

An Assessment of the Roles of Small and Medium Enterprises (SMEs) in the Local Economic Development (LED) in South Africa

Gebregizabher Gebreyesus Fiseha and Akeem Adewale Oyelana*

*Department of Business Management, University of Fort Hare, Alice, P.B. X1314,
Eastern Cape, 5700, South Africa
E-mail: 201100592@ufh.ac.za, 201105862@ufh.ac.za*

KEYWORDS Sustainable Livelihood. Government. Rural SMEs. Unemployment

ABSTRACT Throughout the world, Small and Medium Enterprises (SMEs) play a crucial role in addressing the impediments of poverty, inequality and job creation in rural areas. They are an important source of employment, particularly for women, low skill workers and the youth. The purpose of this study was to assess the role of SMEs in local economic development in developing countries. Data was collected through self-administered questionnaires and the use of random sampling. Findings of this study suggest that SMEs play a vital role in local economic development in South Africa. SMEs contribute to employment creation, wealth creation, poverty alleviation and income generation. However, SMEs in developing countries face numerous impediments, namely, lack of finance, lack of business skills and lack of operating space. The support for SMEs by the local government, private sector and civil society should be enhanced in order to increase the contribution of SMEs to local economic development. The involvement of all sectors is also necessary in the establishment and sustenance of support for SMEs.