

An Analysis of the Causes of SMEs Failure in Developing Countries: The Case of South Africa

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Abstract : In the context of developing countries, this study explores a crucial component of economic development by examining the reasons behind the failure of small and medium-sized enterprises (SMEs). SMEs are acknowledged as essential drivers of economic expansion, job creation, and poverty alleviation in emerging countries. This research uses South Africa as a case study to evaluate the reasons why SMEs fail in developing nations. This study explores a quantitative research methodology to investigate the complex causes of SME failures using statistical tools and reliability tests. To ensure the viability of data collection, a sample size of 400 small business owners was chosen using a non-probability selection technique. A closed-ended questionnaire was the primary technique used to obtain detailed information from the participants. Data was analysed and interpreted using computer software packages such as the Statistical Package for the Social Sciences (SPSS). According to the findings, the main reasons why SMEs fail in developing nations are a lack of strategic business planning, a lack of funding, poor management, a lack of innovation, a lack of business research and a low level of education and training. The results of this study show that SMEs can be sustainable and successful as long as they comprehend and use the suggested small business success determining variables into their daily operations. This implies that the more SMEs in developing countries implement the proposed determinant factors of small business success in their business operations the more the businesses are likely to succeed and vice versa.

Keywords : failure, developing countries, SMEs, economic development, South Africa

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