

# Research proposal on finance

[Parts of the World](#), [Africa](#)



## **Renewable energy independent power producers in South Africa: The analysis of financial mechanisms for small and medium enterprises**

With the increased cost of power production and generation in most countries across the world, particularly the developed and developing ones, the global countries have found it necessary to major in renewable sources of energy, especially, considering the fact that this will not only reduce the cost of power production, but also the risk of power depletion from the sources (for example, oil fuel as a source of power) (Wirth, 2012, p. 214).

One of the countries that have adopted this strategy includes South Africa, which is one of the fastest growing economies, not only in Africa, but also in the world's middle class countries (OECD Publishing, 2010, p. 112).

The establishment of a renewable source of energy for the industries in South Africa, however, has been one of the most costly strategy that both the government and the private investors and entrepreneurs have had to face, especially, in order to establish a system that will be continually be used for a long time in the country (Sunderasan, 2011, p. 8). At the same time, considering that this establishment is a procedure that will take time before its full implementation, this is yet another challenge that the government as well as the entrepreneurs and investors have not been able to effectively address, since they have not ascertained the total cost that they will use in order to achieve the same (Janssen, 2011, p. 89).

The small and the medium enterprises have been the most affected, in terms of the financial mechanisms and input that they apply, especially in the generation of a consistent and reliable renewable source of energy (Taleb,

2010, p. 90). For example, after the government signed a contractual agreement with independent power providers and suppliers in May 2012, the contract cost the government R47 billion for a renewable power supply of 400 megawatts annually. This, therefore, means that the government facilities will have to part with R47 billion collectively, for an annual power supply of 400 megawatts. This is one of the reasons why the government has found it necessary to develop its own, sustainable source of power, by tapping into solar power for example, in order to have a steady supply of power, and for a lower cost (Fakir, 2010, p. 116).

The small and medium enterprises and investors have been the most affected in this case, since they have had to invest a lot in the development of a strategy that will cut the cost of power and energy provision bills (Winkler, 2009, p. 23). For example, in the year 2012 alone, over 100 South African companies formed partnership, and brought together R67 billion in order to develop a renewable power source for based on solar energy by the year 2014 (South Africa Government, 2013, para 10). The companies included in the partnership were from Limpopo, Northern Cape, Free State, North West, Pretoria and Eastern Cape. At the same time, the government established 28 projects which mainly targeted the government industry as well as the large scale industries, and contributed R47 billion for the same cause (Engineering News, 2013, Para. 7-8).

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