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MFHI is taken from the 2020/2021 and 2021/22 Local Government Financial Statements released by Auditor-General South Africa. The main results show that only four of the eight metropolitan municipalities had improved their MFHI with a relatively low average index score of only 55.9, which is much lower than the average index score of 60.1 in the 2018/19 financial year. Once again, the City of Cape Town had the highest overall MFHI score of 67.20, while the worst-performing metro was the City of Ekurhuleni, with a low MFHI score of 49.1. The MFHI as a measurement model has proven helpful in comparing financial situations at municipalities and identifying critical financial challenges. The MFHI is also important in developing much-needed recovery strategies for local governments in South Africa. The article makes five recommendations, thus: Strengthening of financial management and control; Application of MFMA's Code of Conduct in financial systems; Enhancing dependence on own source of income for financial sustainability; Improving asset management; and Increasing focus on infrastructure development.

Abstract: Small and medium enterprises (SMEs) are the lifeline for economic growth in both developed and emerging markets; however, they continue to face growth challenges. Theoretically, SMEs are major contributors to employment creation, wealth generation and poverty alleviation. Literature shows that SME sustainability is affected by a variety of variables, including reputation. The article seeks to analyse the relationship between SME entrepreneurial marketing, described as customer intensity and proactiveness, and overall performance, associated with consumer reputation, in emerging markets. Three hypotheses were generated from literature review, and they were tested through empirical data collected from Manicaland Province SMEs. The hypotheses relate to the linkages between entrepreneurial marketing and overall SME performance. A total of 190 entrepreneurs operating SMEs in Manicaland Province were surveyed. Through convenience sampling, entrepreneurs who employ a minimum of five people were selected from all the districts of Manicaland Province. Factor analysis and structural equation modeling were used to test the three hypotheses. The article finds that two dimensions of entrepreneurial marketing impacts on overall SME performance. Three strategic recommendations arise from this article that may improve the impact of entrepreneurship marketing on the performance of SMEs, and they are detailed under the last section. Together, the three strategic recommendations imply that SMEs marketing has to rely on research in order to: gain understanding of determinants and outcomes of international entrepreneurship and innovation; analyse possible matrices of strategic approaches to international entrepreneurship management in decision-making; and, exploit the potential for using corporate social behaviour as a niche for gaining competitive advantage for sustainable development.

Abstract: Recommender systems are an integral part of many commercial platforms. A subset of recommended products is the result of the aggregated behavior of users who also purchased those products, known as the user-generated network. User-generated product reviews, images, and hashtags are increasingly valuable sources of information for customers to make product decisions online. A recent work stream addressed the economic impact of the review. Typically, the influence of product reviews is explained by numerical variables representing the value and number of reviews. On the other hand, the platform itself provides some products related to these products in a more generic way, for example: B. Product categories. Product recommendations are basically a filtering system that tries to predict and display items that a user might want to buy. It might not be completely accurate, but if it's showing you something you like, then it's working. This set of recommended products is called a system-generated network. Our goal is to capture the evolution of product networks in terms of link formation and removal *because of any of the above suggestions by considering the strength of nodes in the network. Our results show that while user-generated recommendations have a strong impact on link formation and rank distribution in product networks, system-generated networks have no significant effect.*

Abstract: Using the Centre for Entrepreneurship Rapid Incubator (CfERI) at the Nelson Mandela University in the Eastern Cape Province, South Africa, the article aims to investigate the notion of regional economic drive that could be founded on university strategic partnerships and initiatives that create ecosystems for nurturing and transitioning emerging student-entrepreneurs for participating in economic growth through small and medium enterprises (SMEs). In essence, the article tests the student entrepreneurship incubation impact, entrepreneurship ecosystem incubation and socio-economic transformation cultivation agency of the Nelson Mandela University CfERI through SMEs as student-entrepreneurs transitioning hub in the Eastern Cape Province through agriculture, manufacturing, ocean and tourism economy. The purpose of the CfERI initiative is to promote student entrepreneurs as responsible citizens and to cultivate agency for socio-economic transformation and transition to SMEs in the provincial economy. The article argues that this initiative is a strategic milestone that promotes local emerging SMEs and expands economic growth horizons for the province. It presents a qualitative conceptual study that undertook in-depth evaluation of exiting literature to demonstrate that such student entrepreneur transitioning to SMEs is significant. It finds that institutions of higher education have a vital role to play in incubating entrepreneurs, as strategic partners, for socio-economic transformation. It recommends that similar initiatives be adopted by higher education strategic partners in other provinces in order to contribute towards provincial strategies for economic growth, employment generation and development. It recommends policies that promote entrepreneurship education which is critical in developing students' entrepreneurial aspirations and inspiration. It recommends the creation of a national attitude of entrepreneurship orientation with specific reference to "pro-activeness, innovation and risk-taking" in order to increase the likelihood that citizens would seek to start and sustain businesses.

Abstract: South African institutions of higher education are transforming in several ways, including curriculum transformation. One of the curriculum transformation strategies involves the provision of entrepreneurship education to address graduate employability, research output commercialization and increasing third-stream income. Entrepreneurial education and training allow individuals to recognize commercial opportunities as well as enhance self-esteem, knowledge and skills. It includes instructions in opportunity recognition, commercialization of concepts, resources management and initiation of business ventures. This article aims to explore teaching and learning strategies used in the provision of an informal short course for entrepreneurship education in two South African universities, one in Limpopo Province and the other in the Eastern Cape Province. The purpose is to assess the potential of the informal course to incubate entrepreneurship ecosystems at the two universities. Using theorization of entrepreneurship ecosystem, the article discusses the informal course model and learning outcomes as bases for thematic analysis and determination of potential for entrepreneurship ecosystem incubation at two universities. It finds that such an informal course model has a realistic potential to incubate entrepreneurship ecosystem sustainably. It recommends that more South African universities need to embrace such informal

EDITORIAL

The **first paper by M.J. Maleka, P.P.S. Sifolo, & U.S. Henama** investigates executive gender pay trends in the South African public tourism sector. In addition to literature review, these authors adopted a positivism paradigm and quantitative approach and, on the basis of central limit theory, selected a sample of 30 executives from a normally distributed data. They analysed data using Statistical Package for Social Sciences (SPSS) version 28, and their key finding is that whereas the base salary and total packages were higher in males than females. However, the regression results show that gender was not a significant predictor ($\beta = -.11$, $t = -0.71$, $p > 0.05$). Instead, they find, base pay was a significant predictor ($\beta = 0.64$, $t = 4.32$, $p < 0.01$) of executive total salary. These authors conclude that employers in South Africa's tourism industry might not experience attrition or lawsuits due to executive gender pay gap.

The **second paper by D.F. Meyer & J.R. Neethling** is motivated by the lack of financial management sustainability and poor service delivery records among municipalities across South Africa. It sets out to update, extend the scope, and refine measurement tools for financial health of municipalities as well as monitoring and comparing performance. On the bases of desktop study, they amended the 2021 version of Municipal Financial Health Index (MFHI) and apply it to the eight metropolitan municipalities in South Africa, using the 2020/2021 and 2021/22 Local Government Financial Statements released by Auditor-General South Africa. With the MFHI's four sub-indices of revenue and expenditure, liquidity ratio, solvency ratio and capital investment index, they find that only four of the eight metropolitan municipalities had improved their MFHI with a relatively low average index score of 55.9%, which is much lower than the average index score of 60.1% in the 2018/19 financial year. They recommended for the adoption of the MFHI measurement model across South Africa because they find it helpful for comparative financial analyses, identification of critical financial challenges and development of recovery strategies for local governments in South Africa. They make five recommendations, thus: Strengthening of financial management and control; Application of MFMA's Code of Conduct in financial systems; Enhancing dependence on own source of income for financial sustainability; Improving asset management; and, Increasing focus on infrastructure development.

The **third paper by D. Mutanho & T. Shumba** analyses the relationship between SME entrepreneurial marketing, described as customer intensity and proactiveness, and overall performance associated with consumer reputation in emerging markets. Based on literature review, the authors establish that small and medium enterprises (SME) sustainability is affected by a variety of variables, including reputation, and that they are the lifeline for economic growth, from which they formulated three hypotheses, which they tested through empirical data collected from conveniently sampled 190 SME owners in Manicaland Province, Zimbabwe.

The hypotheses relate to the relationships between entrepreneurial marketing and overall SME performance; and, they tested them using factor analysis and structural equation modelling. They find that two dimensions of entrepreneurial marketing impacts on overall SME performance. They make three strategic recommendations arise from this article that may improve the impact of entrepreneurship marketing on the performance of SMEs, and they are detailed under the last section. Together, the three strategic recommendations imply that SMEs marketing has to rely on research in order to: gain understanding of determinants and outcomes of international entrepreneurship and innovation; analyse possible matrices of strategic approaches to international entrepreneurship management in decision-making; and, exploit the potential for using corporate social behaviour as a niche for gaining competitive advantage for sustainable development.

The **fourth paper by C. Dapira** analyses the impact of non-farm craft enterprises on rural household well-being and poverty reduction in the Eastern Cape Province, South Africa. He notes that whereas policymakers have increasingly viewed non-farm craft enterprises as panacea for rural poverty reduction and have injected huge financial investments, the impact of these investments in non-farm rural development policies, artisans training hubs support structures and market access opportunities has not been conclusive determined. He opines that most research on rural entrepreneurship in South Africa has focused on the challenges encountered by entrepreneurs, often neglecting the need for comprehensive analyses of the craft sector's impact on rural poverty reduction.

Using mixed methods approach, a semi-structured interview schedule, focus groups and in-depth interviews, as well as SPSS analytical tools and collaborative complementary thematic techniques, the author analysed data collected from rural Port St John's Municipality. Results indicate that non-farm enterprises impact household well-being positively by increasing income, but that the potential of non-farm craft enterprises driving rural economic growth and creating employment is yet to be fully realised. The author recommends that targeted capacity-building and training programmes be implemented in order to enhance rural entrepreneurship skills. One of the policy implications arising from this study is that policy interventions have to be based on the desired impact in order to ensure that investments are not wasted in ghost projects.

The **fifth paper by B.K. Sebake** evaluates the role that higher education institutions could play in incubating entrepreneurs for socio-economic transformation in the Eastern Cape Province, South Africa. Using the Centre for Entrepreneurship Rapid Incubator (CfERI) at the Nelson Mandela University in the Eastern Cape Province, South Africa, the author investigates the notion of regional economic drive that could be founded on university strategic partnerships and initiatives that create ecosystems for nurturing and transitioning emerging student-entrepreneurs for participate in economic growth through small and medium enterprises (SMEs). In essence, Sebake tests the student entrepreneurship incubation impact, entrepreneurship ecosystem incubation and socio-economic transformation cultivation agency of the Nelson Mandela University CfERI through SMEs as student-entrepreneurs transitioning hub in the Eastern Cape Province agriculture, manufacturing, ocean and tourism economy.

Based on relevant conceptual frameworks, extensive literature review and qualitative analysis-bias, the author establishes that the CfERI is a strategic milestone that has the potential to promote student entrepreneurs into the local emerging SMEs for the expansion of the provincial economic growth. He concludes that institutions of higher education have a vital role to play in incubating student entrepreneurs for regional socio-economic transformation, in order to contribute towards provincial strategies for economic growth, employment generation and development. He recommends policies that promote entrepreneurship education which is critical in developing students' entrepreneurial aspirations and inspiration. It recommends the creation of a national attitude of entrepreneurship orientation with specific reference to "pro-activeness, innovation and risk-taking" in order to increase the likelihood that citizens would seek to start and sustain businesses.

The **sixth paper by T. Ncanywa** explores teaching and learning strategies used in the provision of an informal short course for entrepreneurship education in two South African universities, one in Limpopo Province and the other in the Eastern Cape Province. Holding that entrepreneurial education and training allow individuals to recognise commercial opportunities, enhance self-esteem, knowledge and skills, opportunity recognition, commercialisation of concepts, resources management and initiation of business ventures, she assesses the potential of the informal course to incubate entrepreneurship ecosystems at the two universities.

Using theorisation of entrepreneurship ecosystem, she discusses the informal course model and learning outcomes as bases for thematic analysis and determination of potential for entrepreneurship ecosystem incubation at the two universities. Finding that such an informal course model has a realistic potential to incubate entrepreneurship ecosystem sustainably, she recommends that more South African universities need to embrace such informal entrepreneurship courses, and formalise them, in order to incubate business ecosystems relevant to their diverse provincial environments.

The **seventh paper by M.P. Sebola** debates the conceptions and applications of “good governance” and public administration in the modern African state. He adopts a conceptual approach and uses desktop study to challenge the universally accepted conceptions of “good governance” and their relationships with public administration of a modern African state. He contends that “African countries still grapple with fitting the proper character of good governance in the public administration practice” and that constitutional democracies are generally under threat on the continent. He finds that the challenges of the failing African state with regard to governance, is a mixture of misalignment ranging from contextual meanings to undermining the rule of law, curing of symptoms and educational problems. In conclusion, he asserts that Africa’s democratic governance and public administration will remain under threats as long as there exists no system that is best-fit for the continent to replace the ongoing blind adoption of Western prescriptions. He recommends that hegemonic governance principles which are western-grown need to be modified for adaptation to the African contexts and cultures in order to improve their acceptability and implementability on the continent by, among other things, mandating the African Union to craft them for popular understanding and acceptance.

The **eighth paper by J.P. Tsheola** grapples with South Africa’s purported democratic capitalist governance as “illusionary,” owing to the frustrated state transition from apartheid totalitarianism. Based on desktop investigation, he uses state transition school of thought, perfected in Russia’s transition from the USSR command system, to demonstrate state vulnerability to capture by plutocratic forces, potential for corrupt contestations of state budgets and entrenchment of chronic financial crises. Drawing from statistical evidence of over 45 years, he demonstrates that a democratic South Africa’s 1994-2008 fiscal consolidation trajectory was drastically reversed in 2009, exposing state budgets to fierce contestations by non-state tenderpreneurs, serving as surrogates for political elites, leading to ballooning of budget deficits. He concludes that the political outcome of frustrated state transition has been entrenchment of a privatised state and ballooning fiscal deficits, owing largely to the general public services wage bill. He recommends that South Africa has to unmask its “illusionary” democratic capitalist state governance for its plutocratic fascist corporatism in order that decisive power for command of state could be re-captured from non-state actors by strengthening and consolidating democracy-supporting public institutions.

The **ninth paper by K.D. Mahlatji & M.R. Mahlatji** discusses the adoption and use of digital literacy among small business owners in South Africa’s townships for growth and sustainability, with specific reference to Mankweng Township in Limpopo Province. They discuss the digital divide in order to gain understanding of the challenges and opportunities within the contexts of business transformation and economic development. Through literature review of relevant conceptions as well as collection and analyses of empirical data from the geographical business cluster in Mankweng Township, the authors establish that digital literacy, if adopted, could potentially play a pivotal role in small business growth for productive inclusion in economic development. They recommend that South Africa needs an integrated approach to economic development that incorporates digital literacy as a foundation for the operations of township businesses, which would require societal shift in attitudes towards digital literacy.

The **tenth paper by T.S.M. Khoza, K.N. Motubatse, & C.C. Ngwakwe** analyses supply chain management (SCM) risk factors in South Africa’s local government environment. They contend that SCM is a key determinant of financial management health of local governments and that it impacts service delivery through procurement processes. They argue that supply chain management risk factors are critical to service delivery performance of local government because whether the interferences to supply chains are "regular, unplanned or intentional" they progressively distort supply chain execution and create scope for corruption and resources wastage.

It is crucial to study supply chain management risk factors in order to understand risk mitigation as well as reduce undue interferences in service delivery. Drawing from relevant conceptual frameworks and desktop study, they identify five avoidable risk factors prevalent in South Africa's local government and public sector SCM environment. They conclude that supply chain risk management in the local government and public sector environment entails that municipalities need to have the ability to forecast possible threats, devise appropriate management plans and create steps for resolving emerging risks that the supply chain system may experience. They recommend that a prescribed framework for uniform execution and practice of SCM needs to be devised for the local government and public sector environment in order that municipalities may minimise SCM risks.

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NOTE FROM THE GUEST EDITORS

The world of humanity has ironically become increasingly tough and, in some cases, impossible place for human co-habitation. Wars, social strife, political upheavals, economic crises and ecological disasters have become a common place in the world of humanity. Systems and institutions of governance that humanity has installed for its world have appeared to fail uniformly, amidst complex contradictions and paradoxes. Some populations in Africa have in recent times celebrated military coups, leading to intriguing arguments that military coups are in reality "a reset" for democracy. According to Enwere (2012: 63), "the re-emergence of military coups in some West African states is not a destructive factor but a stimulating variable that sets off the resumption and the sequence consolidation of democratic experiment and processes." Corporate governance and business are often casualties of this world of contradictions and paradoxes.

Mamdami (2005: 228) writes about a generation of "militant nationalist intellectuals" that "inherited Africa's colonial legacy" in the decade that followed African political independence. Six decades later, Africa's governance, in all its dimensions and scales, continues to be punctuated by crises that cannot be fully dissociated from colonial legacies. There is no intentions here to suggest that Africa is "uniformly hopeless" and "hungry" because the continent has indeed traversed a long historical distance with lessons and crises alongside each other (Toulmin & Wisner, 2005). Whereas it has to be accepted that Africa is "extraordinarily diverse" (Toulmin & Wisner, 2005), questions of the continent's well-documented state governance crises cannot be subtle. It cannot be tenably denied that there has been a wealth of intellectual imagination about Africa's problems and potential solutions, especially following political independence; yet, Africa continues in the second decade of the twenty-first century to be afflicted by complex crises associated with conflict, civil strife, coups, water-borne diseases, poverty, unemployment, financial mismanagement, economic and political corruption and business liquidations, among other things. Africa has established the African Union (AU) in 2002, together with a variety of governance-support institutions and mechanisms, yet the continent's image in global governance politics remains rapacious. African states have generally continued to undermine the rule of law and accountability, degenerating into widespread insecurities, illegalities and instabilities across the continent in the 21st century (White & Larmer, 2014).

Africa's governance, however characterised, continued to be punctuated by political violence, industrial-scale pillaging of state resources and hollowed public administration institutions in the 21st century (Mamdami, 2005). Democratic governance has become fashionable in Africa, yet pragmatic expressions of the principles of this envisaged system have remained uniformly wanting across the continent. As already stated above, an interesting trend has emerged in Africa where large sections of society celebrate coups, and there is an increasing perception that this phenomenon is a necessary reset for democracy. Could it be that the so-called democracy reset is actually a reset for future coups? Why should an undemocratic mechanism be necessary to set a democratic process in motion? Was democratic governance not supposed to be self-regulating? Could it be that Africa is indeed "the black man's burden" and "curse?" This Special Issue presents 10 articles in the hope of instilling fresh thought processes about governance and entrepreneurship ecosystems in African's so-called re-birth, along six themes, which are not entirely mutually exclusive, thus:

- The first paper by **Maleka, Sifolo & Henama** discusses determinants of executive gender pay disparities with specific reference to the South African Public Tourism Sector.
- The second and tenth papers by **Meyer & Neethling** and **Khoza, Motubatse, & Ngwakwe** respectively engage with financial and supply chain management performances in respect of

governance institutions and frameworks in South Africa's local government environment, which consists of local, district and metropolitan municipalities.

- The third and fourth papers by **Mutanho & Shumba** and **Dapira** respectively analyse entrepreneurship marketing, SMEs and rural craft enterprises in South Africa and Zimbabwe respectively.
- The fifth, sixth, and ninth papers by **Sebake** and **Ncanywa** and **Mahlatji & Mahlatji** respectively investigate "digital life" in South Africa's education system and the incubation of entrepreneurship ecosystems through higher education institutions.
- The seventh paper by **Sebola** discusses governance and public administration of a modern African state.
- The eighth paper by **Tsheola** grapples with state governance transitions and fiscal deficit distress, with specific reference to South Africa.

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NOTE FROM THE EDITORS

As an interdisciplinary indexed journal, *The Journal of Global Business and Technology (JGBAT)* serves academicians and practitioners in the fields of global business and technology management and their related areas. JGBAT is also an appropriate outlet for manuscripts designed to be of interest, concern, and applied value to its audience of professionals and scholars. Readers will note that our attempt to bridge the gap between theory and practice has been successful.

We cannot thank our reviewers enough for having been so professional and effective in reiterating to contributors the need to provide managerial applications of their research. As is now obvious, the majority of the articles include a section on managerial implications of research. We wish to reiterate once again our sincere thanks to JGBAT reviewers for having induced contributors to answer the "so what?" question that every *Journal of Global Business and Technology* article is required to address.

Thank you for your interest in the journal and we are looking forward to receiving your submissions. For submissions guidelines and requirements, please refer to the Manuscript Guidelines at the end of this publication.

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EXECUTIVE GENDER PAY TRENDS IN THE SOUTH AFRICAN PUBLIC TOURISM SECTOR

M.J. Maleka, P.P.S. Sifolo, and U.S. Henama

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ABSTRACT

This article aims to investigate executive gender pay trends in the South African public tourism sector. Literature reveal that females earn lower than their male counterparts, even as base-pay comprises the highest amount of executive pay in South Africa's public tourism industry. It was hypothesised that males earn more than females and base-pay contributes a higher percentage of executives' total salary. A positivism paradigm and quantitative approach are adopted for this article. The sample size of the executives was thirty (n=30), which is according to central limit theory appropriate for normally distributed data. The data were analysed using Statistical Package for Social Sciences (SPSS) version 28. One of the key findings is that the base salary and total packages were higher in males than females. However, regression results show that gender was not a significant predictor ($\beta = -.11$, $t = -0.71$, $p > 0.05$); instead, base-pay was a significant predictor ($\beta = 0.64$, $t = 4.32$, $p < 0.01$) of executive total salary. The results have implications for policymakers and human resource personnel because they show that even when males are earning higher than females, the results are not significant. The article suggests that employers in South Africa's tourism industry might not experience attrition or lawsuits due to executive gender pay gap.

Keywords: Public Sector, Tourism Industry, Executive Gender Pay Gap, Base-pay, South Africa

INTRODUCTION

Executive pay is a contentious and complex issue especially when one considers the pay disparity between top executives and the lowest-paid employees within a corporation (Akinyomi *at al.*, 2019; Bosch & Barit, 2020; Karim, 2020; Maloa, 2020; Marrero-Rodriguez *et al.*, 2020; Naik *et al.*, 2020; Wu *et al.*, 2020). What makes executive pay complex is that it consists of not only the salary but also bonuses, stock options and stock grants (Maloa, 2020; Naik *et al.*, 2020). Bebchuk & Fried (2005) state that executive

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compensation is guided solely by the interests of shareholders who operate at arm's length from the executives whose pay they set. Over the past decade, executive remuneration has seemingly grown to an incomprehensible level when viewed in the context of the pay received by ordinary employees (Maloa, 2020; Naik *et al.*, 2020). There is immense pressure on executives to ensure that a company meets and exceeds the set performance targets (Deysel & Kruger, 2015; Viviers, 2015). Remuneration for executive employees has become one of the contentious management challenges in South Africa due to the financial constraints of both the state-owned enterprises and the private sector.

Given that tourism is influenced by several trends, including domestic and international alliances, there are career implications in terms of the skill-set needed for a global outlook. Therefore, compensation levels should reflect the challenges companies face in retaining their top-tier team. For example, finding an employee that understands the marketing systems and the management of the entire tourism value-chain at a macro-level remains a challenging task. Moreover, catering for the ever-changing taste of domestic and international tourists as well as profiling the market in general demands insights and analytics skills (Zinatsa & Saurombe, 2022). Hence, executives are more likely to get higher salaries and standard contracts than other occupational groups (Marrero-Rodríguez, Morini-Marrero & Ramos-Henriquez, 2020). In addition, the performance of managers is of importance considering that the pool of qualified candidates is small and that top tear management is difficult to find. Compensation is highly relevant in tourism because it plays a vital role in the retention, engagement and motivation of executives (Gomez-Mejia, Balkin, Cardy & Carson, 2007). Luetge (2012) notes that executive compensation is the payment of a top executive. This type of compensation is frequently under moral pressure in public discussion particularly when executives receive bonuses even when company performance has been dismal. Also, Luetge (2012) states that there has been outrage over high compensation for executives of companies that are not performing well. Deysel & Kruger (2015) note that politicians, the media and unions have criticised executives' salaries, especially for those firms listed on the Johannesburg Stock Exchange, in comparison with those of average employees. In South Africa, excessive executive pay is frowned upon because the society is unequal and characterised by high levels of poverty and unemployment.

This article investigates executive gender pay trends in South Africa's public tourism sector (Bezuidenhout, Bussin & Coetzee, 2018; Maloa, 2020; Naik *et al.*, 2020). International tourism research show two major challenging trends. One is that males are most paid than their female counterparts. The study conducted by Rinaldi & Salerno (2020) indicate that more than 20% of the CEOs who work in the tourism sector are women and that they earn less than their male counterparts because they are employed in smaller firms. Such disparities are associated with the nature of income sources such as wage income, self-employment (Tsheola & Makhudu, 2017; Bayu & Desi, 2022; Zinatsa & Saurombe, 2022), capital income, state transfers and remittances. Another challenge identified in literature is that there is clear guideline how much variance the base-pay should contribute to the total package of executive pay in the public tourism sector (Maloa, 2020; Naik *et al.*, 2020). The CEO compensation mix and a business strategy must align manager-owner divergent interests through cash pay or by increasing equity-based pay, which involves sensitivity of options' payoff to stock price. This is in line with the PriceWaterhouseCoopers study conducted by Mello (2018), which shows that base-pay contributed 74% of executive remuneration whereas not specific to the public tourism sector.

Base-pay is a form of remuneration that is fixed for a specific period. It is used to keep executives motivated and engaged when an organisation does not offer variable payment like stock options and profit sharing (Gomez-Mejia *et al*., 2007; Bosch & Barit, 2020; Naik, Pardia & Callaghan, 2020). It can be paid either in the form of a salary or as an hourly rate and, in some instances, it is not linked to performance. This means that employees are guaranteed pay even when they are not performing well (Bartol & Locke, 2000). Base-pay or salary is non-discretionary (Pazy & Ganzach, 2009; Maloa & Bussin, 2016) but it has a performance component through merit pay increases. It is less contingent on current or recent performance and more influenced by a person's history of performance and pay level at the time of hiring (Erasmus, Grobler & Van Niekerk, 2015). According to Flannery, Hofrichter & Platten (cited in Nel, 2019), base-pay does not motivate employees in the flatter leaner organisations, where individual and organisational success hinges on performance and the lateral growth of the workforce. Exploring the concept of base-pay for executives in the South African tourism space, where gender and base-pay seem to be challenging trends in the total salary, is critical. Using an under-researched sample, the article discusses executive gender pay trends in South Africa's public tourism sector and it sets two objectives, namely: to determine if the total salary and base-pay of males and females is significant or not; and, to establish the variance contribution of base-pay made to total salary.

LITERATURE REVIEW: THEORETICAL FRAMEWORKS AND HYPOTHESES

Exploring the theoretical frameworks that have been adopted in the studies of executive pay is paramount. Table 1 below presents an overview of executive pay theoretical frameworks. Agency theory is deemed relevant to this article because it focuses on how much base-pay contributes to executives' total earnings in organisations that are in the mature phase of the business cycle (Boeri, Lucifora & Murphy, 2013; Pepper, 2019; Karim, 2020; Zinatsa & Saurombe, 2022). This article does not focus on the relationship between CEOs' remuneration and performance indicators (Olaniyi, 2017) because managerial power theory is not relevant. Nuanpradit (2018) opines that stewardship theory is not relevant in research that focuses on CEOs' remuneration and the sensitivity of their status as both executives and members of the board. It can also be argued that tournament theory is not relevant in this article because the focus is not on how senior managers could be promoted to CEO position after winning a tournament.

Table 1: Overview of Theoretical Frameworks of Executive Pay

Theoretical framework	**Brief description**
Agency theory	This theory originates from financial management. It states that, to curb executives' self-interest, they should be competitively remunerated according to the market (Saravan, Srikanth & Avabruth, 2017; Zinatsa & Saurombe, 2022).
Managerial power theory	This theory is about the board's power in determining the compensational factors that are used to establish executives' remuneration levels (Usman, Farooq, Zhang, Dong & Makki, 2018; Maloa, 2020; Naik *et al.*, 2020). It is mostly applicable in the private sector where compensable factors used are linked to executives' variable pay. It highlights the role of the chief executive officer (CEO) as both executive and board member (Van Essen, Otten & Carberry, 2012; Maloa, 2020; Naik *et al.*, 2020; Bayu & Desi, 2022).
Stewardship theory	This theory states that CEOs are stewards and should be rewarded for not acting on self-interest (Davis, Schoorman & Donaldson, 1997; Bayu & Desi, 2022).
Tournament theory	This theory is about casting a lucrative prize for middle and senior managers who compete for a CEO position by participating in a tournament (Connelly, Tihanyi, Crook & Gangloff, 2014; Bayu & Desi, 2022). This theory originates from labour economics (Lazear & Rosen, 1981; Zinatsa & Saurombe, 2022).
Institutional theory	This theory originated from economics; and, it states that organisations should compensate executives according to market practices (Bussin, 2014; Zinatsa & Saurombe, 2022).

Maloa's (2020) study of a state-owned company like South African Tourism uses agency theory. Another study conducted in the Nigerian tourism sector revealed that agency theory is about "resolving conflict of interests that may arise in agency relationships" between executives and the shareholders (Akinyomi, Omokehinde, Taleatu & Olurin, 2019: 107). Deysel & Kruger (2015) note that agency theory establishes the link between company performance and executive compensation. The management (agent) is required to operate the business mainly for the best interest of shareholders (principals) (Talha, Sallehhuddin & Masuod, 2009). There are agency problems within a company, which complicate the supply–demand-oriented payment situation (Panda & Leepsa, 2017). The shareholders, as principals, cannot have all the information that would be needed to control or supervise the behaviour of the executives as agents. Thus, executive compensation is designed to overcome agency problem (Maloa, 2020; Naik *et al.*, 2020). The payment can be regarded as an agency cost (Luetge, 2012; Maloa, 2020; Naik *et al.*, 2020). Agency theory is not without criticism because it assumes that contracting can eliminate the agency problem (Panda & Leepsa, 2017). Practically, it faces other hindrances like information asymmetry, rationality, fraud and transaction costs. Talha *et al.* (2009) note that a conflict of interest may arise from the separation of ownership from management which can be regarded as an agency problem.

Institutional theory is applicable in this article because it compares executive remuneration in relation to the market ranges. Conforming so that organisations are similar to the market is called isomorphism (Bussin, 2014; Zinatsa & Saurombe, 2022). It needs to be stressed that conformity should be based on the principle of social justice. This means that the organisation should be able to explain to executives what procedure is followed to determine their base-pay. In addition, the organisation should be able to justify the distribution of the base-pay (Bussin, 2014) which contributes to the principles of good governance. Talha *et al.* (2009) aver that corporate governance has received a great deal of public attention due to its evident importance for the economic and financial health of corporations and society in general. Naik *et al.* (2020) note that the pay-performance link may have become stronger after the introduction of the King III report in 2009 in South Africa. Deloitte (2014) notes that in terms of the Companies Act of 2008, companies should provide full disclosure of each executive and non-executive director's remuneration in their annual financial statements. King III proposes that executive remuneration should be published in the annual reports (Deloitte, 2014). Also, it states that a remuneration committee that reports to the board should take responsibility for establishing the methodology used to determine executives' base-pay and other remuneration; and, the South African tourism does these things.

In the United States of America, Martocchio (2015) avers that the Dodd-Frank Act was promulgated in 2010. Its purpose is similar to King III and it states that organisations should be transparent and publish executives' remuneration in the annual reports. The act states that the stakeholders have the right to vote on executives' remuneration, but the vote is not binding. In the United Kingdom, shareholders have been permitted to have a say about executive remuneration (Wu *et al.*, 2020). This means that shareholders have the right to reject the executive remuneration if they deem it to be higher than what the market is paying (Maloa, 2020; Naik *et al.*, 2020; Wu *et al.*, 2020; Zinatsa & Saurombe, 2022). According to Martocchio (2015), an executive is a key employee in the organisation and their role is to execute the strategy and act as an agent for shareholders by ensuring that they get a return on their investment. Since the focus in this article is on executives in South African Tourism, which is not in the private sector, it can be argued that as agents these executives should serve the interests of government as a shareholder, which is to increase the gross domestic product.

TRENDS IN THE EXECUTIVE REMUNERATION

This section discusses the gender pay gap and base-pay contribution to total salary.

Gender Pay Gap

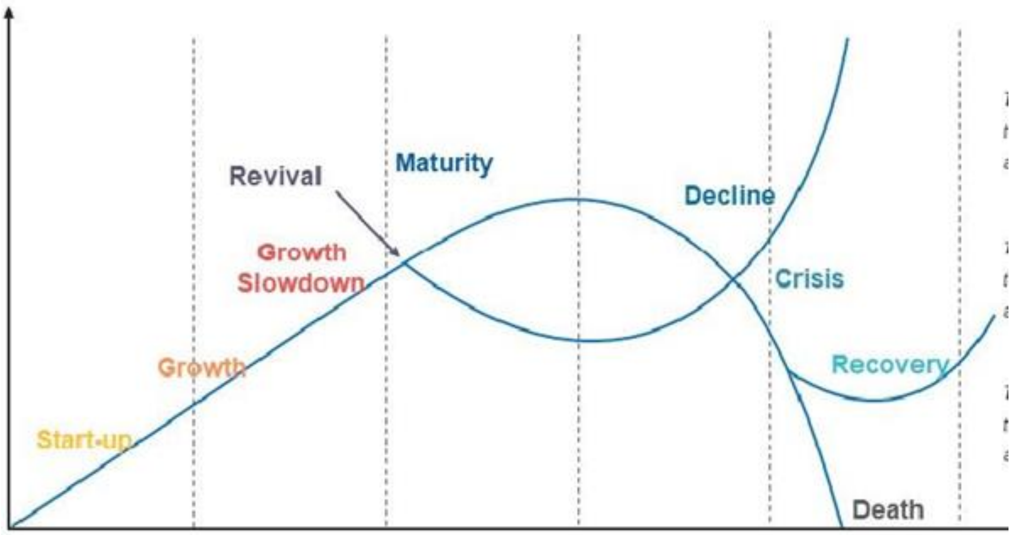
The gender pay gap is not a new phenomenon and there has been minimal change in the full-time gender pay gap worldwide since the mid-1970s (Olsen & Walby, 2004; Akinyomi *at al.*, 2019; Bosch & Barit, 2020; Karim, 2020; Maloa, 2020; Marrero-Rodriguez *et al.*, 2020; Naik *et al.*, 2020; Wu *et al.*, 2020). According to the World Economic Forum [WEF] Gender Pay Gap Report (2022), no country has yet achieved full gender parity and it will take 132 years to reach full parity. However, this does not mean there has not been means to try and adjust the gender pay gap in different countries. Initiatives to track progress towards closing these gaps over time include Global Gender Gap Index benchmarks such as Economic Participation and Opportunity, Educational Attainment, Health and Survival and Political Empowerment. In 2022, the global gender gap was been closed by 68.1% (WEF, 2022). It is acknowledged that studies focusing on the gender pay gap in the tourism sector in the African continent are limited, except for the study by Akinyomi *et al.* (2019).

Sub-Saharan Africa ranks ahead of Middle East, North Africa and South Asia with a gender gap that has bridged 67.9%, which is the highest gender gap score in 16 years (WEF, 2022). It would take 98 years to close the gender gap in the region (Fourie, 2012). Various government advisers and researchers in South Africa have endorsed wage subsidies as a means to address unemployment which tend to lower firms' costs of employment without affecting workers' take-home pay that enables firms to raise employment and output. Lam *et al.* (2013) concur that gender-driven executive risk appetite is priced in designing the CEO compensation package. Hence, this article formulates the following hypotheses:

- $H_{1a:}$ There is a significant difference in the mean total salary scores for males and females.
- $H_{1b:}$ There is a significant difference in the mean base pay scores for males and females.

Base-pay Contribution to Total Salary

Displayed in figure 1 below is the business cycle. According to WorldatWork (2019a), an organisation in the start-up phase of the cycle cannot afford high base-pay. Instead, it provides variable pay based on sales generated. Examples of variable pay also known as discretionary pay include stock or share options and bonuses (Martocchio, 2015). In the growth phase of the business cycle, depending on the revenue generated, the organisation can afford to pay lower base-pay and increase the variable pay. In the maturity phase, since the organisation has sufficient revenue or cash due to its high market share, it can afford to provide executives with higher base-pay. The rationale of providing higher base-pay is to attract, motivate and retain executives (Martocchio, 2015). In addition, organisations offer executives higher base-pay to lead the market (Zinatsa & Saurombe, 2022). Dougherty (2001) opines that leading the market involves paying executives above the industry market. It has been found that organisations that pay their executives base-pay at the 75th percentile outperformed their competitors (Graham, Roth & Dugan, 2008). Lastly, since organisations in the declining phase of the business cycle cannot afford to compensate executives above the market, they either retrench executives who are not in the core business or apply a lagging strategy. Dougherty (2001) is of the view that the rationale for lagging the market is providing lower base-pay to reduce labour costs.



Source: Adapted from the WorldatWork (2019a)

Figure 1: Business Cycle

To address the gender pay transparency as identified by Akinyomi *at al.* (2019), Bosch & Barit (2020), Karim (2020), Maloa (2020), Marrero-Rodriguez *et al.* (2020), Naik *et al.* (2020) and Wu *et al.* (2020) base-pay is preferred over performance bonuses and variable pay remuneration. Cable & Vermeulen (2016) argue that variable pay should be abolished and the emphasis on executives' salaries should be on base-pay. Base-pay should comprise between 60% and 80% of executives' total earnings (Cable & Vermeulen, 2016). Thus, it is hypothesised as follows:

- $H_{2:}$ Base-pay should comprise between 60% and 80% of executives' total earnings or the total salary.

RESEARCH DESIGN AND METHODOLOGY

This section discusses the research design, paradigm, ethical considerations, sampling, and data analysis.

Research Design, Paradigm and Ethical Considerations

From a positivism paradigm and ontological stance, the article uses a quantitative approach and the South African Tourism as case study (Terre Blanche, Durrheim & Painter, 2012; Quinlan, Babin, Carr, Griffin & Zikmund, 2019). The ontological stance was objective and focused only on analysing statistical data (Du Plooy-Cilliers, Davis & Bezuidenhout, 2015). Also, a retrospective design was used because it focuses on data that were audited and collected in the past (Kumar, 2014). In addition, the research design was cross-sectional because the data points were collected at a single interval (Bless, Higson-Smith & Sithole, 2013; Bryman, Bell, Hirschsohn, Do Santos, Du Toit, Masenge, Van Aardt & Wagner, 2014). Furthermore, the article reports a desktop study of South African Tourism using 2019 annual reports for Gauteng, Limpopo, Mpumalanga, North-West and KwaZulu-Natal Province. The reason the Free-State, Northern Cape, Eastern Cape and Western Cape executives were not included is that in the annual reports they were aggregated. The secondary data used in this article consist of executives' salaries published in the South African Tourism (2019) annual report.

Sampling

Thirty (n=30) executives' remuneration is purposefully selected and used as the sample. The theorem of central limit states that such a sample size is sufficient and that the data is normally distributed (Lee, 2011; Duigman, 2014). The sample inclusion criteria for analysis was a minimum of R1 million total package as suggested by PriceWatersCoopers (2019) report. This means that executives whose total package was less than R1 million were excluded. This was also used to minimise outliers, which were evident in the annual reports due to acting allowance in order to avoid skewed distribution of data.

Data Analysis Techniques

Since the sample was within the framework of the theorem of central limit, it was possible to conduct T-Test and regression. The former was calculated to determine if there was a significant difference (Pallant, 2016) in base-pay and total of males and female executives. Regression was calculated in order to triangulate if gender was a significant predictor of executive total package. It was also calculated to determine whether base-pay was a significant predictor and how much variance it contributed to total salary. R^2 was used as a metric to determine the variance predictor (base-pay) on the target variable (total pay) (Lee, 2011). In both the T-Test and regression, the level of significance was set at 0.05 or 5% as suggested by Field (2018). The data were coded in Excel and exported into SPSS version 28 for analysis. In addition, gender was coded as follows: male = 1 and female = 2. The target variable was total salary, and the predictors were base-pay and gender.

DATA ANALYSES AND DISCUSSION OF THE RESULTS

The results discussed in this section entail descriptive and inferential statistics. Presented in table 2 below are the gender distribution. The majority (53.3%) of the respondents were males. It is also noteworthy that the difference in the number of males and females is 2. This seems to suggest that the tourism industry is implementing transformation in terms of hiring females at the executive level.

Table 2: Gender Distribution

		Frequency	Percent	Valid Percent
	Male	16	53.3	53.3
	Female	14	46.7	46.7
	Total	30	100.0	100.0

The box-and-whiskers plot (figure 2) below shows total salary and base-salary per annum by gender. The same box-and-whiskers plot can be used for total salary distribution per annum by gender because it presents a graphical representation of the variation of data (Lombard, Van Der Merwe, Kele & Mouton, 2012). Regarding total salary distribution per annum by gender, the data show that average males earn more than females per annum. The lower limit of the males shows that the male executive earned R1.1 million and the highest earned R2.91 million. In terms of females, the one who earned the least was R1.1 million and the highest paid R2.5 million. It needs to be noted that both highest executive earners were female chief executives in Gauteng Province and females in the South African Tourism Agency. The data also show that out of 16 males 6(37.5%) earned more than R2 million. Four out of five who earned more than R2 million were from the South African Tourism Agency. The data also show that there were 3(21.43%) female executives who earned more than R2 million. The median salary for male executives was R1.7 million and the median salary for female executives was R1.6 million.

The box-and-whiskers plot of base-pay shows the same trend as the total salary (figure 2). It is noteworthy that there were three outliers for males and females. In terms of the latter, the lowest outlier was R0.45 million and the highest was R2.4 million. The highest outlier of the base-pay of the female executive in Gauteng Province was due to the way the salary packages were structured because it did not include variable pay like performance reward and bonus. There were two highest outliers in the male executives, and they are above R2 million and slightly lower than the female executive in Gauteng Province. One of the executives was from Limpopo Province and the other from Mpumalanga Province.

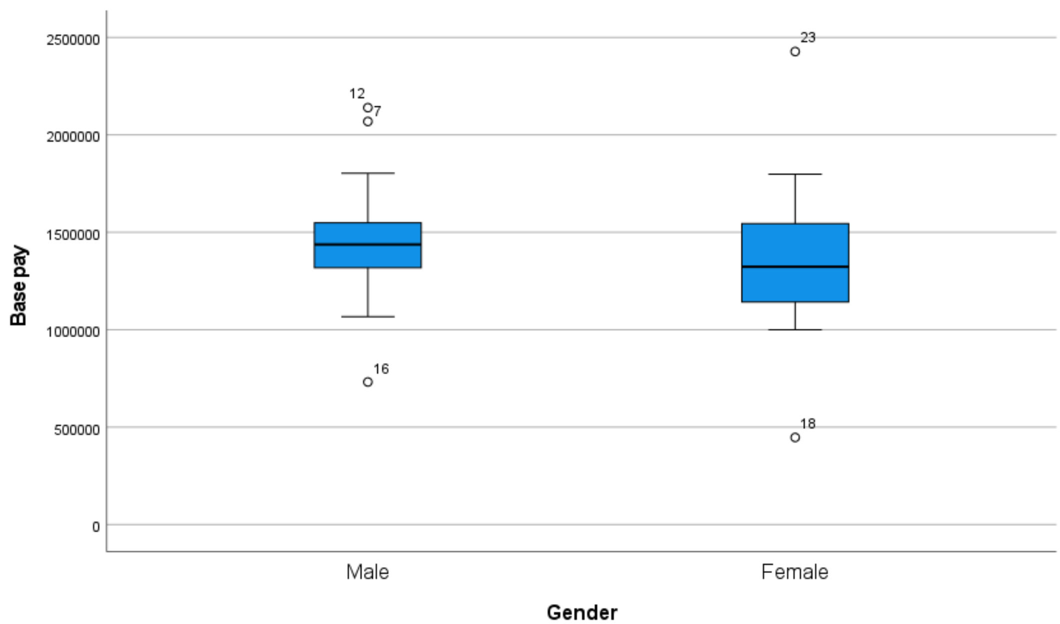


Figure 2: Base-salary by Gender

To test hypotheses H_{1a} and $H_{1b,}$ an independent T-Test was conducted. This is a statistical technique where the outcome/target variable is a continuous and the independent variable categorical (Pallant, 2016). The independent T-Test presented in table 3 below shows no significant difference between males (M =1.9, n=16) and females (M= 1.6, SD=4.59), $t(28)$, p=0.28, two tailed. The difference was also not significant in terms of the base-pay and H_{1a} was not supported.

Table 3: Gender and total salary

Variable		**Mean**	**T-statistic**	**Sig**
Gender	Male	R1.9 (million)	1.28	p= 0.28
	Female	R1.6 (million)		

The independent T-Test presented in table 4 below shows no significant difference between males (M =1.5, n=14) and females (M= 1.4), $t(27)$, p=0.52, two tailed. The difference was also not significant in terms of the base-pay and H_{1b} was not supported.

Table 4: Gender and Base-salary

Variable		**Mean**	**T-statistic**	**Sig**
Gender	Male	R1.5 (million)	0.65	p= 0.52
	Female	R1.4 (million)		

In order to test H_2, regression analysis was conducted. It is defined as a mathematical formula used to predict the target variable (Field, 2018). The linear regression mathematical formula is as follows: y = a + bx
Where:

- y = target variable (total salary)
- a = intercept
- b = coefficient
- x = predictor (base pay and gender)

The regression results are shown in table 5 below. Model 1 shows the results with both predictors which are base-pay and gender (β = -.11, t = -0.71, $p > 0.05$) and base-pay is a significant predictor (β = 0.64, t = 4.32, $p < 0.01$) of executive total salary. The $R^2 = 44$ suggests that the model predictors (base-pay and gender) show 44% of variation in total salary. Model 2 shows base-pay as the only significant predictor (β = 0.84, t = 4.51, $p < 0.01$) of total salary. The $R^2 = 42$ suggests that the model predictor base-pay shows 44% of variation in total salary. Based on these results, H_2 is not supported.

Table 5: Regression Analysis Results

Model 1 with Base-pay and Gender		
Coefficient	**t-stats**	**Significance**
• 0.77 (intercept)	• 2.04	• 0.05
• 0.64 (base pay)	• 4.32	• 0.00
• -0.11 (gender)	• -0.71	• 0.48
• $R^2 = 44$ • ANOVA (10.22), $p = 0.00$		
Model 2 with base pay		
Coefficient	**t-stats**	**Significance**
• 0.59 (intercept)	• 2.14	• 0.04
• 0.84 (base pay)	• 4.51	• 0.00
• $R^2 = 0.42$ • ANOVA = F(20.31), $p = 0.00$		

DISCUSSION OF THE FINDINGS

The purpose of the article is to determine executive remuneration trends in the South African Tourism and provincial tourism departments. The article shares insights about executive base-pay where the literature appears to have a lacuna (Bezuidenhout *et al*., 2018). It shows that the difference between salary and base-pay of males and females was not significant. The finding can be attributed to the difference in the salary median (Male = 1.7 and Female =1.6) which is not large. This finding contrasts with studies conducted by Forie (2012) and Lam *et al.* (2013). Carter, Franco & Gine (2017) find that female executives were paid less because they were risk averse. Female executives often opt for fixed base-pay portion compared to their male counterparts who opted for stocks which are risky with higher salary returns.

Like other international research conducted in the economic sectors (Mello, 2018), this article reveals that base-pay contributed a high percentage of the total earnings or package of executives in the tourism sector. Whereas other research revealed that base-pay contributed between 60% and 80% of total earnings (Cable & Vermeulen, 2016), this article reveals that base-pay contributed 42%. The results can be interpreted as indicating that 58% of executives' total earnings were contributed by other factors. Literature reveal that factors that contribute to earnings in state-owned enterprises, like South African and Nigerian

Tourism, include 13th cheques, performance bonuses, subsidised meals and medical aid (Bezuidenhout *et al.*, 2018; Akinyomi *et al.*, 2019). Martocchio (2015) avers that other factors that contribute to executive remuneration are stock options and golden handshakes. The latter is prominent in the South African context where executives who do not perform or who resign from state-owned enterprises receive golden handshakes (News24Wire, 2016). According to WorldatWork (2019b), a golden handshake is an employee termination benefit.

The results of this study did not come as a surprise because WorldatWork (2019b) states that organisations in the maturity phase of the business cycle offer a remuneration package mix including high base-pay and lower variable pay. The company and provincial departments in this phase have excessive revenue which they can use to offer higher salaries to executives who will assist in expanding the organisation and maintaining the market share. Literature show that there are many reasons for providing high base-pay to executives (Martocchio, 2015; Maloa, 2020; Naik *et al.*, 2020; Zinatsa & Saurombe, 2022). One of the reasons is to attract skilled executives who will assist organisations to be financially stable by achieving performance targets (Deysel & Kruger, 2015; Viviers, 2015). From an organisational justice vantage point, base-pay improves gender equity within the same pay grade. This means that when an executive is hired the only criterion for determining pay is the pay range rather than the incumbent's pay scale before being employed as an executive. In such an organisation, an executive is placed within the pay range, which includes a minimum, midpoint and maximum. In the literature, like in this article, the spread of the executives' remuneration was within the 50% or more guideline.

In addition to the above, high base-pay is motivational and it creates less pay uncertainty for executives; hence, it is preferable in the South African context (Naik *et al*., 2020). It reduces stress because unlike variable pay, executives are guaranteed that they will receive a fixed salary at the end of the month. This makes agents to focus on assisting the shareholders to achieve strategic objectives. In the South African public tourism sector, executives assist government to increase the gross domestic product as well as creating jobs and employing women in management and strategic positions like the board. Furthermore, when executives receive higher competitive base-pay they are most likely to be engaged and to remain with the organisation (Gomez-Mejia *et al.*, 2007). The benefit of having engaged executives who have been with the organisation for longer is stability in the organisation and financial growth. The South African Tourism (2019) annual report shows that the revenue was R1.4 billion in 2018 and R1.5 billion in 2019. This shows that the revenue increased by one percentage point.

CONCLUSION AND RECOMMENDATIONS

This article has determined that executives' base-pay is under-researched in the South African context. However, it is a pay component that is preferred by executives because it is essential in stress reduction and motivation. It concludes that base-pay contribution to variance in the remuneration of executives and the gender difference in South Africa's public tourism sector is not significant. A few limitations to the study reported in this article are noteworthy, namely: it is cross-sectional in design, therefore giving a once-off picture about base-pay in the South African tourism sector; it does not show causality; it is a case study of one organisation and five (n=5) provincial departments; and, the results cannot be generalised to other executives remuneration in the South African public tourism sector.

The managerial implications of the gender pay gap have to be founded on the understanding that it is an important indicator of both equality and equity, revealing differential society values about men and women. The managerial implication is that the organisation is not playing its part in ensuring that society values men and women equally if gender pay gap is allowed. Being a signal that society is unequal along gender divides and that it is unfair to women, managers are obliged to use their organisations to promote societal transformation. Also, the existence of gender pay gap implies that management of the organisation are perpetuating unfair discrimination against women because they generally perform unpaid care work in addition to their normal paid-work. Managers need to play their role in societal transformation by ensuring that women too are able to accumulate wealth, provide for their families and look after themselves in retirement especially where they are primary household providers. Furthermore, management of organisation has to be alive to the reality of racial discrimination associated with gender pay gap and they have to take action to ensure social transformation. The less a black woman earns the higher the impact on societal racial discrimination. Finally, the other managerial implication of gender pay gap is that it could potentially cause psychological problems related to perpetuation of gender stereotypes, biased evaluations of women's performance, gendered moral standards, stereotypes on gender differences in attitudes and negotiation behaviour in the organisation's human capital. Management needs to prevent and counteract the gender pay gap by avoiding common potential drawbacks associated with legislation and such other legislative interventions.

The article recommends that a longitudinal study should be conducted in the future. Like Bezuidenhout *et al.* (2018), future research could measure how executives' remuneration correlates with financial indicators such as return on equity, return of an asset, net working capital and revenue or sales over five years. Since the South African Tourism performance indicators are not purely financial (for example, branding, staff satisfaction, compliance with employment equity and broad-based black economic empowerment, among others) future research could determine how executives are performing in relation to those indicators. Furthermore, the effect of COVID-19 on the revenue of the South African Tourism should be investigated and its effect on executive remuneration should be determined. It further recommends that stakeholders should do the following: conduct benchmarks regularly to determine how they are paying executives in relation to the market; continuously engage with executives and revise retention strategies; and review the package mix after engaging executives in determining which compensation components will keep them satisfied, motivated and committed. Bussin (2018) opines that one of the compensation components that has been found to keep executives engaged and that makes them stay in an organisation is work-life effectiveness or balance.

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TESTING THE AMENDED MUNICIPAL FINANCIAL HEALTH INDEX (MFHI): AN ASSESSMENT OF THE FINANCIAL PERFORMANCE OF ALL METROPOLITAN MUNICIPAL REGIONS IN SOUTH AFRICA

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ABSTRACT

The level of municipal management, including financial management, in South Africa has been declining over the last two decades, requiring an urgent turn-around strategy. More than two-thirds of South African municipalities are struggling to provide essential services; and, measurement of financial health of municipalities is a growing area of research due to the lack of financial management sustainability. A few financial management measurement tools have been developed in the past, but none of them fully capture the scope of financial management at the local government sphere. It is essential to measure financial health in order to monitor and compare the performance of municipalities. This article aims to apply an amended and updated version of the 2021 Municipal Financial Health Index (MFHI) to the eight metropolitan municipalities in South Africa. The MFHI focuses on four sub-indices, namely: Revenue and expenditure; Liquidity ratio; Solvency ratios; and, Capital investment index. The data for this MFHI is taken from the 2020/2021 and 2021/22 Local Government Financial Statements released by Auditor-General South Africa. The main results show that only four of the eight metropolitan municipalities had improved their MFHI with a relatively low average index score of only 55.9, which is much lower than the average index score of 60.1 in the 2018/19 financial year. Once again, the City of Cape Town had the highest overall MFHI score of 67.20, while the worst-performing metro was the City of Ekurhuleni, with a low MFHI score of 49.1. The MFHI as a measurement model has proven helpful in comparing financial situations at municipalities and identifying critical financial challenges. The MFHI is also important in developing much-needed recovery strategies for local governments in South Africa. The article makes five recommendations, thus: Strengthening of financial management and control; Application of MFMA's Code of Conduct in financial systems; Enhancing dependence on own source of income for financial sustainability; Improving asset management; and, Increasing focus on infrastructure development.

Keywords: Municipal Management, Financial Performance, Financial Health Index, Metropolitan Municipalities; South Africa

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INTRODUCTION

The local government sphere in South Africa has for at least two decades struggled to deliver basic essential services as required by the Constitution (Managa, 2012). Local governments face many challenges, such as financial mismanagement, incompetence, service delivery shortfalls, political conflicts, poor management and substandard planning (Kanyane, 2014; Meyer *et al.*, 2016). Financial issues at the local government sphere affect financial capabilities and management. Local municipalities follow specific rules and protocols, as outlined in numerous legislation and policies, such as the Municipal Systems Act (Act 32 of 2000) and the Municipal Financial Management Act (Act 56 of 2003) (Republic of South Africa, 2021a; Republic of South Africa, 2021b). While these policies and laws are intended to equip local governments with the necessary procedures and guidelines, most municipalities are financially and organisationally under intense pressure (Glasser & Wright, 2020). Local government has struggled with financial management for decades because of financial barriers, which include high debt levels, corruption, lowly skilled financial officials, insufficient revenue, and wasteful and fruitless spending (South Africa, 2019).

In a press release issued by the Auditor-General South Africa on 01 July 2023, it was stated that the financial situation of the local government was in dire straits (Audit-General South Africa (AGSA), 2023). Out of 257 municipalities, only thirty-eight (15%) received qualified audits, 3% less than the previous financial year (AGSA, 2023). The Auditor-General further states that municipalities exhibit attributes such as poor and inadequate financial planning and other financial management problems associated with governance failures, incompetence, skills deficiency and lack of accountability (AGSA, 2023). This article aims to make amendments and improvements to the already existing Municipal Financial Health Index (MFHI) by testing it in all eight metropolitan municipalities in South Africa. This article uses a previous study by Meyer & Neethling (2021) in which the MFHI was originally framed and assessed. The MFHI can distinguish high-risk health components within the municipal financial management environment. The index includes various sub-indices such as revenue and expense ratios, liquidity ratios, solvency ratios and the recently added capital investment sub-index. The MFHI can be used as a tool to assess financial health across all municipalities in South Africa.

OVERVIEW OF EXISTING FINANCIAL HEALTH STUDIES

This section evaluates existing financial health measurement tools and processes, focusing on local government. For several decades, researchers such as Clark (2015) and Tkáčová & Konečný (2017) have attempted to develop measures and indicators of a city's financial health. From a theoretical point of view, financial health measurement is based on different definitions. It can be based on a municipality's ability to meet its financial obligations or stability (Gorina *et al.*, 2018). Financial ratios can facilitate interpreting financial results (Bird, 2015). McDonald's (2017), in the City's Financial Health Measurement and Analysis, divides these assessments into four specific pieces of analysis, which are: Compliance with long-term and short-term financial obligations; Meeting financial obligations for the fiscal year; Plan; and, budgeting for the minimum required services. Cabaleiro *et al.* (2013) state that the financial health of local governments should be based on four important factors, namely: Sustainability; Flexibility; Viability; and, Vulnerability. Local governments must have a sustainable source of revenue and expenditure. Flexibility focuses on ongoing financial performance, while viability concerns financial returns and long-term debt (O'Neill, 2016). Šebestová *et al.* (2018) state that financial health issues include revenue analysis, operating position, debt status and outstanding liabilities.

Ritonga (2014) developed a local government financial measurement tool in Indonesia. The index focuses on factors such as financial sustainability, financial solvency, financial sovereignty and flexibility. The model follows the formula known as the Financial Condition Measurement Framework (FCMF), but data for indicators are not easily available. Based on the FCMF that Ritonga (2014) developed, Kleynhans & Coetzee (2019) formulated an application framework in South Africa. The framework used by Kleynhans & Coetzee (2019) emphasises social factors and financial status. Their study measured and evaluated the Financial Condition Management Index (FCMI) and the Financial Condition Composite Index (CFCI) for 43 municipalities in Kwa-Zulu Natal, South Africa. It also applies econometric models in assessing financial conditions in local governments. Also, Chitinga-Mabugu & Monkam (2013) studied municipalities' financial and fiscal capacities in South Africa. This methodology includes a capacity and status assessment, focusing on the revenue volume, revenue efforts and disbursement needs of cities. Key factors included in the assessment focus on financial management and economic development indicators such as national grants, capital expenditures and municipal operating revenues. Ncube & Vacu (2013) also assessed the financial and fiscal issues of municipalities in South Africa. They introduced a quantitative scoring system for different financial environments, including financial neutrality (0-5), fiscal watch (6-7) and fiscal constraints (8-11). Lehohla (2017), in another study in South Africa, focused on purchasing various utilities, staff-related costs and liquidity management ratios.

The uniqueness of this Municipal Financial Health Index (MFHI) being tested in this article is that it includes all the various aspects of financial health used to measure the overall performance of local government, which other studies have not utilised constructively. Its uniqueness is that it employs a ranking system to assess the performance of local government and uses capital investment as a sub-category for evaluating financial health, which is an exceptional factor to consider. Other studies focused more on econometric models to evaluate performance, while this article focuses specifically on a ranking system to evaluate the overall results and applies to all local government entities in South Africa specifically; however, the index can be altered to supplement in other regions and parts of the world. The financial health research literature analysis and review identified a gap in the quantitative measurement of municipal health using an index. Principles of best practice were selected from the various studies reviewed. This article contributes to this research by applying an index based on available data to municipalities globally and in South Africa. This indexing approach makes it possible to index each municipality and compare those results. Compiling an indicator-based financial health improvement strategy with subsections is also possible. The index is based on the most problematic municipal factors related to revenue and expenditure, solvency and liquidity, and capital investment. It uses an innovative approach to identify areas of significant risks to the financial health of local government.

AN OVERVIEW OF THE SOUTH AFRICAN METROPOLITAN MUNICIPALITIES

There are eight Metropolitan Municipalities in South Africa, which are: City of Cape Town (CCT) in the Western Cape Province; Nelson Mandela Bay Metropolitan Municipality (NMB) and Buffalo City (BC) in the Eastern Cape Province; Mangaung Metropolitan Municipality (MM) in the Free State Province; City of Johannesburg (CoJ), Ekurhuleni Metropolitan Municipality (EMM) and City of Tshwane (CoT) in Gauteng Province; and, City of eThekweni (CoET) in KwaZulu-Natal Province (Republic of South Africa, 2020). The CoJ has the smallest geographical area of all the metro municipalities but has the highest population and densities. Table 1 is a summary of the demographic and economic development indicators. Abbreviations for the eight metropolitan metros are used as listed in the table. Regarding total population, CoJ can be considered the largest metro in South Africa, followed by the CCT and the EMM. The two smallest metros regarding population are situated in the Free State and Eastern Cape Province, namely the MM and BC. The metro region with the highest population growth rates is CoJ, followed by CoT. CoJ is also by far the largest of the metros regarding GDP, followed by CCT. BC is the smallest metro in terms of

GDP. The MM had the highest annual growth rate since 2019, while NMB and BC had negative growth rates. NMB has the highest GDP per capita, followed by CoET, while BC has the lowest value. All metros have a negative GDP per capita growth rate, except for MM.

Table 1: Demographic and Economic Development Indicators of Metropolitan Municipalities in South Africa, 2019-2022

Metro Region	**Population (millions)**			**GDP (R millions)**			**GDP per capita (R values)**		
Year	**2019**	**2022**	**Growth rate 2019-2022**	**2019**	**2022**	**Growth rate 2019-2022**	**2019**	**2022**	**Growth rate 2019-2022 (%)**
City of Cape Town (CCT)	4.48	4.73	1,83%	941 105	962 584	0,76%	209 875	203 512	-1,01%
Nelson Mandela Bay (NMB)	1.21	1.21	0,04%	290 414	287 025	-0,39%	240 293	237 173	-0,43%
Buffalo City (BC)	0.79	0.79	-0,39%	135 354	132 589	-0,68%	169 229	167 754	-0,29%
Mangaung (MM)	0.85	0.87	0,77%	151 761	157 091	1,17%	178 137	180 244	0,39%
EThekwini (COET)	3.90	4.03	1,10%	859 371	870 042	0,41%	220 081	215 715	-0,66%
Ekurhuleni (EMM)	3.89	4.10	1,82%	745 692	748 411	0,12%	191 755	182 508	-1,61%
City of Johannesburg (CoJ)	5.71	6.13	2,46%	1 195 309	1 230 767	0,99%	209 384	200 782	-1,37%
City of Tshwane (CoT)	3.65	3.89	2,26%	748 956	769 515	0,92%	205 323	197 566	-1,26%

Source: Quantec Easy Data, (2023)

Laubscher (2012) argues that local governments' most significant challenges are the need for knowledge, the inability to take on unpaid consumer debt, and overspending on employee-related costs. Laubscher (2012) also recognises the ramifications of ongoing financial mismanagement as an obstacle to efficient service delivery in local government. In its annual report for the financial year 2021/22, National Treasury said that a lack of skills led to outsourcing various services to consultants in multiple local municipalities to begin fulfilling its financial management obligations (Republic of South Africa, 2023). The overall trend is that financial mismanagement costs more than R1.5 billion for the current financial year, up from R1.3 billion for fiscal year 2020/21 (Republic of South Africa, 2023). The report found that municipalities are also responsible for poor revenue collection and have written-off more than R38 billion in total outstanding debt owed to them (Republic of South Africa, 2023). In addition to the weak collection efforts of municipalities, it was also discovered that there were various severe irregularities and deficits due to these appalling activities. Three metropolitan municipalities, namely the CoJ, the CoT and the EMM, have the highest number of reported corruption cases.

RESEARCH OBJECTIVES AND PROPOSITIONS

This article aims to make amendments and improvements to the already existing Municipal Financial Health Index (MFHI) by testing it in all eight metropolitan municipalities in South Africa. Based on the reading of the literature and the South African metropolitan municipalities' conditions, the following research objectives are formulated, namely:

- To compute expenditure and revenue ratios of metropolitan municipalities in terms of Total Revenue per Capita; Total Expenditure per Capita; Service Obligation (Operations Ratio); Inter-governmental Income as Percentage of Total Income; Employee-related Costs; and, Irregular, Fruitless and Wasteful and Unauthorised Spending as Percentage of Total Operating Expenditure.
- To perform Liquidity Ratios (LR) testing in terms of Current Ratio; and, Quick Ratio (Acid Test Ratio).
- To calculate Solvency Ratios (SR) in terms of Debt-to-Worth Ratio; and, Total-Debt-to-Total Assets.
- To compute the Capital Investment, specifically the Gross Fixed Capital Formation as a percentage of GDP.

Generally, South African metropolitan municipalities are expected to achieve lower scores and to produce poor performance on the MFHI.

RESEARCH DESIGN AND METHODOLOGY

The method used in this article is based on the study by Meyer & Neethling (2021), where an MFHI was formed and evaluated with a focus on the eight metropolitan municipalities in South Africa. The study is quantitative and it uses secondary data. The index has four sub-indexes and a total of thirteen indicators. The study design included a mixed approach with both quantitative and qualitative components. The qualitative part included estimating reform literature from various sources while finding the most relevant Financial Health Index (FHI) for local government. The quantitative part aims to summarise and objectively evaluate the financial statements for the years 2020/2021 and 2021/22 issued by the Auditor-General (National Treasury, 2021, 2022). Several metrics have been applied to represent the financial health of a municipality. This MFHI focuses specifically on local government in South Africa. As Meyer & Neethling (2021) explain, the MFHI has four sub-indices to determine the effectiveness of financial management in local government. The sub-indices can be divided into indicators, which are: liquidity; solvency; revenue and expenditure; and, capital investment. The metric used in each component, that is sub-indices 1, 2, 3 and 4 ranked from zero (0) to five (5), illustrate a higher score, meaning that the index closer to five will positively affect the final result at the end of the study dimension. Financial data are collected by extracting information from the National Treasury (2021, 2022) and is part of the MFMA (Municipal Financial Management Act). Annual audited financial statements issued by the Auditor-General (AG), consisting of an Income Statement (IS) or Statement of Financial Performance and a Balance Sheet (BS) or Statement of Financial Position were also used. Metro population size is used to calculate several indicators that are part of income and expense ratios, which are data taken from Quantec (2023).

Sub-index 1: Revenue and Expenditure Indicators (IEI)

Expenditure and revenue ratios focus on revenue collection and effective spending. For the sub-index to be comparable with other municipalities, the revenue and expenditure are calculated per capita.

Indicator 1.1: Total Revenue per Capita

Gross per capita revenue is calculated by summing the revenue from business procedures and income from non-business transactions, then diverging by the size of the total municipality population and excluding the capital procedures (Cabaleiro *et al.*, 2013).

$$Total\ revenue\ per\ capita = \frac{Total\ Revenue\ (IS)}{Total\ population\ size (Quantec)}$$

Indicator 1.2: Total Expenditure per Capita

In this calculation, total expenditure is divided by population size (Ncube & Vacu, 2013). McDonald's (2017) states that the calculation is based on all expenditure categories obtained from the income statement divided by the population size for that particular financial year.

$$Total\ expenditure\ per\ capita = \frac{Total\ Expenditure\ (IS)}{Total\ population\ size (Quantec)}$$

Indicator 1.3: Service Obligation (Operations Ratio)

The service obligation, also known as the operations ratio, can be defined as the total revenue of the municipality relative to its total expenditure (Zorn *et al.*, 2018). The purpose of this ratio is to assess whether a large city's annual revenue is sufficient to cover its annual operations. Hill *et al.* (2010) explain that a ratio of 1 or greater than 1 means that the city can cover its expenses with its disposable income.

$$Service\ obligation\ (operations\ revenue) = \frac{Total\ Revenue}{Total\ Expenditure}$$

Indicator 1.4: Inter-governmental Income as Percentage of Total Income

This indicator provides insights into the income from Provincial and National governments as percentage of total revenue of the metro (Dye, 2008).

$$Intergovernmental\ income\ as\ \%\ of\ total\ revenue = \frac{Transfer\ revenue\ (Grants\ and\ subsidies)(IS)}{Total\ Revenue\ \ (IS)} * 100$$

Indicator 1.5: Employee-related Costs

Similar to intergovernmental revenue as a percentage of total revenue, employee costs measure a percentage of employee wages and salary expenditure over total expenditures. The higher the ratio, the more money the municipality spends on employees for other significant expenses.

$$Employee - related\ costs\ = \frac{Employee{-}related\ costs\ (IS)}{Total\ Expenditure\ (IS)} * 100$$

Indicator 1.6: Irregular, Fruitless and Wasteful and Unauthorised Spending as Percentage of Total Operating Expenditure

The objective of the irregular, fruitless, wasteful and unauthorised spending as a percentage of total operating expenditure is to indicate the proportion of total expenditure allocated towards irregular and fruitless spending. The irregular and fruitless expenditures are usually found in the notes of the annual financial statements.

$$Irregular, fruitless\ and\ wasteful\ expenditure\ = \frac{Irregular\ expenditure{-}written\ off (notes)}{Total\ Expenditure\ (IS)} *100$$

Table 2: Income and Expenditure Sub-category and Scoring Criteria

Index score	**0**	**1**	**2**	**3**	**4**	**5**
1.1 Total revenue per capita (R)	Less than R2500	R2500 – R4999	R5000 – R8999	R9000 – R11999	R12000 – R13999	Above R14000
1.2 Total expenditure per capita (R)	Less than R2500	R2500 – R4999	R5000 – R8999	R9000 – R11999	R12000 – R13999	Above R14000
1.3 Service Obligations (ratio)	<0.00 – 0.70	0.71 – 0.80	0.81 – 0.90	0.91 – 1.00	1.10 – 1.20	Above 1.20
1.4 Intergovernmental revenue as a percentage of total revenue (%)	Above 40%	30 – 39.9%	20.0 – 29.9%	15.0 – 19.9%	10.0 – 14.9%	0 – 9.9%
1.5 Employee-related costs (%)	Above 40%	35.0 – 39.9%	30.0 – 34.9%	25.0 – 29.9%	20.0 – 24.9%	Less than 19.9%
1.6 Irregular, fruitless and wasteful expenditure as a percentage of total operating expenditure (%)	Above 40%	35.0 – 39.9%	30.0 – 34.9%	20.0 – 29.9%	10.0 – 19.9%	Less than 9.9%

Source: Own Compilation

Sub-Index 2: Liquidity Ratios (LR)

This sub-index includes liquidity ratio testing, which covers the technique in which the municipal entity can repay their existing assets. The following liquidity ratios were used in the study.

Indicator 2.1: Current Ratio

Hantono (2018) explains that the current ratio is calculated by dividing the entity's current assets, that is inventory, VAT receivables and receivables from exchange transactions, by short-term liabilities. Terms of the entity are consumer loans, rental obligations and deposits. The higher this ratio, the faster the municipal entity can meet its short-term obligations. When the ratio is greater than one, it is suggested that the institution's assets are greater than the total liabilities and that the municipality can repay its obligations more quickly.

$$Current\ ratio = \frac{Current\ Assets(BS)}{Current\ Liabilities(BS)}$$

Indicator 2.2: Quick Ratio (Acid Test Ratio)

The Quick Ratio, alternatively known as the Acid Test ratio, is used in the same way as the Current Ratio. However, inventory is deducted from current assets (Ukwueze & Ohagwu, 2020). The higher rate obtained from this test lets the municipal entity know how much it can spend on its current account, excluding prepayments and VAT receivable (Eriotis *et al.*, 2007). The higher this ratio, the faster the entity can meet its short-term commitments.

$$Quick\ ratio = \frac{Current\ Assets - Inventories\ (BS)}{Current\ Liabilities\ (BS)}$$

Table 3: Liquidity Ratio and Sub-category and Scoring Criteria

Index score	0	1	2	3	4	5
2.1 Current Ratio	0.0 – 0.499	0.500 – 0.750	0.751 – 1.000	1.01 – 1.500	1.501 – 1.999	More than 2
2.2 Quick ratio (Acid test ratio)	0.0 – 0.499	0.500 – 0.799	0.751 – 1.000	1.01 – 1.500	1.501 – 1.999	More than 2

Source: Own compilation

Sub-Index 3: Solvency Ratios (SR)

The third sub-index is the solvency ratio, which indicates an organisation's ability to meet its long-term commitments (Efendi *et al.*, 2019). Thus, the solvency ratio assesses the long-term trends of entities, including all long-term liabilities. Thus, the solvency ratio constitutes the financial component of the entity. The following solvency ratios were used in the study.

Indicator 3.1: Debt-to-Worth Ratio

The debt-to-worth ratio, also known as the debt-to-equity ratio, is used to track an organisation's capital formation (Efendi *et al.*, 2019). The purpose of the debt ratio is to assess the organisation's and other beneficiaries' ability to cover the debt. The debt ratio should always be low because a high ratio indicates that more money should be used to finance its operations. Therefore, this ratio shows the propensity of all shareholders towards outstanding debt based on the assumption of institutional failure.

$$Debt - to - Worth = \frac{Total\ Debt(BS)}{Total\ net\ Worth(BS)} * 100$$

Indicator 3.2: Total-Debt-to-Total Assets

Debt ratio is measured in many ways, namely long-term, short-term and medium-term debt (Kebewar, 2012). This ratio calculates total debt (both short-term and long-term) with total assets, indicating the amount of existing assets capitalised through total debt (Yuan & Motohashi, 2008). The higher the total debt to total assets, the more the city entity has to finance equity issues, so the ultimate goal is to reduce debt to total assets.

$$Debt - to - total\ assets = \frac{Total\ Debt\ (BS)}{Total\ Assets\ (BS)} * 100$$

Table 4: Solvency Ratio and Sub-category and Scoring Criteria

Index score	0	1	2	3	4	5
3.1 Debt-to-worth ratio	Above 1.5	1.2 – 1.499	0.9 – 1.199	0.6 – 0.899	0.3 – 0.599	0 – 0.299
3.2 Total-debt-to-total-assets	Above 1.5	1.2 – 1.499	0.9 – 1.199	0.6 – 0.899	0.3 – 0.599	0 – 0.299

Source: Own compilation

Sub Index 4: Capital Investment

The fourth and final sub-category includes total fixed capital formation as a percentage of GDP, per capita regional output and fixed assets, relative to total assets. For this article, only total fixed capital formation will be used.

Indicator 4.1: Gross Fixed Capital Formation as a % of GDP

Total fixed capital formation or (gross domestic fixed investment) includes upgrading and availability of land, factories, equipment and machinery, as well as construction and improvement of railways, schools, roads, hospitals, offices, commercial and industrial buildings, and residential real estate (World Bank, 2023). Total fixed capital formation includes the impact of sectors on capital in the South African economy in terms of total fixed capital formation (GFCF or investment), working capital and consumption (depreciation) of fixed capital (Pasara & Garidzirai, 2020). This ratio can be calculated by dividing the total value added at the basic price by the total fixed capital formation and the total added value at the base price, specifying a percentage value. It indicates the proportion of total factor income invested in new fixed assets, and naturally, this ratio ranges from 20 to 23% of total value added. According to the government of South Africa (Republic of South Africa, 2022), the goal is to make South Africa an investment destination by attracting foreign direct investment, and to bring total training fixed capital (GFCF) accounts to 30% of total GDP. The higher the percentage, the more the municipality invests in the long-term viability and sustainability of fixed capital investments.

$$Gross\ Fixed\ Capital\ Formation\ as\ \%\ of\ GDP\ = \frac{Gross\ Fixed\ Capital\ Formation}{Gross\ Value\ added\ at\ basic\ prices\ \ (Constant)}$$

Table 5: Service Delivery based on Economic Variables

Index score	0	1	2	3 index	4	5
4.1 Gross Fixed Capital Formation	Less than 10%	10.0 – 14.9	15.0 – 19.9	20.0 – 24.9	25.0 – 29.9	Above 30%

Source: Own compilation

COORDINATION AND WEIGHING STRUCTURE

According to the Organization for Economic Co-operation and Development (OECD), an index should have a theoretical foundation consistent with the literature (OECD, 2008). The OECD states that an index could have an equal weighting (EW) technique, whereby all variables are given the same weight (OECD, 2008), or different weighing methods. Each sub-indicator is subject to its weighing structure, illustrated in the literature review. All indicators used in this article are weighted equally due to limited practical and statistical basis, such as limited insight into the relationship between variables. The MFHI is based on a rating index, which is 0 (poor score) and 5 (excellent score). The goal of a metropolitan municipality is to achieve the highest possible score for each sub-index in order to have the highest total score. In addition, a classification system was added to the index (table 6).

Table 6: Classification System

Number	Scoring Allocation	Classification Categories
1	**0 – 39**	The municipality is currently not financially viable and stable. A financial recovery strategy is needed. The municipality is either bankrupt or on the verge of bankruptcy and must provide quality services to the community.
2	**40 – 59**	The municipality needs help to stay financially viable and improve its financial processes to provide better services.
3	**60 – 74**	This municipality is doing better than the average municipality in financial management as well as service delivery. Municipalities can improve their revenue and expenditure strategies to ensure sustainable financial management.

4	**75 – 90**	The municipality is doing a good job in financial management and service delivery, although improvements can still be made to ensure sustainable financial management.
5	**91 - 100**	The municipality is excellent in financial management and should be used as a best practice model for other municipalities.

Source: Own Compilation

DISCUSSION OF RESULTS AND ANALYSES

Table 7 below presents a comparative analysis of eight metropolitan cities in South Africa for the 2020/21 and 2021/22 financial years. All financial values are derived from the National Treasury's audited financial statements for the fiscal years 2020/21 and 2021/22. Regarding the MFHI, the average for all major cities decreased from 56.8% in the 2020/21 fiscal year to 55.9% in 2021/22 (table 7). Four out of the eight metros, namely EMM (Gauteng), CoJ (Gauteng), CoET (Kwazulu-Natal) and MM (Free State), showed financial management decline, as calculated from the previous financial year. CCT has the highest MFHI rating with a score of 67.2%, followed by EM (58.2%), NMB (56.4%) and BC (56.4%). The metro with the lowest MFHI score is the EMM, with a score of 49.1%. The metro with the highest growth in the fiscal year 2020/21 to 2021/22 was CoT in Gauteng Province, which improved by 5.4 index points from 47.3 to 52.7, and the causes include both income and expenditure per capita increase and some improvements in the reduction of non-recurring spending.

For sub-index 1, ratio of income and expenditure, the CCT and the COJ show a top score of 20 for both cities out of a maximum score of 30. These two cities have the highest per capita income and expenditure. Regarding total government grants and subsidies, CoET and the CCT have the highest scores, showing that these councils rely less on intergovernmental grants to fund operating costs. Surprisingly, CoJ has the lowest total employee spending, with just 26.45% of total spending, contrasting with CCT at 34.69%. When surveying the scores for the percentage of irregular, fruitless, wasteful and unauthorised spending on total spending, CCT performed best with 2.69% in stark contrast to BC located in the Eastern Cape Province at 44.1%.

Assessment of the sub-index 2, liquidity ratio, means NMB and CCT perform best, suggesting that these two cities can fully meet their short-term commitments compared to other major cities. At the same time, CoT and MM had the lowest scores. When looking at the solvency ratios, sub-index 3, BC and CCT showed the best results in terms of total debt to total assets and the debt-to-worth ratios, indicating that the total debt is significantly lower compared to the total assets and equity. Finally, sub-index 4, namely the capital investment index (total fixed capital formation as a % of GDP), shows that the CoT and the NMB have the highest proportions, meaning that big cities have the highest level of investment towards the long-term sustainability of the entity.

All metropolitan municipalities, however, have relatively low MFHIs, ranging from 49.1 to 67.2%. In summary, half of the metropolitan cities have improved their financial position compared to the previous financial year. At the same time, only EMM (Gauteng), CoJ (Gauteng), CoET (KwaZulu-Natal) and MM (Free State) have degraded in comparison with the previous year. The main reasons why the EMM (Gauteng) and the CoJ (Gauteng), have not improved is due to the decline in total revenue, expenditure and total liquidity. The rationale for improving the overall trend of the metropolitan cities of CCT, CoT, BC and NMB is due to improvements in total revenues, expenditures and total liquidity ratios. Figure 1 below provides a summary of changes in the performance of the metros regarding the MFHI.

Table 7: Comparative Analysis of Financial Health Index (FHI) in South African Metros, 2020/21 and 2021/22 Financial Years

Indicator	City of Cape Town (WC)		City of Tshwane (GAU)		Ekurhuleni (GAU)	
	2020/21	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**
Sub-Index 1: Income and Expenditure Ratios						
Total Revenue per capita (R)	9 945 (3)	9 763 (3)	8 892 (2)	10 154 (3)	8 341 (2)	8 962 (2)
Total expenditure per capita (R)	9 753 (3)	9 865 (3)	8 207 (2)	10 154 (3)	7 699 (2)	8 068 (2)
Service obligation (ratio)	1.11 (4)	1.05 (4)	1.12 (4)	0.95 (3)	1.12 (4)	0.94 (3)
Government grants & subsidies to total revenue (%)	15,32 (3)	16.22 (3)	19.15 (3)	18.09 (3)	18.08 (3)	21.9 (2)
Employee related costs	31,78 (2)	34.69 (2)	28.35 (3)	27.44 (3)	28,35 (3)	27.59 (3)
Irregular, fruitless, and wasteful expenditure	1,65 (5)	2.69 (5)	57.58 (0)	24.92 (3)	5.87 (5)	4.71 (5)
Score out of 30	**20**	**20**	**14**	**18**	**19**	**17**
Sub-Index 2: Liquidity Ratios						
Current ratio	1.47 (3)	1.82 (4)	0.98 (2)	0.53 (1)	0.98 (2)	0.85 (2)
Quick ratio (acid test ratio)	1.44 (3)	1.77 (4)	0.92 (2)	0.64 (1)	1.06 (3)	0.88 (2)
Score out of 10	**6**	**8**	**4**	**2**	**5**	**4**
Sub-Index 3: Solvency Ratios						
Debt-to-worth ratio	0.30 (4)	0.30 (4)	1.00 (2)	0.86 (3)	1.00 (2)	0.85 (2)
Total debt to total assets	0.30 (4)	0.30 (4)	0.50 (4)	0.46 (4)	0.50 (4)	0.85 (3)
Score out of 10	**8**	**8**	**6**	**7**	**6**	**5**
Sub-Index 4 : Capital Investment						
Gross Fixed Capital Formation as % of GDP	13,867	13,761	15,532	16.001	14,436	14,128
Score out of 5	**1**	**1**	**2**	**2**	**1**	**1**
Total Score 55 (classification in brackets)	**35/55=63.6% (3)**	**37/55=67.2% (3)**	**26/55=47.3% (2)**	**29/55=52.7% (2)**	**31/55=56.4% (2)**	**27/55=49.1% (2)**
Overall Trend	**Improved**		**Improved**		**Deteriorating**	

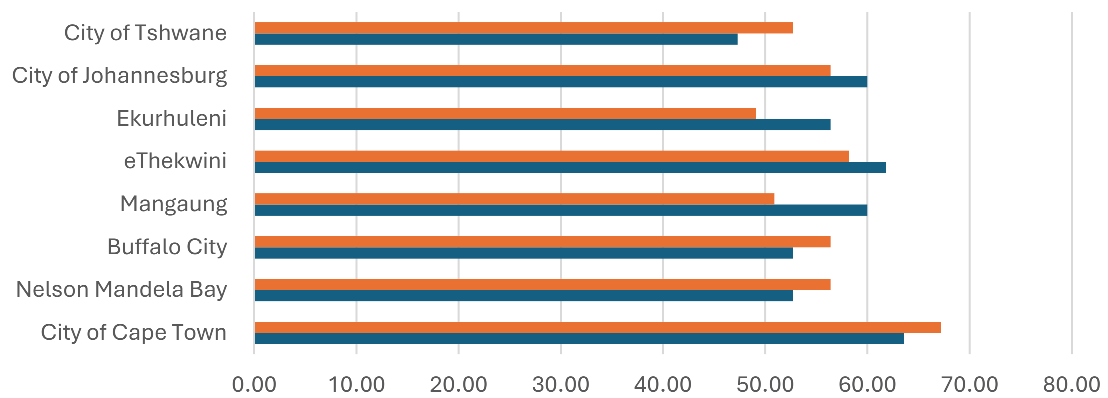
Table 7 (Continued): Comparative Analysis of Financial Health Index (FHI) in South African Metros, 2020/21 and 2021/22 Financial Years

Indicator	**City of Johannesburg (GAU)**		**Buffalo City (EC)**		**Nelson Mandela Bay (EC)**	
Sub-Index 1: Income and Expenditure Ratios	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**
Total Revenue per capita (R)	10 157 (3)	10 424 (3)	4 319 (1)	5 273 (2)	9 029 (3)	9 790 (3)
Total expenditure per capita (R)	9 609 (3)	9 853 (3)	8 610 (2)	9 012 (3)	8 850 (2)	10 168 (3)
Service obligation (ratio)	1.07 (4)	1.02 (4)	0.99 (3)	1.08 (4)	1.02 (4)	1.03 (4)
Government grants & subsidies to total revenue (%)	19.69 (3)	19.34 (3)	23.66 (2)	21.67 (2)	17.23 (3)	21.46 (2)
Employee related costs	21.85 (4)	26.45 (3)	28.35 (3)	30.76 (2)	29.14 (3)	27.28 (3)
Irregular, fruitless, and wasteful expenditure	9.76 (5)	9.14 (5)	36.45 (1)	44.17 (0)	5.891 (5)	21.78 (4)
Score out of 30	**22**	**20**	**12**	**13**	**20**	**19**
Sub-Index 2: Liquidity Ratios						
Current ratio	1.09 (3)	0.94 (2)	1.44 (3)	1.61 (4)	1.89 (4)	1.99 (4)
Quick ratio (acid test ratio)	1.04 (3)	0.87 (2)	1.58 (4)	1.59 (4)	1.02 (3)	1.98 (4)
Score out of 10	**6**	**4**	**7**	**8**	**7**	**8**
Sub-Index 3: Solvency Ratios						
Debt-to-worth ratio	1.00 (2)	0.83 (3)	0.15 (5)	0.13 (5)	2.01 (0)	1.42 (1)
Total debt to total assets	1.00 (2)	0.82 (3)	0.33 (4)	0.31 (4)	2.011 (0)	1.30 (1)
Score out of 10	**4**	**6**	**9**	**9**	**0**	**2**
Sub-Index 4: Capital Investment						
Gross Fixed Capital Formation as % of GDP	13,471	13,239	13,488	13,269	15,841	16,101
Score out of 5	**1**	**1**	**1**	**1**	**2**	**2**
Total Score 55	**33/55=60.0% (3)**	**31/55=56.4% (2)**	**29/55=52.7% (2)**	**31/55=56.4% (2)**	**29/55=52.7% (2)**	**31/55=56.4% (2)**
Overall Trend	**Deteriorating**		**Improved**		**Improved**	

Table 7 (Continued): Comparative Analysis of Financial Health Index (FHI) in South African Metros, 2020/21 and 2021/22 Financial Years

Indicator	City of eThekweni (KZN)		Mangaung Metro (FS)	
Sub-Index 1: Income and Expenditure Ratios	**2020/21**	**2021/22**	**2020/21**	**2021/22**
Total Revenue per capita (R)	9 754 (3)	9 955 (3)	8 183 (2)	8 268 (2)
Total expenditure per capita (R)	10 081 (3)	10 458 (3)	7 958 (2)	9 276 (3)
Service obligation (ratio)	0.95 (3)	1.01 (3)	1.03 (4)	0.93 (3)
Government grants & subsidies to total revenue (%)	11.40 (4)	16,52 (3)	26.75 (2)	29.23 (2)
Employee related costs	30.52 (2)	30.53 (2)	27.38 (3)	27.42 (3)
Irregular, fruitless, and wasteful expenditure	18.60 (4)	12.12 (4)	9.21 (5)	7.12 (5)
Score out of 30	**19**	**18**	**18**	**18**
Sub-Index 2: Liquidity Ratios				
Current ratio	1.07 (3)	1.11 (3)	1.12 (3)	0.59 (1)
Quick ratio (acid test ratio)	1.01 (3)	1.05 (3)	0.87 (2)	0.59 (1)
Score out of 10	**6**	**6**	**5**	**2**
Sub-Index 3: Liquidity Ratios				
Debt-to-worth ratio	0.50 (4)	0.64 (3)	0.36 (4)	0.79 (3)
Total debt to total assets	0.33 (4)	0.38 (4)	0.27 (5)	0.44 (4)
Score out of 10	**8**	**7**	**9**	**7**
Sub-Index 4: Capital Investment				
Gross Fixed Capital Formation as % of GDP	10,982	10,872	10,985	10,752
Score out of 5	**1**	**1**	**1**	**1**
Total Score 55	**34/55=61.8% (3)**	**32/55=58.2% (2)**	**33/55=60.0% (3)**	**28/55=50.9% (2)**
Overall Trend	**Deteriorating**		**Deteriorating**	

Figure 1: Summary of MFHI Results



	City of Cape Town	Nelson Mandela Bay	Buffalo City	Mangaung	eThekwini	Ekurhuleni	City of Johannesburg	City of Tshwane
MFHI 2021/2022	67.20	56.40	56.40	50.90	58.20	49.10	56.40	52.70
MFHI 2020/2021	63.60	52.70	52.70	60.00	61.80	56.40	60.00	47.30

MFHI 2021/2022 MFHI 2020/2021

CONCLUSION AND RECOMMENDATIONS

The article has discussed the notion that measuring the financial health of local governments remains an essential and ongoing task in studies of responsiveness of local government development conditions. Also, it has shown that evaluation of financial ratios is an essential aspect of financial management quality and performance analysis in every organisation, regardless of size. Financial reporting, accountability and transparency remain crucial to improving the cities' financial management practices. For South African municipalities, the Municipal Financial Management Act of 2003 (Act 56 of 2003) remains the cornerstone of proper local government financial management practices, illustrating the significance of the principles of financial management, as well as appropriate guidelines such as organisation, budgeting, revenue management, cost guidance, reporting and report management. The article tested the amended MFHI using eight metropolitan municipalities in South Africa in terms of the audited 2020/2021 and 2021/2022 fiscal years statements. The objective was to assess local government's performance and financial position using four sub-indicators, which are income and expense ratios, liquidity ratio, solvency ratio and capital investment ratio. The results indicate that the financial health of most metropolitan municipalities could be better, and progress is needed to transform the various loss-making councils into more profitable institutions. Only half of the metros showed some progress in their financial health, and the standard general index fell from 56.80 in the 2020/21 financial year to 55.90 in the fiscal year 2021/22. The overall health of metros is deteriorating. The CCT, with a score of 67.2%, outperformed the other metros in terms of the MFHI, whilst MM, EMM and CoT had the lowest growth rates.

Municipalities can improve their revenue and expenditure strategies to ensure sustainable financial management. Overall, drastic measures are needed to improve financial situation of these councils. The following recommendations are made:

- **Strengthening financial management and control:** As only 18% of the cities provided complete and appropriate financial reporting in 2020, and adequate oversight and management are needed. Regular oversight by provincial and national governments is necessary to effectively monitor and regulate the financial performance of local governments in South Africa.
- **Application of MFMA's Code of Conduct in their financial system:** The level of corruption in local government is very high, hindering proper economic development and growth. All South African municipalities must follow the MFMA Code of Conduct in order to administer supply chain management processes fairly and accurately.
- **Enhance dependence on own source of income for financial sustainability:** Local governments in South Africa should focus more on earning revenue from residents, which would address financial imbalances. Local governments should make appropriate efforts to combat the so-called "culture of non-payment" by enforcing stricter rules and regulations in case of non-payment of city accounts.
- **Improve asset management:** Adequate asset management is essential in local government to ensure the sustainability and functioning of municipalities. Regular maintenance and repairs must also be done for an effective asset management system.
- **Increase focus on infrastructure development**: Total fixed capital formation as a percentage of GDP is extremely low by international standards. Local governments should spend more capital on infrastructure development, which in the long run will have an incremental impact on improving service delivery. The Local Government Recovery Strategy (LGTAS) and the Municipal Infrastructure Grant (MIG) should be used for greater control over how funds are managed and for accountability.

Finally, the article recommends that future studies may re-evaluate the indicators and sub-indicators included in the index as well as possible weighing thereof. Also, it recommends the creation of an additional index, namely service delivery index based on economic variables such as regional output per capita, total fixed capital formation as a percentage of GDP, and assets fixed on total assets. The service delivery index can be supplemented and tested internationally in developed and developing countries, and the results could be compared with those for South Africa.

There are several limitations to this study. First, the Municipal Financial Health Index is a useful model for explaining municipal service delivery challenges, but it does not provide a comprehensive and holistic measure. Service delivery issues could also be a function of human capital challenges, which are not accounted for in the MFHI. Also, this study focused on metropolitan municipalities whilst service delivery is a shared responsibility among the three tiers of government in South Africa. The exclusion of the local municipalities, the district municipalities, the provincial and national government does not present a complete picture. The tool itself, the financial management measurement, is under ongoing development and refinement; and, future research needs to examine the possibility of expanding it so that it may be comprehensive.

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IMPACT OF ENTREPRENEURIAL MARKETING ON OVERALL SME PERFORMANCE IN MANICALAND PROVINCE, ZIMBABWE

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ABSTRACT

Small and medium enterprises (SMEs) are the lifeline for economic growth in both developed and emerging markets; however, they continue to face growth challenges. Theoretically, SMEs are major contributors to employment creation, wealth generation and poverty alleviation. Literature shows that SME sustainability is affected by a variety of variables, including reputation. The article seeks to analyse the relationship between SME entrepreneurial marketing, described as customer intensity and proactiveness, and overall performance, associated with consumer reputation, in emerging markets. Three hypotheses were generated from literature review, and they were tested through empirical data collected from Manicaland Province SMEs. The hypotheses relate to the linkages between entrepreneurial marketing and overall SME performance. A total of 190 entrepreneurs operating SMEs in Manicaland Province were surveyed. Through convenience sampling, entrepreneurs who employ a minimum of five people were selected from all the districts of Manicaland Province. Factor analysis and structural equation modeling were used to test the three hypotheses. The article finds that two dimensions of entrepreneurial marketing impact on overall SME performance. Three strategic recommendations arise from this article that may improve the impact of entrepreneurship marketing on the performance of SMEs, and they are detailed under the last section. Together, the three strategic recommendations imply that SMEs marketing has to rely on research in order to: gain understanding of determinants and outcomes of international entrepreneurship and innovation; analyse possible matrices of strategic approaches to international entrepreneurship management in decision-making; and exploit the potential for using corporate social behaviour as a niche for gaining competitive advantage for sustainable development.

Keywords: Emerging Markets, Small and Medium Enterprises, Entrepreneurship, Marketing, Zimbabwe

INTRODUCTION

The concept of entrepreneurial marketing (EM) was coined for application to firms of all sizes whereas EM publication gained traction in recent decades (Alqahtani & Uslay, 2020; Eggers, Niemand, Kraus & Breier, 2020). Whereas the spillover of EM practices to larger organisations has been realised, theoretical arguments continue to focus on Small and Medium Enterprises (SMEs) (Hacioglu, Eren, Eren & Celikkan, 2012). The development of measurement scale is ongoing, perhaps giving clarity to scholars'

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arguments on the definition of entrepreneurial marketing (Sadiku-Dushi, Dana & Ramadani, 2019). Entrepreneurial marketing is the combination of entrepreneurship orientation (EO) and marketing orientation (MO) (Erdil *et al*., 2004; Coulthard, 2007), and it is composed of seven dimensions as suggested by Miller (2011). EM focusses on marketing strategy and offerings in resource constrained corporates (Eggers *et al.*, 2020). In essence, this article seeks to investigate the impact of proactiveness and consumer intensity on firm's reputation. It argues that whereas both proactiveness and consumer intensity are focused on customer needs, proactiveness measures the ability of entrepreneurs to identify innate needs and launch new products or services in the market. On the other hand, consumer intensity is more reactive and it incorporates customer feedback for the firm in order to create sustainable relationships (Sadiku-Dushi *et al*., 2019; Eggers *et al*., 2020). Literature suggest that entrepreneurial marketing is a catalyst of marketing performance, competitive advantage and building customer loyalty (Hidayatullah, Firdiansjah, Patalo & Waris, 2019). Proactiveness is the dynamic capability of identifying opportunities and to surprise customers by launching latent products or services (Volkmann, Fichter, Klofsten & Audretsch, 2021). This article seeks to determine the predictive power of proactiveness and consumer intensity as important dimensions of entrepreneurial marketing for SMEs in Manicaland Province of Zimbabwe.

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Entrepreneurial marketing originated from the interface of entrepreneurship (business soul) and the marketing (flesh) (Erdil *et al.*, 2004; Coulthard, 2007; Miller, 2011; Alqahtani & Uslay, 2020; Eggers *et al.*, 2020). This article adopts the effectuation theory and Service-Dominant (S-D) logic in order to underpin its theoretical argument and hypothesis development. Service-Dominant logic theoretical foundations arise from four axioms, which are: Service is the primary basis of exchange; Customers are a co-creator of value; All other actors are resource integrators; and, Value is entirely determined by the beneficiary (Alqahtani & Uslay, 2020). The article argues that identification of customer needs is pivotal in launching products or services that consider market changes. Customer feedback is, therefore, paramount in improving product or service development through innovative methodologies. The ability to form strategic partnerships across the value-chain may be a crucial hive of information that could be used to launch differentiated products or services. Based on these notions, consumer intensity may be the source of entrepreneur proactiveness. Effectuation theory argues that under volatile environments that are marred by huge uncertainties, entrepreneurs tend to make heuristic decisions (Alqahtani & Uslay, 2020; Wales *et al*., 2021). Entrepreneurs' predetermined decisions emerge from their expertise, knowledge, networks and identities in order to fulfil market needs (Eggers *et al*., 2020; Alqahtani & Uslay, 2020, 2022). This focus suggests that proactiveness is an instinct that drives an entrepreneur to identify opportunities and launch products or services that are fit for market demand. Market-guess, based on intrinsic personality and prophesies of an entrepreneur, can be arguably adequate in ensuring firm personal relationships with different actors. This article argues that proactiveness is valuable at the launch of business and that it diminishes as business continues. The assumption is that consumer intensity feeds entrepreneur proactiveness as business continues to run. Based on the literature review and the conceptual framework three relationships are hypothesized below (Figure 1).

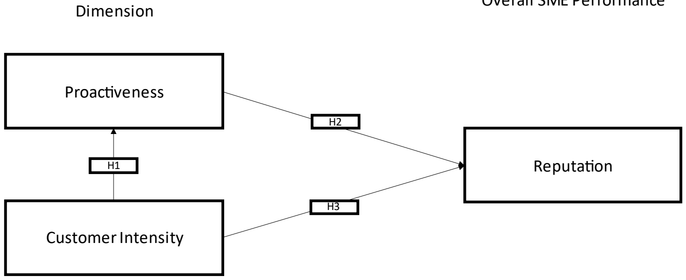


Figure 1: Conceptual Framework (Source: Authors)

PROBLEM STATEMENT AND HYPOTHESIS DEVELOPMENT

This section presents research problem statement and then develops three hypotheses in accordance with the conceptual frameworks presented above (Figure 1).

Problem Statement

Lack of scholarship in entrepreneurial marketing in developing and emerging markets is highlighted in literature (Berndt *et al.*, 2005; Yadav & Bansal, 2021). While several studies focus on the impact of entrepreneurial marketing on firm performance (Sadiku-Dushi *et al*., 2019; Eggers *et al*., 2020) through dimensions such as marketing performance (Hidayatullah *et al*., 2019), personal and financial performance (Fatoki, 2019), business growth and competitive advantage (Stephen, Ireneus & Moses, 2019), this article examines consumer intensity and proactiveness relationship to firm's reputation. Regardless of traditional marketing emphasising customer needs as drivers of satisfaction, literature render it inappropriate in uncertain and volatile markets (Alqahtani & Uslay, 2020, 2022). Customers are central to the existence of any business venture; therefore, the ability of a firm to cater and satisfy market needs creates non-financial and financial benefits (Sadiku-Dushi *et al*., 2019; Alqahtani & Uslay, 2020). Entrepreneurial marketing shows that proactiveness is the ability of a firm to be forward-looking and to provide innate needs in a heuristic manner (Alqahtani & Uslay, 2020; Eggers *et al*., 2020; Wales, Kraus, Filser, Stöckmann & Covin, 2021). Conversely, consumer intensity is the ability of a firm to create long-term relationships with partners through the use of feedback from customers (Eggers *et al.*, 2020). Examining the relationship of consumer intensity (CO) and proactiveness (EO), as EM interface dimensions and impact, with intangible benefits such as reputation, is lacking. The item loading of consumer intensity and proactiveness were found to be weak predictors and constructs of entrepreneurial marketing because they are in conflict with forward-looking and backward or reactiveness customer needs factors (Eggers *et al.*, 2020). It is important to examine the relationship between consumer intensity on proactiveness and direct impact of proactiveness and consumer intensity on firms' reputation. It should be interesting to determine if the proactiveness of an entrepreneur is an outcome of customer feedback on their needs or rather instinctive power of the business owners. In understanding how entrepreneurial dimensions affect firm performance, this article explores two EM dimensions, namely proactiveness and customer intensity, in measuring impact on firm reputation. Morris *et al.* (2002) identify EM dimensions correlated with performance variables such as growth, efficiency, profit, reputation and owner's personal goals. The research question formulated is: *What is the impact of entrepreneurial marketing on SMEs performance?* The research objective is to determine the impact of proactiveness and customer intensity on firm reputation. The article focuses on correlations and their impact on performance of SMEs in Manicaland Province of Zimbabwe.

Hypothesis Development

Hypotheses are developed under three themes, namely: Consumer intensity and proactiveness; Proactiveness and firm reputation; and, Consumer intensity and firm reputation.

Consumer Intensity and Proactiveness

Customer intensity is the recognition given to the firm products or services by passionate customers and employees in the co-creation process of the company value (Sadiku-Dushi *et al.*, 2019). It is useful feedback that customers communicate back to the firm in anticipation of satisfying or improved needs

(Wales *et al*., 2021). Customer intensity entails the firm's capability to create personal relationships based on preferences (Nwankwo & Kanyangale, 2020a). In a nutshell, customer intensity is an engagement between firm and customers with pursuit to acquire, retain and develop profitable customer relations by offering acceptable preferences exceeding desires. Customer intensity creates long-term relationship and feed information back to the firm to launch sustainable marketing strategy. This article argues that invaluable information from customers and relevant partners are strategic dynamic capabilities (proactiveness). Whereas there is no known literature that measure the relationship of these two constructs, consumer intensity is assumed to be positively related to firm performance (Sadiku-Dushi *et al.*, 2019), competitive advantage and marketing performance (Hidayatullah *et al.*, 2019). Conversely, consumer intensity was found to be a weaker predictor of business performance in the context of Nigerian tourism industry (Manishimwe, Raimi & Azubuike, 2022). Customer relationship management and entrepreneurial marketing are strongly correlated in literature (Berndt *et al*., 2005), but validation of measurement power among entrepreneurial marketing dimensions is still missing. This article holds that detail understanding of customers is a core input in launching products or services that discover innate and latent needs. Additionally, Eggers *et al*. (2020) note that consumer intensity is reactive and proactiveness is forward-looking The two constructs' relationship is not present in building firm reputation (Wales *et al.*, 2021). Based on the arguments established in literature, the following hypothesis is formulated:

Hypothesis 1: Consumer intensity impacts positively on proactiveness of the SMEs owners.

Proactiveness and Firm Reputation

Entrepreneurial marketing process enables a firm to exploit opportunities first before competitors and to constantly consider opportunities in which it can leverage innovation to create additional value for current and prospective customers and stakeholders (Erdil *et al*., 2004; Berndt *et al.*, 2005; Miles & Darroch, 2006; Awa *et al.*, 2010). Proactiveness is defined as the ability by a firm to respond to changes in the external environment and to be the first to appropriately predict market needs (Sadiku-Dushi *et al*., 2019). Proactiveness is found to be negatively related to overall SMEs performance (Sadiku-Dishu *et al*., 2019). Conversely, proactiveness is found to influence organisational performance positively, despite being moderated by network structures, firm size and environmental factors (Alqahtani & Uslay, 2020). Proactiveness is assumed to be positively related to both competitive advantage and marketing performance as well as to be significantly related to profitability and market performance (Stephen *et al*., 2019). In the context of competition, business managers who seek strategic alliances with competitors are categorised as proactive and forward-looking (Crick, Karami & Crick, 2021). This would mean proactiveness is a strong predictor of market changes and timeous response to market needs. The firm will be able to evaluate the vision and mission relevance to the market changes in order to improve agility, using market information at its disposal. This article assumes that positive evaluation of SMEs' proactiveness by the consumer yields goodwill for the firm. Perceived solutions that are congruent with consumer needs point towards brand advocacy and improved reputation among consumers. The following hypothesis is formulated:

Hypothesis 2: Proactiveness impacts positively on SME firm reputation.

Consumer Intensity and Firm Reputation

Customer intensity is an effort of a business entity to respond to personalised customer needs, preferences and desires as the firm's core objectives (Nwankwo & Kanyangale, 2020b). Customer intensity is considered to be an element that builds up customers' passion and employees' recognition of products and services, as the main values of the company. Building a personalised customer experience might authenticate SMEs products or services, resulting in the creation of a formidable and reputable image in the market. SMEs create close ties with customers and personalise consumer needs, which create a good reputation in the market. The strong ties with customers create long-term relationships, advocacy and re-purchase intentions (Chinomona & Sandada, 2013). Pleasing customers with personalised purchase process is a nascent aspect of customer experience. Such close relationship with customers is also strongly related to business goodwill, referred to as reputation. Conversely, those who fail to address customer experience are perceived to be less reputable. The following hypothesis is formulated:

Hypothesis 3: Consumer intensity impacts positively on SMEs firm reputation.

RESEARCH DESIGN AND METHODOLOGY

This section discusses research design and other methodological techniques used in the study being reported in this article.

Research Design

The cross-sectional survey was used and it involved collecting information from sample of the target population. A survey requires asking respondents for information using verbal or written questions through questionnaires or interviews (Story & Tait, 2019). Survey method was preferred because it provides quick, inexpensive, efficient and accurate means of assessing information about the population. Cross-sectional design was preferred as it involves collection of data at a specific point in time (Saunders, Lewis & Thornhill, 2019). The cross-sectional study assists in capturing the immediate link among causes and effects. The shortfall of the preferred research design is in its inability to separate a presumed cause and its possible effect; and, significant correlation of variables does not mean that one causes the other. However, the cross-sectional design is suitable for understanding the relationships among consumer intensity, proactiveness and consumer reputation.

Population of Study

Population of study consisted of SMEs in Manicaland Province of Zimbabwe. The target population was all entrepreneurs in food processing, manufacturing, health practice, motor spares, vehicle repairs, electronic goods, telecommunication services, food restaurants, grocery shops, building materials and educational services. Only firms which employ at least five people were considered as acceptable SMEs.

Sampling and Data Collection

The total number of SMEs in the business sector of food processing, manufacturing, health practice, motor spares, vehicle repairs, electronic goods, telecommunication services, food restaurants, grocery shops, building materials and educational services in the province was not known. Convenience sampling was used in order to select and survey participants who were reachable in Manicaland Province. Stratified sampling method was used to classify the target population in terms of economic activity and firm size (Sharma, 2017); and, the sample size was determined from the sample table recommended by Krejcie & Morgan (1970). At 95% confidence interval, the required sample size was 162 participants. A sample size of more than 10 to 30% is usually recommended for social and management sciences (Cooper & Schindler, 2003). In accordance with this recommendation, a sample size of at least 78 respondents was selected. A total of 190 fully completed instruments were considered, which is above the recommended threshold. The data was collected using a self-administered questionnaire. The questionnaire distribution summary and response rate are satisfactory (Table 1).

Table 1: Questionnaire Distribution and Data Collection

Questionnaire	Number	Percentage
Total questionnaires distributed	300	100
Questionnaires collected	197	65.7%
Questionnaires rejected	7	2.3%
Questionnaires analysed	190	63.3%

Source: Field survey

A total of 300 questionnaires were distributed to firms which fit the criteria. The questionnaires collected were 197 and 7 were rejected. The total number of questionnaires analysed was 190. The response rate matches that recommended by Van Voorhis & Morgan (2007) and Sadiku-Dushi *et al.* (2019), who argue that a minimum of 10 participants are needed per predictor, meaning that 30 participants are more appropriate. A total of 190 participants were considered as appropriate in the study.

Respondents Profile

The participants were requested to report on their gender, age, race and business line (table 2). The median age was between 25–34 years, with 87 participants, accounting for 45.8%. In terms of gender distribution, 66.8% were males and 33.2% females. Most participants were black, which accounted for 91.9%. Participants with undergraduate qualifications accounted for 73.1%, meaning that the majority of respondents are educated. The SMEs were drawn from various business lines which include restaurants (23.9%), educational services (12.7%) and telecommunications (7.1%).

Table 2: Demographic and Socio-economic Characteristics of Respondents

Variable		Frequency	Percentage	Cumulative percentage
Gender	Male	127	66.8	66.8
	Female	63	33.2	100.0
	Total	190	100.0	
Race	Black	181	95.3	95.3
	Coloured	3	1.6	96.8
	Asian	5	2.6	99.5
	White	1	.5	100.0
	Total	190	100.0	
Educational Qualification	High School	2	1.1	1.1
	Diploma	12	6.3	7.4
	Undergraduate degree	144	75.8	83.2
	Masters degree	30	15.8	98.9
	Doctorate	2	1.1	100.0
	Total	190	100.0	
Business Line	Health care	22	11.6	11.6
	Hardware	24	12.6	24.2
	Restaurants	47	24.7	48.9
	Vehicle repairs and Accessories	24	12.6	61.6
	Telecommunications	14	7.4	68.9

Educational services	25	13.2	82.1
Transport & Distribution	15	7.9	90.0
Spar and body beauty	19	10.0	100.0
Total	190	100.0	
Health care	22	11.6	11.6

Measurement Instrument and Questionnaire Design

The study used three factor dimensional construct to measure the entrepreneurial marketing in Manicaland Province. The scales were adapted from Sadiku-Dushi *et al.* (2019) and Alqahtani & Uslay (2020). The new model has dimensions measuring entrepreneurial marketing, which are Proactiveness (P), comprising Consumer Intensity (CI) and Reputation (R), with four items each. Primary data was collected directly from entrepreneurs using a self-administered questionnaire (Cooper, Schindler & Sun, 2006). The questionnaire consists of two sections: section A had demographic questions; and, section B consists of questions on various elements of entrepreneurial marketing dimensions. Firm reputation represented dependent variable in the hypothesised model. The measurement scale used the five-point Likert scale. This made it possible for respondents to show the degree of agreement or disagreement with statements. The scales were modified to meet the research context and purpose. All the items measuring the three constructs were adopted from Sadiku-Dushi *et al*. (2019) and Eggers *et al*. (2020). The analysis of quantitative data required the use of computer spreadsheet. For this reason, the Statistical Package for Social Sciences (SPSS) was used. SPSS can handle large amounts of data and, given its wide spectrum of statistical procedures purposefully designed for social sciences, it is also efficient (Cr, 2020). Data was described and summarised using descriptive statistics. This enabled meaningfully description of the distribution of measurements with statistical indices. Additionally, to test the relationships between variables, regression and correlation analysis were used.

Descriptive Statistical Analysis

Descriptive statistics are statistical tools used to summarise and describe raw data and information about basic patterns in the sample (Sadiku-Dushi *et al.*, 2019). Descriptive statistics are useful in the understanding of sample data before analysing hypotheses (Marczyk, DeMatteo & Festinger, 2010). The main objective is to describe the distribution of variables within a specific data set. Variables created through descriptive statistics were used to perform inferential statistics (Table 3).

Ethical Considerations

Confidentiality and anonymity of the participants was strictly observed. Personal questions involving participants' names, addresses and phone numbers were avoided. The data collected from the participants were stored in a password protected computer. All the information was aggregated so that no specific individual information could be traceable to participants. Additionally, assurance was given to the participants that information gathered will be used solely for research purposes. This was done by seeking consent from participants before completing the self-administered questionnaire.

ANALYSIS OF SURVEY RESULTS FROM MANICALAND PROVINCE

The purpose of data analysis is to statistically test the hypotheses and model fit. The model was assessed using structural equation model (SEM) technique.

Evaluation of Measurement Model

Measurement model specifies how the latent variables or constructs are measured. The direction arrows (figure 2) point from indicator variables to the latent variable which indicates a prediction and causal relationship. The reliability of the model is tested using Cronbach's alpha. The measurement model must be confirmed first for reliability before testing the structural model. The structural theory cannot be confirmed when the measures are unreliable and invalid (Hair Jr, Howard & Nitzl, 2020). This article used SEM with Mplus version 7.0 to analyse the measurement and structural model (Muthén & Muthén, 2017). The adequacy of the measurement model on the three-factor solution was determined by confirmatory factor analysis (CFA). The statistical indices indicated acceptable model fit for the data used: Chi-square of Model fit (X^2) = 56.666 (51); Chi Square Test of Model fit for baseline model (X^2)/d.f. = 212.375 (66); Root Mean Square of Approximation (RMSEA) = 0.024; Comparative Fit Index (CFI) = 0.961; Tucker-Lewis Index (TLI) = 0.950; and, Standardised Root Mean Square Residual (SRMR) = 0.049. These indices show a good model fit. The construct reliability exceeded the recommended 0.70 (Fornell & Larcker, 1981) and the scale is considered reliable.

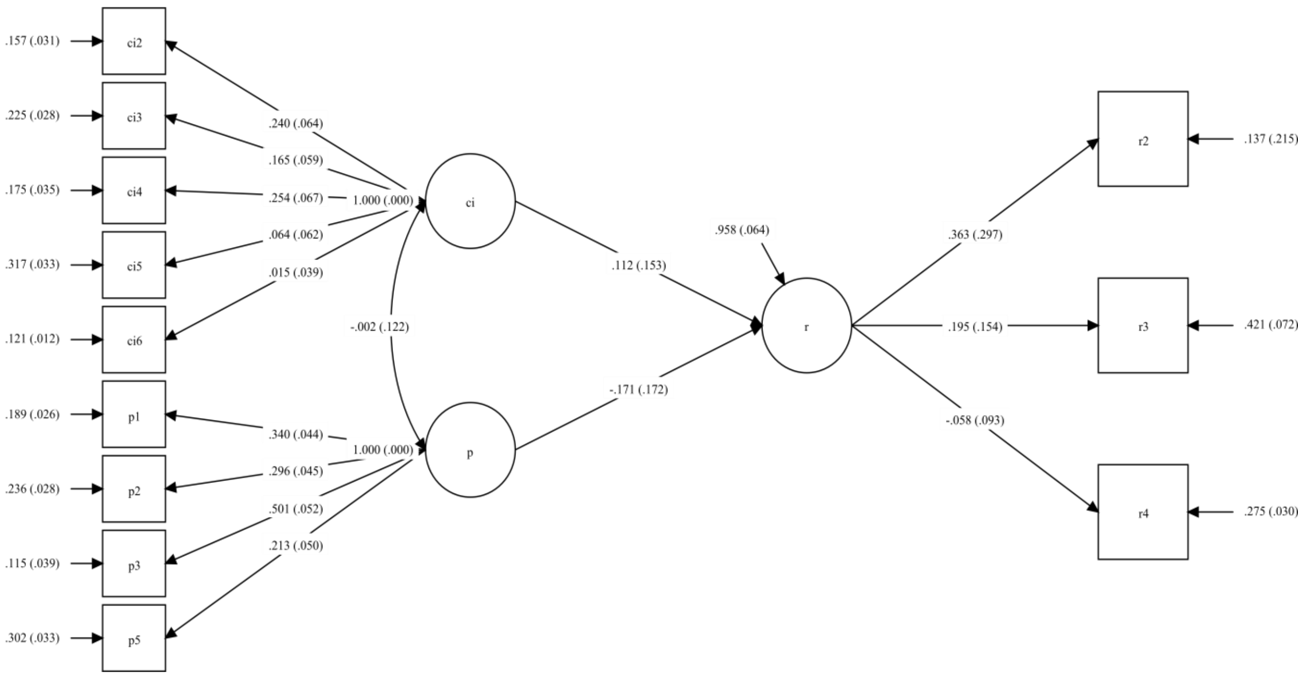
Table 3: Cronbach's Alpha

Construct	Items Considered	Cronbach's α value
Proactiveness	P3	
	P4	0.784
	P5	
Intensity	CI3	
	CI4	0.755
	CI5	
	CI7	
Reputation	R2	
	R4	0.880
	R5	

The items with poor factor loading were deleted from the model when testing reliability. The items deleted when testing Proactiveness were P1, P2 and P6. The factors deleted when testing Intensity were CI1, CI2 and CI6, and those deleted for testing Reputation were R1 and R5. Reliability of the model was assessed using Cronbach's alpha and the lowest value was 0.755, which exceeds the recommended acceptable value of 0.70 (Nunnally, 1978; Chinomona, 2013). The factor loadings of the items were above 0.6, a value which indicates reliability and validity of the model.

Hypothesis Testing with Structural Equation Modeling

The structural model shows how the latent variables are related to one another; that is, it shows the constructs and the path relationships in the model. Independent variables on the left are used to predict the dependent variable on the right side of the model (figure 2). The exogenous variables of the model are proactiveness and intensity, which are predicting reputation. After assessing the measurement model using CFA, the structural path analysis was performed to test the theorised relationships in the model. The SEM analysis indices indicate that the model fits the data well.



Notes: R – Reputation; P – Proactiveness; CI - Intensity

Figure 2: Measurement and Structural Model Results

The results show that consumer intensity support proactiveness in entrepreneurial marketing and that *H1* is supported. The prediction that proactiveness has a positive influence on reputation was not supported; hence, *H2* was rejected. Furthermore, the influence of intensity on predicting the reputation of the firm was found to be significant; and *H3* is supported (table 4).

Table 4: Results of Structural Equation Model Analysis

Proposed Hypothesis Relationship	**Hypothesis**	**Result**
Intensity ⟹ Proactiveness	H1	Supported
Proactiveness ⟹ Reputation	H2	Not Supported
Intensity ⟹ Reputation	H3	Supported

The table provides the hypothesised relationships between reputation, intensity and proactiveness of SMEs in Manicaland Province of Zimbabwe. Hypothesis 1 and 3, predicting the impacts of intensity on proactiveness and reputation were found to be significant. The second hypothesis, where proactiveness is predicting reputation, was not supported. The results of structural equation modelling revealed that customer intensity has a positive impact on firm reputation and proactiveness. On the other hand, proactiveness does not predict firm reputation. Although all the entrepreneurial marketing dimensions were not predicting firm reputation, the results indicate that alone or in a combination, the EM variables do have impact on the overall SME performance. Entrepreneurial marketing dimensions found to be impacting overall SME performance are similar with previous findings (Rashad, 2018; Sadiku-Dushi *et al*., 2019).

Based on the empirical results, customer intensity is an important construct in increasing SME performance in emerging markets (Erdil *et al*., 2004; Berndt *et al*., 2005; Awa *et al*., 2010). The results show that consumer intensity supports proactiveness which is in line with literature that note that consumer intensity builds up the customer and employee recognition of products and services as the main values of the company. Kohli & Jaworski (1990) find consumer intensity as a key element of market orientation construct. The results did not support earlier work of Manishimwe *et al.* (2022) who found that consumer intensity has weak prediction on business performance in the tourism industry in Nigeria. The study found consumer intensity to be a good predictor of firm reputation. The findings support the idea that consumer intensity influences buying decisions for online products (Jasin, 2022; Purwanto, 2023). Consumer intensity was found to have a significant effect on financial and non-financial performance of SMEs (Giantari, Yasa, Suprasto & Rahmayanti, 2022). Proactiveness was found to be insignificant in predicting SME reputation. The findings contradicted earlier work which found that proactiveness gives a company the ability to predict the changes and needs of consumers (Lumpkin & Dess, 2001). Proactiveness was found to demonstrate the firm's anticipatory action in the future market demand, which improves firm performance (Hossain & Al Asheq, 2019). Based on the results, it can be argued that consumer intensity supports SME performance in emerging markets consistent with Erdil *et al*. (2004) Berndt *et al.* (2005) and Awa *et al.* (2010). SME owners may not be considered proactive, but were found to be risk takers and innovative.

LIMITATIONS OF THE STUDY

There are limitations which were identified; and, one of them is that the study focused on SMEs in Manicaland Province of Zimbabwe and the findings cannot be generalised. Also, subjective data collected from the owners of the SMEs, instead of object data from financial statements or other internal records of the SMEs, were used. Only three dimensions were selected for hypotheses and they might be inadequate. There is a need to increase the number of constructs measuring SME performance as recommended by Morries *et al.* (2002). Even though there are no agreed upon number of EM dimensions to be studied, the three dimensions of consumer intensity, proactiveness and SME reputation cannot be used to measure realistic performance of the firm as they are based on the owner's perspective of their firm.

DISCUSSION OF RESULTS AND CONCLUSION

The article discussed the impact of entrepreneurial marketing dimensions on performance of SMEs in emerging markets, using empirical data from Manicaland Province in Zimbabwe. Factor analysis was used to test the three hypotheses drawn from literature; and, two of them were supported by the results. The article recommends that future studies focus on micro, small and medium enterprises in order to have a better understanding of the EM relationships in emerging markets. Future studies need to measure financial performance of SMEs to determine impact on overall SME performance. Also, there is a need to conduct longitudinal studies in diverse settings in many countries in order to understand EM dimensions. In-depth interviews are recommended to get a better understanding of the entrepreneurial marketing dimensions and how they influence overall SME performance. Similar studies have used quantitative approaches and there is a need to use different research design. Comparative studies must be undertaken between countries to have a better understanding of entrepreneurial marketing dimensions in different contexts and impact on firm performance.

International management and entrepreneurship entail understanding of the international environment in terms of the political, legal, technological and business ethics environment as well as culture in international business. As a process of discovering, evaluating and exploiting opportunities to create future goods and services, international entrepreneurship implies that international management has to be conversant with the international business environment, ethics and culture in order that innovations may not only survive, but thrive. International entrepreneurship implications include, among other things, the need to improve understanding of determinants and outcomes of international entrepreneurship as well as methodological issues pertinent to business management in the international environment.

There are major contextual forces that international management needs to consider when making strategic decisions for innovation and entrepreneurial action on the international stage. These major contextual forces have to be understood in order that the international entrepreneurial innovations may be effective and efficient given the multiple possible strategic approaches to the necessary corporate social responsibility. One of the significant international entrepreneurship management implications if to recognise the value of sustainability of innovations, corporate social responsibility and sustainable development. There has to be consideration that there exist competitors and that the possibility of lagging behind is real and that the business expectation to lead should not be underestimated. International entrepreneurship management has to also consider that corporate social behaviour too could be a niche for competitive advantage. By extension, future research has to focus on investigation of determinants and outcomes of international entrepreneurship and innovation under the changing global business, political, legal and technological environment as well as the associated international business ethics and culture. Such future research would uncover the possible matrices of strategic approaches to international entrepreneurship management. The multiple possible strategic approaches to international entrepreneurship management and innovation may be contradictory and conflicting at times; and, research has to determine the most suitable in terms of the expectations of the different stakeholders and appropriateness of corporate behaviour as well as perspectives of communities, civil society and the relevant states. Also, future research could investigate the potential for using corporate social behaviour as a niche for gaining competitive advantage because the demands of the stakeholders are necessary strategic and tactical entrepreneurship implications, especially given the demands for sustainable development.

Three strategic recommendations arise from this article that may improve the impact of entrepreneurship marketing on the performance of SMEs. First, SMEs marketing has to be based on adequate understanding of determinants and outcomes of international entrepreneurship and innovation under the changing global business, political, legal and technological environment as well as the associated international business ethics and culture. Second, SMEs marketing has to consider the possible matrices of strategic approaches to international entrepreneurship management, which may be contradictory and conflicting at times, in order to determine the most suitable in terms of the expectations of the different stakeholders and appropriateness of corporate behaviour as well as perspectives of communities, civil society and the relevant states. Third, SMEs marketing has to take into account the potential for using corporate social behaviour as a niche for gaining competitive advantage because the demands of the stakeholders are necessary strategic and tactical entrepreneurship implications, especially given the demands for sustainable development.

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THE IMPACT OF CRAFT ENTERPRISES ON RURAL HOUSEHOLD WELL-BEING AND POVERTY REDUCTION IN SOUTH AFRICA

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ABSTRACT

The agricultural growth model centred on the promotion of small-scale farms has long been perceived as the only viable key driver for underwriting the process of rural transformation. However, the persistence of rural poverty has led policymakers to consider non-farm enterprises for poverty reduction. Despite this recognition there is dearth of scientific studies that have investigated the potential of craft enterprises as a strategy for poverty reduction. Most research on rural entrepreneurship in South Africa have focused on the challenges encountered by entrepreneurs, often neglecting the need for comprehensive analyses of the craft sector's impact on rural poverty reduction. Thus, using the mixed methods approach, this article investigated the impact of craft enterprises, as a type of non-farm enterprise, on household well-being and rural poverty reduction. Data was collected in Port St Johns Municipality, in the Eastern Cape Province using a semi-structured interview schedule, focus groups and in-depth interviews. Respectively, quantitative and qualitative data were analysed using SPSS and collaborative complementary thematic techniques. Results indicate that non-farm enterprises impact household well-being positively by increasing income and improving access to food. However, the potential for these enterprises to drive rural economic growth and create employment is yet to be fully realised. The article recommends that targeted capacity-building and training programmes be implemented to enhance rural entrepreneurship skills. One of the policy implications arising from this study is that policy interventions must be based on the desired impact to ensure that investments are not wasted in ghost projects.

Keywords*:* Rural Development; Rural Economy; Poverty; Non-farm Enterprises; Employment Creation

INTRODUCTION

Traditionally, rural development theory and practice have long been dominated by a model of agriculture-led growth, organised around the promotion of small-scale farms as the panacea for rural development (Jayne *et al.*, 2019a; Benamar, 2021; Merrell *et al*., 2021). This sectoral approach to rural development has been experimented with, by many developing countries, including South Africa. In South Africa, key policy instruments such as the Reconstruction and Development Programme (1994), the National Development Plan (2011) and the Comprehensive Rural Development Plan (2009) explicitly identify a de-racialised agricultural sector and land reform as the driving force to spearhead the development of rural areas (Dapira & Mpongwana, 2018; Mamabolo *et al.*, 2021). The agricultural sector is thought to hold prospects of creating rural wage employment opportunities, especially for the majority of the economically active population that is unskilled, poorly educated and geographically located far from urban labour markets (O'Laughlin *et al.*, 2013; Jayne *et al.*, 2019b). Furthermore, this sectoral approach model is

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perceived as having potential to promote rural household food security and underwrite the process of rural transformation. Nevertheless, the persistence of rural poverty has compelled policymakers to embrace a multi-sectoral approach to address rural development impasse. Non-farm enterprises such as craft enterprises are increasingly viewed as having the potential to reduce rural poverty (Neglo *et al.*, 2021a; Lawi *et al.*, 2022). In South Africa, the potential of craft enterprises as an alternative conduit for regenerating rural economies was recognised through the Accelerated Shared Growth Initiative South Africa ((ASGISA), 2006). ASGISA claims that craft production as a form of non-farm enterprises have potential to stimulate rural entrepreneurship, create rural wage employment and foster sustainable economic opportunities. The craft sector is also viewed as an entry point for the majority of the low skilled labour-force and those operating in the informal economy, for participation in the formal economy. The non-monetary benefit that is associated with the promotion of craft enterprises includes the maximum utilisation of locally available resources in a sustainable manner, including the use of recycled materials.

Although policymakers have increasingly viewed craft enterprises as panacea for rural poverty reduction and have injected huge financial investments, the impact of these investments on rural household well-being and poverty reduction has not been conclusive determined (Neglo *et al*., 2021a; Lawi *et al*., 2022; Nani & Ndlovu, 2022; Phokwane & Mkhitha, 2023). In South existing studies have primarily concentrated on rural livelihoods and coping strategies adopted by those at the margins, often without delving deeply into the sector's specific contributions to employment creation and income generation (Neves & Du Toit, 2013; Neves & Hakizimana, 2015; Abera *et al*., 2021). This limitation primarily arises because the overarching goals of these studies are not exclusively designed to scrutinise the craft sector or non-farm enterprises in general. Although studies of this nature provide a concise summary of the proportion of family units involved in non-farm activities, they frequently fail to provide a comprehensive picture of craft enterprises and their role in reducing poverty. Furthermore, research on entrepreneurship in South Africa has predominantly focused on the challenges encountered by entrepreneurs, often neglecting an in-depth examination of the craft sector's contribution to poverty reduction (Ngorora & Mago, 2016). This is the gap identified by this article. The article aims to address this gap by investigating the impact of craft enterprises on rural household well-being through, among other variables, wage employment and income generation. The article hypothesises that craft production has a significant positive impact on rural development through employment and income generation for households.

LITERATURE REVIEW: RURAL DEVELOPMENT SCHOOLS OF THOUGHT AND THEORY

In the literature, there are two dissenting views concerning the role played by non-farm enterprises as rural poverty reduction measures. One view is that non-farm enterprises are an alternative pathway to create rural wage employment opportunities, generate income, diversify the rural economy and improve household welfare, including food security (Nagler & Naudé, 2017; Bagachwa, 2019; Dzanku, 2019; Kolawole, 2021; Lawi *et al*., 2022). A less optimistic strand of thinking views non-farm enterprises as survival strategies for marginalised groups, often offering low returns and limited potential for growth or poverty alleviation (Porter, 2012; Bryceson & Jamal, 2019; Habtu, 2019). While research from various countries has explored these views, South Africa's specific context remains under-studied. Existing studies in the country have focused on rural livelihoods and coping strategies, embraced by those at the margins, but have not deeply investigated the potential and contribution of the craft sector towards employment creation and income generation (Neves & Du Toit, 2013; Abera *et al.*, 2021). Regular surveys such as Statistics South Africa’s community survey have not thoroughly investigated the subject. The scope of such surveys is not dedicated towards rural craft enterprises or non-farm enterprises. While they provide a snapshot of the percentage of households engaged in non-agricultural activities, such surveys often fail to give a comprehensive in-depth understanding of craft enterprises and its contribution towards poverty reduction. On the other hand, studies on rural entrepreneurship in South Africa have primarily discussed challenges faced by rural entrepreneurs without delving into the impact of the craft sector on rural development (Ngorora & Mago, 2016). Additionally, studies that have investigated the role of rural non-farm enterprises as a vehicle for rural development have tended to group craft enterprises with other manufacturing activities, failing to provide comprehensive understanding of the sector's specific impact on rural development (Neves & Du Toit, 2013). It is, therefore, necessary to investigate the potential of craft enterprises as conduits for rural development in South Africa.

The article is grounded in the entrepreneurial economy theory, which asserts that rural development hinges on leveraging locally available resources and knowledge rather than relying solely on external capital investment. The theory emphasises the significance of endogenous small-scale enterprises as drivers of rural poverty reduction. These enterprises are argued to valorise locally available resources, including indigenous knowledge to produce distinct goods and services that can be sold both at local and international markets. Knowledge, particularly tacit knowledge rooted in local culture, is seen as a critical resource for production (Zhan & Walker, 2019). This knowledge-based approach gives these enterprises a competitive advantage, as it is difficult to replicate. The theory argues that the utilisation of local resources and knowledge builds natural barriers to competition, forming a sustained competitive advantage. The entrepreneurial theory contends that dependence on external resources, whether from the state or private sector, is unsustainable and that it promotes vulnerability of local economies. The availability of external investments is conditional, and it is outside the control of the ordinary people. For instance, if the national economy fails to generate and sustain certain levels of growth, government will be forced to reduce its social expenditure and infrastructure investments in rural economies. This automatically translates into loss of means of subsistence, especially by those who depend on such government programmes. Dependence on the private sector is argued to be even more volatile due to its strong appetite for areas with cheap labour and the requirement for low crime rates and political stability. Therefore, this article holds that promoting local entrepreneurial enterprises capable of valorising locally available resources is a sustainable pathway to generating employment opportunities and improving the competitiveness of the rural economy. The research question formulated from the literature reviewed above is: What is the impact of rural non-farm craft enterprises on rural household well-being, food security, job creation and income generation?

RESEARCH METHODOLOGY

The study employed a mixed methods approach to examine the impact of craft enterprises on rural development and poverty reduction through, among other things, employment creation and income generation. The mixed methods approach allowed for quantification of certain key variables (Johnson & Onwuegbuzie, 2004; Strijker *et al*., 2020). Also, the approach ensured collection of detailed qualitative data that provided nuanced understanding of the subject of research (Dawadi *et al*., 2021). Non-probability purposive and snowball sampling techniques were used to select participants (Babbie, 2020; Babbie & Edgerton, 2023). Data collection took place in three wards where there is high concentration of rural artisans engaged in craft production. The population sample consisted of 100 rural artisans in Port St John's Local Municipality. Other key informants such as craft hub managers and officials responsible for rural and local economic development in the Local and District Municipality formed part of the sample.

Quantitative data was collected using a semi-structured questionnaire made up of mainly closed and a few open-ended questions. The few open-ended questions were used as a measure to reduce the loss of crucial information that come with the use of a structured questionnaire. Qualitative data was collected using in-depth interviews, participant observation and focus groups. Preliminary findings emanating from quantitative data informed the collection of qualitative data, which provided rich descriptions and nuanced understanding of the impact of the craft sector on rural development. Quantitative data was analysed using SPSS; and, qualitative data was analysed using thematic tools.

DISCUSSION OF SURVEY RESULTS AND ANALYSES FROM RURAL PORT ST JOHN'S MUNICIPALITY

This section discusses survey results and presents data analyses under a variety of themes and subthemes.

Demographic and Socio-Economic Characteristics of Rural Artisans

The demographic characteristics of respondents in table 1 below indicate that craft production is primarily pursued by middle-aged and older individuals, with 37% aged 41-50 years old, 24% aged 51-60, and 15% aged 61 and above. Gender distribution of respondents reveals that 59% were women and 41% men. Education levels of participants varied, with 11% having no schooling, and 66% having education ranging from grade 1 to 11.

Table 1: Basic Socio-demographic Characteristics of Respondents

Age	21-30 years - 5%; 31-40 years; 19%; 41-50 years - 37%; 51-60 years - 24%; 61+ - 15%.
Gender	Female - 59%; Male - 41.
Marital Status	Single - 36%; Married - 37%; Divorced - 9%; Widowed - 14%; Co-habiting - 4%.
Educational Achievement	Never been to school - 11%; Grade 1-7 – 34%; Grade 8-11 - 32%; Matriculation - 13%; Certificate - 5%; Diploma - 40%; Degree - 1%.
Employment Status	Employed - 7%; Unemployed - 93%

Source: Fieldwork Data, 2019 (N=100)

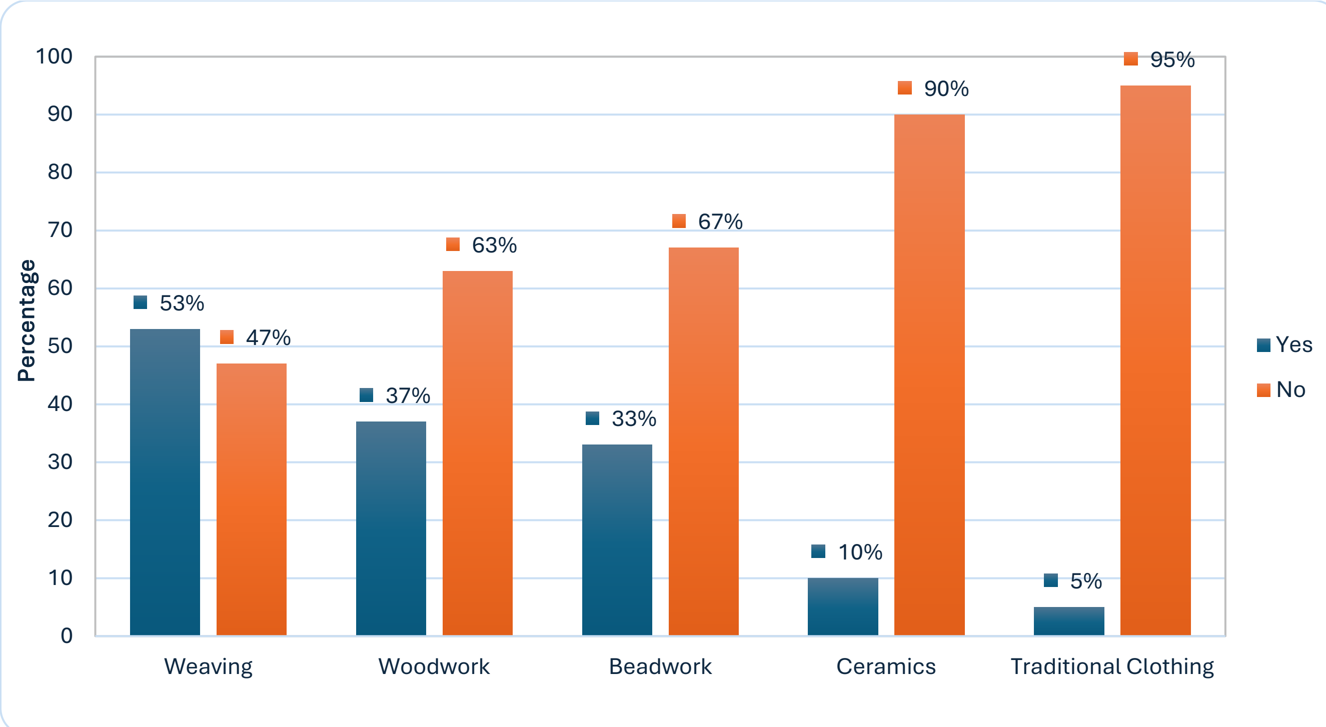
Table 1 above shows that the proportion of women running a craft enterprise is higher (at 59%) than men 41%. This finding aligns with existing literature, which highlights that women tend to have higher participation rate in non-farm enterprises compared to men (Kinda & Loening, 2010, Jayne *et al*., 2019b). This trend is often attributed to limited employment opportunities for rural women. In addition, women are also less likely to migrate to urban areas for work due to cultural norms relating to domestic responsibilities, such as raising children and taking care of the elderly. Data on educational achievement also show that a significant portion of respondents lack formal qualifications. The likelihood of engaging in craft enterprises decreases as education level rises, as those with formal qualifications tend to seek wage employment.

Characteristics of Craft Enterprises

This subsection discusses five characteristics of craft enterprises identified through data collected from the study area.

Types of Crafts Produced

The surveyed craft enterprises exhibit diverse characteristics. The craft sector was found to be comprised of various activities such as the production of beadwork, weaving, woodwork, ceramics and traditional clothing (*Umbaco*). Weaving (53%) and woodwork (37%) emerged as the dominant form of craft taking place in study area (Figure 1).



Source: Fieldwork Data, 2019 (N=100)

Figure 1: Types of Crafts Produced by Respondents

This dominance is attributed to the abundance of natural resources required for these types of crafts. The study area's forests, indigenous trees and rivers provide the necessary materials like grass, monkey ropes, trees and reeds for producing these various craft items.

The Mean Age of Craft Enterprises

The mean age of craft enterprises was found to be 2.5 years. Almost half of the enterprises (49%) fell into the 9-12 years age category, indicating a relatively young range of craft enterprises. Another 34% of craft enterprises were in the 5-8 years age category. In contrast, a mere 3% of craft enterprises had been operating for more than 16 years, and 12% had been established within the last four years (Table 2).

Table 2: The Mean Age of Craft Enterprises

	Frequency	Percent	Valid Percent	Cumulative Percent
1-4 years	12	12.0	12.0	12.0
5-8 years	34	34.0	34.0	46.0
9-12 years	49	49.0	49.0	95.0
13-15 years	2	2.0	2.0	97.0
>16 years	3	3.0	3.0	100.0
Total	100	100.0	100.0	

Source: Fieldwork Data, 2019 (N=100)

Given the high unemployment rates in the study area, the 12% of craft enterprises falling within the 1-4 years age category could suggest a relatively lower rate of new start-ups. One potential reason for this could be the presence of social security and welfare programmes that act as safety nets for the rural poor. These programmes might deter some individuals from entering entrepreneurship out of necessity. Alternatively, the lower number of new start-ups might indicate a high failure rate among newly established craft enterprises.

Ownership of Craft Enterprises

A total of 81% of craft enterprises under study were individually owned (table 3). This finding is consistent with existing literature (Kinda & Loening, 2010; Bagachwa, 2019). These studies examined non-farm enterprises in Tanzania and concluded that most of them were individually owned.

Table 3: Ownership of Craft Enterprises

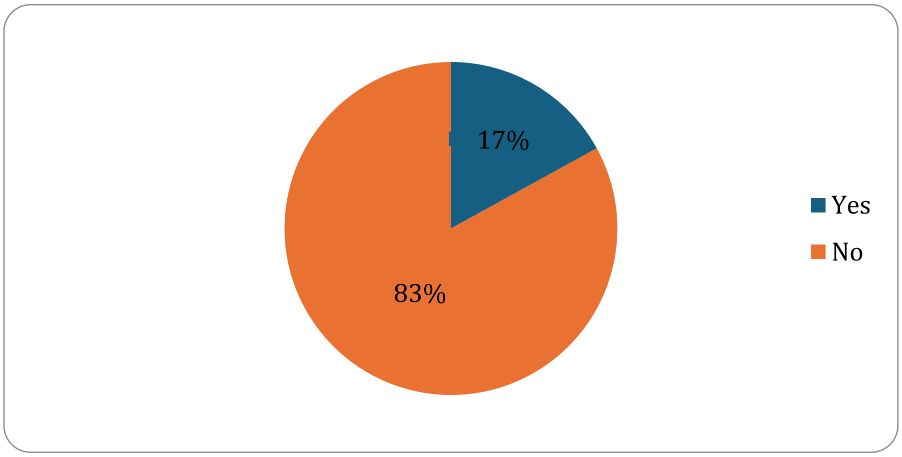
	Frequency	Percent	Valid Percent	Cumulative Percent
Individually owned	81	81.0	81.0	81.0
Cooperative	12	12.0	12.0	93.0
Business	6	6.0	6.0	99.0
Partnership	1	1.0	1.0	100.0
Total	100	100.0	100.0	

Source: Fieldwork Data, 2019 (N=100)

Meanwhile, 12% of the craft enterprises were being operated as a co-operative, 6% as a business and only 1% as a partnership.

Formalisation of the Craft Enterprises

With regard to the formalisation of the craft enterprises, the findings reveal that only 13% of them operating in the study area were formally registered (figure 2). In contrast, the majority (87%) of these enterprises were not registered, indicating that they are operating informally.



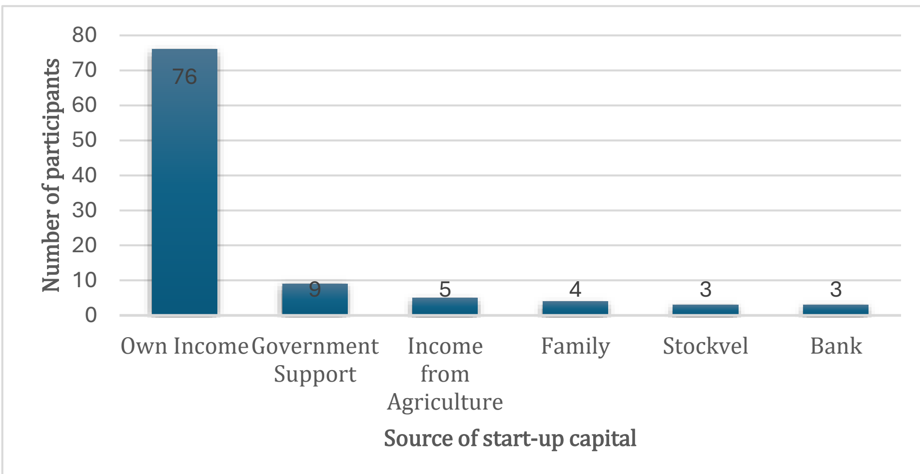
Source: Fieldwork Data, 2019 (N=100)

Figure 2: Proportion of Enterprises Formally Registered

Reasons cited for not registering their craft enterprises ranged from lack of information about the registration process and the perceived high registration fees. Additionally, many respondents expressed apprehension about being accused of tax evasion and inability to meet such tax requirements if they registered their enterprises. However, in-depth interviews with government officials contradicted this concern. Officials clarified that the bulk of these craft enterprises are not required to pay significant taxes due to their relatively small earnings.

Sources of Start-up Capital

The data reveals a range of sources of start-up capital used to establish the enterprises (figure 3). The majority (76) of respondents relied on their own income as the primary source of financing. This could be attributed to the relatively low start-up costs associated with most craft activities, which often require basic tools rather than significant capital investment. Weaving, woodwork and beadwork were found to be the dominant form of craft enterprises in the study area, all of which require relatively low start-up costs.



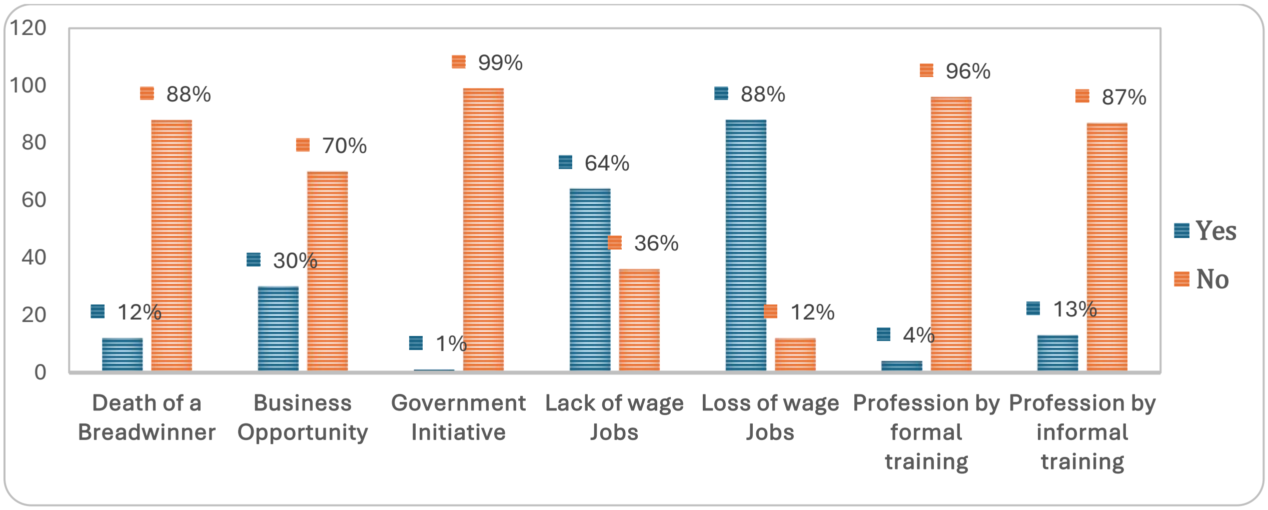
Source: Fieldwork Data, 2019 (N=100)

Figure 3: Sources of Start-Up Capital

Government support for craft enterprises was limited, with only 9 of the respondents indicating it as a source of start-up capital. Lack of awareness about available funding opportunities was cited as contributing to low uptake of government seed fund grants. Other minor sources of funding included family contributions (4), agricultural income (5), credit from *stokvels* (3) and banks (3). At 5%, the data for agricultural income as a source of start-up capital makes an interesting reading. Although it is significantly lower, this percentage can be viewed as showing linkages between farm and non-farm sector. Such a finding supports the argument by various scholars who argue that there are close linkages between the two sectors (Imai *et al.*, 2017; Neglo *et al.*, 2021b). These scholars concur that surplus that is generated from each of the sector is reinvested in the other sector.

Reasons for Establishing the Craft Enterprise

The decision for a rural household or an individual to operate a non-farm enterprise is motivated by various factors that include either push (unfavourable conditions) or pull factors (favourable conditions). Pull factors include the presence of a business opportunity that promises better returns than those derived from other economic activities such as farming (figure 4). Conversely, the push factors compel households or individuals to embrace operating a non-farm enterprise because there are limited options or alternative ways to earn a living.



Source: Fieldwork Data, 2019 (N=100)

Figure 4: Reason for Establishing Craft Enterprise

Loss of wage-earning jobs (88%) and lack of job opportunities (64%) were the most cited key reasons why respondents established their craft enterprises. This finding may be attributed to the bankruptcy of the Magwa and Majola Tea Estates. These two estates were the backbone of the municipality's economy in terms of creating employment opportunities. However, in recent years they have been struggling to stay afloat resulting in massive retrenchments of its labour force. Thus, people resorted to establishing craft enterprises in order to cope with increasing unemployment. Meanwhile, 30% of the respondents cited the presence of a business opportunity as a key reason for establishing their craft enterprises. A possible explanation that can be given for this finding is that the study area is endowed with natural resources needed in the production of crafts and has potential for tourism if both hard and soft infrastructural development is improved. Therefore, it is understandable that 30% of craft enterprises were established because of a perceived market opportunity which respondents are trying to exploit. In general, the data show that rural people are vulnerable to shocks such job loss, lack of jobs and death of breadwinners, which compel them into operating a craft enterprise. This finding supports arguments by scholars who view non-farm enterprises such as the craft sector as a residual sector and survival strategy embraced by the rural poor, the landless and the near landless (Porter, 2012; Neves & Du Toit, 2013).

CRAFT ENTERPRISE, HOUSEHOLD WELL-BEING AND POVERTY REDUCTION

The primary question to ask is: Can craft enterprises reduce Poverty? This section seeks to address this question.

Craft Enterprises and Rural Wage Employment Opportunities

The empirical evidence generated by this study reveals an intricate relationship between craft enterprises and the role they play in rural poverty reduction. Most of these enterprises (82%) were found not to be significantly contributing to job creation. Rather, enterprises were found to be relatively small, operated and managed by one person, the owner of the enterprise. This finding suggests that these enterprises are playing a crucial role in providing self-employment opportunities, particularly for disadvantaged individuals in rural areas, especially women, who often face limited economic avenues. Meanwhile, a few enterprises (18%) managed to create employment opportunities. The quality of these jobs were reported to be casual and fell short of being considered decent employment. In addition, the wages of employees were found to be low and insufficient to meet their basic needs. Thus, it can be inferred that craft enterprises operating in the study area are not a significant driver of rural wage employment. The livelihoods of the rural poor who rely on this sector for employment and income were found to be highly insecure. This is mainly due to the sector's failure to provide safeguards against unfair dismissals or ensure that employees receive a basic minimum wage. These findings are consistent with various claims made in existing literature. The potential for impoverished rural households to engage in non-farm enterprises and lift themselves out of poverty is limited due to low returns associated with craft enterprises.

Perhaps one of the positive things that emerged from employment opportunities generated by craft enterprises is the transfer of skills and knowledge. Respondents were asked to indicate whether jobs created required some form of skills. Only 20% of the respondents indicated that the jobs created required skills (table 4).

Table 4: Need for Set of Skills for Jobs Created

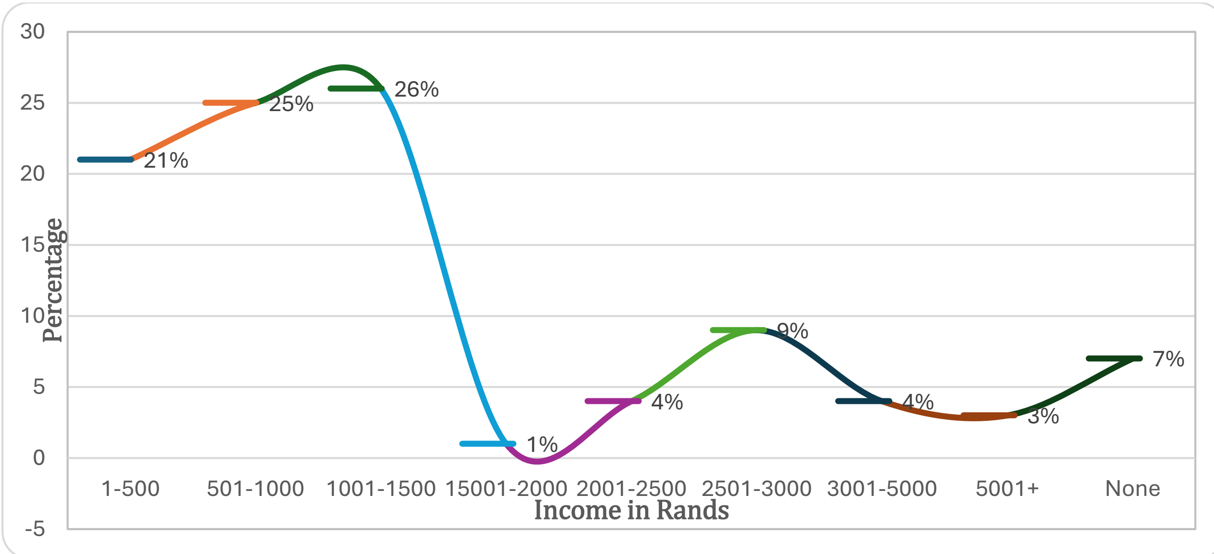
	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	20	2.0	20.0	20.0
No	80	80.0	80.0	100.0
Total	100	100.0	100.0	

Source: Fieldwork Data, 2019 (N=100)

This finding suggests that there is some level of up-skilling that is ingrained within the employment opportunities created by craft enterprises. This is a positive thing because struggling rural artisans might later apply such new skills on their own craft enterprises or use them when looking for new employment opportunities.

Craft Enterprises and Income Generation

The study reveals a significant disparity in the distribution of income generated by craft enterprises among respondents. The findings illustrate that 21% of the respondents earn income ranging from R1 to R500.00 per month, while 3% are top earners earning R5001.00 and above, and 7% earn nothing (Fig. 5).



Source: Fieldwork Data, 2019 (N=100)

Figure 5: Income Earned by Rural Artisans

When considering the above income levels in relation to the national poverty line, it becomes evident that the income earned from craft enterprises is inadequate for meeting basic needs. The majority of respondents (72%) fall below the poverty line, which is calculated based on three categories: the food poverty line pegged at R663 per month; the lower bound poverty line at R945; and, the upper bound poverty line at R1 417 (Statistics South Africa, 2022). These poverty lines consider costs for basic food and other essential living needs, with the lower bound poverty line being used as a threshold for assessing poverty and informing policy decisions. Applying these thresholds, the majority of respondents earning income within the first three categories (R1.00-R1500.00) can be considered to be living below the poverty line. The comparison between earned income and the lower bound poverty line further underscores the insufficiency of craft enterprise earnings in providing access to necessities. For instance, respondents earning within the R1-R500.00 fall significantly below the poverty line. Those earning between R1 001.00 and R1 500.00, are only slightly above the lower bound poverty line. This income remains inadequate to fulfil basic needs, especially when considering dependents within households.

Income Earned by Gender

A further analysis of the income generated by craft enterprises based on gender reveals that enterprises run by men tend to generate higher income compared to those operated by women. This finding can be attributed to the fact that women tend to engage in low-return activities, such as beadwork and weaving. Meanwhile, male artisans were found to produce a diverse range of high-value craft items that are innovative, commanding higher prices in the market, such as walking sticks, decorative wood, woven chairs, wardrobes, and tables. This stark difference in pricing and the type of products produced contributes to the income disparity observed between male and female artisans in the craft sector.

To test if there is any significant difference between income earned and gender of the owner of the enterprise, a Chi-Square Test was performed, and hypothesis set as follows:

H_0: Income is independent of gender.
H_1: Income is not independent of gender.

The Chi-Square test results indicate a significant association between income earned and the gender of the craft enterprise owner (table 5).

Table 5: Chi-Square Tests Results on Income Earned and Gender of the Owner

Chi-Square Tests	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	16.741[a]	8	**0.033**
Likelihood Ratio	17.611	8	0.024
Linear-by-Linear Association	3.045	1	0.081
N of Valid Cases	100		

Source: Fieldwork Data, 2019 (N=100)

With a calculated p-value of 0.033, which is less than the common significance level of 0.05, the test indicates statistical significance. As a result, the null hypothesis that there is no association between income and gender is rejected. The conclusion drawn from the Chi-Square test is that the gender of the enterprise owner influences the income generated by craft enterprises in the study area. Findings of the study also established that there is correlation between income earned and the operation of the enterprise (table 6). All craft enterprises (45) that indicated that they operated full time, earned income.

Table 6: Relationship between Income Earned and Operation of the Enterprise

Count		Full time	Part-Time	Seasonal	Parallel with other activities	Total
	R1-R500	7	2	8	4	21
	R501-R1000	6	4	7	8	25
	R1001-R1500	15	4	7	0	26
	R1501-R2000	3	0	0	1	1
	R2001-R2500	3	0	0	1	4
	R2501-R3000	6	0	2	1	9
	R3001-R5000	2	0	0	2	4
	R5001 &above	3	0	0	0	3
	None	0	4	0	0	4
Total		45	14	24	17	100

Source: Fieldwork Data, 2019 (N=100)

This is in sharp contrast with distribution of income amongst enterprises either operating on a part-time or seasonal basis. It is quite noticeable that enterprises within the part time category generate little income as there are no enterprises that are currently generating income beyond R1501. To determine the accuracy of the above findings on the relationship between income earned and the operation of the enterprise, Chi-Square test was performed (table 7). The hypothesis was set as follows:

H_0: Income earned by rural artisans is independent of operation of enterprise.
H_1: Income earned by rural artisans is not independent of operation of enterprise.

Table 7: Chi-Square Tests Results on Income Earned and Operation of Enterprise

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	43.904[a]	24	**0.008**
Likelihood Ratio	49.606	24	0.002
Linear-by-Linear Association	6.438	1	0.011
N of Valid Cases	100		

Source: Fieldwork Data, 2019 (N=100)

Based on the outputs from the Chi-Squared Test with a P-value (0.008) that is less than significance level (0.05), the study rejects the null hypothesis and concludes that there is a significant association between income earned and the operation of enterprise. Therefore, the study concludes that income earned by rural enterprises in the study area is influenced by the operation of the craft enterprises.

Impact of Income Earned from Craft Enterprises on Household Welfare

Despite the modest and irregular nature of income derived from craft enterprises, the findings highlight its pivotal role in addressing basic needs and improving the well-being of rural artisans. The income generated from these enterprises has a direct impact on ensuring sustenance, with many respondents relying on it to provide food for their households. Earnings are utilised to purchase clothing, school supplies for children and to facilitate better healthcare access. In addition, income earned was found to be promoting economic and social mobility of impoverished rural households, albeit on a relatively small scale. Some artisans reported to have managed to acquire assets like livestock, improve or construct their homes, and acquire material possessions such as televisions, beds, radios and refrigerators, using the income generated by their craft enterprises. Assets like livestock and houses serve as forms of wealth that can be liquidated or converted into cash during times of difficulties. These findings underscore the significance of craft enterprises as a key driver of poverty reduction. Without this income, a significant number of rural artisans would be vulnerable to hunger. Accordingly, the need for targeted policy interventions aimed at strengthening the potential of craft as a conduit for poverty reduction cannot be overemphasised.

CRAFT ENTERPRISES AND LOCALLY AVAILABLE RESOURCES

The survey results show a positive correlation between craft enterprises and optimal utilisation of locally available resources. The bulk of raw materials (clay, grass, reeds, roots, climbers, bamboo grass, trees and plants/fruits) used in the production of various craft items were all sourced locally. Even man-made resources were reported to be obtained from local waste recycling centres in the town. Only a minority of resources, like beads and fabric, were sourced from outside the study area. Many of the respondents answered in affirmative that raw materials, especially natural resources, were of good quality. Resources such as indigenous knowledge and skills were found to be the basis upon which various rural artisans draw their artistic creativity from. According to the Entrepreneurial Economy Theory the presence of such distinctive resources, which cannot be easily replicated elsewhere, confers a competitive advantage to small scale endogenous enterprises. Despite this competitive advantage stemming from access to quality resources and local knowledge, the empirical evidence paints a contrasting reality. Craft enterprises in the study area had not significantly enhanced the overall competitiveness of the rural economy. This lack of growth has hindered their capacity to create meaningful rural wage employment and foster diversification within the economy. The answer to this paradox lies within the Entrepreneurial Economy Theory. The theory clearly posits that there are certain characteristics that should be exhibited by enterprises found in entrepreneurial economies, namely high levels of creativity, innovation and use of appropriate ICT tools and technology. This argument by the Entrepreneurial Economy Theory is supported by empirical evidence generated by this study, which show that the few craft enterprises that were found to be earning above the R5 000.00 notch were producing craft items that were innovative, demonstrating high levels of creativity. Their relative success was derived from infusing traditional designs with modern ones to produce innovative crafts that were genuine and of good quality.

Such innovative craft products were found to appeal to a variety of consumers, both at the local and international markets. Moreover, some serve multiple purposes, which further heightened their appeal to a wider market than ordinary craft items produced by the majority of craft enterprises. For instance, the wooden spoons can be used for cooking as well as for decorative purposes. The same applies to *umbaco* (traditional attire). The market for the ordinary *umbaco* was only confined to the local market, whereas the innovative *umbaco,* with contemporary designs, was found to appeal to both local and international markets. It can be worn by many people regardless of cultural values embedded in such traditional attire. Although the Entrepreneurial Economy Theory does not emphasise the importance of skills development as one of the requisite characteristics for the success of such rural enterprises, empirical evidence generated by this study suggests that it plays a crucial role. Constant upgrading of skills was found to be the force behind the production of quality and innovative products by few rural artisans who are earning relatively healthy returns. Owners of these top earning enterprises indicated that they received training on a regular basis, especially on product development. The training was either funded by government or artisans themselves.

In general, the implication of this finding is that the competitive advantage of such rural enterprises derived from the control of homogenous natural resources, indigenous knowledge, and traditional skills on its own is not enough to improve the competitiveness of such enterprises. Such competitive advantage should be complemented by creativity, innovation and constant upgrading of skills to ensure the production of high value craft items that can compete successfully at the local and international markets. Unfortunately, most craft enterprises were found to be lacking in such characteristics.

BARRIERS TO RURAL CRAFT ENTERPRISES GROWTH

The article identifies several factors that significantly impede the potential of craft enterprises to contribute meaningfully to the generation of rural wage employment and income generating opportunities in the study area. Among these obstacles, are poor road infrastructure, limited access to reliable markets, inadequate skills and lack of creative innovation. These challenges are closely intertwined with the finding that a considerable portion of craft enterprises in the paper area are involved in activities that yield low returns. Consequently, low returns tend to restrict their growth potential, as the income generated from these enterprises remains insufficient to facilitate savings or investments. The probability of these rural craft enterprises remaining as individually operated entities was found to be high. This reality further diminishes the likelihood of these enterprises becoming engines for creating income and job opportunities.

CONCLUSION AND RECOMMENDATIONS

The article examined the impact of craft enterprises on rural development with specific reference to household well-being, income generation and job creation in rural Port St John’s Municipality. The findings indicate that these enterprises are undercapitalised as shown by the widespread use of rudimentary tools of production. They are also significantly small in terms of labour force, and they generate low returns. Most of the enterprises started as one-person enterprise and have stayed that way. These enterprises were found not to generate substantial employment opportunities but serve as a form of self-employment, especially for marginalised groups, women and individuals with limited education. However, income from these enterprises contributed to household well-being, enhancing food security, and enabling modest economic advancement of rural artisans. Some participants were observed to have gained assets like livestock and build new homes, illustrating that craft enterprises offer an alternative means of generating rural income and serving as safety nets for the most vulnerable individuals in society. The article also highlighted a significant skills gap in the craft sector. Most of the rural artisans relied on indigenous skills passed on from generation to generation. The article recommends that customised training programmes that will empower rural artisans with both technical and soft skills and enable them to produce innovative, high-quality, and authentic crafts, be implemented.

One of the policy implications arising from this study is that policy interventions have to be based on the desired impact in order to ensure that investments are not wasted in ghost projects. Furthermore, policy development for rural development has to consider critical analyses of the constraints that prevent the non-farm craft enterprises from making substantial impact on rural poverty reduction. In doing so, policy must be more than a blunt tool; instead, it has to focus on the differentiation of non-farm craft enterprises because some target the local whilst others target the international market. Just making huge investments of resources into the existing rural non-farm craft enterprise policies and structures will be inadequate because there are various local and global market dynamics that require dedicated attention in order to ensure that rural SMEs may ably access such markets. Policy must take into account the fact that local rural markets do not have the necessary money threshold circulation due to the severity of rural poverty. Another policy implication that needs attention is that rural enterprises tend to be concentrated in similar goods and services because they mostly rely on available environmental resources. So, policy has to be crafted in a manner that it may provide support for those ventures that would require input resources from outside the immediate rural locality. That is, policy must create opportunities for diversification which is recognised as a pillar of rural development strategies. Diversification needs to be promoted through policy intervention, which would also entail research into the role of diversification in rural development. There is a need for future studies to investigate the relationship between rural livelihoods diversification, especially regarding non-farm craft enterprises, with rural development. For sustainability, it is necessary that policy addresses the relationship between rural non-farm craft enterprises with sustainable development because most of such SMEs exploit local natural resources. Unavoidably, rural non-farm craft enterprises diversification has limits that are imposed by the low-resources availability in communities that are formerly disadvantaged in South Africa. As a result, policy has to be based on understanding of the diversification limits of rural community environments in order to ensure that strategies promulgated are fit for purpose.

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STUDENT ENTREPRENEURSHIP INCUBATION FOR SMALL AND MEDIUM ENTERPRISES AT THE CENTRE FOR ENTREPRENEURSHIP AND RAPID INCUBATOR IN THE EASTERN CAPE PROVINCE, SOUTH AFRICA

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ABSTRACT

Using the Centre for Entrepreneurship Rapid Incubator (CfERI) at the Nelson Mandela University in the Eastern Cape Province, South Africa, the article aims to investigate the notion of regional economic drive that could be founded on university strategic partnerships and initiatives that create ecosystems for nurturing and transitioning emerging student-entrepreneurs for participating in economic growth through small and medium enterprises (SMEs). In essence, the article tests the student entrepreneurship incubation impact, entrepreneurship ecosystem incubation and socio-economic transformation cultivation agency of the Nelson Mandela University CfERI through SMEs as student-entrepreneurs transitioning hub in the Eastern Cape Province through agriculture, manufacturing, ocean and tourism economy. The purpose of the CfERI initiative is to promote student entrepreneurs as responsible citizens and to cultivate agency for socio-economic transformation and transition to SMEs in the provincial economy. The article argues that this initiative is a strategic milestone that promotes local emerging SMEs and expands economic growth horizons for the province. It presents a qualitative conceptual study that undertook in-depth evaluation of exiting literature to demonstrate that such student entrepreneur transitioning to SMEs is significant. It finds that institutions of higher education have a vital role to play in incubating entrepreneurs, as strategic partners, for socio-economic transformation. It recommends that similar initiatives be adopted by higher education strategic partners in other provinces in order to contribute towards provincial strategies for economic growth, employment generation and development. It recommends policies that promote entrepreneurship education which is critical in developing students' entrepreneurial aspirations and inspiration. It recommends the creation of a national attitude of entrepreneurship orientation with specific reference to "pro-activeness, innovation and risk-taking" in order to increase the likelihood that citizens would seek to start and sustain businesses.

Keywords: Entrepreneurship, Higher Education Institutions, Small Medium Enterprises, Socio-economic Transformation, Eastern Cape Province

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INTRODUCTION

The role of higher education is crucial in the establishment of an ecosystem for a thriving economy. This notion vindicates South Africa's national plan which recognises that higher education must be responsive to the development of regional localities (Sibanda, Ndlela & Nomlala, 2020). Higher education does not only exist for offering academic certification and training intervention that generates skills for the market economy, it also responds to socio-political and economic pathways for sustainable futures (Cortese, 2003). To this end, higher education has to embed social mobility in society by nurturing cutting edge ideas in response to national economic growth challenges. As higher education institutions, universities are regarded as social engines that catalyse sustainable development through innovative ecosystems that prioritise ongoing redesign of the economy and transformation of the social landscape for empowerment of underprivileged people (Cai & Chen, 2020). The South African higher education, as a whole, was designed to respond to the reprioritisation of the entrepreneurship praxis as part of a renewed educational pedagogy. The purpose of this entrepreneurship praxis is to inculcate an entrepreneurial mindset amongst students in order that they become innovators who introduce new services, products or technology to solve social challenges (Schimperna, Nappo & Marsigalia, 2021). In their effort to offer entrepreneurial education, universities have taken student entrepreneurship as part of research niche, with minimal practical applications. Entrepreneurship education is offered to challenge students in order that they may reimagine how their educational trajectories could transform contrasting societal landscapes (Da Silva, Costa & De Barros, 2015).

This study makes several contributions to existing knowledge. Literature generally demonstrates that student entrepreneur transitioning to SMEs is significant and relevant to emerging economies. This study contributes a case study material from the CfERI in the Eastern Cape, South Africa. Literature analysed the concepts of student entrepreneurship incubation and ecosystems, and this study has evaluated the founding principles to determine if student entrepreneurship incubation could potentially transition student SMEs for potential contribution to economic growth in emerging economies such as South Africa. There exist no such studies in South Africa; hence, this study is a trail-blaiser for universities in the country. It shows that ventures such as the CfERI are not only significant to economic growth as the existing literature contends, but that they are strategic as future drivers of SMEs in emerging economies. Entrepreneurship incubation of students is itself futuristic in that it builds a cohort of youthful entrepreneurs for intergenerational transition in the emerging economies. Also, the study demonstrates that universities can be the best entry points for the incubation of entrepreneurship among the youth for building economies around SMEs. The study makes a point in literature that such ventures can potentially extricate emerging economies from external dependence, especially if universities in the country enter into partnerships with the state and establish such centre to incubate entrepreneurship among a substantial host of youth. It indicates that such ventures can potentially ensure that students who enter universities emerge as self-employed entrepreneurs with the capacity to grow their SMEs and become employers. That is, it points to the possibility that studying for a degree does not become an end in itself with the graduate's joining professions as job seekers especially as emerging economies' job creation capacity is muted. Beyond university students, this study reveals that these ventures could accommodate participants from surrounding communities even as they may not be registered. Finally, the contribution of this study is that such ventures could be expanded and funded as part of, if not independent, university programmes. For this reason, this study reveals the significance of geographic context by using the case of CfERI at the Nelson Mandela University in the Eastern Cape Province as well as the necessity of alignment with exiting economic development strategies and initiatives. The study shows that the CfERI is catalytic for future growth and strategic in strengthening of entrepreneurship ecosystems for creativity and innovation because it promotes and shapes students' ideas for contribution towards transformation of society.

The higher education sector had to embrace research and community engagement in order to improve outcomes of the knowledge system (Mohamed & Sheikh Ali, 2021). They seek for positive behaviour by nurturing greater interest in the emerging student entrepreneurship environment (Bridge, Hegarty & Porter, 2010). Post-2017, Nelson Mandela University became part of the higher education sector that accelerated responses for up-scaling student businesses to SMEs. Among others, there are efforts to promote agriculture, reduce poverty and accelerate sustainable development as the strategic goal of the Eastern Cape Province government (Ndhleve & Nakin, 2017). Other strategic drivers for the provincial economy include efforts to use the geographical nature of the coastal areas and indigenous knowledge for marine economy and tourism (Gounden, Munien, Gounden & Perry, 2020). Transformation of tourism for small entrepreneurs gained prominence in South Africa and the Eastern Cape Province as tourism destinations consolidated pathways for promotion of SMEs to participate through integrated systems in the hospitality environment (Rogerson & Sixaba, 2021). These opportunities are arguably enablers that shape innovative entrepreneurs that participate in positioning the Eastern Cape Province as an important destination internationally (Gounden *et al*., 2020). It is in this context that Nelson Mandela University positioned itself as a strategic partner in the promotion of potential economic drivers in the Eastern Cape Province of South Africa. Nelson Mandela University established the Centre for Entrepreneurship and Rapid Incubator (CfERI) which serves as a strategic intervention to promote and shape students' ideas for contribution towards transformation of society. The CfERI serves as a hub of convergence for nurturing student entrepreneurs to establish businesses and to become providers of social needs for sustainable development. It is in this regard that Nelson Mandela University plays a pivotal role in promoting social agency for growing potential areas of economic drive for the Eastern Cape Province through a network of strategic partnerships as part of the necessary ecosystem for promoting start-up businesses to SME levels. This article is largely conceptual and is based on literature review wherefrom analytical concepts are drawn in order to evaluate the founding principles of the CfERI and to establish if student entrepreneurship incubation and their transitioning to SMEs could potentially contribute to economic growth of the Eastern Cape Province in South Africa. The next two sections discuss literature review about entrepreneurship and incubators as well as the Eastern Cape economic growth potential, respectively, in order to provide the contexts within which the role of the Nelson Mandela University's CfERI is evaluated in the fourth section.

PRINCIPLES OF ENTREPRENEURSHIP INCUBATION

Globally, the establishment of entrepreneurship incubators was meant to address the stagnation of innovation, promotion of firm development and modernisation of business (Bergek & Norrman, 2008), thereby seeking to use intergeneration of SMEs to consolidate emerging markets and position rapid incubators as strategic hubs for facilitating potential business growth. Hausberg & Korreck (2020) argue that the establishment of incubators was necessitated by business becoming stagnant and incubators emerging as peculiar institutions for economic development. The practical inculcation of the entrepreneurial culture among youth as a principle of development is meant to constructively interrupt the "*status qou*" in the social structure of society (Sayitkhonov, 2020). The philosophy around the establishment of CfERI, therefore, is to address entrepreneurial knowledge society, create alternative forms of employment and support innovation to grow the economy and the ecosystem (NMU, 2021a). In this context, these principles create vibrancy in setting milestones for implementation. Larson & Chang (2016) suggest that growing business requires understanding of its value in society and the means to transact. The CfERI in its orientation is expected to ensure sound business solution to improve ways of transecting for rural and township economy as it transitions students' businesses into SMEs. The higher education environment cultivates scientific knowledge generation and nurture talent that is expected to change the social material conditions of society through, among other initiatives, economic rapid incubators. Business incubators serve as "magic bullet" for rescuing failure of SMEs and for meeting business scaling target to the estimated value of approximately 75% within three years (Ogutu & Kihonge, 2016). This assertion is mainly based on the principle that incubation is a practical space of support to grow business ideas in order to enter the competitive markets. Incubators are regarded as conducive environment for start-up businesses and scalable enterprises to mature and transition to new market ventures, commercialisation, profitability and sustainability (Ogutu & Kihonge, 2016). It is in this context that the CfERI at Nelson Mandela University is established as a centre of excellence for promotion of ideas that would contribute to strategic areas of the Eastern Cape Province economy.

POTENTIAL BUSINESS ECOSYSTEMS IN THE EASTERN CAPE PROVINCE

The Eastern Cape Province is one of South Africa's nine provinces and is situated in the indigenous heritage site of legendries who contributed to the struggle against colonial and apartheid regimes (Nel, 2019). It consists of massive underdeveloped rural areas that are dependent on few cities and economic zones which support an ecosystem of local economic development. It has its own geo-economic drivers with positive economic factors (Khapayi & Celliers, 2016). This section discusses areas of economic growth for the Eastern Cape Province to reveal the potential drivers and contexts of entrepreneurship incubation.

Manufacturing Sector: Textile Industry

The integration between industry and environment is an important element for the promotion of the wellbeing of any nation; and, its growth provides potential for job creation (Lieder & Rashid, 2016). The manufacturing sector is a necessary response to the production of commodities that are essential for human development and living a dignified life. The manufacturing sector has generally played an important role in economic development, especially the textile industry with the opportunity for global market competitiveness (Haraguchi, Cheng & Smeets, 2017). The Eastern Cape Province economy is considered to be essential for nurturing manufacturing industry as part of artistic innovation necessary for economic growth. Globally, the textile industry remains marketable, and could be explored for community development through imports and exports. Accordingly, Hutahayan (2021) notes that the cross-culture experimentation for social cohesion is exploited through the extensive marketing of clothes and accessories for diverse nations. Also, the textile industry contributes to the tourism industry in the Eastern Cape Province. Growth of business thrives through a small cycle of ecosystem that displays hospitality of the province, catalysing business thinking through a combination of enabling services that enhance eco-tourism (Litheko, 2021). The manufacturing industry serves as a source of creating jobs and enhancing industrialisation for a thriving economy. Arguably, growth of the textile sector reflects potential for job creation whereas downsising of large firms may be reflective of job destruction (Voulgaris, Agiomirgianakis & Papadogonas, 2015). Analyses from China's perspective suggest that the impact of technology has led to the reduction of labour intensity, which seems to be a global trend (Johnson & Noguera, 2012; Los, Timmer & de Vries, 2015; Matyushenko et al., 2022; Phokwane & Makhitha, 2023). The experience of China demonstrates that the fall of industrialisation globally represents an economic crisis in the textile industry; and, South Africa and the Eastern Cape Province have experienced similar realities. In this context, the modern textile industry requires innovation for sustainable future, which the CfERI at Nelson Mandela University seeks to support and to nurture through student entrepreneurship incubators. The article argues that CfERI at Nelson Mandela University is an important driver of student entrepreneurship incubation, networking and growing business into the SME markets through established ecosystems.

Automotive Sector and Economic Growth

The automotive industry has been the most important driver of the Eastern Cape Province economy following the establishments of Volkswagen plant in Gqeberha and Mercedes-Benz in East London. Fiscal expansion of these two centres in Gqeberha and East London positioned the two metros as economic hubs of the province. Kavese & Erero (2018) suggest that infrastructure development is expected to be of good quality in order to inspire confidence for such massive investment and job creation. The automotive industry has changed significantly to involve manufacturing of parts and final product that is ready for use. This business strategy creates strategic growth for employment generation, and it offers the potential for partnerships with the higher education for work integrated learning (Tolmay & Badenhorst-Weiss, 2015). The automotive sector creates an opportunity for markets closer to firms and for workers' access to commodities. This ecosystem for local economic development is viable within the vicinity of these firms that are driven by eco-business strategy.

The automotive industry is in a fast-changing environment of technology; and, benchmarking automotive components industry performance on national scale is crucial for global relevance and secured future (Toyin & Abbyssiania, 2016). Additionally, South Africa remains important in growing the regional economy because of its catalytic strategy of developing the automotive economy through the reduction in trade of the automotive products in the Southern Africa region. In this context, the cultivation of localisation of automotive industry to position South Africa and the Eastern Cape Province in the supply chain for automotive products shows that the province's economy participates on the global stage. In this regard, CfERI at Nelson Mandela University transitions students with ideals that can be explored to create a functioning automotive industry, and it constitutes an important posture for the university that is in service to society.

Tourism Sector as Enabler of Hospitality

The tourism industry is one of the key drivers of the development agenda for emerging economies of the world (Khan, Bibi, Lorenzo, Lyu & Babar, 2020). This article positions tourism as a fundamental part of the development agenda because of its ability to facilitate human mobility and experience. Tourism is an important ecosystem of social cohesion and transformation of human experiences; and, the largest benefits for citizens accrue when tourism allows participation of local entrepreurs by creating a value chain that promotes indigenous products in the heritage site. Tourism exposes the indigenous heritage site of the province for learning history of the Xhosa nation in a more organise manner, enabling eco-tourism to flourish. Sindiga (2018) suggests that the structure of tourism in any country reflects an important ecosystem that exposes heritage sites to the competitive market economy. The existence of tourism creates the potential to promote cultural heritage for continuous learning and for nation-building (Jovicic, 2016; Phokwane & Makhitha, 2023). In this regard, tourism establishes opportunities for collaboration as it requires transportation, food and entertainment, and lodging facilities and hospitality for the Eastern Cape Province. Tourism is the area of strategic nurturing of emerging entrepreneurs for inclusive growth, as contemplated by the CfERI, because of human mobility and the student entrepreneurship incubation policy framework of the university.

Agricultural Sector and Poverty Alleviation

The establishment of an enterprise for agricultural products plays an important role in providing family subsistence whilst enhancing livelihoods in developing nations (Mukarumbwa, Mushunje, Taruvinga, Akinyemi & Ngarava, 2017). Food security represents an important response to the sustainable development because it seeks to generate a relatively competitive local market, beyond assurances of subsistence. Access to food is a game changer for self-reliance and creation of short-term employment that contribute to homestead economies, particularly to rural communities in provinces such as the Eastern Cape (Ebenezer & Abbyssinia, 2018). For this reason, agriculture is an instrument for addressing systemic rural poverty as well as a driver for job creation, local economic development and social change. The Eastern Cape Province possesses potential for agricultural development because of the number of farmlands it hosts. Agricultural land has the potential for driving economic development; and, in the absence of its redistribution, the majority of rural poor continue to be disadvantaged and destitute. The Eastern Cape Province has vast land for agricultural investment that requires innovative and collaborative ecosystem for enabling emerging farmers to transition to the SME level; and, Nelson Mandela University CfERI is positioned to intervene in this strategic area of economic growth, as a partner.

Marine Economy Business Ecosystems

In terms of its geographical position along South Africa's south-eastern coastline, the Eastern Cape Province holds the potential for exploration of the marine economy in multi-dimensional ways that could contribute to economic growth. The marine economy could be explored for sport given that surfing is an elite sport that attracts tourists as part of the business ecosystem (Du Preez & Lee, 2016). As part of the integrated business strategy, the ocean is natural infrastructure for hosting annual competitions of "Ironman" in Gqeberha, one of the Eastern Cape Province cities, which creates business ecosystem for tourism, hospitality, transport, accommodation and medical services. In this context, marine economy creates an important business ecosystem for the Eastern Cape Province. Also, the marine economy could allow for local business suppliers to participate in the logistic arrangements for imports and exports, if appropriate policy, governance and transport frameworks are provided (Barbier, 2017). Following the launch of the Blue Growth Strategy in 2012, appreciation for the value of marine ecosystem products and services grew significantly (Austen, Andersen, Armstrong, Döring, Hynes, Levrel, Oinonen, Ressurreição & Coopman, 2019). In this regard, continued improvement of the marine economy requires rethinking of strategies for student entrepreneurship incubation and empowerment. The marine ecosystems also serve to safeguard the ocean and, therefore, shield coastal populations and property from effects of global warming and damaging storms, by building and maintaining appropriate infrastructure (Barbier, 2017). The ocean is a protected heritage site that requires regulation in order to safeguard it from human harm and property developments. The key aspect to marine services is a culture of cleanliness, and compliance involves job creation and business for SMEs at the local level. It is in this context that the CfERI at Nelson Mandela University seeks to nurture student entrepreneurs and to explore the entrepreneurial gaps that could support the functioning of the marine economy in the Eastern Cape Province.

CfERI, ENTREPRENEURSHIP INCUBATION AND BUSINESS ECOSYSTEMS AT THE NELSON MANDELA UNIVERSITY

The establishment of enterprise development is a national goal and a subset of the socio-economic transformation agenda for South Africa (Zafar & Mustafa, 2017; Matyushenko et al., 2022; Phokwane & Makhitha, 2023). The role of universities is in this context an embodiment of reimagining a self-liberated socio-economic lens. The involvement of the Nelson Mandela University in enterprise development started in 2018 in the form of a Student Entrepreneurship Hub, which evolved into a Centre for Entrepreneurship and Rapid Incubator (CfERI) in 2020. The centre sought to create impactful intervention from the exploration of student-economy as a foundation for cultivating campus self-service discovery (NMU, 2021a). In this regard, the centre was established to embrace Vision 2020 of Nelson Mandela University and the new Vision 2030 with a student-centricity posture to cultivate impactful interventions that support holistic student growth (NMU, 2021b). In this context, it addresses the National Plan on Higher Education that compels universities to be in service to the society. This section addresses principles, high-level endgame for the establishment of the centre and the 2019-2022 outcomes.

Principles, Objectives and Outcomes of the CfERI in the Eastern Cape Province

The stated vision of the CfERI is to nurture innovation through a collaborative ecosystem of entrepreneurship within Higher Education that fosters sustainable economic growth in for Eastern Cape

Province (NMU, 2021a). In support of this vision, the CfERI set out a mission of driving courageous, intentional development, commercialisation and entrepreneurship that advances the economy of the Eastern Cape Province by providing student entrepreneurs and youth-owned enterprises with access to mentors, advisors, training, capital and sound entrepreneurship ecosystems (NMU, 2021a). To this extent, the CfERI adopted six values, namely: Diversity; Excellence; Ubuntu; Social justice and equity; Integrity; and Environmental stewardship (NMU, 2021a). These values are thought to promote redress and equality, given the historic legacies of imperialism and apartheid; and, they resonate with Nelson Mandela University's mission, which is to produce intellectual capital that is in service to society (NMU, 2021a). The context of value-based intervention is purposeful because it seeks to leverage impact to change the economic conditions through sustainable ecosystems (Conrad, Vaughn, Grembowski & Marcus-Smith, 2016; Matyushenko et al., 2022; Phokwane & Makhitha, 2023). In meeting the vision and mission, CfERI set objectives that are thought to be game changers for cultivating social agency amongst youth to reimagine transformation of the economic landscape. The six CfERI objectives are: To establish the Centre for Entrepreneurship Rapid Incubator as a hub for stimulating, supporting and increasing youth participation in sustainable enterprise development; To provide a range of demand-based entrepreneurship support to higher education students within an enabling and supportive environment, through a network of support partners; To support the establishment of youth owned SMEs businesses in the region and ensuring that they positively contribute to local economic development; To address youth unemployment rising figures as a contribution to a developing nation through promoting and supporting entrepreneurship as a vehicle to stimulate jobs; To make the Nelson Mandela University and SEDA partnership self-sustainable; and, Align the focus areas in locating it within the context of the potential areas of economic development for the Eastern Cape Province (NMU, 2021a).

In 2017, Nelson Mandela University shifted from research and practical evidence to vocational training for student entrepreneur (NMU, 2021a), which assisted in the creation of awareness for student entrepreneurship. The vision 2030 strategy of Nelson Mandela University reflects the commitment in changing the lives; and it embeds student-centric educational opportunities, innovative research and transformative engagement that contribute to a better world (NMU, 2021b). The notion of education remains a strategic intervention to regenerate skills that are of a cutting edge of innovation to contribute meaningfully to the growth and strategy of any Eastern Cape Province. Apart from the Nelson Mandela University strategy, the regional alignment is an important aspect of creating entrepreneurship ecosystems. The provincial growth and development strategy of the Eastern Cape Province points to the direction of key drivers of the Provincial Growth, Employment and Development Strategy (ECPGEDS) being agriculture, tourism and hospitality, manufacturing, and the emerging marine economy (Khapayi & Celliers, 2016).

Additionally, this strategic alignment is also enabled by pillar 3, output 7, of the National Integrated Small Enterprise Development (NISED) Masterplan, which asserts that governments should support growth of SMEs through effective entrepreneurship ecosystems that are both financial and non-financial (RSA, 2022). In this regard, CfERI at Nelson Mandela University is on a similar pathway of the niche areas of potential growth of the Eastern Cape Province economy in line with the ECPGEDS and the NISED Masterplan. The centre was fully funded in terms of the infrastructure grant in partnership with SEDA, which leveraged on university's role in enterprise development. Also, the centre has internal and external partnerships, including those with township incubators and those seeking to improve efficiencies of rural and township economies. The centre is also supported by Propella Incubator in terms of drawing capacity to grow the ecosystem and financial institutions in funding the best ideas that can mature to the SME level. This CfERI's growing impact is a symbolic of the art of expanding the ecosystems that have direct impact in nurturing emerging business idea (Williamson & De Meyer, 2012; Matyushenko et al., 2022; Phokwane & Makhitha, 2023). Also, the CfERI is leveraging on the academics to address the niche areas of research in entrepreneurship and ecosystem, and externally through a signed MoA with other institutions of higher learning in the Eastern Cape Province (NMU, 2021b).

Comparative Annual Outcomes of the CfERI, 2019-2022

The scholarly enquiry requires to present the arguments that support the linking themes to explain the nature of the findings that are fundamental to provide conclusion. Yu, Kraft & Menzies (2018) suggest that almost 95% of literature review studies often identify the relevance of the literature as predictive on how the world is organised. Literature review assists in the understanding of thematic issues for strengthening people's understanding on how concepts are connected to impact (Faller & zu Knyphausen-Aufseß, 2018; Matyushenko et al., 2022; Phokwane & Makhitha, 2023). Based on desktop study, the contribution of the CfERI at Nelson Mandela University to potential areas of economic growth in the Eastern Cape Province is presented in this subsection. The establishment of institutions that impact on human development represents ideals that drive impactful change (Jones, Woods & Guillaume, 2016). This notion is a centrepiece of a practical self-liberating agency for social change. In measuring the outcomes of the performance of CfERI, table 1 below signals constant change of nurturing a business idea to SME level.

Table 1: Student Success Stories in the CfERI Enterprise Development

Year	Number of Students Entrepreneurs	Category of Business	Impact
2019	2	Intra-campus shuttling (Transport services)	These businesses enterprise changed lives of students in addressing shortage of internal hopping shuttle with a turnover of about 8-15 thousand profit on a monthly basis. The short-term employability of four people was created.
2019	1	Small scale chicken and eggs farming (Agriculture)	The farming was able to deliver fresh eggs and chickens for students, staff and community which saw a turnover of 7 thousand profit per month.
2020	4	Clothing and Jewellery textile	The four (entrepreneurs) assisted in delivering new fashion as part of exploring student and youth market. The market grows in other parts of eastern cape attracting youth and was able to produce 15-20 thousand profitability a month.
2020	2	Agricultural farming	One of the students developed a small-scale farming to explore community market during Covid-19, while another entrepreneur established a vegetable farming in Qonce, in King Williams Town and it is currently a thriving self-sustaining enterprise.
2021 & 2022	4	Travel Agency (2) Bakery (1) Brick Manufacturer (1)	Two travel agencies are up and running in Gqeberha to boost tourism industry, and one Bakery is running with the branch in Limpopo boosting hospitality sector. The last enterprise was established to reimagine development of a brick utilising plastic and class, with less mutter. This enterprise is running a brick yard supporting infrastructure of good quality towards alternative method of building.

Source: NMU (2022)

Of the five potential areas of entrepreneurship ecosystems in the Eastern Cape Province, as identified in this article, the CfERI has made direct contributions to three over the period 2019-2022 (table 1). The marine economy and automotive industry remained unexplored as of 2023. However, the CfERI undertakes to grow in these areas in the near future as and when interested incubates with positive ecosystems are discovered. When the CfERI was established at Nelson Mandela University, there was growth in student entrepreneurship and some students were already involved as entrepreneurs at the SMEs level. But the CfERI had its own impact wherein it produced a total of 13 student entrepreneurs who grew to the SME level between 2019 and 2022 (table 1). Two student entrepreneurs were incubated in the agricultural supply for local markets in the rural Eastern Cape Province in 2019. Between 2021 and 2022, one student entrepreneur established a bakery in the rural Botlokwa Village in Limpopo Province, operated a branch in Gqeberha, using a small space on NMU campus, and was generating significant growth in profits. Other have embarked on the profitable solutions, including manufacturing through a business "Fashion Clinic" which made national headlines in the sector and is now operating in Gqeberha with a reasonable turnover for sustainable future growth. It is in this regards that the CfERI's contribution to the incubation of entrepreneurship ecosystems in the Eastern Cape Province economy is catalytic for future growth and expansion of student entrepreneurs to the SME level.

CONCLUSION AND RECOMMENTATIONS

The article presented student entrepreneurship as an important shift to practical knowledge of redesigning the markets for the emerging SMEs through incubation of entrepreneurship ecosystems in the Eastern Cape Province. The CfERI seeks to cultivate social agency in preparing students for participation in the economy through incubation of entrepreneurship ecosystems. Through literature review, the article demonstrated the importance of transitioning student entrepreneurs to the SME level as a step in intergenerational transition for participation in the economy. The Nelson Mandela University CfERI is aligned with the Eastern Cape Provincial Employment, Growth and Development Strategy in order to activate niche areas through education, supply of new generation of entrepreneurs and strengthening of entrepreneurship ecosystems for creativity and innovation. It is in this context that CfERI at Nelson Mandela University is a relevant strategic response in service to humanity in the Eastern Cape Province. The article makes the following recommendations: each university needs to establish a rapid entrepreneurship incubator to support enterprise development initiatives within their respective region; and each university needs to ensure that there is compulsory alignment to provincial strategy for incubation of entrepreneurship ecosystems.

Several managerial and policy implications can be drawn from this study. First, government has to promote entrepreneurship education which is critical in developing students' entrepreneurial aspirations and inspiration. There is a need for government policies that create a national attitude of entrepreneurship orientation with specific reference to "pro-activeness, innovation and risk-taking" in order to increase the likelihood that citizens would seek to start and sustain businesses. It is necessary that there must be a government policy that all institutions of higher learning, universities in particular, should establish entrepreneurship incubation centres and/or programmes to build entrepreneurship ecosystems in their surrounding communities. Policymakers must recognise that in South Africa a majority of management students and those who enter business schools are not motivated by entrepreneurship intentions; instead, they are largely inspired by the prospects of employability after they graduate. It is government's duty to lead through policy to create a national environment wherein the social norms of wanting to start ad own business is dominant. Government and institutions of learning can play a significant role in creating entrepreneurial attitudes and intentions in the emerging economies. Societal recognition for holding a university qualification is high and it is the driver of the increasing numbers of student seeking entry into universities in South Africa. Strategic policy interventions are needed to ensure that the same level of entrepreneurial attitude and intention are highly perceived and recognised in society as prestigious. Government policy should inculcate entrepreneurial societal mind-set, propensity, and ability to recognise and take entrepreneurship opportunities. Institutional managers will need to find strategic interventions that could counter the prevailing students' attitudes about entrepreneurship, starting with the management students. Management has to encourage entrepreneurship research among academics and reward it as niche area in order to use it as a significant determinant for enhancing individual and group entrepreneurial intention(s). It means that students and staff entrepreneurial intentions and attitudes should be shaped in a manner that perception of feasibility and action are heightened. Furthermore, management has to implement strategies to remedy the low self-confidence and self-esteem among prospective entrepreneurs in society, emanating from strong perceptions of capabilities, self-belief and self-efficacy. University management has to inculcate a culture of "learning-by-doing approach" in entrepreneurship education and research. There is a need for entrepreneurship education programmes and courses in order to provide entrepreneurial skills and to create a conducive entrepreneurship ecosystem for their SMEs transition for contribution to economic growth and job creation.

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INCUBATION OF ENTREPRENEURSHIP ECOSYSTEMS AND INFORMAL COURSE MODEL AT SELECTED SOUTH AFRICAN UNIVERSITIES

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ABSTRACT

South African institutions of higher education are transforming in several ways, including curriculum transformation. One of the curriculum transformation strategies involves the provision of entrepreneurship education to address graduate employability, research output commercialization and increasing third-stream income. Entrepreneurial education and training allow individuals to recognize commercial opportunities as well as enhance self-esteem, knowledge, and skills. It includes instructions in opportunity recognition, commercialization of concepts, resources management and initiation of business ventures. This article aims to explore teaching and learning strategies used in the provision of an informal short course for entrepreneurship education in two South African universities, one in Limpopo Province and the other in the Eastern Cape Province. The purpose is to assess the potential of the informal course to incubate entrepreneurship ecosystems at the two universities. Using theorization of entrepreneurship ecosystem, the article discusses the informal course model and learning outcomes as bases for thematic analysis and determination of potential for entrepreneurship ecosystem incubation at two universities. It finds that such an informal course model has a realistic potential to incubate entrepreneurship ecosystem sustainably. It recommends that more South African universities need to embrace such informal entrepreneurship courses in order to incubate business ecosystems relevant to their diverse provincial environments.

Keywords*:* Entrepreneurship Ecosystem, Teaching and Learning, Participatory Reflection, Business Canvass, South African University

INTRODUCTION

Higher education institutions (HEIs) in South Africa have faced serious challenges during their ongoing transition from apartheid to the democratic dispensation (Coral & Bernuy, 2022). These HEIs have continued to experience challenges relating to the production of unemployable graduates, difficulties of accessing digital platforms as well as producing research that is neither innovative nor impactful to society (Coral & Bernuy, 2022; Matyushenko *et al.*, 2022; Wahab *et al.*, 2023). Essentially, these institutions needed to transform curriculums and their modes of delivery in order to cater for the democratic society's needs whilst sustaining high-quality educational programmes, amidst dwindling financial resources (National Planning Commission, 2022). One of the curriculum transformation strategies involves the provision of entrepreneurship education that is designed to address graduate employability, research output commercialisation and increase third-stream income. Entrepreneurial education and training allow individuals to recognise commercial opportunities, commercialise research, manage resources, boost self-

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esteem, acquire knowledge and business skills (Hayter, 2016; Clauss *et al*., 2018). Provision of entrepreneurship education is crucial to fostering innovative talents, which is a driving force for future growth (Morselli & Gorenc, 2022). Therefore, entrepreneurship is key to socioeconomic development because of its potential role in increasing levels of job creation, building economies and fostering social transformation (McDonald & Hite, 2018; Tcherneva, 2020). For competencies such as lifelong learning, creative thinking and cultural growth, entrepreneurship provides a platform to assist students in adapting to rapid technological change (Matyushenko *et al.*, 2022; Wahab *et al.*, 2023). Society's state of flux and the labor market imply that training of young people in innovative and creative thinking through entrepreneurship education is of critical importance in the present world (McDonald & Hite, 2018).

Entrepreneurship development in South African universities began with the project lead by Universities South Africa in 2017 (Usaf, 2022). This article explores teaching and learning strategies used in the provision of entrepreneurship education in an informal short course at two South African universities, which started in 2018. Both universities belong to the historically disadvantaged institutions among the twenty-three universities in South Africa. One of the two universities is situated in Limpopo Province, which has potential in agricultural production and mining. Additionally, this province is a gateway to other African countries such as Botswana, Zimbabwe and Mozambique. Training entrepreneurs has the potential to boost economic growth, especially if students from this university can acquire entrepreneurship skills, given the natural resources available and the geographic location. The second is in the Eastern Cape Province, with campuses in different places, inclusive of rural areas rich in agriculture and cities with industrial sites. The university has a competitive advantage as it is close to the harbour and economic industrial zones that promote exportation. The universities promote entrepreneurship activities and attract external support, particularly the European partners. Teaching entrepreneurship in both universities is challenging; hence, it focuses solely on provision of basic entrepreneurship skills to the university and surrounding communities. The informal short course aims to equip participants with entrepreneurial skills that are essential in curbing graduate unemployment, commercialization of research and reducing the failure rate of Small, Medium and Micro Enterprises (SMMEs). The focus of the entrepreneurship education short course is to create an entrepreneurial mindset for the future and to empower participants in order that they may start business ventures or sustain existing ones. The success of this course can be measured through indicators such as trained entrepreneurs accessing finance, overcoming business barriers, accessing markets and addressing intellectual property issues. One of the curriculum transformation strategies suggested for South African universities is to use participatory reflection and action approach for teaching and learning entrepreneurship; and the informal short course applied the same approach.

LITERATURE REVIEW: THEORIZING ENTREPRENEURSHIP ECOSYSTEM

Mason & Brown (2014) define an entrepreneurship ecosystem as a set of interconnected entrepreneurial actors, entrepreneurial organisations, institutions and entrepreneurial processes which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment. This indicates that an entrepreneurship ecosystem involves a dynamic and systemic system with actors, institutions and processes (Brown & Mason, 2017). This section discusses the theorisation of entrepreneurship ecosystems, course design thought processes and mediation approaches to establish conceptual analytical tools for the assessment of the informal entrepreneurship course's potential for incubating entrepreneurship ecosystems.

Theorisation of Entrepreneurship Ecosystems

Universities have become key institutions to entrepreneurship development though still challenged to structure entrepreneurship activities. This led to some economists developing theories to enhance the entrepreneurship development. For instance, Roundy & Fayard (2019) developed a dynamic capability theory, where institutions (universities in this case) create an entrepreneurial ecosystem that allows activities like venture creation. In this theory an institution should be dynamic to adapt the changing conditions of the society. The identified opportunities to create businesses should be dynamic in seizing and reconfiguring available resources for effective entrepreneurship processes. This can create a competitive advantage for commercialisation of the products the university produce. The dynamic capabilities refer to the university's managerial skills and organisational processes that are entrepreneurial in nature. Being an entrepreneurial university implies an institution that drives competitive advantage by providing opportunities that make sense and are seized (Roundy & Fayard, 2019).

Shwetzer, Maritz & Nguyen (2019) refer to the entrepreneurship ecosystem as a holistic and dynamic approach. This is extending the dynamic capability theory to include other elements that make the system holistic. These elements of entrepreneurship are mentioned as "antecedents, actors, resources, network and institutional perspectives, value creation," to mention a few. The view is that an entrepreneurial ecosystem in institutions creates opportunities for collaborations to create new ventures (Roundy & Fayard, 2019; Shwetzer *et al.*, 2019). The system that holistically approach entrepreneurship recognise the behaviour of politicians, communities and institutional actors to be entrepreneurial in the way they are conducted in universities (O'Connor & Audretsch, 2023). To support environments that allow innovative venture creation, the entrepreneurship ecosystem should be characterised by investment capital, cultural activities, social networks, universities and economic policies (Johnston, Lassalle & Yamamura, 2018; Donaldson, 2021; Matyushenko *et al.*, 2022; Wahab *et al.*, 2023). Based on these definitions, several theories on entrepreneurship ecosystems were derived, providing principles about the catalysis of sustainable economies.

The following theories are a base for governments both in developed and developing countries to ensure that building sustainable economies entail strong entrepreneurship ecosystems. The Social Network Theory promotes connections to drive co-creation and knowledge transformation for building economies (Spigel, 2020; Boucher, Cullen & Calitz, 2021). This theory advocates for an entrepreneurial ecosystem that allows knowledge spillovers, spinoffs and access to markets within the new venture creation. There is knowledge exchange within the networks and relationships are built to form a balance between competition and cooperation for strong markets in the network chain (Cao & Shi, 2021). The relationship between knowledge spill-over and entrepreneurship activities can be demonstrated by a Structural Holes Theory, where resources such as people, skills, knowledge and capital circulate among actors. This theory assists in how the holes in businesses can be filled by sharing information and other resources to strengthen networks (Spigel, 2020; Boucher *et al*., 2021). In addition, the Absorptive Capacity Theory of Knowledge Spill-over reinforces these theories by allowing an entrepreneur to take advantage of the available knowledge for participation in entrepreneurial activities (Boucher *et al*., 2021). For a successful venture creation, the entrepreneur uses skills based on acquired knowledge or experience in order to exploit opportunities that make business sense. In the entrepreneurship ecosystem, informal and formal institutions play a crucial role (Boucher *et al*., 2021). For instance, formal institutions such as universities use policies and regulatory measures to implement entrepreneurship activities. For informal institutions, the entrepreneurial behaviours focus on cultural and social constructs (Cao & Shi, 2021). So, the Institutional Theory illustrates a dynamic perspective of how institutions, informal and formal, assist in venture creation in terms of location and improved performance. This article adopts these theories to illustrate how entrepreneurship skills can be acquired by entrepreneurs for effective venture creation. Social networks and spillovers maximise entrepreneurial activities for building economies.

Entrepreneurship Course Design Thinking and Model of Teaching and Learning

Design thinking is chosen as the relevant pedagogy on combining the different modules to form the entrepreneurship course. Design thinking is defined as the pedagogy used by entrepreneurs to use entrepreneurship skills to identify and solve problems in the surroundings (Sarooghi, Sunny, Hornsby & Fernhaber, 2019). In design thinking, an entrepreneurial approach implies that designers combine tools, processes and mind-sets to solve problems (Linton & Klinton, 2019). For instance, in the informal course for the two universities, design thinking is key when it comes to entrepreneurs identifying problems that have a potential to be profitable businesses. The processes include skilling the entrepreneurs with ways to handle finances, competitors, strategic planning and others as mentioned below (Saroghi *et al*., 2019). In design thinking, an entrepreneur formulates specific, measurable, achievable and time-bound goals (Tselepis & Lavelle, 2020). These goals need to be sustained and plans developed to keep up with the set goals throughout the business. The key to design thinking points to goals set on solving problems that have a potential to be successful business. This means that the solutions are innovative, hence design thinking is the characteristic of an entrepreneur (Linton & Klinton, 2019). Entrepreneurs are seen as designers in problem-solving and they use skills for designing like in engineering or fashion courses. There is a need for entrepreneurship education in design thinking, which can be linked to entrepreneurship curriculum as demonstrated in this article. For example, the teaching approach in the curriculum need to include a business canvass and plan to be used for evaluating the business and application for funding in order to grow the business. The business canvass has a part on design thinking, where the entrepreneur fills the spaces for opportunities identified and strategies to provide solutions (Kummitha, 2018).

On teaching and learning entrepreneurial course, the article adopts the theory of change, model of teacher change and constructive alignment theory. The theory of change refers to how and why an initiative works and, therefore, finding a link between inputs, activities, outcomes and the context of the initiative (Meoli *et al.*, 2021). It proposes strategies for the transformation process of curriculums in universities. The model of teacher change shows the pedagogical perspectives in the teaching of entrepreneurship courses (Guskey, 2002; Kaasila & Lauriala, 2010). This model relates the professional development and success of teachers to changes in classroom practices that entail a new instructional approach, teaching entrepreneurship in groups, the use of new material or curriculum, focus on people, planet, profit or a modification in teaching procedures for classroom formats, a model that starts with a lecture, then activity and then feedback. A constructive alignment theory is a student-centered approach, where students discover things from their environment and are developed to be critical thinkers (Joseph & Juwah, 2012; Loughlin *et al*., 2021; Rokooei *et al.*, 2021). When students are taught entrepreneurship, they use constructive alignment as critical thinkers on how to solve problems in their surroundings. The facilitators assist students to craft ideas for businesses by identifying societal problems and designing strategies to turn them into business opportunities.

It is universally accepted that entrepreneurship courses are to be provided using participatory reflection and action approach. The facilitator has to address the learning outcomes of the course (Guskey, 2002). The focus has to be on entrepreneurship thinking. One of the first activities could be that participants introduce themselves as well as their towns and business opportunities they perceive therein. Thereafter, they will mentally travel to the towns of interest in the hope that such an activity would activate their listening skills as they will be needed throughout the course (Loughlin *et al*., 2021). Groups are formed based on the business interests of the participants; and, these groups will be maintained for continuity in planning and construction of business plans in subsequent modules. Entrepreneurship course should ensure that participants are trained on how to identify problems that have the potential to be the foundations of businesses and to brainstorm among themselves. It has to encourage participants to document sustainable opportunities or solutions that address people, the planet (environment) and profit equally. The course has to introduce research skills, beyond the manual that defines an entrepreneur, in order to learn about uses of authentic sources and search engines in ways that enforce learning by doing, identification of capabilities and skills for sustainable entrepreneurship sustainability (Rokooei *et al*., 2021).

Entrepreneurship course has to provide feedback, using the "Sandwich Rule," which starts with a positive point, finishes with a positive point, but deals with negative feedback in between (Von Bergen, Bressler & Campbell, 2014). It has to apply constructive alignment and continuous communication. The PRA approach entails exposure to skills such as planning, finding starting capital and financial management as well as setting SMART (simple, measurable, achievable, realistic and time-bound) goals for sustainable enterprises, in order to empower participants with planning skills. These activities should involve: Preparation of enterprise plan describing the goals for the triple bottom line of people, planet and profit; Preparation of a development plan that shows things to do in order to make money and enhance social and/or ecologic quality; and, listing of all raw materials, suppliers, equipment, tools, machines, technology, premises, space, facilities and buildings needed. The course has to also deal with finding starting capital and several skills on access to finance for starting a business, management of funds including budgeting as well as bookkeeping, which includes pricing of the products/services. It has to cover planning of a marketing mix strategy relating to product, price, promotion and people. For example, how does one differentiate products/services from those of competitors? Creativity and problem-solving skills are some of the key characteristics of entrepreneurs. Creative thinking can be enhanced by identifying opportunities that can be changed into sustainable businesses. When defining an entrepreneur, an activity comparing a champion athlete to a champion entrepreneur can be done and use personal characteristics, practice, potential ability, tools and technology as pointers in the comparison. When solving problems in business, creativity is needed in order to overcome barriers. Risk management assesses risks and problems that apply to business and explain how they might affect it as well as outlining plans to counter the risks. In essence, how does one deal with these risks and problems, avoid mission drift and deal with emotion management?

SOUTH AFRICAN UNIVERSITIES AND ENTREPRENEURSHIP ECOSYSTEMS INCUBATION

In the development process of entrepreneurship in universities in South Africa, there are collaborations with European universities for support. For instance, Entrepreneurship Development in Higher Education is supported by the British Council. For example, Technological Higher Education Network South Africa is supported by the European Union and the Student Training for Entrepreneurial Promotion in Leuphana University Germany. Also, some South African teachers were trained to provide entrepreneurship to students through a collaboration of two universities, one in South Africa and another in Germany (Bohlayer, 2023). There is a vast difference in South African universities due to apartheid legacies, geographic environments, resources and budgets as well as curricula on offer (Universities South Africa (Usaf), 2022). There is Entrepreneurship Development in Higher Education (EDHE) that formed communities of practice for assisting coordinators to develop the concept at all South African universities; and, this Usaf provides workshops for researchers. The requirement for transformational development has also meant that South African universities have to explore entrepreneurship education models (Tcherneva, 2020; Morselli & Gorenc, 2022). Universities are expected to invest their resources in different strategies that could enable small enterprises to evolve into high-growth firms and eventually compete on a global stage. Additionally, universities are expected to produce graduates that can compete globally and tap into the virtues of entrepreneurship (Tcherneva, 2020). An entrepreneurial university should have staff and students with characteristic features such as creativity and innovation, risk-taking, initiator, strategist as well as active participation in identifying opportunities and making decisions in organisations (Ncanywa, 2019). For successful transformation as entrepreneurship ecosystems, universities should consider creating executive roles at different levels of the system in order to establish themselves as entrepreneurial institutions (Ncanywa & Dyantyi, 2022). Organisations that build sustainability into their core strategies are outperforming those that do not, especially given environmental factors and climate change (Bradley, Parry & O'Regan, 2020). The executive role in the entrepreneurship ecosystem entails developing team skills and capabilities as well as empowering leadership. Leaders need to set simple, measurable, achievable, realistic and time-bound goals. The set goals should reflect the triad of people, environment and profit; and, the focus has to be placed on creating sustainable impact and implementing sustainable practices (Bradley *et al.,* 2022).

Informal Entrepreneurship Course: Modules and Learning Outcomes

An entrepreneurship ecosystem is incubated by training prospective entrepreneurs who would be able to populate business plans and create a business canvas template. Regarding the specific case of the selected universities in this article, entrepreneurship ecosystem involved training of staff and students in a 12-module informal short course (table 1) in order that they may be able to populate a business plan and create a business canvas template. After training, participants are required to produce sustainable business plans; and they are expected to be able to start businesses, expand existing ones, apply for funding and infuse business skills into their jobs.

Table 1: Learning Outcomes and Modules of Entrepreneurship Course

Learning Outcomes	Modules
Learning Outcome 1	Ideation Opportunity Development
Learning Outcome 2	Planning and Implementation
Learning Outcome 3	Marketing Strategic Management & Finding Starting Capital Managing finances Bookkeeping
Learning Outcome 4	Overcoming Barriers Bookkeeping 2 Marketing 2 Business Model Canvas & Writing a Business Plan Registering your Business

Source: Own compilation

The informal entrepreneurship course on offer involves the following components: learning outcomes; recruitment of participants; strategies to encourage the inclusion of diverse candidates; and, the support provided by the institution. The informal course consists of 12 modules, crafted in accordance with four learning outcomes, namely that participants will be able: To identify opportunities that exist to start businesses; To manage time and resources in order to start up business; To develop hands-on skills and knowledge in order to succeed in business, either as self-employed or employed; and, To develop enterprising behavior (table 1). The course is offered in previously disadvantaged universities and poor communities, in rural provinces of South Africa. However, Limpopo Province and Eastern Cape Province are rich in natural resources; hence, the course seeks inclusiveness, especially in addressing global sustainable goals such as poverty, zero hunger and others. In both universities, entrepreneurship offering occurs in a few programs. But the informal course is intended to address graduate employability and to create an entrepreneurial ecosystem. For this reason, the informal course is offered to all interested students and staff. The university community is recruited using awareness campaigns and calls sent through different platforms, such as emails, university radio stations, pamphlets and word of mouth. The course is offered under the community engagement umbrella because the idea is to create entrepreneurship activities in the universities and surrounding communities. For outside communities, the course is offered under the arrangement with institutions that have a memorandum of understanding with the university, especially for the nearby technical and vocational education and training (TVET) College staff and township communities. In the Eastern Cape Province, there was collaboration with the provincial Rural Development Agency for the beneficiation of cannabis.

Both institutions support the informal course initiative; and, in Limpopo Province, the university entered collaboration with a German university for training and starting the course. The university used budget from the University Capacity Development Grant (UCDG). In the Eastern Cape Province, university the student affairs division sourced funding from the teaching and learning division for the initiative. Additionally, university leadership from the Heads of departments to top management supported the initiative. TVET College, for its part, planned all logistics and training. However, the plan of formalising the entrepreneurship course in the hope of charging fees could not be realised. Such plan could potentially allow universities to use the entrepreneur course to generate third-stream income and remunerate trainers. If the entrepreneurship course is formaised, faculties would participate by developing student packages, whilst the university provides the necessary infrastructure (Coral & Bernuy, 2022).

The informal short course links programs that offer entrepreneurship and Enactus, an organisation that supports entrepreneurship, especially in universities. But staff and students found that the course is not repetitive but that it provides a clear and simple way to learn about entrepreneurship. In addition, the entrepreneurship course integrates with other universities' core businesses such as teaching and learning, community engagement and research. Skills used in teaching entrepreneurship spill-over to the teaching skills of Economics and Business Studies. For example, the topic of creativity and problem-solving in Business Studies can be linked to the economic development topic in Economics. Teaching of these topics can be integrated into a project that could identify a social problem and change it into a business opportunity for community development (Ncanywa & Dyantyi, 2022). Teaching entrepreneurship can open opportunities for communities to solve problems while generating income (Bradley *et al*., 2020). In the Eastern Cape, the landscape of inland mountains and beaches for human use are attractive to tourists. However, the challenge is road and network infrastructure to access the tourist attractions, which would require government to develop the infrastructure. One of the core functions of academics is to plow back to the communities and relate curricula to societal needs; and, integrating entrepreneurship education into the community can solve many ills (Bradley *et al.*, 2020). There is integration of entrepreneurship education with research output, regarding publications and crafting topics for student supervision (Ncanywa & Dyantyi, 2022). For instance, several research articles have been published in scientific journals during 2019-2023. Several postgraduate students are registered in entrepreneurship education on a variety of topics, including Prospects of entrepreneurial skills and curriculum transformation; The role of entrepreneurship education in creating an entrepreneurial mindset; and Entrepreneurship education as a transformational and development process.

INFORMAL SHORT COURSE AND ENTREPRENEURSHIP INCUBATION POTENTIAL

Performance of this informal short course is measured in terms of three indicators, namely: ignition of an entrepreneurship ecosystem; recognition of entrepreneurs; and participation of the university community in entrepreneurial activities. In one of the two universities, entrepreneurship is starting to become fashionable as students who attended the course are developing their businesses and participating in competitions. For instance, one student secured R400 000 from the Technology Innovation Agency when she entered a tourism-technology business competition. Also, entrepreneurs showcased their businesses at an award ceremony for their certificates and earned income. There is enthusiasm about participating in entrepreneurship programs such as the EDHE competitions and Enactus activities. In one of the two universities, students participated in business competitions inside and outside the university and were successful. They managed to access funds to buy resources used in their businesses. In 2019/2020, for example, the Minister of Small Business Development awarded funds, between R50 000 and R500 000, to students to start their businesses. During registrations and student entrepreneurship week, they showcase their businesses and earn from sales. The potential for the informal entrepreneurship course to incubate business ecosystems is realistic. The course sought to ensure that participants are able to develop a business plan and canvass, which they could use for funding, registering and marketing business, as well as for pitching in competitions. Knowledge on pitching business empowers students to participate in entrepreneurship competitions; and, two students from one of the two universities won the EDHE national competitions following their training. In the second university, a student secured funding after winning a TIA competition. All groups respond to this exercise, reflecting the success in achieving learning outcomes of the short course.

The main challenge teaching the entrepreneurship course is that the two universities have no established ecosystems (Ncanywa, 2019). Also, there are no policies to guide entrepreneurship activities; as a result, there is confusion about the legal status of the businesses established and there are no protection mechanisms for staff engaged in starting businesses whilst university employees as well as how a university could use entrepreneurship activities for third-stream income. Even when the course is offered under a community engagement responsibility, the challenge is accessing funds for teaching. Another challenge is that when conducted as community engagement, workloads are not considered; instead, researchers continued with entrepreneurship education due to their passion in community development. In one of the two universities, there was a three-year sponsor from the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and Leuphana University from Germany, but continuity became a challenge at the end of the sponsor. In the other university, they chose a model wherein participants are placed in one venue outside the university for successive days, with limited funds from the university teaching and learning division. But the approval process has been frustrating for researchers because of the bureaucratic red tape (Ncanywa & Dyantyi, 2022). Whereas there is realistic potential for the informal entrepreneurship course to incubate business ecosystems at the two universities, the prevalent challenges have been disabling.

ANALYSIS OF THE STUDY RESULTS IN THE CONTEXTS OF THEORY

There are no previous empirical South African studies of the potential for socio-economic transformation based on HEIs entrepreneurship ecosystem incubation. Therefore, this study adds an invaluable case that attests to theoretical arguments about the role of entrepreneurship ecosystem incubation. It is not surprising that there are no empirical studies of this subject in South Africa because the idea of a formal HEIs entrepreneurship ecosystem incubation is still new and universities are only starting now to consider it but have not as yet accredited formal entrepreneurship education programs. The course discussed in this study is informal and voluntary, but it presents important insights. That is, notwithstanding two decades of curricula changes, the South African HEIs landscape continues to lack an entrepreneurship education model due to the programs that are not developmental nor transformational. As a result, South African universities have continued to fail to embrace the virtues of entrepreneurship education as their niche areas for contribution to societal transformation and development. This study shows that South African universities have continued to lag in terms of their need to participate in societal development and transformation through entrepreneurship education and ecosystem incubation, as proposed by Tcherneva (2020), Morselli & Gorenc (2022), Morselli & Gorenc (2022) and Bohlayer (2023), among other studies. That is, South African policymakers failed to take advantage of higher education transformation to create a university entrepreneurship culture wherein graduates are creative, innovative, risk-takers, initiators, strategists and active participants in the societal transformation, or even to establish new entrepreneurship universities consistent with studies such as Ncanywa (2019), Bradley, Parry & O'Regan (2020), Bradley *et al*. (2022) and Ncanywa & Dyantyi (2022).

This study provides the possible scenario under which entrepreneurship ecosystem incubation could ensure that South Africa's HEIs could ably address the challenges of producing unemployable graduates, accessing digital platforms and producing societally impactful innovative research, among other things, consistent with notions expressed by Coral & Bernuy (2022), Matyushenko *et al.* (2022) and Wahab *et al.* (2023). It shows that whereas all the South African HEIs had undergone curricula transformation during the past two decades, entrepreneurship ecosystem incubation was neglected with the result that the present programmes are not responsive to societal needs for graduate employability, commercialisation of research output and generation of third-stream income. Entrepreneurship education was not asserted as a requirement for higher education curriculum transformation; and this study demonstrates the potential that such training would have contributed to South Arica's National Development Plan Vision 2030 if all HEIs were required to craft and implement such programmes. The study points to the national challenge wherein an overwhelming majority of graduates, as well as the academics in management sciences, do not have high entrepreneurial self-esteem, knowledge, or business skills with the result that they are generally unable to recognise commercial opportunities, commercialise research and manage entrepreneurial resources. Consistent with the studies by Hayter (2016) and Clauss *et al.* (2018), this study shows that incubation of entrepreneurship ecosystems is impossible in the absence of widespread entrepreneurship educational training in society. The South African government is at pains trying to find ways of creating employment whilst ignoring the primary resources for job creation, which is using formal HEIs entrepreneurship ecosystem incubation and fostering of innovation talents among youth. Morselli & Gorenc (2022) and Bohlayer (2023) point to this necessary entrepreneurship educational intervention if a society has to create a cohort of youth that would serve as a driving force for future potential economic growth and development. This study demonstrates that for societies such as South Africa, HEIs entrepreneurial education and training is the primary available key to socio-economic transformation, creative thinking, cultural mindset change, technological adaptation, and global competitiveness, in the same way as McDonald & Hite (2018), Tcherneva (2020), Matyushenko *et al.* (2022) and Wahab *et al.* (2023) have proposed.

The study also points to the lack of dynamism and creative innovation in South Africa's higher education with the result that universities have failed to transform into institutions of entrepreneurship development with dynamic capabilities and venture creativity as suggested by Roundy & Fayard (2019). In terms of the dynamic capability theory, South African universities can be considered to be unable to adapt to changing societal environments that require effective entrepreneurship processes and competitive global advantage. University management and organisational structures have continued to lack dynamic entrepreneurship capabilities for the incubation of entrepreneurship ecosystems, which are necessary requirements in the present era as suggested by Johnston, Lassalle & Yamamura (2018), Roundy & Fayard (2019), Shwetzer, Maritz & Nguyen (2019), Donaldson (2021) and O'Connor & Audretsch (2023), among other studies. This study suggests that South African universities are no holistic in their approach to higher education and their participation in societal transformation in terms of entrepreneurship elements such as antecedents, actors, resources, networks, institutional perspectives and value creation as provided for in the literature (Johnston, Lassalle & Yamamura, 2018; Roundy & Fayard, 2019; Shwetzer, Maritz & Nguyen, 2019; Donaldson, 2021; O'Connor & Audretsch, 2023), notwithstanding the numerous opportunities for collaboration. Also, it is clear that government has not had the vision to provide the necessary investment capital, social networks, cultural support and economic policies for universities to seek for catalysis of entrepreneurship ecosystem incubation. In South Africa, there is a serious lack of co-creation and knowledge transformation drive for the entrepreneurial knowledge and skills spillovers, spinoffs and market access as well as risk-taking culture, competitive advantage, capital circulation, resources accumulation, economy transformation and societal development, as suggested in Social Network Theory, Structural Holes Theory, Absorptive Capacity Theory and Instituional Theory by Spigel (2020), Boucher, Cullen & Calitz (2021) and Cao & Shi (2021). This study has adopted these theories in order to illustrate the potential for incubation of entrepreneurship ecosystem, effective venture creation, social networking and entrepreneurship spillovers, using the case of the short informal entrepreneurship course. It shows that South Africa is ignoring an existing potential for entrepreneurship ecosystem incubation through formal higher education entrepreneurial programmes. Finally, although to a limited extent, this study has demonstrated the significance of design thinking in entrepreneurship pedagogy. In accordance with studies by Kummitha (2018), Sarooghi, Sunny, Hornsby & Fernhaber (2019), Linton & Klinton (2019) and Tselepis & Lavelle (2020), this study has shown that design thinking is necessary for innovative entrepreneurship education and the potential for sustainable profitable businesses because of the need for problem solving skills and mindsets as well as strategic financial planning and management.

CONCLUSIONS AND RECOMMENDATIONS

The article used theorization of entrepreneurship ecosystem to discuss the informal course model and learning outcomes as bases for thematic analysis and determination of potential for entrepreneurship ecosystem incubation at two universities in South Africa, one in Limpopo Province and the other in the Eastern Cape Province. Using several theories, the article analysed the informal entrepreneurship course to determine its potential in terms of incubating entrepreneurship ecosystems at the two universities. It found that such an informal course model has a realistic potential to incubate entrepreneurship ecosystem sustainably. Entrepreneurship education and training allow individuals to recognize commercial opportunities as well as enhance self-esteem, knowledge and skills. It recommends that more South African universities need to embrace such informal entrepreneurship courses to incubate business ecosystems relevant to their diverse provincial environments.

Several action-oriented strategic recommendations for policymakers arise from this study. First, South African policymakers have to recognise that the two decades of higher education transformation have failed to create the HEIs into dynamic institutions for societal socio-economic transformation. For these reasons, there is a need for higher education policy rethinking and requirement for universities to be create innovative entrepreneurship education for incubation of entrepreneurship ecosystems across the country. Policymakers must start to envision the South African society through the lens of virtues of entrepreneurship education and mindsets. Second, policymakers need to create new entrepreneurship universities and provide support to the existing higher education institutions so that they may become institutions of entrepreneurship ecosystems culture incubation by ensuring that graduates are creative, innovative, risk-takers, initiators, strategists and active participants in the societal transformation. Third, policymakers should envision students and academics as the potential source of addressing unemployment, increasing access to digital economies and creating impactful innovation and research for commercialization and generation of third-stream income (see Matyushenko *et al.*, 2022; Wahab *et al.*, 2023). Fourth, policymakers must understand that universities are institutions of incubating high entrepreneurial self-esteem, business knowledge and skills that could lead to widespread societal capabilities for recognition of commercial opportunities and management of entrepreneurial resources as well fostering of innovation talents among youth. That is, policymakers must create a national environment wherein entrepreneurship educational intervention creates a cohort of youth that would serve as a driving force for future potential economic growth and development. This strategic recommendation points to the fifth one wherein policymaker would ensure that there is meritorious appointments to university management in order to create the possibility that higher education would install a dynamic culture of creative innovation, capabilities and venture creation. By extension, meritorious appointments to university management leads to the sixth strategic action-oriented recommendation wherein university management and organizational structures are designed to have entrepreneurship capabilities for the incubation of entrepreneurship ecosystems and ability to adapt to changing societal environments that require effective entrepreneurship processes and competitive global advantage. Seven, South African policymakers have to recognize the need for a holistic graduate, which is only possible through policy that fosters university educational programs that seek to produce graduates that have high self-esteem as well as entrepreneurship elements such as antecedents, actors, resources, networks, institutional perspectives and value creation for societal transformation and economic development. Eight, policymakers and South Africa's HEI need to foster a shared vision as provided for in the National Development Plan Vision 2030 to ensure that the requirements for government support to universities through the necessary investment capital, social networks, cultural support and economic policies as catalysis of entrepreneurship ecosystem incubation could be achieved without red tape. Such a shared vision will allow for co-creation, entrepreneurial knowledge transformation drive as well as skills spillovers, spinoffs and market access associated with the risk-taking culture, competitive advantage, capital circulation and resources accumulation for economic transformation and societal development. Finally, university management must allow for the entrenchment of entrepreneurship pedagogy because design thinking is necessary for innovative entrepreneurship education and the potential for sustainable profitable businesses for problem solving skills and entrepreneurial societal mindsets.

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GOOD GOVERNANCE AND ADMINISTRATION OF THE MODERN AFRICAN STATE: FANCY DREAMS AND ENDLESS CHALLENGES OF GOVERNANCE PRINCIPLES

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ABSTRACT

This article investigates the challenges facing the administration of African state regarding the adoption of globally accepted good governance principles. African countries still grapple with finding acceptable and implementable good governance practices in the continent's public administration contexts. Challenges relating to good governance are not peculiar to African public administration alone; however, African statesmen and states are at the receiving end of fierce criticism in this regard. Whereas African states are not all uniform in terms of governance, there are concerns that democracy is generally under a threat on the continent. Among other expectations of a modern African state is to end racism, adhere to constitutionalism, provide accountable governance, provide safety and security, end poverty and crime, protect nature and the environment. Achievement of all these functions requires adherence to globally accepted good governance practices. This article uses desktop study to argue that the challenges of the failing African state with regard to governance is a mixture of misalignment, ranging from contextual meanings to undermining the rule of law, curing of symptoms and educational problems. The article concludes that Africa's democratic governance and public administration will remain under threat if there exists no system that is best fit for the continent to replace the ongoing blind adoption of Western prescriptions. The article recommends that hegemonic governance principles which are western grown need to be modified for adaptation to the African contexts and cultures to improve their acceptability and implement ability on the continent by, among other things, mandating the African Union to craft them for popular understanding and acceptance.

Keywords: Public Administration, Governance, Constitutionalism, Rule of Law, Modern African State

INTRODUCTION

The problem facing an African model of state has always been about the continent's political and economic failures. The failures of an African state on these two fronts are mainly due to ineffective administration and governance of the state itself (Tsheola & Makhudu, 2017; Mamabolo, Sebola & Tsheola, 2021). These problems were identified as early as in the 1960s when independence was achieved, but they have continued to be debated to-date. Existing literature on good governance present meaning and principles that appear to ignore Africa's value systems, contexts and realities. The western-grown principles

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are used to measure Africa's success or failure of good governance without having adequately adapted the criteria to the African contexts and realities. Another problem involves the use of principles and meanings of good governance which may not be understandable and acceptable to the African leadership and societies because of their inconsistencies with the African cultures and realities. Scholarly works and foreign powers have continued to test African leadership' good governance successes and failures on criteria that was never adapted for the continent's contexts, and such assessments continue without being questioned. This article seeks to question the idea of good governance by asking "whose good governance?" It appears that existing studies on good governance are generally focused on symptoms rather than the root causes of the Africa's public administration governance problems. Also, the training of professionals for public administration governance in Africa does not allow for adaptation of western-grown concepts and pedagogies; also, it lacks in critical analysis, creative thinking and innovation. In simple terms, the existing good governance principles are themselves problematic for African leaders and societies because they are not created in accordance with the continent's contexts and realities. As a result, it would always become difficult for African states to successfully implement foreign-grown governance principles because they may be poorly understood and barely accepted; and mainstream studies have continued to ignore this fact.

The question to ask is, when will this unbefitting debate end and why is the debate not ending? According to Adesida (2001), a simple answer could be that Africans are not capable of governing themselves. Sebola (2014, 2018) argues that the debate would end the day Africans adopt best-fit practices, rather than the so-called best practices of the West and the East. Indeed, Africa's failed governance model remain a concern for the global community. Literature has been produced from one era to the other about the causes and prevalence of poor governance in Africa, but little or no progress has been made on resolving such governance challenges which cause chaotic administrations across the continent. Scholars and politicians, locally and internationally, have debated Africa's poor governance and identified causes, and went to the extent of creating organisations at regional and continental levels, hoping to resolve the governance challenges to no avail. The question raised in this article is when would this debate end, and why is this debate not ending? The article assumes that the challenges of the failing African state with regard to good governance is a mixture of misalignment, ranging from contextual meanings to undermining the rule of law, curing of symptoms and educational problems. In addressing this research question, the article is organised in seven sections including this introduction and conclusion. The second section discusses the concept of governance, whilst the third makes the link between governance and public administration. Four governance challenges in Africa are discussed in section four, followed by a discussion of "governance principles themselves as a challenge to implementation of good governance in Africa" in section five and the presentation of governance model considered to be appropriate for African state in section six. Conclusion and recommendations are offered in section seven.

CONCEPTIONS OF GOVERNANCE

The concept of governance has been defined in different contexts by various scholars. According to Almquist, Grossi, Helden & Reichard (2012), it refers to steering and coordination of various actors, often in network-type patterns of collaboration, while Fukuyama (2013: 3) defines it as "government's ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not." Despite Fukuyama's (2013) definition, many scholars define governance in ways that emphasise involvement of various stakeholders and actors from the public, private and civil society sectors (Tsheola & Makhudu, 2017; Mamabolo, Sebola & Tsheola, 2021). In the context of government, governance has both political and economic dimensions in the sense that it involves the way the nation should be politically governed as well as the way public resources should be economically managed. Mindzie, Mukundi & Dunderdale (2014) regard governance as the provision of political, social and economic goods that a citizen has the right to expect from the state, which in return has the responsibility to deliver to its citizens. Fourie (2016) expands on governance as the system of values, policies and institutions by which a society manages its economic, social and political affairs through interactions within and among state, civil society and the private sector (Tsheola & Makhudu, 2017; Mamabolo, Sebola & Tsheola, 2021).

The concept of governance is often a double-sided concept in the sense that scholars differentiate good from bad governance. However, most scholars use the term “governance” to refer to “good governance” or expectation thereof. Sebola (2017) indicates that the concept of governance is dependent on whether its use involves a private or public sector organisation, since such organisations operate on different scales and environment. It can further be argued that while the concept of governance may refer to any form of administration, good or bad governance characterises a particular administration’s efficiency or inefficiency. From the Western perspectives, the concept of governance or good governance embraces attributes such as selflessness, integrity, honesty, transparency and accountability of the ruling elites. The lack of such aspects either in government or public institutions may infer bad governance. Governance may be a failed concept if not well taken care of in implementation, especially where the manual cannot talk to the practice. UNDP (1997: 5) refers to governance as “the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences.” African governments have thus far found it hard to articulate and implement governance principles as espoused by the master creators of such principles. That is acknowledged by Odusanya (2013), who views it as the complex and myriad relations that exist between the government and the people. Whether these complexities affect only those implementing the principles or even their creators, is unknown.

GOVERNANCE AND PUBLIC ADMINISTRATION

Governance in the public administration discourse is associated with public sector accountability. Public sector accountability embraces the tripartite relationships amongst politicians, civil society and public managers (Almquist *et al.*, 2012). An effective and open relationship is likely to produce an excellent good governance result. Again, the hegemonic conception notes that that governance has to place the principle of accountability at the top of the discourse in the sense that when those in authority are accountable to the citizens for their actions, then all other principles such as integrity, honesty, democracy, efficiency and transparency will be possible. From the beginning of time, public administration existed to govern the local communities and to allocate resources for betterment of societies. The key element of a workable public administration is the management and implementation of public policy at all levels of governance (Pillay, 2016), while recognising accountability and transparent relationship with the electorates. A better public administration is assured when there are good governance mechanisms in place. Ineffective governance within the public administration realm is a cause of numerous political, social and economic crises (Tsheola & Makhudu, 2017; Fagbemi, Nzeribe, Usinubi & Asongu, 2021; Mamabolo, Sebola & Tsheola, 2021). Thus far, governance crisis is a popular discourse in African public administration affairs mainly because good and inclusive governance hardly finds space in African government leadership. Sometimes, it is assumed that African leaders lack the appropriate leadership qualities to implement such principles. This assumption ignores other complexities which could be associated with such failures. Often there is a probability that African leaders do not believe in the principles they are pressured to implement.

Adetula (2011: 11) asks a rhetorical question about the lack of African leaders’ conformity to liberal democracies required by Western powers, thus: “Why the democratisation wave that swept across the world in the 1990’s recorded less impressive accomplishments in Africa, than in Eastern Europe and other parts of the world?” The answer is clearly rhetoric. The acceptance of liberal democracies were linked with conditions for aid. Without conformity and change from totalitarian systems to liberal democracies, no aid would be offered from the West. The beggars do not have options for their preferred democracy, and therefore they could only oblige. It is clear that for the sake of aid, there was no reason for African countries to reject imposed liberal ideologies from the West, except finding a way to fit funding criteria and how they will operate within those conditions. The acceptance of aid is the acceptance of governance principles as they are, as much as the rejection of principles is the rejection of aid. Sebola (2014) highlights the lack of commitment by African leaders to implementing governance principles parachuted to them without an alternative or fit to their environments. Kabbaj (2001: 7) notes that only a few African countries have requisite capacity, institutions and human capital to implement sound and good policies to achieve expected economic growth. This limitation, which is important for a successful public administration elsewhere in the globe, means that Africans will continue to require assistance from the international community in order to run their public administration effectively. Governance remains largely a public administration problem in Africa. The mimicking of Western principles was seen through creations like "The Africa We Want," "An Africa of Good Governance," "Chatter on Democracy," "Elections and Governance" as well as "Chatter on Public Service and Administration." These creations are highly unlikely to produce public administration suitable for good governance. The problem is that the principles enshrined therein find their expression from the West. Hence, African public administration remains wanting in comparison to their counterparts.

GOVERNANCE CHALLENGES IN MODERN AFRICAN STATES

Governance and public administration challenges in Africa are complex and there have been no successful solutions. Africa continues to experience challenges in infrastructure development, poor leadership, insecurity, hunger, unemployment, flooding and unsustainable development (Mamabolo, Sebola & Tsheola, 2021; Madu, 2023). These problems have been continuous and public service delivery remains under threat. Volumes of articles, books and working papers have been published about the governance challenges on the African continent, proposing solutions. International and continental experts on development and politics have talked about these challenges but remained intact and increasing in some cases. Nagar & Nganje (2016) list Africa's critical governance challenges as constitutional amendments, mismanagement of diversity, weak civil societies, fragile institutions and failure to institutionalise effective policies. While these are known challenges, Africa has progressed slowly in bringing about governance reforms (Mbaku, 2020), as dictatorial democracy, corruption and economic decline continue unabated. Depending on scholarship perspective, these challenges differ from one African country to the other.

Mindzie *et al.* (2014) list five critical governance challenges in Africa as diversity and current identity crises, service delivery, management of natural resources, citizen engagement, participation of women and the youth and coordination and accountability. Africa's governance challenges may differ from one region to the other; however, there is a general consensus that Africa shares a common history of colonisation, and therefore the difference of governance challenges may be of less significant value. Talking about these challenges without actioning appropriate solutions has not been helpful to the African governance problems; and, the continent remains in the spotlight of global criticism in terms of bad governance. The core of good governance relies on the principles of voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption (Asefa & Huang, 2015; Tsheola & Makhudu, 2017; Mamabolo, Sebola & Tsheola, 2021). All these principles, which differ in scale and emphasis, may be foreign but have lacked appropriate implementation in most African countries. This article argues that the biggest governance challenge in Africa is the governance principles themselves. It focuses only on a few interrelated governance challenges, namely: meaning and contexts; adherence to the rule of law; dealing with symptoms than causes; and, university curriculum.

Meaning and Contexts of Governance

Fewer scholarly works have asked about whose governance is good governance? Many just concentrated on meaning and contexts as well as the rhetoric of good and bad governance of the African countries. Yet, scholars agree that the coining of the meaning of the word governance was made by international and financial institutions like International Monetary Fund, the World Bank and European European Union (Sebola, 2014). It is not clear whether the coining of the meaning of governance considered the African continent environment, other than compliance to a simple funding aid criterion, resulting in Africans being denied the chance of achieving good governance over the years (Idowu, Ajasin & Awolowo, 2020), probably for failing to fit the notion of good governance meaning and context as understood and defined by Western powers. Suffices to conclude that while governance is defined as such, the concept and meaning failed to fit African contexts and practice. Africa has to consider best-fit governance principles rather than best practices of the West, if good governance is to be achieved. Western powers too are likely to fail if they were to be tested on original African governance principles which are not congruent with their practical realities. Africa has a history of successful kingdoms which were run successfully through governance mechanisms and principles aligned to their culture and contexts. As Wanni (2014: 6) puts it, "Africa is a cradle of human civilisation and a cultural centre of importance, with own civilisation, traditions, value systems, political system, organisations, religions, languages and different means of managing and resolving conflicts." Thus far, scholarly literature on Africa have focussed on the ineffective and weak governance systems by African governments (Tsheola & Makhudu, 2017; Fagbemi, Nzeribe, Osinube & Asongu, 2021; Mamabolo, Sebola & Tsheola, 2021) without looking at the root causes, which is the misfit between contexts and meaning of governance imposed for implementation. Existing governance meaning and principles appear to ignore Africa's value systems, contexts and ability.

Adherence to the Rule of Law

Good leadership and adherence to the rule of law are the most pioneered critical elements of good governance. Africa remains characterised by conflicts, mismanagement of resources, lack of rule of law and corruption (Wanni, 2014), supposedly by African leaders. Adesida (2001) indicates that Africa must continue to enlarge the democratic space, encourage openness and foster the rule of law. This is because of the belief that Africans are struggling to convert their constitutions into living documents (Sebola, 2014). Those sworn in to uphold the Constitution are the one said to have continuously bridged it, without consequences. At the most, African presidents are in one way or the other publicly accused of bridge of own Constitutions. In South Africa, both President Zuma and President Ramaphosa are examples of such bad publicity inflicted by media and opposition politics. Factors which influence such bridges and conducts are often ignored. African scholars have concentrated on criticising failed constitutional implementation and bad leadership, and rarely looked at the possibility of constitutional plagiarism, which fails African leaders. Importantly, the question that needs to be asked is whether this western-grown principle of adherence to the rule of law has been adequately adapted to the African contexts and realities in order to be understandable and acceptable to the African leadership and societies.

Dealing with Symptoms than Causes

Some slow progress was recorded on governance achievements in Africa from the 1990s whilst others have seen regression (Klingebiel & Grimm, 2007). Authoritarian regimes gave way to new ones like in South Africa, while old ones like Zimbabwe experienced political crises. Former South African president Thabo Mbeki once said that establishing relations with other continents should not be African-first objective, instead the first objective should be to deal with governance problems which are responsible for violence, wars and conflicts. Arguably, he believed that it was important for Africa to improve its democratisation in order to achieve noble governance goals. Such democracy believed to be possible with democratic governance (Tsheola & Makhudu, 2017; Mamabolo, Sebola & Tsheola, 2021). According to Odusanya (2013), the concept of democratic governance is a public administration concept derived from two words democracy and governance, which are mainly defined separately from each other. Democratic governance uses multiparty democracy as a form of achieving good governance. Thus far, multiparty democracies in Africa have not achieved good governance compared to where they did not exist. Multiparty democracy in Africa has managed to provide a fertile ground for totalitarianism and one-party rule. The question as to whether liberal democracy is possible in Africa, remains a tough scholarly debate considering the region's economic and political conditions (Adetula, 2011). Mafeje (2002), however, argues that the failure of liberal democracy in Africa is the result of reproduction of Western models of liberal democracy in post-independence Africa, which only produced "one party dictatorship under a veneer of European bureaucratic structures and procedures." In Africa, multiparty democracy has not been able to provide space for strong opposition parties. It only provided space that weakened opposition political parties and allowed for one-party rule, whose elites only undermined the Constitution and the rule of law. Criticisms of Africa's governance as bad are focused on symptoms rather than the root causes of the continent's public administration governance problems.

University Curriculums, Academics and Advisors

Significantly, on numerous occasions, scholarly literature lament capacity to be a major source of Africa's failures in governance**.** These limitations may be due to institutions of training in Africa which should take care of such anomaly (Gilpin, n.d.). On the other hand, Kabbaj (2001: 7) indicates that "renewed efforts should be made to revitalise African universities and institutions of higher learning to ensure the supply of highly trained professionals." Generally, universities have been good in developing programmes that are responsive to Africa's situation. However, the problem is how they are delivered. Such offerings are often indoctrination, rather than innovative and critical. University curriculums incorporate the principles of western-grown good governance content such as rule of law, accountability, integrity and transparency for students to assimilate, but rarely engages with students on what inhibits their implementation in Africa's governance. The fact that education impacts little on behaviour of its products, reveals symptoms of poor curriculum and inability to implement curriculum outcomes. It is again evident that the problem with the training of professionals for public administration governance in Africa is the absence of adaptation of western-grown concepts and pedagogies and the lack of critical analysis, creative thinking and innovation in the education system.

GOVERNANCE PRINCIPLES AS A CHALLENGE TO GOOD GOVERNANCE IMPLEMENTATION IN AFRICA

Africa is generally accused of governance corruption, insecurity, democratic erosion, bad leadership and state capture (Tsheola & Makhudu, 2017; Idowu, Ajasin & Awolowo, 2020; Mamabolo, Sebola & Tsheola, 2021). Description of African leadership as bad was based on traits associated with conduct of public office bearers which is inconsistent with western-grown good governance principles of voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption (Asefa & Huang, 2015; Tsheola & Makhudu, 2017; Madu, 2023). While these principles are clear and good to assure acceptable funding criteria for African countries, their achievement may be difficult for African leaders because of the misfit to the continent's contexts and realities. The aid-funded Africa is not a sovereign continent free of external interventions and interferences. Nagar & Nghanje (2016: 12) note that "respect for sovereignty and the principle of non-interference in the internal affairs of other states, coupled with the negative role of the US, Soviet Union and France gave rise to autocracy in post-independence Africa." Africa's democratic governance is deliberately undermined by external actors unduly interfering in the sovereignty of African states (Tsheola & Makhudu, 2017) seeking to teach Africa about good governance principles based on foreign contexts and realities. Africans grapple to cope with the implementation of western-grown good governance principles (Sebola, 2014) which is a problem itself. It continues to be accepted that Western ideal, rather than Africa's traditional models of governance, will work when they are fundamentally autocratic, personalised and corrupt, and can therefore not provide historical and cultural foundation for democracy in modern states (Adetula, 2011). Surprisingly, Africa had to tolerate an unworkable governance system for centuries, which produced dictators, poverty, wars and looting of resources. In simple terms, the existing good governance principles are themselves problematic for African leaders and societies because they are not created in accordance with the continent's contexts and realities. As a result, it would always become difficult for African states to successfully implement foreign-grown governance principles because they may be poorly understood and barely accepted.

IS THERE AN APPROPRIATE GOVERNANCE MODEL SUITABLE FOR AFRICA?

Few scholars have already engaged on African public administration. The arguments have not gone too far. Very few have engaged without a theory on Afrocentricity, with little focus on governance and all they have said was mere resuscitation of old views about being an African. The argument about African systems was challenged by European scholars, who labelled it corrupt, personalised and unable to meet requirements of the modern state. They believe that such systems may not be able to survive the modern system of information and technology in government (Adesida, 2001), as much as they believe such systems created lack of development in Africa. The African Union's idea of promoting good governance, democracy and human rights on the continent through establishment of the African Governance Architecture and Platform (Mindzhie *et al*., 2014) continues to fail due to political will, capacity and resources. The same governance architecture that Africa is trying to implement is Eurocentric in orientation, and its success would still require appropriate adaptation to the continent's contexts and realities. Thus far, the so-called good governance and liberal democracies are measured using criteria developed by World Bank, UNDP and IMF. Adetula (2011: 12) attests that "overwhelming evidence exists to suggest that African traditional governance system has a heritage of transparent and accountable governance" in which traditional leaders were not only answerable to their own actions, but also to natural events like famine, epidemics, floods and drought. Africans have been subjected to the notion that they are a product of a corrupt and unaccountable system. As much as the African Union is also failing to come up with a workable African governance system based on African values and principles, academics too are failing to suggest a suitable one. Although, this article argues that the Western governance values and principles are not good for Africa, and that they are responsible for Africa's poor governance, it suggests that a middle ground governance system consisting of best-fit Eurocentric and common African principles, could be found in order to improve Africa's good governance.

CONCLUSION AND RECOMMENDATIONS

The article has argued that Africa's governance challenges are a function of the unfitting Eurocentric governance principles on the African governance system. It maintains that a major problem or cause of Africa's governance problems are the governance principles themselves, which are inconsistent with the cultural realities of the African situation. This article makes several recommends that call for Afro-centred governance principles for African which could be driven by the African Union. The study recommends that hegemonic governance principles which are western grown need to be modified for adaptation to the African contexts and cultures to improve their acceptability and implementability on the continent. Also, it recommends that the African reality has to be understood before governance principles are imposed in order to ensure that they are appropriate because their practical implications may be dissociated from the continent's contexts and cultures. The article suggests that the western-grown governance principles may be inappropriate for the African contexts and cultures, but that they should not be blindly dismissed. For implementation in African public administration, it is recommended that good governance principles must be presented in a more understandable and acceptable version in order to dispel the perception that they may be imposed to serve western interests. Finally, there is need for creative thinking among both African policymakers and academics on what good governance should mean for the continent's public administration within the contexts of the cultures and existing practices.

There is a need for future studies to investigate governance principles that would be culturally appropriate to Africa to improve the chances of their successful implementation by statesmen. Such future research must determine ways in which the generally accepted principles of good governance could be modified in a manner that their practice in Africa would not render them dissociated from reality. Also, the African conditions of living must be investigated to ensure that the adoption of western-grown governance principles are not seen to be unrealistic when implemented. It means that a principle of transparency, for example, should not necessarily have the same practical implications when implemented in Africa because the continent's culture is different from that of the West. Future research would need to explore all the globally accepted governance principles to determine how they would be understood in practice and how they need to be modified to be acceptable in the context of African cultures. The task of future research, therefore, is to creatively find governance principles that are informed by African contexts and cultures in order that they may be understandable and acceptable at the point of implementation on the continent. Future research must find appropriate African ideology within which the hegemonic governance principles could be moderated to be understandable and acceptable practices by African leadership and the people. Such research would seek to find an ideology that would not be seen as externally imposed on Africa to avoid rejection of adoption and adaptation of governance principles that may improve public administration in Africa.

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STATE TRANSITION AND FISCAL DISTRESS: SOUTH AFRICA'S "ILLUSIONARY" DEMOCRATIC CAPITALIST GOVERNANCE

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ABSTRACT

South Africa's purported democratic capitalist governance is "illusionary." Frustration of state transition from totalitarianism to envisioned democratic capitalist governance is vulnerable to capture by plutocratic forces, resulting in corrupt contestations of state budgets and chronic financial crises. This article demonstrates that a democratic South Africa's 1994-2008 fiscal consolidation trajectory was drastically reversed with the removal of President Mbeki from state presidency in September 2008. Subsequently, state budgets became fiercely contested by non-state tenderpreneurs, serving as surrogates for political elites, leading to ballooning of budget deficits. The latter conditions signified plutocratic forces takeover of decisive power and command of state, using extra-legal and non-institutional mechanisms to undermine the mid-1990s public services budget reforms and "sound fiscal policy," creating incremental fiscal distress. Theoretically, the article establishes that decisive power and command of state is not vested with state elites nor the market or capitalist class during state transitions; instead, it is often usurped by fascist corporate interests. The article finds that the political outcome of frustrated state transition in South Africa has been the entrenchment of a privatised state and ballooning fiscal deficits. It recommends that decisive power and command of state be re-captured from non-state actors by strengthening democracy-supporting public institutions.

Keywords: State Governance; Corporatism; Public Finance; Fiscal Distress; South Africa

INTRODUCTION

South African business leaders have in recent times expressed fears that the country is "becoming a failed state" (*The Economist*, 2023: 1) due to worsening chronic fiscal crises (Sachs, 2021) and realistic potential for fiscal disaster (Jacobs, 2023) associated with ballooning public services wage bill (Fitch, 2023), amidst hapless "illusionary" democratic capitalist state governance (van Niekerk, 2023). In the modern world, some states have "all the trappings of a state with long-established set of institutions representing state interests" as well as "a set of elites whose purpose is both to represent and promote state interests … and to enrich themselves, very often at the state's expense" (Dawasha, 2011: 331). In all instances, "the peoples" and markets, as institutions of society, stand to suffer the outcomes of such governance politics and to be compromised as the state is subjugated under the command of plutocratic

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elite political and economic corruption, amounting to government by the wealthy (Molina & Rhodes, 2002; Pinto, 2017; Christiansen, 2020; Pasetti, 2023). That is, governance does not create power relations equities, which is the subject of literature discussion below.

Complexities of governance involve formal and informal actors as well as processes, together with latent and manifest variables (Buscher & Dietz 2005; Thondhlana, Shackleton & Blignaut 2015; Mamabolo & Tsheola, 2017), wherein interactionism assumes "a deliberate preference for informality that serves distributive regimes and patronage on behalf of the elite and private commercial interests" (Tsheola, 2017: 9). State totalitarianism and transitions to democratic systems involve fierce power relations contestations that tend to "exploit" and infuse informal governance variables in favour of the elite and private commercial interests. Hence, the present South African democratic state is virtually privatised, wherein plutocratic forces "have astronomically secured exponential regulatory, decisional and distributive powers over the state itself, with state capture as the political outcome" (Tsheola, 2017: 8). A democratic South Africa is, therefore, riddled with unhealthy contestations for state power and authority, reckless industrial-scale state resources squandering, hollowing of state apparatus for political ends, erosion of the rule of law, pre-eminence of governance informalities and extra-legal networks that operate beyond the reproach of formal constitutional and statutory institutional frameworks. In the literature review below, this article demystifies the erroneous notion of the inherent "goodness" of governance that purportedly creates power relations equities. It shows that state transition too entails specific forms of governance that may as well be embroiled in incompetence and corruption.

The global ascendency of governance in the 1990s, beyond economics, has been fraud with dangers of transplantation of concepts across spheres (Watson, 2009: 151), especially for African countries' transitions from state totalitarianism, which are erroneously assumed to be devoid of governance. This article dispels, in the literature review section, the myth that governance is an exclusive function and preserve of democratic systems and "a catch-all" phrase of inherent "goodness." The concept of governance is inherently complex, and its practice is elusive, largely because of "the multiplicity of actors" and simultaneous undergirding by configurations of power relations and authority that legitimised informalisation. In social reality, as already stated above, formal constitutional and statutory institutional frameworks of governance are overcompensated by complex informal networks that shape "interactionism" for distributive regimes and patronage. For South Africa, governance of economics can never be "a moral science" nor a "part of an ethical system in the service of humanity," given the prevalence of imposed "immutable laws" that determine the politics of lived experiences (Legum, 2002: 1, 2 cited in Tsheola & Makhudu, 2017: 99). The notion of inherent "goodness" and democratic nature of governance is a fallacy because governance-vice too is real under democracies, which are equally prone to incompetence and corruption. Governance-vice, rather than governance-void, has bedevilled all societal systems, inclusive of state transitions to democracy, which cannot be studied nor understood in isolation from issues of governance. Reading from Rossouw & Rossouw (2017: 15) about the "'looming fiscal cliff' as civil service remuneration and social grants grew substantially," it is evident that South Africa's state transition to democratic governance is frustrated (Tsheola & Makhudu, 2017: 107). State transition involves governance, which can be usurped by self-interested plutocratic forces for state command, making for ballooning government expenditure on wages and fiscal deficit, as evidenced by the present South African state, which is discussed in section three of this article. Using frustrated state transition from the USSR to modern Russia (Vassilliev, 2000; Anderson, 2006), the article demonstrates that when plutocratic forces command the state, the latter ultimately becomes ownerless, privatised and devoid of state leaders' decisive control of power, leading to pillaging of public finances and fiscal distress. In South Africa, the state fiscal consolidation trajectory was abandoned with the removal of Mbeki from state presidency in September 2008, signalling the onset of "fascist" plutocratic forces takeover of state command (Chikane, 2012; Bassoon & du Toit, 2017; February 2018), largely through a phenomenon described as tenderpreneurship, wherein "bogus businesspersons" serve as surrogates for political elites in corrupt contestations of state budgets with guarantees of impunity. This article argues that the political outcome of post-2008 state transition governance-vice has been the entrenchment of chronic fiscal distress.

GOVERNANCE COMPLEXITIES: FORMALITIES AND INFORMALITIES

The article demonstrates that the "catch-all" observations and measurements of governance are misleading and inconsistent with social reality. Often, studies observe and measure manifest variables of governance, leaving out latent variables which are unobservable and immeasurable given the prevalent technologies and knowledge systems, do not exist. Governance places a premium on collectivism, and it accommodates multiplicity of actors and inclusivity of diversity of interests; equally, it allows for power relations inequities because it provides for formal and informal mechanisms that actors can exploit "to make demands, frame goals, issue directives, pursue policies and generate compliance" (Rosenau, 2001: 1 cited in Buscher & Dietz 2005: 4). This observation dispels the notion of inherent "goodness" of governance and the intractability of its concomitance with democracy. Hegemonic conceptions of governance are not only confusing, they are "illusionary" because they rely solely on biased manifest variables for observations and measurements. As this section demonstrates, the rapacity of hegemonic conceptions and "governance as theory" are evident, especially in terms of inclusions and exclusions of governance variables, given that they consist of latent and manifest aspects both in theory and pragmatism. This article's contribution to knowledge is that the ascendency of the concept of governance did not define an unprecedented phenomenon because it has always existed and undergirded social reality and societal systems, especially in terms of latent variables. Indeed, colonialism, state totalitarianism, democracies and state transitions, among other social realities, have all been undergirded by specific forms of governance, whether "good" or "bad."

Complexities of governance arise out of formalities and informalities of "power relations, interactions of actors, access to decision-making, planning and control over public institutions" (Tsheola, 2017: 9). Power relations, and their contestations, exist independent of democracies, meaning that governance is not a preserve of democracy or civil liberties as is often erroneously assumed. Whereas some definitions of governance emphasise the traditions and institutions by which power and authority are exercised for either control or coordination (Kaufmann *et al.*, 2009, 2010; Thondhlana *et al.*, 2015), Rosenau (2001:1 cited in Buscher & Dietz 2005: 4) defines governance as systems of rule and "steering mechanisms through which authority is exercised in order to enable the governed to preserve their coherence and move towards desired goals." A rigorous examination of governance should reveal broader complexities within which power and authority are exercised and contested, both formally and informally (Thondhlana *et al*., 2015). As Givens (2013: 1029) puts it, "governance capacities as typically envisioned are inherently latent – one cannot observe them directly." It is this character that renders governance complex. Therefore, studies of governance have to synthesise informalities and formalities as well as the multiplicity of interrelated manifest and latent variables (Givens, 2013; Tsheola, 2017). For example, Thondhlana *et al*. (2015: 121-122) identify five key ingredients of successful governance as inclusiveness, fairness, participation and legitimacy, transparency and accountability. Having specifically mentioned "*successful governance*," Thondhlana *et al*. (2015) did not have to include the obvious disclaimer that the absence of these key ingredients does not suggest governance-void. Also, the Worldwide Governance Indicators (WGIs) show that governance is complex and that all measures thereof are necessarily imprecise, requiring interpretative caution (Pitcher *et al*. 2009; Kaufmann *et al*. 2009, 2010; Givens 2013). Whereas most aspects, dimensions, categories, principles, systems, institutions, modes and indicators of governance have "a lot in common" (Givens 2013: 1029), manifest variables do not in any way reveal latent variables (Kaufmann *et al*., 2009, 2010; Tsheola, 2017). These governance dynamics are beyond the scope of the present article; instead, it seeks to draw attention to governance "power relations" contestations during state transitions from totalitarianism to democracy to show that transitions too are undergirded by governance.

Essentially, it reveals that prevalent power relations contestations, embedded with governance of state transition, would allow for the privatisation of state and fiscus crises due to power relations inequities inherent to governance. First, a brief discussion of "governance as a theory" should suffice, because it is the primary locus of the erroneous notion that governance provides for power relations equities.

FUZZINESS OF "GOVERNANCE AS A THEORY"

Keping (2018: 1) notes that governance theory has become the "the dominant political theory in response to the change," especially in relation to the nuance power relations, global geopolitical dynamics, ascendency of globalisation, interconnectivity and interdependence. Drawing from the Commission on Global Governance (1995) definition, Keping (2018: 3) deduce that governance, in essence, "means exercising authority to maintain order and meet the needs of the public within a certain range …. (whose primary purpose) is to guide, steer and regulate citizens' activities through the power of different systems and relations so as to maximise the public interest." The Commission on Global Governance (1995: 2, 3 cited in Keping, 2018: 3) defines governance as "the sum of the many ways individuals and institutions, public and private, manage their common affairs …. (as) a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken …. (inclusive of) formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest." Reading from Stoker (1999), Keping (2018: 2, 3) identifies five propositions of governance as theory; and, one of them "explains governance 'a set of institutions and actors that are drawn from but also beyond the Government,' thereby challenging the notion of 'the authority of the State or the Government in the traditional sense' and maintaining that 'the Government is not the only power center of a state' because public recognition of 'the power exercised by a public or private institution' implies that such an institution becomes 'a power center at a specific level.'" Also, thegemonic theorisation of governance is preoccupied with the distinction between "mesa" and "meta," "ineffective" and "effective," "poor" or "bad" and "good" as well as "precarious" and "sound," among other binaries (Kaufmann *et al*. 2009, 2010; Givens 2013; Thondhlana *et al*., 2015; Keping, 2018). In the process, the obsession with binary descriptions of the "ideal," "meta," "good" or "sound" governance allowed for the erroneous notion that antithetical or antonymic variables are effective descriptors of "non-governance." For example, to be "meta," "effective," "good" or "sound," as Keping (2018) proposes, governance has to be embedded with six values, namely: legitimacy; transparency; accountability; rule of law; responsiveness; and effectiveness. Described this way, governance encapsulates the notion that "democracy is the only practical mechanism that can safeguard the fully free and equal political power owned by citizens" (Keping, 2018: 6). Therefore, governance is erroneously organically linked to democracy, suggesting that it cannot manifest in pragmatic terms without "a free and democratic political system" or devoid of democratic freedoms and civil liberties or under "an autocratic system" (Keping, 2018: 6), yet the binaries remain upheld.

Whilst immature and ambiguous, "governance as a theory" "deems governance to be a new practical form of modern democracy" (Keping, 2018: 7), which is misleading because there are governance variables, latent or manifest, under dictatorship regimes too. Indeed, governance requires "power" and "authority," which do not arise exclusively from the state or democracy; instead, such "power" and "authority" are "multi-directional" reliant on "the authority of a collaborative network" as well as "market principles, common interests and identity" for application of mechanism and techniques such as "cooperation, negotiation, partnership, establishment of identity and common goals" (Keping, 2018: 4) beyond mere state regulations or civil liberties. As described by Jinping (2014: 14) and Mamabolo & Tsheola (2017: 158), governance presupposes "openness, transparency, cooperation, commonality of interest and shared progress," as well as common prosperity, social harmony, collectivism and "peaceful development," none of which is a preserve of democracy or power relations equities. Also, the absence of social cohesion, collective decision making, equality of opportunity, inclusivity, rule of law, order and stability (Alkon & Urpelainen, 2018; Festenstein, 2020) does not imply governance-void. Outside peoples' control, though, the state has political venality towards abuse of power and degeneration towards privatised authoritarianism, lack of accountability, subversion of the rule of law, suppression of criticism and inability to resolve economic crisis. But dictatorships do entrench specific forms of governance in order to selectively accord protection and inflict violence, albeit brazenly, among differentiated sections of society, in collaboration with shady interest groups. Democratic societies across the world too experience selective "happiness, stability, legality, order and peaceful life," undergirded by specific forms of governance, latent or manifest. Most African states' ruling elite do not just fail to pursue a form of state wherein they would be servants of the peoples, but their attempts to create a class state form as "masters" of the nation are derailed, amidst governance power relations contestations, sometimes privatising the state or leaving it without a defined owner. For a democratic South Africa, it is evident that "the construct of governance … is steeply infused with the virtues of private rather than public ownership as well as contestations of efficacy at the expense of public good of formerly disadvantaged … communities" (Mamabolo & Tsheola, 2017: 154-155). Hence, this article characterises South Africa's democratic governance as "exclusionary" and "illusionary," but it is governance anyway.

GOVERNANCE POWER RELATIONS CONTESTATIONS AND MULTIPLICITY OF ACTORS

Governance involves a central stage that is occupied by a *plethora of actors* with diversity of alliances and varied degrees of power and authority; and, it does not necessarily impose equitable power nor authority for all actors (Buscher & Dietz, 2005; Givens, 2013; Thondhlana *et al*., 2015; Croucamp & Malan, 2016; Mamabolo & Tsheola, 2017). Rather than the assumed "shift from government to governance," it is increasingly evident that institutional boundaries are *virtual and permeable* with multiple actors gaining, through formalities and informalities, "reach and capability ... to intervene in and to influence a wide range of processes" rivalling any single actor's centrality in governance (Rosenau 1997 cited in Buscher & Dietz 2005: 5). Even the one-person one-vote principle of democracies does not compensate for the inherently discriminatory and exclusionary power relations attendant to governance, which are multifaceted because "there is no singularity of power" (Buscher & Dietz, 2005; Thondhlana *et al*., 2015; Croucamp & Malan 2016; Mamabolo & Tsheola, 2017). Arts (2003 cited in Buscher & Dietz 2005: 5) describes three faces of power in global governance, namely: *Decisional Power; Discursive Power; and, Regulatory Power*. Whereas *Decisional Power* involves "policy making and political influence;" *Discursive Power* refers "to the framing of discourses;" and, *Regulatory Power* relates "to rulemaking and institution building" (Arts 2003: 13 cited in Buscher & Dietz 2005: 5). The power to frame discourses is crucial to societal governance, but decisional power "ability to influence decisions that determine actions and outcomes in the public sphere" together with regulatory power for "standard setting" and definition of "expertise-based voluntary rule on organisational regulations, structures and/or procedures" (Arts 2003: 27 cited in Buscher & Dietz 2005: 5) are paramount to exertion of decisive power. In social reality, due to inherent power relations inequities, it is the actor that exercises decisive power that matter most; hence, appropriate governance is crucial to state transitions.

Essentially, governance is value laden. According to Thondhlana *et al*. (2015: 128) and Tsheola (2017: 13), "institutional landscapes for governance are themselves complex with unequal power relations, wherein the degree of their complexity is exacerbated by 'the diversity of actors' with different and, sometimes, divergent and contradictory, interests." State totalitarianism itself relies on restrictive regulations that tend to prohibit the principles of inclusivity, fairness and participation in decision-making (Thondhlana *et al*., 2015: 128), which may be characterised as "bad" governance, rather than the absence thereof. Democratic constitutionalism too could be beset by restrictive regulations as some actors might command more decisive power than others (Davies & White 2012 cited in Thondhlana *et al*. 2015:128). As Albright (2018: 77) observes, democracies too "are prone to every error from incompetence and corruption to misguided fetishes and gridlock," except that they entrust the power and authority for determination of direction to the collective wisdom of an imperfect public rather than submit it to "an inherently corrupting force" of an abusive dictator. In essence, there is manifest and/or latent governance, "good" or "bad," within dictatorships and democracies alike. The most important distinguishing factor among various contexts of governance is the nature of formalities and informalities through which multiple actors access power.

Whilst governance places a premium on collectivism, accommodates multiplicity of actors and inclusivity of a diversity of interests, it equally allows for power relations inequities because it provides for mechanisms that some actors can exploit "to make demands, frame goals, issue directives, pursue policies and generate compliance" (Rosenau, 2001: 1 cited in Buscher & Dietz 2005: 4). This observation dispels the notion of inherent "goodness" of governance and the intractability of its concomitance with democracy. Besides, governance's manifestation and latency is more elusive with complexities, multifaceted power relations and no singularity of power-locus (Buscher & Dietz, 2005; Thondhlana *et al.*, 2015). As already stated above, Arts (2003 cited in Buscher & Dietz 2005) identifies three faces of power that determine the decisiveness of the exercise of power in governance. Hence, actors that hold decisive power during state transition governance can enable or disable specific political outcomes, including state privatisation. For instance, regulatory power of non-state actors is non-enforcing, but wealthy non-state actors can successfully use their human, financial and technical resources to establish "direct political access" to policy decision-making during state transitions, thereby imposing standards wherein non-compliance becomes virtually difficult, if not impossible, even in the absence of state regulations (Givens, 2013; Thondhlana *et al*., 2015). Far from the notion of the independence of states, the exercise of unilateral governance is itself impossible rendering unidimensional conceptions of governance misleading.

Indeed, governance is itself "contradictory" and "paradoxical," conceptually and pragmatically (Buscher & Dietz, 2005; Givens, 2013; Thondhlana *et al*., 2015). Rather than describing the absence of governance, state totalitarianism and state transitions characterise governance "unidimensionally" as in manifestations of "regulation" and lag in "civil liberties" (Givens, 2013: 1027; Jinping, 2014: 14), but they involve governance. Even as a communist state, China has adopted a specific model of governance, which does not evince a pretence of being democratic whereas Russia's has a democratic pretence to it. The hegemonic variables of governance would, for example, exclude China and Russia, characterising them as states devoid of, if not the irony of "bad" or "poor," governance. Drawing from Givens (2013: 1027), this article accepts the notion of replacement of "the catch-all measure with a vector of measures that each captures a different aspect of governance," even as "many governance measures tend to be very highly correlated," some paradoxical, competitive and contradictory. As Patnaik (2017: 40 cited in Tsheola & Makhudu, 2017: 99) notes, it "is naïve in the extreme" to believe "in the absolute autonomy of the State in a capitalist society;" and, this observation rings true also for the communist society. Global actors wield decisive monumental economic and political power, "rendering their governance a double-pronged challenge for developing states ..." (Tsheola & Makhudu, 2017: 100). It is governance of the world, inclusive of both the extremes of the liberal democracies and command states, which is central to global societal problems (Tsheola & Makhudu, 2017). As Wooldridge (2012 cited in Tsheola & Makhudu, 2017: 100) puts it, governance of politics and economics in developing countries has created stark power relations inequities wherein state powers "have melded with that of capital in state-funds gobbling ..." Colonialism too, like state nationalism, was predicated on a specific set of governance, which Mamdami (2005: 208) describes as "national governance" wherein "Europe ruled Africa." The essence of this observation is that state transitions, just like colonialism, apartheid and state totalitarianism, are facilitated through cooperation and/or subversion of a multiplicity of actors, devoid of civil liberties; and, that too involves governance rather than the absence thereof.

STATE TRANSITION, CORPORATE FASCISM AND PRIVATISED STATE GOVERNANCE

States are generally vulnerable to fascist capture during transitions to democratic capitalist governance. Modern democratic capitalist states, whose history is traceable to global ascendancy of fascism-related corporatism following World War I, are virtually “ruled by money” (World Future Fund, n.d.); yet, they have manifest and latent governance variables. According to Omotola (2011: 64), the so-called independent state has, under nominal and narrow democracies, largely been a “totalistic,” “law and order state, predicated upon the use of force to enforce its decisions” and to exert “dominion over the society in every facet of life.” In practice, politics and power operate through informalities, beyond formal state politics, through complexities of societal institutions, rendering states “essentially weak” and lacking “real power” (Taylor, 1993: 31, 39). Besides, the World Future Fund (n.d.: n.p.) observes: “No amount of corporate and political green washing can cover up … (the grim) reality” that the present “democratic political systems face a very uncertain future due to their total failure to create a sustainable system that can last in the long term.” The modern democratic capitalist world has ironically presided “over the largest destruction of life since the Permian Extinction, 250 million years ago” (The World Future Fund, n.d.: n.p.). Under the democratic political system, the World Future Fund (n.d.: n.p.) observes, “old debts have simply been papered over with even larger new debts, financed by the largest wave of money printing in the world history.” Indeed, non-state institutions, such as private agents and markets, “are neither adequate mechanisms for efficiently allocating socio-natural assets nor neutral governance mechanisms for mediating socio-natural relations” (Funke, 2022: 49-50). Thus, the notion of governance making for power relations equities is misleading. Governance, as “a political feature … (of) irresistible historical trend of modern human existence,” came to be erroneously characterised as “an inevitable consequence of democratisation” and “a new practical form of modern democracy” (Keping, 2018: 7). Given the “diversity of the character of the population of a state” (Wallerstein, 1984: 20; Taylor, 1993: 151), modern democratic capitalist state governance involve protracted processes of inclusion/exclusion, discrimination, ambivalence, ambiguity, contradictions, alienation and disenfranchisement. On this basis alone, state totalitarianism too must involve specific forms of governance.

The onset of modern capitalism, especially after World War I, was marked by changing power balance between public and private sectors, occasioned by the rise of corporatism to global prominence (Molina & Rhodes, 2002; Pinto, 2017; Christiansen, 2020; Pasetti, 2023). Societal governance entailed, therefore, mediation and coordination of complex power contestations, largely between the state and the market. The exertion of decisive power for manoeuvring the state involves other institutions of society that, simultaneously, support and exploit the state for their selfish motives, especially through manipulation of peoples’ relationships, “market functions and state power” for control of state structures (Wallerstein, 1984; Harvey, 1996). Some institutions of society have successfully asserted power, thus critically exerting decisive manoeuvring of the state, leading to political outcomes such as corporatist fascism of plutocratic forces tantamount to government by the wealthy (Molina & Rhodes, 2002; Pinto, 2017; Christiansen, 2020; Pasetti, 2023). As governance variables, corporatist laws and institutions spread in many countries during the period between the first and second World Wars, especially in the 1930s when “a transnational hybridisation” flourished (Pasetti, 2023: 747). Then, the corporatist state became “a milestone” for many in the world, inclusive of intellectuals and politicians (Pasetti, 2023). Inevitably, corporatism became “a key factor in legitimising Fascism even in democratic circles” (Pasetti, 2023: 747). As Pasetti (2023: 747) notes, the Italian corporatist state governance influenced Rexford Tugwell, an economist in former USA president Franklin Roosevelt’s progressive entourage, who famously said that the corporatist state is “The cleanest, nearest, most effectively operating piece of social machinery” he has “ever seen,” which makes him “envious.” Indeed, governance was never a preserve of democracy. State transition to corporate capitalism has been fraud with vulnerabilities to capture by plutocratic forces; and, present world democratic systems are ironically dominated by plutocratic forces, whilst preaching parliamentary or constitutional democratic governance. Most modern democracies are a "sham," exacting "illusionary" governance through reckless majoritarian parliamentary systems that in reality cede power and command of the state to non-state actors. The decade long state capture in South Africa is characteristic of this phenomenon wherein plutocratic forces command the state and public finances. Albright (2018) and World Future Fund (n.p.) raise concerns that modern democracies are "ruled by money" and "lunatics;" hence, this article holds that corporatist fascism has continued undetected in modern democratic capitalist state governance.

This article argues that the political outcome of frustration of state transition from totalitarianism to democratic capitalist governance is privatised state with skyrocketing fiscal deficits. Since at least 2009, when former president Zuma took over, South Africa has resembled the Russian state constituted from the USSR state transition. Decisive state power under Zuma, especially during the decade-long state capture, and Ramaphosa presidencies has been commanded by faceless plutocratic forces. Vassilliev's (2000) and Anderson's (2006) explanations of frustrated state transition from USSR totalitarianism to Russia's aspired democratic capitalism situate the South African version constituted under Zuma and Ramaphosa presidencies. Using the transition from Soviet Union to Russia, Vassilliev (2000: 4) and Anderson (2006: 237) expose the failure of the state's political leadership and deficiencies of state transition governance, whose political outcome was state privatisation, which is neither "a nation's state, nor a class state, not even a Family state." Owing to power contestations in state transitions, the construction of resilient democratic institutions requires state leaders to hold firm control of political and security apparatus, beyond the mere political will (Anderson, 2006).

Whereas state capture in South Africa is generally blamed on the Gupta Family, reality has demonstrated that capture continued unabated even after Zuma's and Guptas' hold on formal power was halted. Together with uncertainties of the ownership structure of the privatised state, a fascist corporate state tends to emerge out of transition governance failures allowing for plutocratic forces' command of state with a rational market behaviour.

As an asset of quasi-capitalist class, the state does not necessarily signify a rift between rulers and capitalist class; instead, it entrenches conditions wherein "the state budget is the ultimate source of most wealth," as it happened in Putin's Russia (Vassiliev, 2000: 4) and in South Africa through tenderpreneurship. In such an environment, "gravitating in the state orbit is the surest way to acquire top positions in business, not *vice versa*" (Vassiliev, 2000: 4), inevitably leading to industrial-scale political and economic corruption. Just as it happened in Russia's transition, rather than becoming "a public asset" or "a set of institutions in the service of society" or "a commanding force of national mobilisation," the state evolves to become "an exclusive corporate entity" (Vassiliev, 2000: 1). As the state distanced itself from the nation, it does so by applying the law and extending the grace of legality and security with selectivity, having classified its peoples into "loyal and disloyal" or "ours" and "aliens" categories (Vassiliev, 2000; Anderson, 2006). For this reason, Russian politics are described as "profoundly anti-institutional … (wherein) a tightly knit group of individuals continue to mould and remould the institutional design according to their will" (Vassiliev, 2000: 1, 5), "… while government officials continue to employ extralegal methods without regard to constitutional principles and law" (Anderson, 2006: 237). This state trajectory is inevitably a political outcome of state transition governance politics rather than governance-void. Over the decade-long state capture and beyond, to use Vassiliev's (2000: 2) formulations, there has been "mutual alienation between the state and society." Rather than serve society or command the nation, the South African state was aloof in "a virtually autonomous" self-alienation and self-exclusionary positioning (Vassiliev, 2000; Anderson, 2006); and, that is the political outcome of state transition governance rather than the absence thereof. The most profound question about Africa's plight, therefore, is "who has decisive or critical say" in the "ongoing decisions of a state-machinery" rather than just "who has some say" because "the success of the assertion of power, not its loudness" is critically important (Wallerstein, 1984: 31, 32). The political outcomes of contestations over state budgets could either be fiscal consolidation or ballooning public deficit and debts, demonstrating decisiveness of power exerted by competing interests, as revealed in South Africa's state fiscus post-2008.

SOUTH AFRICA: FISCAL CONSOLIDATION, DEFICIT AND DISTRESS

Inescapably, South Africa's transition from apartheid totalitarianism was destined to be contested and protracted, notwithstanding the well-established democratic institutions, owing to the nexus of old and new plutocratic oligarchs. The post-2008 South African state entrenched tenderpreneurship culture of corrupt contestations of state budgets, which became rampant during the decade-long state capture. The removal of Mbeki from state presidency is reminiscent of transition frustration and usurpation of power by security and intelligence agents. Subsequently, there was stark disconnect and mutual alienation between nation and state, as the South African state was increasingly privatised. Through tenderpreneurship, which defined the decade-long state capture and Covid-19 related corruption, boundaries between business and politics dissipated as state budgets were repurposed to serve as ultimate sources of wealth. Tenderpreneurship refers to a South African phenomenon wherein "bogus businesspersons" use their political connections to secure state contracts for personal advantage, as surrogates for political elites who guarantee impunity. It involves collusion between government officials and politicians, and "fallacious entrepreneurs" whose "businesses" depend solely on receiving state contracts. This phenomenon was made possible as plutocratic forces commanded the South African state, which was a "nobody's state," neither "a nation-state nor a class state," neither a corporate state nor "shareholding corporation." The South African state was not "highly" or "totally inclusive" of the peoples or capitalist class; instead, it was commanded as government of the wealthy, devoid of a nationally-shared development agenda, national social cohesion and solidarity. State command by plutocratic forces defined the onset of corporatist fascism in a democratic South Africa.

Frustrated State Transition and Plutocratic Forces, post-2008

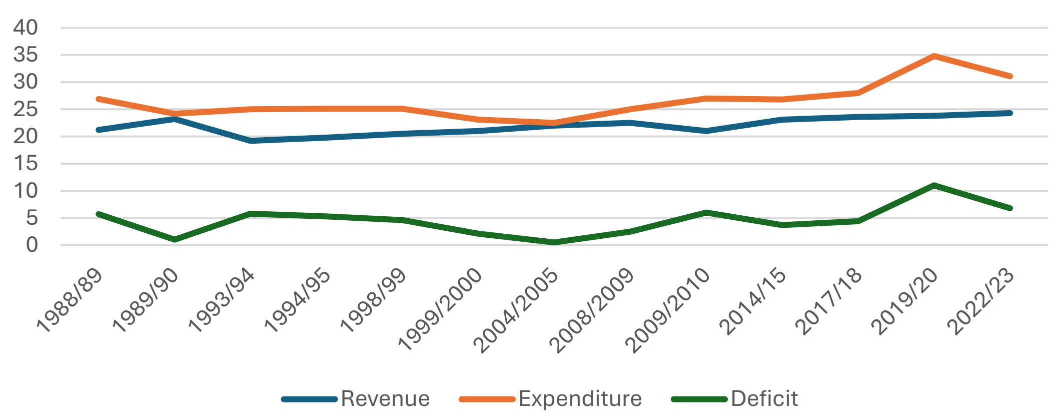
When the new political elite assumed state power in 1994, the ruling ANC became the leading source of economic opportunities, employment and state contracts; and, its ranks swelled (Reddy, 2010). The liberation political culture was subsequently transplanted into state governance, leading to contestation for state resources whilst the ANC started suffering divisive factionalist tendencies (Basson & du Toit, 2017; February, 2018). Once established, this political culture endured, with undefined power contestations for state command. Following the removal of Mbeki from presidency, government for the wealthy was entrenched. Whereas 1994-2008 was characterised by general fiscal consolidation, fiscal deficit soared under presidencies of Zuma and Ramaphosa because they did not hold decisive power for state command. South Africa became insecure, confused and lacking realism in respect of state fiscus (Basson & du Toit, 2017; February, 2018). Preceding the removal of Mbeki from presidency, there were "devious and unscrupulous intelligence projects," consisting of collaboration of the worst of old and new intelligence operatives as well as foreign intelligence elements, who sought to undermine party and state leaders (Chikane, 2012: 4). Political victimisation and purging became the norm in "a bitter fight" wherefrom "winners" entrenched "a spoils culture" in state resources (Chikane, 2012; Basson & du Toit, 2017; February, 2018). Unsurprisingly, Zuma's ascendency to state presidency on May 09, 2009 came with "radical changes in government, as if a hostile opposition political party had taken over" (Chikane, 2012: 5). Faceless secretive plutocratic agents took control of decisive power and command of the state. Chikane (2012: 7) aptly captures the convoluted multiplicity of forces contesting state command in late-2008, frustrating transition to democratic governance. By the end of 2008, plutocratic forces' takeover of state command was complete and comprehensive. Haffajee's (2023, n.p.) pertinent questioning points to the security predicament of the South African citizenry under ANC presidencies, thus: "Who runs the country? …. The confusion between party and state has defined South Africa's politics for 30 years, creating instability and confusion." It was not a coincidence that following the ascendency of Zuma to state presidency, government expenditure skyrocketed largely due to the general public services wage bill. Zuma did not hold decisive power for state command; and, this power trajectory and high fiscal deficits continued under Ramaphosa's presidency.

Since mid-1990s, South Africa implemented "substantial reforms" to public expenditure management systems, namely: institutional framework for budget reforms in accordance with the Constitution as well as applicable national legislation and practice; "a multi-year budget framework and top-down budget process;" "a framework for public financial management and reporting;" "classification system of public finances;" and, "performance-oriented public service" (Fölscher & Cole, 2006: 1). Post-2008, these reforms were undermined by entrenching plutocratic government for the wealthy. The removal of Mbeki from state presidency signalled intent to frustrate state transition and to pillage state fiscus. The political outcome of tenderpreneurship and corrupt contestations of state budgets has been to thrust a democratic South Africa into an abyss of fiscal distress. The endgame of South Africa's ongoing decimation of state budgets "is almost always telegenic (fiscal) mayhem" (Poplak & Neille, 2022: n.p.). By the end of 2022, corruption had become "a mammoth" endemic and pervasive "crusade" because "the state's decision-making processes are significantly influenced by private interests" (Dhai, 2022: 76). As of 2017, the South African state was firmly privatised, decisive power in the hands of plutocratic forces, with ballooning fiscal deficit.

Fiscal Consolidation, Deficit and Distress, 1994-2008 versus 2009-2023

As already argued above, state rulers must have political will and decisive power for state command in order to protect state fiscus. South Africa's public finance deficit demonstrates conclusively that whereas Mandela and Mbeki had political will and decisive power for state command, the same cannot be said about Zuma and Ramaphosa whose presidencies are characterised by skyrocketing fiscal deficits (figure 1). As Fölscher & Cole (2006) shows, there was fiscal consolidation during 1997-2000, consistent with macroeconomic reforms and fiscal discipline, lowered investment costs, reduced tax burden and improved household spending power. This period of fiscal consolidation allowed for expansionary fiscal conduct and improvements in public expenditure and financial planning and management from 2001 (Fölscher & Cole, 2006). Mbeki's regime successfully maintained "a sound fiscal policy" and reduced tax burden, shifting economic distribution of expenditure towards increased social and developmental dimensions for formerly marginalised communities (Fölscher & Cole, 2006). According to Fölscher & Cole's (2006: 2), the "structure and distribution of power in the state" changed post-2008.

Figure 1: Smoothed Estimates of South African Government's Annual Revenues, Expenditures and Deficits, 1988/89-2022/23



Source: Macrobond & Sakeliga (cited in Lamberti, 2023)

South Africa's tax receipts have fallen sharply behind spending during 2009-2023 and the country is now "in deep financial distress," a precurser to state failure (*BusinessTech*, 2023a: n.p.; *Daily Investor*, 2023b; Lamberti, 2023; *The Economist*, 2023). Government spending has since the 2008 global financial crisis exceeded revenue, leading to rising annual budget deficits, fiscal crisis and borrowing of about R553 billion annually over the medium term (*Daily Investor*, 2023a; Hamilton, 2023). Hamilton (2023) reports that government debt interest in 2023/24 alone is R385.9 billion and that the amount would reach R1.3 trillion by the end of the Medium-Term Expenditure Framework, 2026/27. Estimates of annual fiscal deficits as percentage of GDP, computed from Macrobond and Sakeliga seasonally adjusted and smoothed data on the South African government revenues and expenditures as percentage of GDP for almost 45 years under presidencies of Botha, de Klerk, Mandela, Mbeki (and Motlanthe), Zuma and Ramaphosa, show that South Africa experienced high deficits during 1993/94 and 2020/2021 fiscal years (figure 1). Notwithstanding the impact of Covid-19 pandemic on the fiscus, Zuma and Ramaphosa regimes have run high fiscal deficits compared to Mandela and Mbeki (and Motlanthe). South Africa experienced the lowest fiscal deficits during Mbeki's presidency, attaining balanced budget during 2005/06-2006/07, owing to fiscal consolidation. Whereas state revenue hovered in the 18-24% bracket as percentages of GDP, expenditure was managed downwards from around 25% in 1998/99 to lows of 19.5% in 2004/05 (figure 1). Conversely, Ramaphosa's presidency has continued with increasing fiscal deficit trajectory that was run by Zuma's regime since 2009. Under Mandela's presidency, government deficit was slowly but consistently decreased even as revenue growth was modest and slowing down. Under Mbeki's presidency, fiscal consolidation was systematic, especially during 1999-2005, after which there was steady increase in revenue and gradual but controlled increase in expenditure.

Due to the power balance that favoured organised labour since 2009, a democratic South Africa endured a massive government wage bill increase; hence, the number of public service employees earning R1 million per annum increased from 10 000 in 2013/14 to 55 000 in 2023/24 (RSA, 2023). Government employs about 1.3 million people, almost half of whom earn over R350 000 per annum whilst 180 000 earn between R600 000 and R1 million (RSA, 2023). The number of public service employees who are considered to be millionaires, has increased by 450% over the past decade, implying that government wage bill skyrocketted from R408 billion in 2013/14 to R724 billion in 2023/24 (RSA, 2023; *BusinessTech*, 2023c). Whereas South Africa has sought to tighten fiscal constraints, amidst weak economic growth, government wage bill skyrocketted, accounting for a substantial share of GDP (RSA, 2023; *BusinessTech*, 2023b). Using the OECD Data Library, *BusinessTech* (2023c) states that South Africa's general government wage bill as share of GDP and general government employment as a share of total employment, respectively, were 13.6% and 18.6%, compared to 10.1% and 17.9% averages of the wealthy OECD countries. Finance minister, Godongwana, has acknowledged this state fiscus phenomenon of consolidated government spending consistently growing faster than revenue primarily because of public service wage bill, rising debt service cost and transfers to households (RSA, 2023; *BusinessTech*, 2023c). Government spending has, for example, reached R1.04 trillion between September 2022 and September 2023, which is an increase of R100 billion, surpassing revenue by R250 billion compared to the same period in the previous fiscal year (Hamilton, 2023). For these reasons, government budget deficit for 2023/24 fiscal year is projected to R56.8 billion (Hamilton, 2023), whilst the poor fiscal outlook is destined to persist as public sector unions have settled for 7.5% wage increase in March 2023 (Fitch, 2023), meaning that public wage bill is destined to rise to R769 billion by 2026 (RSA, 2023; *BusinessTech*, 2023c). Minister of Finance said that Treasury had budgeted for 4.5% increase, which consists of R23.6 billion only, meaning that government has to find the balance of R10.1 billion for the wage bill by reprioritising budgets (RSA, 2023; *BusinessTech*, 2023c).

Comparing the South African government revenue and expenditure as a percentage of GDP from the pre-1990 Botha regime to June 2023, Sakeliga establishes that there was fiscal stress before 2000, which dropped to the lowest level ever during 2005-2008, under presidencies of former president Mbeki, only to soar drastically to unprecedented levels post-2008 to June 2023, under the presidencies of Zuma and

Ramaphosa (*BusinessTech,* 2023a; *Daily Investor,* 2023b; Lamberti, 2023). Over the past 45 years, South African governments only managed a balanced budget during former president Mbeki between 2005 and 2008 (*BusinessTech,* 2023a; *Daily Investor,* 2023b). *BusinessTech* (2023c) reports that the South African government budget deficit worsened to R143.8 billion in July 2023, the largest since 2004, far above R115.5 billion that was forecast by economist. The South African state has, under Zuma and Ramaphosa presidencies, tittered at the brink of fiscal chaos and distress, unmatched by any in the past 45 years. Covid-19 disaster spending does not explain this chronic ballooning fiscal deficit; and, this article establishes a connection between this chronic fiscal distress and these two latter regimes' lack of control of decisive power for state command. Having examined relevat data from pre-1990 to June 2023, Sakeliga finds that government quarterly borrowing increased by 100%, interest payments for service of overall debt spiralled upwards to a quarterly total of R100 billion (Lamberti, 2023). Government finances are in an unhealthy conditions wherein "almost all government borrowing currently is being used to cover interest obligations from previous borrowing" (*BusinessTech,* 2023a; *Daily Investor,* 2023b; Lamberti, 2023). Whilst actual and probable national government liabilities have "soared in the past 15 years," investment in infrastructure has been neglected or wasteful and "economic value added" (EVA) stagnated (*BusinessTech,* 2023a; *Daily Investor*, 2023b). Russell Lamberti (2023: n.p.), the executive director for research at Sakeliga, is quoted as saying that South African government's "deteriorating financial position forward immense risks" including state failure which tends to be accelerated by fiscal distress.

CONCLUSION AND RECOMMENDATIONS

This article has demonstrated that South Africa's transition from apartheid totalitarianism to envisioned democratic capitalist state governance was frustrated in late 2008 when non-official plutocratic forces captured the power and command of the state, resulting in corrupt contestations of state budgets and financial crises. South Africa's state budget became fiercely contested by non-state actors, serving as surrogates for political elites that provided protection, leading to escalation of budget deficits and fiscal distress post-2008, once the state was privatised. Consequently, post-2008 state finances were marked by escalating fiscal distress, primarily because of lack of power and command of state, if not absence of political will for fiscal consolidation, on the part of state regimes under Zuma and Ramaphosa presidencies. The political outcome of frustrated state transition in South Africa has been privatisation of state and ballooning fiscal deficits and borrowing. This article recommends that South Africa has to unmask its "illusionary" democratic capitalist state governance for its plutocratic fascist corporatism, which has plunged the country into skyrocketing financial deficit and fiscal distress. The starting point, though, is for the country to restore power and command of the state away from the non-state actors by dismantling the extralegal and non-institutional mechanisms that are entrenched for contestations of state budgets, disguised through "fallacious" tenderpreneurships.

One fundamental global policy implication flowing from this article can be framed thus: state transitions require deliberate governance of the power relations contestations in order that state apparatus and leadership may retain decisive power for firm command over the command of the state in order to ensure that power relations inequities inherent to governance do not allow for the takeover of plutocratic forces and the privatisation of the state. State transitions, like all other social reality and societal systems, is undergirded by governance, both latent and manifest or "poor" or "good." As is the case to governance and democracy, there exists no inherent nor intrinsic "goodness" to state transitions. The latter too are prone to incompetence, patronage and corruption, especially given the attendant fierce power relations contestations. Specific governance categories, systems, structures, institutions, frameworks, principles and dimensions, both latent and manifest, are needed to govern state transitions because state transition, just like governance, is not "a catch-all" phrase of "goodness." In Africa, for example, the most uniform political outcome of state transitions from totalitarianism to democracies has been state privatisation wherein plutocratic forces took command of the state; hence, African democracies have generally been fallacious in nature. Indeed, the prominence of governance among scholars was never necessarily about guaranteed "goodness;" instead, it was always about establishing mechanisms that would render it "more effective."

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ADOPTION OF DIGITAL LITERACY FOR SOUTH AFRICA'S SMALL TOWNSHIP BUSINESSES' GROWTH: A CASE OF MANKWENG TOWNSHIP IN LIMPOPO PROVINCE

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ABSTRACT

The digital divide has long been a pressing issue but its impact on business growth and economic development has been downplayed, particularly in South Africa. The aim of this article is to discuss the adoption and use of digital literacy among small business owners in South Africa's townships for growth and sustainability, with specific reference to Mankweng Township in Limpopo Province. It discusses the digital divide in order to gain understanding of the challenges and opportunities within the contexts of business transformation and economic development. Through literature review of relevant conceptions as well as collection and analyses of empirical data from the geographical business cluster in Mankweng, a South African township in Limpopo Province, the article argues that digital literacy, if adopted, could play a pivotal role in small business growth for productive inclusion in economic development. Whereas the results cannot be generalised, it proposes that South Africa needs an integrated approach to economic development that incorporates digital literacy as a foundation for the operations of township businesses. It underscores the need for a societal shift in attitudes towards digital literacy, emphasising its significance in fostering economic participation and inclusion of small businesses in economic development.

Keywords*:* Digital Literacy, Digital Maturity, Business Transformation, Economic Development, South African Township

INTRODUCTION

Digital literacy has become an important part of the world economy; and, it has become a necessary potential driver of the pursuit of sustainable development worldwide. Beyond poverty alleviation, digital literacy has also emerged as an important linchpin for fostering economic growth and improving participation within countries. UNESCO (2020) defines digital literacy as the ability to use digital technologies, both hardware and software, safely and appropriately. Acquiring digital literacy skills is important for learning, workforce readiness and for fostering open, inclusive and secure economic activities. The need to equip current and future generations with the necessary skills is captured in the Sustainable Development Goals (SDG) of the United Nations under target 4.4 (UNESCO 2020). The United Nations emphasises the importance for countries to increase the proportion of digital literacy skills relevant

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for economic development (UNESCO 2020). Investing in digital literacy has become a fundamental pillar of sustainable development, acting as a catalyst for wealth creation at both the individual and societal levels.

Digital literacy contributes to economic development, as it improves business sustainability and growth. Enhancing participation in economic development through digital literacy is essential not only for reducing poverty, but also for economic growth and development. Businesses in South African townships are often faced with restricted access to services, assets and opportunities in economic development. If digital literacy is not improved, small businesses may continue to be difficult to sustain, leading to closures; thus, negatively impacting on the already struggling economy by increasing unemployment, poverty and potential for crime. Despite this recognition, a significant portion of the world population faces formidable barriers that hinder their active participation and benefit from developmental processes. The digital divide, especially pronounced in Africa, stands out as a primary hurdle (Giebel, 2013). Despite the digital divide, the link between digital literacy and economic growth remains the core of business development and sustainability. Therefore, it is important that the disconnect that prevents small businesses from growing due to digital illiteracy could be overcome. South Africa too is experiencing digital divide, especially with regard to townships and villages. The problem within townships and villages is that many businesses do not seem to possess or apply digital literacy necessary for sustainable and profitable growth and economic development. Often, these businesses underperform because and are unable to sustain their practises within the economy. The purpose of this article is to discuss the adoption and use of digital literacy among small business owners in South Africa's townships for growth and sustainability, with specific reference to Mankweng Township in Limpopo Province. The article is structured in seven sections. The first section is the introduction followed by section two which discusses conceptual frameworks that include digital literacy, economic development and maturity model. The third section discusses research methodology whilst section four focuses on digital literacy and business growth in South Africa, Limpopo Province and Mankweng Township. The fifth section presents discussion of survey results and analyses whilst section six discusses findings. Finally, section seven provides conclusion and recommendations.

CONCEPTUAL FRAMEWORKS: DIGITAL LITERACY, ECONOMIC DEVELOPMENT AND MATURITY MODEL

Digital literacy is the awareness, attitude and ability of individuals to appropriately use digital tools and facilities to identify, access, manage, integrate, evaluate, analyse, and synthesise digital resources, construct new knowledge, create media expressions and communicate with others, in the context of specific life situations, to enable constructive social action; and reflect on this process (Buckingham, 2016). Sharma *et al.* (2018: 2291) refer to "consists of competence in the basic skills to utilise digital technologies, an understanding of how these competencies can be used to create context to practises and subsequently to participate socially, culturally and economically, and allows the intellectual empowerment of individuals to transform society." One may conclude that digital literacy refers to skills required to use digital technologies in participating in a society for the betterment of human well-being. Various scholars differentiate between types of digital literacy, namely functional digital literacy, transformation digital literacy, and socioeconomic digital literacy (Sharma *et al.*, 2018). For the purpose of this study, socioeconomic digital literacy will be considered. According to Njenga (2018), socioeconomic digital literacy refers to the ability of digital users to participate in the social and economic structures of the digital society. Sharma *et al.* (2018) further indicate that socioeconomic literacy includes awareness of the process of developing while ensuring that the development does not promote existing inequalities or hinder the resources and abilities for future generations to continue to develop and progress. Thus, it is necessary for this article to discuss digital literacy as it relates to economic development.

Digital Literacy and Economic Development

Small businesses have been affected too deeply by the advent of digital technologies and tools. Most of these businesses carry out their day-to-day activities and the management of thereof using the internet, and they generally tend to remain out of economic spheres, if they are unable to take the full benefit of the facilities provided or by digital literacy. Moreover, many businesses have made considerable efforts to include the motive of the spread of digital literacy in their economic development. Lin (2017) refers to economic development as a process of structural transformation with continuous technological innovation and industrial upgrading, which increase labour productivity, and accompanied improvements in infrastructure and institutions, which reduce transaction costs. Economic development presupposes not just the existence of formal institutions, but also the promotion of exchange, savings and investment (Fukuyama, 2001). Within the context of this study, economic development speaks to the ability of small businesses to use digital literacy to sustain growth and develop their business to achieve access to new markets and funding, make data-driven decisions regarding matters related to supply and demand, maintain operational efficiency, achieve innovation, and continuously strive to offer customer-centric submissions that will allow the business to grow in continuity alongside the economy.

Economic development increases individual resources, reducing dependency on the extended family or group (Schwarts, 2014). This gives people opportunities and means to make choices that allow them to pursue autonomy and take personal responsibility. From a societal point of view, economic development makes it desirable to cultivate individual uniqueness and accountability (Haugh & Talwar, 2016). Societies require diverse skills, knowledge, interests, and innovation to cope successfully with the various tasks, new challenges, and speed of change that accompany development (Njenga, 2018; Nani & Ndlovu, 2022; Phokwane & Makhitha, 2023). One may thus argue that economic development depends, amongst other things, on the development of an e-society with the Internet access and the availability of digital technologies and content. Individual business owners who are high in socioeconomic status are most likely to use digital technologies to strategically satisfy their motivations and gain the desired growth.

The global economy becomes increasingly digital, the demand for digital competencies (Frąckiewiczin, 2023). Frckiewiczin (2023) further indicates that the importance of digital literacy in Africa cannot be overstated, as it plays a crucial role in empowering communities and fostering sustainable development. Prasetya & Anggraeni (2020) further indicate that by equipping individuals with the skills necessary to participate in the digital economy, digital literacy can help create new employment opportunities and drive economic growth. The study by Urbancikova, Manakova & Bielcheva (2017) found that there is a direct relationship between digital literacy and socioeconomic factors, and the lack of digital literacy skills as the main barrier to economic development. The importance of digital literacy in economic development is also highlighted by Lo Prete (2022). Thus, it is relevant to explain the model that would best aid in understanding the relationship between digital literacy and economic development.

Maturity Model for Digital Literacy

Digital literacy is both an international and a local issue. Countries and regions must require customised approaches to meet their unique needs and contexts. This study adopted the digital literacy maturity model (and was based on the five stages of digital maturity, namely, digitally present, digitally active, digitally engaged, digitally competitive, and digitally mature (Bris, Cabolis & Caballero, 2017; Breitling, 2021).

Digital Presence

Digital presence is important for small businesses to grow their business and enhance the experience of customers. Lesonsky (2023) and Onomoasor (2023) agree on ways to make one's business digitally present. These are:

1. Active on social media: Social media platforms such as Facebook, Twitter, and Instagram offer an easy and effective way for small businesses to connect with customers and build a following. Post regular updates, share valuable content, and engage with your followers to build a strong online community.
2. Use SEO techniques: Search engine optimisation (SEO) is a set of techniques that help to improve the visibility of your website in search engine results. By optimising your website for search engines, you can improve your chances of being found by potential customers.
3. Be responsive and engaging: One needs to be responsive and engaging with customers. A strong digital presence requires responding promptly to comments and messages, offering helpful advice, and showing your customers that you care about their needs and concerns.

In conclusion, small businesses need to create several platforms for accessibility to succeed in today's digital age. By establishing an effective digital presence, small businesses can also reach a wider audience, build brand awareness, and ultimately grow their business (Lesonsky 2013).

Digital Active

Digitally active refers to the need to be proactive and have a wider reach. To maintain digital literacy, one needs to be digitally active. Chelani (2021) states that it is essential that businesses open new ways of doing and expanding current business. Digital technologies boost business growth by cutting geographical boundaries and reaching a wider audience. Chelani (2021) further indicates that the digital presence of any organisation affects its growth and survival in the competitive world.

Active digital places an importance a business places on its digital reach. Digital reach refers to the on-line presence that a business maintains to access customers that are normally displaced or out of reach for the business given its traditional approach towards its day-to-day activities. Digital activity also looks at how the business and all the business owners have an outlook towards using their presence to achieve competitive advantage within the context of their products and or services. Some ways to help businesses market include social media platforms such as Linkedin, Facebook, and Instagram according to the company's requirements. On the other hand, an email marketing campaign would also help. Email is the most cost-effective way to promote your products, communicate with your customers, and achieve your business goals. The email marketing drip campaign is designed, which is a high-converting sales funnel. The campaign is also based on the proper segmentation of customers decided by the manager. Through the sales funnel, companies can generate leads, filter them, nurture them to build relationships, and hence convert them to paying clients.

Digital Engagement

Digital engagement is the process of connecting with customers through digital communication channels to build authentic relationships with them. In this way, businesses will gain a competitive edge and keep business at the forefront of customers' minds. Digital engagement increases brand visibility and has a direct impact on revenue.

Digital Competitive

Digital competitiveness is defined as the capacity of an economy to adopt and explore digital technologies leading to transformation in government practise, business models, and society in general. The innovative capacity of a country is heavily rooted in areas such as the concentration of scientists and engineers in the workforce, the degree of protection of intellectual property, and the depth of cooperation among the public, private, and academic sectors. (Bris, Cabolis & Caballero, 2017). One may deduce that being digitally competitive would include the ability of businesses to reposition themselves and achieving new markets and accessing finances to obtain competitive advantage. The fact that small businesses in townships are located next to larger businesses such as larger supermarkets should be digitally competitive to ensure their visibility and access the markets and/or customers to be sustainable. Therefore, this study aims to find out how township businesses are digitally competitive to sustain their businesses. Digital competitiveness and transformation solutions and technologies provide South Africa with an opportunity to reshape institutions (public, private and civic, businesses) in a sensible and competitive way.

Competitiveness requires that available digital technologies be 'absorbed' by businesses and society in general, as this needs a positive attitude by society to use digital technologies to access and participate in economics (Bris, Cabolis & Caballero, 2017). For example, while businesses transform into digital and/or on-line services, society should be willing to participate in digital processes such as engaging in on-line purchases. Simply put, businesses must be flexible and ready to take advantage of new technological developments and innovations (Orji, 2019; Soekarno & Setiawat, 2022; Wahab et al., 2023).

Digital Mature

Digitally mature organisations initiate systematic changes involving workforce management, reshuffling, and culture reflexions around digital experiences and customers (Breitling 2021). Ciucioi, Tănase & Țîgai (2022) summarised traits of digitally mature organisations as follows:

- *Tear down silos:* The voice of the employee should be heard between departments. Successful businesses create a holistic approach and collaborative culture for digitally advanced businesses. Therefore, this will improve productivity and service quality to improve customer experiences.
- *The Solution to the Talent Crisis:* Successful businesses work to solve problems by expanding on staff talent. Access to mentoring enables employees to grow and develop a range of skills.
- *Build airtight alignment:* Digitally mature organisations build alignment between stakeholders. Misalignment between stakeholders can be a major impediment to effective use of the cloud. Different parts of the business have different objectives in relation to the cloud, and effective coordination is crucial to avoid a disjointed approach and, therefore, creates a unified strategy to fit the needs of the business as a whole.
- *Cyber specialists have early involvement:* To ensure that cyber specialists are involved in technological selection and staff education. Cyber security should comply with and protect against threats. Developing a strong reputation for cyber security can also improve profitability.
- *The voice of the customer:* To allow the voice of the customer to guide emerging technology strategies. This means constantly evaluating whether the selection of technology and the design of the workflow are in line with customer needs and expectations. This is because businesses should direct their emerging technology investments towards capabilities that have the potential to deliver the outcomes that are of the most value to customers.
- *Platform as a customer experience enhancer*: Willingness and preparedness to switch provider platforms to enhance customer experiences. It can appear simpler to find one platform, or at least a reduced stack of enterprise technologies, which will meet business needs.
- *Experiment wisely:* digitally mature organisations are not afraid to experiment wisely and make sure that success does not create an overly protective or perfectionist culture that stifles innovation and growth. This means having transformation and investment strategies that can be adapted and moved away from traditional investment frameworks that are structured to achieve benefits only at the very end of the initiative.

This article will as such focus on whether business owners at townships possess the traits as explained by Ciucioi, Tănase & Țîgai (2022). Small business should strive to innovate on a small scale and aim for success that has an impact on the business to succeed. In short, digitally matured businesses are always strategising ways to improve business practises and are always experimenting with new ideas making things more convenient and user-friendly for the customers. The study by Robertson *et al.* (2022) showed that digitally mature SME retailers performed better on organisational resilience compared to those who were not digitally mature. Additionally, the study indicates that digitally mature organisations invest significant time and resources in developing digital capabilities and digital leadership, thus economic development and growth. Guo *et al.* (2020) indicate that digitally mature businesses were found to be more flexible, as such adaptable to change. This suggests that for businesses to thrive, they need to develop and move with ever-developing technologies. They should be able to adapt to new developments as they arise. This study also focused on determining how flexible and adaptable township businesses are to changing digital technologies available for use. The aim of this article is to investigate the adoption and use of digital literacy among small business owners in South Africa's townships for growth and sustainability, with specific reference to Mankweng Township in Limpopo Province. It discusses the digital divide in order to gain understanding of the challenges and opportunities within the contexts of business transformation and economic development. It focuses on SMEs that are located close to big business in the township on the assumption that they would require digital literacy skills in order to access and compete for the market with such big business. Also, the article investigates the potential for digital literacy to play a pivotal role in small business growth for productive inclusion in economic development.

RESEARCH METHODOLOGY

In this study, qualitative methodology was used. The narrative enquiry design provided a blueprint for this study. Narrative enquiry records the experiences of an individual or small group, revealing the lived experience or perspective of that individual, usually primarily through an interview, which is then recorded (Creswell & Creswell, 2018). The design was attractive to the researchers because Zolotarevskii (2010) also used a qualitative narrative investigation over a period of six months. The use of narrative enquiry design in this research allowed the researchers to focus on small township businesses as a small group and obtain complete information related to the subject under study and allowed the study to take place with minimal disruption of daily activities of the participants (Creswell, 2014).

The study population included all small businesses located near the larger companies in the selected province of South Africa. These stores were chosen because they experience the impact of being close to the larger stores. Secondly, because they have an opportunity to access a new and wider market that is also available for those stores. Simply put, they are chosen because competition with larger stores requires the application of digital literacy skills to be sustainable and grow.

A combination of purposive and convenience sampling were used to identify nine formal SMMEs in Mankweng Township for survey interviews. Owners of these SMMEs were selected for interviews. The nine business owners interviewed from the formal SMMEs within Mankweng Township consisted of two from fast food outlets, two from bakeries, two from retail grocery stores, one from a butchery, one from a hardware store and one from a clothing store. These small businesses were selected based on their proximity to the shopping mall and shopping complexes in the area. Given the autonomy and structure of formal sector small businesses in the area, it was not necessary to specify and link each participant with the business he or she owns, as doing so would jeopardise the anonymity and confidentiality of some participants who chose to remain anonymous. For purposes of data presentation, participants will be referenced without business ownership specification.

The study used data collection consisting of face-to-face interviews. Thematic content analysis was used to analyse the data. The research questions formed the basis for the themes that were used as analysis categories. The first phase involved data coding followed by data reduction to establish how patterns occurred and how the research questions were answered. The codes were then combined to form themes that addressed the research questions (Matthews & Ross, 2010).

DIGITAL LITERACY AND BUSINESS GROWTH: SOUTH AFRICA, LIMPOPO PROVINCE AND MANKWENG TOWNSHIP

South Africa is a country marred by growing digital divide exacerbated by the fourth industrial revolution, given the legacy issues of apartheid in business and employment opportunities (UNDP, 2019). The country is ranked 88th on the WEF Human Capital report out of 130 countries (WEF, 2017). A declining economy has seen South Africa's gross domestic product (GDP) decrease by 0.2%, expenditure on real GDP decreased by 0.1%, unemployment rate at 31.9% and an inflation rate of 5.5% in the third quarter of 2023 (StatsSA, 2023). South Africa faces change in technology in the global context where employment and finding new entrepreneurial opportunities have become complex due to the new digital economy (Orji, 2019; UNDP, 2019; Soekarno & Setiawat, 2022; Wahab *et al*., 2023). Without digital literacy, individuals and businesses cannot take advantage of the opportunities presented by new technological developments in the digital economy. Entrepreneurs, consumers and other economic participants in South Africa are burdened by the digital divide that excludes participation in employment and business opportunities (Orji, 2019; Soekarno & Setiawat, 2022; Wahab *et al*., 2023). As reported in United Nations Development Programme and Sustainable Development Goals (SDG) business opportunities 2016, technology and telecommunication sectors play a crucial role in solving multiple economic challenges. Across the different provinces in South Africa, ITC has since increased in activity due to the number of Internet users increasing from 5.3 million in 2009 to 38.13 million in 2021. Despite the adoption of ICT in South Africa, an estimated 1.7% of rural households in the country and rural Limpopo Province households only had an adoption rate of 0.6% since 2018. This underscores the concern for employment and business opportunities that come with being economically active in the digital economy.

Digital literacy is not only about consumers being able to use ICT infrastructures, but also speaks to the ability of entrepreneurs and small business owners to use the Internet and ICT infrastructures to pursue business activities (Orji, 2019; Soekarno & Setiawat, 2022; Wahab *et al*., 2023). The City of Polokwane, located in Limpopo Province, had an estimated population of 628 999 residents in 2018, 64.4% of these residents having no access to the Internet (StatsSA, 2023). Mankweng, situated to the east of Polokwane, has a population of 33 738, with 43% of the population without Internet access (StatsSA, 2023). Studying Mankweng, Lesame & Leopeng (2021) find that out of 20 participants, four had home Internet access while 16 stated that it was expensive. In addition, Limpopo Province was found to be the lowest (10.3%), compared to other provinces, on perceptions of digital economic inclusion, that is, the perception that digital technologies enable one to feel included in the economy (Twinomurinzi, Mawela, Msweli, & Phukubje, 2021). These authors also found out that Limpopo Province was strongest when coming to digital social inclusion, suggesting that digital skills efforts targeted at improving digital economic inclusion must necessarily include digital social inclusion. It is also significant to note that Mankweng Township has the University of Limpopo, which has attracted the establishment of shopping complexes and malls to exploit the market associated with the university. The availability of such shopping complexes and malls attracts residents from the surrounding townships and villages to Mankweng Township as the centre of consumption and economic activities. Many small business owners have sought to exploit this active economic hub. However, due to the large number of residents who do not have access to the Internet, many of these small businesses operating within Mankweng Township compete for the already established large businesses operating in shopping complexes and malls.

Mankweng Township is also known for being the economic hub of surrounding villages and townships due to the presence of Paledi Shopping Mall and Mankweng Shopping complex, which house a number of large organisations as well as surrounding informal and formal SMMEs. The small businesses that can be found in Mankweng Township speak to the diverse needs of communities in the area, as well as to the student target market. Small businesses in the township include bookshops, printing services, fast food, groceries and other student-orientated services. There are smaller businesses such as tech start-ups, service-orientated enterprises, hair salons and local workshops like tyre repairs, upholstery and hardware retailers in the area. The challenge with so many SMMEs in supply, given the sizable student population and residents, is that the presence of a university in the area fosters innovation and technology-driven opportunities that large organisations seem to exploit whilst many small businesses cannot afford, such as online shopping, online deliveries and catalogues. Another challenge for SMMEs in Mankweng Township, like elsewhere, may face challenges such as access to finance, skills development and access to the market. Addressing these challenges is crucial for the sustainable growth of these enterprises. According to the last published report on Statistic South Africa (2023), approximately 31.3% of the residents do not have any income. Not only do SMMEs need to find ways to access the traditional and bottom of pyramid markets that come with unemployment of residents, SMMEs need to innovate and develop their capabilities and skills to use the Internet and ICT infrastructures to attract and retain customers in the digital economy that comes with being the University of Limpopo.

DISCUSSION OF SURVEY RESULTS AND ANALYSES

This section presents an analysis of data collected from the interviews. The data presentation is organised according to the interview questions. Participants were asked if they considered themselves as knowledgeable and possessing digital skills. All participants indicated that they had some knowledge and skills regarding the use of digital tools and technologies in their businesses. Participant 1 stated that he feels that he still has a long way to go, regarding the new technologies that come out almost every day, but that he is confident that he is equipping himself and his business by learning new ways to cope with the use of the internet in my business. Participants 6 and 9 share the same sentiments about constantly looking to improve their digital knowledge and skill to ensure sustainability of their business. Participant 2 indicated that digital skills need to be updated so that they can automatically access and use any form of digital tools. Participant 4 explained that he had been exposed and used technology but cannot say that he knows a lot because technologies change every day, when one thinks that they know something, it changes by tomorrow. Participant 5 agrees that due to ever-changing technology, they must learn every day, but he feels that he is knowledgeable and has the digital skills that are needed in his business. Participants 3 stated that the needs of his customers are constantly evolving and that one needs to continue to develop his knowledge and skills as a business owner to remain relevant and competitive.

On the need for further training regarding digital literacy, 8 of the 9 were willing to attend with varying conditions whilst one would not attend if training does not come with funding for his business. All participants indicated that they are using social media in their business such as WhatsApp Business, Instagram, Facebook, and Twitter to communicate, comment and respond to current and potential customers about the business and business products and/or services. However, participant 8 indicated that she uses social media platforms for personal purposes rather than for business activities. Steyn (2018) states that technology adoption and digital literacy barriers no longer seem to exist for South African entrepreneurs because most entrepreneurs have addressed barriers such as lack of expertise and have access to ICT. The use of social media platforms by participants speaks to the need for business to be available and present to their customers. It was necessary to ask about the digital availability of small businesses to their customers. One participants said that he did not own some gadgets; and, almost all participants believe that business page platforms are effective in collecting information and communicating with customers. Some participants feel that improving their businesses requires them to listen to their customers because that could generate new ideas.

Some participant indicated that while they are effective on social media platforms, it takes effort and time to engage successfully with customers for business on these platforms. They argue that social networks should be managed by digital managers or marketers, but for now they do not have the financial resources to pay for such talent. However, they continue to try their best to engage with customers on social media platforms. There is a belief that social media platforms need a lot of attention; hence, larger organisations have social media managers who have the sole responsibility of looking at the business presence of the companies. They think that customers often compare them with larger business organisations. Other participants have raised concerns about usability and security of social media platforms for businesses, suggesting that it could mean that they require more training. This indicates that participants acknowledge the importance of engaging with customers but are worried about security risks such as hacking of accounts.

As a result, some participants were not keen to invest in digital technology beyond what they are already exposed to and are using for their businesses. Participants noted concerns about spending their limited financial resources investing in new digital technologies or the time associated with learning and adoption of the new technology into their businesses. For example, participant 1 indicated that running a small business is already challenging enough and he is not willing to use any other gadgets or software because that will simply be a waste of time and money. One participant even stated that most of his customers were not on social media, meaning that investing time and money in new technology will not be of any benefit to his business. Other participants, though, felt that technologies such as AI Chatbots may be helpful for them, but that it seems to be complicated to learn and invest in. Whether participants were able to use social media platforms, Internet and digital literacy to improve themselves and their businesses, it remains inconclusive because some believe that these technologies do not speak to their primary customer base. However, some thought that these technologies are already intended to encourage sales from new markets, but that they prefer the traditional approach to business. Only two participants indicated that digital literacy remained a critical part of their business development, but that some of their customers do not have access to the internet.

Finally, participants were asked how they used social networks or the Internet to remain competitive against large organisations in the area. All participants indicated their interest in expanding their knowledge and expertise in the use of digital software and systems to compete with businesses in the shopping complexes where they operate. Participant 4 indicated that:

> "*Larger companies have the upper hand in the digital economy because they can hire e-Commerce specialists. However, my business uses personalised services to attract new customers. I can use my social media platform to engage with my customers*."

But some did not have any specific way in which they used digital literacy to compete with larger businesses. Participants were asked to suggest ways in which they could be supported to improve their digital literacy in order to have their businesses more sustainable and competitive in the market. All participants agreed that government should play a role in improving digital literacy and skills. For example, participant 4 indicated that the government should provide more training and workshops for all small businesses. Participants 1 and 3 further indicated the need for government to provide assistants through funding to promote the adoption and use of digital technologies by small businesses.

DISCUSSION OF FINDINGS

The findings indicate that most small business owners are reluctant to use any form of technology because they generally think that such use of technology is expensive and therefore would be additional costs incurred to the business and that they do not see any possible benefit associated with the investment expenditure. The findings also show that while they are interested in expanding their knowledge and expertise in the use of digital software and systems, there is no support given to these small business owners by government towards upskilling, through workshopping and facilitation, to learn these skills. These business owners feel that the skills to use the systems require in-depth knowledge. The results further indicate that small business owners in the study area do not see the impact that digitally literacy will have on accessing funds, increasing business operations and data-driven decisions, and improving completeness. They felt that the use of technology does not speak to their customer base; hence, they prefer the traditional approach to business. Also, there are a few business owners who are interested in improving their digital literacy with regard to digital effectiveness and impact on business and sustainable practises, and they feel that the business solutions that are there do not cater for small businesses but rather for large organisations and, therefore, this becomes a hinderance for them to adopt ecommerce or any other use of technology in their business practises. Digital literacy among small businesses is likely to be positively correlated with increased revenue and business growth. Businesses that take advantage of digital tools for marketing, sales and operations may experience higher levels of success.

Table 1: Findings from the Study

Area of Finding	Description
Use of Technology	Most small business owners are reluctant to use any form of technology.
Knowledge Requirements	There is no support given to small business owners by government towards upskilling, through workshopping and facilitation, to learn these skills.
Impact of Digital Technology	Owners do not see the impact that digitally literacy will have on accessing funds, increasing business operations and data-driven decisions, and improving completeness.
Business Size	Small size of business is seen as a hinderance for them to adopt ecommerce or any other use of technology in their business practises.
Understanding Digital Literacy	Business owners understand how digital literacy could help them access new markets.
Role of Government Policies	Effective policies that encourage digital education, provide financial incentives and support infrastructure development can contribute to economic development.

The findings also show that business owners understand how digital literacy could help them access new markets. Digital literacy enables small businesses to access larger markets, both domestically and internationally. Digitally literate businesses have a wider reach, contributing to economic development by participating in a more extensive economic ecosystem. Small businesses that are digitally literate may be more likely to adopt technologies that improve productivity, potentially leading to increased job creation. Digital tools can automate certain tasks, allowing companies to allocate resources to areas that require human skills. The findings highlight the role of government policies and support programmes in promoting digital literacy among small businesses. Effective policies that encourage digital education, provide financial incentives and support infrastructure development can contribute to economic development. One of the keyways in which digital literacy could empower small businesses is also by providing access to information and knowledge. The ability to access digital content can have a transformative impact on individuals, communities and businesses. New advanced digital literacy applications will create new trends and demands, thus maintaining the synergy between networks, services and tools. As more and more resources become available through technologies, the digital divide becomes a challenge.

CONCLUSIONS AND RECOMMENDATIONS

Whereas this article's findings cannot be generalised, a conclusion can be reached that there is a potential for digital technology to be widely adopted among owners of SMMEs in townships in order to improve their operations and competitiveness. There is a need for government to intervene by devising a plan of digital literacy framework that could assist SMME owners in townships to improve their competitive edge because they operate in the market that is shared with large business organisations. The article recommends that partnerships with local communities need to be established to create a supportive ecosystem for digital learning and adoption. Whereas government is expected to lead such partnerships, it is recommended that other stakeholders need to be involved. Also, promotion of digital literacy must be accompanied by provision of the necessary infrastructure and access, inclusive of the use of local languages and reduction of costs. There needs to be a strong protection of user data to reduce risks and increase acceptability of digital technologies in township communities. Closing the digital divide needs to also include efforts to address poverty and other societal challenges. Digital transformation is the process of using technologies to create or modify business processes to meet changing business and market requirements. Building digital libraries of local and indigenous materials is an important step in improving digital literacy. An effective strategy to increase digital literacy is to make devices and the Internet accessible. This will require training societies in schools, universities and/or in the public sector in general. As a result, further studies are recommended on collaboration of libraries and businesses to develop a digital literacy framework that could be generalised for use in South Africa.

A few limitations to the study need to be mentioned. This article does not provide a comprehensive understanding of the business transformation and economic development contexts in relation to the digital divide because the latter is just one of the challenges and opportunities. The study focused on those SMEs that are located close to big business in the township on the assumption that they can access new and wider markets wherein they require digital literacy skills to be able to successfully compete for sustainability. The geographical area of study is small and does not provide for a greater variety of SMEs because these businesses differ and their response to the contexts are also different. As a result, the results do not necessarily represent the whole spectrum of SMEs. The study area is rural and township environment, which may not represent the contexts of the urban SMEs. Finally, the study uses non-probability sampling, and its results cannot be generalised. For future research, the article suggests an investigation of the potential for an integrated approach to South Africa's business transformation and economic development by incorporating digital literacy as a foundation for the operations of township and rural SMEs. It proposes future studies that investigate the whole spectrum of determinants of societal attitudes towards digital literacy for SME development. This study used a smaller sample size; and it proposes that future studies need to use larger samples that include SMEs that are located far from big business.

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SUPPLY CHAIN MANAGEMENT RISK FACTORS IN SOUTH AFRICA'S LOCAL GOVERNMENT

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ABSTRACT

Risks within the supply chain management environment arise from interaction among constituents across the supply chain. This article discusses factors associated with the risk of supply chain management in South Africa's local government. Supply chain management (SCM) is a key component of financial management, which seeks to ensure that there is proper and expeditious flow of service delivery in procurement processes. Supply chain management risk factors are critical to service delivery performance of local government because whether the interferences to supply chains are "regular, unplanned or intentional" they progressively distort supply chain execution and create scope for corruption and resources wastage. It is crucial to study supply chain management risk factors to understand risk mitigation as well as reduce undue interferences in service delivery. The article is a conceptual desktop literature review of the supply chain management risks in the local government from a financial management perspective. Five risk factors are uncovered as prevalent in South African local government and public sector SCM environments. It concludes that supply chain risk management in the public sector environment entails that municipalities need to have the ability to forecast possible threats, devise appropriate management plans and create steps for resolving emerging risks that the supply chain system may experience. It recommends that a prescribed framework for uniform execution and practice of SCM needs to be devised for the local government and public sector environment in order that municipalities may minimise SCM risks.

Keywords: Financial Management; Supply Chain Management; Local Government; Service Delivery; Risk Management

INTRODUCTION

Copious studies have examined challenges associated with supply chain management (see for example, Peck, 2006; Hamisi, 2011; Ambe & Badenhorst-Weiss, 2012; Bizana, Naude & Ambe, 2015;

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Lambert & Enz, 2017; Girard, 2018; Ambe *et al*., 2022). However, there is no strong focus on factors associated with supply chain management risks in local government. This study provides insights into key risks which could potentially prevent supply chain management systems from achieving municipal service delivery goals. It builds on and contributes to work in the field of financial management in South Africa's public sector environment. Supply chain management risks can be internal, relating to weak implementation of SCM policies and procedures, and/or external, relating to tender processes and political interference in procurement processes. The study starts by identifying risks associated with SCM, which are the effects of deviation from the expected procurement processes in local government by drawing strongly on Bizana, Naude & Ambe's (2015) qualitative exploration of the supply chain management as a contributing factor to the South African local government service delivery. It uses survey results from semi-structured interviews in four metropolitan municipalities in South Africa. It reveals challenges that affect service delivery negatively (Ambe & Badenhorst-Weiss, 2012; Bizana, Naude & Ambe, 2015; Ambe *et al*., 2022), owing to the risks associated with SCM. It provides a literature review analysis based on various SCM and audit outcomes of South Africa's local government, inclusive of materials published by the Auditor-General of South Africa on local government. Additionally, the study provides a brief overview of case studies in supply chain management and performance which seek to demonstrate a multi-criteria decision-making framework under literature review.

CONTEXTUAL SETTING: SCM RISK FACTORS FOR GOVERNMENT

Supply chain management, as a financial management tool (Ambe & Badenhorst-Weiss, 2012; Ambe *et al*., 2022), seeks to reform and regulate the way public funds are utilised when procuring goods and services whilst in pursuit of service delivery that is responsive to the needs of society. SCM aims to curtail any mal-administrative and fraudulent practices in the procurement front. Stoker (1991) states that local governments all over the world are introduced as government programme of action because they are institutions that should implement strategic plans for and as stipulated by government. According to Wollmann (2004), local governments offer a blueprint for better service delivery. South African local governments are introduced with the commitment to delivering services and implementing government programmes closer to the people. In the South African local government, the programme of service delivery has come to the forefront because of risk factors in SCM. There are various guidelines for risk management indicators for managing risk factors with significant influence. South Africa's National Treasury has established a consolidated list of possible risk indicators in SCM that are likely to affect local government service delivery (table 1).

In many parts of the South African public sector environment, risk factors in the supply chain such as poor record management, non-compliance with laws and regulations, lack of SCM training for officials, collusion between SCM and officials, suppliers not meeting the database requirements listing criteria, non-qualifying service providers, overriding of controls, understatement of irregular expenditure, and oversight responsibility over financial reporting, have become so pervasive that emergent conditions for managing them are failing. These risks are reaching across public sector boundaries and into the local government sector and are both identified in the audit reports and special projects investigations (Jonathan & Mafini, 2019; Ambe *et al*., 2022). But these risks are both transformative forces of markets, technology and democracy, creating the risk that existing controls, as specified in the Municipal Finance Management Act (RSA, 2003), Public Finance Management Act (RSA, 1999) and the National Treasury Regulations and guidelines on supply chain management (RSA, 2015), would continue to be disregarded. One of South African local government's greatest challenges has been the high-risk levels of supply chain management, which caused the poor functioning of municipal systems across the country. For example, many local government municipalities do not have the capacity and systems in place to follow SCM policies and procedures or make use of other applicable internal practices and guidelines to ensure that the system of procurement is fair, equitable, transparent, competitive and cost-effective (RSA, 2003).

Table 1**:** Local Government Risks Indicator in South Africa

Risk Indicator	Financial Management	Service Delivery
High Risks	• Unused budget to implement service delivery. • Inability to implement budget priorities. • Poor audit opinions relating to SCM practices. • Broken SCM processes • Poor standardising SCM functionality in local government	• High service delivery backlog • Limited technical competencies • Ongoing service delivery protests
Medium Risks	• Financial management policies not fully implemented. • SCM management practices not fully followed. • Poor monitoring of SCM systems	• Regular service delivery demonstrations • Unsatisfactory responses to service delivery protests • Basic municipal services deliver mandate not fully met
Low Risks	• Dependence on consultants to implement SCM processes. • Non-compliance and ignoring of applicable SCM frameworks	• Inadequate skills to address service delivery complaints.
Mitigating Factors	• Council approved budgets • Applicable SCM frameworks • Effective council oversights	• Uninterrupted service delivery • Regular communication and quick response to service delivery complaints

Source: Adapted from RSA (2015)

Local government in South Africa also has a challenge of service providers who are employed by the state that misrepresent themselves on the declaration of interest forms. Some of these challenges arise due to a lack of tools to run the necessary background checks; hence, many of these challenges are picked up during audits. By way of a corrective control measure, individuals, service providers and suppliers who are found to have misrepresented themselves are referred to National Treasury for blacklisting. Also, their employers are further notified that they are doing business with the state and are requested to take remedial action against them as a way of mitigating such risks. On the other hand, there are risks of supply chain management disruptions caused by political influence (Ke & Wei, 2008; Thornton, Esper & Autry, 2016), which can be destructive (Thürer *et al.*, 2020) and lead to instability in SCM policies and procedures (Rauer & Kaufmann, 2015). These volatile interferences can happen even if the oversight functioning of the municipal council depends upon their authority. Indeed, this very challenge can create vulnerabilities in SCM (Marucheck *et al.*, 2011). Together, political interference and poor administrative management of policies and procedures impact the vulnerability of the supply chain (Ke & Wei, 2008; Rauer & Kaufmann, 2015; Thornton, Esper & Autry, 2016; Thürer *et al.*, 2020).

South African government has been overwhelmed by political interferences (Munzhedzi, 2016), resulting in tensions and low domestic demand, resulting in bloodshot of those appearing to fight the instances of corruption over tenders and supply chain management. Fighting for financial resources over municipal tenders has been the root cause of poor supply chain management systems (Ameyaw *et al.*, 2012). Procurement is becoming an increasingly important and critical function in the process of many businesses and risk mitigation (Monczka *et al.*, 2015). Factors that contribute to continued reporting of supply chain management findings include the following: Municipalities consider procurement legislation to be onerous with many requirements to be complied with and differences in the interpretation of prescripts in some instances; The attitude of management in that they believe compliance with all legislative prescripts stifles their ability to deliver services efficiently and effectively; and, Compliance controls failing due to human error or omission (AGSA, 2019/2020).

Whilst risks have always been present in the process of managing supply in local government, there are factors which have been associated with the risks of supply chain management which continue to undermine existing applicable supply chain management policies and procedures. Aside from these risks, some municipalities seem to have greater monitoring and mitigation plans in place, and therefore able to manage and reduce the existing risks in the SCM processes. Currently, the South African National Treasury and the MFMA provide that local governments should comply with the prescribed framework on supply chain management policy in order to mitigate the following risks: fraud; corruption; favouritism; unfair, irregular and unlawful practices; misrepresentation of information submitted for the purposes of procurement; and, misrepresentation regarding the supply chain management system. Thus, the prescribed framework provides a uniform execution and practice of SCM in the local government and public sector environment (RSA, 2015).

There are numerous case studies of supply chain management performance which seek to deal with risk mitigation in supply chains by identifying risk factors and proposing multi-criteria decision-making frameworks for improved understanding. These studies include Seth *et al*. (2017), Yaday *et al.* (2017), Jonathan & Mafini (2019) and Ambe *et al*. (2022), among others. A brief overview of the four case studies should suffice. Seth *et al.* (2017) investigate various scenarios in order to demonstrate the impact of competition on supplier evaluation in a construction supply chain case study. Using the supply chain of a large-scale housing project, Seth *et al*. (2017: 1) illustrate "the role of competitive capability and suppliers' profile and its influence on supplier evaluation based on prevailing supply/market conditions" in supply chain management and sourcing of professionals. Having demonstrated "the impact of competitive conditions on supplier evaluation process for construction supply chain," Seth *et al*. (2017: 1) proposes "a multi-criteria decision-making (MCDM) framework." The study finds that supply/market conditions impact on the multi-criteria decision-making, which causes supplier evaluation "imbalances" and challenges of usage of a multi-criteria decision-making framework (Seth *et al*., 2017). Yaday *et al.* (2017) propose a hybrid framework for six sigma by prioritisation of barriers and solution approaches in the multi-criteria decision-making domains through case application of an Indian manufacturing organisation. The purpose of Yaday *et al.*'s (2017: 1) study is "to facilitate hassles free applications for handling the challenges of wastes reduction and quality improvement." Jonathan & Mafini (2019), in a case study of Eskom, identify interferences in supply chains as one of the major risk factors. Interferences to supply chains could be "regular, unplanned or intentional" and their effect is to distort supply chain execution and it therefore requires risk mitigation (Jonathan & Mafini, 2019). Jonathan & Mafini (2019: 1) show that "supply chain risks emanate from value streams, information and affiliations, supply chain activities and external situations." Finally, Ambe *et al*. (2022) proposes a supply chain performance framework that could potentially be suitable for state-owned entities in South Africa using the supply chain performance measurement systems and metrics. South Africa's National Treasury monitors and evaluates supply chain performance, but "there is inefficient guidance on executing supply chain performance measurements in state-owned entities" (Ambe *et al.*, 2022: 58). As a result, Ambe *et al*. (2022: 58) recommend that there is a need for better understanding of "the connection between supply chain strategy, SCM regulatory frameworks, SCM practices and SCM effectiveness" in order to ensure careful selection of supply chain performance measures. This study is grounded in the understanding that accurate identification of risk factors is the most critical step in resolving supply chain management performance risks in local government environment in South Africa.

SCM RISK FACTORS FOR SOUTH AFRICA’S LOCAL GOVERNMENT

This study is mainly focused on factors that contribute towards local government environment supply chain management risk exposure. SCM poses a great systematic risk which can rapidly accumulate, and subsequently translate into ineffective service delivery and financial mismanagement in the local government and public sector environment. SCM risks can be influenced by internal and external conditions. The SCM risks exposure in South Africa’s local government environment appears to be similar across municipalities because they are largely posed by five common factors, namely: Lack of SCM training for officials; Collusion between SCM and officials; False declarations; Suppliers not meeting the database requirements listing criteria; and, non-qualifying service providers. This section discusses these SCM risks factor exposure in South Africa’s local government environment.

Lack of SCM Training for Officials

Ambe & Badenhorst-Weiss (2012) note that performance of supply chain management remains a challenge; and, that training and workshops equip supply chain management officials with the necessary skills and knowledge. One of the impacts of SCM training for officials is to ensure adequate capacity and the required skills in place to manage barriers to the flow of supply chain management processes. SCM training is significant in that it ensures that the right decisions are made, correct processes are followed, and that sufficient segregation of duties, supervision, review and monitoring are built into the supply chain management processes. Furthermore, training the officials often prevents ignorance of legislative requirements that need to be implemented and it keeps officials up to date with risks affecting supply chain processes. Workshops and training are designed to enhance support and ensure consistency in the supply chain management processes (Ambe & Badenhorst-Weiss, 2012; Castillo *et al.*, 2018). Mutangili (2021) states that lack of awareness and training on procurement systems can disrupt the system. According to (Nkwanyana & Agbenyegah (2020), when a government system of supply chain management fails, such a system tends to be associated with weaknesses in SCM risks factor exposure management. On the other hand, Liu *et al.* (2019), studying supply chain management officials’ awareness about supply chain management policies, find that SCM training of officials has a positive influence on performance. Thus, SCM training enables compliance with regulations and that it warrants ethical compliance (Sambo, 2017; Oussii & Taktak, 2018; Fatoki, 2020). Hence, the applicable legislation, the MFMA, states in section 119(1) that “the accounting officer and all other officials of a municipality or municipal entity involved in the implementation of the SCM policy of the municipality or municipal entity must meet the prescribed competency levels.” Furthermore, the municipal supply chain management regulation states that the training of officials involved in implementing an SCM policy should be in accordance with any treasury guidelines on SCM training.

The lack of SCM training for officials has detrimental effects on organisations and their ability to effectively implement supply chain management strategies (Nkwanyana & Agbenyegah, 2020). This could be attributed to the inability to identify and mitigate supply chain risks. Without proper training, officials may not possess the necessary knowledge and skills to identify potential risks in the supply chain, such as disruptions in transportation or supplier issues (Ambe & Badenhorst-Weiss, 2012). Consequently, organisations may face unexpected disruptions and delays, leading to increased costs and public service delivery dissatisfaction. The local government SCM problems are further exacerbated by the lack of general staff capacity to execute procurement systems (Bizana *et al.*, 2015). Therefore, without adequate training, officials may struggle to make informed decisions regarding SCM processes which may result in inefficient and poor resource allocation. As a result, local government service delivery may decrease efficiency in their supply chain operations. The lack of SCM training for officials can have severe consequences on organisations' ability to implement effective supply chain management policies. Failing to profile, assess, identify, and mitigate risks may have detrimental effects on providing comprehensive SCM training for officials. By investing in their knowledge and skills development, organisations can enhance their overall supply chain performance and gain a competitive edge in today's dynamic business environment (Fatoki, 2020; Maziwisa, 2021). CBI News (2017) points out that capabilities in the municipality SCM is a serious problem with 3% of the staff working in the SCM environment having completed the SCM programme, while 7% of the staff have completed SCM qualifications. Thus, the municipalities should address these shortcomings by prioritising academic qualifications and training programmes.

Collusion between SCM and Officials

According to the Organisation for Economic Co-operation and Development (OECD, 2010), collusion involves a horizontal relationship between bidders in public procurement, who conspire to remove the element of competition from the process. Collusion and corruption are distinct problems within public procurement. Corruption is the abuse of public power to obtain private benefits. In tackling collusion, there is a need to protect public procurement processes. Hence, annual audits of municipalities across South Africa continue to uncover many instances of collusion between SCM and officials. Many of the audit findings show that tenders are awarded to employees and councilors of municipalities and to their close family members. Henceforth, in many cases, the relationships are not being declared by the supplier as required by legislation. As the audits turned the spotlight on these matters, many municipalities and municipal councils then made commitments to improve their controls. In most cases, these weaknesses result from internal control limitations and deficiencies in management oversight over SCM processes.

Collusion between an official and supplier to ensure the award of a contract to the supplier amounts to an offence under the Prevention of Organized Crime Act 121 of 1998 (RSA, 1998). AGSA reports continue to uncover collusion cases between SCM and officials in the municipalities. Collusion erodes public trust in government (AlixPartners, 2019) and it has financial implications resulting in misallocation of funds and inflated prices. A total amount of R17 million was lost due to the three highest contributors of awards due to collusion between SCM and officials, which are Limpopo, KwaZulu-Natal and the Eastern Cape Province, respectively, estimated at R6 million, R6 million and R5 million in 2019/2020 (AGSA, 2019/2020). It is important to strengthen the internal controls and oversight mechanisms within government entities. The role of whistleblowers and the need for a supportive legal framework to encourage reporting of collusion cases. Thus, to fast-track and mitigate the risk of collusion in supply chain management, it is important that the accounting officer, municipal council, chief financial officer and senior official in supply chain management execute their MFMA responsibilities diligently, by taking reasonable steps to prevent fraud, corruption and irregularities. AlixPartners (2019) states that collusion between suppliers and procurement teams is a major concern in many organizations. A way in which collusion was mostly identified or detected was through focus on emails and phone records, which would usually reveal evidence of weaknesses in internal controls. These mechanisms, though, is often inadequate to pin down the perpetrators unless they are careless in leaving traces of information. Regardless of the costs, many organizations turn a blind eye to signs of collusive behaviour due to concerns over the disruption of operations or supplier relationships, leading to these corrupt activities being overlooked and value being systematically drained. Some organizations perceive this as merely a cost of doing business, particularly in the emerging world. Investigations could assist in identifying collusion in supply chain management; however, it will certainly distract operations and expenses will be incurred, even as there would be no certainty of rooting out the problem (AlixPartners, 2019).

False Declarations

False declaration in supply chain management refers to the act of providing inaccurate and misleading information about the origin, quality, quantity, and other crucial information within the supply chain management. This deceptive practice can occur at any stage of the supply chain management. It is often done to evade regulations and deceive the SCM processes. According to Fourie (2018), false declarations in SCM are a persisting challenge in South Africa's municipalities. Notwithstanding the fact that the correctness of the information stated in the declaration is a major concern (Liu *et al.*, 2013), fraudulent declarations are frequently identified by the Auditor-General of South Africa from the behaviour of public sector employees in supply chain management, which poses the risk of deviation and non-compliance in terms of ethical practices and norms. The AGSA consolidated general report on South Africa's local government audit outcomes identifies five categories of findings wherein false declarations were made, namely: Suppliers owned or managed by other state institutions; Suppliers owned or managed by close family members of employees of municipalities; Suppliers owned or managed by employees and/or councilors of the municipality; Municipality employees failing to declare family members' conflict of interest; and, Municipality employees failing to declare own conflict of interest (table 2).

Table 2: False Declaration Audit Findings and the Number of Affected Municipalities and Employees, 2019/2020

Category of Audit Findings about Party Making False Declarations or Failing to Declare	Number of Affected Municipalities	Number of Employees Involved
Suppliers owned or managed by employees of other state institutions	45	350
Suppliers owned or managed by close family members of employees of the municipality	32	225
Suppliers owned or managed by employees and councilors of the municipality	9	24
Employees of the municipality failing to declare family members' interest	34	169
Employees of the municipality failing to declare their own interest either as part of procurement processes or through annual declarations	13	41
Total	**133**	**805**

Source: AGSA (2019/2020)

Common findings in the AGSA's annual reports on SCM in the South African local government indicate that 59% of false declarations are made by the suppliers, while 66% represent the employees who continuously fail to disclose their conflict of interest with the suppliers (AGSA, 2021/22). All these reported cases have not been investigated by the Municipal Public Accounts Committees to establish the financial impact and to ensure that swift consequence management is implemented where appropriate. False declarations can occur due to various causes such as intentional misrepresentation by suppliers, lack of transparency in the procurement process, inadequate verification procedures, or even unintentional errors in documentation. Municipalities must identify these causes and implement measures to prevent and detect false declarations effectively. Addressing false declarations in supply chain management is significant because it helps municipalities to prevent fraud, ensure compliance with regulations and to maintain the integrity of their procurement processes. In the 2019/2020 fiscal year, the AGSA reports that false declarations amounted to a total of R430 million, consisting of R268 million in KwaZulu-Natal, R103 million in the Eastern Cape and R59 million in the Western Cape. Although, it is not possible to identify conflicts of interest relating to family members. The above figure indicates that the municipalities across various provinces still do not have access to the database of companies for which family members, employees and political office bearers are associated, for them to make accurate decision before awarding the tenders. The estimates show that the three provinces contribute significantly to the financial loss due to fraud risk related to close family members businesses. Even though AGSA raises concerns about contracts being awarded to employees and their families, in the three provinces SCM contracts continued to be awarded without the necessary declarations of interest. Overall, addressing false declarations is essential for municipalities to maintain a reliable and trustworthy supply chain. By implementing stringent monitoring mechanisms, conducting regular audits, fostering collaboration with suppliers and stakeholders, and leveraging technology solutions like blockchain for traceability, municipalities can mitigate the risks associated with false declarations while enhancing their overall supply chain management capabilities. Technology could play a prominent role in detecting and preventing false declarations in supply chain management.

Suppliers not Meeting the Database Requirements Listing Criteria

Supplier selection criteria are important in SCM (Taherdoost & Brard, 2019; Badi & Pamucar, 2020). A consequence of the supply chain risk is suppliers not meeting the database requirements listing criteria. This risk exists everywhere and the only way to break mitigate, if not eliminate it, is to ensure that the Central Supplier Database (CSD) is a source of all supplier information for all spheres of government, to reduce duplication of effort and cost for both supplier and government while enabling electronic procurement processes. According to Taherdoost & Brard (2019), supplier selection involves a process by which organisations identify, assess and contract with suppliers. Taherdoost & Brard (2019) indicate that the significant step in the processes of supplier selection criteria and method entails criteria identification, quality and capability to deliver service. These are the best methods to use to select the best suppliers. On the other hand, Cengiz *et al.* (2017) state that the significance of selecting a good supplier is to find a suitable supplier who is able to provide the buyer with the right quality products or services at the right price, in the right quantities at the right time. This is in line with the requirements in South Africa, that the selection should be based on the identity, invitation, responses and evaluation processes in order to encourage effective competition in the bidding processes. RSA (2015) requires that all suppliers register as approved suppliers on the database to give them an equal opportunity to submit quotations when a need arises. The database contributes to efficient running and compliance with the Broad-Based Black Economic Empowerment (BBBEE) strategy and other service compliance requirements. The Central Supplier Database (CSD) of the National Treasury further states that the National Treasury may, after giving the user, supplier or an organ of state an opportunity to be heard, deny, suspend or terminate the access of a user, supplier or an organ of state to CSD that is in breach of the terms and conditions (RSA, 2015). As part of managing the database, the accounting officer is expected to disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

Suppliers who do not meet the database requirements criteria can be a significant challenge for any public entity. However, in today's digital age, having a reliable and efficient database is crucial for storing and managing vast amounts of information. The importance of database requirements listing criteria for suppliers lies in the ability of the municipality to ensure that suppliers who want to do business with the municipality do have access to reliable and efficient databases. It serves as a benchmark for evaluating suppliers and their capabilities in meeting the specific needs of the municipality's service delivery needs. In South Africa, the National Treasury has designed clear defining criteria, which identify suppliers who can provide the necessary functions and support services required for their database systems. The CSD provides a simple and accessible platform to enhance and manage requests for quotation. Thus, the system is automated in the verification of tax clearance certificates, company registration information, BEE status and personal identification information and it is interfaced with government payroll systems to identify possible conflicts of interest (Corruption Watch, 2023).

Non-qualifying Service Providers

According to Jin *et al.* (2014), in supply chain management, manufacturers are currently faced with a sourcing problem where a supplier outsources their products to one of several competing suppliers, whose cost and quality capabilities are unknown. Public sector supply chain management requires adherence to three fundamental stages, namely: pre-tender; tendering; and post-tender (RSA, 2015). The pre-tender stage involves a needs assessment, planning and budgeting, development of specifications and selecting the most appropriate procurement strategy. The tendering stage involves the invite to tender, analysis and adjudication of bids; and, the post-tender stage involves contract management, ordering and payment. It is crucial that efficient governance principles are applied across all these stages of the supply chain management cycle (RSA, 2015).

Violations associated with the pre-tender stage are Development of biased specifications; Procurement of unbudgeted items; Wrong choice of procurement strategy; Poor procurement plans; Abuse of non-competitive procedures; and Inadequate needs assessments (RSA, 2015). Tendering stage violations entail the following: Evaluation criteria that are altered during bid evaluation and adjudication process; Absence of public notification of invitations to tender; Political interference; non-declaration of conflicts of interest; Manipulating bids scores; Accounting officers ignoring recommendations; Not keeping detailed tender records; and Discretion used to award tenders to more than one bidder (RSA, 2015). Finally, post-tendering stage violations may entail the following: Suppliers not adequately supervised; Contracts or service level agreements tailored to benefit suppliers; Compromising the quality of products; Submitting and paying fictitious invoices; Using sub-standard materials; and abusing the variation procedures (RSA, 2015). Corruption Watch (2023) reports that it is easy to identify elements of corruption in a tender process if the process is understood. Non-qualifying service providers denote companies that do not meet the necessary standards to provide a particular service. It is crucial to recognise these service providers as their lack of qualifications can lead to low service delivery in the municipalities which may result in potential risks of protests. Therefore, understanding the characteristics and implications of non-qualifying service providers is essential for making informed decisions and avoiding negative consequences. According to Corruption Watch (2023), the risk factors in pre-tendering emanate from the manipulation of procurement systems. The exclusion of qualifying businesses from bidding is an indicator of the post-award tendering process with a continuous red flag of complaints regarding quality service delivery.

CONCLUSION AND RECOMMENDATION

This study has argued risk factors within the supply chain management environment arise from interaction among constituents across the supply chain. It has discussed risk factors associated with the supply chain management in South Africa’s local government and public sector environment. SCM is a key component of financial management, which seeks to ensure that there is proper and expeditious flow of service delivery in procurement processes. It found that the risks of poor record management, non-compliance with laws and regulations, lack of SCM training for officials, collusion between SCM and officials, suppliers not meeting the database requirements listing criteria, non-qualifying service providers, overriding of controls, understatement of irregular expenditure and oversight responsibility over financial reporting, are real, especially in South Africa’s local government. That is, the lack of SCM training for officials, collusion between SCM and officials, false declarations, suppliers not meeting the database requirements listing criteria and non-qualifying service providers, continue to hamper the SCM in South Africa’s local government.

The study recommends that South African municipalities should follow a prescribed framework that provides a uniform execution and practice of SCM in the local government and public sector environment in order to minimise the risks in the SCM. This is important for risk management because it provides the municipalities with the ability to recognise possible threats and create plans to manage them, and to further establish steps to resolve emerging risks in the supply chain system. Literature on SCM suggests that once risks are discovered, best practices for supply chain management for mitigation would be created to resolve the risks (Badi & Pamucar, 2020; Nkwanyana & Agbenyegah, 2020; Thürer *et al*., 2020; Mutangili, 2021; Ambe *et al*., 2022). This article does not offer a conclusive answer to the question of preventing fraud and corruption, but it asserts that best practices for local government is to establish uniform controls and procedures for ensuring compliance, reduction of errors and maintaining consistency in the application of regulations. Furthermore, the study proposes that SCM practitioners should be consistent on regulatory issues, that they should ensure that SCM practices are investing in technology solutions that make sense, and further create a blueprint for dealing with unexpected challenges which may be posed by unknown circumstances. It would be fruitful to pursue further research about emerging risks in SCM to respond quickly to unexpected situations and events-based challenges of SCM.

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