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## Enterprise resilience and economic justice: A review of Small and medium enterprises (SMES) strategies in Eastern Cape, South Africa

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**Abstract:** This study examines how small and medium enterprises (SMEs) in South Africa's Eastern Cape Province build resilience in a context shaped by persistent poverty, high unemployment, and underdeveloped infrastructure. Employing a qualitative research approach, the study draws on a conceptual integrative literature review and thematic analysis of interdisciplinary literature from development economics, entrepreneurship, and innovation systems. The paper explores the role of SMEs in advancing economic justice through inclusive enterprise development and analyses how SMEs have responded to a range of structural and external disruptions, including digital transformation and energy insecurity. Key themes include township and rural entrepreneurship, digital adoption among informal enterprises, participation by youth and women-led SMEs, and the effectiveness of public and private support mechanisms. The review highlights the critical role of institutional factors such as access to finance, local government policy, and business development services in either enabling or constraining SME resilience. Emerging from the study SME resilience is not only a response to disruption but also a pathway toward addressing deeper issues of inequality and exclusion. However, the paper reveals significant gaps, particularly in longitudinal studies, digital capability-building in informal contexts, and the integration of indigenous knowledge into business practices. The research concludes that understanding SME resilience in the Eastern Cape requires attention to both structural barriers and place-based innovation. By linking resilience to economic justice, the paper contributes to broader debates on inclusive growth and the potential of SMEs to drive more equitable development in marginalised regions.

**Keywords:** Eastern Cape; economic inclusion; enterprise; inequality; resilience; technological disruption

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### Introduction

In South Africa, small and medium enterprises (SMEs) are essential drivers of economic expansion and sustainable development. Their importance stems from their role in reducing unemployment and poverty, especially through employment-generating initiatives that target underprivileged and vulnerable populations. These vibrant companies make up an astounding 91% of South Africa's established

firms, employ over 60% of the workforce, and make up roughly 34% of the country's overall GDP (Sibiya et al., 2023). SMEs are seen as important productive forces behind inclusive economic growth and development on a global scale (Ziyane et al., 2023).

However, SMEs in South Africa are confronted with challenges, including lack of managerial skills, market access issues, criminality, and corruption. Furthermore, tax laws rarely provide the encouragement and support small businesses need to take advantage of reduced tax advantages and programs. Like large organisations, SMEs can experience bureaucratic constraints, particularly in regulatory compliance and administrative procedures, which often strain limited managerial capacity. In the SME context, these bureaucratic pressures frequently result in weak management practices, limited business planning, and reactive rather than proactive decision-making. Compounding these challenges is the lack of adequate strategic decision-making (SDM) skills, which restricts owners' and managers' ability to align resources, anticipate market changes, and respond effectively to uncertainty. As a result, inadequate SDM not only intensifies the negative effects of bureaucracy but also contributes directly to poor performance and higher failure rates among SMEs (van Wyk, 2023). This calls for a critical review on the role of Small and Medium Enterprises (SMEs) strategies in Eastern Cape, South Africa.

Many SMEs remain unsustainable due to different barriers they encounter, despite the South African government's efforts to encourage entrepreneurship through policies, plans, and initiatives. Research has shown that South Africa has one of the highest failure rates for SMEs when compared to other developing countries, with a failure rate of between 60% and 80% during the first and second years of operation (Mhlongo & Daya, 2023). Nevertheless, SME's in Eastern Cape are the main drivers of economic development and poverty alleviation.

The purpose of this study is to critically examine how small and medium enterprises (SMEs) in the Eastern Cape, South Africa, build enterprise resilience through specific strategic practices, and to assess how these strategies contribute to economic justice and sustainable regional development. Specifically, the study seeks to identify the key resilience-oriented strategies adopted by SMEs, analyse the structural and institutional barriers that constrain their effectiveness, and highlight opportunities that can enhance SME performance in the province. In this way, the study hopes to give policymakers and business executive's practical suggestions for enhancing SME sustainability and their contribution to inclusive economic growth.

This study adopts an integrative literature review design rather than a systematic review, with the objective of synthesising diverse theoretical and empirical perspectives on SME resilience and economic justice across disciplinary domains. To enhance methodological transparency, the review followed a structured search and screening process. Relevant literature was identified through searches of major academic databases, including Scopus, Web of Science, Google Scholar, and ScienceDirect, using combinations of keywords such as "SME resilience", "small and medium enterprises", "economic justice", "entrepreneurship", "digital transformation", "township and rural enterprises", and "South Africa" or "Eastern Cape". The search process yielded a broad pool of studies, from which 41 sources met the inclusion criteria and were retained for analysis. The final sample comprised 35 peer-reviewed journal articles, supplemented by policy reports, conceptual papers, and book chapters drawn from journals and publications in development economics, entrepreneurship, innovation studies, and public policy, published between 2010 and 2025.

Inclusion criteria focused on studies addressing SME resilience, enterprise development strategies, institutional support mechanisms, or inclusive economic outcomes within developing and South African contexts, particularly those relevant to marginalised, township, and rural economies. Studies were excluded where they focused exclusively on large enterprises, lacked conceptual or empirical relevance to SME resilience, or fell outside the defined temporal and thematic scope. The selected literature was analysed using thematic analysis to identify key concepts, recurring patterns, and critical research gaps. This integrative approach enabled the synthesis of interdisciplinary evidence while maintaining analytical rigour and conceptual breadth.

### ***Theoretical framing: Linking resilience to economic justice***

Dimensions of resilience in SMEs include firm survival, limiting vulnerability, quick recovery, sustainability, performance growth, responsiveness, and the creation of new possibilities and capabilities in a demanding environment. Resilience for SMEs refers to the ability to adapt to unstable economic conditions, control risks, and take advantage of development and survival chances (Msomi & Olarewaju, 2024). Resilience is merely a response to a crisis and is viewed as a pattern rather than a collection of managed actions and procedures (Hussen Saad et al., 2021). According to both theoretical and empirical research, the most direct explanation for why

businesses are able to successfully navigate through crises is business resilience. This is due to the fact that highly resilient businesses are capable of overcoming existential crises and possess significant organizational resilience. Resilient firms are more likely to stay relevant and responsive to changes in the market because they can adjust to them (Chen et al., 2021).

Resilience in SMEs in low-income regions must also be interpreted in light of systemic limitations such as historical marginalization, institutional failure, and inequity. Economic justice is still a constitutional requirement in South Africa, where it is entwined with the post-apartheid transition program. Therefore, this paper places SME resilience in the larger context of the fight for economic justice, contending that resilient enterprise strategies should be assessed for their ability to empower marginalized groups, reduce inequality, and foster inclusive growth in addition to their economic efficiency in Eastern Cape, South Africa.

## **Literature review**

### ***SME resilience under geopolitical and technological disruption***

Entrepreneurial resilience has been greatly influenced by global supply chain interruptions, particularly in light of geopolitical conflicts like the Russia-Ukraine war and incidents like the COVID-19 pandemic. Widespread shortages, delays, and higher operating expenses are the results of these disruptions. For example, disruptions in the supply chain caused a 7% drop in global trade in 2020. Furthermore, 75% of firms experienced production limitations as a result of pandemic-related issues, and nearly 93% of organizations reported supply chain disruptions. Vulnerabilities have been made clear by these interruptions, especially the over-reliance on some areas, such as China, which supplies 25% of the world's industrial capacity (Mbonigaba & Sujatha, 2024). These disruptions highlight SMEs' heightened vulnerability to external shocks and underscore the critical importance of building enterprise resilience in an increasingly uncertain global environment. Since SME's are the foundation of the economy, their survival and resilience are critical in times of economic, health, or social crises like war or political unrest. In order to guarantee an increase in the global gross domestic product (GDP), these businesses also support economic globalization. Consequently, the challenges brought about by the process of economic globalization, including the global financial and economic crises, market rivalry, and religious disputes, have a significant impact on how SME's can develop and function throughout time (Mohamed Senin et al., 2024). Thus, there is a great need for resilience for SME's in the Eastern Cape Province.

### ***Inclusive enterprise development and economic justice***

Encouraging the previously marginalized black majority to effectively participate in the economy has been one of the main problems of South Africa's democratic project. As the main instrument used to promote racial change, the broad-based black economic empowerment (BBBEE) policy is evaluated and determined to have had a limited influence, despite some advancements (Vilakazi & Bosiu, 2021). Despite its emphasis on sustainable development, the 2030 Agenda also highlights inclusive development principles, making room for the achievement of social, ecological, and relational inclusivity. Its commitment to reach those who are most in need first and to leave no one behind further shapes these ideals. Therefore, the Sustainable Development objectives (SDGs) vision of inclusive development draws on upholding social justice and human rights, which serve as the foundation for the SDGs' 169 targets and 17 objectives (Gupta & Vegelin, 2023). Thus, the limited impact of BBBEE, alongside the inclusive development vision of the SDGs, underscores the need to reassess how empowerment policies translate into tangible economic participation. This highlights the importance of examining SME strategies as potential mechanisms for advancing economic justice and inclusive development in South Africa.

Within the South African economy, SMEs play a crucial role in reducing poverty by creating jobs and promoting change by achieving B-BBEE goals. The government's main goal with the B-BEE initiative was to empower Black people by giving them access to financing. This would help with unemployment since it would lead to additional job opportunities. However, B-BBEE regulations have not yet benefited the masses, or the majority of formerly disadvantaged Black people. B-BBEE has primarily benefited those with political ties since its beginnings, hence the idea of B-BBEE addressing the inequity of the black majority has not yet been implemented (Musabayana & Mutambara, 2022). The establishment of inclusive enterprises is frequently motivated by necessity rather than opportunity, based on findings from the Eastern Cape major towns. Many entrepreneurs work in environments with low agency capital, inadequate infrastructure, and a lack of institutional support, especially in rural locations such as Bisho, Komani, Indwe, eBhfofolo just to mention a few.

### ***Township and rural entrepreneurship***

The typical South African township is said to be plagued with backyard shacks, illegal electricity connections, overcrowding, unemployment, extreme poverty, and inadequate sanitation. The obstacles faced by non-expert township small business owners (NTSBOs) include high rates of substance abuse, high school dropout rates, the existence of informal settlements, and inadequate infrastructure. The majority of township entrepreneurs are unaware of and unable to use the government's existing financial and non-financial support programs for business owners. Township businesses that carry the same things in other places to sell to the same clients present another difficulty, which prevents them from differentiating themselves to obtain a competitive edge (Nyoni & Moos, 2022). South Africa is home to townships, which are a remnant from the now-defunct apartheid regime. Townships, which are marked by a dearth of resources and infrastructure as well as high unemployment rates, are still clearly affected by historical neglect, overcrowding, inadequate investment, and remoteness from metropolitan regions. However, despite their economic significance, many SMEs in the region are unable to realise their full potential or generate broader economic benefits due to persistent constraints in resources, infrastructure, and skills development. What remains insufficiently understood is how SMEs strategically adapt to these constraints to build resilience, particularly within resource-poor and marginalised communities. The government has recognized the potential of township SMMEs to create jobs and boost economic growth (Wiid & Cant, 2021). While township SMEs are widely acknowledged as engines of employment and local economic growth, persistent structural constraints continue to limit their performance and differentiation. This highlights a critical gap in understanding how township-based SMEs develop resilience strategies that will enable them to overcome contextual disadvantages and translate economic potential into sustainable and inclusive outcomes.

In line with the National Development Plan's vision 2030, rural entrepreneurs particularly those in the mining and agricultural sectors are essential to increasing the competitiveness of rural economies in terms of growth and exports on a national scale. However, the majority of rural areas in South Africa deal with a number of issues, including inequality, poverty, and unemployment (Utete & Zhou, 2024). At the firm level, small, medium, and micro-sized enterprises (SMEs) operating within township and rural economies in the Eastern Cape remain marginalised, particularly due to limited access to finance and business support, which constrains their growth and resilience. These firm-level challenges are embedded within broader community-level socio-economic conditions, which shape the operating environment but are not the primary unit of analysis in this study.

### ***Digital adoption in the informal economy***

Technology-enabled digital transformation of SMEs has the ability to quickly grow their supplier and client networks, offer new business models targeted at enhancing operations, and produce goods and services for revenue generating and value creation. The discussion of SMEs' adoption of technology also suggests that using technology is more likely to boost cross-border trade and mobility as well as strengthen ties with other SMEs (Achieng & Malatji, 2022). Mtengwane (2024) noted in previous research that little is known about digital devices and digital transformation. In addition, there was evidence that the digital transition requires firms to use computers to operate. The difficulties that SMEs in Mthatha, Eastern Cape, face in implementing digital transformation can be attributed to a variety of natural, cultural, social, and economic variables that limit their ability to access, utilize, and embrace digital transformation. Time constraints, a lack of ICT expertise, poor usability, issues with rural networks and connectivity and fraud and mistrust of technology are the primary challenges. Natural constraints include unreliable electricity supply and limited network infrastructure, which disrupt consistent digital access. Cultural barriers relate to low digital literacy and resistance to technology adoption among some SME owners. Social factors include weak entrepreneurial networks and gendered access to digital resources, particularly affecting women-led enterprises. Economic constraints, such as high data costs, limited access to digital devices, and financial resource shortages, further restrict SMEs' ability to invest in digital technologies. Together, these factors reinforce the digital divide and constrain SME resilience and competitiveness (Mtengwane, 2024). However, Telukdarie et al. (2023) opined that the digital transformation and restructuring of SMEs is essential for fostering economic growth and the fast-paced expansion of globalization, which in turn fosters innovation and the long-term commercial sustainability of SMEs. These interconnected barriers indicate that digital transformation among SMEs in Mthatha is shaped not only by technological readiness but also by deeper structural and institutional constraints. Addressing these challenges is therefore essential if digital adoption is to enhance SME resilience, competitiveness, and inclusive economic growth in the Eastern Cape.

### ***Youth and women-led SME participation***

In order to accomplish the Sustainable Development Goals (SDGs) by 2030, women entrepreneurs are proactive change agents. The number of women and men who own and manage SMEs continues to differ significantly, notwithstanding recent advancements in promoting women's entrepreneurship. Deeply rooted legal, social, and cultural discriminatory gender norms and practices are the root cause of gender gaps in business. These gender disparities continue to impact women and girls, as well as men and boys, and affect every part of their everyday lives. Furthermore, they directly impact women's business endeavors (Estrada & Schuber, 2022). In recent years, there has been a growing recognition of the potential of female entrepreneurs to drive economic growth and prosperity in the country. To support and encourage female entrepreneurs, the South African government has put in place a number of programs and laws. In order to encourage women's involvement in all facets of the economy, including entrepreneurship, the government introduced the Women Empowerment and Gender Equality Bill in 2011. Despite the government's efforts to encourage gender equality in entrepreneurship, women entrepreneurs continue to confront numerous barriers that keep them from becoming successful. Among the challenges women have in attempting to access the same opportunities as their male counterparts include financial limitations, lack of access to education, and inadequate infrastructure (Nhleko et al., 2023). Despite policy recognition and targeted interventions, persistent structural and gender-based barriers continue to limit women entrepreneurs' full participation and success, underscoring the need for more effective, context-sensitive strategies that translate empowerment initiatives into sustainable enterprise resilience and inclusive economic outcomes.

Young people must stay motivated and view entrepreneurship as a career option if the entrepreneurship process is to effectively handle South Africa's youth unemployment challenge. They must believe that entrepreneurship has the power to transform their lives and enable them to support the nation's economic growth, which is the ultimate goal. Strong policies that take into account social dynamics must be put into place; for instance, they should assist female entrepreneurs with formalization procedures (Ndlovu et al., 2024). Thus, assisting youth and women entrepreneurs is not only an issue of equity but also of economic viability. The SME sector can become more resilient and realize unrealized economic potential by implementing targeted policies and ecosystem-building initiatives that address the unique demands of these businesses particularly in the Eastern Cape Province.

### ***Conceptual framing: Enterprise resilience and economic justice***

Enterprise resilience is the ability of a corporate organization to both recover to a state that ensures its existence and acquire the capacity to function in the face of disruption (Bağ & Jedynak, 2025). In the business world, resilience is the ability of an organization to anticipate, endure, and recover from setbacks while becoming stronger and more flexible than it was before (Amin et al., 2024). In this study, enterprise resilience is treated as an operational and analytical concept, referring to the capacity of SMEs to anticipate, absorb, adapt to, and recover from external shocks such as geopolitical instability, technological disruption, and structural constraints. Therefore, resilience is reflected in firm-level strategies including adaptive business models, digital adoption, resource reconfiguration, and engagement with support institutions.

In contrast, economic justice refers to the fair allocation of economic resources, and it is often achieved through judicial processes. A well-functioning judicial system provides the foundation for realizing economic justice. The strength of this relationship is reflected in the rule of law and the extent to which it is upheld, showing that effective courts and legal frameworks are essential for ensuring equitable economic outcomes (Lalude & Fatehinse, 2020). Within the South African context, economic justice is linked to historical exclusion, spatial inequality, and the marginalisation of township, rural, youth-, and women-led enterprises. It provides the evaluative lens through which the broader developmental implications of SME resilience are assessed.

This review conceptualises the relationship between the two as complementary rather than synonymous: while resilience explains how SMEs survive and adapt, economic justice evaluates who benefits from these adaptive processes and whether resilience contributes to inclusive and equitable development. Institutional factors such as access to finance, policy support, infrastructure, and digital ecosystems mediate this relationship by either enabling resilience to translate into economic justice or reinforcing existing inequalities.

## **Institutional and policy frameworks**

### ***National SME policy landscape***

An SME Support Plan was created in 2019 by the South African government through the Department of Small Businesses. It included a comprehensive overview of how each departmental entity contributed to the goals of the National Development Plan 2030 and the Medium-Term Strategic Framework. SMEs in South Africa continue to fail, as seen by the business discontinuance rate, even after the department provided this comprehensive blueprint.

The disparity between the amount of government investment in the SME sector and the success rate of SMEs in South Africa is concerning, and creating an SME support framework could be one way to bridge this gap and require the government to achieve a return on investment (Rungani, 2022). Although these policies are clearly stated and backed by committed organizations, there are still significant implementation issues, especially in underserved and rural provinces like the Eastern Cape, notably in places like Nqamakwe, Ngqeleni, Port St. Johns, Qolora Mouth, and Qumbu.

### ***Provincial and local government initiatives in the Eastern Cape***

Minister Stella Ndabeni-Abrahams travelled to the Eastern Cape in 2023 to address issues of inequality, unemployment, and sustainable livelihoods in order to assist small enterprises and informal traders. She established the Crudastar Incubator to create a supportive environment for the growth and development of small businesses, with an emphasis on start-ups based in rural and township areas that are owned by women, young people, and people with disabilities (Botha, 2023). These programs, however, frequently suffer from a lack of strategic coordination, inadequate finance, and insufficient capacity, as well as assessments of the Eastern Cape's LED initiatives.

SMEs encounter an extra degree of institutional complexity in rural and traditional authority regions, where access to land, infrastructure, and official enterprise services is complicated by the dual governance systems (state and customary). These factors make it more difficult for unofficial enterprises, particularly those run by women and young people, to grow or become officially recognized.

### ***Access to finance: Persistent structural barriers***

In South Africa, SMEs find it difficult to survive. Approximately 75% of small firms in South Africa do not develop into respectable companies. FinTrust's study in South Africa indicates that one of the main reasons small businesses fail is a lack of finance. The availability of funds is more of a problem when it comes to funding small businesses than the sources of funding. Small businesses' access to financing has been hampered by the stringent requirements placed by South African financing institutions, including collateral, credit position, and company plan (Eze & Lose, 2023). The growth and survival of SMEs depend heavily on the availability of funding. Establishing a dependable source of capital and revenue is especially important for SMMEs. Entrepreneurship is negatively impacted by SMEs' incapacity to raise business funding because of limited access to financial institution financing. Existing SMEs might not have the resources to buy supplies, hire trained workers, build infrastructure, handle distribution and transportation, or get the know-how needed to grow or endure in challenging times. This might restrict competitiveness and growth (Sibiya et al., 2023). These financing constraints remain a central barrier to SME survival and growth in South Africa, limiting their ability to build resilience, compete effectively, and sustain operations in challenging economic conditions.

The following barriers were noted in addition to the challenges that SMEs in South Africa face, including limited infrastructure and access to capital: poor marketing, poor financial management, limited information availability, insufficient government assistance, technological limitations, legal and regulatory constraints, and criminal activity (Ogujiuba et al., 2023). Therefore, one of the most frequently mentioned obstacles to the expansion and resilience of SMEs in South Africa is access to financing, especially in the Eastern Cape, where many business owners lack official credit records, collateral, or business registration.

### ***Business development services (BDS) and capacity building***

Due to the poor sustainability rates of SMEs in the nation, the South African government has put in place a number of programs designed to meet the demands of business owners. Among the programs that give entrepreneur's non-monetary assistance to enhance their skills is business development services (BDS) (Eister

& Msimango-Galawe, 2024). Donor organizations came up with the phrase “business development services” (BDS) in an effort to improve the performance of SMEs in developing countries, which could ultimately result in social and economic growth. They defined BDS as the non-financial services and goods that business owners can use to satisfy their requirements and, eventually, boost their productivity and competitiveness. Training, marketing, technology development and transfer, information access, business guidance, consulting and counselling, managerial, policy impact, and administrative services (Njoroge & Kaluyu, 2020). However, there are disparities in the quality and accessibility of BDS in the Eastern Cape. Although there are incubators and entrepreneurship centers in urban areas like East London and Mthatha, many rural entrepreneurs are still cut off from these ecosystems. Language and literacy problems, cultural mismatch between local businesses and service providers, a lack of knowledge about available support, and an excessive dependence on generic, non-customized training methods are some of the difficulties.

### ***Public-private partnerships and NGO involvement***

PPPs, or public-private partnerships, have been used extensively to assist SMEs by combining the networks, resources, and knowledge of the public and private sectors. PPPs have proven to be a useful instrument for resolving these SMEs’ issues and advancing their growth. The author contends that SMEs’ participation in PPP projects is still noticeably low in developing countries, despite their importance in creating jobs, lowering inequality, and reducing poverty (Mbongwe & Willie, 2025). To achieve a certain goal, partnering with a private organization necessitates a joint commitment from the public institution and the private organization. However, mutuality is not the sole requirement for attaining the intended result through competence and dedication; organizational identity is also crucial for a partnership (Tauté, 2021). Despite their potential to support SME growth and address inequality, the limited participation of SMEs in PPPs highlights structural and institutional barriers that constrain effective collaboration. Understanding how partnership design, organizational identity, and capacity alignment influence SME inclusion in PPPs is therefore essential for leveraging these arrangements to promote enterprise resilience and inclusive development.

The systemic impact of poor or nonexistent Public-Private Partnerships (PPPs) is restricted in the Eastern Cape’s rural areas. Poor coordination and sustainability planning are evident in the introduction of multimillion-rand chicken facilities in Grahamstown and another abattoir constructed under the chicken Industry Master Plan, but they were never put into use and were vandalized. In Amathole and Sarah Baartman, small-scale farmers find it difficult to engage in contract farming due to inconsistent inputs, far-off markets, and mistrust between growers and agribusiness companies.

### **GAPS in the literature and critical reflections**

#### ***Limited place-based analysis of SME resilience***

Building strategic alliances is a proactive way to increase SME resilience for efficient disruption response and anticipation. Making the adoption of pertinent technology a top priority with legislative backing can improve productivity and flexibility. Investing in a strong workplace culture through ongoing training, employee involvement, and flexible HR tactics is essential. The fact that a sizable proportion of these SMEs fail quickly is depressing, nevertheless. Despite the sector’s significance and the assistance it receives in South Africa, more than 80% of these companies fail within three years of their founding. The necessity for SMEs to be resilient is highlighted by this startling failure rate, which is becoming more and more important for their survival and success when faced with obstacles like global crises and economic volatility (Msomi & Olarewaju, 2024). The underrepresentation of region-specific research, especially with regard to peripheral provinces like the Eastern Cape, is a significant gap in the literature. Although there are many studies on SME growth conducted at the national level, they frequently use generic assumptions and aggregated data, which leaves out the distinctive historical, geographic, and socio-political dynamics of economically excluded areas.

#### ***Lack of longitudinal and impact-oriented research***

In the backdrop of South Africa’s economic environment, SME sustainability is crucial. However, the government and private organizations are also concerned about recent trends. South Africa saw a concerning drop in the number of registered businesses during the 2020–2021 fiscal year, indicating a significant obstacle. The total number of SMEs functioning in the sector decreased by 11% as a result of this fall, which translated into a significant drop from 2.61 million to 2.33 million in just one year. Furthermore, the migration of businesses from different parts of South Africa into major cities like Gauteng, Cape Town, the Eastern Cape, and Durban has

exacerbated this change in SME dynamics (Sibiya et al. 2023). Nevertheless, longitudinal impact studies that follow the results of digital transformation projects, enterprise support programs, or governmental interventions in township and rural settings are scarce. Furthermore, not many research examine resilience as a relational, dynamic process that is ingrained in place-based socioeconomic systems.

### ***Under-exploration of digital inclusion in informal economies***

The discrepancies in access to the Internet and other ICT that propel globalization for families, individuals, and enterprises worldwide are referred to as the “digital divide.” This is due to the fact that, in most developing nations, information flows into large cities or metropolitan areas more frequently than it does into rural and local populations (Aruleba & Jere, 2022). In rural South Africa, digital exclusion is still a major problem that exacerbates already-existing socioeconomic divides. Communities like Mkatazo village in the Eastern Cape face additional difficulties due to inadequate infrastructure, exorbitant prices, and low levels of digital literacy. Mkatazo, which the researchers could easily access, is a typical South African community with poor digital literacy, inadequate ICT infrastructure, and financial constraints. There are about 748 people living in Mkatazo village in Elliotdale, Eastern Cape, and the majority of them make their living through informal trade and subsistence farming. Residents of the village find it challenging to afford ICT resources due to the lack of economic prospects, high unemployment rate, and low family incomes (Mwansa et al., 2025). More in-depth studies on digital capability-building in informal and rural contexts are therefore required, especially on the ways in which digital technologies are embraced, modified, or opposed in day-to-day company operations. Furthermore, the confluence between gender, youth, and digital marginalization remains poorly understood in the Eastern Cape Province.

### ***Weak integration of indigenous knowledge and local innovation***

Strategic planning is a crucial tool that directs decision-making at all organizational levels, even if SMEs may not utilize it frequently. IKS’s integration into strategic and operational planning encourages grassroots adoption of sustainable practices, impacting choices about resource management, production procedures, and customer service. Due to their susceptibility to environmental shifts, SMEs encounter a number of challenges that hinder their sustainability initiatives and frequently lead to their extinction. As a result, applying IKS to all aspects of business operations from everyday tasks to strategic planning gives SMEs crucial insights to prosper in the face of harsh environmental conditions (Manyaga et al., 2024). However, a large number of small and medium-sized businesses in rural and township regions like Gqeberha, Makhanda, and Nqanqarhu mostly depend on unofficial, culturally rooted survival tactics like traditional value chains, barter systems, and communal savings organizations. Policymakers and academics run the risk of promoting colonial and extractive development paradigms that disregard local knowledge if they do not incorporate these systems into official enterprise support institutions. Indigenous strategies have a chance to be revalued as a component of a pluralistic innovation ecosystem rather than as being obsolete or inadequate.

### ***Overreliance on formal metrics of success***

SMEs in South Africa also confront other difficulties, including lack of managerial skills, market access issues, criminality, and corruption. Also, tax laws rarely provide the assistance and motivation required to promote small businesses with reduced tax breaks and programs. SMEs experience bureaucratic challenges that lead to poor management and business abilities, choices, and practices, just like large organizations do (van Wyk, 2023). As they try to “make sense” of the world around them, managers are challenged by the connections between people, ideas, and beliefs. Entrepreneurs need to understand the intricacy of the current environment in which they work and that there is no “simple” solution to the problems they face (Mhlongo & Daya, 2023). These overlapping managerial, institutional, and environmental challenges underscore the complexity of operating SMEs in South Africa and highlight the limitations of one-size-fits-all policy solutions. This reinforces the need to examine how SMEs develop strategic decision-making and resilience capabilities to navigate uncertainty and sustain performance in constrained contexts.

When success is determined only by formal measurements like profit, revenue growth, or job numbers, which can ignore significant social and community implications, SMEs in some parts of the Eastern Cape frequently experience difficulties. Small-scale agricultural cooperatives, for instance, may make only minor profits in Amathole and Sarah Baartman, but they also provide vital jobs, improve local food security, and promote skill development values that are not readily measured by traditional financial metrics. Similarly, although their

influence is sometimes overlooked in mainstream reporting, informal traders in rural communities like Lusikisiki support social cohesiveness and empowerment, especially for women and young people.

## **Discussion of findings**

Despite the existence of specific and established policies and strategies for rural development, South Africa, and the Eastern Cape (EC) province in particular, continue to face complex and interrelated development challenges as a result of apartheid's legacy, which left behind serious inherited structural deficiencies. At the heart of this uneven underdevelopment are rural poverty and deprivation, particularly in the former homelands, which bear the brunt of structural struggles; these challenges necessitate both community involvement and combined efforts of inter-sectoral capabilities.

The barriers to rural development are varied and include a high brain drain from educated people moving to towns and limited opportunities for attracting jobs to underprivileged areas (Mpongwana & Ciske, 2024). The consequence is a long list of unsuccessful agricultural initiatives in the Eastern Cape, such as the Siyazondla Homestead Food Production Programme, the Massive Food Production Programme (MFPP), the Accelerated and Shared Growth Initiative for South Africa, Eastern Cape (AsgiSAEC), and others. The parastatal Magwa Tea plantation, microfinance for self-employment and community-based work creation programs, and tourism development interventions are among the attempts at job creation that face comparable challenges (Hajdu et al., 2020). Major towns of EC including; Bhisho, East London, Port Elizabeth, Grahamstown as well as Mthatha indicated a high number of migration amongst qualified youths to major cities such as Durban, Cape Town and Johannesburg in search of greener pastures. This has led to a decrease in youth participation in SME's ventures. Hence the majority of SME's are operated by the older generation (Botha, 2023). These persistent structural barriers, including youth migration and limited local employment opportunities, constrain rural SME development in the Eastern Cape and underscore the need to understand how SMEs adapt to sustain operations and foster inclusive economic growth.

Despite South Africa's successful democratic transition, the country's upper-middle-income poverty and inequality rates continue to be high. The rate at which human capital is developing is still insufficient to address the socioeconomic problems. Because of its rural setting, the Eastern Cape has more severe issues with poverty, inequality, and poor education than other South African provinces. From a provincial standpoint, the province's students perform among the worst on both international and National Senior Certificate (NSC) exams (Moyo et al., 2022). Corroborating the above, in several Eastern Cape villages, there exist conflicts regarding the "royalization" of previously elected village chiefs. Cala Reserve, in the Xhalanga district of the old Transkei section of the Eastern Cape, was one such case that resulted in a well-known court case. The summary that follows is based on court records and the academic research of Tom Boyce and Fani Ncapayi. It is evident from the Eastern Cape government's policies, actions, and inaction that bolstering the status and function of top traditional leaders takes precedence above defending the democratic rights of its citizens (Ubink & Duda, 2021). Thus, a lack of access to land inhibits people to start new venture projects in Eastern Cape.

With over 6.6 million residents, the Eastern Cape Province has the third-highest population density in the nation, with 39 persons per square kilometer. Because a sizable portion of the population more than 65% are African, the Eastern Cape Province has a primarily rural feel. This is further explained by the fact that two of the once rural "TBVC states" are now part of this province. Despite this, women make up the majority of the population in the Eastern Cape, accounting for 57% of those aged 15 to 64, which is far higher than the national average of 51%. Gender bias in the entrepreneurial discourse, motivation for women entrepreneurs, their contribution and the support they need were all highlighted in earlier studies on women entrepreneurs in the Eastern Cape Province (Donga & Chimucheka, 2024). Across various towns and rural areas of Eastern Cape findings indicated the dominance of the patriarchal system which highly inhibits women to start new ventures.

Despite South Africa's successful democratic transition, the country's levels of poverty and inequality are consistently high for an upper-middle-income nation. In addition, a large percentage of the population receives poor quality education, which has contributed to a consistently high unemployment rate. Enhancing educational quality and fostering skill development are top priority of both the Eastern Cape Provincial Development Plan (PDP) and the National Development Plan (NDP) (Moyo et al., 2022). Majikijela, 2025 This calls for the integration of economic justice in the Eastern Cape Province. Governance ought to prioritise the province in its national development policies.

## Conclusion

In spite of ongoing geopolitical, technological, and structural obstacles, resilient SMEs are essential to promoting equitable development, in the Eastern Cape. Enterprise resilience and economic justice are closely related. While many SMEs show adaptability through innovation, digital transformation, and community involvement, the literature points out that these businesses' development and survival are frequently hindered by a lack of funding, poor infrastructure, and disjointed institutional support. Localized value chains, cooperative models, and focused policy interventions are examples of inclusive initiatives that are becoming essential for advancing economic justice and lowering inequality. However, there is still disparity in the effectiveness of institutional systems, necessitating better coordinated, contextually aware strategies that take into account the distinct socioeconomic dynamics of the Eastern Cape. Future studies should examine the long-term effects of resilience-building programs, evaluate how well inclusive models scale across different geographical areas, and create reliable metrics to analyse how justice and resilience interact in SME ecosystems.

## Declarations

**Interdisciplinary Scope:** This study adopts an interdisciplinary approach by integrating perspectives from development economics, entrepreneurship studies, innovation systems, public policy, and governance to examine SME resilience and economic justice in the Eastern Cape. By synthesising theoretical and empirical insights across these domains, the paper moves beyond single-discipline analysis to explore how institutional, socio-economic, and technological factors intersect to shape enterprise sustainability. This integrative framing enables a more holistic understanding of SME resilience as both an economic and social justice concern within marginalised regional contexts.

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