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SMME EFFICACY: AN IN-DEPTH ANALYSIS OF KEY CONSTRUCTS IN RURAL CONTEXT

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ABSTRACT

This paper investigates constructs fundamental to enterprise efficacy in Limpopo Province. Following the purposive sampling technique, 724 entrepreneurs operating Small, Micro, and Medium-scale enterprises (SMMEs) in selected rural areas of the province were sampled. Data collection was performed one-on-one using a structured questionnaire whose constructs were derived from an existing entrepreneurship prototype in Vhembe District. The analysis modelled on Multilayer Perceptron through IBM SPSS v27 suggests endogenous entrepreneurial capacity building in bridging networks, resilience, risk awareness, self-efficacy, and nonconformist factors. These were perceived as being lacking amongst the entrepreneurs and critical to enterprise efficacy in the area. Although exogenous construct tends to be less critical compared to endogenous, it poses a challenge to local enterprises. The factors include access to the market, enterprise financing, stiff competition, operational costs, lack of physical capacity, and sociocultural issues. Local infrastructure concerns and entrepreneurial capacity building need solutions at a local level to facilitate targeted support on the two identified constructs affecting SMMEs' efficacy in rural areas. The study's emphasis on local-level solutions for addressing infrastructure concerns and enhancing entrepreneurial capacity building adds practical value. By highlighting the need for targeted support at the local level, it provides actionable insights for policymakers, local authorities, and organizations aiming to foster SMME efficacy in rural areas.

KEYWORDS: Local enterprise efficacy; business sustainability; endogenous attributes; exogenous factors; rural economic development

JEL CLASSIFICATION: L26, P25, M13, P42

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INTRODUCTION

South Africa (SA) is among the nations in the world investing enormously in Small, Micro, and Medium-scale enterprises (SMMEs). The SA Department of Small Business Development classifies SMME as any independently owned and controlled business with less than 200 employees, be it formal or informal, operating in urban, peri-urban, rural, or remote areas. The government made empowering SMMEs a critical part of its 2030 National Development Plan, setting aside a substantial amount of its annual budget to support business initiatives. Small Enterprise Development Agency (SEDA) and National Youth Development Agency (NYDA), among others, assist SMMEs (South African Government, 2021), spearheading business skills training, infrastructural development, and funding to ensure enterprise productiveness (South Africa (SA) Economic Development Department, 2014). In partnership with the SA SME Fund, the government committed to investing R10 billion in 2023 to stimulate the sector over the next five years (State of the Nation Address (SONA) 2023). Further, through the Small Enterprise Finance Agency (SEFA), R1.4 billion will be provided to financially capacitate over 90,000 local entrepreneurs in the country. With much being given and envisaged, the sector is expected to thrive and catalyse innovation toward wealth creation and meaningful employment.

The persistent SMMEs low performance and high failure rates in SA despite concerted government efforts to stimulate businesses in the country do not only leave concerns but have been a subject of serious debate. Compared to the level of investments, SMMEs' performance in South Africa generally falls below the expected threshold (Maduku & Kaseeram, 2021; Rens et al., 2021; Matekenya & Moyo, 2022). This opens windows to criticism that the country's entrepreneurial support framework is inconsistent with grassroots realities (Iwara, 2021; Musabayana & Mutambara, 2022), a challenge that must be addressed swiftly to mitigate high SMMEs attrition rates. Research further suggests the mappings of area-context engagements to unleash critical entrepreneurial challenges local entrepreneurs grappled with as such engagements would reinforce understanding of fundamental issues to address, as well as assist actors to identify specific areas to channel growth efforts (Iwara, 2021). In response, this study advanced an enterprise strategy to support SMMEs of all kinds.

Aim of the study

The aim of this study is to comprehensively explore and identify constructs influencing SMME efficacy in rural Limpopo. The study not only assesses the critical exogenous factors affecting entrepreneurs but also highlights the perceived lack of endogenous attributes to provides a nuanced understanding of the specific challenges faced by local entrepreneurs in the region. This strategy provides insight into compounding challenges militating business survival. In addition, this study mapped out essential mechanisms through which schemes can be strengthened to adequately support SMMEs and enhance efficacy both in the formal and informal sectors.

Next in this paper is the literature overview, which provides insight into the significance of SMMEs and their setbacks within South Africa. The review delves into the contributions of successful SMMEs in terms of employment, wealth creation, export, and economic sustenance, as well as failure trajectories and barriers. Subsequently, the conceptual framework underpinning the analysis and the research methods, followed by a discussion of findings based on the result, as well as conclusions of the empirical study, are presented.

1. LITERATURE REVIEW AND THEORETICAL DISCOURSE

1.1 SMMEs Overview: Imperative and Setbacks

This paper holds significant relevance as it intricately aligns with South Africa's national imperative, which prioritizes economic growth. It emphasizes the pivotal role of entrepreneurship, particularly through SMMEs, in fostering job creation, income equality, poverty alleviation, and the development of sustainable communities. Of particular importance is exploring entrepreneurial effectiveness within this context, especially in a nation like South Africa grappling with high levels of unemployment. This reinforces the critical need to examine and comprehend the factors, both internal and external, that influence enterprises and their contribution to economic growth and sustainability. Furthermore, the South African New Framework for Local Economic Development 2018 emphasizes entrepreneurship as a driver for fostering innovation and technological progress, which are essential elements in building resilient industries and promoting overall economic development. It further revealed that successful SMMEs form the backbone of SA's economy and are recognized as being critically imperative in optimising the country's future

potential. These enterprises are businesses that exhibit growth, generate substantial revenue, and effectively manage their operations.

Entrepreneurs responsible for economic prosperity often play a crucial role in transforming their ideas into fully operational ventures, seeking new opportunities through curiosity and assembling well-rounded teams to drive success (Iwara, 2020; Kraus et al., 2021). The definition of a successful business can vary based on region and individual goals, whether it's industry leadership or achieving a desired lifestyle, in South Africa, it refers to those that have survived beyond breakeven point, innovate, adapt to changing market conditions, and embrace new technologies, establish a strong market presence, gain customer trust, and differentiate themselves from competitors, contributed significantly to job creation and social impact (Maduku & Kaseeram, 2021; Musara & Nieuwenhuizen, 2021; Esau & Tengeh, 2022). Research observed that successful enterprises contribute to over 50% of South Africa's total employment, make up 60% of total exports and contribute about 90% of total export earnings, as well as account for approximately 50% of the total workforce in manufacturing industries (Fatoki, 2021; Mashavira, Chipunza & Dzansi, 2021). This evidence translates that, an understanding of the underlying ecosystem factors that influence entrepreneurs and entrepreneurship growth in South African would potentially contribute significantly to its economic stability, especially with regards to employment.

Substantiating the argument established earlier, the Organisation for Economic Cooperation and Development (OECD, 2022) reports on financing SMEs and entrepreneurs estimated that out of 2.6 million SMEs in SA, approximately 37% are considered formal, 54% are micro-enterprises and 15% are situated in rural areas. It is comprised of resilient individuals who either identified a business idea/opportunity and a considerable number of individuals who had no means of livelihood income and then resorted to operating a business out of necessity. Two in every three SME owners in the country are sole proprietors who manage their business alone, while at least 32% create employment. Overall, the contribution by these SMEs towards the country's gross value-added appreciated from 18% in 2010 to 40% in 2020. This trajectory aided beliefs that policy reforms and expansion of various support initiatives geared towards encouraging businesses can circumvent high unemployment rates, income inequality, and poverty issues currently endemic in the country. In other words, entrepreneurs deserve ardent attention and essential support to venture outrightly into meaningful entrepreneurial undertakings.

Consequently, the South African government's commitment and increased SMME support heightened over the years (South Africa Department of Trade and Industry (SA DTI), 2013; SA Economic Development Department, 2014; South African Government, 2021), however, enterprise performance in the country over the last ten years is not in tandem with expected success threshold (OECD, 2020). Compared with a global average of 20%, an average of 70% SMME failure rate is being recorded in the country (Masama, 2018; Fatoki, 2021 Madzimure & Tau, 2021), with assumptions that South African black-owned SMMEs leads on the list (Charman et al., 2012; Nkondo, 2017). Preliminary findings obtained earlier point to entrepreneurial orientation and business patterns (Nkondo, 2017), the nature and typology of support initiatives (Fatoki & Chindoga, 2011; Netshandama et al., 2021), limited entrepreneurship research conducted to crystalise critical entrepreneurial ecosystems, as well as cash flow and access to formal credit (Masama, 2018; Madzimure & Tau, 2021). Coupled with stringent policy, stiff competition, and mismatch support initiatives (Churchill, 2017; Kativhu, 2019), many enterprises underperform or fail. This argument corroborates Ključnikov, Civelek, Červinka, Vozňáková, and Vincúrová (2022) and Campos, Madeira, and Carvalho (2023) assertion that most small and medium-sized enterprises globally are vulnerable and at risk of failure due to financial difficulties, inadequate financial resources, and market barriers.

As a sequel to these compounded issues deterring enterprises in South Africa, the failure rate of the country's SMMEs is amongst the worst globally (Masama, 2018; Iwara, 2020). Because entrepreneurship and small and medium enterprises are critical to every economy by creating jobs and innovative goods, promoting a competitive environment and economic growth, and facilitating income distribution (Saleh & Manjunath, 2023), the heightened enterprise failure in South Africa has contributed to widespread unemployment, inequality and ultimately low levels of productivity (Mahadea & Kaseeram, 2018; Mugano & Dorasamy, 2023). Statistics on enterprise failure rates in South Africa reveal that more than 50% of SMMEs exit in their first year of establishment, 63% in the first two years, and 71% in their fifth year of operation (Kalane, 2015; Rabie et al., 2016). The fact that only about 3% of the total businesses that existed between 2006 to 2019 did so for a planned reason (Bowmaker-Falconer & Herrington, 2020), leaves researchers with assumptions that a vast majority (more than 90%) were forced out of the market by various uncertainties - suggesting a relook into peculiar issues entrepreneurs confront and redesigning support framework in that direction.

1.2 Context-specific business model

The widespread usage of the term entrepreneurial or business model in contemporary literature suggests it is paramount; however, a definitive consensus on the meaning remains elusive and a subject of global contestation. Since its inception in academic literature in the 1950s (Bellman, Clark, Malcolm, Craft, & Ricciardi, 1957), the business model concept has gained prominence within the entrepreneurial community and garnered significant attention from scholars, resulting in various definitions and interpretations. To Amit and Zott (2001), it is "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities." Chesbrough and Rosenbloom (2002) view it as "a conceptual tool that contains a set of elements and their relationships that allows expressing a company's logic of earning money." In contrast, Teece (2010) emphasizes the dynamic nature of business models, stating that they are "the manner in which a firm organizes its activities, coordinates its resources, and interacts with stakeholders to sustain competitive advantage." In their article titled "Business Model: What It Is and What It Is Not," DaSilva and Trkman (2014) clarify that a business model encompasses both the logical structure of how an organization creates, delivers, and captures value and the strategic choices underlying its operations, drawing from resource-based view and transaction cost economics. These diverse perspectives not only highlight the multifaceted nature of business models but suggest that understanding how business works and how value is created differ from one stakeholder to another. Thus, while the clarification of the meaning and use of the business model is important, understanding the nuances within a specific context is even more crucial for firms aiming to navigate complex market landscapes in their entrepreneurial endeavours and sustain competitive advantage.

Context-specific business models function as strategic roadmaps designed to leverage a myriad of resources for enterprises operating within distinct geographical contexts (Iwara, 2020). These models encapsulate the empirical realities gleaned from entrepreneurs' firsthand experiences and the idiosyncratic entrepreneurial landscape they navigate. Consequently, they serve as indispensable instruments for scrutinizing critical issues and steering growth initiatives. Globally, entrepreneurial support initiatives are commonly guided by specific frameworks and models. These frameworks provide structured approaches for designing and implementing support programs aimed at fostering entrepreneurship. They serve as blueprints for various stakeholders, including governments, NGOs, and business development organizations, to understand the complexities of entrepreneurship and tailor interventions accordingly (Bruton et al., 2010). By following established frameworks and models, stakeholders can streamline their efforts, allocate resources effectively,

and enhance the impact of entrepreneurial support initiatives on economic development and job creation (Mack & Mayer, 2016). Consequently, the absence of context-specific entrepreneurial models may leave business actors bereft of the requisite knowledge and understanding needed to tackle the precise challenges and support dimensions for local businesses (DaSilva & Trkman, 2014). This dearth could precipitate the oversight of pivotal issues indispensable for the thriving of indigenous enterprises, thereby imperilling their chances of success. Considering this perspective, economies worldwide endeavour to delineate area-specific models tailored to the entrepreneurial realities inherent in their respective locales.

Leading economies have adeptly harnessed context-specific business models as strategic mechanisms to fortify entrepreneurial endeavours, thereby propelling themselves to the vanguard of global economic prowess. For instance, the United States boasts a diverse array of business models intricately tailored to multifarious industries and geographical regions, thereby endowing stakeholders with a nuanced understanding of entrepreneurial nuances and expediting the formulation of targeted interventions (Delgado et al., 2016). Germany's esteemed Mittelstand model accentuates the indispensable role of small and medium-sized enterprises (SMEs) in nurturing economic growth, supported by bespoke initiatives meticulously designed to address their unique requisites (Welter & Smallbone, 2011). In Finland, often heralded as the "Silicon Valley of the North," governmental initiatives such as Tekes have fostered a vibrant startup ecosystem through robust funding mechanisms and comprehensive support services (Acs et al., 2008). Singapore's congenial business climate, coupled with proactive governmental policies, has allured both startups and multinational corporations, thereby enhancing its stature as a preeminent global business hub (CNBC, 2020; EDB 2023). China's distinctive amalgamation of state capitalism and entrepreneurial dynamism has propelled its meteoric economic ascent (Schweinberger, 2014), with state-driven initiatives such as Made in China 2025 propelling innovation and technological progress (Wübbeke et al., 2016; Marukawa, 2020). A similar trend was observed with the Kaizen business model, which is deeply embedded in Japanese culture and emphasizes continuous improvement in all aspects of life, including business (Nakamori et al., 2019; Aamer et al., 2022). It is a business philosophy that focuses on making small, incremental changes regularly to improve efficiency and quality. These exemplars underscore how tailored business models have empowered governmental, non-governmental organizations (NGOs), and business development entities to navigate the intricate landscape of entrepreneurship, thereby facilitating targeted interventions aimed at bolstering business prosperity and fostering sustained economic growth.

The efficacy of business models in these nations hinges on a confluence of key factors. Firstly, the customization of business models to harmonize with the idiosyncratic attributes of their respective economies, industries, and entrepreneurial ecosystems has been pivotal. This strategic alignment ensures that the support mechanisms and interventions deployed are intricately attuned to the specific exigencies and hurdles confronted by enterprises operating within these domains (Welter & Smallbone, 2011). Secondly, a resolute commitment to nurturing entrepreneurship through concerted governmental backing and substantial investment has been palpable. Evident in the implementation of initiatives such as robust funding infrastructures, all-encompassing support frameworks, and conducive regulatory environments, these endeavours have collectively engendered an ecosystem conducive to the flourishing of startups and SMEs (Acs et al., 2008; CNBC, 2020). Thirdly, proactive engagement and synergistic collaboration among governmental bodies, non-governmental organizations (NGOs), and business development entities have emerged as pivotal enablers of success. Through cooperative endeavours, these stakeholders can harness their respective proficiencies and resources to effectuate efficacious interventions and initiatives, adeptly navigating the multifaceted challenges that beset entrepreneurship (Delgado et al., 2016). Lastly, the relentless pursuit of innovation and adaptability inherent within these business models has underpinned their sustained efficacy and relevance across temporal epochs.

In South Africa, a myriad of support frameworks, acts, institutions, and programs for entrepreneurial development exist. Various levels of government proffer distinct support initiatives tailored to the needs of businesses. While strides have been made by the government in harmonizing strategies for various enterprises through the amalgamation of diverse agencies and the establishment of a dedicated department, opportunities for enhanced coordination among different SMME support programs persist, alongside the need for improved centralization of information. Similarly, scant attention has been paid to context-specific models traditionally forged to fortify businesses within the nation. This lacuna potentially engenders a reliance on foreign frameworks or models, which may inadequately address the intricacies inherent in diverse entrepreneurial landscapes. Furthermore, the entrepreneurial dynamics in rural areas may markedly deviate from those observed in urban settings. Consequently, a blanket alien model, with its nonconforming attributes, may fail to comprehensively address the growth impediments faced by SMMEs across areas of the country. While the implementation of an overarching framework for monitoring the plethora of existing programs would provide invaluable assistance in this regard, ameliorating this gap necessitates direct engagement with grassroots entrepreneurs to collaboratively cultivate insights into the unique circumstances shaping their entrepreneurial milieu.

In this study, we leverage insights gleaned from grassroots entrepreneurs in Limpopo province to craft an area-specific framework encompassing both exogenous and endogenous entrepreneurial constructs to bolster SMEs. Exogenous entrepreneurial constructs denote external conditions impacting venturing, such as governmental policies or natural phenomena like extreme weather events or pandemics. In contrast, endogenous constructs embody inherent individual traits of an entrepreneur, which can be harnessed to maintain a particular status quo. Profound comprehension of these constructs is deemed pivotal in unlocking the latent potential of enterprises in rural areas (Iwara, 2020). Context-specific entrepreneurial models serve as strategic blueprints tailored to harness various resources for enterprises operating within specific geographical terrain. These models encapsulate the realities derived from entrepreneurs' firsthand experiences and the unique entrepreneurial landscape they navigate. Consequently, they serve as invaluable tools for examining critical issues and guiding growth initiatives.

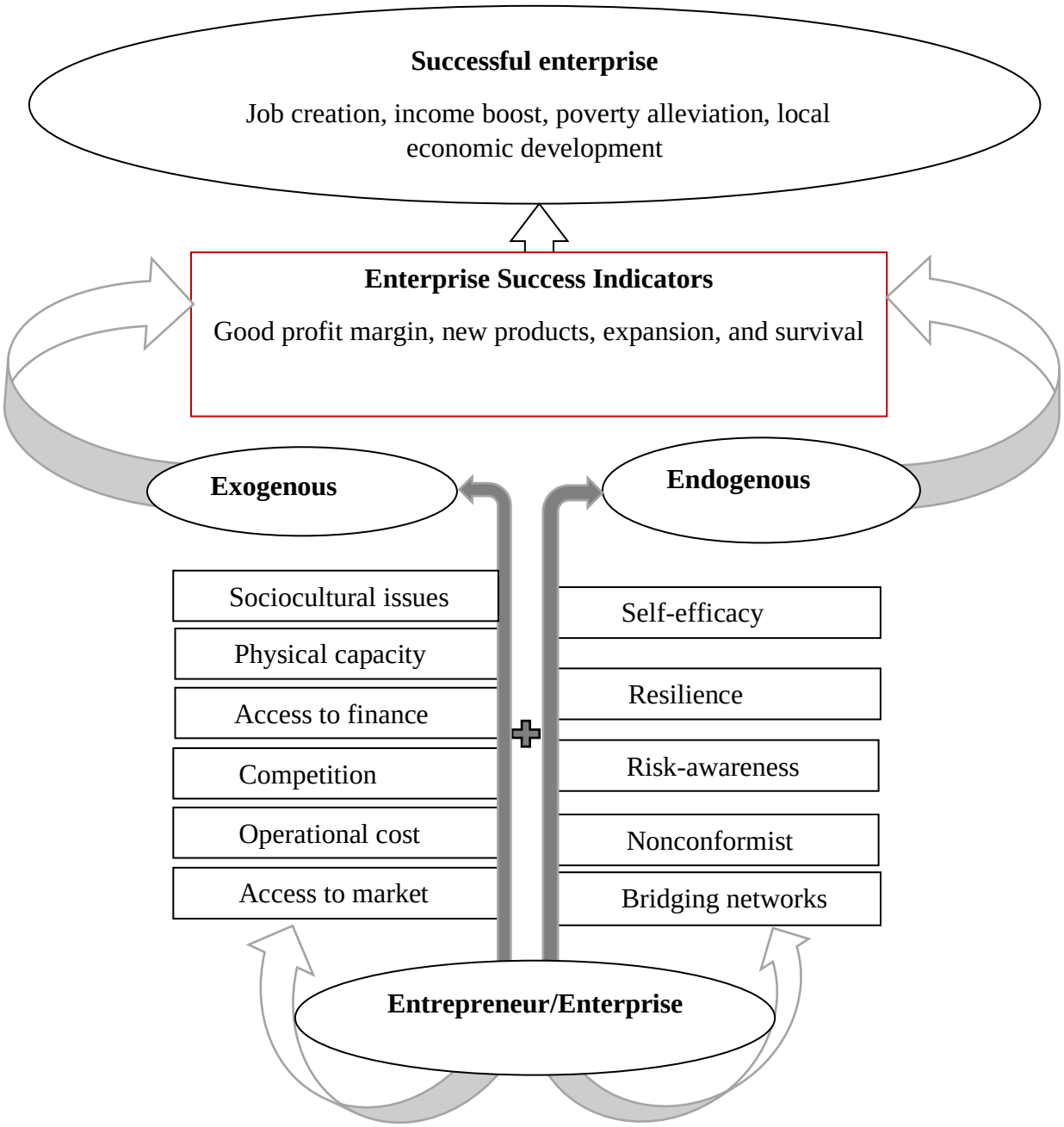
1.3 Conceptual framework

The current study derived its concepts from a prototype for rural entrepreneurship in South Africa that was developed in 2020 based on the grassroots realities of enterprises in the Vhembe District. The prototype highlighted six exogenous and five endogenous constructs limiting enterprise efficacy (Figure 1) with an assumption that enterprise success lies in the ability to fully reconcile various units within each construct. In other words, ignoring some constructs may not result in the expected outcome. Using the prototype as a conceptual framework for the current study was driven by 1) the fact that it resonates experientially with existing problems confronting local enterprises in Vhembe, a District in South Africa and promises business efficacy, and 2) it emerged with the need to understand local enterprise challenges and predict suitable area-specific indexes for supporting grassroots entrepreneurs in rural areas. In addition, the prototype may have been examined in South Africa and recommended for further use, however, Vhembe where it originated is one of the five districts in Limpopo Province and 52 others in South Africa, thus, the limited sample used to develop the prototype may not present sufficient evidence to generalize its outcome to the rest of the country. This suggests the need to widen the scope of the study for validity.

The prototype provided entrepreneurs and policymakers with several initiatives, embedded in exogenous and endogenous domains. Within the exogenous domain, access to market, operational cost, competition, access to finance, physical capacity and sociocultural issues are critical determinants of enterprise efficacy.

On the other hand, the ability to bridge networks, become a non-conformist, and risk aversive, as well as resilience and self-efficacy, exist in the endogenous axis of enterprise efficacy. This suggests enterprise success and constraints in South Africa resulted from a broad range of factors, hence, government policies and support programs for entrepreneurs in the country should be holistic. The views above are in the direction that, a proper developmental activity structure should be such that it successfully marries both basic (external) and non-basic (internal) elements because they co-exist and play distinct roles in inclusive growth (Lin, 2017; Nizalova & Murtazashvili, 2016). The increasing SMMEs failure rates in the country could suggest that this knowledge gap still lacks sufficient policy attention and/or implementation from this point of view (Galawe, 2017). South Africa then needs to understand issues lingering in its entrepreneurship landscape and develop a model for contextual support.

Figure 1 **A Conceptual framework adopted prototype from Iwara 2020**



(Source: own research)

2. METHODOLOGY

2.1 Study area

This study was carried out in selected rural areas in Limpopo Province. Limpopo is one among other South Africa's eight provinces and it is located in the country's northernmost region which shares borders with Botswana, Mozambique and Zimbabwe. It comprises five districts (Capricorn, Mopani, Sekhukhune, Vhembe, Waterberg) municipalities which together contribute about 9.8% of the country's 59,62 million population (Stat SA, 2020a). It ranks fifth in the country both in population and surface area, covering an area of 125 754km². Named after the great Limpopo River that flows along its northern border, this province is rich in agriculture, wildlife, spectacular scenery and a wealth of historical and cultural treasures. It is predominantly rural, however, highly commercial as a vast majority of the area, especially its major cities and towns such as Warmbad, Ellisras, Makhado, Louis Trichardt, Messina, Thabazimbi, Tzaneen and Thohoyandou are business hubs. Limpopo's climatic conditions allow for double harvesting seasons, resulting in it being the largest producer of various crops in the agricultural market in the country. Coupled with the rich mineral deposit, mining and agriculture become the primary driver of economic activity, especially in rural areas.

Even in the presence of natural resources and agriculture, Limpopo still struggles with the triple challenge of unemployment, inequality and poverty. The province recorded the highest poverty rate (52%), only 1% lower than KwaZulu-Natal which is on top of the list (National Development Agency, 2014), and this is in tandem with its current unemployment rate estimated at 46.5% (expanded) which is the highest, after Eastern Cape (Stats SA, 2020b). In the light that successful entrepreneurs play a critical role in local economic development in terms of job creation, income generation and poverty (Bvuma & Marnewick, 2020; Lukhele & Soumonni, 2021), it can be argued that Limpopo's current economic crisis, especially unemployment and poverty issues can be linked to exacerbated enterprise failure. This being the case, it becomes imperative to leverage these challenges and nest favourable conditions for entrepreneurs to function effectively and succeed.

2.2 Sampling

The study followed a positivistic research paradigm to conclude. A case study cross-sectional (quantitative survey) design was adopted. Using a purposive sampling technique, a total of 800 local entrepreneurs operating SMMEs in villages across the province's five districts were sampled. Purposive sampling is a form of non-probability sampling technique in which researchers rely on their judgment when selecting research participants for the population to engage in data surveys (Campbell, Greenwood, Prior, Shearer, Walkem, Young, Bywaters & Walker, 2020). This was ideal for selecting specific entrepreneurs, for instance, experienced South African entrepreneurs managing a micro, small or medium-scale enterprise in Limpopo. At present, there is no evidence of a national database or list of SMMEs in Limpopo, making it difficult to directly estimate the actual sample size. Therefore, the proxy for the actual sample size of the study was based on research about entrepreneurship conducted earlier in the country (Farrington & Matchaba-Hove, 2011; Fatoki, 2021; Kativhu, Iwara & Mwale, 2021). Participants were randomly selected for the data collection while Cronbach's alpha was used as a measure of reliability. Prior to the sampling,

community entry was carried out and five Research Assistants, each from one District, were employed. Informed consent forms which detailed the research background and the rights, as well as voluntary participation, were distributed to participants, enabling them to take a stand against or in support of the study.

It is believed that knowledge co-creation with informed local entrepreneurs would ultimately enhance the mappings of realistic entrepreneurial support mechanisms that conform to local enterprises. Local entrepreneurs in this instance refer to individuals operating SMMEs in the area where the study was conducted. Generally, channelling entrepreneurial support that matches entrepreneurs' demands is critically imperative as research has shown that support appropriateness contributes to business success (Nakku, Agbola, Miles & Mahmood, 2020). This study relies mainly on the experiences of entrepreneurs in Limpopo areas to unearth both external and internal entrepreneurial issues that should be mitigated for local enterprises to thrive. Partnering with people facing real-life situations provides insights into the nature and understanding of the precise solution that can address their peculiarities. While the scope is limited to SMMEs in rural areas of Limpopo province, the findings can reinforce how entrepreneurs, policymakers and business actors in other areas of South Africa and beyond relate with enterprises.

2.3 Data collection

A 5 Likert-type scale tool was then developed based on the adopted prototype underpinning the conceptual framework of the current study. The questionnaire was designed in a format that enables participants to rank the extent to which exogenous and endogenous influence their enterprise performance. Between December 2021 and March 2022 (data collection timeframe), 724 participants completed the questionnaire correctly. This sums up a 90.5% response rate.

The male participants exceeded their female counterparts by 5.6% (Table 1). The majority (72.4%) operate in the informal market. Out of the four key business capital channels, about 78% use personal savings, 11.9% received funding from the government, 5.9% had access to loans from a formal financial institution and 5.1% were favoured by business angels. The choice of selecting these three clusters resonates with the fact that cultural influences and gender dynamics are critical in the South African entrepreneurial landscape (Nambiar, Sutherland & Scheepers, 2020; Irene, Murithi, Frank, & Mandawa-Bray, 2021). The government strive to foster egalitarian economy where all gender categories benefit equitably, hence, a balanced/proper distribution of sample in this regard is necessary for quality assurance. Similarly, there exists a vibrant informal business sector that plays a significant role in the economy, even though their activities are not included in the country's Gross Domestic Product (GDP) (SME South Africa, 2022). A vast majority of these businesses access capital from different channels other than government funding.

Table 1 **Participant description – Gender, business status and capital channels**

		Frequency	Percent
Gender	Male	382	52.8
	Female	342	47.2
Business status	Formal	156	26.6
	Informal	568	72.4
Capital channel	Government	37	11.9
	Financial institution	43	5.9
	Business angels	81	5.1

	Savings	563	77.7
	Total	724	100.0

(Source: own research)

More than half (57.4%) of the total entrepreneurs sampled operate a micro-scaled enterprise while medium-scale enterprises account for about 8.5% (Table 2). Most of the businesses cluster around trading, community service, transportation and agriculture. Manufacturing and construction were the least, only after mining and electricity, gas and water.

Table 2 **Sample distribution by SMMEs - Sector and Classification**

	Micro	Small	Medium	Total
Agriculture	5.1	4.2	1.6	10.9
Mining	1.1	1.7	1.3	4.1
Manufacturing	4.8	2.0	1.2	8.0
Electricity, gas & water	2.1	2.4	0.6	5.1
Construction	4.2	4.0	0.7	8.9
Trade & Accommodation	18.6	8.7	1.3	28.6
Transport & Communication	5.3	2.8	0.6	8.7
Finance & Bus. Services	4.5	2.2	0.4	7.1
Community service	7.0	3.7	0.3	11.0
Other	4.7	2.1	0.5	7.3
Total	57.4	33.8	8.5	100

(Source: own research)

2.4 Data analysis

Prior to analysis, the quantitative data was computed and validated using IBM Statistical Package for the Social Sciences (SPSS) version 27. Cronbach's Alpha test of reliability was performed for internal consistency, that is, how closely related the factors. In social science research, a reliability coefficient of .70 or higher is considered appropriate and acceptable (Taber, 2018). Subsequently, the data were fitted in Multilayer Perceptron (MLP) model to regress enterprise exogenous constructs and entrepreneurs' endogenous constructs against performance. MLP explains deep learning and feedforward artificial neural networks (Tang, Deng & Huang, 2015). The model is composed of a series of nodes in the acyclic graph, each representing a structure. The structure is composed of three layers - firstly, an input layer that receives a signal, the output layer that predicts the input layer, and in between the input and the output, there is an arbitrary number of hidden layers that are the true computational vectors of the structure (Pham, Tien Bui, Pourghasemi, Indra & Dholakia, 2017). In this study, the input layer comprises exogenous and endogenous constructs. Enterprise performance represents the outer layer, while the hidden layers are classifying layers to transform inputs into output during training. The MLP trains on a set of input-output pairs and learns to regress the connection covariates. In the forward pass, the signal flow moves from the input layer through the hidden layers to the output layer, and the decision of the output layer is measured against the ground truth labels. MLP is a type of artificial neural network that can learn complex nonlinear functions

from data and approximate any continuous function with arbitrary accuracy, making it ideal for the nonlinear data structure used for this study.

2.5 Test of reliability

Table 3 shows Cronbach's Alpha value (the alpha coefficient) of 0.754, indicating high reliability of the scale. This implies sample adequacy and that the items have relatively high internal consistency.

Table 3 **Cronbach's Alpha reliability scale (n=724)**

Case Processing Summary				**Reliability Statistics**	
		N	*%*	*Cronbach's Alpha*	*N of Items*
Cases	Valid	724	100.0	.754	14
	Excluded[a]	0	.0		
	Total	724	100.0		
a. Listwise deletion based on all variables in the procedure.					

(Source: own research)

3 RESULTS

Table 4 **Exogenous and Endogenous Constructs Affecting SMMEs Efficacy**

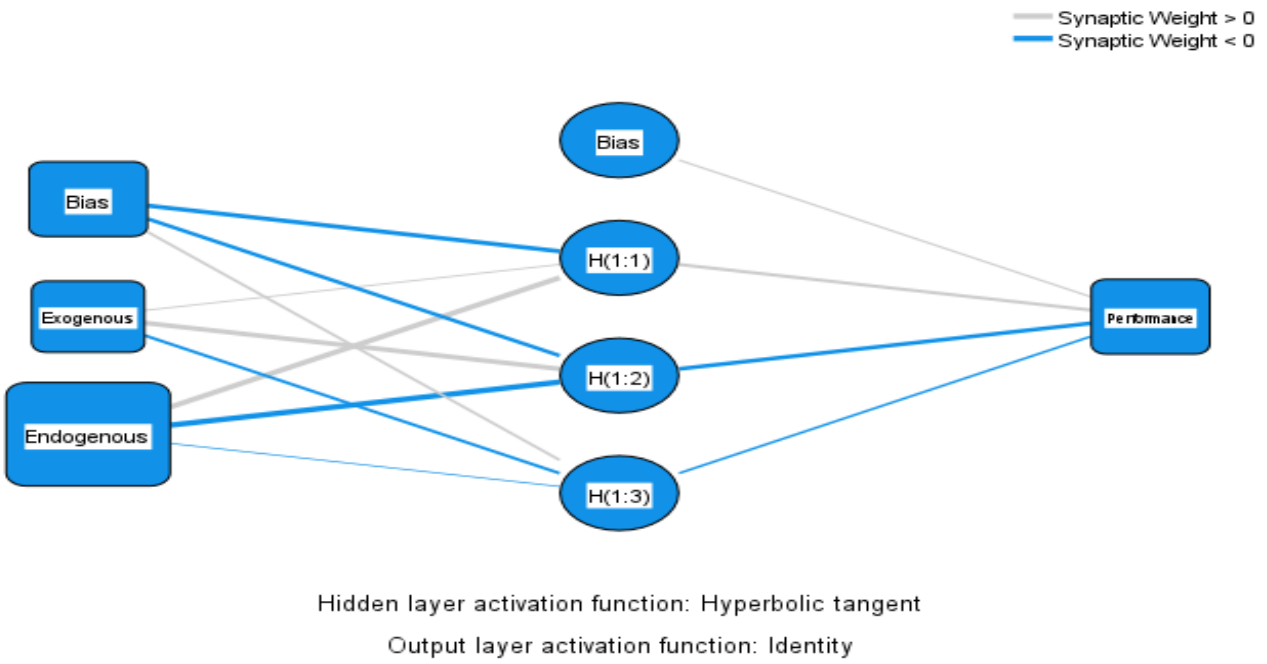
Model Summary			**Case Processing Summary**		
Number of Units[a]		2	Sample Training	505	69.8%
Training sum of squares error		101.976	Testing	219	30.2%
Relative Error		.405	Valid	724	100.0%
Testing	Sum of Squares Error	37.074	Excluded	0	
Relative Error		.371			
Network Information			**Variables**	**Importance**	**Normalised**
Input Layer	Covariates		Exogenous	.327	48.5%
			Endogenous	.673	100.0%
Hidden Layer(s)	Number of Hidden Layers			1	
	Number of Units in Hidden Layer 1[a]			3	
	Activation Function		**Hyperbolic tangent**		
Output Layer	Dependent Variables		1 Performance		
	Number of Units		1		
	Rescaling Method for Scale Dependents		Standardized		
	Activation Function		Identity		
	Error Function		Sum of Squares		
a. Excluding the bias unit					

(Source: own research)

Table 4 provides the case processing summary of the multilayer perceptron modeling based on 724 data structures for exogenous and endogenous constructs. Approximately 70% of the total sample was used for the training of the neural network while about 30% of it was utilized for testing purposes. From the model summary, it can be observed that the training and testing error of the model is less than 0.5. This estimates the degree to which a research measurement is free of unstable error. An error value of 0.5 implies that there is no significant presence of threats that can cause turbulence to the result, hence, it was neglected. Thus, the model is fit and can be used reliably for predicting the effect of exogenous and endogenous constructs on enterprises.

The neural network depicts the relationship between input variables, that is the exogenous and endogenous constructs with the hidden layer and the impacts of the hidden layer on the output variable which is performance. As shown in Figure 2, there is a bias element that has a strong relationship with the hidden layer H (1:1) and H (1:2). The hidden layer has a strong effect on the perception of respondents' performance. It can also be observed that the hidden layer H (1:2) influences endogenous constructs and performance, as the thick line describes a strong synaptic weight. Similarly, the hidden layer H (1:3) has a moderate influence on exogenous factors and performance. This relationship implies that challenges lie more on the endogenous construct than the exogenous construct does.

Figure 2 **The Neural Network of the Layers**

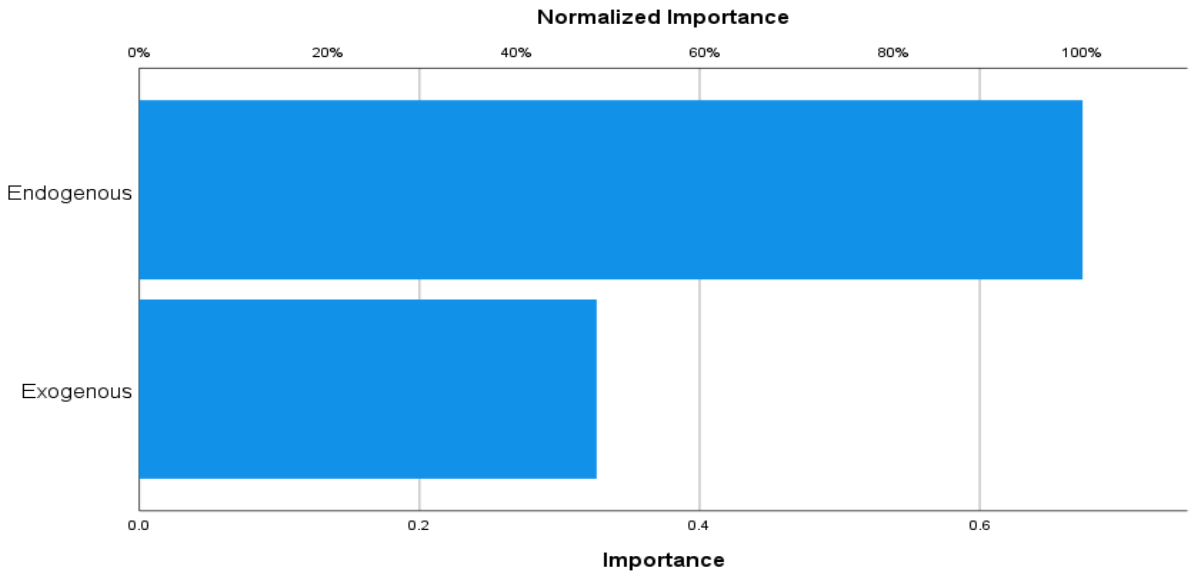


(Source: own research)

Figure 3 where the normalized important coefficient for endogenous construct skewed towards 100% gives a clear picture of the result.

The coefficients and normalized importance percentages of the variables in the exogenous construct reveal that market access (β = 0.223, 100.0%) is the most critical challenge that requires support for SMMEs efficacy (Table 5). Access to finance (β = 0.220, 98.6%) and stiff competition (β = 0.192, 83.2%) were crucial while operational cost, physical capacity, and sociocultural issues received less attention.

Figure 3 **Relative importance of Exogenous and Endogenous Constructs**



(Source: own research)

Table 5 **Exogenous Factors Affecting SMMEs Efficacy**

Model Summary			**Case Processing Summary**		
Number of Units[a]		6	Sample Training	527	72.0%
Training sum of squares error		199.940	Testing	203	28.2%
Relative Error		.769	Valid	724	100.0%
Testing Sum of Squares Error		85.411	Excluded	0	
Relative Error		.789			
Network Information			**Variables**	**Importance**	**Normalised**
Input Layer	Covariates		Access to markets	.223	100.0%
			Operational cost	.141	63.3%
			Competition	.192	86.3%
			Access to finance	.220	98.6%
			Physical capacity	.126	56.8%
			Sociocultural issues	.098	44.0%
Hidden Layer(s)	Number of Hidden Layers			1	
	Number of Units in Hidden Layer 1[a]			3	

	Activation Function	**Hyperbolic tangent**		
Output Layer	Dependent Variables	1	Performance	
	Number of Units	1		
	Rescaling Method for Scale Dependents	Standardized		
	Activation Function	Identity		
	Error Function	Sum of Squares		
a. Excluding the bias unit				

(Source: own research)

Table 6 shows that bridging networks (β = 0.545, 100.0%) was the most critical variable of concern that require support amongst the five factors in the endogenous constructs. Resilience (β = 0.196, 35.9%) and risk awareness (β = 0.150, 27.5%) were moderate while self-efficacy and being nonconformist were least on the ranks.

Table 6 **Endogenous Factors Affecting SMMEs Efficacy**

Model Summary			**Case Processing Summary**		
Number of Units[a]		5	Sample Training	521	75.6%
Training sum of squares error		30.147	Testing	161	24.4%
Relative Error		.117	Valid	661	100.0%
Testing	Sum of Squares Error	15.429	Excluded	63	
Relative Error		.171			
Network Information			**Variables**	**Importance**	**Normalised**
Input Layer	Covariates		Bridging networks	.545	100.0%
			Nonconformist	.034	6.3%
			Risk awareness	.150	27.5%
			Resilience	.196	35.9%
			Self-belief	.075	13.9%
Hidden Layer(s)	Number of Hidden Layers			1	
	Number of Units in Hidden Layer 1[a]			4	
	Activation Function		**Hyperbolic tangent**		
Output Layer	Dependent Variables		1	Performance	
	Number of Units		1		
	Rescaling Method for Scale Dependents		Standardized		
	Activation Function		Identity		
	Error Function		Sum of Squares		
a. Excluding the bias unit					

(Source: own research)

4. DISCUSSION

This study examines critical exogenous and endogenous parameters that should be stimulated to enhance SMMEs' efficacy in rural areas of Limpopo province. The training of samples based on neural networks observed that the exogenous construct is critical; however, the endogenous parameters received far higher approval from the entrepreneurs. Market access was perceived as the most critical exogenous factor that required support to stimulate efficacy, followed by access to finance and competition, while operational cost, physical capacity, and sociocultural factors were less challenging. This result is reflected objectively in the baseline study underpinning the conceptual framework of this current study. In the Vhembe district municipality, access to the market remains a pressing challenge for local entrepreneurs. Except for physical capacity and socio-cultural, which received the least attention, operational cost, competition, and access to finance also joined the ranks of major issues in the area.

The findings of the current study differ objectively and at the same time conform with emerging studies on enterprises in South Africa. In the Western Cape Province, for instance, empirical evidence regarding enterprise challenges pointed to bureaucracy and administrative complexities as being top critical issues, among other challenges (Mugobo & Ukpere, 2012). This viewpoint differs from market complexity and stiff competition which were central in Limpopo province. However, it was observed that access to finance poses a moderate challenge to enterprises in both provinces. In the Province of KwaZulu-Natal, the challenge lies more access to finance (Bomani & Derera, 2018) while in the areas of Mpumalanga Province, lack of financial assistance, managerial skills, and inaccessible global markets were singled out as the most dominant issues, apart from high crime rate and the fear of xenophobia (Mukwarami, Mukwarami & Tengeh, 2020). It could be argued that enterprise exogenous-related challenges varied with distance from one province to another. However, homogeneity in the severity of market accessibility, access to finance, and competition have been observed across the provinces. Thus, there is a need to operationalize national policies and strategies on entrepreneurship based on specific local entrepreneurial situations.

Aside from the disparity existing amongst provinces, enterprises in rural areas confront peculiar issues that are different from their counterparts operating in urban areas of the same province. For instance, physical capacity. Researchers were concerned about the inability of many entrepreneurs in South Africa to carry out meaningful business undertakings and compete fervently in the global market resulting from a lack of modern skill sets, tools and exposure (Mukwarami et al., 2020). This challenge is predominant in rural areas, characterized by high levels of illiteracy, the slow pace of technological advancement and lack of basic facilities such as electricity, road and internet coverage (Karasi, 2018; Lekhanya & Mason, 2014). Couple with the low population density which affects the stock of customers and business patronage (Bomani & Derera, 2018), as well as the limited access to expected markets and partnerships for business growth (Ramukumba, 2014), many entrepreneurs in rural areas, especially, those in agri-business resorted for middleman transaction which very often compromises profit. These challenges suggest the need for digital applications for product advertisement and marketing - linking local products in rural areas with the rest of the world. In addition, reforms and investments towards enterprise development in the country should be centred on e-commerce and digital business orientation.

In South Africa, there are several entrepreneurial development support initiatives. Agencies such as NYDA, SEDA, and SEFA, among several others, offer a wide range of support to local entrepreneurs. However, very often, entrepreneurs in rural areas do not benefit as much as they should – a key reason

most enterprises in remote areas are stuck. This is mainly caused by lack of orientation, information and accessibility (Lekhanya & Mason, 2014), as well as the ineffectiveness of local economic development programmes at the grassroots level within rural municipalities (Mukwarami, 2020). The National Development Plan (NDP) of South Africa suggests that a strong network of economic infrastructure is required to achieve sustainable and inclusive growth by 2030. It is unclear how this can be achieved, particularly in the context of SMMEs operating in rural areas. This finds legitimacy in the fact that local policy implementers, such as the municipality, scarcely know the location and extent of infrastructural and other challenges affecting grassroots entrepreneurs in rural areas.

In addition to the few mentioned, there have been issues around rurality, business standardization and formalization, as well as visibility and viability which often deprive entrepreneurs in rural areas of greater access to support (SEDA, 2016). Adding to cumbersome formalities and loan security standards associated with formal institutions and government agencies, many rural areas have been delineated and deprived of access to basic resources needed (Bomani & Derera, 2018; Dludla, 2014). It is against this premise we tend to see a vast majority of businesses mobilizing capital informally through Stokvel, savings and business angels (Arko-Achemfuor, 2012; Koenane, 2019; Iwara & Netshandama, 2021). Hence, many were unable to adequately finance their enterprises to the standard that can compete equitably and ramp up, as informal credit systems barely provide sufficient business capital compared to formal financial institutions. In addressing this issue, formal financial institutions and government agencies may consider flexibility and easy access to finance for local entrepreneurs, as well as create special cells for providing easy finance at concessional rates of interest and flexible payment plans.

Regarding the endogenous construct examined in the study area, bridging networks were perceived as the most critical factor that requires support for SMMEs' efficacy. Presumably, the fact that networking can assist entrepreneurs to connect and interact entrepreneurially with different stakeholders through various channels towards building resourceful business relationships (Souza et al., 2016). This is also essential in bridging market-related challenges that are already pervasive in the study area - key stakeholders and allies have the potential to link partners to resourceful market channels. For instance, a cross-examination of enterprise performance in South Africa reveals that Asian-owned enterprises perform better and, in most cases, outsmart the locals, resulting from the ability of the entrepreneurs to network and form collaborative partnerships, among other traits (Charman et al., 2012; Dludla, 2014; Iwara, 2020). Asian entrepreneurs connect easily with one another within and outside business lines and form a strong alliance through which they jointly fund their businesses, purchase goods in bulk at a discounted rate, and market their products using their established networks. This attribute is lacking among the local entrepreneurs in the country (Nkondo, 2017) and should be a concern to researchers and business actors.

In a highly competitive entrepreneurial environment such as South Africa, resilience to uncertainties is as important as networking skills. The findings of this current study reveal that resilience is the most pressing endogenous challenge entrepreneurs are grappling with after networking skills. The gravity of this challenge is glaring in the country's current enterprise's poor performance and high rates of exit. The high failure rates of small enterprises in South Africa are a clear reflection of the diverse threats confronting entrepreneurs, which require critical resilience skills to leverage (Kativhu, 2019). Even though this is the case, there is limited understanding of the threats predisposing enterprises to failure, and neither are their sufficient efforts to build associated resilience. To stimulate the lifespan of local SMMEs in rural areas, business actors should cautiously plan rural enterprise development such that it creates a conducive environment for entrepreneurs to access skills development and financial and other forms of entrepreneurial resources that can reduce unhealthy competition and bridge the market.

Resilience goes in tandem with risk awareness which is also central to business survival and efficacy. Risk awareness provides knowledge of potential danger to a business thereby, helping an entrepreneur to map out preventive measures to averse against their manifestation or build resilience to survive the hurdles in the event where they must occur (Cholda et al., 2014; Sadgrove, 2016). Literature reveals that successful entrepreneurs are conscious of potential risks (Murmann & Sardana, 2013; Cumberland et al., 2015); they assess their expertise and level of ambiguity in a particular decision context and then tailor their decision-making process to avert possible threats.

Entrepreneurs' self-efficacy and nonconformists received far lesser approval from participants. These were perceived to have less challenge to SMMEs when compared to networking, resilience and risk awareness. However, building such skills can be as impactful as others in stimulating business growth. In the entrepreneurial premise, self-efficacy explains entrepreneurs' core belief in their ability to set up high-impact goals and strive to achieve them, as well as regulate circumstances and events that affect their enterprise for the growth that follows. When an entrepreneur's self-efficacy growth levels are low, enterprise performance becomes low too and this relationship influences overall financial satisfaction, hence, building the skill amongst local entrepreneurs is essential (Msimango-Galawe & Mazonde, 2021). The need for this development has been emphasized; nascent entrepreneurs have low levels of self-belief, amongst other challenging factors limiting progress (Urban, 2006). A conclusion was met on this argument that lack of self-belief applies to all categories of entrepreneurs in South Africa (Msimango-Galawe & Mazonde, 2021). This was based on a study through which educated women entrepreneurs in the country were interrogated. Hence, the findings of the current study, derived from the response of participants across demographics reflect extant literature.

Being a nonconformist implies doing business differently and uniquely to outsmart peers in a perfectly competitive market. In entrepreneurship, nonconformists have an innovative/creative mindset. They understand niche areas and can introduce new valuable content to the market. Similarly, they understand business value proposition - a skill that enables them to build great enterprises by diffusing what other entrepreneurs have ventured, only better. Lack of these skills accounts for the reasons many entrepreneurs replicate ideas without proper diffusion, which then results in homogenous production. In this, similar products will saturate the market, resulting in high competition as too many goods pursue few demands in a confined environment. Related studies on entrepreneurship earlier pointed out that there is stiff competition amongst youth-own enterprises in Thulamela Local Municipality in Limpopo Province, mainly resulting from the overcrowding of many small shops offering the same line of products in the same location (Kativhu, Iwara & Mwale, 2021). Very often, many in this context fail. This suggests a focus on mounting programs to up-skill mind-mapping and ideation, innovation and design thinking, as well as business modelling to enable entrepreneurs in rural areas to venture into different initiatives, hence, overcoming direct duplication of existing business initiatives that may result in homogeneous venturing.

CONCLUSION

South Africa's enterprise's failure is prevalent amidst entrepreneurial opportunities available to entrepreneurs and policies that underpin the promotion of SMMEs. This is mainly due to the knowledge gap in terms of peculiar issues grassroots entrepreneurs grapple with and the lack of area-specific models for entrepreneurial support. Put together, these challenges often resulted in misplaced and/or insufficient support initiatives. Although literature widely shows entrepreneurial policies and programmes, there is a

dearth of information on how they address various enterprise-related issues, especially in rural areas of Limpopo province. This study gives insights that entrepreneurs and policymakers can use as a fundamental roadmap to navigate South Africa's entrepreneurial terrain, hence, stimulating enterprise efficacy in rural areas. Based on the foregoing discussion, SMMEs' challenges in rural areas of Limpopo Province centre on two major constructs, that is, endogenous which is more critical when compared to its exogenous counterpart. These constructs account for high rates of SMMEs failure despite concerted efforts being made by entrepreneurial development actors to stimulate enterprise in the study area, and presumably, South Africa at large. Inaccessible markets and finance as well as stiff competition received the highest approval by the entrepreneurs as being crucial exogenous factors affecting enterprise efficacy while operational cost, physical capacity and sociocultural issues pose a moderate challenge. Similarly, lack of network bridging skills, resilience and risk awareness constitute a higher challenge within the endogenous construct when compared to self-efficacy and being nonconformist. Although these findings are on par with the prototype adopted as a proxy for the current study, its implementation requires slight modification as access to finance exchange position with physical capacity in the exogenous construct. Similarly, in the endogenous construct, resilience received more attention in place of nonconformists. In other words, the prototype can be recommended as a fundamental entrepreneurial support instrument in the study area.

RECOMMENDATIONS

Due to limited resources and time factors, this study was carried out in one province in South Africa. Juxtaposing the current findings with the extant literature, the challenges identified varied with distance from one province to another, however, we tend to see homogeneity in the severity of issues relating to inaccessible markets, finance, stiff competition, networking, resilience and self-efficacy. This suggests the need to operationalize and deconstruct SMMEs' national policies and strategies to specific localities.

While failure rates increasingly surge, enrolment of new entrepreneurs for capacity building continues amid these uncertainties, leaving the root causes of the failure unresolved. In principle, only when the critical threats resisting local enterprises' growth are identified and addressed contextually can the failure curve flatten. Actors should collaborate with grassroots entrepreneurs and optimize their experiences in drafting actionable business support frameworks.
Lastly, further research concerns may attempt to cross-examine the exogenous and endogenous constructs of the current study in another province and South Africa at large.

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