


# The impact of social and institutional networks in sustaining South African rural small, medium and micro enterprises during the crisis

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**Orientation:** The coronavirus disease 2019 (COVID-19) and its subsequent variants, has exposed the ill-preparedness of Small, Medium and Micro enterprises (SMMEs) to grow and sustain themselves and, by extension, livelihoods after the pandemic induced socio-economic crises around the world.

**Research purpose:** This study aimed to contribute to an understanding of the impact of social and institutional networks in sustaining South African rural SMMEs during the crisis in rural municipalities.

**Motivation for the study:** Previous studies on the sustainability of South Africa's SMMEs have identified challenges and opportunities for urban-based SMMEs without clarifying the roles of rural-based social and institutional networks. This study was an attempt to fill that gap.

**Research design, approach and methods:** This qualitative research design used an interpretative research paradigm to achieve the research objectives. Data were collected from 34 purposively (social network analysis group interviews) and 35 snowballing (semi-structured one-on-one interviews) selected participants from two rural municipalities. Data were analysed using NVivo 12 software.

**Main findings:** The findings of the study revealed that, in the absence of provincial and nationally based institutions, rural SMME supportive groups established alternative local social and institutional networks to sustain their SMMEs in the post-socio-economic crisis period.

**Practical/managerial implications:** It is therefore recommended that all the institutions must work together to transform rural SMMEs from their unsustainable state to sustainability (post socio-economic crisis).

**Contribution/value-add:** By drawing on the critical elements of the sustainable livelihoods framework and institutional theory, this study proposed a conceptual model for sustaining rural SMMEs during crisis.

**Keywords:** social and institutional networks; post-socio-economic crisis; SMME sustainability; rural municipalities; rural SMMEs; SMME supportive groups.

## Introduction

The coronavirus disease 2019 (COVID-19) pandemic (and its associated variants) has disturbed the sustainability of livelihoods in both developed and developing countries (Afshan, Shahid & Tunio 2021; Cacciapaglia, Cot & Sannino 2020; Cortez & Johnston 2020; Nicola et al. 2020) by causing shocks and creating financial and market crises in small, medium and micro enterprises (SMMEs) and other livelihood strategies. Nevertheless, nowhere else has it exposed the ill-preparedness of the important institutions needed in sustaining local livelihoods than in developing and underdeveloped countries. These are most affected because of the poor preparedness of institutions to respond to crises (Boudreaux, Nikolaev & Klein 2019; Molefe, Meyer & De Jongh 2018). Being a developing country, South Africa (SA) is not immune to the devastating effects of the post-socio-economic crisis on livelihoods.

In line with other developing countries, SA invested formally and informally in advancing legislation and building institutions to support SMMEs during local disasters or crises (Bhorat et al. 2018; Kanyane 2008; Khumalo 2014; Mashavira, Chipunza & Dzansi 2021; Munyanyi, Munongo & Pooe 2021). Thus, lessons on how SA's rural-based institutions cope in the period

after a socio-economic crisis are crucial in addressing the current livelihood and SMME sustainability crises in other rural areas elsewhere. The crisis is in the form of disruption in the supply of critical resources, lack of markets and financial crises because of COVID-19. This study focuses on two rural municipalities to understand the role of rural-based institutions and their leaders in sustaining rural SMMEs, identify the social and institutional networks that sustain the rural SMMEs, identify the leading institutions in charge and understand the challenges and opportunities that such leading rural-based institutions encounter in sustaining rural SMMEs and local livelihoods in the post-disaster or socio-economic crisis period.

South Africa's Jozini and Matatiele local municipalities were therefore relevant case studies because of the fires and droughts that frequently happen there. Such disasters often seriously disturb local livelihoods and SMMEs. How local and rural-based institutions use formal and informal processes to overcome such disasters and sustain local SMMEs and, by extension, rural livelihoods is therefore very relevant (Korsgaard et al. 2020; Mashavira et al. 2021) to how local and global institutions can sustain SMMEs and livelihoods during the current disturbance to livelihoods caused by the COVID-19 pandemic.

Bhorat et al. (2018) have, in their recent paper, stated:

SMMEs have been identified as a key component to advancing inclusive growth and development in South Africa's National Development Plan, with government highlighting the importance of these businesses for job creation, innovation and competitiveness. (p. 2)

The National Development Plan (NDP) is the latest amongst pro-poor strategies adopted by the democratic South African government post-1994 to create much-needed jobs in a country that is mostly rural and poverty-stricken.

Bhorat et al. (2018) explain that the drafters of the latest pro-poor policies and strategies had not only expected SMMEs to be the primary livelihood strategy by 2030 but also had specific goals and targets for creating future jobs. Kanyane (2008) and Khumalo (2014) also explain that SMMEs have been identified by the South African government as strategic mechanisms for creating jobs, growing the economy and mitigating poverty. For the NDP to be successful as a strategy, various institutions were expected to play their roles in sustaining SMMEs and, by extension, livelihoods amongst the most vulnerable (that is, rural populations).

By drawing on the critical elements of the sustainable livelihoods framework (asset base and the transforming of structures and processes) and institutional theory (regulative and cultural cognitive elements), this study aims to contribute to an understanding of the impact of social and institutional networks in sustaining South African rural SMMEs during the crisis in rural municipalities. Therefore, the main objective of this study is to establish which social and institutional networks impact SMMEs in rural settings.

## Small, medium and micro enterprises as a sustainable livelihoods framework strategy in the post-socio-economic crisis period

Datta, Kandarpa and Mahajan (2014) argue that a livelihood should be understood as a way of life that not only includes income or employment but also provides identity and a place in society. Therefore, owning and running a sustainable small, medium or micro business, formally called SMME, is one of the many ways of sustaining livelihoods in a way that fits into Datta et al.'s (2014) definition. For Gaillard et al. (2009:121), 'livelihoods rarely refer to a single activity. [They include] complex, contextual, diverse and dynamic strategies developed by households to meet their needs'.

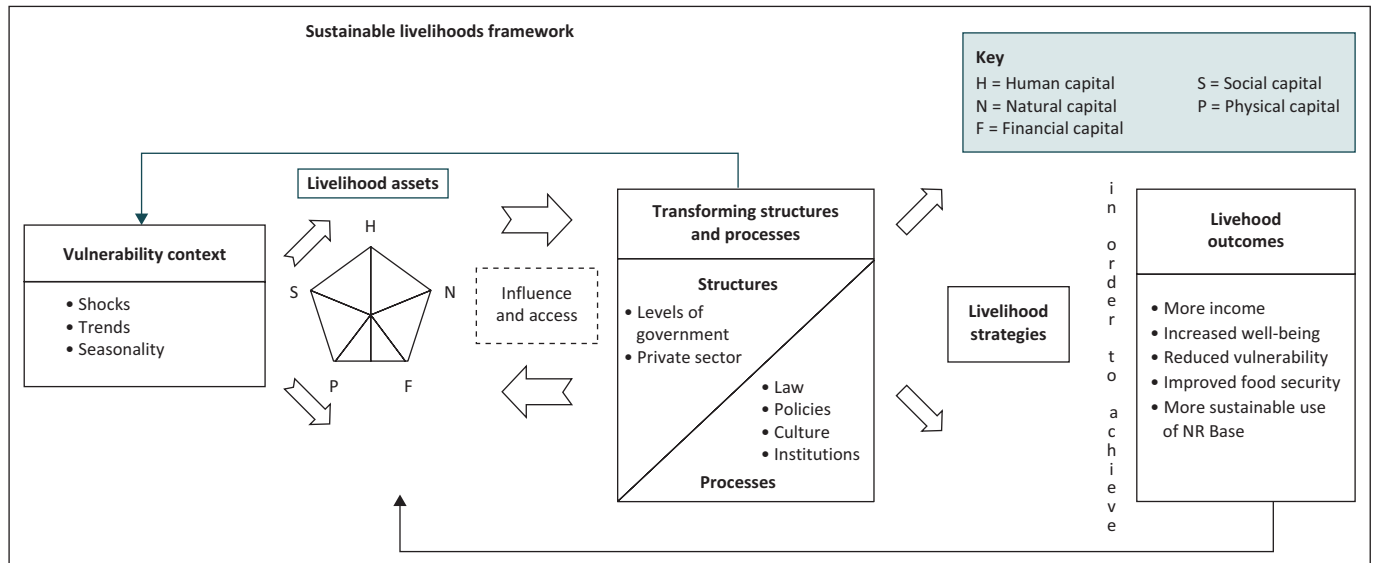
According to Toner and Franks (2006), the sustainable livelihoods framework (SLF) is one of the best frameworks to understand the post-socio-economic crisis and the examination of the impact of institutions, their policies and processes on livelihoods. Researchers like Scoones (2009), Sseguya, Mazur and Masinde (2009) and Baffoe and Matsuda (2017) are also amongst those who have pointed to the unique ability of the SLF (see Figure 1) to contextualise various aspects of post-socio-economic crisis and the livelihood strategies adopted in recent history and to offer solutions to challenges in complex rural settings in which poverty and exclusion are rife.

A closer look at the British Department for International Development (DFID)'s definition (as quoted by Smyth & Vanclay 2017) of the SLF (Figure 1) and its usefulness in this study. Smyth and Vanclay (2017) state:

In its simplest form, the framework views people as operating in a context of vulnerability. Within this context, they have access to certain assets or poverty reducing factors. These gain their meaning and value through the prevailing social, institutional and organizational environment. This environment also influences the livelihood strategies – ways of combining and using assets – that are open to people in pursuit of beneficial livelihood outcomes that meet their own livelihood objectives. (p. 68)

This definition highlights two elements of SLF: asset base and transforming structures and processes. These two elements enable the understanding of the local resources, institutions and processes that lead to sustainable rural SMMEs. Understanding resources (social, human, financial, physical and natural) available (or that should be available) to rural SMMEs is crucial in managing challenges and opportunities encountered in the process of transforming unsustainable rural SMMEs into sustainable ones in the post-socio-economic disaster or crisis period.

Nair (2012) argues that sustainable livelihood outcomes are an accumulation of political, social and environmental processes and events. Such a statement draws attention to the need for understanding the environment in which the



Source: Adapted from Department For International Development, 1999, *Sustainable livelihoods guidance sheets 1-2*, DFID, London.

**FIGURE 1:** The sustainable livelihoods framework.

policies, strategies as well as implementing agencies exist. De Haan (2012) further highlights the importance of access because, without access to assets, institutions or the enabling environment, the sustainability of rural SMMEs will remain elusive.

Nevertheless, several researchers (Baumann & Sinha 2001; Carney et al. 1999; Mazibuko 2013) have over the years raised issues with what they considered a gap in the SLF's approach, which is simply called the sustainable livelihoods approach (SLA). The gap is in the SLA's inability to solve perceived power relations problems experienced by marginalised institutions or individuals. McLean (2015) corroborates and further argues that the SLA lacks flexibility and that in so doing, it has imprisoned other aspects that should have been there to solve power relations problems. These problems that are being raised have to do with how much voice other rural SMME institutions have at different levels.

All this criticism suggests the need for SLA to be supplemented with relevant theories. It is therefore proposed in this study that institutional theory is well placed to fill some of the gaps identified in the SLA approach. This is because institutional theory's two elements (regulative and cultural cognitive) can expand the condensed social factors and provide solutions to power relations problems raised above. Institutional theory will be used in this study as a supportive lens to review the impact of South African rural municipalities' SMME strategies and relevant implementing agencies on the rural SMMEs.

## Institutional theory

Scott and Meyer (1983:140) perceive institutional theory as a theory that seeks to explore the rules and processes that organisations are required to conform to in order to get support or legitimacy in the eyes of their sponsors and other important actors. Scott (2013) also points out that analysing

an organisation's subjections to the institutional process is certainly institutional theory's main concern.

New institutionalism is more relevant to this study as it reviews the impact that institutions, their legislation, strategies and processes have on the rural SMMEs' sustainability. This is where the three elements of institutional theory that impact institutions come in. These are the regulative, normative and cultural cognitive pillars (Scott 2013).

## Elements of institutional theory

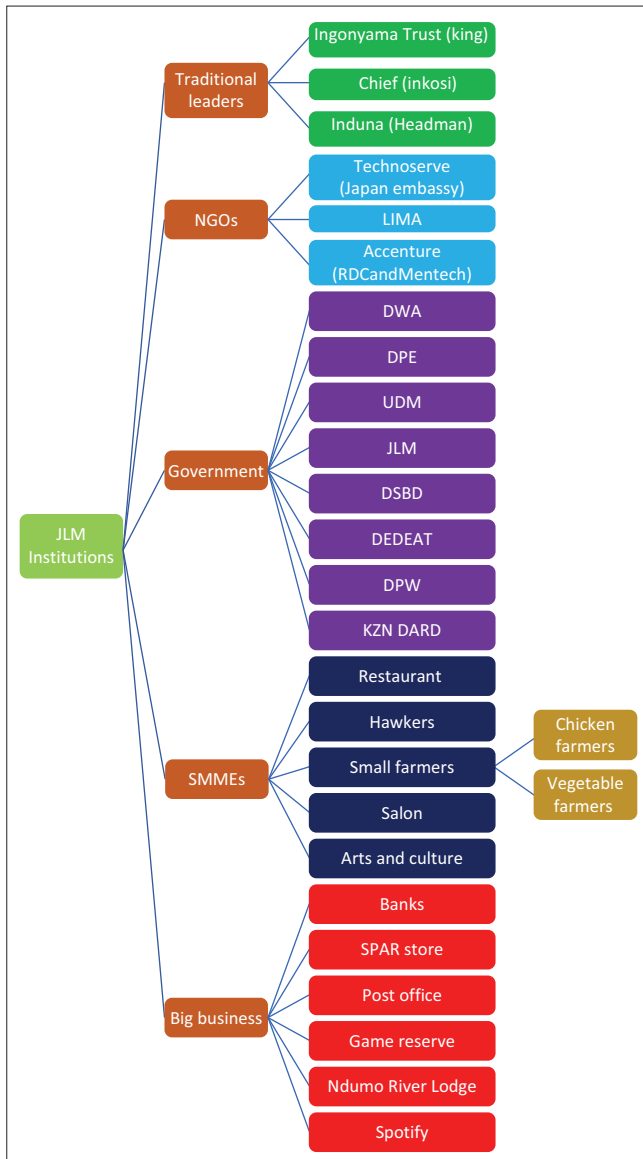
Table 1 summarises the three elements of institutional theory and justifies why the regulative and cultural elements are chosen for this study. The regulative element's main focus is on an institution's policies, legislation and rules, whilst the cultural element's main focus is on an institution's shared values, beliefs and assumptions.

The regulative element allows for the analysis of the impact of an institution's policies, legislation and rules on the sustainability of rural SMMEs during the crisis. The institutions (see Figure 2 and Figure 3) that are the focus of this article are the local governments or rural municipalities, the national

**TABLE 1:** Comparison between regulative, normative and cultural cognitive elements of institutional theory.

Elements	Regulative	Normative	Cognitive
Legitimacy	Legal systems	Moral and ethical systems	Cultural systems
Central rudiments	Policies, legislation, and rules	Work roles, habits and norms	Values, beliefs and assumptions
System transformation drivers	Legal obligation	Moral obligation	Transformation values which are internalised
System transformation sustainers	Fear and coercion	Duty and responsibility	Social identity and personal desire
Behavioural reasoning	Have to	Ought to	Want to

Source: Adopted from Palthe, J., 2014, 'Regulative, normative, and cognitive elements of organizations: Implications for managing change', *Management and Organizational Studies* 1(2), 59–66. <https://doi.org/10.5430/mos.v1n2p59>



DWA, Department of Water Affairs; DPE, Department of Public Enterprise; JLM, Jozini Local municipality; DSBD, Department of Small Business Development; DEDEAT, Department of Economic Development, Environmental Affairs and Tourism; SMME, small, medium and micro enterprise; NGO, non-governmental organisation; LIMA, LIMA is a Non-Government Organization (NGO); UDM, Umkhanyakude District Municipality; DPW, Department of Public Works; KZN DARD, KwaZulu-Natal Provincial Department of Agriculture and Rural Development.

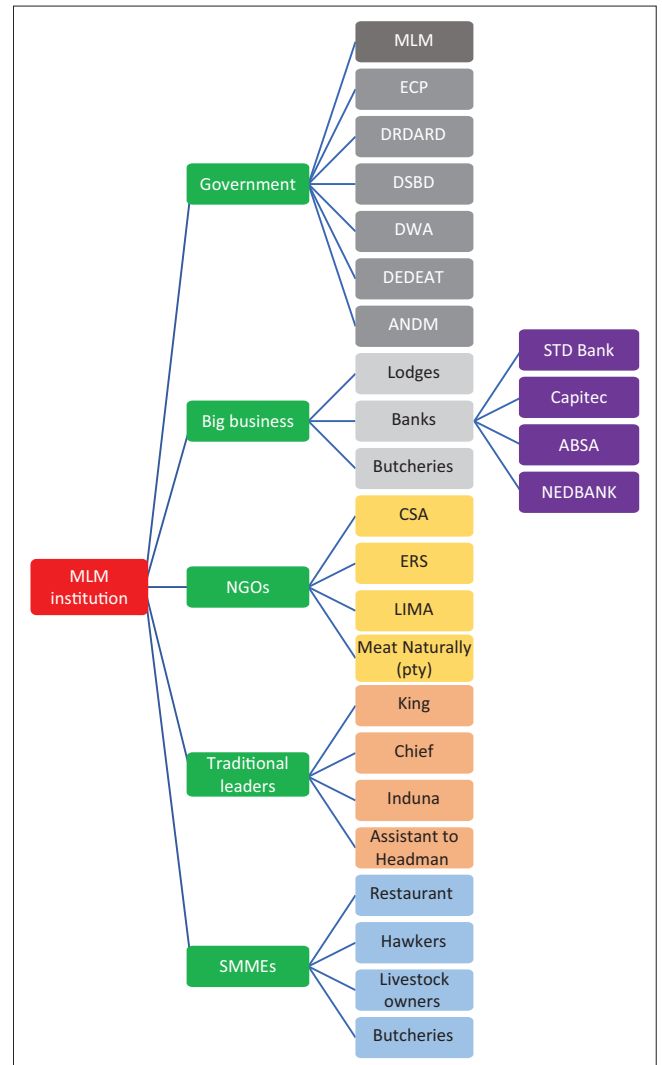
**FIGURE 2:** Summary of Jozini Local municipality's small, medium and micro enterprises' social and institutional networks.

government departments, nongovernmental organisations (NGOs), traditional authorities and rural-based businesses. The cultural cognitive element allows for the analysis of the impact of shared values, beliefs and assumptions of the institutions that support rural SMMEs and rural livelihoods.

## Research methods and design

### Study design and sampling

This study employed a qualitative research methodology. An interpretive paradigm was chosen for this study because of its ability to provide an understanding of people's lived experiences (Chilisa 2011; Mertens 2009). In line with the interpretive paradigm, a social network analysis (SNA), together with one-on-one interviews, was chosen as the



MLM, Matatiele Local Municipality; ECP, Eastern Cape Province; DSBD, Department of Small Business Development; DWA, Department of Water Affairs; DEDEAT, Department of Economic Development, Environmental Affairs and Tourism; DRDARD, Department of Rural Development and Agrarian Reform; ANDM, Alfred Nzo District Municipality; CSA, Conservation South Africa; ERS, Environment Rural Solution; LIMA, LIMA is a Non-Government Organization (NGO); NGO, nongovernmental organisation; SMME, small, medium and micro enterprise; ABSA, Amalgamated Banks of South Africa.

**FIGURE 3:** Summary of Matatiele Local Municipality's small, medium and micro enterprises social and institutional networks.

research instrument for data collection from two rural municipalities. The study was conducted (as part of a PhD research project) in a space of 2 years during which both primary and secondary data were collected. Secondary data were collected throughout the study period, whilst primary data were collected in 6 months from two municipalities about 800 km apart from each other. This meant that time was set aside for each local municipality (Jozini and Matatiele local municipalities) that had more participants confirming their availability.

A purposive sampling was used in this study. Because of the nature of rural areas whereby institutions are not properly documented and are scattered, it was important for snowball sampling to be carried out to supplement purposive sampling. Snowball sampling assisted in identifying institutions that could give further corresponding information, or other rural



**TABLE 2:** Details of participants and tools used in this study.

Institutions interviewed	Number of participants interviewed	Tools used to collect data
Jozini Local Municipality	5 (2 councillors and 3 from LED unit)	Semistructured interviews
Matatiele Local Municipality	3 (All from LED unit)	Semistructured interviews
Jozini rural SMME Cooperatives	18 (2 separate cooperatives, 9 from each)	Social network analysis
Matatiele rural SMME Cooperatives	16 (1 cooperative)	Social network analysis
Jozini public companies	1	Semistructured interviews
Matatiele public companies	0	None
Jozini private companies	2	Semistructured interviews
Matatiele private companies	1	Semistructured interviews
Jozini individual rural SMMEs	13	Semistructured interviews
Matatiele rural SMMEs	5	Semistructured interviews
Jozini Local Traditional Council	1	Semistructured interviews
Matatiele Local Traditional Council	0	None
Jozini local NGOs	0 (the only former NGO employee has already been recorded as an SMME owner)	None
Matatiele local NGOs	4	Semistructured interviews

SMME, small, medium and micro enterprise; NGO, nongovernmental organisation.

SMME supportive institutions that the researcher was not familiar with, but which other participants knew as they worked together for local SMME sustainability. The SNA tool became important in this regard because of its ability to identify existing and potential institutions (connections) that are critical for SMME sustainability in rural areas (Ennis & West 2010; Jaja, Dawson & Gaudet 2017).

## Data collection and research instruments

A total of 69 participants (see Table 2) that represented all stakeholders in the study areas were interviewed. Eighteen participants from Jozini Local Municipality (JLM) and 16 participants from Matatiele Local Municipality (MLM) were interviewed using SNA. The rest of the participants were interviewed using semistructured interviews, ensuring that all institutions and structures (see Figure 2 and Figure 3) were represented (Jensen & Jankowski 1991), that is, all stakeholders who availed themselves to represent their institutions were interviewed in both municipalities.

According to Chilisa (2011), secondary data are equally important as primary data and provide qualitative researchers with the opportunity to have more data at their disposal. The documents from the following sources provided valuable secondary data: the Department of Small Business Development (DSBD) website, JLM website, MLM website and MLM LED unit operating documents.

## Data analysis

The researcher followed the grounded theory (GT) analysis as described by Strauss and Corbin (1990). In their own words, Strauss and Corbin (1990:7) describe GT analysis process as a process that begins with:

[O]rganizing data into discrete categories according to their properties and dimensions and then using descriptions to elucidate those categories and then theorizing, conceiving or intuiting ideas-concept – then also formatting them into a logical, systematic, and explanatory scheme. (p. 7)

NVivo 12 software was used to analyse the vast data collected because of the software's ability to analyse different types of data. Bazeley and Jackson (2007:22) corroborate by pointing out that, '[t]he efficiencies afforded by software release some of the time used to simply "manage" data and allow an increased focus on ways of examining the meaning of what is recorded'.

## Ethical considerations

Ethical clearance to conduct this study was obtained from the University of KwaZulu-Natal (UKZN) Humanities and Social Research Ethics Committee (HSSREC), clearance number: HSSREC/00000253/2019. This study complied with the UKZN ethical clearance policy; therefore, all the participants signed a consent form and participated voluntarily. This meant that those who wanted to stop the interview so that they could attend to their customers could do so whilst the researcher waited. The respondents were assured of anonymity and that the information gathered was for research purposes only.

## Findings

The study findings and analysis on social and institutional networks that impact rural SMMEs are presented below.

### Social and institutional networks that impact rural small, medium and micro enterprises

Social and institutional networks are crucial in channelling livelihood resources that SMMEs need to survive. This section will identify the social actors or stakeholders and one main resource they contribute to sustaining rural SMMEs. Let us start with government institutions.

### Government institutions

Government institutions (see Figure 2 and Figure 3) at different levels (local, provincial and national) in both study areas (JLM and MLM) are credited by different participants with varying contributions towards the sustainability of rural SMMEs. At JLM, the participants credited DSBD (through Small Enterprise Development Agency known as SEDA) with providing the necessary expertise and advice (human resources). The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) (national department) was credited by the participants for providing social resources to the local SMMEs using the Ndumo Game Reservoir under Ezemvelo Wildlife. Ndumo Game Reservoir contributes towards social resources as the tourists visiting the game reservoir are often seen buying from and doing business with the locals, as the game reserve only provides accommodation and encourages

self-catering and local exploration beyond its gates. The participant interviewed at the local government-owned game reserve pointed out that encouraging tourists to explore the local food and crafts is easy because tourists 'like to go to lodges and have private diners there. That's how some of them experience local food' (Participant 1, Male, Jozini Local Municipality, Ndumo). Nevertheless, the senior JLM Local Economic Development official interviewed admitted that their tourism industry is not properly marketed. In his own words, he stated it 'is not well marketed, it is still at a very small scale even though it is starting to become more popular' (Participant 2, Male, Jozini Local Municipality, Ndumo).

The Department of Public Enterprises (DPE) oversees the state-owned enterprises (SOEs) and is credited with the provision of electricity (physical resources) through Eskom. Electricity is particularly important to farmers as the irrigation systems rely on it to draw water from the river. The KZN Provincial Department of Agriculture and Rural Development (DARD) is credited with supplying physical resources to the SMMEs in the form of seeds and manure for the local farmers' use. Nevertheless, a senior councillor interviewed at JLM pointed out that DARD is still not reaching many rural small-scale farmers. The councillor stated that 'the department should conduct workshops, give us manure as well as seedlings' (Participant 3, Male, Jozini Local Municipality, Ndumo).

The Provincial Department of Water Affairs (DWA) is credited with human resources that come to test the water to ensure that it is of good quality. The JLM traditional leader interviewed pointed out that there is a need for DWA to 'bring Umhlathuzi closer. It is currently based in Empangeni. Empangeni is not complaining about water, we are' (Participant 4, Male, Jozini Local Municipality, Ndumo). Umkhanyakude District Municipality supplies the local SMMEs with physical resources. They are responsible for the infrastructure (they are involved in big projects) that provides water and electricity to the local SMMEs. Jozini Local municipality is mainly credited with human resources as the SMMEs can contact the government departments that do not have local offices through them. The JLM councillor interviewed stated, 'I used to refer groups that come to me to the Jozini municipality. Especially those who have already started their own business such as farming' (Participant 3, Male, Jozini Local Municipality, Ndumo).

At MLM, the participants across the spectrum agreed with the JLM participants' claims on livelihood resources in JLM whilst differing in other institutional contributions. The Department of Small Business Development, DWA, the district municipality and the local municipality have all been credited with providing similar resources in both JLM and MLM. However, DEDEAT (national) at MLM is credited with providing human resources to enforce environmental policies that are crucial for the rural livestock and rural livelihoods and SMMEs that rely on that chain of supply. Environmental

professionals from DEDEAT assist in enforcing adherence to the *National Environmental Management Act (NEMA)* which protects land from pollution. Pollution and the improper use of land impact the livestock farmers directly. The local participant who works for the local NGO and acts as a secretary to the local partnership groups working on the sustainability of rural livelihoods also commended the role of DEDEAT in sustaining rural livelihoods. The participant pointed out that DEDEAT assists in letting the partners know about the 'changes in regulations concerning environment and biodiversity' (Participant 5, Female, Matatiele Local Municipality, Matatiele). Livestock farming is the bedrock of MLM's SMMEs because of its connections and direct supply of beef to butcheries, local cafes and animal skin artists, amongst other rural SMMEs. The Eastern Cape Province (ECP) Department of Rural Development and Agrarian Reform (DRDAR) is credited with the provision of vaccines in MLM (physical resources).

The main finding in this section is that several government institutions at different levels (local, provincial and national government) in both study areas (JLM and MLM) are credited by different participants with varying contributions to the sustainability of rural SMMEs. Such contributions are critical in terms of the resources that SMMEs need. On the other hand, many crucial institutions are not physically present, and neither are they availing the resources needed to sustain rural SMMEs directly or through their social and institutional networks. The interviewed JLM senior councillor agreed that such a lack of physical presence impacts the allocation of resources to rural areas. The councillor further stated that they 'have challenges getting funds' (Participant 6, Male, Jozini Local Municipality, Jozini) from such institutions. The traditional leader interviewed pointed to the neglect of roads in the area and how that impacted the much-needed new networks of businesses to sustain livelihoods through job creation. He pointed out that prospective businesses often pull out after realising that their concerns are not being addressed. He further stated that 'they normally complain about the gravel' (Participant 4, Male, Jozini Local Municipality, Ndumo), that is, gravel roads.

## Nongovernmental organisations

Nongovernmental organisations (see Figure 2 and Figure 3) in both MLM and JLM were credited with sustaining rural SMMEs with financial, human, natural, physical and social livelihood resources. In MLM, the participants credited four NGOs as the main actors in bringing livelihood resources to rural SMMEs. These are Conservation South Africa (CSA), Lima, Meat Naturally PTY and Environment and Rural Solutions (ERS).

The NGOs mentioned above have signed contracts with the local livestock owners which bind the NGOs and livestock owners in a partnership that allows NGOs to bring much-needed livelihoods resources, which range from physical resources such as vaccines (ERS), financial resources through

auctions (Meat Naturally PTY), human resources in the form of professionals that teach the locals how to manage the land (CSA), social resources in the form of a platform to advertise their livestock on auctions (Lima) or teaching them to use some of the natural resources they did not know were useful resources, such as converting alien plants into animal feed (Meat Naturally). One of the participants elaborated on the existing social networking between NGOs and other partners by stating that:

‘Conservation grazing agreements are also seen as local sustainable livelihoods projects because they are based on compliance and benefits, i.e. the community comply with the land grazing resting rules and the NGOs such as CSA, Meat naturally PTY and ERS bring the auctions (market) where they sell their livestock and earn livelihoods.’ (Participant 5, Female, Matatiele Local Municipality, Matatiele)

It is important to note that because the NGOs mentioned above work in partnerships, they provide other resources through each other and together depending on who is available to go to the rural areas at the time.

At JLM, Lima, Technoserve (sponsored by the Embassy of Japan) and Accenture-funded NGOs (Mentech and Rural Development Company) are credited by the participants as crucial to the sustainability of SMMEs in the study area. Despite the three NGOs closing their offices during the time this study was conducted, there are several resources left behind which the local SMMEs continue to use to sustain themselves. Lima provided tractors and ploughing equipment that are managed by the local SMME association. Technoserve has contributed a truck the farmers use to transport their produce to customers who cannot come to the site. Also, farmers use a donated cold room from the Embassy of Japan (given to the locals through Technoserve) to store their produce after harvest and before being purchased by customers. Accenture-sponsored NGOs have built an air-conditioned (JLM frequently experiences extremely hot weather) learning centre that is currently being used by the local SMMEs to hold meetings. In the past, the learning centre was used to teach and mentor the local SMMEs in the basics of entrepreneurship and financial management.

The main funding in this section is that rural-based SA NGOs are irreplaceable in the social and institutional networks when it comes to the resources needed to sustain local rural SMMEs. The findings and analysis in this study also revealed that at JLM, NGOs such as LIMA, Technoserve and Accenture-sponsored NGOs such as Mentech and RDC have scaled down or ceased their operations. A senior JLM councillor interviewed gave an example of how rural SMME groups struggle when critical supporting networks in the form of NGOs are broken. The councillor stated that ‘funded by the Peace Foundation, that youth has acquired five hectares of land. They were trying to produce chocolate bars, but because there has been drought, the project failed’ (Participant 6, Male, Jozini Local Municipality, Jozini). Such an example points to the vulnerability of SMMEs in

sustaining themselves and rural livelihoods when critical institutional and social networks are broken, especially during times of disasters.

The MLM NGO participant pointed out that the local partnership meetings have many networking benefits. She further elaborated that:

‘[I]t is about sharing information about the local municipality, but also to collaborate on certain projects that assist the communities with their livelihoods. Universities assist with the research. The municipal environmental office informs us on environmental regulations and the compliance by companies working in the area.’ (Participant 5, Female, Matatiele Local Municipality, Matatiele)

Thus, it can be concluded that NGOs work closely with other social and networking partners to sustain rural livelihoods.

## Traditional authorities

At JLM, three traditional authority institutions are recognised as influential actors in SMME sustainability. These are Ingonyama Trust, the local traditional chiefs’ (Inkosi) council and Indunas’ council. Ingonyama Trust manages the KZN rural land on behalf of the King and acts as the primary lawgiver. Local traditional leaders must toe the line in administering land to both prospective and existing landowners. The practice of the Ingonyama Trust and its authority is not confined to JLM alone but the whole of the KZN Province. The local traditional chiefs’ council and the Indunas’ council mainly process land allocation for local SMMEs and do not have to await decisions on small land claims and propositions. Therefore, the traditional authority’s institutions identified above mainly assist the local SMMEs with natural resources.

The main finding in this section is that traditional leaders continue to play their crucial leadership role as mediators in the social and institutional networks needed to sustain rural SMMEs. The ‘Conservation grazing agreements’ alluded earlier by the NGO participant need traditional leaders to ensure that there is adherence to the established rules without contradicting the local values or beliefs. Nevertheless, other female participants pointed out that there is a need for traditional authorities to give the communities they represent more voice to determine how they should be represented and led in the discussions that lead to resource allocation. Such views are echoed by the local councillor interviewed, who pointed out that:

‘If a woman wants the land to build a house or if they want to have a company, there is a challenge because Induna or Inkosi will ask them about their husband. And if the woman is a single mother, that’s when the problem starts. According to their laws, they cannot give a woman land.’ (Participant 3, Male, Jozini Local Municipality, Ndumo)

Therefore, there is a need for reforms that will allow other voices to be heard if new forms of businesses are to be added



to the existing social and institutional networks to sustain rural livelihoods.

### Big businesses

The local retailers, lodges and banks are recognised as influential big private business actors at JLM. Likewise, the post office and the local game reserve are recognised as influential big public businesses that equally impact the sustainability of the rural SMMEs in the JLM study area. The biggest local retailer, known as Spar, assists local small-scale farmers with financial resources. The Spar assistant manager interviewed stated that they 'pay R6.99 or R8.99' and that the price of the cabbage 'depends on how big it is and the quality' (Participant 7, Male, Jozini Local Municipality, Ndumo). Spar buys its vegetable stock from the local farmers and is therefore seen as crucial in sustaining local SMMEs and local livelihoods. Most livelihood strategies in the area are connected to agricultural activities. Local lodges are credited with social capital as they attract tourists who buy local art from the local artists. Local branches of banks such as Ithala, First National Bank (FNB), Amalgamated Banks of South Africa (ABSA), CAPITEC, NEDBANK and Standard (STD) Bank provide financial resources (such as loans) to the local SMMEs. Public companies such as Ndumo Game Reserve and the local post office contribute social resources to the rural SMMEs. Ndumo Game Reserve avails opportunities for the local SMMEs to be exposed to their guests. The tourists visiting the game reserve buy from the local SMMEs at the local shopping centre because Ndumo Game Reserve is self-catering.

Nevertheless, the main finding in this section is that the role of big business in the social and institutional networks needed in rural areas is inadequate. The participant from the big business (lodge) interviewed in the tourism industry at MLM indicated that they do not buy beef or livestock directly from local SMMEs. The participant stated that 'we buy our meat from the local butchery called Modern Butchery'. The participant from the JLM retailer justified why they do not buy meat but buy vegetables from the local rural farmers in this way: 'we can't buy the local meat because it needs to be tested, and you must have the certificate to sell it'. He pointed out that local rural SMMEs that are meat sellers often do not have the necessary certificates to sell meat.

### Local rural small, medium and micro enterprises

At both JLM and MLM, the rural SMMEs are very influential social actors that are responsible for the livelihoods of most of the population and responding to the needs of the locals.

The main finding in this section is that the single most important challenge of rural SMMEs is the lack of market. The analysis of such lack of market has shown that there is a direct link between lack of market to lack of diversity and

innovation in rural SMMEs. The big business participant at MLM pointed out that rural SMMEs are not being innovative enough to offer other services and products that local customers and tourists need. The participant gave examples of free and affordable marketing opportunities, such as 'Facebook, word of mouth and joining local tourist associations'. The participant pointed out that he started that way as a small business himself before he was categorised as a successful big business in the area.

Rural SMMEs are also not adhering to industry regulations that will allow them to sell other products, such as meat, to retailers. The MLM senior Local Economic Development officer interviewed explained that they are responsible for assisting the SMME owners with information and knowledge of various industry regulations. The participant pointed out that 'The farmers notify us about the training they want to attend, and based on the information, we either provide them with the transport or funding to attend the workshop'. Figure 2 and Figure 3 summarises the institutional networks in both JLM and MLM.

## Discussion

### Social and institutional networks that impact rural small, medium and micro enterprises

The findings and analyses above revealed that several important stakeholders play a role in sustaining rural SMMEs. Such stakeholders' absence has a significant impact on local social and institutional networks needed for rural SMMEs' sustainability. This view is echoed by both Munyanyi et al. (2021) and Lüdeke-Freund (2020), who argue that SMME networks form the crucial ecosystem needed for entrepreneurial sustainability. These findings and analysis are consistent with that of Scott's (2013) institutional theory (regulative and cultural cognitive element) and Smyth and Vanclay's (2017) SLF analysis. Smyth and Vanclay's (2017) own analysis is informed by DFID's definition of the SLF (see Figure 1), which emphasises the need for all stakeholders to work together (availing a diversity of individual resources to each other) to produce sustainable livelihood outcomes. In line with the objective of this study, such stakeholders and their impact on the social and institutional networks of rural SMMEs are discussed below.

### Impact of government institutions on rural small, medium and micro enterprises

Several government institutions at different levels (local, provincial and national government) in both study areas (JLM and MLM) are credited by different participants with varying contributions to the sustainability of rural SMMEs. Such contributions are critical in terms of the resources that SMMEs need. On the contrary, many such institutions are not physically present, and neither are they availing the resources needed to sustain rural SMMEs. This finding and analysis is consistent with that of Molefe et al. (2018) who point out that:



SMMEs' role in improving the socio-economic environment proves pivotal. Yet, despite their potential, these businesses face a myriad of challenges, emanating from both internal and external environments, that restrict their growth and development. (p. 7)

Both Mashavira et al. (2021) and Boudreaux et al. (2019) emphasise the need to resolve local institutional constraints to create a sustainable environment for SMMEs.

The absence and inactivity of such institutions in rural areas prevent the rural SMMEs from accessing critical resources needed to sustain them. The following sections discuss the significance of such absence and inactivity based on the resources the rural SMMEs need for their sustainability.

### Government institutions responsible for financial resources

Whilst SA has many government-sponsored financial institutions, four stand out because of their leniency towards disadvantaged communities. Most of the disadvantaged communities are originally from rural areas and still largely live and try to earn their living there. Small, medium and micro enterprises are an important source of livelihoods for rural people and therefore government financial resources to SMMEs are of interest to them. Amongst such government financial institutions offering resources to SMMEs, SEFA, NEF, SEDA and NYDA stand out. The findings and analysis section (see Figure 3 and Figure 4) has revealed worrying findings in that none of these so-called empowering

institutions have physical offices in rural areas covered in this study. The absence and inactivity of these crucial institutions created to support rural SMMEs with financial resources create a void in the connections the rural SMMEs need in order to survive.

The analyses of SLF by Scoones (2009), Sseguya et al. (2009), Baffoe and Matsuda (2017) point out that sustainable livelihood outcomes need key institutions to actively play their role (see Figure 1) in channelling resources needed by SMMEs to ensure their sustainability. Because sustainable SMMEs are amongst the key strategies rural populations need for their livelihoods, favourable livelihood outcomes envisioned in the SLF become a reality. This study exposes the absence of these (SEFA, NEF, SEDA and NYDA) crucial institutions and the need for them to find workable solutions to reach rural SMMEs and therefore play their role as crucial institutions in the sustainability of rural livelihoods.

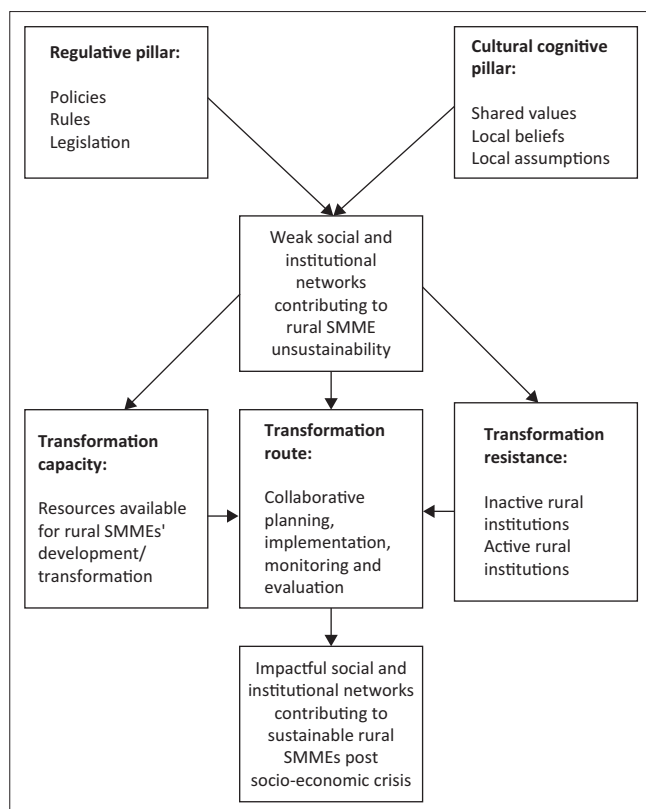
### Government institutions responsible for physical resources

The participants in both study areas have indicated that the lack of well-maintained roads discourages investors and potential customers, who are important participants in the much-needed networks that can sustain rural SMMEs. Such findings are also consistent with those of Molefe et al. (2018). The Department of Public Works is not doing enough in rural areas to address road maintenance concerns. The common defence from the local municipality officials that there are simply no funds to carry out road maintenance work also exposes the shortcomings of government departments, such as the Departments of Agriculture, Rural Development, Finance and Presidency.

### Government institutions responsible for social resources

Whilst several institutions and local stakeholders have been credited with the provision of social resources, the omission of one crucial stakeholder is noteworthy (see Figure 2 and Figure 3). The Department of Communications, with its powerful SOEs like the South African Broadcast Commission (SABC), is one such noteworthy absent stakeholder. South African Broadcast Commission is an all-powerful social actor that can easily give much-needed publicity to the participants. None of the participants has indicated such assistance or free publicity of their business or the potential of rural SMMEs.

None of the government departments or institutions has been reported to have a strategy or programme to enhance Internet social networking skills either in JLM or in MLM. Such a lack of training or focus on social networking skills is significant given the repeated remarks by all the participants concerning the lack of markets in rural areas. Ahmad, Bakar and Ahmad's (2019:85) findings shed more light on the significance of social networking skills in marketing by pointing out that 'social networking sites are therefore perceived as an electronic marketplace, where business and customers interact'. Munyanyi et al. (2021) and Siamagka et al. (2015) also point out that many other SMMEs around the world have



SMMME, small, medium and micro enterprise.

**FIGURE 4:** Conceptual model of the influence of regulative and cognitive elements in transforming unsustainable rural small, medium and micro enterprises into sustainable ones through impactful social and institutional networks.

resolved to use social networking technology to increase their market beyond their immediate surroundings or regions.

### **Government institutions responsible for human resources**

During the SNA or interviews with the participants, none of them could point out how they are directly benefitting from local, provincial or visiting research institutions rich with human resource expertise. Bărbulescu and Constantin (2019:1) have successfully related local SMME sustainability to the contribution of available institutions and regional universities in Romania, and they further encourage collaborations between institutions and SMMEs by insisting that there is a 'need for a better synergy between education, research, and practice'. The South African Department of Education and the government-sponsored higher education institutions seem to be absent or doing little in the sustainability of JLM SMMEs through collaborative programmes or projects that are known by the participants.

### **Government institutions responsible for natural resources**

The Department of Environmental Affairs is recognised by the MLM NGOs and government officials interviewed as a formidable stakeholder in the protection of the environment through animal vaccinations. Animal vaccination prevents mass animal deaths (that can lead to environmentally hazardous effects) and loss of rural SMME livelihoods. Jozini Local Municipality has indicated that it lacks such a collaborative relationship with the DEDEAT despite interrelated relationships and interests between JLM SMMEs and DEDEAT. A collaborative structure should focus on preserving the local natural resources for tourism purposes and would need the National Department of Tourism and National Development of Environmental Affairs to support the provincial DEDEAT with available grants and through the creation of new joint initiatives.

### **Nongovernmental organisation institutions and their impact on rural small, medium and micro enterprises**

The findings and analysis in this study also revealed that at JLM, NGOs such as Peace Foundation, LIMA, Technoserve and Accenture-sponsored NGOs such as Mentech and RDC have scaled down or ceased their operations. These had negative impacts on the rural SMMEs on many fronts. No one was left with the responsibility of maintaining the expensive machinery that these NGOs donated, such as trucks, tractors and solar systems. The second negative impact is the inability of local SMMEs to market their products without the assistance and exposure that NGOs such as Lima and Technoserve used to provide. Lima and Technoserve have offices nationally and internationally and therefore the market exposure of these NGOs is highly impactful. The third negative impact is the inability of local SMMEs to organise local and national stakeholder meetings. Meetings organised by the NGOs as elaborated in the findings section (see comments by the NGO participant who organise such meetings) are highly respected and seen as a meeting point where stakeholders can connect

and discuss new local developments and livelihoods sustainability. The NGOs involved in such meetings usually carry the costs of catering, tents and other expenses of hosting all the attendees. Given the contribution that such NGOs make to the rural SMMEs network, their prolonged absence has a negative impact on the local SMMEs' social and institutional networks. Such findings and analysis are consistent with Smyth and Vanclay's (2017) assertion on asset base, transforming structures and process elements in sustaining livelihoods. On the other hand, such withdrawal by NGOs indicates that they did not find enough value to justify their continued presence and support to rural SMMEs (Scott 2013; Scott & Meyer 1983).

### **Traditional authorities and their impact on rural small, medium and micro enterprises**

The findings have revealed that traditional authorities and their institutions have been and continue to be instrumental as guardians of local rural rules, values, beliefs and assumptions. Such findings are consistent with institutional theory's elements of regulative and cultural cognitive elements (Scott 2013; Scott & Meyer 1983). An example of such findings is in setting up appointments and meetings with professional vaccinators (from local NGOs and government institutions that participate) of livestock at MLM, thus contributing immensely to the availability of much-needed professional human resources in fighting diseases that threaten the most dominant livelihood strategy at MLM. The contribution of traditional authority to human resources is also consistent with the asset base element of the SLF (Smyth & Vanclay 2017).

Despite such influence and impact on rural livelihoods, there is no evidence in the findings of clear collaboration guidelines or structures between the livestock owners at MLM and the traditional authorities. The same goes for JLM where there are no clear guidelines or structures on how the rural SMMEs are consulted for the improvement of services or the roles traditional institutions play, including how traditional leaders can make sure resources needed by the rural SMMEs are administered or prioritised according to the needs of the different SMMEs and sections of the rural areas. This is despite the observation of Mabunda (2017), who points out that the *Traditional and Governance Framework Act* (Act 41 of 2003) has provided for structures that empower not only the traditional leadership but also the citizens in rural areas to participate in improving service delivery.

### **The role of the business sector in rural small, medium and micro enterprises**

The big businesses interviewed both at MLM and JLM have indicated that they do not buy beef or livestock directly from local SMMEs. The big business participants cited rural SMMEs' lack of adherence to meat industry regulations. These findings are consistent with that of Scott's (2013) regulative element and that of Smyth and Vanclay's (2017) transforming of structures and processes element. This has a negative impact on the much-needed local chain of supply and demand to sustain rural SMMEs and livelihoods.

On the other side of the country at JLM, the findings have revealed that only Spar and Cambridge, two local big retailers, buy fresh vegetables directly from local farmers. Amongst the noteworthy absent retailers from that much-needed chain of supply and demand at JLM is Shoprite. Shoprite has similar customers (who buy fresh vegetables that are also produced by local rural farmers) and it sells similar products (fresh vegetables) at their JLM store. Therefore, acquiring their products from the local rural market is highly desirable because Shoprite has a network of big stores throughout the country.

The findings and analysis presented above are consistent with that of Tsujimoto et al. (2018) who observed that healthy collaborations between SMMEs and big businesses are best for the growth and sustainability of the local business. The findings of Salder et al. (2020:8) also reflect Small and Medium Enterprises growth 'to be dependent on a variety of determinants internal and external to the firm'.

### **The role of rural small, medium and micro enterprises in their own sustenance**

The findings and analysis of this study have revealed a lack of diversity in rural SMMEs in both JLM and MLM. Matatiele Local Municipality participants have mainly pointed to livestock-related livelihoods in rural areas (excluding the rural town of MLM). On the other hand, JLM participants have largely pointed to small-scale farming-related SMMEs. Whilst the networks comprising local associations and mainly local government are seen to be essential for the local chain of supply and demand, diversity is still elusive. Rural SMMEs in these study areas are mainly driven by local rural needs. Such a focus on local rural needs has confined them and denied the rural SMMEs diversity and innovation that would move them beyond the rural market where they have been producing and selling in the same way for decades (Mashavira et al. 2021). Mashavira et al. (2021:10) pointed out that 'innovative enterprises continuously introduce new products and services that meet present and emerging market needs'. Considering the needs of neighbouring countries could lead to innovations and much diversity for these SMMEs. As a result of such market confinement, the demand is low whilst supply is high. The supply is mainly of raw materials and not processed products. Bărbulescu and Constantin (2019:2) corroborated the above findings and analysis concerning the relationships between innovation, market and sustainability by pointing out that 'innovation is essential for sustained corporate success. In terms of employment and sales, innovative businesses grow twice as fast as those failing to innovate'.

The lack of such diversity impacts negatively the much-needed SMME networks. Such an analysis is consistent with that of Mashavira et al. (2021), Munyanyi et al. (2021) and Kuckertz (2019), which pointed out that diverse SMMEs have the potential to create a wider market and have a positive

impact on local livelihood outcomes. What follows is a proposed conceptual model of the influence of regulative and cognitive elements in transforming unsustainable rural SMMEs into sustainable ones through impactful social and institutional networks.

### **The proposed model**

The challenges and opportunities faced by the institutions and their leaders need to be addressed to realise post-socio-economic crisis transformation from unsustainability to sustainability. Lessons on intra- and extra-governmental relations in the empowerment of rural SMMEs in the post-socio-economic crisis period are better understood using the conceptual model proposed (see Figure 4). This is because the model embraces both elements of the theory (i.e. institutional theory's regulative and cognitive elements) and the SLF's guidelines in suggesting the best processes and resources in intra- and extra-governmental relations in the empowerment of rural SMMEs.

The unsustainability of SMMEs in Figure 2 is in this case attributed to local disasters such as fires and drought. The inactive institutions are institutions that have a constitutional mandate but fail to act accordingly in the affected area. The active institutions are institutions that are actively working to sustain rural SMMEs and local livelihoods in the face of disasters that cause local post-socio-economic crises.

## **Conclusions and managerial implications**

This study's contribution is in the understanding of the impact of social and institutional networks in sustaining South African rural SMMEs during the crisis in rural municipalities. By drawing on the critical elements of the SLF (asset base and the transforming of structures and processes) and institutional theory (regulative and cultural cognitive elements), this study proposed a conceptual model for sustaining the growth of rural SMMEs in the post-socio-economic crisis period within the ambit of rural municipalities. Sustaining the growth is made possible by sustaining the local rural social and institutional networks.

The findings of the study reveal that whilst an NDP is in place to guide relevant institutions to support SMMEs, very little support trickles down to rural-based SMMEs. The reason for such insufficient support is caused by the absence of rural-based branches of relevant national and provincial institutions needed to support rural SMMEs. The research further established that, in the absence of such provincial and nationally based institutions, rural SMME support groups established alternative local social and institutional networks to sustain and grow their SMMEs in the post-socio-economic crisis period. Such local and institutional networks are often led by rural-based NGOs. It is concluded that such leadership has contributed to the much needed alternative local social and institutional networks to sustain rural SMMEs and livelihoods.



It is further concluded that there is a need for better collaborations between stakeholders (active and inactive).

The model proposed in this study suggests that collaboration is key in finding sustainable practical solutions for all post-socio-economic crises. It is therefore recommended that all the institutions (currently active and inactive) must work together to plan, implement, evaluate and monitor the transformation of rural SMMEs from their unsustainable state (because of socio-economic disaster or crisis) to sustainability (post-socio-economic disaster or crisis).

It is therefore recommended that a locally based process that allows for the allocation of resources and expertise (from participating institutions) should be put in place to serve at different stages of the implementation depending on the available skills and expertise. There should not be a one-size-fits-all approach for all rural municipalities in SA.

The final consolidated recommendations concerning the sustainability of South African local municipalities that have similar challenges and opportunities as found in this study are now provided in the subsections below.

### **Suggested combinations of institutions, resources and processes needed to sustain local municipality small, medium and micro enterprises**

#### **Local municipalities' leadership role**

This study established that South African local government or local municipalities is the face of government in rural areas. It is therefore recommended that local municipalities lead the rural processes in the planning, implementation, monitoring and evaluation needed in sustaining rural SMMEs. To lead effectively, local municipalities need to acknowledge their weaknesses and strengths in terms of resources (natural, social, physical, human and financial). They need to acknowledge and actively invite stakeholders (in government and outside government) that complement and supplement their resources.

#### **Big business's leadership role**

This study established that the role of big business, apart from buying vegetables from the local farmers, in outsourcing their activities or infrastructure from local SMMEs is weak or nonexistent. It is recommended that big businesses both in rural areas and those who intend to participate in sustaining SMMEs in the post-socio-economic crisis period act decisively in supporting local rural SMMEs through outsourcing their services or infrastructure according to the needs of local SMMEs.

#### **Non-governmental organisations' leadership role**

This study established, with the guidance of SLF and the cultural cognitive element of institutional theory, that rural-based South African NGOs are irreplaceable when it comes to the resources needed to sustain local rural SMMEs. It is therefore

recommended that NGOs that are leaving rural areas such as in the JLM case be encouraged or pursued by all stakeholders to come back. It is also recommended that the leadership of such NGOs must find new partner institutions within rural areas that they can work with if the existing agreements with rural partners are the cause of such decisions to leave.

#### **Traditional authority's leadership role**

This study established that the rural-based South African traditional authority's leadership role is crucial in the distribution of services and resources needed for sustaining local rural SMMEs and rural livelihoods. Without such leadership playing its role, the rural SMMEs cannot have access to natural resources such as land and other national and local institutions cannot have access to social resources such as frequent local meetings that attract enough rural people in most remote villages around the country. It is therefore recommended that traditional leaders continue to play their leadership role as mediators and also give the communities they represent more voice to determine how they should be represented and led in the discussions that lead to resource allocation.

#### **Rural small, medium and micro enterprises' leadership role**

This study established that rural SMMEs have much to contribute to their sustainability and therefore should take a leadership position. Social media is particularly important because of its ability to enable rural SMMEs to solve their single most important challenge whilst expanding possibilities and opportunities in diversity and innovation. The single most important challenge of rural SMMEs is the lack of market. It is therefore recommended that SMMEs should learn how to use social media's latest (free and paid) technologies to create new markets and find existing markets outside their existing milieu. It is further recommended that rural SMMEs should take a lead in approaching big businesses and government institutions as individual businesses and/or institutions representing local SMMEs to promote the services they can offer to big businesses and government departments. Such proposals need to be mutually beneficial and innovative.

## **Recommendations for future studies**

This study established that free social and institutional networks have not been fully exploited by the rural SMMEs to sustain their SMMEs and local livelihoods during disasters. Such a lack of exploitation exists despite the expressed willingness of the local government to pay for related training and workshops. It is recommended that future studies investigate free and paid social media (suited for rural SMMEs) as well as membership challenges to related institutional networks (such as regional tourism associations) with the view to recommend and guide rural municipalities on relevant workshops to be organised. Relevant workshops or training need to be organised for rural SMMEs to learn (about affordable marketing technologies and adherence to



various industry regulations) and apply in sustaining their SMMEs and local livelihoods during disasters.

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## Competing interests

The author declares that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

## Author's contributions

T.R.F. planned and conducted the research, reviewed the literature, formulated the research design, collected and analysed the data, made interpretations and finalised the article.

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## Data availability

The data that support the findings of this study are available from the author upon reasonable request.

## Disclaimer

The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy or position of any affiliated agency of the author.

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