs. According to Jonas (2023), for institutions to be able to overcome these constraints they may need to address matters that are related to political meddling, press for legislative reforms and make sure that budgets are managed effectively while adhering to the empowerment requirement.

4.4.1.6 Sub- Theme 2:6: Qualification Criteria for the Tenders

Qualification criteria set a minimum standard of capabilities required for a tenderer to qualify for a tender, thereby eliminating all the tenderers who do not meet the criteria. Tender qualification criteria were found to be one of the obstacles that make it difficult for Local SMMEs to get contracts at GKM. The qualification criteria for the tenders were considered by participants (SME03, SME04) as a hindering factor in the Municipality.

Participant SME03 stated that: *“The requirements set out in the tender documents of the Municipality are high for us to consider in participating which then discourages us from bidding for some of the tender”.*

Participant SME04 revealed that: *“The qualifying criteria for these bids are put too high for local SMMEs to comply to and are made for big companies. This disqualifies us before we could even start thinking of submitting a proposal and prevents the majority of SMMEs in Kokstad from participating in the Procurement process”.*

These results coincide with the study done Mahuwi and Israel (2023) which found that qualification criteria hinder access to tenders for SMMEs as they do not have the funding, nor the experience required to qualify for the tender. Similar findings were reported by Loader (2015), in their study where they found that the most frequently cited barriers to public procurement for SMMEs were stringent qualification criteria, obscure bid specifications and excessive resource requirements. According to Normanyo, Ansahand and Boakye (2016), the

evaluation criteria is frequently broken down into qualifications, suitability for the assignment and experience of SMMEs in participating in public procurement opportunities. The majority of SMMEs fail to meet some of the criteria, and some are rejected due to their experience without taking into account that awarding them contracts will increase their experience. Tsikad, Imran and Ullah (2024) agreed and further stated that the qualification criteria may sometimes include tailored financial thresholds that consider the size and nature of SMEs which is stringent and prohibitive and results in the disqualification of SMMEs who do not meet the criteria. Therefore, the qualification criteria of a tender do have an element of hindering the participation of SMMEs in public procurement at GKM.

4.4.1.7 Sub- Theme 2:7: Skills and Training

According to Sphelele and Amoah (2024), a lack of knowledge and lack of skilled workers are two factors that lead to errors in tender submissions, which can result in mistakes in crucial duties like pricing tender papers. Hence skills are an essential element in the development and success of SMMEs. The study participants (SME02, SME07, CSS01, ITS01) revealed that skills and training are some of the problems that affect SMMEs' performance and successful participation in the public procurement of the GKM.

Participant SME02 indicated that: *“We are challenged by the complicated requirements set out in the tender documents and to be honest, there is a lot that we don’t understand about the tenders, especially the qualification criteria and how bids are evaluated”.*

Participant SME07 stated that: *“In the construction field you are required to have certain skills and expertise in order to qualify for a job, which in my case I do not have”.*

Participant CSS01 indicated that: *“I think one of the major challenges faced by SMMEs within Kokstad in my experience is lack of experience and the technical know-how. Most SMMEs do not have any understanding of how to fill a tender document which then leads to their disqualification”.*

Participant ITS01 indicated that *“From my experience, these enterprises lack management skills, they can’t manage their business well and when they make decisions about business, they make uninformed decisions which result in mismanagement of the Enterprise funds and loss in profits”.*

The results coincide with a study conducted by Suliantoro, Winarno and Handayani (2019) which found that small and medium enterprises are hampered by lack of skill or expertise in public procurement, which results in these enterprises not winning the contract for goods and services in government. Mkele (2019) shared a similar view that lack of information, expertise, and experience are issues that SMMEs deal with in South Africa. According to Bushe (2019), SMMEs in South Africa suffer from inadequate management skills due to a lack of adequate education and training on the management of small businesses, which results in high failure rates of these businesses in the country. Mukwarami, Mukwarami and Tengeh (2020) further added that the availability of finance does not ensure the success of a business and intellectual capital is defensibly a vital pre-requisite for any business venture. Without a clear training and development program for SMMEs in public procurement, these enterprises will continuously face stagnation, and they won't have the expertise to compete with well established companies. Hence it is important for these enterprise owners to be trained and upskilled so that they can gain the necessary skills in order for them to be in a better position of managing their business and competing successfully in the public procurement industry. Improving the skills of the owners of these enterprises will also transpire into these enterprises improving their performance and improving the quality of work that they produce. Furthermore, it will enhance their reputation thereby enabling these enterprises to secure more contracts through public procurement in the GKM. According to Mohambi (2022) skills development amongst small business owners and employees may be an important enabling factor for development in the sector.

4.4.1.8 Sub- Theme 2:8: Access to Finance

The IFC (2020) stated that the potential ability of the SMME sector to drive economic growth and employment might be better realized if SMMEs had access to productive financing. Participants (SME01, SME04, SME07, CSS01, ITS02) indicated that Access to Finance is one of the impediments that face Local SMMEs in the public procurement process at GKM.

Participant SME01 stated that: *“We are embattled by the fact that we don't have financial resources to compete with these other companies. The government also knows of our problems”.*

Participant SME04 revealed that: *“Basically, I rely on my own pocket money to run this business with no assistance from the government, if I don’t have money to do the business, I have to run around all over the place looking for assistance”.*

Participant SME07 revealed that: *“The banks are reluctant to lend me money due to the fact that I don’t have collateral such as property or cash. Which makes it difficult for me to participate in the procurement process”.*

Participant CSS 01 stated that: *“These small enterprises do not have money and are also unable to get excess to funding easily as most of them are still in their start up. These companies need to be supported”.*

According to Msomi and Olarewaju (2021), the second most reported cause of SMME failure in SA is a lack of financial resources, following education and training. This was confirmed by Theletsane, (2020) who also discovered that SMMEs in SA are highly challenged by the fact that they cannot access finance. Olusegun and Akinbode (20106) study also highlighted that SMEs are in shortage of funds required to participate in public procurement due to limited access to credit from various sources and the majority being banks, as they lack the necessary collateral.

According to Serame (2019), commercial banks when approached by SMMEs are hesitant to make loans to them because they are unsure of their ability to run the firms and as well as the fact that the majority of SMMEs lack collateral security. Sitharama and Hoque (2016) also pointed out that due to the financial crises being experienced credit processes of financial institutions have become very complex, and financial institutions have become more cautious making it more difficult for SMMEs to understand the procedures and decisions when it comes to the loan processing, which then affects them in getting loans. According to Israel and Kazungu (2019), considering the fact that the majority of SMMEs are financially weak, they are unable to participate in public procurement opportunities due to financial constraints. Sitharama and Hoque (2016) also pointed out that many SMMEs relied on internal finance, such as contributions from the business owner, family and friends which is often insufficient for SMMEs to survive and grow. Despite the effort and intervention by the South African government, these enterprises are still faced with the challenges of accessing finance, and

without access to finance these small enterprises will continue to experience marginal growth which will not have any significant impact on the overall economy.

4.4.1.9 Sub- Theme 2:9: Timely Payments

Participants (SME01, SME05) complained about the lack of timely payment by the municipality, indicating that delayed payment after delivery of goods and services to the municipality is a challenge to them since it puts their enterprise under strain, and therefore does not allow them to obtain optimal cashflows which affect their business stability.

Participant SME01 cited that: *We Understand that the Municipality has a turnaround time of 30 days to pay contractors however for us that is a lot of time to wait because we rely on the money, we receive from the contracts to continue with business operations and any further delays jeopardizes the business”.*

Participant SME05 stated that: *“For us to maintain our operation we need cashflow. Therefore, payment after delivery of goods is an issue, hence timely payments by the Municipality would really assist in the continuation of our operation “.*

The study revealed that local SMMEs are challenged by late payments made by the municipality which affects their operations and business. This coincides with the findings by Xero (2019) on Late Payments in SA, which found that 91% of small businesses are waiting for payment outside of their normal terms. CIDB (2017) also reported that late interim payments and delayed payments of final accounts – often up to 90 days after invoice submission which affect contractors’ performance. Madlavu (2023) Further stated that late payments threaten small firms and the broader provincial economy by raising costs, limiting capital, disrupting operations, and hindering investment decisions. According to Hoekman and Tas (2022), for SMMEs it is vital that these suppliers are paid on time since a payment delay by the purchasing firm would negatively affect the cash flows of the businesses that are carrying out a contract as well as their capacity to pay operating expenses and debts. Late payment does negatively affect SMMEs operation to the extent that it even forces some firms to exit the public procurement market, or in other instances lead to bankruptcy. Findings by Tshilo and van Niekerk (2024) on the study of the effect of overdue payments to suppliers by selected municipalities in the Free State also found that late and overdue payments by municipalities lead to suppliers suffering psychologically, experiencing damage to their

business and personal reputations, facing legal battles with subcontractors and suppliers, and even going bankrupt, which results in incomplete projects. Therefore, late payments have a detrimental impact on the success of SMMEs. Hence, municipalities must pay SMMEs on time to ensure the continuation and operation of these local enterprises.

4.4.1.10 Sub- Theme 2:9: Knowledge Gap.

Public procurement processes consist of regulations and policies that govern the implementation of the system. For SMMEs to understand public procurement policies it is crucial, as it directly impacts their ability to access and compete in government contracts. Participants (SME01, SME03, SME05, SME06, SME07) of the study indicated that they don't have an understanding of public procurement policies. The selected quotes below attest to the results.

Participant SME03 cited that: *“In my understanding public procurement policies are limited to Municipal officials, we have never been introduced to them or provided with these policies by the Municipality”.*

Participant SME05 revealed that: *“information related to procurement policies is not easily accessible or disseminated by the municipality, which affects our ability to participate in public procurement”.*

According to participant SME01: *“To some extent yes, let alone the interference from the political office bearer and municipal officials who deliberately ignore compliance requirements with their official duty and fall trapped in activities of fraud and corruption”.*

The results are consistent with research conducted by Israel and Kazungu (2019) which revealed that many SMEs are faced with challenges in public procurement due to a lack of understanding of public procurement procedures and policies, making it tough for them to take advantage of the procurement opportunities effectively. Similar findings were made by Mdadane (2022) who found that lack of understanding of procurement regulatory frameworks is one of the factors that limit the participation of SMMEs in public procurement This emphasizes the role that education and training play in helping SMMEs navigate procurement processes successfully. Bush (2019) drew attention to this problem by stressing that having a grasp of business operations and policies is essential for achieving success in the field. The

lack of comprehension can hinder SMMEs from creating competitive proposals or meeting procurement standards effectively. Moreover, Flynn and Davis (2017) stated that the insufficient awareness of policies among SMMEs indicated an issue in communication originating from the government regarding the distribution of procurement details, and training remains insufficient. In addition, Naidoo and Magakwe (2023) pointed out that limited education in public procurement processes hinders access to public procurement opportunities but also reduces the confidence of SMMEs that are participating in the public procurement process. These enterprises are compounded by systemic barriers such as unclear tender guidelines and the absence of capacity-building initiatives. These challenges altogether limit the participation of local SMMEs in public procurement, eventually leading to many small enterprises not growing or succeeding in public procurement.

4.4.2.1 Sub- Theme 2:10: Standard of Work

The Standard of Work is considered to establish the quality efficacy and compliance that should be met when the service provider is undertaking the projects. According to Seseni and Mbohwa (2021), implementing quality standards can enhance the competitive advantage of SMMEs by ensuring consistent performance, reliability and customer satisfaction. Therefore, it is important for SMMEs to maintain high-quality standards. Understanding the level of work provided by SMMEs will help identify the reasons for their lack of inclusion in public procurement by the municipality. Participants (BTO01, ITS01, CSS01) indicated that in most cases where they had to work with SMMEs, those enterprises made numerous errors resulting in substandard work. However, some participants (BTO02, ITS01) indicated that there is potential in SMMEs that they have worked with. The following quotes from participants support these findings.

Participant BTO01 stated that: *“Most of the SMMEs that I have had the privilege of working with are inconsistent in their work and they have lots of errors which results in substandard work”.*

Participant ITS01 noted that: *“Sometimes these SMMEs do perform well and meet the standard and sometimes they don’t. I think the reason why some of the Local SMMEs do not perform well is due to a lack of access to funds, you will find that they rely on their own pocket money to do the project which affects the standard of work. Others in nature lack experience to tackle the big projects and end up failing to complete the project”.*

Participant ITS02 revealed that: *“Yes, The Local SMMEs that I had the privilege of working with have shown me that they are eager to work with the Municipality and were proactive once they were awarded the tender.*

Participant CSS01 stated that: *“No, I think this is due to lack of understanding of tender documents and also lack of technical know-how. One of the key problems with local SMMEs is that they bid for everything even if they don’t know what they are expected to do on that contract.*

However, there were some participants who argued that there was potential in some of the SMMEs that they work with as they demonstrate eagerness to succeed in public procurement.

Participant ITS02 revealed that: *“Yes, The Local SMMEs that I had the privilege of working with have shown me that they are eager to work with the Municipality and were proactive once they were awarded the tender.*

The study findings revealed a mixed outcome from the participants. A few participants (ITS02 and BT02) from the municipality recognized the potential within some of the local SMMEs that they had the opportunity to work with. However, the majority expressed dissatisfaction with the quality of work provided by local SMMEs. This aligns with the study by Mhlongo and Daya (2023), which found significant challenges faced by SMMEs in Gauteng, including relatively high failure rates and lower performance levels. These findings are supported by Mdadane (2022) study which found that SMME participation in the public procurement process is impacted by quality management. Citing management awareness, financial, cultural and human resources as issues that affect the quality of work provided by SMMEs. According to Sibanda (2021), the inconsistencies in performance by SMMEs and their lack of technical expertise often led to substandard work which negatively affects their inclusion in public contracts. Mhlongo and Daya (2023) identified several factors contributing to this underperformance, including a lack of entrepreneurial leadership skills, insufficient financial resources, inadequate financial education and infrastructure constraints. According to Pillay and Mafini (2017), the over-reliance on unqualified people in SA has resulted in poor quality services and abysmal performance. Seseni and Mbohwa (2021) recommended that SA should invest in SMMEs by educating them on quality, its importance, and implementation. This in

turn, could reduce the business failures, as poor quality is a contributing factor to such failures. Therefore, the finding underscores the need for more capacity-building initiatives for local SMMEs in order for them to acquire the necessary expertise to provide quality work. Furthermore, this underlines the need for effective oversight, monitoring and quality assurance measures when working with local SMMEs in order to ensure that they meet the municipality's required standard of work.

4.5: Based on Objective Three

4.5.1 Theme 3: Policy Objectives

It is important that policies that are aligned with SMMEs need create an enabling environment for smaller firms, reducing entry barriers and facilitating greater inclusion of SMMEs in government contracts. According to Fourie and Canal (2020), South Africa should aspire to instil a principles-based, strategic, developmental procurement system that is agile enough to alter its processes to align with its operational and social policy framework. This alignment is crucial for achieving economic empowerment and fostering sustainable business growth for local SMMEs. Therefore, the objectives of public procurement must be aligned with the development of SMMEs. There was one prominent sub-theme that emerged on the theme which is the Alignment of Policy Objectives with SMME needs.

4.5.1.1- Theme 3.1: Alignment of Policy Objectives with SMME Needs

The majority of participants (BTO01, BTO02, ITS01, ITS02, CSS01) from the municipality indicated that the public procurement objectives set out in the public procurement policies are clearly outlined and are aligned with the public procurement objectives of supporting SMMEs. However, implementation of these policies seems challenging as it does not provide much practical support in terms of the development of skills and financing for local SMMEs. The following quotes confirm the findings.

Participant BTO01 indicated that: *“To my knowledge, the Government of South Africa has outlined the objectives of public procurement clearly however the challenge has been the implementation of these objectives, sometimes the objectives of promoting the social and economic transformation contradict with the principle of ensuring cost-effectiveness and value for money.”*

Participant ITS01 was of the opinion that: *“Yes, the policies are aligned to the objective of Supporting SMMEs which have good intentions. However, in reality, they don't provide*

practical support for SMMEs in the form of financial assistance or training and mentorship which assist SMMEs in competing with big companies. Therefore, they should be tailored to provide the necessary support to local SMMEs”.

Participant CSS01 stated that: *“Yes, the government has outlined the objectives of public procurement policy clearly. However, the policies need to be continuously improved. If you look at where it started and where it is now, you can see that the government has been putting a lot of effort into making sure that the procurement policies are supporting SMMEs”.*

These findings are aligned with the findings by Malope (2024) who found that the preferential policies aim to enhance SMME participation. However, the lack of adequate financial and technical support limits their practical impact, underscoring the need for a more tailored approach. Similarly, Ambe (2019) asserted that, despite the well-meaning objectives of public procurement, SMMEs are unable to fully profit from procurement policies that do not include capacity-building initiatives. Rogerson and Rogerson (2019) also emphasized that SMMEs often find it difficult to compete with larger businesses, particularly for high-value government contracts, if they do not receive specialized training and mentorship. Mahuwi and Israel (2023) supported this view, noting that financial and operational challenges further exacerbate the problem thereby reducing the efficacy of public procurement policies. The participants’ feedback underscored the necessity of a more pragmatic and encouraging approach in the GKM public procurement for local SMMEs. This may include measures such as financial support, technical assistance and continuous monitoring and improvement of policy frameworks to ensure they meet SMME needs effectively. Di Mauro and Ancarani (2020) in their conclusion stipulated that policies that target SMMEs but ignore support for firms in the public marketplace would face limited success.

4.6: Based on Objective Four

4.6.1 Theme 4: Support for SMMEs

It is important that the SA government support SMMEs in order to help them achieve their goals thereby contributing to the economy and creating jobs and reducing poverty. By participating effectively, these enterprises would be in a better position to succeed. In addressing the fourth objective of the study six sub-themes emerged: Business Capacity for SMMEs, Financial Assistance, Inclusivity, Prudent Financial Management, Consistency in Business and Understanding the Public Procurement Market.

4.6.1.1 Sub- Theme 4:1: Build Business Capacity for SMMEs

Building capacity involves equipping people with knowledge, skills, information and training that make them carry out their functions effectively. Participants (SME01, SME04, SME07, CSS01, BT01) indicated that training and workshops could be one of the initiatives that the government takes to support SMMEs in public procurement in order for them to participate effectively. The following quotes confirm the results.

Participant SME01 indicated that: *“An Intergovernmental and multi-pronged approach will encourage SMME participation. Continuous engagement all stakeholders through knowledge sharing workshops and also upskilling the role-players.”*

Participant SME04 mentioned that: *“Training and workshop in business management could really improve our management in business. Providing compliance training, specifically relating to public procurement will assist in participating in Public Procurement”*.

Participant SME07 indicated that: *“The Municipality should develop incubation programs for us local SMMEs so that we can receive the necessary skills, training, mentorship and Networking”*.

The results align with Chogo and Kitheka (2019) study where it was discovered that capacity building contributes to the success of SMMEs. Similar findings were echoed by Suliantoro, Winarno and Handayani (2019) who also found that there is a favourable correlation between education and training and the success and growth of SMEs when engaging in government procurement. Bushe (2019) also emphasized that the first strategy for improving business success is ensuring that the managers of these enterprises are sufficiently capacitated so that they can possess the necessary skills to run a successful business. These studies altogether underpin the importance of capacitating SMME owners and managers with the relevant knowledge and skills required to manage the complex procurement processes effectively. Furthermore, this underscores the importance of indulging in continuous learning and development for local SMMEs in order for them to adapt to the market and enhance their competitiveness. Overall, these findings suggest that building capacity through education and training plays an important function in enabling SMMEs to participate successfully in public procurement processes. Thus, providing these local SMMEs with the necessary expertise and skills

not only to help them manage their business efficiently but also to equip them with the ability to execute and manage the project that they are contracted for efficiently and effectively. This in turn will assure the achievement of sustainable growth and success there by contributing to both the municipality and the broader economy.

4.6.1.2 Sub-Theme 4:2: Provide Financial Assistance to SMMEs.

Participants (SME04, SME05, SME04, BT02) indicated that financial assistance was an important element for their growth and success in public procurement, furthermore for them to participate effectively in public procurement they need Financial Assistance. The following quotes attest to the findings.

Participant SME04 indicated that: *“One of the major challenges that we often experience in business is cashflow. We might be in a position of winning a tender however without cashflow it will be hard for us to cover the upfront cost. Hence if the Municipality could facilitate easy access to finance”.*

Participant SME05 stated that: *“I need more training and funding from the Municipality. The municipality must make it easier for us SMMEs to gain access to funding.”.*

Participant SME06 suggested that: *“Low interest loans financial support offered by government and grants for specific projects will really assist us, especially black SMMEs”.*

This coincides with Muchoka (2020) study where they found that financial access offered by various organizations, channelled by the government has a positive effect on the growth and progress of SMEs. Similar findings were echoed by Msomi and Olarewaju (2021) who discovered that access to finance has a positive effect on the financial sustainability of SMEs. Serame, (2019) also found that access to credit contributes to enterprise development in ways such as allowing for flexibility in resource allocation and reducing the impact of cash flow problems and financial shock. Therefore, availing finance to SMMEs will highly have an impact on the management of the business, as it will allow these enterprises to maintain sufficient cashflow to continue with operation, thereby placing these enterprises in a better position to compete in the public procurement market.

4.6.1.3 Sub-Theme 4:3: Inclusivity of SMMEs in the Public Procurement

Inclusivity in public procurement entails reserving a certain percentage of contracts exclusively for SMEs and implementing also preferential purchasing policies that establish goals and targets for procuring goods and services from local SMMEs. Participants (SME4, SME07, CSS01) identified promoting inclusivity in the public procurement process as one of the measures that the municipality could adopt in supporting them in public procurement. The following quotes confirm the responses from the participants.

Participant SME04 indicated that: *“the Municipality should look to reserve some of the tenders for us local SMMEs, this could really assist us in increasing the chances of us being successful in public procurement processes”.*

Participant SME07 stated that: *Our enterprises would be in a better position if the Municipality were to ensure that most local SMMEs could get into subcontracting in these big projects”.*

Participant CSS01 indicated: *The Municipality must make means to reserve some of the contracts for SMMEs as they are not allocated much of the public procurement contracts by the Municipality and have to compete with big companies who are well resourced”.*

Mahuwi and Israel (2023) highlighted the importance of SMME inclusivity in public procurement, emphasizing that the public sector organizations should implement supplier diversity programs that are aimed at fostering the participation of underrepresented enterprises which includes SMMEs. Tsikada et al, (2024) stated that when governments facilitate SMMEs entry into the public market through a noncompetitive mechanism, such as mandatory set-asides, preferential pricing and random selection systems, they can level the playing field and strengthen SMME competitiveness in the public market. Such initiatives are developed can improve the playing field for local SMMEs in the GKM thereby ensuring that these enterprises are not overshadowed by big companies. Furthermore, these initiatives also address fairness in the procurement process providing SMMEs with fair opportunities to compete for government contracts, thereby addressing structural injustices in the procurement systems. By prioritizing inclusivity, these efforts enhance the representation of smaller businesses in public procurement and help to drive economic development. Furthermore, these initiatives align with broader global trends identified by Flynn and Davis (2017), which encourage supplier diversity

in developing equitable access and supporting a sustainable economic environment. Ultimately, these programs are very important in increasing the chances of SMMEs to actively and successfully participate in public procurement markets, strengthening their competitive capacity and economic impact.

4.6.1.4 Sub- Theme 4:4: Prudent Financial Management

Prudent in financial management was indicated by Participants (SME01, SME04) as one of the abilities that SMMEs could adopt when participating in public procurement. The quotes cited below attest to the participants' responses.

Participant SME01 stated that: *“Be prudent in handling your finances because cash flow is the life and vein of any business. Avoid unnecessary credit facilities that may accumulate more interest”.*

Participant SME04 indicated that: *“it is important that you ensure that you are prudent with your financials, because they are the key to your enterprise success, be wise with your finances as they may break or make you”.*

The participants of the study alluded to the importance of prudent financial management indicating the importance of financial management in the business. According to Nkwinika and Akinola (2023), efficient financial management enables SMEs to make wise business decisions, manage difficult economic times with confidence, and distribute their limited resources effectively, which is important for the success and sustainability of the business.

4.6.1.5 Sub- Theme 4:5 Consistency in Business

Maintaining consistency in operations, ensuring quality and protecting brand identity are essential for business success. This involves standardizing processes, delivering uniform customer service and adhering to company principles which foster trust and loyalty. Businesses that promote predictability and stability can enhance efficiency, reduce errors and build a solid market reputation. Participants (SME02, SME04, ITS02) encouraged that SMEs must learn to maintain consistency in their business practices for them to increase their chances of success in the public procurement industry. The following quotes confirm the results.

Participant SME02 revealed that: *“I would say beware of the business you are going into and never give up as there are no shortcuts to success. Business is tough so you have to be consistent in what you have started”.*

Participant SME04 stated that: *“keep on working hard and be consistent in your pursuit for success and be consistent in delivering a good standard of work”.*

Participant ITS02 stated that: *“Being resistant and consistent in the industry will help your chances of your Company being awarded a contract hence being consistent is important. Therefore, keep on submitting tenders and don’t be discouraged or overwhelmed by the process and never give up”.*

Participants highlighted consistency in business as a building block for successful businesses. Julien (2018) contend that consistency in business practices enhances reliability and trust. While Naradda Gamage et al. (2020) emphasize the importance of SMMEs delivering consistent quality as a key driver of customer loyalty and brand equity. According to Saastamoinen, Reijonen and Tammi (2020), SMEs can boost their credibility and chances of winning tenders by applying consistent business practices, particularly in public procurement. SMMEs will therefore have a better chance of winning contracts from the Municipality if they remain consistent in the public procurement sector by consistently submitting bids and producing high-quality work. Furthermore, by maintaining consistency in their business they will enhance their operational efficiency and strengthen trust and reputation within the public procurement market.

4.6.1.6 Sub-Theme 4:6 Understanding the Public Procurement Market.

SMMEs go through a rough patch as there are far too many challenges and uncertainties that must be encountered. Therefore, it is important that they have an understanding of the industry they are in. Participants (SME03, SME07, BT01, ITS02) indicated that it was important that SMMEs, when venturing into the public procurement have a clear understanding of the public procurement market and industry. The following quotes confirm the results.

Participant SME03 advised that: *“They must do their research correctly. They need to identify their target market, be always on the lookout for available relevant tenders on the websites”.*

Participant SME07 indicated that: *“Attend many courses and read a lot and gain knowledge about running a business within the public procurement industry, that will surely assist you”*.

The findings are in line with Bushe (2019) findings who found that having considerable knowledge and experience about the industry as an entrepreneur would likely assist your business to grow and succeed. According to Woldesenbet and Worthington (2019), having appropriate kinds of resources and capabilities, including knowledge about the product market, types of goods being sought and how they are traded are deemed essential requirements for operating as a supplier, especially in the case of public procurement market where the market is diverse, its operative mechanism complex, bureaucratic and rule-bound and with its emphasis on serving multiple stakeholder needs than in other product market contexts Hence it is important that SMMEs invest in themselves through various training or partake in relevant forums that will allow them to gain the necessary knowledge about the industry that they are in. This will allow them to be in a better position to get business and compete successfully.

4.7: Chapter Summary

This chapter, chapter 4, presented and analysed the findings regarding the impact of public procurement on the business success of SMMEs at GKM. The findings were discussed in detail and to validate them, references were made to various literature on similar topics. Additionally, direct quotations were used to support the sub-themes and enhance the study's credibility. This chapter addressed objectives 1, 2, 3 and 4 of the study. Results were clearly outlined in the prominent sub-themes. The research found that public procurement contracts can enhance the profitability, reputation and operational experience of local SMMEs at GKM. However, SMMEs face several obstacles and challenges in the public procurement process, which contribute to their stagnation and slow growth. To address these challenges, it is proposed that the municipality should provide financial support, build capacity for SMMEs and promote inclusivity for local SMMEs. Furthermore, the study encourages that SMMEs should adopt financial prudence, be consistent in business and learn the market very well. The final chapter will summarize the findings, offer recommendations based on the study and draw conclusions from the outlined findings.

CHAPTER 5. CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study aimed to investigate the impact of public procurement on business success of SMMEs at the GKM, with a focus on understanding how effective public procurement has been in supporting black local SMMEs in growing and succeeding. The study was based on a case study of the GKM and aimed to answer four research questions, which are outlined in Chapter 1. In the previous chapters, many authors have argued that public procurement has the potential to significantly drive economic development by promoting the participation of SMMEs in government procurement. However, they encounter several challenges in the public procurement process, limiting their ability to benefit meaningfully from these opportunities.

In Chapter 4, the researcher analysed data gathered from local SMME participants and municipal officials, providing interpretations of the findings. The research found that public procurement contracts can enhance the profitability, reputation and operational experience of local SMMEs at GKM. However, SMMEs face significant challenges, which contribute to their stagnation and slow growth. This chapter begins by summarising the key findings, followed by the contributions of the study, limitations, suggestions for future research, and a summary of the findings. The chapter integrates all the findings into a proposed framework designed to address the research questions outlined in Chapter 1.

5.2: Summary of the findings

5.2.1 Objective one: The impact of public procurement on the growth and business success of SMMEs

The first objective of the study intended to gain a deeper understanding of the impact of public procurement on the business success of SMMEs in the GKM. The finding of this study regarding this objective revealed that public procurement contracts contributed to the profitability of local SMMEs in the GKM. This aligns with the findings by Israil and Kazungu (2019), who in their study noted that public procurement contracts provide lucrative opportunities for SMMEs. Similarly, Ladzani (2020) supported this by indicating that tender opportunities lead to high profit margins and guarantee payment. Furthermore, the results reveal that public procurement contracts not only provide revenue and profits for these enterprises, but also offer these enterprises opportunities for building reputation, gaining experience, and creating a demand that can even spill over into the private sector. Literature further supports this by noting that public contracts can also be used by SMMEs as collateral when applying for loans thereby helping them in stabilizing their operations and improving

their business performance. However, it was also found that local SMMEs within the GKM are growing at a slow pace, experiencing stagnation and are unable to fully capitalize on procurement opportunities due to a complex set of constraints. The evidence suggests that this potential is only achievable if these enterprises are considered and are consistently awarded contracts that allow for sustained operation and growth conditions which are currently lacking in the GKM procurement system. Many local SMMEs face limited access to public contracts and a wide range of challenges in the GKM. Thereby falling short of the expectations to contributing meaningfully to economic transformation and development.

5.2.2 Objective two: Challenges faced by local SMMEs in public procurement.

The second objective of the study focussed on identifying the challenges that local SMMEs that are participating in public procurement in the GKM are faced with. The study findings revealed that local SMMEs encounter significant challenges in the GKM public procurement process, which hinder their growth and success. These challenges namely are, access to finance, lack of knowledge, lack of skills and training, which are considered to be internal. There are also external challenges like competition from larger companies, lack of resources, delayed payments, stringent qualification criteria and issues related standard of work, unfairness in the distribution of work, corruption and transparency in the municipality's tender processes. These results align with existing literature which similarly found that SMMEs participation is restricted due to the challenges that SMMEs encounter in public procurement. According to Bangani (2024), despite SMMEs crucial role in job creation and economic empowerment, they constantly face significant challenges which include limited resources, inadequate business management skills, financial constraints and difficulties accessing markets, as well as limited government support, complex legislation and issues of corruption and fraud in the public procurement industry. Overall, these findings point to serious and persistent challenges that limit the ability of small enterprises to access public procurement opportunities in the GKM. The public procurement business environment within the GKM does not enable SMMEs to fully reach their potential, as it continues to favour larger and well-established companies thereby leaving emerging enterprises at a disadvantage. There seems to be little recognition from the municipality that these local SMMEs are still in their developmental phases and lack the necessary resources and experience to compete on an equal footing with larger businesses. This disconnect reflects a broader gap in the municipal support. Therefore, there is a need for a meaningful intervention by the Municipality to create a more inclusive procurement

environment which will acknowledge the unique position of local SMMEs and also provide targeted support.

5.2.3 Objective three: Alignment of public procurement policies to the objectives of assisting SMMEs.

According to Letchmiah, (2012) the regulatory goal of South Africa's preferential procurement is to empower SMMEs by linking public procurement policy objectives with the need to support small business development, therefore contributing to job creation and economic inclusiveness. The third objective of the research was intended to understand if public procurement policies are effective in meeting their intended objectives of supporting local SMMEs at GKM. The aim was to determine how well these public procurement policies align with the needs of local SMMEs in the GKM and if these policies are clearly defined in order to provide the required support for the local SMMEs at the GKM. The study found that the objectives which are outlined in the public procurement policies are clearly outlined and also are aligned with the goals of supporting local SMMEs in the public procurement process of the GKM. However, the challenge lies in the implementation of these policies, as these policies do not offer practical support in financing or capacity building for SMMEs, which is the enabler for effective participation of local SMMEs in the GKM procurement process. According to Hoekman and Tas (2022), while these policies have created opportunities for SMMEs, aligning procurement requirements with SMME capacity is crucial for these policies to achieve their transformative objectives. Therefore, these findings demonstrate significant disconnect between policy intentions and practical outcomes in the GKM's public procurement system. Although policy frameworks exist to support SMMEs, they are poorly implemented and rarely translated into effective, actionable support. SMMEs require tangible, real-world support in order to survive and fulfil their role in driving economic transformation. Without such reforms and strategic inclusion, local SMMEs will continue to face operational constraints and limited growth in the GKM. Therefore, it is important that the Municipality strengthen its role in supporting local SMMEs.

5.2.4 Objective four: How the Greater Kokstad Municipality SMMEs can be more involved in the public procurement processes.

The fourth objective of the study was aimed at determining how local SMMEs that are participating in the GKM public procurement process could be more involved in the procurement process. The findings revealed that local SMMEs that are participating in the

GKM public procurement process could improve their participation in the municipality public procurement by participating in various support programs offered by the municipality. These programs include capacity building, financial access initiatives and promoting inclusivity in the procurement process. Additionally, the study indicated that for local SMMEs to improve their competitiveness in the public procurement landscape in the GKM, they must consistently engage in the market, gain a better understanding of the public procurement environment and manage their financial resources prudently. The findings align with Woldesenbet and Worthington (2019), who noted that having sufficient knowledge of the public sector allows small enterprises to identify available opportunities and align their resources and capabilities to translate those opportunities into actual business transactions. These findings underscore the need for the Municipality to develop different types of programmes and measures to assist and support local SMMEs in their business ventures. They also highlight the importance of strengthening the relationship between SMMEs and the Municipality. Furthermore, the findings recommend that local SMMEs take initiative by being proactive in seeking procurement opportunities and investing in their managerial capabilities through relevant training programmes and forums to enhance their competitiveness in the public procurement market. For public procurement to be a real engine of growth and success for local SMMEs in the GKM, they must prioritize inclusivity practices, capacity building, and transparency. Only then can the intended economic and social outcomes of public procurement policies be realized.

5.3: Recommendations

Capacity Building: The participation of local SMMEs in GKM is low due to a lack of capacity. Therefore, the municipality should identify and facilitate training and support programs through relevant institutions for these local SMMEs. These training and support programs should focus on aspects of tendering, compliance, pricing and financial management. This will give SMMEs a better chance of succeeding in securing government contracts.

Transparency and Accessibility: GKM should provide constructive feedback to all unsuccessful bidders before the bid is awarded to the successful bidder, clearly explaining the reasons for the failure of their submissions. In this way, local SMMEs will have more confidence in the municipality process since they will have a similar understanding of the municipality's decisions.

Awareness of Procurement Policies: The municipality should have ongoing roadshows and awareness programs on matters relevant to procurement policies. This approach will ensure that public procurement policy information is widely accessible.

Delayed payments due to lack of staff and incompetence can significantly strain the cash flow of SMMEs. Recruitment of staff and capacitation on matters related to time management and risk can improve the financial sustainability and operational efficiency of SMMEs.

Accessible Finance: The municipality should create a conducive environment through collaboration with institutions that provide financial support for SMMEs.

Encourage Inclusivity: The municipality should reserve a portion of contracts specifically for SMMEs. This approach would guarantee that a certain percentage of municipal contracts is allocated to these enterprises, thereby supporting their continued operation.

Combat Corruption: To combat corrupt practices within GKM, the municipality must implement and promote accountability measures and consequence management for all officials and councillors found to be involved in corrupt activities. Such issues should not only be addressed internally by the municipality but should also involve the South African Police Service (SAPS) for thorough investigations.

Partnerships and Collaboration: Fostering collaboration between SMMEs and large companies can significantly help SMMEs gain the experience needed to compete effectively in public procurement processes. This collaboration could ultimately lead to the growth and success of these enterprises.

5.4 Contribution of the Study

The study makes a significant contribution to understanding both the transformative potential and practical limitations of public procurement practices on SMME development in the GKM. It highlights how public procurement, when effectively implemented, serves as a powerful tool for promoting the growth and success of local SMMEs by providing not only financial support but also enhancing their market reputation, experience and access to public sector opportunities. However, the study also provides insight into the challenges within the GKM's

procurement system that hinder local SMMEs from fully benefiting from public procurement such as fierce competition, lack of resources etc. Moreover, it shows that public procurement policies, without being accompanied by practical support, are insufficient in promoting meaningfully to SMME development. The study outlines practical measures and programmes that the Municipality could implement to address these challenges and improve the success rate of these local enterprises. Therefore, the outcome of the study contributes to a broader understanding of the dynamics of local SMMEs operating within the public procurement market. The findings collectively enhance knowledge on SMME development and public sector reform, while also enriching the existing literature on public procurement, small business growth, and local economic development. By bridging theory and practice, the study promotes inclusive growth and opens avenues for future research aimed at strengthening procurement systems to better support local enterprises. Ultimately, the insights gained from this study can assist municipalities and programme designers in crafting more effective intervention strategies that provide targeted and efficient support to local SMMEs.

5.5 Limitation to the study

- The research was conducted solely within the GKM, focusing on the local SMMEs operating under its jurisdiction. While the findings may be generalised to some extent since all municipalities in SA operate under the same national legislative and policy framework the results remain limited due to the GKM's unique economic and administrative conditions, which may differ significantly from those of other municipalities.
- Secondly, the study focused primarily on Black-owned SMMEs. While this emphasis is important for addressing issues of equity and transformation, it excludes the experiences of other local business groups.
- Lastly, the study did not explore in depth how SMMEs contribute to the broader community and local economy.

5.6 Recommended Future studies

This study investigated the impact of public procurement on the business success of local SMMEs in the GKM. However, there are other related areas worth exploring and investigating in the near future which are related to public procurement and SMMEs development. These include:

- Analysing the Impact of local SMMEs in uplifting local communities with the GKM
- The impact of Contract Management on the performance of Local SMMEs in the GKM

- Evaluating the performance of local SMMEs in driving industrial innovation within the GKM

5.6 Chapter Summary

The study on the impact of public procurement on business success of SMMEs in the GKM has provided several important insights into public procurement at GKM. The study has demonstrated that public procurement has the potential to foster the growth and success of SMMEs in the GKM. However, various challenges prevent these enterprises from fully capitalizing on available opportunities. Although there is a clear alignment between public procurement policies and the objective to support SMMEs at the policy level, effective implementation remains a challenge at the Municipality due to lack of practical support mechanisms. The study recommends targeted measures to directly address these challenges, such as providing finance, reserving contracts, maintaining transparency in the tender's processes, providing sufficient feedback and also improving communication about procurement policies. This will allow a more equitable and supportive environment for local SMMEs at GKM. Thereby ensuring that public procurement becomes a reliable platform for local economic development. Through empowering local SMMEs, the GKM can contribute to job creation, poverty alleviation and inclusive economic growth for SA.

6: References

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Appendix 1: Consent form and information sheet



GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent

My name is Fezile Leeroy Mhlongo, a Master of Business Administration student, at the Graduate School of Business Leadership, of the University of KwaZulu -Natal.

You are being invited to consider participating in a study titled “Impact of public procurement on business success of SMMEs: Case of Greater Kokstad Municipality”. The aim is to assess the impact of public procurement on the growth and business success of Greater Kokstad Municipality SMMEs to gain a deeper understanding of how effective public procurement policies have been in uplifting local SMMEs to be successful business which can contribute to local economy. The study is expected to enroll 7 SMMEs located in Greater Kokstad Municipality and also enroll 5 Greater Kokstad Municipality official. The duration of your participation if you choose to enroll and remain in the study is expected to be 30 to 40 minutes.

Through your participation. I hope to address the following objectives:

- To investigate the impact of public procurement on the growth and business success of SMMEs within the Greater Kokstad Municipality.
- To investigate if public procurement is meeting its intended objectives of addressing the socio-economic challenges within the Greater Kokstad Municipality.
- To explore the challenges that SMMEs experience in becoming successful enterprises at the Greater Kokstad Municipality.
- To identify ways which the Greater Kokstad Municipality SMMEs can be more involved in the public procurement processes.

The results of the focus groups are intended to inform policy recommendations and enhance the effectiveness of public procurement strategies for supporting SMMEs’ growth and success. The findings of this paper can also be used to appraise and acknowledge the success of the policies. This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number:HSSREC/00007280/2024). In the event of any problems or concerns/questions you may contact the researcher at 0 [REDACTED] / [REDACTED] or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows: **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION at Research Office, Westville Campus,**

Govan Mbeki Building, Private Bag X 54001, Durban, 4000, KwaZulu-Natal, SOUTH AFRICA, Tel: 27 31 2604557- Fax: 27 31 2604609, Email: HSSREC@ukzn.ac.za

Your participation in this research is voluntary and you may refuse to participate or withdraw from the project at any time with no consequences. There will be no costs nor monetary gain from participating in the study. Confidentiality and anonymity of records identifying you as a participant will be maintained. The information gathered during this study will be saved and stored electronically in a database on a secured server, in order to ensure confidentiality, and access will only be restricted to the researcher. The recorded information will be stored in the database for a period of years and thereafter will be destroyed.

Sincerely

Researcher's Signature _____ Date _____

CONSENT

I _____ (Full names & surname) have been informed about the study entitled: Impact of public procurement on business success of SMMEs: Case of Greater Kokstad Municipality” by Fezile Leeroy Mhlongo. I understand the purpose and procedures of the study (add these again if appropriate). I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I liberty to withdraw from the project at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study, I understand that I may contact the researcher at _____ or _____

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact: **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION at Research Office: ethics Westville Campus, Govan Mbeki Building**, Private Bag X 54001, Durban, 4000, KwaZulu-Natal, SOUTH AFRICA, Tel: 27 31 2604557 - Fax: 27 31 2604609, Email: HSSREC@ukzn.ac.za

I hereby provide consent to:

Audio-record my interview / focus group discussion YES / NO

Signature of Participant

Date

Appendix: 02: Interview Questions for SMMEs

INTERVIEW QUESTIONS: FOR LOCAL SMMEs

IMPACT OF PUBLIC PROCUREMENT ON BUSINESS SUCCESS OF SMMEs: CASE STUDY OF GREATER KOKSTAD MUNICIPALITY

Thank you for agreeing to participate in this interview. Please respond to the following questions and feel free to seek further clarification where needed. The interview will take between 15 and 30 minutes.

Introductory questions

1. What is your position in the enterprise? (Owner/manager etc.)
2. What is Your Gender?
3. What is your Age?
4. What is your Qualification?
5. When was your SMME registered and how long has it been operational?
6. When your enterprise was awarded a tender by the municipality, were you able to make a profit? If so, how did that impact the enterprise's overall performance?
7. In what other ways did your enterprise benefit from rendering services to the municipality?
8. Did rendering services to the municipality contribute to the growth of your enterprise? (Explain your answer)
9. Are you aware of the public procurement's general objectives and policies?
10. From your experience of rendering services to the municipality, do you think public procurement is meeting its intended objectives of Assisting SMMEs in public procurement? (explain your answer)
11. Do you think SMMEs in the Greater Kokstad Municipality have equal opportunities as with large businesses in public procurement?
12. Specific to public procurement, what are the main challenges that your company experiences as SMME when participating in public procurement process at the Greater Kokstad Municipality that lead to your company not being awarded tenders?
13. What programs and support can be implemented to improve the participation of local SMMEs in public procurement at the Greater Kokstad Municipality?
14. What advice would you give to new SMMEs intending to venture into public procurement?

Appendix: 02: Interview Questions for GKM officials

Thank you for your participation.

INTERVIEW QUESTIONS: FOR GKM OFFICIALS.

IMPACT OF PUBLIC PROCUREMENT ON BUSINESS SUCCESS OF SMMEs: CASE STUDY OF GREATER KOKSTAD MUNICIPALITY (GKM)

Thank you for agreeing to participate in this interview. Please respond to the following questions and feel free to seek further clarification where needed. The interview will take between 15 and 30 minutes and will be done on Microsoft Teams.

Introductory questions

1. What position do you hold at GKM?
2. Kindly tell us your level of Education
3. Kindly tell us your gender”
4. Kindly describe your role at the Municipality in line with public procurement.
5. For how long have you been working at GKM?
6. Do local SMMEs that you tender perform to your satisfaction?
7. Do you think that the government has clearly outlined the objectives to be achieved by public procurement policies? Please elaborate.
8. Having served SMMEs at GKM, what do you think are the challenges that SMMEs face with regards to public procurement?
9. Do you think that SMMEs have equal chances or opportunities with big companies when competing for tenders at GKM?
10. What programs and support can be implemented to improve the participation of local SMMEs in public procurement at the Greater Kokstad Municipality?
11. What advice would you give to new SMMEs intending to venture into public procurement?

Thank you for your participation.

Appendix: 03: Gate Keeper letter



**GREATER
KOKSTAD
MUNICIPALITY**
PROVINCE OF KWAZULU NATAL

75 Hope Street
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OFFICE OF THE MUNICIPAL MANAGER

For attention:
Chair of Research Ethics Committee
Graduate School of Business & Leadership
College of Law and Management Studies
University of KwaZulu Natal
Durban
4001

14 May 2024

RE: Permission to Conduct Study and use Municipal Information for Academic purposes: Mr. Fezile Mhlongo, Student no. 221040530

This letter serves to inform you that the Greater Kokstad Municipality, has approved the gatekeeper's request from Fezile Leeroy Mhlongo (Mr.) to conduct his research study towards a Master of Business Administration degree.

The request is to collect data for a research study titled "Impact of Public Procurement on business success of SMMEs: case of Greater Kokstad Municipality".

We wish to inform you of the approval of this request and hereby assure Mr. Mhlongo of our full cooperation and support towards his research. We believe the outcomes of this research will contribute to Greater Kokstad Municipality objectives of assisting SMMEs to become successful businesses.

Mr. Mhlongo is expected to adhere to the Municipalities data collection, processing and handling conditions, ethical considerations, data sensitivity and governance requirements when conducting the research. Furthermore, he is expected to share the findings and recommendations with the Municipality on completion of his research.

Wishing Mr. Mhlongo all the best in his studies.



Municipal Manager

.....
Date

I, Fezile Leeroy Mhlongo.....hereby accepts and undertakes to comply fully with the conditions stipulated above.

Signed: ..... Date: 21/05/2024.....

"A People-Centred City of Economic Possibilities by 2047"

Appendix: 04: Ethical Clearance



14 August 2024

Fezile Leeroy Mhlongo (221040530)
Grad School of Bus & Leadership
Westville Campus

Dear FL Mhlongo,

Protocol reference number: HSSREC/00007280/2024

Project title: The impact of public procurement on business success of small micro medium enterprises: case of Greater Kokstad Municipality.

Degree: Masters

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 25 June 2024 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

Incidents of adverse events and serious adverse events (AEs and SAEs) should be reported in writing to HSSREC, the study sponsors, and any regulatory authority (where appropriate), within 7 working days of the occurrence for local sites and 14 days for all other South African sites.

This approval is valid until 14 August 2025.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

HSSREC is registered with the South African National Health Research Ethics Council (REC-040414-040).

Yours sincerely,



Professor Dipane Hlalele (Chair)
/nng

Humanities and Social Sciences Research Ethics Committee

Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 Email: hssrec@ukzn.ac.za Website: <http://research.ukzn.ac.za/Research-Ethics>

Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

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