

A poverty-reduction oriented perspective to small business development in South Africa: A human capabilities approach

P. Rambe & L. Mosweunyane

To cite this article: P. Rambe & L. Mosweunyane (2017): A poverty-reduction oriented perspective to small business development in South Africa: A human capabilities approach, African Journal of Science, Technology, Innovation and Development, DOI: [10.1080/20421338.2017.1322749](https://doi.org/10.1080/20421338.2017.1322749)

To link to this article: <http://dx.doi.org/10.1080/20421338.2017.1322749>



Published online: 06 Jun 2017.



Submit your article to this journal [↗](#)



View related articles [↗](#)



View Crossmark data [↗](#)

A poverty-reduction oriented perspective to small business development in South Africa: A human capabilities approach

P. Rambe* and L. Mosweunyane 

Department of Business Support Studies, Central University of Technology, Bloemfontein, South Africa
*Corresponding author Email: prambe@cut.ac.za

Despite the South African government's strategic policy interventions and huge investments into small business development over the past two decades, solid evidence of the transition of informal businesses to the formal sector is hard to encounter. Furthermore, the high rates of unemployment in the country point to the growing incapacity of small-scale, micro and medium enterprises (SMMEs) to address the chronic social ills of poverty, inequality and social deprivation ravaging the country. Building on mainstream literature on the government interventions designed to promote growth without equity among SMMEs and Sen's capabilities approach, this theoretical study advances a poverty-reduction approach to entrepreneurship underpinned by a systematic integration of multiple-level conversion factors, sustainable resourcing (especially seed funding and managerial capacity development), commercialization of business activities, a strong entrepreneurial orientation and solid managerial capabilities. Such an integrated approach was deemed to strengthen the capacity of SMMEs to survive the competition from established commercialised enterprises.

Keywords: small business, entrepreneurship, entrepreneurial orientation, poverty reduction

Introduction

While the South African economy is often hailed as one of the most successful efficiency-driven economies, Blaine (2013) laments that its society is ranked among the most unequal societies in the world (Blaine 2013) due to its soaring poverty and unemployment levels. In view of these challenges, the government has instituted supply-side interventions such as: providing employment subsidies and incentives to companies that employ the youth, rendering youth training programmes, providing direct public sector employment opportunities, availing entrepreneurial schemes and employment services for job search, job matching and sanctions (Mayer 2011; National Treasury 2011).

In spite of the multiple interventions that the South African government has instituted to roll back unemployment and poverty, the national unemployment figures in the country still hover around 24.5% (Verster 2016). Since the government is unable to contain the current wave of youth unemployment at a pace faster than the graduation rates of students coming from educational institutions and the dropout rates (from secondary and tertiary institutions), Sindhu et al. (2010) highlight that the government conceives new venture creation among the youth as an alternative to formal employment. In addition, the literature reports that the South African government is also committed to promoting and growing of small businesses to eradicate poverty, and eliminate social deprivation and social inequality (Ferreira 2007; Fatoki 2014).

Although small-scale, micro and medium sized enterprises (SMMEs) can contribute immensely to the reduction of national poverty, the government and the public alike are deeply concerned about the rate at which emerging businesses are collapsing or folding operations. Turton and Herrington (2012) posit that South Africa's established business survival of 2.3% is the second-lowest in the world. This claim buttresses Rozyn's (2007) earlier view that only 12% of small

businesses established in the country survive their first four years of establishment, itself a clear testimony to the undesirability of the South African business environment.

While the contribution of SMMEs to the national economy is uncontested, their capacity to reduce poverty levels is unclear. Although the SMME sector accounts for 42% of gross national product (Small Enterprise Development Agency (SEDA) 2016) and 61% of total employment (SMME Opportunity Road Show 2016) of South Africa, the sustained credibility of this sector depends on its capacity to transform its entrepreneurial posture radically by embracing an inclusive, broad-based approach to poverty reduction. In fact, scholars consider the development of SMMEs with strong entrepreneurial orientations as one of the panaceas to soaring unemployment, poverty and social inequalities (see Rozyn 2007; Tengeh 2011). Rozyn (2007) elaborates that the expansion of entrepreneurially oriented small businesses fosters economic growth and creates employment opportunities, which are critical to the survival of emerging economies. Tengeh (2011) concurs that an amalgam of a thriving small business economy and a strong entrepreneurship spirit is the driving force behind the success of all economies worldwide. The pre-occupation of world governments with SMME entrepreneurship is founded on the relative ease with which SMMEs in this informal or quasi-formal sector adopt innovative initiatives and the associated low cost of creating jobs in that sector (Ferreira 2007; Agbobli 2013; Agbotame 2015).

Consistent with our advocacy for strong entrepreneurial capabilities to support a poverty-reduction approach to SMME development, we argue that Sen's capabilities approach provides useful theoretical and interpretive lenses for conceptualizing and understanding SMME development in job-scarce and resource-constrained developing contexts. To the extent that Sen's capabilities approach emphasizes what humans are capable of being

and becoming, drawing on finite resources and capabilities availed to them in their complex environments (see Sen 1983, 1989; Nussbaum 2011), his perspective provides a useful framework for advancing certain levels of well-being (Pramono and Woltjer 2011). Given this approach's focus on the capabilities of humans to transform intellectual, financial and natural resources into outputs which they value considerably, Sen's (1983) theory presents a useful explanatory framework for understanding how such endeavours (i.e. capabilities and functionings) are instrumental in expanding the provision of goods and services necessary for human development. As such, the human development perspective embedded in the capabilities approach is consistent with this paper's deliberate focus on poverty reduction in resource-scarce environments.

Functionings mirror a person's actual use of the commodities at his or her command while capabilities reflect a person's ability to achieve a given functioning (doing or being) (Clark 2006). In view of these definitions, a poverty-reduction approach to promoting entrepreneurship aptly captures existing and aspiring entrepreneurs' commitment to deploy essential intellectual, financial and material resources and capabilities to expand and sustain their own functionings and those of their surrounding communities. The argument of this paper, therefore, is that to the extent that entrepreneurial-oriented SMMEs often demonstrate expanded capabilities of individuals (e.g. employees and community members) and sustained growth, such enterprises are ideal for rolling back the frontiers of poverty and unemployment, if they are managed effectively.

Problem statement

The problem is that while the South African government advances entrepreneurship as one of the fundamental pillars for confronting poverty and unemployment head on (Mayer 2011; National Treasury 2011; Small Enterprise Development Agency (SEDA) 2016), the significant growth in the numbers of SMMEs has not contributed to a sharp decline in poverty levels in the country. For instance, while there are approximately 1,497,860 informal SMMEs in South Africa (SEDA 2016) geared to create employment opportunities, the Poverty Trends Report released in 2014 revealed that South Africans living below the food poverty line (FPL) hovered around 20.2% of the total population (Statistics South Africa 2014). This irony of the burgeoning numbers of SMME establishments and soaring poverty levels in the country possibly demonstrates the limited production efficiency of SMMEs and their low conversion of economic opportunities into durable life-sustaining functionings and capabilities.

Perhaps, another striking feature of an entrepreneurial landscape that is devoid of poverty-reduction approaches in South Africa is the dominance of counterproductive supply-side interventions with limited discernible outcomes for SMMEs. For instance, while the multiple programmes aimed at advancing entrepreneurship in South Africa may have boosted the SMME pipeline and saved small firms from collapse, there is no consonance

between new venture creation and poverty eradication in the country. For example, government interventions such as the provision of loans to young entrepreneurs, provision of business development services, rendering of support to youth cooperatives and the introduction of youth entrepreneurial training in schools (Mayer 2011) have had an inconsequential effect on breaching social inequalities in the country. Statistics South Africa (2014) warns that while the poverty situation seems to be under control, the levels of inequality between the rich and the poor is growing alarmingly. South Africa's Gini coefficient of 0.65 in 2014, which policymakers, academics and entrepreneurs rank among the highest in the world, remains a concern in society. More so, the contrast of national consumption of the have and have nots of the country is very disturbing – while the richest 20% of the population accounted for over 61% of consumption in 2011, the consumption levels of the bottom 20% shrank from 4.4% in 2006 to 4.3% in 2011 (Statistics South Africa 2014). To this effect, we wondered about: (1) The nature of business orientations of SMMEs that could make the prevailing poverty in South Africa history; (2) the capabilities set (i.e. resources, functionings, capabilities and conversion factors) that profoundly shapes the implementation of poverty-reduction oriented ventures; and (3) the constitution of a model that would enhance the wellbeing of poverty-oriented enterprises in South Africa. Consistent with this reasoning, this study addresses the following questions:

1. What forms of business orientations of SMMEs can effectively alleviate poverty levels in South Africa?
2. Which capabilities set (that is, a combination of resources, functionings, capabilities and conversion factors) shapes the operation of poverty-reduction oriented enterprises in South Africa?
3. How can a model informed by a capabilities set (i.e. resources, functionings, capabilities and conversion factors) be constituted to support the wellbeing of poverty-oriented enterprises in South Africa?

Methodology

In the absence of comprehensive empirical studies that explore the intersection among entrepreneurship orientation, poverty-reduction oriented businesses and a human capabilities approach, a theoretical approach which draws on fragmented literature covering these concepts, researchers' personal perspectives and anecdotal evidence on entrepreneurship drawn from the South African context, best suits this investigation. For Wacker (1998), a theoretical research considers a definition of variables, builds internally consistent relationships among these variables, and, sometimes, makes specific predictions about these relationships. The current study seeks to develop a model of poverty reduction-oriented SMMEs founded on a systematic integration of a strong entrepreneurial orientation, solid managerial capabilities, sustainable resourcing, commercialization of business activities and capacity development of SMME managers' skills. The proposed model will present the relationships among these variables and predict their influence on the

wellbeing (especially sustained employment creation, profitability and poverty reduction) of such SMMEs. Theoretical researches emphasize a reflection on previous fragmented research and runs no methodological procedures owing to a lack of empirical data (George State University 2015). As such, the current study draws on the patchy literature on the concepts identified, the researchers' personal thoughts and their subjective interactions with the literature on these concepts to develop an integrated model of poverty-reduction oriented SMME development.

Theoretical framework

A capabilities approach to poverty-reduction oriented entrepreneurship

A capabilities approach acknowledges the centrality of a diversity of economic, social, financial and other material capabilities in realizing the wellbeing of individuals and communities on one hand (see Sen 1983, 1989; Nussbaum 2011), and people's abilities to transform resources into outputs on the other (see Fukuda-Parr 2003; Clark 2006; Mutanga and Walker 2015). Therefore, this approach renders a useful theoretical lens for interrogating the capabilities set that shapes the operation of poverty-reduction oriented enterprises in South Africa. By the same token, a capabilities approach's emphasis on practical applications (i.e. doings) and business identities (that is beings) makes it an ideal interpretive lens for locating business orientations that give effect to poverty reduction in the country. Therefore, a capabilities approach is recognized as an appropriate theoretical framework for unravelling the entrepreneurial issues under investigation. The following sections discuss the different constructs that have resonance with the human capabilities approach.

Capabilities

The human capabilities approach (HCA) regards capabilities as opportunities for human beings to flourish or achieve wellbeing – to do and to be what they have reason to value (see Walker 2006; Bozalek and Dison 2013). For entrepreneurs, opportunities to flourish are underpinned by possession of relevant entrepreneurship competencies, capabilities and abilities, which have the potential to increase the profitability and market size of their business, increase employment opportunities and reduce poverty levels as well as reduce environmental degradation in local communities. A human capabilities approach takes cognizance of the socio-economic positioning of prospective and actual entrepreneurs, their individual beings and what they can do with their personal, material and social resources, rather than merely looking at what resources these entrepreneurs possess and assuming that all entrepreneurs are equally positioned in relation to these resources (e.g. Rawls 1971; Bozalek and Dison 2013). Therefore, entrepreneurship debates that consider the availability of the material resources (e.g. adequate financing, human resources, business premises) exclusively as predictors of SMME success but negate the entrepreneurial capabilities that entrepreneurs bring to bear on their encounters with new venture creation and entrepreneurship, are not only insufficient for explaining the

entrepreneurial journey but are potentially misleading. Since a HCA develops an explicit interest in the individual's freedom to choose and act (Wilson and Martin 2015) entrepreneurially whilst attempting to answer the question 'What is this person able to do and be?' (Nussbaum 2011), it provides a useful point of departure for understanding the forms of business orientations of SMMEs that can arrest the glaring poverty situation in South Africa.

Entrepreneurial capabilities

Although Sen (1983) foregrounds capabilities in general and not entrepreneurship capabilities per se, the fact that entrepreneurship implicates the latter concept qualifies it as a subject of investigation of this study. To the extent that entrepreneurship emphasizes developing and disseminating important innovations to the public through creation of business ventures that are quick to act, direct and flexible (Dyal-Chand and Rowan 2014), this practice cannot be distanced from the possession of an appropriate applications of entrepreneurial capabilities and competencies in competitive, resource-constrained contexts. More so, since entrepreneurship 'captures a spirit of individuality capable of exploiting market conditions for the benefit of both entrepreneur and consumer' (Dyal-Chand and Rowan 2014, 841; Initiative for Competitive Inner City 2014), individuals who possess this rare, non-universal spirit are well positioned to perform better entrepreneurially than their counterparts. Entrepreneurial capabilities, therefore, serve as one of the bedrocks of successful entrepreneurship in emerging African economies.

In view of the entrepreneurial gaps that are prevalent in emerging economies, the development of entrepreneurial capabilities, competencies and abilities is fundamental to the successful entrepreneurial development of emerging firms in South Africa. Improving entrepreneurial capabilities and strengthening the managerial competencies of entrepreneurs are instrumental in igniting entrepreneurship development processes that contribute to the advancement of an entrepreneurial culture (Vis 2012; Naudé 2013). Sustainable eradication of poverty demands the expansion of entrepreneurship capabilities of entrepreneurs through:

- Broadening the entrepreneurial choices available to entrepreneurs;
- Increasing the real freedoms of prospective entrepreneurs to gain entrepreneurial knowledge and skills;
- Providing socio-economic institutional arrangements that increase the business opportunities of prospective entrepreneurs;
- Improving the lifelong learning opportunities of entrepreneurs;
- Developing some positive perceptions of women entrepreneurship among society members; and
- Developing government policies and strategies that raise the status of entrepreneurship in society (Vis 2012).

Applying capabilities in context

In view of the high unemployment statistics (at 26%) in South Africa (see Statistic South Africa 2014) that, perhaps, point to weak entrepreneurial capabilities in the

country, contemporary literature recognizes the human capabilities approach as a useful development policy framework for poverty reduction, sustainable development, gender inequalities and governance (United Nations Development Programme (UNDP) 1997, 1998, 2000, 2002; Fukuda-Parr 2003). Sen's conception of enriching human development embraces functionings and capabilities, the range of things that a person could do and be in her life, which human development reports are now capturing as expanding choices (Sen 1989; Fukuda-Parr 2003). As such, the human capabilities approach (HCA) serves as one of the most powerful characterizations of a poverty-reduction oriented approach to entrepreneurship due to its radical departure from the economic, quantitative, materialistic indicators often glorified in early reports of the World Bank, which are insufficient for capturing the wellbeing of humans holistically. On the contrary, it recognizes the importance of embracing material as well as non-material, invisible traits, such as entrepreneurial capabilities, functionings and ways of being. As Pramono and Woltjer (2011) argue, economists and academics should translate wellbeing into a set of practical indicators in order to measure development progress and replace material, quantitative, economic indicators such as gross domestic product or income.

Functionings and conversion factors

Functionings are beings and doings, which people value considerably (Bozalek and Dison 2013), and these should be distinguished from the commodities employed to achieve them (Wells 2016). Beings include being an entrepreneur, innovator or inventor, or being creative and proactive, which are positively associated with the doings such as enterprising, innovating, creativity and proactivity.

Conversion factors refer to the ability of the individual to translate resources into desired functionings, and they comprise three categories, namely: personal or internal conversion factors, social conversion factors and environmental conversion factors (Robeyns 2011). From an entrepreneurial perspective, prospective and actual entrepreneurs may value the following desired functionings: demonstrating creativity and innovativeness, having financial independence, developing social innovations that reduce poverty and creating employment opportunities that advance the social development of communities. Internal conversion factors may comprise entrepreneurial efficacy, entrepreneurial experience and entrepreneurial exposure, including their power of creativity and innovation. Social conversion factors may include the positive and negative social dynamics that enable or hinder entrepreneurship such as social prejudice, psychological access to and participation of the entrepreneur in technical and business subjects at tertiary level, business networks and the existence of family role models that embrace entrepreneurship endeavours. The environmental factors may capture the institutional and macro-economic factors that drive or hinder entrepreneurship such as national business-funding policies, business-training programmes and the level of recognition of entrepreneurship regionally and nationally.

Literature review

Poverty and poverty reduction

A consensual description of poverty is controversial due its multidimensional nature and the diversity of its definitions. The Organization for Social Science Research in Eastern and Southern Africa (Hick 2012) conceives poverty as enforced lack or deprivation of material resources for a certain duration to the extent that participation in normal activities and access to amenities and living conditions which are customary, or at least widely encouraged or approved of in society, become impossible or very limited. This economic approach to poverty is consistent with that of international development agencies such as the International Monetary Fund and World Bank, which conceive poverty predominantly from the perspective of consumption and functioning of humans below the poverty datum line. The expanded definition of the World Bank (2014) regards poverty as a multi-dimensional concept whose meaning, causes and significance vary according to gender, age, culture, and other social and economic contexts. For instance, in rural and urban Ghana, men associate poverty with a lack of material assets, whereas women define it as food insecurity (Boateng, Boateng, and Bampoe 2015). Intergenerational differences also persist in the characterization of poverty. Younger men in Ghana consider the ability to generate an income as the most important asset, whereas older men cite a traditional agricultural lifestyle as the most important status (Ghana 1995; Tham-agyekum, Amamoo, and Botchey 2016).

A deeper understanding of the extent of poverty demands a context-informed examination of the prevalence of poverty. Mbuli (2008) reports that about 45–57% of the national population of South Africa was overwhelmed by poverty in 2008. Judging from the statistics in Table 1, the number of South African citizens reeling under poverty has not improved six years after Mbuli's (2008) observation.

In the South African context, low-income jobs, unemployment, landlessness and confinement to urban ghettos that lack basic access to amenities are some of the chief causes of poverty (Phogole 2010). Identifying with this focus on economic conditions and access to means of production, Nkwede (2013) attributes poverty to a lack of financial, human and physical necessities capable of creating a suitable environment for sustainable living standards. Poverty can also arise from production deficiencies and constrained support systems. Adenutsi (2009) asserts that poverty may be a consequence of low productivity of the households, limited access to finance and a lack of other economic and social incentives for entrepreneurship.

Table 1: Poverty statistics in South Africa.

Poverty headcounts 2011	
Percentage of the population that is poor	45.5%
Number of poor persons (millions)	23.0
Percentage of the population living in extreme poverty	20.2%
Number of extremely poor persons (millions)	10.2

Source: Statistics South Africa, 2014

Dimensions of poverty, therefore, can extend from an exclusive economic focus on surviving on less than one US dollar a day to comparative terms such as the lower productive and intellectual capabilities of vulnerable groups compared with other groups. The South African government's supply-side approaches, which tend to emphasize provision of funding for new start-ups with a limited consideration of the entrepreneurial capacities of the small business manager/owners or the entrepreneurial orientation of the businesses, seem to negate this comparative approach.

Although the South African government has instituted many policy initiatives such as provision of grants and subsidies, creation of youth empowerment centres and the National Youth Development Agency's provision of start-up funding for SMMEs to roll back the frontiers of poverty, multiple fissures remain as far as forging entrepreneurial orientation among SMMEs is concerned. While the Poverty in South Africa Discussion Document (2008) makes radical claims about the government's mainstreaming of anti-poverty initiatives, its poverty-reduction planning, the extensive implementation of government programmes and provision of budgetary support, Table 1 statistics seem to contradict this comprehensive shift in poverty levels.

A comparison of SMMEs and entrepreneurship

Although there is no generic definition of an SMME due to the varying industrial clusters in which these SMMEs are located (Agbotame 2015; Ndofirepi 2016), firms' sales volumes and number of employees often provide useful criteria for classifying these enterprises (Tushabomwe-Kazooba 2006; Dzansi and Pretorius 2009; Agbobi 2013). Thompson (2006) defines a small business as any organized effort projected to yield a profit through provision of small products or services to outside groups. However, Dzansi (2004) and Nieuwenhuizen (2012, in Ndofirepi 2016) clearly differentiate small business from entrepreneurship (itself the domain of large corporations), as they consider an SMME to be small and lacking the potential for growth and innovation. Therefore, the distinction between small business and entrepreneurship lays in innovation, growth potential and broad vision (Dzansi 2004; Watson 2004; Nieuwenhuizen 2012; Ndofirepi 2016). We infer from these definitions that SMMEs are similar to large corporations by virtue of being legal entities, seeking profit and having independent ownership. The subtle differences between large corporation and SMMEs lie in their size, capacity to exploit market opportunities fully and engage in innovation. The development of poverty-reduction oriented SMMEs, therefore, depends on the ability of SMMEs to transition their survivalist orientation through their optimal exploitation of market gaps, the production of products/services on a massive scale and the implementation of organizational innovations.

While entrepreneurship requires a business to engage in innovation to close existing market gaps in the provision goods or services and the expansion of the enterprise in capital size, profits and number of employees, SMME owners/managers may not necessarily bear these

issues in mind at the SMME conception stage. This short-sightedness is a consequence of the necessity and survivalist orientation of most SMMEs. As such, most SMMEs may lack the capacity to reduce poverty drastically through creating employment and life-sustaining opportunities to surrounding communities.

An overriding observation is that entrepreneurs require creative and innovative skills to start profitable organizations and bear the inherent risks of venture creation (Dzansi 2004; Griffiths et al. 2012; Mayhew et al. 2012). As such, poverty-reduction oriented SMMEs should have a strong creativity and innovation orientation for them to generate decent jobs, empower individuals and lift their surrounding communities out of stressful poverty situations. The preoccupation of entrepreneurship with opportunity recognition, creativity, bearing economic risks and profit optimization (Thompson 2006; Havinal 2009) makes it a best fit for poverty reduction. This is partly because the consequences of entrepreneurship and poverty-reduction oriented SMMEs transcend the economic benefits (e.g. employment creation, income generation) to include social empowerment, capacity building and transformation of lives. The insinuation that entrepreneurial firms are comparatively more risk-taking and focus more on innovation than small businesses, which are content with marginal profits and business-as-usual approaches (Carland et al. 2007; Ndofirepi 2016), makes entrepreneurial firms more relevant to poverty-stricken contexts of developing economies.

Entrepreneurial orientation

Although SMMEs may be products of entrepreneurship, not all SMMEs have a strong entrepreneurial orientation. The entrepreneurial orientation (EO), which is attributed to the work of leading researchers (Miller 1983; Lumpkin and Dess 1996; Covin and Slevin 1989), refers to the extent to which a firm is entrepreneurial in nature (Schillo 2011). SMMEs with a strong EO demonstrate five main attributes, namely: risk-taking, proactiveness, innovation, competitive aggressiveness and autonomy (Covin and Slevin 1989; Lumpkin, Cogliser, and Schneider 2009). While there is limited space to define each of these five attributes, it suffices to highlight that entrepreneurship researchers hail EO as an extensive contributor to the success of the business (Mahmood and Hanafi 2013) irrespective of its sector of operation. However, the capacity of EO to leverage SMME economic productivity has been ambivalent. Tobias, Mair, and Barbosa-Leiker (2013) posit that entrepreneurial-oriented SMMEs play a meaningful role in subsidizing poverty through generating socio-economic progress, although there is a disjointed understanding of the processes through which entrepreneurship produces social change and creates economic wealth synchronously. Conversely, Kraus et al. (2012) state that EO is often perceived as a forebear of growth, competitive advantage and superior performance. These claims mirror Rauch et al.'s (2004) finding that EO constitutes an entrepreneurial strategy-making process that small business owners/managers use to enact their businesses' organizational purpose, sustain their vision and create competitive advantage. Since EO

is instrumental in the creation of financial wealth and firm competitiveness, its capacity to open up employment opportunities, create income, improve personal social networks and other life-enhancing necessities is undisputable. For these reasons, the South African government can reduce poverty levels significantly by encouraging small businesses to embrace and apply this concept diligently. Accordingly, Mason et al. (2015) affirm that EO signifies the policies and practices that provide a foundation for entrepreneurial decisions and actions, whose spillover effect could be poverty reduction.

Entrepreneurially oriented small businesses

Considering the foresaid relationship between small businesses and entrepreneurial orientation, it is logical to engage with entrepreneurially oriented small businesses. According to Wiklund, Patzelt, and Shepherd (2009) small businesses that are entrepreneurially orientated are those willing to innovate in order to revive market offerings, take risks by attempting new and undefined products/services and are more proactive than their competitors. Although the preceding observation presents entrepreneurially oriented small businesses as economic benefit maximizing entities, the enhancement of their employees' managerial and financial capabilities, and social empowerment through the enactment of particular identities (that is 'beings') could be additional social benefits for such businesses. To the extent that entrepreneurship within a small business unfolds when the opportunities are recognized and acted upon to improve the financial position of small business significantly (Thompson 2006), entrepreneurship is conceived as an antecedent of as well as a consequence of the wellbeing of the organization. As Kruger (2004) observed, research often considers the starting of a small business as the foundation for its growth, creativity and innovation, and development enhances its sustainability (that is the wellbeing of the organization) without which the entrepreneurial orientation of the business is impeded. Needless to say, the capacity of an entrepreneurial venture to work on creative ideas with significant risks drives it from being a small entity to becoming a large enterprise (Sindhu et al. 2010), whose social responsibility may include eradicating the poverty levels of local communities through expanded lifelong opportunities.

Linking entrepreneurship to poverty reduction

Since we have explored the linkage between SMMEs and entrepreneurship on the one hand, and the nature of entrepreneurially oriented SMMEs and entrepreneurial orientation on the other, it is important to examine the nexus between entrepreneurship and poverty reduction. Entrepreneurship development can contribute to poverty reduction by creating income and employment opportunities through the creation of emerging businesses (Ali and Ali 2013). Authentic entrepreneurship should contribute to social wealth by creating new markets, new industries, new technology, new institutional forms, net increases in real productivity and sustainable jobs necessary for the poor people to access income and meet their life necessities (Ali and Ali 2013). It is therefore logical to

assume there exists an inverse relationship between entrepreneurship and poverty reduction; that is, a massive growth in entrepreneurship should drastically reduce poverty levels. However, the employment opportunities created should be sustainable, provide economic opportunities for transforming lives and capacitate individuals to pursue self-reliance.

To the extent that Adenutsi (2009) argues that economic growth is an essential pre-condition for poverty reduction, this paper argues that creating entrepreneurial-oriented firms is a precondition for incubating sustainable job opportunities and human capabilities that potentially trigger poverty reduction and emancipation of economically marginalized groups. Nkwede (2013) concurs that to reduce poverty means to improve and sustain the economic and social growth of the masses, which enhance their living standards. The challenge, however, is that the South African government's supply-side interventions for SMME support and development seem to focus predominantly on growth of SMMEs without creating life-changing economic conditions and developing the human capital capacities and capabilities, which enable the full emancipation and self-sustenance of human beings. For instance, an overemphasis on the public financing of SMMEs and the development of sound business plans with a limited consideration of SMME resource management training and risk management reduces SMME public funding policies to growth-without equity interventions. We argue that when the government considers entrepreneurship in conjunction with demand-side interventions relating to personal capacity development and skill enhancement, then it will be more rewarding to both the entrepreneur and the broader social community in which SMMEs operate.

Sustainable seed funding

Consistent with Sen's HCA, this study assumes that resources of a financial nature are critical determinants of the wellbeing of poverty-reduction oriented firms. Despite the acknowledged significance of seed funding to the establishment and survival of such firms, South African banks and other financial institutions often decline SMMEs' applications for funding for various reasons such as lack of financial records and lack of a solid credit history. Since SMMEs that implement their business activities immediately upon receiving funding are more likely to run successful programmes than their counterparts (Higgins, Naylor, and Day 2008), sustainable funding relates positively to business performance.

In spite of the claim about the positive relationship between funding and SMMEs success (Abdulsaleh and Worthington 2013), the South African experience presents an inverse relationship between funding and business performance. Increased aggregate funding of SMMEs continues to be associated with increased SMME closures (see Fatoki 2014). For instance, while the South African funding to SMMEs increased from R242.6 million to R646.5 million in the years 2011 to 2012, South Africa lost 440,000 small businesses in the five years leading to 2012 (Grovest 2013). This anomaly cast aspersions on whether increased funding to SMMEs enhances the

performance and survival of these entities. While increased funding to SMMEs may contribute to improving their productive capacity and entrepreneurial culture of SMMEs, the foresaid unfortunate scenario of SMME closures raises critical questions on whether SMMEs are effective tools for job creation and poverty reduction.

Financial resources and financial literacy

The provision of seed funding (e.g. start-up capital) should be complemented by continual provision of sustained financial resources (e.g. working capital) to ensure that the business wellbeing is enhanced. For instance, evidence from prior research indicates that the availability of financial resources moderates the relationship between entrepreneurial orientation and firm performance (Wiklund and Shepherd, 2005; Adomako and Danso 2014). Thus, access to sources of financing may play the roles of proxying for financial capacity as well as providing a signal about the quality of future sustained profitability and employment of the businesses (Adomako and Danso 2014). Furthermore, Sjauw-Koen-Fa and Vereijken (2005) concur that access to financial services is one of the keys to business profitability and increased employment of communities, which may contribute directly to poverty reduction.

However, there are specific scenarios in which providing funding is vital for poverty reduction. This is because some funding can simply keep unsustainable businesses alive while having no impact on poverty reduction. For instance, Mokgosi's (2017) survey on the impact of demographic (i.e. age and gender), institutional (family role models, family recognition of venture creation) and structural factors (e.g. marketing and financing, social prejudices) on the sustainability of technology oriented SMMEs (i.e. internet cafés) revealed a negative relationship between sustained funding and level of opportunity identification (coefficient = -0.237). This was interpreted to mean that entrepreneurs tended to relax and cease to be imaginative after receiving the funding compared with when they were starting their business ventures. This would, therefore, negatively impact business growth and their capacity to employ additional staff, which would negatively affect their contribution to poverty reduction.

Another scenario is that even with increased financial availability, financial literacy is a moderating factor to the success of the business and therefore income generation and poverty reduction. Neneh (2016) examined the influence of financial literacy on firm performance, and the moderating effect of financial capital availability on the financial literacy–performance relationship amongst SMMEs in the Free State province of South Africa. Her study revealed that on average SMMEs have low levels of financial literacy and financial capital availability. It was also observed that financial literacy positively influenced SMME performance, and that the relationship is positively moderated by financial capital availability. It can be inferred that access to funding by SMME owner/managers with limited or no financial illiteracy could even have an increased negative effect on business performance, limit the businesses' growth potential and,

consequently, compromise poverty-reduction intentions of these businesses

Environmental stability

The relationship between entrepreneurship orientation and financial performance of SMMEs is context dependent. Kurtulmuş and Warner (2015) examined the role of entrepreneurial orientation (EO) on the perceived financial performance of small- and medium-sized enterprises operating within volatile business environments. Their findings demonstrate that though there is a relationship between EO and perceived financial performance of SMMEs, this positive relationship is not effective for those businesses operating in volatile business environments. Therefore, the EO-financial performance relationship can be influenced by the dynamism or hostility of the environment, regardless of accessibility of financial resources. In support of this view, Kraus et al. (2012) and Neneh (2016) posit that environmental factors impact positively or negatively on the success of the business. Thus, the environment is always highlighted as a critical contingency or contextual factor in the EO-performance relationship (Martins and Rialp 2011). Businesses functioning in a stable environment with low financial capital can increase their performance faster than those with high capital accessibility in dynamic or hostile environments (Milovanovic and Wittine 2014; Kurtulmuş and Warner 2015; Neneh, 2016). Further, some funding can simply keep unsustainable businesses alive, while having no impact on poverty reduction. An example is a business where funding keeps the business going despite a persistent hostile business environment in which costs of raw materials and overheads (e.g. employee salaries) are skyrocketing.

Commercialization of business activities

Since functionings are 'doings' which human beings value, one doing which entrepreneurs envision and value is the commercialization of their business ventures. Commercialization of business activities influences the competitive advantage of SMMEs positively. For instance, Kang et al. (2013) posit that technology commercialization is a key competitive factor for technology-based businesses. Although their finding relates to technology-oriented firms, this revelation also resonates with other SMMEs, as commercialization improves the production efficiency and reduces the cost of resources required per unit. Furthermore, Van de Vrande et al. (2009) argue that the commercialization of small businesses may increase their capacity to meet customer demands and keep up with competitors. This understanding seems to cohere with the view that commercialization of business positions the business not only for growth but also enables the business to meet its broader social responsibility goals such as eradicating poverty.

Other studies have emphasized the relationship between commercialization and innovation. For instance, Hossain (2015) highlights that commercialization at the business level is an essential part of the system of innovation, which means that aligning commercialization objectives with the innovation chain may richly benefit the competitiveness of SMMEs. However, Kang et al. (2013) affirm a

reverse relationship, where innovative capabilities and investment in external research and development (R&D) exert positive effects on the commercialization of SMMEs. More so, firm size and the degree of government support weigh heavily on the commercialization of small businesses (Kang et al. 2013). It is for this reason (i.e. firm size) that small businesses are ideal for introducing creativity, even though they often lack the necessary resources for commercialization (Lee et al. 2010).

Strong managerial approaches

While a functioning such as commercialization of small ventures is instrumental in the attainment of their wellbeing (e.g. competitive advantage, innovation, meeting consumer demands), the success of the commercialization process hinges on other functionings such as the managerial approaches of the business. Managerial approaches speak to the management philosophy, and the managerial systems, processes and procedures that a firm institutes to drive production/service provision activities and to ensure the integrity of its operations. Yet the weak managerial approaches of SMMEs is one of the chief reasons for the failure of small businesses sustaining themselves in South Africa (Papulová and Mokoš 2007). Since the competitive advantage of firms depends largely on the quality and strength of their organizational and managerial processes (Teece, Pisano, and Shuen 1997), addressing managerial competencies is critical to organizational performance. Governments' support programmes for small enterprises should consider how to increase the significance of managerial skills and knowledge, and support the development of integrated education and courses for small entrepreneurs (Papulová and Mokoš 2007). This will assist small businesses to be self-sustainable and competitive.

Another interesting dimension is that simply addressing skills training for SMMEs is not a panacea for the current high levels of SMME under performance and failures that are being recorded in many developing countries, including South Africa (Bjorvatn and Tungodde 2012; Duflo et al. 2013). Different types of training have different impacts depending on what the businesses intend that training to accomplish. For example, firms that take marketing training tend to achieve performance by increasing sales and employment growth, whereas firms that undertake finance training focus on cutting costs to increase performance. It is clear, therefore, that the former might have a greater influence on poverty reduction if the goal is employment creation, while both could be important if the focus is profitability.

More so, strengthening approaches of small firms needs to be considered in conjunction with improved marketing and financial training, as the performance of SMMEs in South Africa is undesirable. A randomized trial study in South Africa conducted by Anderson-Macdonald, Chandy, and Zia (2013) showed that marketing and financial training could improve the performance of SMMEs.

Capacity development of SMME managers' skills

While managerial approaches focus specifically on management philosophies and styles, capacity development has a broader mandate of developing the entrepreneurial,

managerial and intellectual mind-sets and skills of management and employees to improve the economic productivity, performance and sustainability of the organization. Management capacity development is one of the factors that plays a significant role in attaining the competitive advantage of a firm (Mmbengwa 2009) even though the development of small businesses in South Africa is always constrained by weak institutional capacity and lack of management skills and training (Abor and Quartey 2010). Elaborating these revelations, SEDA (2012) posits that the main capacity building challenges at managerial levels hampering small businesses growth in South Africa are: lack of entrepreneurial skills and mind-sets, limited business acumen and constrained capacity to undertake market research resulting in a lack of understanding of market needs and characteristics. Small businesses in SA would profit immensely from management capacity development training to enhance the skills of their managers.

Theoretical and conceptual frameworks

This paper argues that the resources (such as sustainable seed funding from public institutions, capacity development of SMME managers' skills) for the incubation and operation of poverty-reduction oriented SMMEs are critical but insufficient for the wellbeing (such as sustained profitability, increased employment opportunities, creation) of poverty-reduction oriented SMMEs. The provision of a sustainable pool of intellectual and financial resources should unfold in a business and macro-economic context comprising an appropriate combination of conversion factors (personal, social and environmental) factors and relevant functionings, if the wellbeing of the SMME is to be realized and sustained (see Figure 1)

We argue that personal conversion factors such as the SMME manager/owner's entrepreneurial experience, entrepreneurial exposure and entrepreneurial efficacy do not operate in a vacuum to influence the creation and sustenance of small poverty-reduction oriented businesses. To the contrary, these factors work in tandem with social conversion factors. These include the social dispositions and prejudices of the family and community of the business manager/owner, the business owner's psychological access to business concepts, processes and procedures and the business owner/manager' previous participation in technical and business subjects at tertiary level, their business networks and the existence of family role models. Although social conversion actors shape the manager/owner's self-efficacy and internal locus of control as far as business creation and operation are concerned, environmental conversion factors such as the national entrepreneurial cultures and business funding policies provide the broader milieu in which poverty-reduction oriented businesses may thrive.

We argue that moderating factors (resources) such as seed funding and capacity development as well as stable environment may influence the functions and capabilities. Hence Filser et al. (2014) posit that accessibility of seed funding might increase entrepreneurial orientation by encouraging firms to be more risk-takers and proactive since they have the available financial resources to do

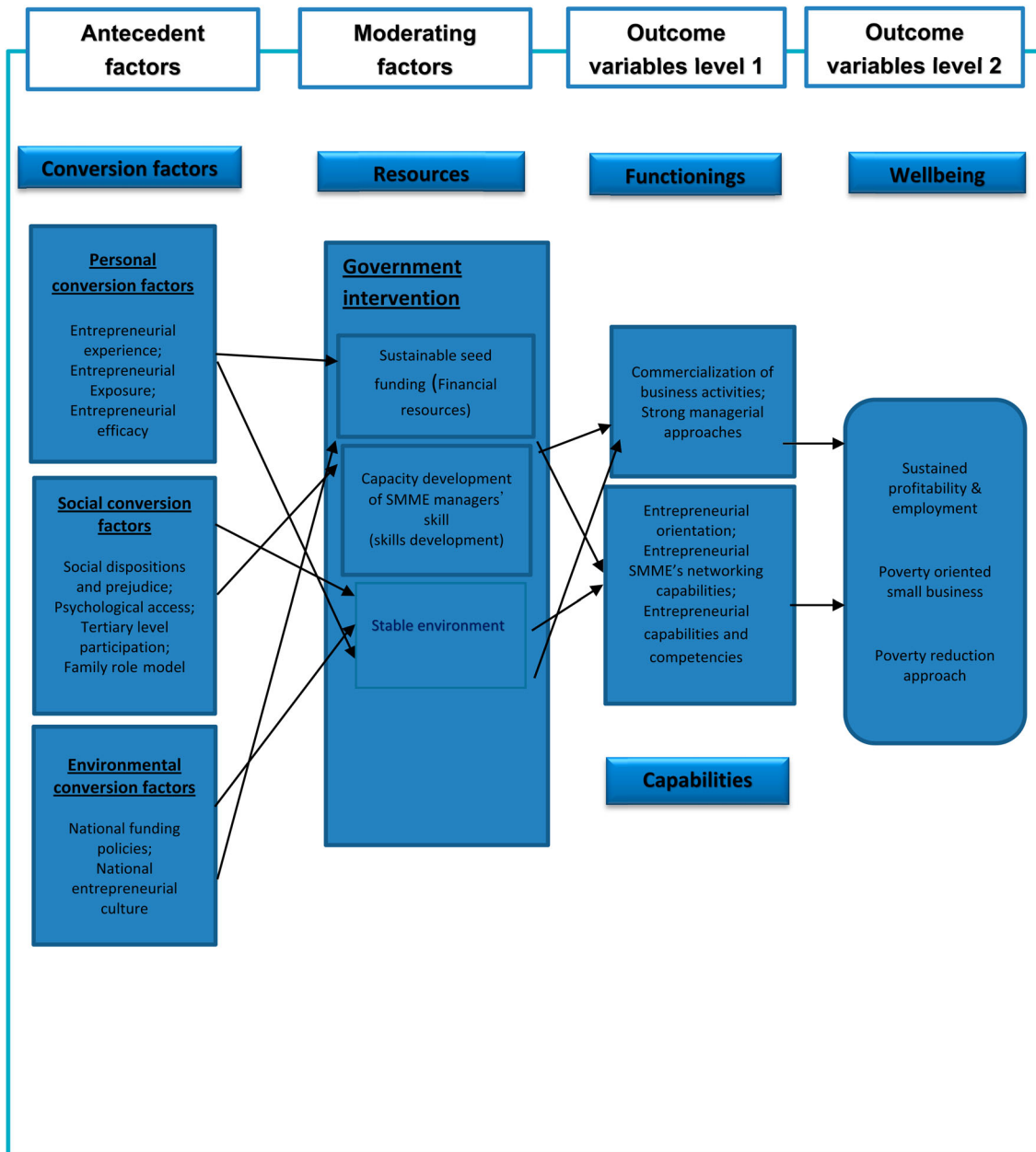


Figure 1: Capabilities approach to poverty reduction-based entrepreneurship.

so. Through as it may, the capacity of the small firm to put equity and debt financing to effective use is dependent on whether the firm is a growth-oriented firm or survivalist in orientation. Growth oriented firms tend to focus on employing their financial knowledge and literacy to advance the profitability and growth of the business (Mpiti, 2016) while survivalist may lack financial literacy and strategies to generate return on investment. Since financial literacy deals with knowledge and cognitive capabilities necessary for managing and making effective business decisions (e.g. budgeting, bookkeeping, bills and utilities payments, loan acquisition and payments (Reich and Berman, 2015; Adomako, Danso and Damoah, 2015), such a literacy mediates the entrepreneurial relationship depending positively or negatively depending on its abundance.

We propose that while resources in particular government interventions on managerial skills may moderate the

relationship between conversion factors on one hand, functionings and capabilities on the other, it is functionings and capabilities that predate the outcome variables namely the wellbeing of the organization such as firm profitability, employment opportunities and poverty reduction. Pramono and Woltjer (2011) posit that functionings are a function of ability, commodity and circumstances that make achievement of certain outcomes possible. Functionings underpin ways of beings such as being an entrepreneur, an innovator, inventor, being creative and proactive, which are positively associated with the doings such as enterprising, innovating, creativity and proactivity. That said, these functioning often manifest in the commercialization of the business venture and strong managerial approaches of the businesses.

Therefore, while skills development can serve as moderating factors in the relationship between conversion factors and wellbeing of small businesses (especially

profitability and employment growth), it is important to understand that different managerial competences and skills are relevant for different businesses. As Makhalemele's (2016) study observes, for technology oriented businesses (in particular internet businesses) resource management capabilities were highly and significantly correlated with profitability (Correlation = 0.743, p -value = 0.000), followed by innovation management Capabilities (Correlation = 0.732, p -value = 0.000) and lastly marketing management capabilities (Correlation = 0.695, p -value = 0.000). Poverty-reduction oriented businesses could be highly related to the market management capabilities and innovation management capabilities as these are integral to business growth, profitability and consequently, job creation and income generation which are critical to poverty reduction. Therefore, the importance of different managerial capacities varies depending on the focus and sector the business operates in. For instance, Ramorena's (2016) study of emerging construction firms suggests that firm level capabilities (e.g. internal networking, social capital networks) and market level capabilities (external networking, innovation) significantly and positively related to small business growth and profitability, compared to other capabilities.

Functionings work closely with particular capabilities set. Wilson and Martin (2015) define capabilities as a firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end. For the purpose of this study, capabilities may comprise an entrepreneurial orientation, entrepreneurial competencies, entrepreneurial capabilities, and business networking abilities. We assume that the effective deployment of this combination of capabilities in conjunction with the foresaid functionings will ensure the realisation of the wellbeing of the organization.

The skill combination and systemic integration of conversion factors, resources and capabilities and functionings will lead to the realisation of SMMEs' entrepreneurial wellbeing. Such wellbeing may manifest in economic benefits such as entrepreneurial growth, explosive employment opportunities, poverty eradication in addition to social benefits like promoting an egalitarian society and eradication of social deprivation to mention just a few. Entrepreneurial wellbeing may also reflect in the sustained profitability and increased market share of the businesses. The overall outcome should be multiple spill over benefits of entrepreneurship, which result in the reduction of poverty in communities.

Observations and implications

Although a country with a rich entrepreneurial culture is expected to have low poverty levels, the South Africa experience contradicts this assumption. This study acknowledged with great concern the persistent disjuncture between an explosive growth of SMMEs establishments and the soaring poverty levels in South Africa, notwithstanding the claims about the capacity of SMME development to eradicate poverty in society. For instance, while the number of SMMEs in South Africa totalled 5 979 510 for the year 2011 (Mahembe 2011), the nation was rated among the most unequal societies in the world

(Bosch et al. 2010; Rambe and Makhalemele 2015). Closely related to this irony, is another contradiction between the growing levels of public financial support to SMMEs and the high rate of SMME failures and a low total entrepreneurial activity of the country. Statistics suggest that 1 396 SMMEs were successfully funded for the year 2011/2012 (Mogashoa 2015), there were 440 000 estimated SMME closures between 2008–2012 (Adcorp 2012). The aforementioned contradictions cast aspersions on the effectiveness of a supply-side dependent public funding model for SMMEs. In other words, the South African government's SMME development approach, which hinges on provision of seed funding is insufficient for ensuring the sustained performance and long-term survival of SMMEs.

This study argued that while entrepreneurship and new venture creation goals emphasise the optimization of economic benefits such as profitability, market share, sales, competitive advantage and competitiveness of the business and income and employment opportunities for SMME employees, the social dimensions of poverty-reduction approaches are broader than these economic imperatives. Poverty-reduction approaches underpin the different perspectives for promoting decent human living, thriving and survival such as developing strong managerial approaches, enhancing the skills base of employees, developing strong networking capabilities, entrepreneurial capabilities and capabilities for SMME managers/owners. Collectively, these imperatives constitute the advancement of human functionings and capabilities.

In view of the above arguments about the limited scope of the economic dimensions of new venture creation and small business development, we argue that in its crude form, new venture creation is insufficient for rolling back the frontiers of poverty in resource constrained African contexts. Advancing this argument, our study argues that a human development index based approach to entrepreneurship provides a comprehensive perspective to addressing the social dimensions of poverty reduction such as meeting basic life necessities, reducing social inequalities and promoting individual empowerment.

To the extent that a human development index based approach to poverty reduction is founded on Sen's (1983) human capabilities approach, we argue that anchoring entrepreneurial approaches in the HCA provides a comprehensive and context informed perspective to meeting the economic as well as broader social development imperatives of individuals. The incorporation of a HCA into entrepreneurship would allow for the inclusion of multi-level conversion factors, resources, functionings and capabilities into poverty-reduction oriented venture creation. Even though entrepreneurship has proven to be a mechanism for creation of income and employment opportunities (Garba 2012), we contend that it is a HCA that creates life time economic opportunities, builds capacities and capabilities for creating strong, sustainable business institutions that will effectively combat poverty.

It is clear from the foregoing discussion that supply-side public interventions (e.g. provision of seed funding, skills enhancement) are critical but insufficient for

realizing broader business social responsibility goals of businesses such as reducing poverty, removing social inequalities and empowering disadvantaged communities. While we support Adu and Cole's (2015) claim that firm growth, which sustainable funding of SMMEs creates, has become the distinguishing factor between small business and entrepreneurship, the South African government's preoccupation with the growth of SMMEs and its downplaying of the empowerment of the whole entrepreneur has unintentionally created growth without equity. Entrepreneurship empowerment can be a consequence of integrated forms of training, mentorship and coaching in resource management, risk management, competencies and capabilities enhancement. As such, HCA that captures first level (functionings and capabilities) and second level outcomes is more useful for realizing poverty-reduction oriented entrepreneurship (see Figure 1). As Robeyns (2011) sums it up, a capability approach constitutes a significant improvement over average wellbeing approaches adopted in welfare economics.

Study limitations

While we provided a heuristic model for explicating the growth and complexity of poverty, we are conscious of the reality that what moderates the entrepreneurship and performance outcomes relationship may also be informed by various factors. These include the type of poverty-reduction businesses, the sectors in which these businesses operate, the level of maturity and resilience of such businesses to internal and external pressures and the climate stability (or predictability) and hostility of the environment.

Concluding remarks

The study noted with great concern the increasing gulf between the growth of SMMEs in South Africa and the deepening poverty levels, notwithstanding the claims that SMME development alleviates poverty. We attributed this irony to the government's supply-side interventions that focus on growth without equity, especially its failure to consider a human capabilities approach to entrepreneurship. We argued that the incorporation of a HCA would be instrumental in not only realizing the economic imperatives of increased profit, sales, market share and business competitiveness, but also improve the social dimensions of poverty reduction through improving SMME managerial competencies and entrepreneurial capabilities, deepening their entrepreneurial orientation and increasing the commercialization of their business activities. While we concur with Kraus et al.'s (2012) claim that the change in complexity of customers globally complicates small businesses' capacity to improve business performance unless they adopt EO in managing their business, we argue that the aforementioned functionings and capabilities will make EO more relevant to realizing poverty reduction in South Africa.

We question Hussain, Bhuiyan, and Bakar's (2014) submission that the best remedy for poverty reduction in any country lies in inspiring more business activity and promoting the start-up of the new ventures through entrepreneurship development. We argue that entrepreneurship

development is insufficient for reducing poverty, judging from the growing poverty and inequality levels amid the mushrooming of SMMEs and increased entrepreneurial activity in South Africa. We argue that a HCA approach to entrepreneurship is a more dependable way of rolling back the frontiers of poverty in this country than the quantitative, economic approaches of welfare economics.

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes on contributors

Patient Rambe (PhD) is a senior researcher in the Faculty of Management Sciences at the Central University of Technology (CUT), Free State in South Africa. Before this appointment, Dr Rambe served as an Assistant Director in the Office of International Academic Projects and as a Postdoctoral Research Fellow in the Department of Computer Science and Informatics at the University of the Free State. Dr Rambe has published extensively in the fields of Educational Technology and Entrepreneurship in developing economies. Dr Rambe's research work has been widely acknowledged and is rated by the National Research Foundation in South Africa.

Lentswe Mosweunyane is a lecturer in the in the Department of Business Support Studies at the Central University of Technology (CUT), Free State in South Africa. He successfully completed and graduated with a Masters in Business Administration (cum laude) at the CUT.

ORCID

L. Mosweunyane  <http://orcid.org/0000-0001-5443-3053>

References

- Abdulsaleh, A. M., and A. C. Worthington. 2013. "Small and Medium-Sized Enterprises Financing: A Review of Literature." *International Journal of Business and Management* 8 (14): 36–54.
- Abor, J., and P. Quartey. 2010. "Issues in SME Development in Ghana and South Africa." *International Research Journal of Finance and Economics* 39: 219–228.
- Adcorp. 2012. "New Business Start-ups Slump to Alltime Low." [Online]. www.adcorp.co.za/NEws/Pages/Newbusinessstart-upsslumpstoall-timelow.aspx.
- Adenutsi, D. E. 2009. "Entrepreneurship, Job Creation, Income Empowerment and Poverty Reduction in Low-Income Economies." *Munich Personal RePEc Archive (MPRA) Paper No. 29569*, 28. March.
- Adomako, S., A. Danso, and J. Damoah. 2015. "The moderating influence of financial literacy on the relationship between access to finance and firm growth in Ghana." *An International Journal of Entrepreneurial Finance* 18 (1): 43–61. doi:10.1080/13691066.2015.1079952
- Adomako, S., and A. Danso. 2014. "Financial Literacy and Firm Performance: The Moderating Role of Financial Capital Availability and Resource Flexibility." *International Journal of Management & Organizational Studies* 3 (4): 1–15.
- Adu, J. T., and B. M. Cole. 2015. "Entrepreneurship, Innovation and Economic Growth Index in an Emerging Economy: Nigeria as a Case Study." *European Conference on Innovation and Entrepreneurship* Sep: 9–14.
- Agbobl, E. K. 2013. "The Influence of Entrepreneurial and Market Orientations on Small Scale Agricultural Enterprises in the Vryburg Region." PhD Thesis., Central University of Technology, Free State.

- Agbotame, L. A. K. 2015. "The Impact of Selected Aspects of Globalization on Small-Scale Agro-Based Businesses in a Rural South African Setting." PhD Thesis., Central University of Technology, Free State.
- Ali, A. Y. S. A., and A. H. Ali. 2013. "Entrepreneurship Development and Poverty Reduction: Empirical Survey from Somalia." *American International Journal of Social Science* 2 (3): 108–113.
- Anderson-Macdonald, S., R. Chandy, and B. Zia. 2013. "The Impact of Marketing and Finance Training on Firm Performance in South Africa." [Online]. <http://www.poverty-action.org/printpdf/7421>
- Bjorvatn, K., and B. Tungodde. 2012. "Teaching Business in Tanzania: Evaluating Participation and Performance." *Journal of the European Economic Association* 8 (2–3): 561–570.
- Blaine, S. 2013, January 22. "SA 'More Unequal' than 20 Years Ago." <http://www.bdlive.co.za>.
- Boateng, G. O., A. A. Boateng, and H. S. Bampoe. 2015. "Microfinance and Poverty Reduction in Ghana: Evidence from Policy Beneficiaries." *Review of Business and Finance Studies* 6 (1): 99–108.
- Bosch, A., J. Rossouw, T. Claassens, and B. du Plessis. 2010. "A Second Look at Measuring Inequality in South Africa: A Modified Gini Coefficient." School of Development Studies. Working Paper No 58, September 2010, 1–16.
- Bozalek, V., and A. Dison. 2013. "Using the Human Capabilities Approach as a Normative Framework to Evaluate Institutional Teaching and Learning Interventions at UWC." *South African Journal of Higher Education* 27 (2): 383–400.
- Carland, W. J., F. Hoy, W. R. Boulton, and J. C. Carland. 2007. "Differentiating Entrepreneurs from Small Business Owners: A Conceptualisation." In *Entrepreneurship*, edited by Álvaro Cuervo, Domingo Ribeiro and Salvador Roig, 73–81. Berlin: Springer.
- Clark, D. A. 2006. "The Capability Approach: Its Development, Critiques and Recent Advances." (Working Paper GPRG-WPS-032). Oxford University: Global Poverty Research Group.
- Covin, J. G., and D. P. Slevin. 1989. "Strategic Management of Small Firms in Hostile and Benign Environments." *Strategic Management Journal* 10 (1): 75–87.
- Dufflo, E., A. Banerjee, R. Glennerster, and C. G. Kinnan. 2013. "The Miracle of Microfinance? Evidence from a Randomised Evaluation." NBER Working Paper no.18950. [Online]. <http://www.nber.org/papers/w18950.pdf>.
- Dyal-Chand, R., and J. Rowan. 2014. "Developing Capabilities, Not Entrepreneurs: A New Theory for Community Economic Development." *Hofstra Law Review* 42 (181): 102–168.
- Dzansi, D. Y. 2004. "Social Responsibility of SMMEs in Rural Communities." PhD Thesis., University of Pretoria.
- Dzansi, D. Y., and M. Pretorius. 2009. "The Development and Structural Confirmation of an Instrument for Measuring the Social Responsibility of Small and Macro Business in the African Context." *Social Responsibility Journal* 5 (2): 450–463.
- Fatoki, O. 2014. "The Causes of the Failure of New Small and Medium Enterprises in South Africa." *Mediterranean Journal of Social Sciences* 5 (20): 922–927.
- Ferreira, E. J. 2007. "An Analysis of Business Interventions and Their Effect on the Perceived Success of South African SME." PhD Thesis., University of South Africa.
- Filser, M., F. Eggers, S. Kraus, and E. Málovic. 2014. "The Effect of Financial Resource Availability on Entrepreneurial Orientation, Customer Orientation and Firm Performance in an International Context: An Empirical Analysis from Austria and Hungary." *Journal of East European Management Studies* 19 (1): 7–30.
- Fukuda-Parr, S. 2003. "The Human Development Paradigm: Operationalizing Sen's Ideas on Capabilities." *Feminist Economics* 9 (2–3): 301–317.
- Garba, A. S. 2012. "Entrepreneurship, Public Policy and Poverty Reduction in Nigeria." *International Journal of Business and Social Research (IJBSR)* 2 (2): 158–169.
- George State University Library. 2015. "What are Empirical, Review and Theoretical Sources?" [Online]. <http://research.library.gsu.edu/c.php?g=115857&p=753960>.
- Griffiths, M., J. Kickul, S. Bacq, and S. Terjesen. 2012. "A Dialogue with William J. Baumol: Insights on Entrepreneurship Theory and Education." *Entrepreneurship Theory and Practice* 36 (4): 611–625.
- Grovest. 2013. "New Venture Capital Fund to Give Little Guy a Lift." [Online]. <http://www.grovest.co.za/new-venture-capital-fund-to-give-little-guy-a-lift/>.
- Havinal, V. 2009. *Management and Entrepreneurship*. New Delhi: New Age International Publishers.
- Hick, R. 2012. "The Capability Approach: Insights for a New Poverty Focus." *Journal of Social Policy* 41 (2): 291–308.
- Higgins, J. W., P. Naylor, and M. Day. 2008. "Seed Funding for Health Promotion: Sowing Sustainability or Skepticism?" *Community Development Journal* 43 (2): 210–221.
- Hossain, M. 2015. "A Review of Literature on Open Innovation in Small and Medium-Sized Enterprises." *Journal of Global Entrepreneurship Research* 5 (6): 1–12.
- Hussain, M. D., A. B. Bhuiyan, and R. Bakar. 2014. "Entrepreneurship Development and Poverty Alleviation: An Empirical Review." *Journal of Asian Scientific Research* 4 (10): 558–573.
- Initiative for Competitive Inner City. 2014. "Celebrating Urban Entrepreneurship at Its Best." [Online]. <http://www.icic.org/resources-for-inner-city-ceos/inner-city-100-programs>.
- Kang, J., J. S. Gwon, S. Kim, and K. Cho. 2013. "Determinants of Successful Technology Commercialization: Implication for Korean Government-Sponsored SMEs." *Asian Journal of Technology Innovation* 21 (1): 72–85.
- Kraus, S., J. P. C. Rigtering, M. Hughes, and V. Hosman. 2012. "Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands." *Review of Managerial Science* 6: 161–182.
- Kruger, M. E. 2004. "Creativity in the Entrepreneurial Domain." PhD Thesis., University of Pretoria.
- Kurtulmuş, B. E., and B. Warner. 2015. "Entrepreneurial Orientation and Perceived Financial Performance. Does Environment Always Moderate EO Performance Relation." *Social and Behavioral Sciences* 207: 739–748.
- Lee, S., G. Park, B. Yoon, and J. Park. 2010. "Open Innovation in SMEs—An Intermediated Network Model." *Research Policy* 39: 290–300.
- Lumpkin, G. T., G. T. C. Coglisier, and D. R. Schneider. 2009. "Understanding and Measuring Autonomy: An Entrepreneurial Orientation Perspective." *Entrepreneurship Theory and Practice* 33 (1): 47–69.
- Lumpkin, G. T., and G. G. Dess. 1996. "Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance." *Academy of Management Review* 21 (1): 135–172.
- Mahembe, E. 2011. "Literature Review on Small and Medium Enterprises' Access to Credit and Support in South Africa. National Credit Regulator (NCR)." [Online]. http://www.ncr.org.za/pdfs/Literature%20Review%20on%20SME%20Access%20to%20Credit%20in%20South%20Africa_Final%20Report_NCR_Dec%202011.pdf.
- Mahmood, R., and N. Hanafi. 2013. "Entrepreneurial Orientation and Business Performance of Women-Owned Small and Medium Enterprises in Malaysia: Competitive Advantage as a Mediator." *International Journal of Business and Social Science* 4 (1): 82–90.
- Makhalemele, N. 2016. "The relationship between managerial competencies and performance of Internet cafes in the Free State region." Masters' Thesis. Central University of Technology, Free State.
- Martins, I., and A. Rialp. 2011. "Entrepreneurial Orientation, Environmental Hostility and SMEs Profitability: A

- Contingency Approach.” [Online]. <https://ssrn.com/abstract=2162483>.
- Mason, M. C., J. Floreania, S. Miania, F. Beltramea, and F. R. Cappelletto. 2015. “Understanding the Impact of Entrepreneurial Orientation on Smes’ Performance. The Role of the Financing Structure.” *Procedia Economics and Finance* 23: 1649–1661.
- Mayer, M. J. 2011. “Towards a Youth Employment Strategy for South Africa.” Development Planning Division Working Paper Series No. 28.
- Mayhew, M. J., J. S. Simonoff, W. J. Baumol, B. M. Wiesenfeld, and M. W. Klein. 2012. “Exploring Innovative Entrepreneurship and its Ties to Higher Educational Experiences.” *Research in Higher Education* 53 (8): 831–859.
- Mbuli, B. N. 2008. “Poverty Reduction Strategies in South Africa.” Masters’ Thesis., University of South Africa.
- Miller, D. 1983. “The Correlates of Entrepreneurship in Three Types of Firms.” *Management Science* 29 (7): 770–791.
- Milovanovic, B. M., and Z. Wittine. 2014. “Analysis of External Environment’s Moderating Role on the Entrepreneurial Orientation and Business Performance Relationship Among Italian Small Enterprises.” *International Journal of Trade, Economics and Finance* 5 (3): 224–229.
- Mmbengwa, V. M. 2009. “Capacity Building Strategic for Sustainable Farming SMMEs in South Africa.” PhD Thesis., University of Free State.
- Mogashoa, T. 2015. “Government Funding for Businesses in SA. A Guide to Government Funding.” [Online]. <http://tebogomogashoa.com/government-funding-businesses-south-africa-2015/>.
- Mokgosi, B. 2017. “Influence of demographic and social variables in the creation of technology-oriented ventures in the Mangaung Metropolitan municipality and Matjhabeng municipality.” Masters’ Thesis. Central University of Technology, Free State.
- Mpiti, N. 2016. “The influence of private and public finance on the performance of SMMEs in the Free State: A case of afro hair salons in Mangaung Metropolitan area.” Masters’ Thesis. Central University of Technology, Free State.
- Mutanga, O., and M. Walker. 2015. “Towards a Disability-Inclusive Higher Education Policy Through the Capabilities Approach.” *Journal of Human Development and Capabilities* 16 (4): 501–517.
- National Treasury. 2011. “Confronting Youth Unemployment: Policy Options for South Africa.” Discussion Paper.
- Naudé, W. 2013. “Entrepreneurship and Economic Development: Theory, Evidence, and Policy.” Discussion Paper No. 7507.
- Ndofirepi, T. M. 2016. “The Impact of Technological Creativity and Entrepreneurship Education on the Entrepreneurship Intentions of Students at Particular Tertiary Institutions in Zimbabwe and South Africa.” PhD Thesis., Central University of Technology, Free State.
- Neneh, B. 2016. “Examining the Moderating Effect of Environmental Hostility on the Entrepreneurial Orientation-Performance Relationship.” *Journal of Economics and Behavioral Studies* 8 (6): 6–18.
- Nieuwenhuizen, C. 2012. *Basics of Entrepreneurship*. Cape Town: Juta Academic.
- Nkwede, J. O. 2013. “Approaches for Poverty Alleviation and Sustainable Development in Nigeria: A Study of Ebonyi State Community Based Poverty Reduction Agency (EB-CPRA).” *International Journal of Social Science Studies* 2 (1): 153–163.
- Nussbaum, M. C. 2011. *Creating Capabilities, the Human Development Approach*. Cambridge: The Belknap Press of Harvard University Press.
- Papulová, Z., and M. Mokroš. 2007. “Importance of Managerial Skills and Knowledge in Management for Small Entrepreneurs, E-Leader, Prague.” [Online]. <http://www.g-casa.com/PDF/Papulova-Mokros.pdf>.
- Phogole, M. 2010. “Issues of Increasing Levels of Poverty and Hunger in Africa, with Specific Reference to South Africa.” Africa Institute of South Africa. AISA Briefing No. 8. *Policy*. (In Press).
- Poverty in South Africa Discussion Document. 2008. “Towards an Anti-Poverty Strategy for South Africa a Discussion Document.” [Online] http://www.thepresidency.gov.za/docs/pesa/economic/draft_antipoverty1008.pdf.
- Pramono, R. W., and J. Woltjer. 2011. “Wellbeing and a Capability Approach in Planning Evaluation and Regional Development.” In *Evaluation for Sustainability and Participation in Planning*, 1–37. London, UK: Routledge.
- Rambe, P., and N. Makhalemele. 2015. “Relationship Between Managerial Competencies of Owners/Managers of Emerging Technology Firms and Business Performance: A Conceptual Framework of Internet Cafés Performance in South Africa.” *International Business and Economics Research Journal* 14 (4): 678–691.
- Ramorena, M. 2016. “The impact of social networks on innovation, competitiveness and performance in the South Africa context: A case study of emerging construction firms in the Free State.” PhD Thesis. Central University of Technology, Free State.
- Rauch, A., J. Wiklund, G. T. Lumpkin, and M. Frese. 2004. “Entrepreneurial Orientation and Business Performance: An Assessment of Past Research and Suggestions for the Future.” [online]. *Entrepreneurship Theory and Practice*. [Online]. <http://www.blackwellpublishing.com/journal.asp?ref=1042-2587&site=1>.
- Rawls, J. 1971. *A Theory of Justice*. Cambridge: Cambridge University Press.
- Reich, C. M., and J. S. Berman. 2015. “Do financial literacy classes help? An experimental assessment in a low-income population.” *Journal of Social Service Research* 41 (2): 193–203.
- Robeyns, I. 2011. “The Capability Approach. Stanford Encyclopedia of Philosophy.” [Online]. <http://plato.stanford.edu/entries/capability-approach>.
- Rozyn, S. 2007. “The Key Success Factors in Growing a Small and Medium Enterprise (SME) in South Africa.” Master’s Thesis., University of Pretoria.
- Schillo, S. 2011. “Entrepreneurial Orientation and Company Performance: Can the Academic Literature Guide Managers?” *Technology Innovation Management Review*. 20–25 November.
- SEDA. 2012. *Analysis of the Needs, State and Performance of Small and Medium Businesses in the Agriculture, Manufacturing, ICT and Tourism Sectors in South Africa*. Mthente Research and Consulting Services (Pty) Ltd.
- SEDA. 2016. “The Small, Medium and Micro Enterprise Sector of South Africa.” Bureau of Economic Research, Note 2016, No 1.
- Sen, A. 1983. “Development: Which way Now?” *The Economic Journal* 93: 745–762.
- Sen, A. 1989. “Development as Capability Expansion.” *Journal of Development Planning* 19: 41–58.
- Sindhu, A. G., H. Naeem, M. I. Saif, and S. Mehmood. 2010. “Business Education and Entrepreneurial Capabilities in Pakistan.” *African Journal of Business Management* 5 (5): 1749–1754.
- Sjauw-Koen-Fa, A. and Vereijken, I. 2005. “Access to financial services in developing countries.” Rabobank Nederland, September, 1–32.
- SMME Opportunity Roadshow. 2016. Digital offers strong opportunity for SMMEs. (Posted April 29th, 2016). [Online]. <http://www.opportunityonline.co.za/articles/smme-opportunity-roadshow-17737.html>
- Statistics South Africa. 2014. “Poverty Trends in South Africa an examination of Absolute Poverty Between 2006 and 2011.” Report No. 03-10-06.
- Teece, D. J., G. Pisano, and A. Shuen. 1997. “Dynamic Capabilities and Strategic Management.” *Strategic Management Journal* 18: 509–533.
- Tengeh, R. K. 2011. “A Business Framework for the Effective Start-Up and Operation of Africa Immigrant-Owned Businesses in the Cape Town Metropolitan Area.” SA, PhD Thesis., Cape Peninsula University Technology.

- Tham-agyekum, E. K., F. Amamoo, and P. Botchey. 2016. "Alternative Livelihood Support for Reducing Poverty: Snail Project for Kwaprow, UCC." [Online]. https://www.academia.edu/24814920/ALTERNATIVE_LIVELIHOOD_SUPPORT_FOR_REDUCING_POVERTY_SNAIL_PROJECT_FOR_KWAPROW_UCC.
- The World Bank. 2014. "Ending Poverty and Sharing Prosperity." Global Monitoring Report 2014/2015.
- Thompson, A. 2006. "Entrepreneurship and Business Innovation." PhD Thesis., Murdoch University.
- Tobias, J. M., J. Mair, and C. Barbosa-Leiker. 2013. "Toward a Theory of Transformative Entrepreneurship: Poverty Reduction and Conflict Resolution in Rwanda's Entrepreneurial Coffee Sector." *Journal of Business Venturing* 28: 728–742.
- Turton, N., and M. Herrington. 2012. *The Global Entrepreneurship Monitor, South Africa*. Cape Town: The UCT Centre for Innovation and Entrepreneurship.
- Tushabomwe-Kazooba, C. 2006. "Causes of Small Business Failure in Uganda: A Case Study from Bushenyi and Mbarara Town." *African Studies Quarterly* 8 (4): 27–35.
- UNDP (United Nations Development Programme). 1997. *Human Development Report 1997*. New York: Oxford University Press.
- UNDP (United Nations Development Programme). 1998. *Human Development Report 1998*. New York: Oxford University Press.
- UNDP (United Nations Development Programme). 2000. *Human Development Report 2000. Human Rights and Human Development*. New York: Oxford University Press.
- UNDP (United Nations Development Programme). 2002. *Human Development Report 2002. Deepening Democracy in a Fragmented World*. New York: Oxford University Press.
- Van de Vrande, V., J. P. J. de Jong, W. Vanhaverbeke, and M. de Rochemontd. 2009. "Open Innovation in SMEs: Trends, Motives and Management Challenges." *Technovation* 29: 423–437.
- Verster, J. (2016, February 25). "Unemployment Rate Down to 24, 5%." *Times Live*. <http://www.timeslive.co.za/local/2016/02/25/Unemployment-rate-down-to-24.5>.
- Vis, C. 2012. "Education Women Entrepreneurs in Kigali, Rwanda, Expanding Capabilities for Enhancing Entrepreneurship in a Socially Just Context." Master's Thesis., University of Amsterdam.
- Wacker, J. 1998. "A Definition of Theory: Research Guidelines for Different Theory-Building Research Methods in Operations Management." *Journal of Operations Management* 16: 361–385.
- Walker, M. 2006. "Towards a Capability-Based Theory of Social Justice for Education Policy-Making." *Journal of Education Policy* 21 (2): 163–185.
- Watson, G. E. H. 2004. "A Situational Analysis of Entrepreneurship Mentors in South Africa." Master's Thesis., University of South Africa.
- Wells, T. 2016. "Sen's Capability Approach." [Online]. Internet Encyclopaedia of Philosophy. <http://www.iep.utm.edu/sen-cap/>.
- Wiklund J., and D. Shepherd. 2005. "Entrepreneur Orientation and Small Business Performance: Configurational Approach." *Journal of Business Venturing* 20: 71–91.
- Wiklund, J., H. Patzelt, and D. A. Shepherd. 2009. "Building an Integrative Model of Small Business Growth." *Small Business Economics* 32: 351–374.
- Wilson, N., and L. Martin. 2015. "Entrepreneurial Opportunities for All? Entrepreneurial Capability and the Capabilities Approach." *The International Journal of Entrepreneurship and Innovation* 16 (3): 159–169.