

## Rural and Township SMMEs in South Africa: Uncovering the Hidden Barriers to Success and the Path to Empowerment

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**Abstract** – Experiences of owning and successfully managing a business as an entrepreneur in earlier career in villages by one of the authors of this paper stimulated interest in assessing the conduct of small, micro- and medium enterprises (SMMEs), and the doctoral study by the first author connected with it to express these experiences. The purpose of the study was to explore the uncompetitive attitudes prevalent in rural and township (RUTO) SMMEs that hinder their success. The study was of a qualitative study design. Data collection took place by field notes writing the experiences of some unfavourable conduct “they should not do!” by SMMEs in RUTOs, where there were too many SMME failures. The joint observation by first and second authors of bad conduct of a funeral parlour, prompted this paper, especially on noting that there are fields notes enough to find meaning in the RUTO SMMEs’ unfavourable conduct. The field notes provided the data which were analysed using thematic content analysis. The conclusion drawn from the misconduct patterns exhibited by RUTO SMMEs is that these businesses often engage in unethical, unsafe, and unprofessional practices, which negatively impact their customers and the community, and can lead to a decline in their corporate reputation. A key recommendation for supporting SMMEs in overcoming challenges related to sustainable business practices is to build their capacity through training opportunities and access to business development services.

**Keywords** – RUTO SMMEs, Sustainable Business, Challenges to Success, Economic Development

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## 1 Introduction

The sustainability of business is important for the country's economy, and many countries have benefited from businesses, mainly the small ones. In pursuit of the mutual interest in investigating methods to assist the growth of Small, Micro- and Medium Enterprises (SMMEs), this paper was planned during the time when the main study on why support structures that the South African government established to support SMMEs to help in reducing the SMME failure rate and enhance their increased success rates (Molope et al., 2024). SMMEs have serious problems that hinder them from performing well, and many studies focus on the problems that the SMMEs cannot control. The rural and township (RUTO) SMMEs seem to be the ones failing the most, as compared to those eclose to towns and cities. Literacy gap, scarcity mindset, non-business distractions, lack of safety net, access to capital, access to infrastructure, access to markets, lack of social capital, and formalization and systems, are common causes and more pronounced of failure of RUTO SMMEs (Molony, 2005; Morris, 2024; Wurth, Stam & Spigel, 2022).

The study is concerned about the uncompetitive attitudes prevalent in RUTO SMMEs that hinder their success. Through personal and observational experiences, the research seeks to identify and understand the specific attitudes and behaviours within these SMMEs that contribute to their lack of competitiveness in the market. By delving into the personal insights and observations of entrepreneurs in these areas, the study intends to shed light on the challenges faced by RUTO SMMEs, particularly focusing on how these attitudes impact their growth, sustainability, and overall success.

It is novel to identify and explore the personal and observational experiences of uncompetitive attitudes that negatively impact the growth and success of SMMEs in RUTO areas. This research aims to provide insights into the specific challenges faced by these businesses, including the role of societal attitudes, family support, and entrepreneurial mindset, to inform strategies for improving their competitiveness and sustainability.

This study has potential to provide valuable insights into the unique socio-cultural and behavioural factors hindering RUTO SMMEs, which can inform policies and interventions to support these businesses and foster an entrepreneurial ecosystem. It examines behavioural and socio-cultural factors that impede the growth, development, and success of SMMEs and entrepreneurship in RUTO areas, which have received limited attention in academic and policy dialogue (Duxbury, 2021). These factors include the absence of social capital, low risk tolerance, stigma of failure, limitations of communal property, and the growing presence of foreign businesses. The study could provide deeper insight into the daily challenges confronting SMMEs in RUTO areas through dialogues with SMME owners. The issues raised may inform policy and identify areas requiring targeted interventions. It may challenge some common notions about RUTO entrepreneurs, such as the assumption that they have minimal education and experience. The study could challenge attitudes, skills level, qualifications, and related work experience of RUTO SMMEs participants. The study may also question entrepreneurship orientation programs in schools and communities to teach children entrepreneurship as a viable

career option, which could help establish an entrepreneurial culture. The alignment or consistency with respected studies on barriers to RUTO entrepreneurship, reinforcing the importance of addressing issues like lack of business role models, mentors, government support, technology, and innovative entrepreneurship.

This study stands to provide valuable insights into the unique challenges and attitudes that shape the entrepreneurial landscape in South African RUTO areas. Its recommendations can inform policies and programs to better support small businesses in these communities. Several important contributions to the body of knowledge on barriers faced by SMMEs in South African RUTO areas include that:

- The study could highlight the role of behavioural and socio-cultural factors that often impede the growth, development, and success of SMMEs, which have received limited attention in academic and policy dialogue (Banu et al., 2024). These include the absence of social capital, low risk tolerance, stigma of failure, limitations of communal property, and the growing presence of foreign businesses.
- It could provide deeper insight into the daily challenges confronting SMMEs in these areas through dialogues with business owners (Mhlongo & Daya, 2023). It identifies both universal issues that can inform policy, as well as regional and geographic-specific challenges requiring targeted interventions.
- The study could also challenge several common notions about RUTO entrepreneurs, such as the assumption that most start businesses due to lack of employment (Mazzoni & Innocenti, 2024). Instead, the majority entered entrepreneurship to be self-employed and independent. The study also found that most had some form of tertiary education and related work experience, contrary to the perception of minimal education and experience.
- It could also support early entrepreneurial orientation programs in schools and communities to teach children about entrepreneurship as a viable career path (Boldureanu et al., 2020). It also suggests targeted programs to train women and youth in entrepreneurship, provide mentorship, and improve access to funding and markets.

The paper was inspired by the opportunity to examine and document the negative attitudes and behaviours that hinder the success of SMMEs in RUTO areas, to provide intuitions into the personal and observational experiences of entrepreneurs and stakeholders in these areas, and highlighting the specific attitudes and factors that contribute to the challenges faced by SMMEs. The study is also motivated by the recognition that SMMEs are crucial for economic development and job creation in these areas, but they often struggle due to various barriers. The research seeks to identify and analyze the attitudes and behaviours that hinder the growth and success of SMMEs, with the goal of informing policy and interventions that can help address these challenges. The study will likely involve qualitative research methods, such as interviews and observations, to gather detailed information about the experiences and perceptions of entrepreneurs and stakeholders in RUTO areas. The findings will provide a nuanced understanding of the attitudes and behaviours that negatively impact SMMEs, enabling policymakers and stakeholders

to develop targeted strategies to support these businesses and promote their growth and success. The proximity of the RUTO SMMEs to their communities is an opportunity to compete with business rivals that are located far from these areas.

The aim is to investigate the challenges faced by SMMEs in RUTO areas, focusing on those problems that these SMMEs have control over, and those that the problems are caused by the SMMEs themselves. This was to move away from common approaches where 'someone else' is blamed, by focusing on the potential dedication, commitment, and attitude, and so on, that are human capital resources that each SMME owner or manager can exploit to benefit their business.

## 2 Literature Review

SMMEs play a vital role in economic development, job creation and poverty alleviation in South Africa, especially in RUTO areas (Bvuma & Marnewick, 2020). The South African government has implemented various interventions to support SMME development, such as establishing business support centers, providing funding, and streamlining regulations. However, many SMMEs face significant challenges that hinder their growth and competitiveness, and more needs to be done to address the specific challenges faced by RUTO SMMEs. This study aims to provide insights into some of the uncompetitive attitudes and practices that harm the competitiveness of RUTO SMMEs, based on the personal experiences and observations of the researcher. The findings can inform policy and support initiatives to foster a more enabling environment for SMME growth and development in underserved areas. Some key challenges experienced by RUTO SMMEs, according to Sibiyi, van der Westhuizen and Sibiyi (2023), include:

- Lack of access to finance, resources, and business development support
- Inadequate business and management skills, knowledge, and experience
- Uncompetitive attitudes and practices, such as lack of innovation, resistance to change, and poor customer service.
- Regulatory and legislative barriers, including complex compliance requirements.
- Geographical isolation, poor infrastructure, and limited access to markets.
- Family and social pressures, including succession challenges.

### 2.1 Challenges to Success: Barriers to Growth and Development in RUTO SMMEs

The section highlights the challenges that these SMMEs face in their pursuit of success, emphasizing the need for targeted interventions to address these barriers. These challenges include literacy gap, scarcity mindset, non-business distractions, lack of safety net, access to capital, access to infrastructure,

access to markets, lack of social capital, and formalization and systems, and so on (Machikicho, 2022; Maphalla, 2009; Wiid & Cant, 2021).

*Literacy gap:* Many RUTO entrepreneurs lack sufficient knowledge in areas such as technology, financial management, and business operations, hindering their ability to effectively run and grow their businesses.

*Scarcity mindset:* Limited resources and financial constraints can lead to a short-term focus, causing entrepreneurs to miss opportunities and hinder strategic planning.

*Non-business distractions:* RUTO entrepreneurs often operate in environments with elevated levels of crime, extortion, and protection fees, which can disrupt business operations and divert attention from growth.

*Lack of safety net:* RUTO may lack resources and social capital that could serve as a safety net during tough times, making it difficult for entrepreneurs to recover from setbacks and risks.

*Access to capital:* Insufficient funds to start or expand a business can be a major barrier, particularly in RUTO areas where access to capital is limited.

*Access to infrastructure:* Poor infrastructure, such as inadequate roads, unreliable power supply, and limited access to utilities, can disrupt operations and increase costs for RUTO entrepreneurs.

*Access to markets:* Limited exposure to larger markets and challenges in reaching potential customers has potential to constrain business growth and sustainability.

*Lack of social capital:* Building relationships within the business community and with potential investors, partners, and customers can be challenging for RUTO entrepreneurs who lack established networks.

*Formalization and systems:* Operating informally without proper business structures, licenses, and systems can lead to legal and operational issues, hindering access to funding and markets.

*Uncompetitive products and services:* Many SMMEs in RUTO areas struggle to offer competitive products and services due to limited resources and lack of innovation. This makes it difficult for them to attract and retain customers.

*Limited access to funding:* SMMEs in these areas often face significant barriers in accessing funding due to negative perceptions by financial institutions and lack of collateral. This further exacerbates their financial constraints.

*High competition:* The high level of competition in these areas, often fueled by the presence of larger businesses, can make it challenging for SMMEs to differentiate themselves and maintain a competitive edge.

*Lack of government support:* The study emphasizes the need for more effective government support, including assistance in accessing funding, provision of work, and other forms of support. The lack of such support can hinder entrepreneurship in these areas.

*Limited use of technology:* The study notes that the limited use of technology in RUTO businesses can hinder their ability to manage inventory, improve efficiency, and stay competitive.

*Regulatory barriers:* Regulatory barriers, such as the cost of compliance and the tax system, can also hinder entrepreneurship in these areas.

*Lack of entrepreneurial orientation:* The study suggests that there is a need for early entrepreneurial orientation programs to teach children about entrepreneurship and provide practical lessons. This can help foster a culture of entrepreneurship and provide viable career options.

*Personal and observational experiences:* The study highlights the importance of personal and observational experiences in understanding the challenges faced by SMMEs in these areas. It emphasizes the need for targeted interventions to address these specific challenges.

Petrus (2015) also reflected the following barriers to business success: (i) dealing with difficult people; (ii) loss of support sources; (iii) personal idiosyncrasies of the owner/managers; and (vi) others. The owner/manager of SMMEs' behaviours toward customers can also be a barrier to the business's success. Motloug (2021) confirms that good feedback from customers and getting referrals from satisfied customers is one of the business success measures. Entrepreneurs also require their employees to take responsibility for their customers in the same way that they do (Irene, 2016).

### 3 Methods and Data

A qualitative design was used, because it is suitable to gain insight into the construction SMMEs' attitudes, behaviours, value systems, concerns, motivations, and aspirations (Nasser & Akbawi, 2024). Nicmanis (2024) enlightens that the study used structured information collection and analysis to extract meaning and identify themes. The study was cross-sectional, the kind of observational research that involves collecting data from a population or a representative subset at a specific point in time (Collins et al., 2024). Study participants were representatives or spokespeople of RUTO SMMEs in the various provinces of South Africa. The study used observations to collect data, observing a total of 11 SMMEs in the sectors of accommodation, agriculture, baking, construction, fishing, funeral services, retail, tavern, and transport. Two SMMEs observed were in accommodation (one in a North-West village (RU), and the other in Mpumalanga (TO)), one in agriculture at a Mpumalanga village (RU), one baker in an Eastern Cape Province's township (RO), one building contractor in a Gauteng township (TO), one fisherman in KwaZulu-Natal village (RU), one funeral parlour teller from a Gauteng township (TO), one retail shop in a Limpopo village (RU), two taverns (one in the Free State (TO) and another in North-West (RU)), and two in transportation (taxi drivers) (one in the Eastern Cape (RU), one from North-West (TO), one from Gauteng (TO), and one from Free State (TO)).

## 4 Results

Field notes through observations produced the following annotations.

### 4.1 Accommodation A

Members of a Gauteng Province higher education institution (HEI) academic department visited this RU accommodation in North-West to enquire about the venue for a workshop to ask about availability, prices, menu, vehicle parking, and safety, among others. The members then requested to view the rooms, and they were told to return for that, instead of being shown the rooms immediately. Their request was rejected despite them explaining time pressure. In the end, no bookings were made.

### 4.2 Accommodation B

One of the author's family visited this accommodation, after booking by phone. They checked in at 12h00 on the day, in a well prepared 'hygienic looking' room, to store their bags and tour around the area to enjoy the entertainment in the vicinity. When they returned just after 18h00, they found another customer leaving their room. Due to the untidiness that showed, especially the bed, as if there were children jumping on it, the family demanded another room. As this was happening, it came out that the room was hired out to a couple for a 'bed event' (brothel!). The other room offered had cockroaches and other small insects, and the couple demanded a refund. The refund included several hostile actions and incidents before it was paid back after seven months.

### 4.3 Agriculture C

The SMME was selling watermelons mostly, and other fruits. In one coincidence, when a return of a watermelon due to have rotten, there were several other customers returning their own purchased watermelon. During waiting, as the customers interacted while waiting, some returned watermelons were due to pale colouring, and worms in the fruit, among others. The SMME was busy with the usual business of the day. Some customers waited for the entire day, others returned the following day, and so on. The silent refusal to refund customers was an identified reaction of the SMME.

### 4.4 Baker D

The customers of the baker could tell that the ingredients of some breads, and the oils used were not always of the required quality. Fat cakes, and chips, for example, were fried in recycled oil, such as oils that cooked pocky or bacon meats. When a customer (one author) enquired, the reaction was met with maximum arrogance. A serving official reacted with, "*You think you are better than other customers, go and buy elsewhere, we do not need your money*

*here.*" One customer recorded this and let us listen but refused to send as '*he would be exposed*' if it goes beyond that stage.

#### **4.5 Building contractor E**

The contractor tended to give a quotation for the job at hand as required by a customer, but in the middle of the project, increase the price with some justifications. With his employees they also at times did not report for work at least for two days after receiving payment for the completed phase, even when they had indicated to come to work. Another flop that the owner of this SMME used to commit was to ask for advance from the customer before the start of the project or in the middle of it. for the customers who fell for his pleas, they struggled to get them back to work on the project. There were those who never managed to get the SMME back to complete the project. Hence, another flop that these SMME made was to leave projects unfinished.

#### **4.6 Funeral parlour F**

This SMME was based in eastern Pretoria Mamelodi/Nelmapius township for funeral services. At one point a bereaved family deposited money for the services, and due to the SMME's own limitations they did not realize that they were paid. A call from the family was made to inform them, as the time was passing with no service rendered. Money paid had not shown on the SMME bank app, but the customer offered to send a screenshot of the payment made. The tone of talk from the SMME official, and the response where they accused the bereaved customer who had paid of taking chances and being arrogant, and only delivered after an additional payment was made by the customer through the SMME ban app. So, the customer was only served after paying for the second time, and the service that was supposed to have been offered at 17h00 on Friday was only done at 20h00.

#### **4.7 Retail G**

This RU Limpopo retail was located where there were no other shops in some nearby villages, so for long, customers converged there in large numbers due to lack of no other shop to buy from. One day in 2018, a customer bought groceries full of a wheelbarrow. When he got home, he realized that the teller had missed charging for one of the items. In generosity, he rode back to report and offered to pay for the item. Instead of being welcomed, he was beaten mercilessly and arrested for theft. Fortunately, as there were witnesses, the SMME owner lost the case, and was ordered to pay for damages. The downfall of the SMME started and currently it has been rented out to a foreign vendor. The former SMME owner is currently bankrupt.



#### **4.8 Tavern H**

The TO tavern in a Free State township was a meeting place for couples and had 'special service' bedrooms that were believed to be used for 'mischief'. Also, younger than permissible age boys and girls would also be allowed, and married men in vehicles were at times found picking underaged girls from there.

#### **4.9 Tavern J**

The RU North-West tavern was notoriously known for harboring drug dealers as a meeting point for buyers and sellers, and for exposing new customers to the drugs, including *nyaope*. Its other fault was to operate outside the hours stipulated in the license. It was also perceived as selling liquor to any buyer, including those below 18 years, which is against the law in South Africa. The tavern was also a station for male customers to meet underaged girls. The tavern was reported, but apparently due to "connections" with the "elite", no action was taken until murder occurred in the premises outside operating hours.

#### **4.10 Transportation K**

This rural SMME was owned through an inheritance, and competitors in the area were wiped out during taxi conflicts. All the taxis in the village belonged there. Some trips organized through this SMME were strictly prepaid with the proviso of non-refundable, but some trips were not honoured. This means that customers lost their money. Refunds were not made, as the agreements were 'legal'.

#### **4.11 Transportation L**

This North-West SMME was owned by an entrepreneur who dealt with bus tours to destinations in and out of the country. There were times when the buses broke down while on tours, and some accidents. Customers informed us that there were no immediate replacements for broken-down ones, and customers had to pay for their own medical bills during accidents. The customers lost money for bookings where accidents happened on the one-way trip from home, with no compensation. All the customers who tried to get refunds 'learned the hard way'.

### **5 Discussion**

Even before an intense analysis, some immediate emerging misconduct forms shown occurring in these SMMEs are arrogance, geographical monopoly, illegal dealings, lost opportunity, *nyaope* market, socially irresponsible, violation of "customer is king" principle.

Arrogance was demonstrated in some SMMEs, such as refusing to provide a service due to the SMME adequacy where the invoice settlement was not reflecting in the financial system of the SMME. This was the case of SMME F, the funeral parlour. F did not demonstrate to provide support and guidance to the family during their time of grief and did not ensure that the funeral service was conducted with dignity and respect, which Clark (2020) claims is expected from funeral parlours.

Some SMMEs were geographical monopolies, especially the rural ones (Kokovin et al., 2020). This seemed to have caused them to be uncompetitive. The arrogance that was explained earlier seemed to be one of the results of SMME viewing itself as the only source of community needs.

The opportunity of geographical monopoly was generally not exploited, and this constituted a lost opportunity (Gropp, 2017). Pramono et al. (2023) describe a lost opportunity as a situation where a potential deal or business prospect was never pursued or recognized adequately, which can be due to several reasons such as limited resources, time constraints, or a lack of awareness about the potential value of the opportunity.

The RUTO SMMEs did not honour the principle of “customer is king” Principle is crucial in business strategy by highlighting the importance of customer satisfaction and respect (So et al., 2024). This violation is clear with taverns and the funeral parlour, among others. Qiu et al. (2024) and others outline the components of the principles as customer satisfaction, respect and courtesy for the customer, customer power, customer expectations, and long-term relationships. However, it is essential to strike a balance between meeting customer needs and maintaining business sustainability, ensuring that both parties benefit from the relationship.

For more themes, the results show that these RUTO SMMEs engaged in unethical, unsafe and unprofessional practices to the detriment of their customers. The issues range from overcharging and refusing refunds to unsafe premises, negligence, and even violence and criminal activities. Many of these practices take advantage of the businesses' monopolistic positions in their markets. The themes summarizing these sentiments are stated below.

#### **Unethical Business Practices**

The following subthemes emerged.

- Overcharging customers or increasing prices mid-project without justification [E]
- Refusing to refund customers or taking an unreasonably long time to issue refunds [A, B, C, G]
- Selling low-quality or expired products [C, D]
- Operating outside of legal hours or licenses [H, J]
- Selling to underage customers [H, J]
- Failing to provide services paid for upfront [F]
- Keeping non-refundable payments for services not rendered [K]

#### **Theme 1: Unsafe Premises and Neglect**

Subthemes are:

- Renting out rooms for illegal activities [B, H]
- Allowing underage individuals in inappropriate settings [H, J]
- Failing to maintain vehicles and equipment [L]

- Not providing adequate medical care after accidents [L]

**Theme 2: Unprofessional Conduct**

Subthemes are:

- Displaying arrogance and hostility towards customers [D]
- Falsely accusing customers of wrongdoing [F]
- Assaulting customers [G]
- Harboring criminal activities like drug dealing [J]

**Theme 3: Monopolistic practices**

Subthemes are:

- Eliminating competition through violence [K]
- Exploiting lack of alternatives in remote areas [C, G]

**Theme 4: Socially Irresponsible Conduct**

Subthemes are:

- Arrogance [D, F]
- Violating the principle of customer is king [F]
- Hosting a 'brothel' [B]
- Other illegal and unethical dealing [B, F]

## 6 Implications for Practice

The RUTO SMMEs' misconduct patterns highlight the need for SMMEs to prioritize customer satisfaction, respect, and safety while maintaining ethical and professional standards. Some practical implications of the misconduct forms observed in SMMEs include arrogance; geographical monopoly; lost opportunity; violation of "customer is king" principle; unethical, unsafe, and unprofessional practices; and socially irresponsible conduct may be offset by countermeasures to enhance acceptable practice and proper business management. They may be offset as follows.

### 6.1 Arrogance

The refusal to provide service, where a service paid for may be denied, should not happen. The RUTO SMMEs should learn to strive to assist customers even when they do not have money, such as selling on credit or so (Martín, 2024). The refusal to provide a service due to perceived inadequacies in the financial system, as seen in the case of SMME F, a funeral parlour that failed to support the family during their time of grief and did not ensure a dignified funeral service. This is counter marketing.

### 6.2 Geographical monopoly

The RUTO SMMEs were provided with geographical monopoly opportunities, where they could be uncompetitive (Moiseev, 2024). However, even if these RUTO SMMEs may view themselves as the only source of community needs, leading to arrogance and lack of competitiveness due to their geographical monopoly, they should anticipate future possibilities as newcomers

and people development are unknown, and anyone of them may relegate them to nothing.

### **6.3 Lost opportunity**

The failure to exploit opportunities and losing business or growth should not be entertained as RUTO SMMEs should opt to be brutally shrewd in being innovative and professional (Ferreira et al., 2024). SMMEs exploit the opportunities presented by their geographical monopoly that could enhance profiting from such opportunities and potential deals or business prospects that were never pursued or recognized adequately.

### **6.4 Violation of “customer is king” principle**

The RUTO SMMEs did not seem to care about making the customers satisfied and did not treat them with respect. According to Kuria (2024), conscious SMMEs can honour the principle of "customer is king" by prioritizing customer satisfaction and respect, in avoiding cases that were followed by taverns and funeral parlours.

### **6.5 Unethical, unsafe, and unprofessional practices**

In practice, business should watch against overcharging their consumers or refusing to refund where they did not provide the service for which the consumer had paid (Kim & Baker, 2020). SMMEs who engage in overcharging and refusing to refund the customers, taking advantage of their monopolistic positions in the market, may be at risk of failing without being aware. Quality should also not be compromised, as the welfare offered to customers by the SMME correlates highly with the sustainability of the SMME. Moreover, SMMEs that sell low-quality or expired products compromise customer satisfaction and safety. Operating outside of legal hours or licenses is bad practice. When SMMEs operate outside of legal hours or licenses, they put customers at risk and violate regulatory norms (Lanzano, 2024). Even the RUTO SMMEs should be guided by ethical principles of the community and legal policies of the area. This includes the avoidance of selling to underaged customers, to provide services that have been paid for, improve customer trust by refunding them if they could not provide the services not rendered, never rent any space for illegal dealings, and not to host criminals.

### **6.6 Socially irresponsible conduct**

Being arrogant, violating the “customer is king” principle and hosting a brothel in a community that is against such activities should not be opted for (Lin, 2024). The RUTO SMMEs should avoid prioritizing their own interests over customer needs. They should prioritize customer satisfaction, respect, and safety while maintaining ethical and professional standards.

## 7 Recommendations

RUTO SMMEs can improve their service quality, customer satisfaction, and competitiveness, and ultimately leading to greater success and growth by being assisted to change their conduct. For the improvement envisaged, it is recommended that these RUTO SMMEs should:

- Invest in hiring and training customer-focused staff,
- Personalize customer experiences,
- Utilize technology to improve customer experience,
- Measure and improve service quality,
- Develop a culture of quality,
- Prioritize quality management, and
- Enhance competitiveness through quality management.

## 8 Conclusion

The findings from the case studies of various SMMEs in RUTO South Africa reveal a pattern of poor service quality, dishonesty, and disregard for customer satisfaction. These SMMEs consistently failed to meet customer expectations, often resulting in negative experiences and financial losses for the customers. The common issues identified include poor service quality, dishonesty, disregard for customer satisfaction, financial losses, and lack of transparency. They are unpacked below.

*Poor service quality:* Many SMMEs failed to provide clean and well-maintained facilities, leading to health concerns and discomfort for customers. For example, the funeral parlour failed to provide services on time, and the taverns were known for operating outside their licensed hours and selling liquor to minors.

*Dishonesty:* Several SMMEs were found to be dishonest in their dealings with customers. For instance, the baker used low-quality ingredients and cooking oil that was recycled, while the SMME selling watermelons refused to refund customers for rotten or defective products.

*Disregard for customer satisfaction:* Many SMMEs showed little concern for customer satisfaction, often responding to complaints with hostility or arrogance. For example, the baker's staff reacted aggressively to a customer's inquiry about the quality of ingredients, and the SMMEs selling watermelons refused to refund customers despite numerous complaints.

*Financial losses:* Customers often lost money due to the SMMEs' failure to provide services as promised. For example, the transportation SMME failed to honour prepaid trips, and the bus tour SMME did not compensate customers for accidents or broken-down buses.

*Lack of transparency:* Many RUTO SMMEs were found to be opaque in their dealings, often hiding information or making false claims. For instance, the funeral parlour failed to inform customers that they had not received payment on time and therefore claiming that they did not receive the payment since it did not reflect on their bank statement. This is despite the customer

sending the proof of payment to the funeral parlour. SMME selling watermelons did not disclose the quality of their products.

These revelations highlight the need for improved service quality, transparency, and accountability in SMMEs in rural and townships to ensure better customer satisfaction and protect the interests of consumers in those parts of South Africa. To address these challenges, SMMEs should focus on the following practical steps which include:

- Improving Customer Satisfaction,
- Enhancing Service Quality,
- Honesty and Integrity Promotion, and
- Transparency Improvement.

By implementing these strategies, SMMEs can increase customer trust and improve their service quality. This can ultimately lead to improved overall performance and customer satisfaction.

However, there is a need for further research to investigate the causes of these shortcomings in detail. Future studies should investigate how management perceptions and organisational cultures of township SMMEs in RUTOs affect service delivery and their moral standards. In addition, further study can be conducted on how transparency policies and customer feedback programs can be implemented to reduce these shortcomings. Exploring these variables may lead to the development of more robust theoretical models of customer relationship management and service quality, which in turn may lead to frameworks for raising service standards and promoting trust in SMMEs.

It is also important to acknowledge the limitations of this study. The case studies were limited in scope and may not fully represent the wider spectrum of black SMMEs in RUTOs. Furthermore, the findings are based on specific cases and may not consider different industry-specific challenges or regional differences. Future research should attempt to address these limitations by including a larger sample, to gain a more comprehensive understanding of service quality and customer satisfaction in SMMEs.

## 9 Authors

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